



SIEM SHIPPING INC.

REPORT FOR THE FOURTH QUARTER AND PRELIMINARY FULL YEAR 2015

22 February 2016 – SIEM SHIPPING INC. (the “Company”; OSE Symbol: SSI) announces its preliminary results for the fiscal year and quarter ended 31 December 2015, prepared in accordance with International Financial Reporting Standards (“IFRS”), as discussed below.

Siem Shipping Inc. is an owner and operator of vessels in specialist shipping sectors. The Company operates in the specialised reefer industry as STAR Reefers and is the leading global owner and operator of refrigerated vessels and directly controls 28 vessels with a total capacity of 16 million cbft.

In the first half of 2015, the Company entered the car carrier market as a tonnage provider by entering into a contract to build two 7,000 CEU pure car and truck carriers (“PCTCs”; CEU means car-equivalent units) for delivery in the second half of 2017 at Uljanik d.d., a shipbuilder based in Croatia.

Highlights for 2015

- **Net profit USD10.1 million (2014: USD0.6 million)**
- **EPS USD1.11 (2014: USD0.06)**
- **EBITDA of USD30.5 million (2014: USD25.2 million)**
- **Completed ad-hoc buy-back of shares, announced December 2014, in January 2015**
- **Sold *Chile Star* and *Uruguay Star* in January 2015**
- **Purchased *Star First* and *Star Prima* in second quarter 2015**
- **Ordered two newbuild PCTC vessels**
- **Renewed *Dunedin Star* charter for a further one year period**
- **Chartered-out four *Star First Class* vessels for an average period of 3 ½ years each**
- **Recorded contract backlog at year end of USD450 million (2014: USD460 million)**
- **Fixed approximately 81% of fleet capacity for 2016**

Comparative Financial Statements (Year over Year)

In 2015, the Company reported a net income (loss) of USD10.1 million (2014: USD0.6 million), or a net income of USD1.11 per share (USD0.06 per share). The results for 2014 included an impairment charge of USD2.2 million and a loss on the sale of vessel of USD1.0 million.

Gross revenues were USD200.1 million (USD225.9 million) and net operating revenue after voyage and other expenses was USD159.4 million (USD149.4 million). The capacity employed decreased by 3% to 205.9 million cbft (212.2 million cbft).

Ship operating and administrative expenses were USD55.0 million (USD59.7 million) with the decrease mainly due to fewer vessels.

Time charter and bareboat charter expenses increased to USD73.9 million (USD64.6 million), primarily due to the charter-in of additional tonnage.

EBITDA was USD30.5 million (USD25.2 million). Depreciation and amortisation expenses were USD17.7 million (USD16.3 million). The increase in depreciation was primarily due to a higher depreciation base following the investment in the lengthening of the four C-Class vessels and acquisition of *Star First* and *Star Prima*.

Interest expense was USD3.1 million (USD5.2 million). The reduction is due to a new credit facility with a lower interest rate from 30 September 2014.

Comparative Financial Statements (Q4 over Q4)

During the quarter, the Company recorded a net income of USD2.3 million (Q4 2014: net loss USD0.8 million), or a net income of USD0.25 per share (net loss USD0.08 per share).

Gross revenues were USD49.8 million (USD47.2 million) and net operating revenue after voyage and other expenses was USD38.5 million (USD34.5 million) due to charter-in of additional tonnage. Capacity employed for the three-month period was 53.0 million cbft (49.7 million cbft). The fourth quarter was affected by more vessels chartered-in and the fourth quarter 2014 was affected by an unusually high number of dry-dockings and two vessels going into lay-up.

Ship operating and administrative expenses were USD14.2 million (USD13.0 million).

Time charter and bareboat charter expenses increased to USD16.9 million (USD15.3 million). The increase was primarily due to the charter-in of additional tonnage.

EBITDA was USD7.4 million (USD6.1 million). Depreciation and amortisation expenses were USD4.5 million (USD4.1 million). The increase in depreciation was mainly due to a higher depreciation base following the investment in the lengthening of C-Class vessels and acquisition of *Star First* and *Star Prima*.

Interest expense increased to USD0.8 million (USD0.6 million). The increase is primarily due to a higher balance on the new credit facility from 30 September 2014, following the part financing of the *Star First* and *Star Prima*, acquired in Q2 2015.

Statement of Financial Position

Shareholders' equity was USD163.1 million at 31 December 2015 (31 December 2014: USD157.1 million), or USD17.79 per share (31 December 2014: USD16.28 per share). Cash flow from operating activities in 2015 was USD31.1 million (USD19.8 million). The cash position decreased from USD37.5 million at year-end 2014 to USD35.9 million year-end 2015. During 2015, the Company drew down the remaining available balance of the six-year USD100 million loan from ABN AMRO Bank and Credit Suisse Bank. The funds were used to partly finance the acquisition of *Star First* and *Star Prima*. The facility carries an interest rate of Libor plus a margin of 2.4%, an arrangement fee of 1% and a commitment fee of 1%.

Interest-bearing debt increased from USD64.2 million at year-end 2014 to USD69.2 million at 31 December 2015. The next scheduled repayment of bank debt of USD7.7 million is due in November 2016. In addition to the liabilities on the balance sheet, the Company 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 NOK60 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 until 30th January 2015. On completion of the ad-hoc buy-back program, 84 shareholders representing 529,074 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 was 9,118,405 shares.

Market

In Q4 2015, the average spot market rate was 42 cents per cubic foot per 30 days (“cents”), a 17% reduction from the 51 cents observed in Q4 2014. Overall fleet employment was at a reasonable level, helped by over 8 million cartons of surplus bananas being shipped from the East Coast of Central America to the Mediterranean. By early November, rates had improved from the beginning of the quarter as tonnage supply decreased and demand increased in citrus trades from Spain and Morocco.

Nigeria continued to experience foreign currency exchange issues due to lower oil revenues which led to a reduction in the available fish import licences and quotas. This had a negative impact on the market rates as tonnage usually deployed in the fish trades encroached into the spot fruit trades.

The shortage of tonnage in the Far East to carry increased banana production from the Philippines combined with the increased demand in the Middle East markets led to regionally higher spot rates as major charterers reverted to the spot market rather than relying on period tonnage.

In 2015, only four ships from the global specialised reefer fleet (above 400,000 cbft) have been reported as scrapped. No vessels from the Company fleet were scrapped in the period.

Operational Issues

The Company’s in-house ship-management company recently changed its name from “STAR Reefers Poland” to “Siem Ship Management” to reflect the fact that it also manages vessels other than reefer vessels. Following the purchase of *Star First* and *Star Prima*, the redelivery of *Regal Star*, and the recent sales of *Chile Star* and *Uruguay Star*, our ship-management company now manages 18 vessels owned by the Company and two car carriers indirectly-owned by Siem Industries Inc. The performance statistics of Siem Ship Management demonstrate its continued improvement and superior results compared to previous third-party managers. It has built on its past success with certifications to ISO9001, ISO14001 and OHSAS18001 standards and the implementation of a new web-based integrated management tool to enhance the management and monitoring processes of the fleet. No major health, safety, environmental and quality (HSEQ) issues were reported during 2015.

For the whole of 2015, the Company recorded unplanned operational off-hire of 0.2% (2014: 0.5%).

Contract Backlog, Deployment and Fleet Changes

In November 2014, the Company agreed to charter two vessels to a Japanese customer. The charters are for a three-year period at profitable rates and the vessels were delivered in January 2015. In December 2014, the time-charter contract for the *Wellington Star* was renewed for a further two-year period, which commenced in January 2015. Four *Star First* Class vessels have been redeployed from the Atlantic to the trade between the Philippines and the Middle East.

In June 2015, the contract to provide a regular weekly service from Ecuador to St Petersburg was renewed for an additional one year. The service employs seven vessels. In July 2015, a further four *Star*-Class vessels were chartered-out; two vessels for a period of four years and two vessels for a period of three years, all with delivery in 2016 at profitable rates. In September 2015, the contract to charter-out the *Dunedin Star*, which originated in 2010, was renewed again for another year.

The *Regal Star* was redelivered to its owners on 31 December 2014 after a nine-year bareboat charter expired. In March 2015, the Company received a notice of claim from the owners of *Regal Star* claiming the vessel did not comply with the requirements of its charter-party upon redelivery on 31 December 2014. The Company does not accept the basis of this claim and is taking legal advice.

In January 2015, the Company sold two of its older and smaller vessels, *Chile Star* and *Uruguay Star*, for USD5.0 million each. The sales generated a book loss of USD1.1 million per vessel, which was recorded in the 2014 accounts. The delivery of the vessels to the new owners took place during Q1 2015. The Company acquired the 2006-built specialised reefer vessels *Star First* and *Star Prima* during Q2 2015. The Company is familiar with these two vessels which have been on time charter to the Company since delivery from the shipyard in Japan. The acquisition has been financed by drawing down the balance of the USD100 million bank facility from 2014 and internally-generated funds.

In 2012, the Company changed its name from Star Reefers Inc changed its name to Siem Shipping Inc, to reflect the Company's intention to diversify its operations to include a broader range of shipping activities. Since that time, the Board has evaluated different industrial shipping opportunities and decided to expand into the PCTC segment. Over the past several years, the Company has gained operational experience in the deep sea transportation of cars by providing chartering, operational and technical management services to Siem Car Carriers, a wholly-owned subsidiary of Siem Industries. The Company has entered into an agreement with Uljanik d.d., a shipbuilder based in Croatia, for the construction of two PCTCs, each with a capacity of 7,000 car equivalent units ("CEU"), for delivery in the second half of 2017. In addition, the Company reached agreement with Siem Car Carriers, to charter-out the two new-builds for a period of five years from delivery.

In April the Company announced the sale of another of its older and smaller vessels, *Honduras Star*. Subsequently, at delivery in June 2015, the buyer failed to pay the purchase price within the contractually agreed period which has resulted in a dispute with respect to the buyer's deposit and a claim by the Company against the buyer for damages.

At 31 December 2015, 81% of the Company's fleet capacity for 2016 had been fixed and the balance is exposed to the short term contract market (2014: 84%).

The contract backlog at 31 December 2015 was USD450 million (2014: USD460 million).

Subsequent Events

As a part of its management succession programme the Board appointed Kenneth Ross as new chief executive officer of Siem Shipping Inc with effect from 12 January 2016. Kenneth Ross joined the Company in 1998 and has been COO since October 2008. Prior to joining Siem Shipping he worked in various commercial roles within the Vestey Group, owner of the Blue Star Line. The Board commented that "Simon Stevens is handing over to Kenneth Ross a company that is in good shape and we are grateful to Simon Stevens for his dedication and contribution to the development the Company".

In January 2016, Siem Shipping reached an agreement with a Japanese owner to time-charter two new reefer vessels for minimum 5 years. The vessels will be built at the Shikoku Dockyard in Japan and each will have a capacity of 650,000 cbft in their refrigerated holds, plus approximately 300 refrigerated containers on deck. The vessels are scheduled to be delivered in the early part of 2017. The transaction is part of Siem Shipping's strategy to secure modern tonnage to maintain its position as the leading specialised reefer operator.

The Board of Directors of Siem Shipping Inc. has resolved that the Company should launch a voluntary buy-back offer for a maximum amount of 1,708,907 shares in the Company at a price of NOK60 per share. The Board is of the opinion that the repurchase of shares is in the best interest of the Company and its shareholders. Siem Industries Inc., which owner of 7,409,498 shares, will not tender any of its shares in the voluntary buy-back offer. The offer is open until 22 February 2016.

The Board has unanimously recommended that a proposal to delist the Company from the Oslo Stock Exchange shall be submitted to a vote by the Company's shareholders at its annual general meeting to be held on 6 May 2016. Increased competition from the container companies has impacted the traditional specialised reefer markets and the Company is the last remaining publicly-listed reefer company. Since 1 January 2015, more than a year ago, just over 20,000 shares in the Company have been traded, equivalent to about 80 shares per day on the approximate 270 trading days during this period. There was trading activity on only 49 days.

Outlook

Despite significantly reduced fuel costs, the second half of 2015 proved to be unexpectedly challenging for most international transportation providers. Whilst the supply/demand balance for the specialised reefer fleet remains relatively steady, the major container lines continue to pursue aggressive pricing policies for refrigerated cargoes in an attempt to win market share.

The El Niño climatic event has changed the banana supply mix from Ecuador/Central America. Siem Shipping is well-positioned to adapt to these changes in demand whilst continuing to provide a high-quality service.

The Company's reefer strategy is to maintain its position as the leading specialist reefer operator and to provide its customers with a high-quality service at competitive prices. Siem Shipping now controls a fleet of 30 vessels with a capacity of 17 million cbft.

The Company has entered into the car carrier market as a tonnage provider and continues to evaluate opportunities in other sectors of the shipping industry.

19 February 2016

The Board of Directors of Siem Shipping Inc.

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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.

SIEM SHIPPING INC. GROUP - FOURTH QUARTER AND FULL YEAR 2015

STATEMENTS OF COMPREHENSIVE INCOME

(in \$ thousand)

	2015 4Q Unaudited	2014 4Q unaudited	2015 Jan-Dec Unaudited	2014 Jan-Dec Audited
Gross revenue	\$ 49,813	\$ 47,165	\$ 200,101	\$ 225,937
Voyage expenses and other operating revenue	-11,320	-12,661	-40,750	-76,496
Net operating revenue	38,493	34,504	159,351	149,441
Ship operating and administrative expenses	-14,194	-13,024	-54,954	-59,706
Time charter hire	-16,902	-15,342	-73,906	-64,563
Earnings before interest, tax, depr. and amort.	7,397	6,138	30,491	25,172
Depreciation and amortisation	-4,489	-4,106	-17,673	-16,310
Impairment charges	-	-2,150	-	-2,150
Operating income	2,908	-118	12,818	6,712
Interest expense	-758	-635	-3,094	-5,181
Other financial items net	176	-49	409	189
Loss on sale of vessels	-	-	-	-1,059
Net financial items	-582	-684	-2,685	-6,051
Net income before tax	2,326	-802	10,133	661
Taxes	-8	-9	-21	-45
Net income	\$ 2,318	\$ -811	\$ 10,112	\$ 616
Other comprehensive income	-	-	-	-
Total comprehensive income	\$ 2,318	\$ -811	\$ 10,112	\$ 616
Earnings per share, basic and diluted (amounts in \$)	0.25	-0.08	1.11	0.06
Wtd. avg. common shares outstanding	9,118,405	9,647,479	9,118,405	9,647,479
Issued and outstanding shares	9,118,405	9,647,479	9,167,689	9,647,479

STATEMENTS OF FINANCIAL POSITION

(in \$ thousand)

	2015 31 Dec Unaudited	2014 31 Dec Audited
ASSETS		
Tangible non-current assets:		
Vessels	\$ 200,837	\$ 175,697
Other non-current assets	107	101
Other non-current assets		
Pension funds	82	126
Current assets:		
Inventory	3,528	5,563
Non-current asset held for sale	-	9,049
Receivables and other current assets	11,019	15,559
Bank deposits	35,853	37,473
Total assets	\$ 251,426	\$ 243,568
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity:		
Share capital	\$ 91	\$ 96
Additional paid-in capital	78,687	78,687
Retained earnings	84,338	78,284
Total shareholders' equity	163,116	157,067
Interest-bearing debt, long-term	60,617	51,488
Interest-bearing debt, short-term	7,461	11,437
Other short-term debt	20,232	23,576
Total liabilities	88,310	86,501
Total shareholders' equity and liabilities	\$ 251,426	\$ 243,568

STATEMENTS OF CASH FLOWS
(in \$ thousand)

	2015 4Q Unaudited	2014 4Q Unaudited	2015 Jan-Dec Unaudited	2014 Jan-Dec Audited
Net income before tax	\$ 2,326	\$ -802	\$ 10,133	\$ 661
Depreciation and amortisation	4,489	4,106	17,673	16,310
Impairment charges / Loss on sale of asset	-	2,151	-	3,209
Other	-498	5,260	3,254	-355
Cash flow from operating activities	6,317	10,715	31,060	19,825
Sales of vessels	-	3,915	9,049	3,915
Paid dry-docking	-143	124	-4,422	-317
Capital expenditure vessels	-5,617	256	-38,397	-6,950
Cash flow from investing activities	-5,760	4,295	-33,770	-3,352
Share buy-back	-	-	-4,063	-
New interest-bearing debt	-	-	28,125	79,000
Repaid interest-bearing debt	-7,709	-5,833	-23,127	-74,093
Net changes in financing fees	46	-42	155	-484
Cash flow from financing activities	-7,663	-5,875	1,090	4,423
Net change in cash	\$ -7,106	\$ 9,135	\$ -1,620	\$ 20,896
Cash at beginning of period	42,959	28,338	37,473	\$ 16,577
Cash at end of period	\$ 35,853	\$ 37,473	\$ 35,853	\$ 37,473

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

	2015 Jan-Dec Unaudited	2014 Jan-Dec Audited
Shareholders' equity at beginning of period	157,067	\$ 156,451
- Repurchased 529,074 shares	-4,063	-
- Net income for the period	10,112	616
Shareholders' equity at end of period	\$ 163,116	\$ 157,067

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 2015 and 2014 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 2014. The consolidated condensed financial statements should be read in conjunction with the 2014 annual financial statements, which include a full description of the Group's accounting policies.

Dry-docking costs are capitalised and amortised over the period until the next scheduled dry-docking, ranging from three to five years. The dry-docking costs have previously been amortised under ship operating expenses; for 2014, dry-docking has been reclassified under the line item depreciation and amortisation.

3 Segment Reporting

As of 31 December 2015, the Siem Shipping fleet consists of 28 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	Q4 2015	Q4 2014	2015	2014
Bananas	92%	93%	85%	85%
Deciduous	2%	0%	5%	5%
Citrus	0%	0%	2%	2%
Fish	6%	6%	7%	7%
Other	0%	1%	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 2015	Q4 2014	2015	2014
Gross revenue T/C	30,795	26,697	118,002	107,523
Gross revenue V/C	19,018	20,468	82,099	118,414
Total gross revenue	49,813	47,165	200,101	225,937
Voyage expenses and other operating revenue	-11,320	-12,661	-40,750	-76,496
Net operating revenue	38,493	34,504	159,351	149,441

5 Tangible Assets

<i>(in \$ thousand)</i>	31 Dec 15	31 Dec 14
Book value beginning of year	175,798	201,014
Additions, including capitalised project costs	42,819	7,267
Disposal	-	-3,915
Reclassification - assets held for sale	-	-9,049
Depreciation and amortisation of dry-docking for the period	-17,673	-16,310
Vessel impairment	-	-2,150
Loss on sale of vessel	-	-1,059
Book value end of period	200,944	175,798

6 Interest-Bearing Debt

(in \$ thousand)

Balance (including financing fees) 31 December 2014	62,925
New debt	28,125
Repaid debt	-23,127
Financing fees	155
Balance (including financing fees) 31 December 2015	68,078

7 Charter Commitments

From 1 January 2016

<i>(in \$ thousand)</i>	2016	2017	2018-2023	Total
Long-term charters	63,633	74,992	253,909	392,534

8 Related Parties

Siem Industries Inc. owns 81.3% 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 management services to Siem Car Carriers on an arms' length basis and the fee charged in year-to-date was USD1.1 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 arms' length basis.

Also download our web page: www.siemshipping.com

For further information, please contact

Kenneth Ross, CEO +44 207 747 0500