



## **SIEM SHIPPING INC.**

### **REPORT FOR THE FIRST HALF AND SECOND QUARTER 2014**

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25 July 2014 – SIEM SHIPPING INC (the “Company” / OSE Symbol: SSI), doing business as STAR Reefers, announces its results for the six-month period and quarter ended 30 June 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.

### **Highlights for the First Half of 2014**

- **Net income of USD1.6 million (H1 2013: net income USD4.7 million)**
- **EPS USD0.17 (USD0.49)**
- **EBITDA of USD10.3 million (USD11.4 million)**
- **About 88% of fleet capacity is fixed for balance of 2014**
- **Contract backlog: USD511 million**
- **Last two of the four vessels lengthened have been redelivered from the shipyard**
- **Four vessels chartered out on 4.5-year contracts**
- **New debt from Siem Industries: USD9.0 million**
- **Repaid debt to bank: USD6.1million (USD6.1 million)**

### **Comparative Financial Statements (H1 2014 over H1 2013)**

Siem Shipping recorded a net income for the first half of 2014 of USD1.6 million (H1 2013: USD4.7 million). Earnings per share was USD0.17 (USD0.49).

Gross revenues were USD121.0 million (USD138.1 million). Net revenues after voyage expenses were USD75.5 million (USD76.9 million). The capacity decreased by 4% to 106.9 million cbft (111.6 million). The reduction was due to two C-Class vessels (*Cote D’Ivoire Star* and *Colombian Star*) not being fully operational during first quarter 2014 due to the lengthening project and one vessel being sold for recycling in July 2013.

Ship operating and administrative expenses were USD32.6 million (USD32.4 million).

Time charter and bareboat charter expenses were USD32.6 million (USD33.1 million). The reduction is mainly due to planned off-hire for dry-docking.

Depreciation and amortisation charges were USD6.2 million (USD5.2 million). The increase is mainly due to increased depreciation on the C-Class vessels after the lengthening project.

Interest expense was USD2.6 million (USD1.5 million). Interest expense increased due to net increased borrowing.

Other financial items were USD0.2 million (USD0.4 million), which included the mark-to-market revaluation of five-year interest swaps of USD0.3 million (USD0.6 million).

## **Comparative Financial Statements (Q2 over Q2)**

Siem Shipping recorded net income of USD3.2 million (USD3.2 million). Earnings per share was USD0.33 per share (USD0.33 per share).

Gross revenues were USD62.8 million (USD71.2 million) and net utilised capacity decreased 2% to 54.6 million cbft. (55.8 million cbft.). Net revenue after voyage expenses was USD39.1 million (USD39.1 million).

Ship operating and administrative expenses were USD15.1 million (USD15.9 million). The reduction is partly due to one vessel being scrapped in July 2013.

Time charter and bareboat charter expenses were USD16.2 million (USD16.6 million). The reduction is mainly due to planned off-hire for dry-docking.

Depreciation and amortisation charges were USD3.2 million (USD2.6 million). The increase is mainly due to increased depreciation on the C-Class vessels after the lengthening project.

Interest expense was USD1.5 million (USD0.8 million). Interest expense increased due to increased borrowing.

Other financial items were USD0.1 million (USD0.3 million), which included the mark-to-market revaluation of five-year interest swaps of USD0.1 million (USD0.4 million).

## **Statement of Financial Position**

Shareholders' equity was USD158.1 million at 30 June 2014 (31 December 2013: USD156.5 million), or USD16.39 per share (31 December 2013: USD16.22 per share). The cash position during the first half of 2014 increased from USD16.6 million year-end 2013 to USD17.5 million at 30 June 2014. Siem Shipping borrowed an additional USD9.0 million from its 76.8% shareholder, Siem Industries Inc., for the purpose of financing the lengthening of the four C-Class vessels and additional working capital. The net interest-bearing debt increased from USD59.3 million at year-end 2013 to USD62.2 million at 30 June 2014, after a scheduled repayment of bank debt of USD6.1 million. The next scheduled repayment of bank debt of USD6.1 million is in July. In addition to the liabilities on the balance sheet, Siem Shipping has significant long-term charter commitments.

## **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 demand for fresh fruit, threat to the global economy, competition from reefer container vessels, adverse climatic changes, crop diseases and crop harvests. The Company is also exposed to high fuel costs, although the hedging it takes out when appropriate does mitigate this risk. In addition, the Company is exposed to the risk of piracy and to the performance of customers, service providers and suppliers. Furthermore, although Siem Shipping 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, there nonetheless remains the risk that accidents and uncontrollable events will happen.

## **Auditing and Related Party Transactions**

The H1 2014 financial report has not been audited or reviewed by auditors. Information on 2013 related party transactions is disclosed in the Annual Report 2013.

## **Market**

In the first half of 2014, the average market rate was 58 cents per cubic foot per 30 days (“cents”), a decrease of 15 % compared to the same period in 2013 (68 cents). The average spot market rate for Q2 2014 was 53 cents compared to the Q2 2013 average of 51 cents.

In Q1 2014, the average market spot rates were 62 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.

In Q2 2014, the spot market rates increased during April, mainly due to fish cargoes available in the Falklands for carriage to the Far East, but the rates fell sharply during mid-May. Low demand for bananas in the Mediterranean markets continued during the second quarter and a poor sales environment in Russia contributed to a disappointing first half 2014. The ongoing political instability in the Ukraine and Syria (formerly a key transit market for markets in Central Asia) has stifled the trade of bananas. From Argentina, a combination of poor sales and difficult growing conditions has also reduced citrus shipments to Russia and the western Mediterranean.

Eight ships from the global reefer fleet were scrapped during the period. The recycling prices have been firm at around USD 490-495 per LDWT.

## **Operational Issues**

In the first half, unplanned operational off-hire remained low at 0.6% of owned fleet (2013: 0.4%). During the first half of 2014, there were seven operational incidents leading to off-hire. The main cause of the off-hire during Q2 were two minor collisions in Abidjan and Tema on *Caribbean Star*, caused by third parties, which required time out of service for repairs. No oil spill or injuries resulted from these collisions.

The statistics of our in-house technical management company, STAR Reefers Poland, continue to demonstrate superior performance to those the Company experienced with third party managers in the past. No major health, safety, environmental and quality (HSEQ) issues were reported during the first quarter. The only significant HSEQ issue in the second quarter was a suspected case of malaria requiring the *Cote D'Ivoirian Star* to make a minor deviation to Brest to put the seafarer ashore to hospital. Thorough anti-malaria procedures are already in place within the Company and are applied on board all vessels trading to malaria prone areas.

## **Fleet Changes and Deployment**

In June 2012, Siem Shipping entered into a contract with the Russian banana charterer, the Banex Group, to provide a regular weekly service from Ecuador to St Petersburg for a period of one year. This contract was renewed in 2013 and has now been renewed again for an additional period of one year. The service will continue to employ seven vessels.

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 were delivered to Chiquita in June 2014.

The project of lengthening the four C-Class vessels was completed in March. 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 for claims for more time on the projects than it had anticipated when it signed the contract. The claims are disputed by the Company. 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 has taken legal advice in this matter, and is hopeful that an amicable settlement can be achieved. All four vessels are contracted-out on seven year time charters.

As of 30 June 2014, 88% of fleet capacity for the remainder of 2014 had been fixed.

The contract backlog at 30 June 2014 was USD 511 million.

## **Outlook**

2014 continues to be a challenging year with most of the Ecuador/Mediterranean banana traders contracting fixed coverage for the rest of the year, thus reducing both the size of the spot market and spot market rates.

Vessel recycling continues at the same rate as in 2013 and an increased spot rate is forecast over the coming months. Poor climatic and trading conditions look set to continue coupled with a conservative approach by the exporters/traders who continue to benefit from the container lines aggressive pricing policies.

The Company's strategy is to maintain its position as a leading specialist reefer operator and to provide 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.

24 July 2014  
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 Tends.

**SIEM SHIPPING INC. GROUP - First Half and 2nd QUARTER 2014**

**STATEMENTS OF COMPREHENSIVE INCOME**

*(in \$ thousand)*

	2014	2013	2014	2013	2013
	2Q	2Q	Jan-Jun	Jan-Jun	Jan-Dec
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Gross revenue	\$ 62,805	\$ 71,237	\$ 121,000	\$ 138,136	\$ 255,433
Voyage expenses and other operating revenue	-23,691	-32,137	-45,455	-61,207	-105,726
<b>Net operating revenue</b>	<b>39,114</b>	<b>39,100</b>	<b>75,545</b>	<b>76,929</b>	<b>149,707</b>
Ship operating and administrative expenses	-15,105	-15,899	-32,565	-32,438	-66,955
Time charter hire	-15,824	-16,186	-31,801	-32,326	-64,343
<b>Op. income bef. depr. and bare-boat hire</b>	<b>8,185</b>	<b>7,015</b>	<b>11,179</b>	<b>12,165</b>	<b>18,409</b>
Bareboat charter hire	-420	-405	-835	-805	-1,662
Depreciation and amortisation	-3,207	-2,586	-6,217	-5,216	-10,286
Impairment charges	-	-300	-	-300	-300
<b>Operating income</b>	<b>4,558</b>	<b>3,724</b>	<b>4,127</b>	<b>5,844</b>	<b>6,161</b>
Interest expense	-1,475	-805	-2,643	-1,529	-3,715
Other financial items net	100	309	167	382	308
<b>Net financial items</b>	<b>-1,375</b>	<b>-496</b>	<b>-2,476</b>	<b>-1,147</b>	<b>-3,407</b>
<b>Net income before tax</b>	<b>3,183</b>	<b>3,228</b>	<b>1,651</b>	<b>4,697</b>	<b>2,754</b>
Taxes	-13	-7	-26	-15	-32
<b>Net income</b>	<b>\$ 3,170</b>	<b>\$ 3,221</b>	<b>\$ 1,625</b>	<b>\$ 4,682</b>	<b>\$ 2,722</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	<b>\$ 3,170</b>	<b>\$ 3,221</b>	<b>\$ 1,625</b>	<b>\$ 4,682</b>	<b>\$ 2,722</b>
Earnings / (-loss) per share, basic and diluted (amounts in \$)	0.33	0.33	0.17	0.49	0.28
Wtd. avg. common shares outstanding	9,647,479	9,647,479	9,647,479	9,647,479	9,647,479
Issued and outstanding shares	9,647,479	9,647,479	9,647,479	9,647,479	9,647,479

**STATEMENTS OF FINANCIAL POSITION**

*(in \$ thousand)*

	2014	2013	2013
	30 Jun	30 Jun	31 Dec
	Unaudited	Unaudited	Audited
<b>ASSETS</b>			
Tangible non-current assets			
Vessels	\$ 199,754	\$ 168,565	\$ 187,483
Capitalised project costs	-	10,823	13,362
Other non-current assets	116	175	169
Other non-current assets			
Pension funds	195	213	195
Current assets:			
Inventory	8,629	9,057	8,301
Non-current asset held for sale	-	1,300	-
Receivables and other current assets	23,847	26,055	24,512
Bank deposits	17,463	17,505	16,577
<b>Total assets</b>	<b>\$ 250,004</b>	<b>\$ 233,693</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	79,293	79,628	77,668
<b>Total shareholders' equity</b>	<b>158,076</b>	<b>158,411</b>	<b>156,451</b>
Interest-bearing debt, long-term	40,883	32,456	46,558
Interest-bearing debt, short-term	20,703	11,941	11,944
Other short-term debt	30,342	30,885	35,646
<b>Total liabilities</b>	<b>91,928</b>	<b>75,282</b>	<b>94,148</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 250,004</b>	<b>\$ 233,693</b>	<b>\$ 250,599</b>

**STATEMENTS OF CASH FLOWS**
*(in \$ thousand)*

	2014 2Q Unaudited	2013 2Q Unaudited	2014 Jan-June Unaudited	2013 Jan-June Unaudited	2013 Jan-Dec Audited
Profit / (-loss) before tax	\$ 3,183	\$ 3,228	\$ 1,651	\$ 4,697	\$ 2,754
Depreciation and amortisation	3,207	2,586	6,217	5,216	10,286
Impairment charges	-	300	-	300	300
Net dry-docking costs	592	-1,111	854	-383	-4,297
Other	-3,714	-2,249	-4,689	-5,289	2,701
<b>Cash flow from operating activities</b>	<b>3,268</b>	<b>2,754</b>	<b>4,033</b>	<b>4,541</b>	<b>11,744</b>
Sales of vessels	-	-	-	-	1,301
Capital expenditure vessels	-	-6,328	-5,933	-9,511	-32,740
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-6,328</b>	<b>-5,933</b>	<b>-9,511</b>	<b>-31,439</b>
New interest-bearing debt	-	15,000	9,000	15,000	35,000
Repaid interest-bearing debt	-6,065	-6,065	-6,065	-6,065	-12,130
Net changes in financing fees	-110	-32	-149	-62	-200
<b>Cash flow from financing activities</b>	<b>-6,175</b>	<b>8,903</b>	<b>2,786</b>	<b>8,873</b>	<b>22,670</b>
<b>Net change in cash</b>	<b>\$ -2,907</b>	<b>\$ 5,329</b>	<b>\$ 886</b>	<b>\$ 3,903</b>	<b>\$ 2,975</b>
Cash at beginning of period	20,370	12,176	\$ 16,577	\$ 13,602	\$ 13,602
<b>Cash at end of period</b>	<b>\$ 17,463</b>	<b>\$ 17,505</b>	<b>\$ 17,463</b>	<b>\$ 17,505</b>	<b>\$ 16,577</b>

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
*(in \$ thousand)*

	2014 Jan-June Unaudited	2013 Jan-June 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 for the period	1,625	4,682	2,722
<b>Shareholders' equity at end of period</b>	<b>\$ 158,076</b>	<b>\$ 158,411</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 Segment reporting

The Siem Shipping fleet consists of 32 specialised reefer vessels with an average size of 569,000 cbft. The smallest vessel has a capacity of 424,000 cbft and the largest vessel 618,000. The vessels primarily transport fruit from the Southern to the Northern hemisphere.

Revenue	2Q 2014	2Q 2013	1H 2014	1H 2013	2013
Bananas	79%	83%	78%	86%	90%
Deciduous	7%	6%	10%	6%	3%
Citrus	6%	6%	3%	3%	2%
Fish	6%	5%	7%	5%	4%
Other	1%	1%	1%	1%	1%
Total	100%	100%	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>	2Q 2014	2Q 2013	1H 2014	1H 2013	2013
Gross revenue T/C	25,389	25,412	51,721	53,801	103,790
Gross revenue V/C	37,416	45,825	69,302	84,335	151,643
Total gross revenue	62,805	71,237	121,000	138,136	255,433
Voyage expenses and other operating revenue	-23,691	-32,137	-45,455	-61,207	-105,726
<b>Net operating revenue</b>	<b>39,114</b>	<b>39,100</b>	<b>75,545</b>	<b>76,929</b>	<b>149,707</b>

### 5 Tangible assets

<i>(in \$ thousand)</i>	30 June 14	30 June 13	31 Dec 13
Book value beginning of year	200,984	174,263	174,263
Additions, including capitalised project costs	6,807	11,973	39,947
Depreciation and amortisation of dry-docking for the period	-7,920	-6,672	-13,226
<b>Book value end of period</b>	<b>199,870</b>	<b>179,563</b>	<b>200,984</b>



## 6 Interest-bearing debt

<i>(in \$ thousand)</i>	Siem	ABN	Total
	Industries Loan	AMRO Syndicate	
Balance (including financing fees) 31 December 2013	34,614	23,888	58,502
New debt	9,000	-	9,000
Repaid debt	-	-6,065	-6,065
Financing fees	40	109	149
Balance (including financing fees) 30 June 2014	43,654	17,932	61,586
Balance (including financing fees) 30 June 2013	14,539	29,858	44,397

## 7 Charter commitments

From 1 July 2014 <i>(in \$ thousand)</i>	2014	2015	2016-2023	Total
Long-term charters	32,565	63,419	361,921	457,905

## 8 Related parties

Siem Industries Inc. owns 76.8% 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 has provided secondary guarantees for the timely payment of charter hire, relating to certain of the vessels Siem Shipping has on long-term charters. The fee paid to Siem Industries for providing the guarantees year to date was USD0.3 million. Siem Car Carriers AS is indirectly 100% owned by Siem Industries. Siem Shipping provides provides management services to Siem Car Carriers on an arms' length basis and the fee charged 1H 2014 was USD0.5 million.

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. The loan is a 3.5 year unsecured loan, with an arrangement fee of 1.5%, a commitment fee of 3.5% p.a. and carries an interest rate of 3-month Libor plus a margin of 8.5% p.a.. In March 2014, Siem Industries provided an additional USD9 million for one year for financing of the lengthening project and additional working capital. The loan is also an unsecured loan, with an arrangement fee of 0.5%, a commitment fee of 2.5% p.a. and carries an interest rate of 3-month Libor plus a margin of 8.5% p.a.. Total interest, commitment and arrangement fee expenses H1 2014 were USD1.8 million.

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

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

## **Responsibility Statement**

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2014 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.

24 July 2014

Ole Martin Siem, Chairman

Kristian Siem, Director

Michael Delouche, Director

Kristian Eidesvik, Director

Harald Kuznik, Director

Sophie Siem, Director

Simon Stevens, Chief Exec. Officer