



SIEM SHIPPING INC.

REPORT FOR THE FIRST HALF 2017

31 July 2017 – SIEM SHIPPING INC. (the “Company”) announces its results for the half year ended 30 June 2017, 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 32 vessels with a total capacity of 19 million cbft.

According to the Company strategy to complement the reefer activity with other shipping activities, the Company has contracted with Uljanik Shipyard d.d. in Croatia to build two 7,000 CEU pure car-and-truck carriers (“PCTCs”; CEU means car-equivalent units). The Company further expanded its capacity in the car carrier market during the second quarter of 2016 when it acquired all the shares of Auto Marine Transport Inc., which had three 7,000 CEU PCTC vessels under construction at Uljanik. The first vessel *Siem Cicero* was delivered to the Company on 29 June 2017 and commenced a five-year charter with Siem Car Carriers the same day. There is uncertainty about the delivery of the remaining four PCTC newbuilds at Uljanik, see Outlook below.

Highlights for the First Half of 2017

- **Net loss of USD19.2 million (H1 2016: Net income USD6.4 million)**
- **Recorded impairment charges on fleet valuation of USD16.3 million**
- **EPS USD-2.13 (2016: USD0.70)**
- **EBITDA of USD8.7 million (2016: USD16.3 million)**
- **Fixed approximately 96% of fleet capacity for the balance of 2017**
- **Contract backlog: USD501 million**
- **Company delisted from Oslo Stock Exchange**
- **Received delivery of *MV Star Spirit* and *MV Star Courage***
- **Received delivery of PCTC *MV Siem Cicero***
- **Sold *MV Cape Town Star* for delivery to new owner September 2017**

Comparative Financial Statements (H1 2017 over H1 2016)

Siem Shipping recorded a net loss for the first half of 2017 of USD19.2 million, which included an impairment charge of USD16.3 million (H1 2016: USD6.4 million). Loss/Earnings per share were USD-2.13 (USD0.70).

Gross revenues were USD93.6 million (USD94.9 million). Net revenues after voyage expenses were USD70.0 million (USD78.1 million). The capacity increased by 2.7% to 109.9 million cbft (107.0 million cbft). The increase in capacity was mainly due to the delivery of *MV Star Spirit* and *Star Courage* set off against fewer short-term charter-in vessels.

Ship operating and administrative expenses were USD25.0 million (USD27.1 million).

Time charter-in expenses were USD36.3 million (USD34.7 million). The increase was mainly due to charter in of *MV Star Spirit* and *MV Star Courage* set off against fewer short-term charter-in vessels. EBITDA was USD8.7 million (USD 16.3 million). Depreciation and amortisation expenses were USD8.6 million (USD8.6 million).

Impairment charge was USD16.3 million relating to adjustment of fleet valuation.

Interest expense was USD3.1 million (USD1.4 million).

Other financial items were USD0.2 million (USD0.1 million).

Statements of Financial Position and Cash Flows

Shareholders' equity was USD147.5 million at 30 June 2017 (31 December 2016: USD166.7 million), or USD16.38 per share (31 December 2016: USD18.51 per share). Cash flow from operating activities for H1 2017 was USD4.3 million (USD15.4 million). The cash position increased from USD27.3 million at year-end 2016 to USD33.2 million at 30 June 2017.

In addition to the liabilities on the balance sheet, the Company has significant long-term charter commitments (see note 7 to the accounts).

Shareholder Information

At the Company's Annual General Meeting held on 6 May 2016, the shareholders approved a resolution authorising the Company to submit a proposal to delist from the Oslo Stock Exchange. The Oslo Stock Exchange approved the delisting of the Company's shares from the Oslo Stock Exchange and the last day of listing was 14 February 2017.

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. The Company is exposed to high fuel costs, although hedging will 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 2017 financial report has not been audited or reviewed by auditors. Information on 2016 related party transactions is disclosed in the Annual Report 2016 and for the first half of 2017 in the notes to this report.

Market

In the first half of 2017, the average spot market rate was 35 cents per cubic foot per 30 days ("cents"), a decrease of 13% compared to the same period in 2016 (40 cents).

Seven ships from the global reefer fleet have been reported as recycled in 2017 (2016: two vessels).

Operational Issues

Our in-house ship management company, Siem Ship Management, which is based in Poland, manages the total fleet of 19 owned vessels as well as two car carriers indirectly owned by the Company's largest shareholder, Siem Industries Inc. The performance statistics of Siem Ship Management demonstrate continued improvement and superior results compared to previous third-party managers. It has built on its success with certification to ISO9001, ISO14001 and OHSAS18001 standards, and implementation of a web-based integrated management tool to enhance the management and monitoring processes of the fleet. No major health, safety, environmental and quality (HSEQ) issues were reported during the first half 2017.

In the first half of 2017, unplanned operational off-hire remained low at 0.3% of owned fleet (2016: 0.1%) with no significant incidents on our vessels leading to off-hire. During the first half of 2017, there were four operational incidents leading to off-hire, none of which were of any material significance.

Fleet Changes, Deployment and Contract Backlog

The Company took delivery of the chartered-in new-build specialised reefer vessels *MV Star Spirit* in January 2017 and *MV Star Courage* in May 2017.

The Company also took delivery of its first 7,000 CEU PCTC vessel *MV Siem Cicero* from Uljanik Shipyard d.d. in June 2017. *MV Siem Cicero* has been chartered out for five years to Siem Car Carriers.

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

As of 30 June 2017, 96% of fleet capacity for the remainder of 2017 had been fixed.

The contract backlog at 30 June 2017 was USD501 million.

Outlook

The spot market for reefer transportation is expected to remain weak as a result of reduced demand from traditional Mediterranean traders, which have reduced activity and switched some volumes into containers. Competition from container lines remains fierce, with significant downward pressure on rates as the lines look to build market share. The remainder of 2017 will continue to be challenging for specialised reefer transportation providers.

The Company's reefer strategy is to maintain its position as a leading specialist reefer operator and to provide its customers with a high-quality service at competitive prices. Siem Shipping now controls a fleet of 32 vessels with a capacity of 19 million cbft.

The Company's strategy to enter the car carrier sector, initially as tonnage provider, has been implemented by the construction of five 7,000 CEU capacity PCTCs at Uljanik. The first vessel in the series was delivered to the Company on 29 June 2017. The construction of all vessels is behind schedule and it is possible that some may not be delivered by the contractual cancellation dates. The Company continues to evaluate other opportunities in the industrial shipping market and will remain flexible to the needs of its customers.

28 July 2017, The Board of Directors of Siem Shipping Inc.

<p>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.</p>

SIEM SHIPPING INC. GROUP - FIRST HALF 2017

STATEMENTS OF COMPREHENSIVE INCOME

(in \$ thousand)

	2017	2016	2016
	Jan-Jun	Jan-Jun	Jan-Dec
	Unaudited	Unaudited	Audited
Gross revenue	\$ 93,571	\$ 94,947	\$ 180,356
Voyage expenses and other operating revenue	-23,600	-16,803	-37,594
Net operating revenue	69,971	78,144	142,762
Ship operating and administrative expenses	-24,964	-27,141	-49,927
Time charter hire	-36,297	-34,700	-67,192
Earnings before interest, tax, depr. and amort.	8,710	16,303	25,643
Depreciation and amortisation	-8,605	-8,569	-17,445
Impairment charges	-16,343	-	-
Operating income	-16,238	7,734	8,198
Interest expense	-3,124	-1,400	-3,817
Other financial items net	170	82	57
Net financial items	-2,954	-1,318	-3,760
Net income (loss) before tax	-19,192	6,416	4,438
Taxes	-4	-5	-22
Net (loss) income	\$ -19,196	\$ 6,411	\$ 4,416
Other comprehensive income	-	-	-
Total comprehensive income (loss)	\$ -19,196	\$ 6,411	\$ 4,416
Earnings (loss) per share, basic and diluted (amounts in \$)	-2.13	0.70	0.49
Wtd. avg. common shares outstanding	9,006,352	9,112,447	9,034,212
Issued and outstanding shares	9,006,352	9,006,352	9,006,352

STATEMENTS OF FINANCIAL POSITION

(in \$ thousand)

	2017	2016	2016
	30 Jun	30 Jun	31 Dec
	Unaudited	Unaudited	Audited
ASSETS			
Tangible non-current assets:			
Vessels	\$ 206,676	\$ 188,802	\$ 182,707
Capitalised project costs	40,948	50,145	69,564
Other non-current assets	153	111	93
Other non-current assets			
Pension funds	-	82	-
Current assets:			
Inventory	5,550	3,667	3,573
Receivables and other current assets	15,110	17,144	11,113
Bank deposits	33,190	37,808	27,336
Total assets	\$ 301,627	\$ 297,759	\$ 294,386
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity:			
Share capital	\$ 90	\$ 90	\$ 90
Additional paid-in capital	78,687	78,687	78,687
Retained earnings	68,769	89,962	87,965
Total shareholders' equity	147,546	168,740	166,742
Interest-bearing debt, long-term	92,489	87,031	74,304
Interest-bearing debt, short-term	35,205	15,170	32,166
Other short-term debt	26,387	26,818	21,174
Total liabilities	154,081	129,019	127,644
Total shareholders' equity and liabilities	\$ 301,627	\$ 297,759	\$ 294,386

STATEMENTS OF CASH FLOWS

<i>(in \$ thousand)</i>	2017	2016	2016
	Jan-June	Jan-June	Jan-Dec
	Unaudited	Unaudited	Audited
Net (loss) income before tax	\$ -19,192	\$ 6,416	\$ 4,438
Depreciation and amortisation	8,605	8,569	17,445
Impairment charges	16,343	-	-
Net changes in financing fees / Other	-1,502	440	1,093
Cash flow from operating activities	4,254	15,425	22,976
Paid dry-docking	-363	-1,489	-4,440
Capital expenditure vessels	-19,998	-45,194	-64,425
Cash flow from investing activities	-20,361	-46,683	-68,865
Share buy-back	-	-787	-787
New interest-bearing debt	29,670	34,000	45,868
Repaid interest-bearing debt	-7,709	-	-7,709
Cash flow from financing activities	21,961	33,213	37,372
Net change in cash	\$ 5,854	\$ 1,955	\$ -9,402
Cash at beginning of period	\$ 27,336	\$ 35,853	\$ 35,853
Cash at end of period	\$ 33,190	\$ 37,808	\$ 27,336

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(in \$ thousand)</i>	2017	2016	2016
	Jan-June	Jan-June	Jan-Dec
	Unaudited	Unaudited	Audited
Shareholders' equity at beginning of period	\$ 166,742	\$ 163,116	\$ 163,116
- Repurchased 112,053 shares	-	-787	-789
- Net (loss) income for the period	-19,196	6,411	4,416
Shareholders' equity at end of period	\$ 147,546	\$ 168,740	\$ 166,742

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 2017 and 2016 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 2016. The consolidated condensed financial statements should be read in conjunction with the 2016 annual financial statements, which include a full description of the Group's accounting policies.

3 Segment Reporting

As of 30 June 2017, the Siem Shipping fleet consisted of 32 specialised reefer vessels with an average size of 575,000 cbft and one 7,000 CEU PCTC vessel. The smallest specialised reefer vessel has a capacity of 424,000 cbft and the largest vessel 653,000 cbft. The vessels primarily transport fruit from the Southern to the Northern hemisphere.

Revenue	H1 2017	H1 2016	2016
Bananas	91%	88%	89%
Deciduous	1%	3%	2%
Citrus	2%	3%	2%
Fish	5%	5%	6%
Other	1%	1%	1%
Total	100%	100%	100%

4 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 2017	H1 2016	2016
Gross revenue T/C	58,477	56,362	114,537
Gross revenue V/C	35,094	38,585	65,819
Total gross revenue	93,571	94,947	180,356
Voyage expenses and other operating revenue	-23,600	-16,803	-37,594
Net operating revenue	69,971	78,144	142,762

5 Tangible Assets

<i>(in \$ thousand)</i>	30 Jun 17	30 Jun 16	31 Dec 16
Book value beginning of year	252,364	200,944	200,944
Additions, including capitalised project costs	20,361	46,683	68,865
Depreciation and amortisation of dry-docking for the period	-8,605	-8,569	-17,445
Impairment	-16,343	-	-
Book value end of period	247,777	239,058	252,364

6 Interest-Bearing Debt

<i>(in \$ thousand)</i>	Credit Suisse	ABN AMRO	Siem	Total
Balance (including financing fees) 31 December 2016	11,868	60,602	34,000	106,470
New debt	29,670	-	-	29,670
Repaid debt	-	-7,709	-	-7,709
Financing fees	-863	126	-	-737
Balance (including financing fees) 30 June 2017	40,675	53,019	34,000	127,694

7 Charter Commitments

From 1 July 2017 <i>(in \$ thousand)</i>	2017	2018	2019-2023	Total
Long-term charters	37,485	65,343	201,122	303,950

8 Related Parties

Siem Industries Inc. owns 82% 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 in year-to-date was USD0.5 million. Siem Shipping has also entered into an agreement with Siem Car Carriers AS to charter out the two PCTC new-builds under construction for a period of five years from delivery. The contract is on an arm's length basis.

At the Siem Shipping Inc. Annual General Meeting held on 6 May 2016, the Shareholders approved the acquisition of all the shares of Auto Marine Transport Inc. (AMT) for USD44.8 million from Siem Investments Inc., a company 100%-owned by Siem Industries (82% owner of Siem Shipping Inc.). AMT is the owner of three PCTC vessels under construction at Uljanik Shipyard d.d. in Croatia. AMT has secured both long-term financing and a five-year time charter-out agreement. The gross purchase price for the three PCTC vessels under construction is USD169.6 million. AMT's remaining commitment at the time of purchase to the Uljanik Shipyard d.d. and to providers of scrubbers was USD124.8 million. The settlement of the USD44.8 million purchase price was a cash payment of USD10.8 million and a seller's credit of USD34.0 million made available to Siem Shipping by the seller with 50% due on or before 31 December 2017 and the remaining 50% due on or before 31 December 2018. Siem Shipping is paying 7.25% interest p.a. for the seller's credit. The vessels will be on charter to Siem Car Carriers AS for a period of five years from delivery. The contract is on an arm's length basis. The first vessel *Siem Cicero* was delivered to the Company 29 June 2017.

Also download our web page: www.siemshipping.com

For further information, please contact
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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 2017 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.

28 July 2017

Kristian Siem, Chairman

Harald Kuznik, Director

Sasha Siem, Director

Carsten Plougmann Andersen, Director

Michael Delouche, Director

Kenneth Ross, Chief Executive Officer