



## **SIEM SHIPPING INC.**

### **REPORT FOR THE FIRST NINE MONTHS AND 3RD QUARTER 2014**

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24 October 2014 – SIEM SHIPPING INC. (the “Company”; OSE Symbol: SSI) announces its results for the nine month period and quarter ended 30 September 2014, prepared in accordance with the 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 of 3<sup>rd</sup> Quarter of 2014**

- **Net loss of USD0.2 million (Q3 2013 net income of: USD0.6 million)**
- **EPS USD-0.02 (USD0.06)**
- **EBITDA of USD6.0 million (USD4.2 million)**
- ***Wellington Star* charter renewed for a further two-year period**
- **Refinanced existing debt with a new USD100 million credit facility**
- **Writedown of USD1.1 million on sale and delivery of *Ecuador Star* in October**
- **Approx. 93% of fleet capacity is fixed for the balance of 2014**
- **Contract backlog: USD438 million (USD470 million)**

### **3<sup>rd</sup> Quarter Financial Statements**

Siem Shipping reported a net loss of USD-0.2 million (Q3 2013: net profit USD0.6 million). The net loss in Q3 2014 includes a writedown of USD 1.1 million relating to sale of *Ecuador Star*. The delivery of the vessel to the new owner took place in October 2014. Earnings per share was USD -0.02 per share (USD0.06 per share).

Gross revenue was USD57.8 million (USD58.4 million) and available capacity increased by 9% to 55.6 million cbft. (51.1 million cbft.). Net operating revenue after voyage expenses was USD39.4 million (USD36.9 million). The increase in net revenue was due to more capacity being available and higher rates being earned. The third quarter 2013 was affected by the four C-Class vessels (*Caribbean Star*, *Costa Rican Star*, *Cote D'Ivoirian Star*, and *Colombian Star*) not being operational for the whole quarter due to the lengthening project.

Ship operating and administrative expenses were USD16.8 million (USD16.3 million), with the increase mainly due to an increase in repair and maintenance costs.

Time charter and bareboat expenses were USD16.6 million (USD16.4 million).

Depreciation and amortisation was USD3.3 million (USD2.5 million). The increase in depreciation was due to a higher depreciation base following the investment in the lengthening of the four C-Class vessels.

Interest expense was USD1.9 million (USD1.1 million). The increase in interest expenses was due to the loan facility financing the lengthening of the four C-Class vessels.

Other financial items were USD0.1 million (USD-0.1 million) of which the mark-to-market of 5-year interest swaps amounted to a gain of USD0.2 million (USD0.1 million).

### **Year-to-Date Financial Statements**

The Company reported a net income of USD1.4 million (net income USD5.3 million). Earnings per share was USD0.15 (USD0.54).

Gross revenue was USD178.8 million (USD196.5 million). Net operating revenues after voyage expenses were USD114.9 million (USD113.9 million). The available capacity reduced by 0.2% to 162.4 million cbft (162.7 million cbft).

Ship operating and administrative expenses were USD49.4 million (USD48.8 million) primarily due to increased repair and maintenance costs.

Time charter and bareboat charter expenses decreased to USD49.2 million (USD49.5 million).

Depreciation and amortisation was USD9.5 million (USD7.8million). The increase in depreciation was due to a higher depreciation base following the lengthening of the four C-Class vessels.

The Ecuador Star was sold in September resulting in a net book loss of USD1.1 million and the delivery to the new owner was made in October 2014.

Interest expense was USD4.5 million (USD2.6 million). Interest expense increased due to net increased borrowing and higher interest rates.

Other financial items were USD0.2 million (USD0.3 million), which included the mark-to-market of 5-year interest swaps gain of USD0.5 million (USD0.6 million).

### **Statement of Financial Position**

Shareholders' equity was USD157.9 million at 30 September 2014 (31 December 2013: USD156.5 million) or USD16.36 per share (31 December 2013: USD16.22 per share). On 30 September 2014, Siem Shipping refinanced its credit facility with ABN AMRO and Siem Industries Inc. (76.8% shareholder of the Company) with a six-year USD 100 million loan from ABN AMRO and Credit Suisse. Part of this (USD 70 million) was drawn and the proceeds were used to repay the interest-bearing debt to ABN AMRO (USD12.1 million) and Siem Industries (USD44 million). The balance will be available for general working capital

purposes and for the possible acquisitions of vessels. The new facility carries an interest rate of Libor plus a margin of 2.4%, an arrangement fee of 1% and a commitment fee of 1%. The first scheduled repayment of the facility is scheduled in November 2014. In addition to the liabilities on the balance sheet, Siem Shipping has significant long-term charter commitments (see note 7 to the accounts).

## **Market**

In Q3 2014, the average market spot rates were 31 cents per cubic foot per 30 days (“cents”), similar to the same period in 2013 (32 cents). During the third quarter, however, there were limited opportunities for fixing spot banana cargoes as volumes reduced out of Ecuador. The banana traders switched some of their business from conventional reefer vessels and accepted the very aggressive rates that were available on container vessels. The political unrest in a number of the Mediterranean markets impacted on volumes even though local prices for fruit were reasonably strong.

The adverse climatic conditions in Argentina severely affected citrus exports, with a year-on-year 45% reduction in the lemon exports to the Mediterranean. The citrus crop in South Africa also suffered. Black spot issues reduced exports to the EU, but shipments to the US East Coast were greater in number and size than expected.

## **Operational Issues**

During the first nine months of 2014, unplanned off-hire due to technical reasons was 0.7% (2013: 0.5%). During the third quarter of 2014, there were four operational incidents leading to off-hire; however, none of the incidents was of a material character.

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. The Company was saddened by the death of an off-duty Able Seaman on board the *Colombian Star* in a tragic self-inflicted accident in September.

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

In December 2012, Siem Shipping entered into a contract with Alaska Reefer Management to charter-out the *Wellington Star*. This contract was renewed in 2013 and has now been renewed again for a two-year period.

The project to lengthen the four C-Class vessels was completed in March 2014. The project took longer than anticipated due to delays 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 September 2014, 93% of fleet capacity for the remainder of 2014 had been fixed.

The contract backlog at 30 September 2014 was USD438 million.

## **Outlook**

Even though Siem Shipping's fleet is only modestly exposed to the reefer spot market, there is, however, little doubt that a low spot market has an impact on the rates which can be achieved for term contracts. The general outlook remains unchanged: the 2014 spot market appears to have contracted significantly and reefer operators have responded by becoming more trade-route orientated.

The impact of Russian sanctions will be better understood over the coming months. The sanctions have reduced fruit exports from Europe to Russia and seem to be stimulating greater trade to the Russian Baltic from a number of non-EU countries in North Africa and South America.

Further evidence of aggressive pricing by the container lines was demonstrated during the third quarter, with Hamburg Sud offering a 12-month low-cost service to one of the banana majors. It is anticipated that this type of predatory pricing behaviour will continue whilst the container operators suffer from low demand for their services.

23 October 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>
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**SIEM SHIPPING INC. GROUP - 3rd QUARTER 2014**

**STATEMENTS OF COMPREHENSIVE INCOME**

*(in \$ thousand)*

	2014 Q3 Unaudited	2013 Q3 Unaudited	2014 Jan-Sep Unaudited	2013 Jan-Sep Unaudited	2013 Jan-Dec Audited
Gross revenue	\$ 57,772	\$ 58,362	\$ 178,772	\$ 196,498	\$ 255,433
Voyage expenses and other operating revenue	-18,380	-21,435	-63,835	-82,642	-105,726
<b>Net operating revenue</b>	<b>39,392</b>	<b>36,927</b>	<b>114,937</b>	<b>113,856</b>	<b>149,707</b>
Ship operating and administrative expenses	-16,842	-16,341	-49,407	-48,779	-66,955
Time charter hire	-16,160	-15,915	-47,961	-48,241	-64,343
<b>Op. income bef. depr. and bare-boat hire</b>	<b>6,390</b>	<b>4,671</b>	<b>17,569</b>	<b>16,836</b>	<b>18,409</b>
Bareboat charter hire	-425	-438	-1,260	-1,243	-1,662
Depreciation and amortisation	-3,262	-2,537	-9,479	-7,753	-10,286
Impairment charges	-	-	-	-300	-300
<b>Operating income</b>	<b>2,703</b>	<b>1,696</b>	<b>6,830</b>	<b>7,540</b>	<b>6,161</b>
Interest expense	-1,903	-1,055	-4,546	-2,584	-3,715
Other financial items net	71	-65	238	317	308
Loss on sale of vessels	-1,059	-	-1,059	-	-
<b>Net financial items</b>	<b>-2,891</b>	<b>-1,120</b>	<b>-5,367</b>	<b>-2,267</b>	<b>-3,407</b>
<b>Net income / (loss) before tax</b>	<b>-188</b>	<b>576</b>	<b>1,463</b>	<b>5,273</b>	<b>2,754</b>
Taxes	-10	-6	-36	-21	-32
<b>Net income</b>	<b>\$ -198</b>	<b>\$ 570</b>	<b>\$ 1,427</b>	<b>\$ 5,252</b>	<b>\$ 2,722</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income / (loss)</b>	<b>\$ -198</b>	<b>\$ 570</b>	<b>\$ 1,427</b>	<b>\$ 5,252</b>	<b>\$ 2,722</b>
Earnings / (loss) per share, basic and diluted (amounts in \$)	-0.02	0.06	0.15	0.54	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 30 Sep Unaudited	2013 30 Sep Unaudited	2013 31 Dec Audited
<b>ASSETS</b>			
Tangible non-current assets:			
Vessels	\$ 191,378	\$ 166,949	\$ 187,483
Capitalised project costs	-	20,360	13,362
Other non-current assets	106	194	169
Other non-current assets			
Pension funds	195	213	195
Current assets:			
Inventory	8,082	9,026	8,301
Non-current asset held for sale / sold	3,915	-	-
Receivables and other current assets	19,978	29,733	24,512
Bank deposits	28,338	11,996	16,577
<b>Total assets</b>	<b>\$ 251,992</b>	<b>\$ 238,471</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	79,095	80,198	77,668
<b>Total shareholders' equity</b>	<b>157,878</b>	<b>158,981</b>	<b>156,451</b>
Interest-bearing debt, long-term	57,333	37,496	46,558
Interest-bearing debt, short-term	11,467	11,920	11,944
Other short-term debt	25,314	30,074	35,646
<b>Total liabilities</b>	<b>94,114</b>	<b>79,490</b>	<b>94,148</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 251,992</b>	<b>\$ 238,471</b>	<b>\$ 250,599</b>

<b>STATEMENTS OF CASH FLOWS</b>					
<i>(in \$ thousand)</i>	2014	2013	2014	2013	2013
	Q3 Unaudited	Q3 Unaudited	Jan-Sep Unaudited	Jan-Sep Unaudited	Jan-Dec Audited
Profit / (loss) before tax	\$ -188	\$ 576	\$ 1,463	\$ 5,273	\$ 2,754
Depreciation and amortisation	3,262	2,537	9,479	7,753	10,286
Impairment charges / Loss on sale of asset	1,058	-	1,058	300	300
Net dry-docking costs	1,430	-212	2,284	-595	-4,297
Other	-628	-3,475	-5,615	-8,764	2,701
<b>Cash flow from operating activities</b>	<b>4,934</b>	<b>-574</b>	<b>8,669</b>	<b>3,967</b>	<b>11,744</b>
Sales of vessels	-	1,301	-	1,301	1,301
Capital expenditure vessels	-1,273	-10,849	-7,206	-20,360	-32,740
<b>Cash flow from investing activities</b>	<b>-1,273</b>	<b>-9,548</b>	<b>-7,206</b>	<b>-19,059</b>	<b>-31,439</b>
New interest-bearing debt	70,000	11,000	79,000	26,000	35,000
Repaid interest-bearing debt	-62,195	-6,065	-68,260	-12,130	-12,130
Net changes in financing fees	-591	-22	-442	-84	-200
<b>Cash flow from financing activities</b>	<b>7,214</b>	<b>4,913</b>	<b>10,298</b>	<b>13,786</b>	<b>22,670</b>
<b>Net change in cash</b>	<b>\$ 10,875</b>	<b>\$ -5,209</b>	<b>\$ 11,761</b>	<b>\$ -1,306</b>	<b>\$ 2,975</b>
Cash at beginning of period	17,463	17,505	\$ 16,577	\$ 13,602	\$ 13,602
<b>Cash at end of period</b>	<b>\$ 28,338</b>	<b>\$ 11,996</b>	<b>\$ 28,338</b>	<b>\$ 11,996</b>	<b>\$ 16,577</b>

<b>STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY</b>			
<i>(in \$ thousand)</i>	2014	2013	2013
	Jan-Sep Unaudited	Jan-Sep Unaudited	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	1,427	5,252	2,722
<b>Shareholders' equity at end of period</b>	<b>\$ 157,878</b>	<b>\$ 158,981</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 cbft. The vessels primarily transport fruit from the Southern to the Northern hemisphere.

Revenue	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	2013
Bananas	87%	89%	82%	87%	90%
Deciduous	0%	0%	7%	4%	3%
Citrus	2%	3%	3%	3%	2%
Fish	9%	7%	7%	5%	4%
Other	2%	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>	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	2013
Gross revenue T/C	29,107	25,412	80,896	79,344	103,790
Gross revenue V/C	28,665	32,820	97,876	117,154	151,643
Total gross revenue	57,772	58,232	178,772	196,498	255,433
Voyage expenses and other operating revenue	-18,380	-21,435	-63,835	-82,642	-105,726
<b>Net operating revenue</b>	<b>39,392</b>	<b>36,797</b>	<b>114,937</b>	<b>113,856</b>	<b>149,707</b>

### 5 Tangible assets

<i>(in \$ thousand)</i>	30-Sep-14	30-Sep-13	31 Dec 13
Book value beginning of year	201,014	174,263	174,263
Additions, including capitalised project costs	7,647	23,151	39,977
Reclassification - assets held for sale / sold	-3,915	-	-
Depreciation and amortisation of dry-docking for the period	-12,204	-9,911	-13,226
Loss on sale of asset	-1,058	-	-
Book value end of period	191,484	187,503	201,014

## 6 Interest-bearing debt

<i>(in \$ thousand)</i>	Siem		Total
	Industries Loan	ABN AMRO Syndicate	
Balance (including financing fees) 31 December 2013	34,614	23,888	58,502
New debt	9,000	70,000	79,000
Repaid debt	-44,000	-24,260	-68,260
Financing fees	386	-828	-442
Balance (including financing fees) 30 September 2014	-	68,800	68,800
Balance (including financing fees) 30 September 2013	25,576	23,840	49,416

## 7 Charter commitments

<i>(in \$ thousand)</i>	2014	2015	2016-2023	Total
From 1 October 2014				
Long-term charters	16,283	63,419	361,921	441,623

## 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 USD0.4 million. Siem Car Carriers AS is indirectly 100% owned by Siem Industries. Siem Shipping provides management services to Siem Car Carriers on an arms' length basis and the fee charged year to date September 2014 was USD0.8 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% and 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 USD9.0 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% and 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 year to date September 2014 were USD2.7 million. The Group refinanced all interest-bearing debt on 30 September 2014, when all interest-bearing debt to Siem Industries was repaid.

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