



SIEM SHIPPING INC.

REPORT FOR THE FIRST NINE MONTHS AND THIRD QUARTER 2016

24 October 2016 – SIEM SHIPPING INC. (the “Company”; OSE Symbol: SSI) announces its results for the nine-month period and quarter ended 30 September 2016, prepared in accordance with the International Financial Reporting Standards (“IFRS”), as discussed below.

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 30 vessels with a total capacity of 17 million cbft.

In addition, the Company will be a tonnage provider to the car carrier market. The Company demonstrated this commitment when it 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) for deliveries in the second half of 2017. 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 has three 7,000 CEU PCTC vessels under construction at Uljanik Shipyard d.d. with deliveries commencing in 2017.

Highlights for the Third Quarter of 2016

- **Net loss of USD-1.9 million (Q3 2015: net income of USD2.5 million)**
- **Earnings per Share USD-0.21 (USD0.27)**
- **EBITDA of USD3.8 million (USD7.7 million)**
- **Approximately 99% of fleet capacity is fixed for the balance of 2016**
- **Contract backlog was USD456 million (USD483 million) at end of quarter**

Subsequent Events

- **Oslo Stock Exchange approved the delisting of the Company from the Oslo Stock Exchange with effect 14 December 2016**
- ***MV Star Spirit*, the first of two newbuild specialised reefers chartered by STAR Reefers, was launched at Shikoku Dockyard on 16 October 2016 and will be delivered in January 2017**

Third Quarter Financial Statements

Siem Shipping reported a net loss of USD-1.9 million (Q3 2015: net income USD2.5 million). Earnings/loss per share was USD-0.21 per share (USD0.27 per share).

Gross revenue was USD41.5 million (USD49.3 million) and available capacity decreased by 2% to 52.2 million cbft (53.3 million cbft). Net operating revenue after voyage expenses was USD32.2 million (USD39.7 million).

Ship operating and administrative expenses were USD11.9 million (USD14.2 million).

Time charter and bareboat expenses were USD16.5million (USD17.9 million). The decrease is mainly due to fewer short-term charter vessels.

EBITDA was USD3.8 million (USD7.7 million). Depreciation and amortisation was USD4.3 million (USD4.5 million).

Interest expense was USD1.2 million (USD0.8 million). Other financial items were USD-0.2 million (USD0.1 million).

Year-to-Date Financial Statements

The Company reported a net income of USD4.6 million (net income USD7.8 million). Earnings per share were USD0.50 (USD0.85).

Gross revenue was USD136.5 million (USD150.3 million). Net operating revenue after voyage expenses was USD110.4 million (USD120.9 million). Available capacity reduced by 1% to 159.3 million cbft (157.6 million cbft).

Ship operating and administrative expenses were USD39.0 million (USD40.8 million).

Time charter and bareboat charter expenses decreased to USD51.2 million (USD57.0 million). The decrease is mainly due to fewer short-term charter vessels.

EBITDA was USD20.1 million (USD23.1 million). Depreciation and amortisation was USD12.9 million (USD13.2 million).

Interest expense was USD2.6 million (USD2.3 million). Other financial items were USD-0.1 million (USD0.2 million).

Statement of Financial Position

Shareholders' equity was USD166.9 million at 30 September 2016 (31 December 2015: USD163.1 million), or USD18.53 per share (31 December 2015: USD17.89 per share). Cash flow from operating activities for the first nine months of 2016 was USD15.9 million (USD24.7 million). The cash position decreased from USD35.9 million at year-end 2015 to USD29.1 million at 30 September 2016. The next scheduled repayment of bank debt, USD7.7 million due in November 2016, was prepaid in July 2016.

At its Annual General Meeting held on 6 May 2016, the Company approved the acquisition of all the shares of Auto Marine Transport Inc. ("AMT") for USD44.8 million from Siem Investments Inc., a wholly-owned subsidiary of Siem Industries (82% shareholder in Siem Shipping Inc.). AMT owns three PCTC vessels under construction at Uljanik Shipyard d.d. in Croatia. The vessels are due to be delivered commencing in 2017 and AMT has secured both long-term financing and five-year time charter-out-agreements for the vessels to Siem Car Carriers AS. The gross contract price for the three vessels under construction is USD169.6 million. AMT's remaining commitment to Uljanik Shipyard d.d. and to the provider of exhaust gas scrubbers is 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 Inc. by the seller, with a minimum 50% due on or before 31 December 2017 and the remaining balance due on or before 31 December 2018. The seller's credit bears interest at 7.25% p.a.

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

Market

In Q3 2016, the average spot market rate was USC 33 per cubic foot per 30 days ("cents"), compared to USC 40 per cubic foot in the same period in 2015. Activity in the spot market remained low with only 13 banana fixtures reported, mainly from the east coast of Central America due to seasonal excess production. Military activity and political unrest in key destination markets in the Eastern Mediterranean and Black Sea have significantly depressed demand for imported fruits. This reduced demand combined with aggressive container line activity in the Ecuador-Mediterranean trade lane has reduced demand for specialised reefer vessels on this previously important route. The vast bulk of the international banana trade is now transported under contracts of affreightment, time charter or third party liner services, with spot activity now making up only a small part.

Off-season liner trades from New Zealand, Argentina and South Africa provided employment over the summer period and good fishing conditions in Alaska provided a much needed alternative for a few larger vessels. Seven spot voyages were reported fixed from Alaska to Europe and Canada in Q3 2016, compared to five in Q3 2015.

In the smaller sector, the timely layup and sale of tonnage resulted in steady employment for fish exports from North Africa and Northern Europe to West Africa, despite the Nigerian economy falling into recession. The seasonal squid catches in the South Atlantic for 2016 were at least 90% lower as compared to 2015. This released a number of larger fish/squid carriers onto the spot market.

Four reefer vessels (totalling 1.9 million cbft) were sold for re-cycling this quarter compared to two vessels (totalling 1.2 million cbft) reported in the same period in 2015. Eight vessels (totalling 3.3 million cbft) were reported to have gone into lay-up to ride out the summer period of relatively low activity. Despite the low bunker prices, the alternative of sailing in ballast to Panama for speculative spot fixtures was not attractive for many operators.

Operational Issues

During the first nine months of 2016, the technical unplanned off-hire was 0.08% (2015: 0.11%) and, during the third quarter of 2016, there were two operational issues leading to short periods of off-hire.

During the quarter, there were no major health, safety, environmental and quality (HSEQ) issues reported.

Our in-house ship management company, Siem Ship Management (SSM), retains the same fleet size, managing 18 owned reefer vessels and 2 car carriers indirectly owned by Siem Industries Inc. SSM continues to manage the owned fleet safely, effectively and within the agreed budgets.

Fleet Changes, Deployment and Contract Backlog

The first of the PCTCs (Hull No. 513) owned by AMT will be launched in November 2016 with delivery planned for March 2017.

The *MV Star Spirit*, the first of two new-build specialised reefers chartered by SSI, was launched at Shikoku Dockyard in October 16 and will be delivered in January 2017. The sister vessel, *MV Star Courage*, will be delivered early in Q2 2017.

As of 30 September 2016, 99% of fleet capacity for the remainder of 2016 had been fixed. The contract backlog at 30 September 2016 was USD456 million.

Outlook

The Moroccan and Spanish citrus seasons are due to commence soon which may provide some upward impetus for rates, however the container lines are showing no sign of easing up on their aggressive pricing of reefer cargo, and some major exporters are choosing to containerise their products to the USA.

With such light activity, the spot market is expected to remain volatile. The demand outlook appears weak with no end in sight for the sanctions imposed on Russia or the military activity in Syria. It seems very likely in such circumstances that some owners will choose demolition over continued trading for older units, which may bring relief from the otherwise gloomy picture.

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 highly competitive prices. Siem Shipping now controls a fleet of 30 vessels with a capacity of 17 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, with deliveries commencing in 2017. The Company continues to evaluate other opportunities in the industrial shipping market.

21 October 2016

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 - THIRD QUARTER 2016

STATEMENTS OF COMPREHENSIVE INCOME <i>(in \$ thousand)</i>	2016	2015	2016	2015	2015
	Q3 Unaudited	Q3 Unaudited	Jan-Sep Unaudited	Jan-Sep Unaudited	Jan-Dec Audited
Gross revenue	\$ 41,529	\$ 49,302	\$ 136,476	\$ 150,288	\$ 200,101
Voyage expenses and other operating revenue	-9,304	-9,563	-26,107	-29,430	-40,750
Net operating revenue	32,225	39,739	110,369	120,858	159,351
Ship operating and administrative expenses	-11,899	-14,182	-39,040	-40,760	-54,954
Time charter hire	-16,484	-17,889	-51,184	-57,004	-73,906
Earnings before interest, tax, depr. and amort.	3,842	7,668	20,145	23,094	30,491
Depreciation and amortisation	-4,324	-4,450	-12,893	-13,184	-17,673
Operating income	-482	3,218	7,252	9,910	12,818
Interest expense	-1,192	-796	-2,592	-2,336	-3,094
Other financial items net	-182	70	-100	233	409
Net financial items	-1,374	-726	-2,692	-2,103	-2,685
Net income before tax	-1,856	2,492	4,560	7,807	10,133
Taxes	-3	-3	-8	-13	-21
Net income	\$ -1,859	\$ 2,489	\$ 4,552	\$ 7,794	\$ 10,112
Other comprehensive income	-	-	-	-	-
Total comprehensive income	\$ -1,859	\$ 2,489	\$ 4,552	\$ 7,794	\$ 10,112
Earnings per share, basic and diluted (amounts in \$)	-0.21	0.27	0.50	0.85	1.10
Wtd. avg. common shares outstanding	9,006,352	9,118,405	9,043,567	9,184,297	9,167,689
Issued and outstanding shares	9,006,352	9,118,405	9,006,352	9,118,405	9,118,405

STATEMENTS OF FINANCIAL POSITION

(in \$ thousand)

ASSETS

	2016 30 Sep Unaudited	2015 30 Sep Unaudited	2015 31 Dec Audited
Tangible non-current assets:			
Vessels	\$ 186,370	\$ 199,564	\$ 195,492
Capitalised project costs	50,145	-	5,345
Other non-current assets	104	109	107
Other non-current assets			
Pension funds	82	126	82
Current assets:			
Inventory	3,889	3,562	3,528
Non-current asset held for sale	-	-	-
Receivables and other current assets	19,180	12,815	11,019
Bank deposits	29,095	42,959	35,853
Total assets	\$ 288,865	\$ 259,135	\$ 251,426

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity:			
Share capital	\$ 90	\$ 91	\$ 91
Additional paid-in capital	78,687	78,687	78,687
Treasury shares	-	-	-
Retained earnings	88,101	82,020	84,338
Total shareholders' equity	166,879	160,798	163,116
Interest-bearing debt, long-term	87,082	68,276	60,617
Interest-bearing debt, short-term	8,143	7,465	7,461
Other short-term debt	26,761	22,596	20,232
Total liabilities	121,986	98,337	88,310
Total shareholders' equity and liabilities	\$ 288,865	\$ 259,135	\$ 251,426

STATEMENTS OF CASH FLOWS

<i>(in \$ thousand)</i>	2016	2015	2016	2015	2015
	Q3	Q3	Jan-Sep	Jan-Sep	Jan-Dec
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Net income before tax	\$ -1,856	\$ 2,492	\$ 4,560	\$ 7,807	\$ 10,133
Depreciation and amortisation	4,324	4,450	12,893	13,184	17,673
Other	-1,842	3,554	-1,525	3,752	3,254
Cash flow from operating activities	626	10,496	15,928	24,743	31,060
Sales of vessels	-	-	-	9,049	9,049
Paid dry-docking	-2,071	-3,124	-3,560	-4,279	-4,422
Capital expenditure vessels	394	-1,023	-44,800	-32,780	-38,397
Cash flow from investing activities	-1,677	-4,147	-48,360	-28,010	-33,770
Share buy-back	-	-	-787	-4,063	-4,063
New interest-bearing debt	-	-	34,000	28,125	28,125
Repaid interest-bearing debt	-7,709	-7,709	-7,709	-15,418	-23,127
Net changes in financing fees	47	-5	170	109	155
Cash flow from financing activities	-7,662	-7,714	25,674	8,753	1,090
Net change in cash	\$ -8,713	\$ -1,365	\$ -6,758	\$ 5,486	\$ -1,620
Cash at beginning of period	37,808	44,324	\$ 35,853	\$ 37,473	\$ 37,473
Cash at end of period	\$ 29,095	\$ 42,959	\$ 29,095	\$ 42,959	\$ 35,853

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(in \$ thousand)</i>	2016	2015	2015
	Jan-Sep	Jan-Sep	Jan-Dec
	Unaudited	Unaudited	Audited
Shareholders' equity at beginning of period	\$ 163,116	\$ 157,067	\$ 157,067
- Repurchased 112,053 shares (2015: 529,074 shares)	-789	-4,063	-4,063
- Net income for the period	4,552	7,794	10,112
Shareholders' equity at end of period	\$ 166,879	\$ 160,798	\$ 163,116

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 2016 and 2015 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 2015. The consolidated condensed financial statements should be read in conjunction with the 2015 annual financial statements, which include a full description of the Group's accounting policies.

3 Segment Reporting

As of 30 September 2016, the Siem Shipping fleet consists of 30 specialised reefer vessels with an average size of 575,000 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 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015	2015
Bananas	88%	90%	88%	88%	85%
Deciduous	0%	1%	3%	3%	5%
Citrus	2%	2%	2%	3%	2%
Fish	10%	7%	6%	5%	7%
Other	0%	0%	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 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015	2015
Gross revenue T/C	27,857	30,054	85,895	87,206	118,002
Gross revenue V/C	13,672	19,248	50,581	63,082	82,099
Total gross revenue	41,529	49,302	136,476	150,288	200,101
Voyage expenses and other operating revenue	-9,304	-9,954	-26,107	-29,430	-40,750
Net operating revenue	32,225	39,348	110,369	120,858	159,351

5 Tangible Assets

<i>(in \$ thousand)</i>	30-Sep-16	30-Sep-15	31 Dec 15
Book value beginning of year	200,944	175,798	175,798
Additions, including capitalised project costs	48,568	37,059	42,819
Depreciation and amortisation of dry-docking for the period	-12,893	-13,184	-17,673
Book value end of period	236,619	199,673	200,944

6 Interest-Bearing Debt

<i>(in \$ thousand)</i>	ABN AMRO	Siem	Total
Balance (including financing fees) 31 December 2015	68,078	-	68,078
New debt	-	34,000	34,000
Repaid debt	-7,709	-	-7,709
Financing fees	171	-	171
Balance (including financing fees) 30 September 2016	60,540	34,000	94,540
Balance (including financing fees) 30 September 2015	75,741	-	75,741

7 Charter Commitments

From 1 October 2016

<i>(in \$ thousand)</i>	2016	2017	2018-2023	Total
Long-term charters	15,908	74,992	253,909	344,809

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 has provided 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 USD0.3 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 in year-to-date was USD0.9 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 in 2017. The contract is on an arm's length basis.

At the Siem Shipping Inc Annual General Meeting held 6 May 2016 the Shareholders approved the acquisition of all the shares of Auto Marine Transport Inc. (AMT) for USD44.8million 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 to the Uljanik Shipyard d.d. and to providers of scrubbers is 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 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 in 2017. The contract is on an arm's length basis.

Also download our web page: www.siemshipping.com

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