



## **SIEM SHIPPING INC.**

### **REPORT FOR THE FOURTH QUARTER AND PRELIMINARY FULL YEAR 2014**

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23 February 2015 – SIEM SHIPPING INC. (the “Company”; OSE Symbol: SSI) announces its preliminary results for the fiscal year and quarter ended 31 December 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 28 vessels with a total capacity of 16 million cbft.

#### **Highlights 2014**

- **Net income before loss on sale of vessel and impairment charges of USD3.8 million (2013: USD3.0 million)**
- **Net profit USD0.6 million (USD2.7 million)**
- **EPS USD0.06 (USD0.28)**
- **EBITDA of USD25.2 million (USD19.7 million)**
- **Last two of the four C-Class vessels that were lengthened were redelivered from the shipyard and placed on seven-year time charters.**
- **Four vessels chartered-out on 4.5-year contracts to Chiquita**
- **Refinanced debt with a new USD100 million credit facility**
- ***Ecuador Star* sold and delivered to new owners October 2014**
- **Ad-hoc buy-back of shares announced December 2014 completed in January 2015**
- **Contract backlog of USD460 million**
- **About 84% of fleet capacity is fixed for 2015**
- **In January 2015, *Chile Star* and *Uruguay Star* were sold**

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

In 2014, the Company reported a net income prior to impairment charges of USD3.8 million (2013: USD3.0 million), or USD0.40 per share (USD0.31 per share). After impairment charges and loss on sale of vessel of USD3.2 million (USD0.3 million) on older vessels, the Company reported a net profit of USD0.6 million (USD2.7 million), or a net profit of USD0.06 per share (USD0.28 per share).

Gross revenues were USD225.9 million (USD255.4 million) and net operating revenue after voyage and other expenses was USD149.4 million (USD149.7 million). The capacity employed increased by 0.5% to 212.2 million cbft (211.2 million cbft).

Ship operating and administrative expenses were USD59.7 million (USD64.0 million) with the decrease mainly due to fewer vessels. In prior periods, the amortisation of dry-docking costs was recorded in ship operating expenses. In December 2014, the amortisation expenses were reclassified to depreciation and amortisation expenses to reflect industry practice. Dry-docking costs are capitalised and amortised over the period until the next scheduled dry-docking, ranging from 3 to 5 years. For comparative purposes, the amortisation expenses recorded in fiscal year and fourth quarter of 2013 were also reclassified.

Time charter and bareboat charter expenses decreased to USD64.6 million (USD66.0 million), primarily due to several dry-dockings taking place during Q4 2014.

EBITDA was USD25.2 million (USD19.7 million). Depreciation and amortisation expenses were USD16.3 million (USD13.2 million). The increase in depreciation was due to a higher depreciation base following the investment in the lengthening of the four C-Class vessels.

Impairment charges relating to the adjustment of fleet valuation and loss on sale of vessels were USD3.2 million (USD 0.3 million).

Interest expense was USD5.2 million (USD3.7 million). Interest expense increased due to net increased borrowing.

Other financial items were USD0.2 million (USD0.3 million), which included the mark-to-market of five-year interest swaps for a profit of USD0.6 million (USD0.7 million).

#### **Comparative Financial Statements (Q4 over Q4)**

During the quarter, the Company recorded a net loss of USD0.8 million (Q4 2013: net loss USD2.5 million), or a net loss of USD0.08 per share (net loss USD0.26 per share).

Gross revenues were USD47.2 million (USD58.9 million) and net operating revenue after voyage and other expenses was USD34.5 million (USD35.9 million) due to fewer vessels. Capacity employed for the three-month period was 49.7 million cbft (48.5 million cbft). The fourth quarter 2014 was affected by 7 STAR-Class vessels being dry-docked and two vessels going into lay-up. The fourth quarter 2013 was affected by the C-Class vessels not being operational due to the lengthening project.

Ship operating and administrative expenses were USD13.0 million (USD17.4 million), with the decrease mainly due to fewer vessels.

Time charter and bareboat charter expenses decreased to USD15.3 million (USD16.5 million). The reduction was primarily due to several dry-dockings taking place during Q4 2014.

EBITDA was USD6.1 million (USD1.9 million). Depreciation and amortisation expenses were USD4.1 million (USD3.3 million). The increase in depreciation was mainly due to a higher depreciation base following the investment in the lengthening of the four C-Class vessels.

Impairment charges relating to the adjustment of fleet valuation were USD2.2 million.

Interest expense decreased to USD0.6 million (USD1.1 million). The reduction was due to a new credit facility with a lower interest rate.

## **Statement of Financial Position**

Shareholders' equity was USD157.1 million at 31 December 2014 (31 December 2013: USD156.5 million), or USD16.28 per share (31 December 2013: USD16.22 per share). On 30 September 2014, Siem Shipping refinanced its credit facilities with ABN AMRO and Siem Industries Inc. (76.8% shareholder of the Company) with a six-year USD100 million loan from ABN AMRO and Credit Suisse. Part of this (USD70 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 is used for general working capital purposes and for the possible acquisition 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 was made in November 2014, USD5.8 million. The cash position during 2014 increased from USD16.6 million at year-end 2013 to USD 37.5 million at year-end 2014. In addition to the liabilities on the balance sheet, Siem Shipping has significant long-term charter commitments (see note 7 to the accounts).

## **Shareholder information**

In December 2014, Siem Shipping Inc. announced that its Board of Directors had resolved to initiate an ad-hoc share buy-back program to purchase shares in the Company at a maximum price of NOK 60 per share for a maximum aggregate amount of USD5 million with acceptances to be in inverse order of size of shareholdings tendered in the offer. The offer was extended on the 7th January until 30th January 2015. On completion of the ad-hoc buy-back program, 84 shareholders representing 527,674 shares accepted the offer in the buy-back program for an aggregate consideration of NOK 31.7 million (USD 4.1 million). Following the buy-back, the issued and outstanding number of shares is 9,119,805 shares.

## **Market**

Q4 2014 spot market averaged USC51/cbft per 30 days, very similar to the USC52/cbft per 30 days observed in Q4 2013.

The Atlantic market was dominated by fish exports to West Africa and a strong potato season from the North Continent. The Nigerian fish import quota increased to 750,000 mt which had a very positive effect on demand for smaller refrigerated vessels of less than 350,000cbft.

Demand for larger fruit carriers was much more muted.

Ecuadorian banana exports to Mediterranean and North Continent markets were largely serviced by regular long-term specialised reefers and container lines. Very few spot cargoes became available once the Ecuadorian Government increased the minimum reference price to be paid to producers from the beginning of November.

The imposition of sanctions and the sharp reduction in the oil price caused a significant fall in the value of the Russian Rouble against the US dollar and a sharp increase in Russian Rouble interest rates. Consequently, demand for citrus imports from Morocco to St. Petersburg plummeted by 50% compared to 2013. Russian banana imports were less badly affected, but by quarter-end were close to 20% down on the same period in 2013.

The dramatic fall in crude oil prices had little effect on Siem Shipping's results in the short term as the Company's exposure to fuel price variations is minimal, but sustained low fuel pricing will make specialised reefers more competitive compared to reefer containers over time.

Philippine banana production finally recovered from Typhoon Pablo and much of the surplus fruit was shipped to destinations in the Middle East. Deciduous fruit contracts from Chile to the USA were concluded at similar freight levels to the previous season.

### **Operational Issues**

For the whole of 2014, the Company recorded unplanned operational off-hire of 0.5% (2013: 0.6%).

After the recent sale of the *Ecuador Star*, *Chile Star* and *Uruguay Star*, our in-house ship-management Company, STAR Reefers Poland, currently manages the total fleet of 16 Owned vessels as well as two car carriers indirectly owned by Siem Industries Inc. The performance statistics of STAR Reefers Poland demonstrate continued improvement and superior results as compared to previous third-party managers, and it has built on its success with certification to ISO9001, ISO14001 and OHSAS18001 standards and implementation of a new web-based integrated management tool to enhance the management and monitoring processes of the fleet. The Company was saddened by the death of an off-duty Able Seaman on board the *Colombian Star* in a tragic accident in September. No other major health, safety, environmental and quality (HSEQ) issues were reported during the year.

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

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.

In June 2014, Siem Shipping renewed its contract with the Russian banana charterer, the Banex Group, to provide a regular weekly service from Ecuador to St. Petersburg for an additional period of one year. The service employs seven vessels.

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.

*Ecuador Star* was sold in October 2014. In 2005 Siem Shipping entered into a 9 year bareboat charter contract to charter in the *Regal Star*. That contract came to an end on 31st December 2014. The vessel has been redelivered to the Owner and will no longer form a part of the Siem Shipping fleet. In January 2015, the Company also sold two of its older and smaller vessels, *Chile Star* and *Uruguay Star* for USD5 million each. The sale generated a book loss of USD1.1 million per vessel, which has been booked in the 2014 accounts. The delivery of the vessels to new owners has already taken place. The net cash generated from the transactions have increased the Company's working capital.

At 31 December 2014, 84% of the Company's fleet capacity for 2014 had been fixed and the balance is exposed to the spot market (2013: 80%).

The contract backlog at 31 December 2015 was USD460 million (2013: USD 443 million).

## **Outlook**

The Russian market is an important demand driver for specialized reefers. The uncertainty created by the drop in oil prices and sanctions is therefore of significant concern and all operators will be following developments closely. To date, demand for bananas in Russia has reduced by around 20%. More expensive fruit products may be more adversely affected by higher Russian Rouble pricing, although the effect will be partially diluted by the drop in the price of fuel.

Those involved in the fish trades are preparing for another large seasonal catch with a number of former fruit carriers having been acquired for deployment offshore in Peru and Argentina.

The supply and demand for vessels engaged in the fruit trades looks to be reasonably well balanced. There are very few open ships and equally few open orders. In these circumstances, it is unlikely that the historically low rates currently being experienced will pick up in the near future.

20 February 2015  
The Board of Directors of Siem Shipping Inc.

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

<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 - 4th QUARTER 2014**

STATEMENTS OF COMPREHENSIVE INCOME <i>(in \$ thousand)</i>	2014	2013	2014	2013
	4Q	4Q	Jan-Dec	Jan-Dec
	Unaudited	Restated unaudited	Unaudited	Restated audited
Gross revenue	\$ 47,165	\$ 58,935	\$ 225,937	\$ 255,433
Voyage expenses and other operating revenue	-12,661	-23,084	-76,496	-105,726
<b>Net operating revenue</b>	<b>34,504</b>	<b>35,851</b>	<b>149,441</b>	<b>149,707</b>
Ship operating and administrative expenses	-13,024	-17,394	-59,706	-64,015
Time charter hire	-14,959	-16,102	-62,920	-64,343
Bareboat charter hire	-383	-419	-1,643	-1,662
<b>Earnings before interest, tax, depr. and amort.</b>	<b>6,138</b>	<b>1,936</b>	<b>25,172</b>	<b>19,687</b>
Depreciation and amortisation	-4,106	-3,315	-16,310	-13,226
Impairment charges	-2,150	-	-2,150	-300
<b>Operating income</b>	<b>-118</b>	<b>-1,379</b>	<b>6,712</b>	<b>6,161</b>
Interest expense	-635	-1,131	-5,181	-3,715
Other financial items net	-49	-9	189	308
Loss on sale of vessels	-	-	-1,059	-
<b>Net financial items</b>	<b>-684</b>	<b>-1,140</b>	<b>-6,051</b>	<b>-3,407</b>
<b>Net income / (loss) before tax</b>	<b>-802</b>	<b>-2,519</b>	<b>661</b>	<b>2,754</b>
Taxes	-9	-11	-45	-32
<b>Net income</b>	<b>\$ -811</b>	<b>\$ -2,530</b>	<b>\$ 616</b>	<b>\$ 2,722</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income / (loss)</b>	<b>\$ -811</b>	<b>\$ -2,530</b>	<b>\$ 616</b>	<b>\$ 2,722</b>
Earnings / (loss) per share, basic and diluted (amounts in \$)	-0.08	-0.26	0.06	0.28
Wtd. avg. common shares outstanding	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

**STATEMENTS OF FINANCIAL POSITION**

*(in \$ thousand)*

**ASSETS**

	2014	2013
	31 Dec	31 Dec
	Unaudited	Audited
Tangible non-current assets:		
Vessels	\$ 175,697	\$ 187,483
Capitalised project costs	-	13,362
Other non-current assets	101	169
Other non-current assets		
Pension funds	126	195
Current assets:		
Inventory	5,563	8,301
Non-current asset held for sale	9,049	-
Receivables and other current assets	15,559	24,512
Bank deposits	37,473	16,577
<b>Total assets</b>	<b>\$ 243,568</b>	<b>\$ 250,599</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

Shareholders' equity:		
Share capital	\$ 96	\$ 96
Additional paid-in capital	78,687	78,687
Retained earnings	78,284	77,668
<b>Total shareholders' equity</b>	<b>157,067</b>	<b>156,451</b>
Interest-bearing debt, long-term	51,488	46,558
Interest-bearing debt, short-term	11,437	11,944
Other short-term debt	23,576	35,646
<b>Total liabilities</b>	<b>86,501</b>	<b>94,148</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 243,568</b>	<b>\$ 250,599</b>

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

	2014 4Q Unaudited	2013 4Q Unaudited	2014 Jan-Dec Unaudited	2013 Jan-Dec Audited
Profit / (loss) before tax	\$ -802	\$ -2,519	\$ 661	\$ 2,754
Depreciation and amortisation	4,106	3,315	16,310	13,226
Impairment charges / Loss on sale of asset	2,151	-	3,209	300
Other	5,260	11,765	-355	2,701
<b>Cash flow from operating activities</b>	<b>10,715</b>	<b>12,561</b>	<b>19,825</b>	<b>18,981</b>
Sales of vessels	3,915	-	3,915	1,301
Capital expenditure vessels	380	-16,864	-7,267	-39,977
<b>Cash flow from investing activities</b>	<b>4,295</b>	<b>-16,864</b>	<b>-3,352</b>	<b>-38,676</b>
New interest-bearing debt	-	9,000	79,000	35,000
Repaid interest-bearing debt	-5,833	-	-74,093	-12,130
Net changes in financing fees	-42	-116	-484	-200
<b>Cash flow from financing activities</b>	<b>-5,875</b>	<b>8,884</b>	<b>4,423</b>	<b>22,670</b>
<b>Net change in cash</b>	<b>\$ 9,135</b>	<b>\$ 4,581</b>	<b>\$ 20,896</b>	<b>\$ 2,975</b>
Cash at beginning of period	28,338	11,996	16,577	\$ 13,602
<b>Cash at end of period</b>	<b>\$ 37,473</b>	<b>\$ 16,577</b>	<b>\$ 37,473</b>	<b>\$ 16,577</b>

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

	2014 Jan-Dec Unaudited	2013 Jan-Dec Audited
<b>Shareholders' equity at beginning of period</b>	<b>156,451</b>	<b>\$ 153,729</b>
- Net profit for the period	616	2,722
<b>Shareholders' equity at end of period</b>	<b>\$ 157,067</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.

In prior periods, the amortisation of dry-docking costs were recorded in ship operating expenses. In December 2014, the amortisation expenses were reclassified to depreciation and amortisation expenses to reflect industry practice. Dry-docking costs are capitalised and amortised over the period until the next scheduled dry-docking, ranging from 3- to 5 years. For comparative purposes, the amortisation expenses recorded in fiscal year and fourth quarter of 2013 were also reclassified.

### 3 Segment reporting

As of 31 December 2014, the Siem Shipping fleet consists of 30 specialised reefer vessels with an average size of 572,000 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	Q4 2014	Q4 2013	2014	2013
Bananas	93%	96%	85%	90%
Deciduous	0%	0%	5%	3%
Citrus	0%	0%	2%	2%
Fish	6%	4%	7%	4%
Other	1%	0%	1%	1%
Total	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>	Q4 2014	Q4 2013	2014	2013
Gross revenue T/C	26,697	24,345	107,523	103,790
Gross revenue V/C	20,468	34,590	118,414	151,643
Total gross revenue	47,165	58,935	225,937	255,433
Voyage expenses and other operating revenue	-12,661	-23,084	-76,496	-105,726
<b>Net operating revenue</b>	<b>34,504</b>	<b>35,851</b>	<b>149,441</b>	<b>149,707</b>

### 5 Tangible assets

<i>(in \$ thousand)</i>	31 Dec 14	31 Dec 13
Book value beginning of year	201,014	174,263
Additions, including capitalised project costs	7,267	39,977
Disposal	-3,915	-
Reclassification - assets held for sale	-9,049	-
Depreciation and amortisation of dry-docking for the period	-16,310	-13,226
Vessel impairment	-2,150	-
Loss on sale of vessel	-1,059	-
<b>Book value end of period</b>	<b>175,798</b>	<b>201,014</b>



## 6 Interest-bearing debt

<i>(in \$ thousand)</i>	Siem		Total
	Industries Loan	Bank 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	-30,093	-74,093
Financing fees	386	-870	-484
Balance (including financing fees) 31 December 2014	-	62,925	62,925

## 7 Charter commitments

From 1 January 2015

<i>(in \$ thousand)</i>	2015	2016	2017-2023	Total
Long-term charters	63,419	63,419	298,502	425,340

## 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 USD0.6 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 2014 was USD1.3 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 was 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 was 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. The Group refinanced all interest-bearing debt on 30 September 2014, when all interest-bearing debt to Siem Industries was repaid. Total interest, commitment and arrangement fee expensed in 2014 were USD3.2 million.

## 9 Subsequent Events

Siem Shipping sold in January 2015 two of its older and smaller vessels, *Chile Star* and *Uruguay Star* for USD5 million each. The sale generated a book loss of USD1.1 million per vessel, which has been booked in the 2014 accounts. The delivery of the vessels to new owners has already taken place. The net cash generated from the transactions have increased the Company's working capital.

In December 2014, Siem Shipping Inc. announced that its Board of Directors had resolved to initiate an ad-hoc share buy-back program to purchase shares in the Company at a maximum price of NOK 60 per share for a maximum aggregate amount of USD5 million with acceptances to be in inverse order of size of shareholdings tendered in the offer. The offer was extended on the 7th January until 30th January 2015. On completion of the ad-hoc buy-back program 527,674 shares had been accepted in the buy-back program for an aggregate consideration of NOK 31.7 million (USD 4.1 million). Following the acquisition, the issued and outstanding number of shares is 9,119,805 shares.

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

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