



## **SIEM SHIPPING INC.**

### **REPORT FOR THE FIRST QUARTER 2014**

---

2 May 2014 – SIEM SHIPPING INC. (the “Company”; OSE Symbol: SSI), announces its results for the quarter ended 31 March 2014, prepared in accordance with International Financial Reporting Standards (“IFRS”), as discussed below.

Siem Shipping Inc., operating in the specialised reefer industry as STAR Reefers, is a leading global owner and operator of refrigerated vessels and directly controls 32 vessels with a total capacity of 18 million cbft.

- Net loss in Q1 2014 of USD-1.5 million (Q1 2013: net income USD1.5 million)
- EPS USD-0.16 (USD0.15)
- EBITDA of USD2.6 million (USD4.8 million)
- About 72% of fleet capacity is fixed for remainder of 2014
- Contract backlog of USD522 million
- Last two of the four vessels lengthened have been redelivered from the shipyard
- Four vessels chartered out on 4.5-year contracts to Chiquita
- Additional USD9 million loan facility received from Siem Industries Inc.

#### **Comparative Financial Statements (Q1 2014 over Q1 2013)**

Siem Shipping recorded a net loss of USD-1.5 million in Q1 2014 (Q1 2013: net income USD1.5 million). Earnings (-loss) per share were USD-0.16 per share (USD0.15 per share).

Gross revenue was USD58.2 million (USD66.9 million). Net operating revenue was USD36.4 million (USD37.8 million). The capacity decreased by 6% to 52.3 million cbft (55.8 million cbft). The first quarter was affected by two of the C-Class vessels (*Cote D’Ivoire* and *Colombian Star*) not being operational for the whole quarter due to the lengthening project.

Ship operating and administrative expenses were USD17.5 million (USD16.5 million) with the increase mainly due to an increase in repair and maintenance costs.

Time charter and bareboat charter expenses were USD16.4 million (USD16.5 million).

Depreciation and amortisation expenses were USD3.0 million (USD2.6 million). The increase of the depreciation was due to a higher depreciable base following the lengthening of the four C-Class vessels (*Caribbean*, *Costa Rican*, *Cote D’Ivoire* and *Colombian Star*).

Interest expense was USD1.1 million (USD0.7 million). The increase was due to a loan facility provided by Siem Industries in connection with the lengthening of the four C-Class vessels.

## **Statements of Financial Position**

Shareholders' equity was USD154.9 million at 31 March 2014 (31 December 2013: USD156.5 million), or USD16.06 per share (31 December 2013: USD16.22 per share). The cash position during the quarter increased from USD16.6 million year-end 2013 to USD20.4 million at 31 March 2014. Siem Shipping borrowed an additional USD9.0 million from its 76.1% shareholder, Siem Industries Inc, for the purpose of financing the lengthening of the four C-Class vessels and additional working capital. The interest-bearing debt increased from USD59.3 million at year-end to USD68.3 million at 31 March 2014. The 2014 scheduled repayments of bank debt are in April and July and are USD6.1 million each. In addition to the liabilities on the balance sheet, Siem Shipping has significant long-term charter commitments.

## **Market**

In Q1 2014, the average market rates were 62 cents per cubic feet per 30 days (“cents”), down 21% on the same period in 2013 (79 cents). The primary drivers behind the decrease in rates were a combination of continuous financial pressure and ongoing political unrest in the Mediterranean and Russian economies which continue to suppress trading, as well as an aggressive pricing policy by container lines. Weekly volumes from Ecuador have been approximately 10% higher during Q1 this year than during the same period last year. Seasonal high demand for Ecuadorian bananas has resulted in an elevated exit price, but volatile wholesale and retail prices in Mediterranean markets have made traders cautious. The trend for Ecuadorian exporters and Mediterranean traders has been to focus on using less frequent large capacity specialised reefer ships combined with weekly liner container shipments in order to receive the benefits of economies of scale and lower freight rates.

Frost and hail damage in Chile and Argentina resulted in reduced export volumes to their main markets such as Russia. The Argentinean apple and pear industry has had some serious structural problems in terms of inland and seaborne logistics as container liner services offering lower freight rates were unable to perform as promised, delaying arrivals in time-sensitive markets.

A less liquid spot market has meant more waiting time for cargo than in 2013. Bunker prices have remained high with Rotterdam 380cst average USD599/mt in Q1 2014, (2013: USD620/mt), SSI hedged 82% (2013: 82%) of its exposure in Q1 through BAF-clauses.

## **Operational Issues**

For Q1 2014, the Company recorded unplanned operational off-hire of 0.82% (2013: 0.20%). No unplanned off-hire was experienced in January and February, while two instances were experienced in March.

The statistics of our in-house technical management company, STAR Reefers Poland, continue to demonstrate markedly superior performance to those the Company experienced with third party managers in the past. No major HSEQ issues were reported during the first quarter.

## **Fleet Changes, Deployment and Contract Backlog**

The project of lengthening the four C-Class vessels was completed in March; however, the project took longer than anticipated due to delay by the shipyard. The first two vessels were redelivered in 2013, the third vessel was redelivered in January 2014 and the fourth vessel

was redelivered in March 2014. The yard has submitted contract variations on all four vessels and claims to have spent more time on the project than it had assumed it would when it signed the contract. To avoid any delay in redelivering the last vessel, Siem Shipping issued a guarantee letter to Qingdao Beihai Shipbuilding yard stating that it would reimburse any costs for which it was properly liable. Siem Shipping is taking legal advice in this matter, but is hopeful that an amicable settlement can be achieved. All four vessels are contracted-out on 7-year time charters.

In March 2014, Siem Shipping agreed to enter into a contract with Chiquita (Great White Fleet) to charter out four “STAR First”-Class vessels (*STAR First*, *STAR Trust*, *STAR Service*, and *STAR Quality*). The charters are for a 4.5-year fixed period at a profitable rate. The vessels will be delivered to Chiquita in June 2014.

At 31 March 2014, about 72% of the Company’s fleet capacity for the balance of the year has been fixed.

The contract backlog at 31 March 2014 was USD522 million.

## **Outlook**

It was anticipated that 2014 would see a slightly stronger spot market than 2013, but so far this has not been the case, due to renewed container line price-cutting and significant climatic and economic issues. In fact, there has not been a high season in 2014. Banana trading into the Mediterranean is expected to be difficult throughout the summer months when consumption traditionally drops, but there should be the usual increase in cargo volumes during the autumn.

Chiquita and Fyffes announced plans for a merger in 2015, subject to regulatory approval. This would create the world’s largest global fruit company. SSI has positive working experience with both companies and is well placed to service the new combined company into the future.

In the perishable fruit, vegetable and frozen protein sectors, it is recognised that the modern specialised reefer can deliver a higher quality and more predictable service than the service provided by container lines. Larger capacity modern ships, with a high proportion of reefer container capacity remain an attractive proposition to long term charterers.

The Company’s strategy is to maintain its position as a leading specialist reefer operator and to provide our customers with a high quality service. Siem Shipping now controls a fleet of 32 vessels with a capacity of 18 million cbft. The Company is continuing to evaluate opportunities in other sectors of the shipping market.

2 May 2014

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.</p>
--

**SIEM SHIPPING INC. GROUP - 1st QUARTER 2014**

<b>STATEMENTS OF COMPREHENSIVE INCOME</b> <i>(in \$ thousand)</i>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>1Q</b> Unaudited	<b>1Q</b> Unaudited	<b>Jan-Dec</b> Audited
Gross revenue	\$ 58,195	\$ 66,899	\$ 255,433
Voyage expenses and other operating revenue	-21,764	-29,070	-105,726
<b>Net operating revenue</b>	<b>36,431</b>	<b>37,829</b>	<b>149,707</b>
Ship operating and admin. expenses	-17,460	-16,539	-66,955
Time charter hire	-15,977	-16,140	-64,343
<b>Op. income bef. depr. and bare-boat hire</b>	<b>2,994</b>	<b>5,150</b>	<b>18,409</b>
Bareboat charter hire	-415	-400	-1,662
Depreciation and amortisation	-3,010	-2,630	-10,286
Impairment charges	-	-	-300
<b>Operating income</b>	<b>-431</b>	<b>2,120</b>	<b>6,161</b>
Interest expense	-1,168	-724	-3,715
Other financial items net	67	73	308
<b>Net financial items</b>	<b>-1,101</b>	<b>-651</b>	<b>-3,407</b>
<b>Net income / (-loss) before tax</b>	<b>-1,532</b>	<b>1,469</b>	<b>2,754</b>
Taxes	-13	-8	-32
<b>Net income / (-loss)</b>	<b>\$ -1,545</b>	<b>\$ 1,461</b>	<b>\$ 2,722</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income / (-loss)</b>	<b>\$ -1,545</b>	<b>\$ 1,461</b>	<b>\$ 2,722</b>
Earnings / (-loss) per share, basic and diluted (amounts in \$)	-0.16	0.15	0.28
Wtd. avg. common shares outstanding	9,647,479	9,647,479	9,647,479
Issued and outstanding shares	9,647,479	9,647,479	9,647,479
<b>STATEMENTS OF FINANCIAL POSITION</b> <i>(in \$ thousand)</i>	<b>2014</b>	<b>2013</b>	<b>2013</b>
	<b>31 Mar</b> Unaudited	<b>31 Mar</b> Unaudited	<b>31 Dec</b> Audited
<b>ASSETS</b>			
Tangible non-current assets			
Vessels	\$ 203,541	\$ 170,761	\$ 187,483
Capitalised project costs	-	3,819	13,362
Other non-current assets	125	164	169
Other non-current assets			
Pension funds	195	213	195
Current assets:			
Inventory	9,693	9,656	8,301
Non-current asset held for sale	-	1,600	-
Receivables and other current assets	23,315	21,216	24,512
Bank deposits	20,370	12,176	16,577
<b>Total assets</b>	<b>\$ 257,239</b>	<b>\$ 219,605</b>	<b>\$ 250,599</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' Equity:			
Share capital	\$ 96	\$ 96	\$ 96
Additional paid-in capital	78,687	78,687	78,687
Retained earnings	76,123	76,407	77,668
<b>Total Shareholders' equity</b>	<b>154,906</b>	<b>155,190</b>	<b>156,451</b>
Interest-bearing debt, long-term	55,651	23,907	46,558
Interest-bearing debt, short-term	11,978	11,954	11,944
Other short-term debt	34,794	28,554	35,646
<b>Total liabilities</b>	<b>102,423</b>	<b>64,415</b>	<b>94,148</b>
<b>Total Shareholders' equity and liabilities</b>	<b>\$ 257,329</b>	<b>\$ 219,605</b>	<b>\$ 250,599</b>

## STATEMENTS OF CASH FLOWS

(in \$ thousand)

	2014 1Q Unaudited	2013 1Q Unaudited	2013 Jan-Dec Audited
Profit / (-loss) before tax	\$ -1,532	\$ 1,469	\$ 2,754
Depreciation and amortisation	3,010	2,630	10,286
Impairment charges	-	-	300
Net drydocking costs	262	728	-4,297
Other	-975	-3,040	2,701
<b>Cash flow from operating activities</b>	<b>765</b>	<b>1,787</b>	<b>11,744</b>
Sales of vessels	-	-	1,301
Capital expenditure vessels	-5,933	-3,183	-32,740
<b>Cash flow from investing activities</b>	<b>-5,933</b>	<b>-3,183</b>	<b>-31,439</b>
New interest-bearing debt	9,000	-	35,000
Repaid interest-bearing debt	-	-	-12,130
Net changes in financing fees	-39	-30	-200
<b>Cash flow from financing activities</b>	<b>8,961</b>	<b>-30</b>	<b>22,670</b>
<b>Net change in cash</b>	<b>\$ 3,793</b>	<b>\$ -1,426</b>	<b>\$ 2,975</b>
Cash at beginning of period	\$ 16,577	\$ 13,602	\$ 13,602
<b>Cash at end of period</b>	<b>\$ 20,370</b>	<b>\$ 12,176</b>	<b>\$ 16,577</b>

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in \$ thousand)

	2014 1Q Unaudited	2013 1Q Unaudited	2013 Jan-Dec Audited
<b>Shareholders' equity at beginning of period</b>	<b>\$ 156,451</b>	<b>\$ 153,729</b>	<b>\$ 153,729</b>
- Net profit / (loss) for the period	-1,545	1,461	2,722
<b>Shareholders' equity at end of period</b>	<b>\$ 154,906</b>	<b>\$ 155,190</b>	<b>\$ 156,451</b>

## 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 2014 and 2013 are 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 2013. The consolidated condensed financial statements should be read in conjunction with the 2013 annual financial statements, which include a full description of the Group's accounting policies.

### 3 Tangible assets

<i>(in \$ thousand)</i>	31 Mar 14	31 Mar 13	31 Dec 13
Book value beginning of year	200,984	174,263	174,263
Additions, including capitalised project costs	6,516	3,838	39,947
Depreciation and amortisation of dry docking for the period	-3,834	-3,357	-13,226
Book value end of period	203,666	174,744	200,984

### 4 Interest-bearing debt

<i>(in \$ thousand)</i>	Siem		Total
	Industries Loan	ABN AMRO Syndicate	
Balance (including financing fees) 31 December 2013	34,613	23,887	58,500
New debt	9,000	-	9,000
Financing fees	82	47	129
Balance (including financing fees) 31 March 2014	43,695	23,934	67,629
Balance (including financing fees) 31 March 2013	-	35,861	35,861

### 5 Charter commitments

From 1 April 2014 <i>(in \$ thousand)</i>	2014	2015	2016-2023	Total
Long-term charters	48,847	63,419	361,921	474,187

### 6 Related parties

The Company continues to lease office space from other Siem Group companies, shares joint office facilities with other companies in the Siem Group in the Cayman Islands and benefits from financial guarantees provided by Siem Industries. Siem Car Carriers AS (Group) is indirectly owned 100% by Siem Industries. Siem Shipping provides management services to Siem Car Carriers on an arm's length basis.

In January 2013, the Company secured USD35 million of financing for the lengthening of the four C-Class vessels (*Caribbean Star*, *Costa Rican Star*, *Cote D'Ivoirian Star* and *Colombian Star*) from Siem Industries Inc.

In March 2014, Siem Industries provided an additional USD9 million for financing of the lengthening project and additional working capital. The loans are unsecured loans, which carry an interest of 3-Month Libor plus a margin of 8.5% p.a. and the other terms and conditions are more flexible and favourable to Siem Shipping than indicative offers from other potentially available financing sources.

Also download our web page [www.siemshipping.com](http://www.siemshipping.com)

For further information please contact  
Simon Stevens, CEO +44 207 747 0500