



SIEM SHIPPING INC.

REPORT FOR THE SECOND HALF AND PRELIMINARY FULL YEAR 2017

7 March 2018 – SIEM SHIPPING INC. (the “Company”) announces its results for the second half year ended 31 December 2017 and preliminary results for the fiscal year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards (“IFRS”).

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 26 vessels with a total capacity of 15 million cbft. The Company also operates in the car carrier industry with three pure car-and-truck carrier (“PCTC”) vessels in operation, one being a newbuild with a capacity of 7,000 car equivalent units (“CEU”) and the other two being 2010-built vessels each with a capacity of 4,900 CEU. Four additional newbuild 7,000 CEU vessels are on order at Uljanik d.d. in Croatia.

Highlights for 2017

- **Net loss before impairment and deferred tax USD-4.4 million (2016: net profit USD4.4 million)**
- **Net loss USD-15.8 million (2016: net profit USD4.4 million)**
- **Loss from impairment charges USD20.5 million (2016: USD-0-)**
- **Deferred tax asset recognised USD9.1m (2016: USD-0-)**
- **EPS USD-1.75 (2016: USD0.49)**
- **EBITDA of USD17.9 million (2016: USD25.6 million)**
- **Took delivery of the *MV Star Spirit* and *MV Star Courage* on time-charter**
- **Took delivery of PCTC *MV Siem Cicero* from Uljanik Shipyard**
- **Acquired two additional 2010-built PCTC-vessels, the *MV Siem Socrates* and *MV Silver Moon***
- **Sold older and less efficient vessels *MV Cape Town Star*, *MV Durban Star*, *MV Honduras Star* and *MV Avila Star***
- **Recorded contract backlog at year end of USD349 million (reefers: USD253 million, car carriers: USD96 million)**
- **Fixed approximately 84% of reefer fleet capacity for 2018 and 100% of car carrier capacity**

Comparative Financial Statements (Year over Year)

In 2017, the Company reported a net loss of USD-4.4 million before impairment and deferred tax and a net loss of USD-15.8 million after impairment and deferred tax (2016: net profit USD4.4 million), a net loss of USD-1.75 per share (net income USD0.49 per share).

Gross revenues were USD186.4 million (USD180.4 million) and net operating revenue after voyage and other expenses was USD141.8 million (USD142.8 million). Reefer capacity employed increased by 2% to 215.0 million cbft (210.5 million cbft), whilst the car carriers' capacity employed was 2.2 million CEU (measure is based on cumulative available CEU during period).

Ship operating and administrative expenses were USD50.3 million (USD49.9 million).

Time charter expenses were USD73.6 million (USD67.2 million). The increase is mainly due to delivery of two new specialised reefer vessels on time-charter.

EBITDA was USD17.9 million (USD25.6 million). Depreciation and amortisation expenses were USD16.6 million (USD17.4 million). Impairment charges related to older and less efficient vessels and contract writedown were USD20.5 million (USD-0-).

Interest expense was USD6.6 million (USD3.8 million). Other financial items were USD1.0 million (USD0.1 million).

At 31 December, the Company recognised a deferred tax asset of USD9.2 million related to historical tax losses which the Company expects to apply against future income (USD-0-).

Comparative Financial Statements (2H 2017 over 2H 2016)

During the second half of 2017, the Company recorded a net profit of USD3.4 million (2H 2016: net loss of USD2.0 million), or a net profit of USD0.38 per share (net loss of USD-0.22 per share).

Gross revenues were USD92.8 million (USD85.4 million) and net operating revenue after voyage and other expenses were USD71.9 million (USD64.6 million). The increase is mainly due to the operations of the recently delivered and acquired PCTC vessels. Capacity employed by the specialised reefers during the six-month period was 105.1 million cbft (103.5 million cbft), whilst capacity employed by the car carriers was 2.2 million CEU.

Ship operating and administrative expenses were USD25.4 million (USD22.8 million). The increase is due the delivery and acquisition of PCTC vessels.

Time charter expenses increased to USD37.3 million (USD32.5 million).

EBITDA was USD9.2 million (USD9.3 million). Depreciation and amortisation expenses were USD8.0 million (USD8.9 million).

Impairment charges related to contract writedown were USD4.2 million (USD-0-).

Interest expense increased to USD3.5 million (USD2.4 million).

At 31 December, the Company recognised a deferred tax asset of USD9.2 million related to historical tax losses which the Company expects to apply against future income (USD-0-).

Statement of Financial Position

Shareholders' equity was USD151.0 million at 31 December 2017 (31 December 2016: USD166.7 million), or USD16.76 per share (31 December 2016: USD18.51 per share). Cash flow from operating activities in 2017 was USD7.4 million (USD23.0 million). The cash position increased to USD27.6 million at year-end 2017 from USD27.3 million at year-end 2016.

Interest-bearing debt increased to USD142.3 million at 31 December 2017 from USD106.5 million at year-end 2016. At the Company's Annual General Meeting held on 6 May 2016, the Shareholders approved the acquisition of all the shares of Auto Marine Transport Inc. (AMT) for USD44.8 million 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 of which *Siem Cicero* was delivered to the Company in June 2017. 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 the Company. Siem Investment has extended the repayment terms for the Seller's Credit whereby the final balance of up to USD9.0 million is due 31 December 2020. The extension of the credit facility is on commercial terms. In addition to the liabilities on the balance sheet, the Company has significant long-term charter commitments (see Note 6 in the Notes to the Accounts).

Shareholder Information

At the Company's Annual General Meeting held on 6 May 2016, the shareholders approved a resolution authorising the Company to submit a proposal to delist from the Oslo Stock Exchange. The Oslo Stock Exchange approved the delisting of the Company's shares from the Oslo Stock Exchange and the last day of listing was 14 February 2017.

Market

In the second half of 2017, the average spot market rate was 32 cents per cubic foot per 30 days ("cents"), a decrease of 14% compared to the same period in 2016 (37 cents).

A total of 14 ships from the global reefer fleet have been reported as recycled in 2017 (2016: 7 vessels).

Due to the oversupply of PCTC vessels, there has been a collapse in charter rates, however all owned PCTC vessels are deployed on long term contracts which insulated the Company from the market fluctuations.

Operational Issues

Our in-house ship-management company, Siem Ship Management ("SSM"), which is based in Poland, manages the total fleet of 14 owned reefer vessels as well as 4 car carriers, including 1 indirectly owned by the Company's largest shareholder, Siem Industries Inc. SSM's performance statistics indicate continued improvement and superior results as compared to previous third-party managers. SSM has built upon its success with certifications to ISO9001, ISO14001 and OHSAS18001 standards and has implemented integrated management tools to enhance the management and monitoring processes of the fleet. No major health, safety, environmental and quality (HSEQ) issues were reported during 2017.

For the whole of 2017, the Company recorded unplanned operational off-hire of 0.1% (2016: 0.1%).

Contract Backlog, Deployment and Fleet Changes

Reefer Vessels

The Company took delivery of the chartered-in newbuild specialised reefer vessels *MV Star Spirit* in January 2017 and *MV Star Courage* in May 2017.

The contract to provide a regular weekly service from Ecuador to St. Petersburg utilising five to seven vessels has been renewed for an additional one-year period. In September 2017, the contracts to charter-out *Dunedin Star* and *Wellington Star*, which originated in 2010, were renewed again for another year.

At 31 December 2017, 84% of the Company's fleet capacity was fixed for 2018 and the balance is exposed to the short-term contract market (2017: 79%). The contract backlog for the specialised reefers at 31 December 2017 was USD253 million.

Car Carrier Vessels

The Company also took delivery of its first 7,000 CEU PCTC vessel *MV Siem Cicero* from Uljanik Shipyard d.d. in June 2017. *MV Siem Cicero* was immediately chartered out upon delivery for five years to Siem Car Carriers. In October 2017, the Company acquired two 4,900 CEU pure car-and-truck carriers *MV Cary Rickmers* (renamed: *Siem Socrates*) and *MV Vany Rickmers* (renamed: *Silver Moon*), both built in 2010. Both vessels have been chartered out on five-year charters at profitable rates. The acquisition forms part of the Company's strategy to complement its reefer activity with other shipping activities.

Up to four additional newbuild PCTC vessels are on order. All have experienced delays in the construction process. One vessel is at an advanced stage of construction and scheduled for delivery during the summer of 2018. The excessive delays for the remaining vessels have created uncertainty about the yard's ability to deliver the remaining three vessels within an acceptable timeframe.

The contract backlog for the PCTC vessels at 31 December 2017 was USD96 million.

Subsequent Events

The Company has redelivered *MV Duncan Island* and *MV Albemarle Island* to owners in early 2018 following the completion of a two-year time-charter.

Outlook

The spot market for reefer transportation is expected to remain weak as a result of reduced demand as some clients switch to containers to benefit from perceived lower costs in the short term. Competition from container lines remains fierce, with significant downward pressure on rates as the lines look to build market share and gain business for its overbuilt sector. The future will continue to be challenging for specialised reefer transportation providers.

The Company's reefer strategy is to maintain its position as a leading specialist reefer operator and to build upon the trust that it has earned from its customers as it continues to provide a predictable high-quality service at competitive prices. Siem Shipping now controls a fleet of 26 vessels with a capacity of 15 million cbft.

The Company's strategy to diversify its operations by expanding into the car carrier sector, initially as tonnage provider, has been successfully implemented with the ownership and

operations of three PCTC vessels and the scheduled delivery of a second newbuild PCTC vessel in the summer of 2018. The Company continues to evaluate other opportunities in the industrial shipping market and will remain flexible to the needs of its customers.

6 March 2018

The Board of Directors of Siem Shipping Inc.

Also download our web page www.siemshipping.com

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

SIEM SHIPPING INC. GROUP - SECOND HALF AND FULL YEAR 2017

STATEMENTS OF COMPREHENSIVE INCOME <i>(in \$ thousand)</i>	2017		2016	
	2H	2H	2017	2016
	Unaudited	Unaudited	Jan-Dec Unaudited	Jan-Dec Audited
Gross revenue	\$ 92,837	\$ 85,409	\$ 186,408	\$ 180,356
Voyage expenses and other operating revenue	-20,963	-20,791	-44,563	-37,594
Net operating revenue	71,874	64,618	141,845	142,762
Ship operating and administrative expenses	-25,373	-22,786	-50,337	-49,927
Time charter hire	-37,332	-32,492	-73,629	-67,192
Earnings before interest, tax, depr. and amort.	9,169	9,340	17,879	25,643
Depreciation and amortisation	-8,003	-8,876	-16,608	-17,445
Impairment charges	-4,200	-	-20,543	-
Operating income	-3,034	464	-19,272	8,198
Interest expense	-3,477	-2,417	-6,601	-3,817
Other financial items, net	433	-25	603	57
Profit on sale of vessels	369	-	369	-
Net financial items	-2,675	-2,442	-5,629	-3,760
Net income (loss) before tax	-5,709	-1,978	-24,901	4,438
Taxes	9,132	-17	9,128	-22
Net (loss) income	\$ 3,423	\$ -1,995	\$ -15,773	\$ 4,416
Other comprehensive income	-	-	-	-
Total comprehensive income (loss)	\$ 3,423	\$ -1,995	\$ -15,773	\$ 4,416
Earnings (loss) per share, basic and diluted (amounts in \$)	\$0.38	-\$0.22	-\$1.75	\$0.49
Wtd. avg. common shares outstanding	9,006,352	9,006,352	9,006,352	9,034,212
Issued and outstanding shares	9,006,352	9,006,352	9,006,352	9,006,352

STATEMENTS OF FINANCIAL POSITION <i>(in \$ thousand)</i>	2017		2016	
	31 Dec		31 Dec	
	Unaudited	Audited	Unaudited	Audited
ASSETS				
Intangible non-current assets:				
Deferred tax asset		\$ 9,150	\$ -	
Tangible non-current assets:				
Vessels		207,616	182,707	
Capitalised project costs		37,091	69,564	
Other non-current assets		164	93	
Other non-current assets				
Long-term receivables and other assets		12,914	-	
Current assets:				
Inventory		4,040	3,573	
Receivables and other current assets		17,954	11,113	
Bank deposits		27,564	27,336	
Total assets		\$ 316,493	\$ 294,386	
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Share capital		\$ 90	\$ 90	
Additional paid-in capital		78,687	78,687	
Retained earnings		72,192	87,965	
Total shareholders' equity		150,969	166,742	
Interest-bearing debt, long-term		97,847	74,304	
Interest-bearing debt, short-term		44,446	32,166	
Other short-term debt		23,231	21,174	
Total liabilities		165,524	127,644	
Total shareholders' equity and liabilities		\$ 316,493	\$ 294,386	

STATEMENTS OF CASH FLOWS

<i>(in \$ thousand)</i>	2017		2016	
	2H Unaudited	2H Unaudited	Jan-Dec Unaudited	Jan-Dec Audited
Net (loss) income	\$ 3,419	\$ -2,000	\$ -15,773	\$ 4,416
Tax	-9,128	22	-9,128	22
Depreciation and amortisation	8,003	8,876	16,608	17,445
Impairment charges	4,200	-	20,543	-
Net changes in financing fees / Other	-3,395	653	-4,897	1,093
Cash flow from operating activities	3,099	7,551	7,353	22,976
Sales of vessels	8,568	-	8,568	-
Paid dry-docking	-1,173	-2,951	-1,536	-4,440
Capital expenditure vessels	-17,857	-19,231	-37,855	-64,425
Cash flow from investing activities	-10,462	-22,182	-30,823	-68,865
Share buy-back	-	-	-	-787
New interest-bearing debt	25,640	11,868	55,310	45,868
Long-term receivable	-12,924	-	-12,924	-
Repaid interest-bearing debt	-10,979	-7,709	-18,688	-7,709
Cash flow from financing activities	1,737	4,159	23,698	37,372
Net change in cash	\$ -5,626	\$ -10,472	\$ 228	\$ -8,517
Cash at beginning of period	33,190	37,808	27,336	35,853
Cash at end of period	\$ 27,564	\$ 27,336	\$ 27,564	\$ 27,336

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(in \$ thousand)</i>	2017		2016	
	Jan-Dec Unaudited	Jan-Dec Audited	Jan-Dec Unaudited	Jan-Dec Audited
Shareholders' equity at beginning of period	\$ 166,742	\$ 163,116		
- Repurchased 112,053 shares	-	-789		
- Net (loss) income for the period	-15,773	4,416		
Shareholders' equity at end of period	\$ 150,969	\$ 166,742		

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 2017 and 2016 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 2016. The consolidated condensed financial statements should be read in conjunction with the 2016 annual financial statements, which include a full description of the Group's accounting policies.

3 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>	2H 2017	2H 2016	2017	2016
Gross revenue T/C	63,832	56,499	122,309	114,537
Gross revenue V/C	29,005	28,910	64,099	65,819
Total gross revenue	92,837	85,409	186,408	180,356
Voyage expenses and other operating revenue	-20,963	-20,791	-44,563	-37,594
Net operating revenue	71,874	64,618	141,845	142,762

4 Tangible Assets

<i>(in \$ thousand)</i>	31 Dec 17	31 Dec 16
Book value beginning of year	252,364	200,944
Additions, including capitalised project costs	37,855	68,865
Disposal	-8,197	-
Depreciation and amortisation of dry-docking for the period	-16,608	-17,445
Impairment	-20,543	-
Book value end of period	244,871	252,364

5 Interest-Bearing Debt

<i>(in \$ thousand)</i>	Credit Suisse	ABN AMRO	Siem	Total
Balance (including financing fees) 31 December 2016	11,868	60,602	34,000	106,470
New debt	55,310	-	-	55,310
Repaid debt	-1,730	-15,418	-1,542	-18,688
Financing fees	-1,049	252	-	-797
Balance (including financing fees) 31 December 2017	64,399	45,436	32,458	142,293

6 Charter Commitments

From 1 January 2018

<i>(in \$ thousand)</i>	2018	2019-2023	Total
Long-term charters	65,392	201,276	266,668

7 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 provides 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 USD0.4 million. Siem Car Carriers AS is indirectly 100% owned by Siem Industries. Siem Shipping provides management services to Siem Car Carriers on an arm's length basis and the fee charged for 2017 was USD1.0 million.

At the Company's Annual General Meeting held on 6 May 2016, the Shareholders approved the acquisition of all the shares of Auto Marine Transport Inc. (AMT) for USD44.8 million 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 long-term financing. The gross purchase price for the three PCTC vessels under construction is USD169.6 million. AMT's remaining commitment at the time of purchase to the Uljanik Shipyard d.d. and to providers of scrubbers was 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 the Company. The Company is paying 7.25% interest p.a. for the seller's credit. The first vessel *Siem Cicero* was delivered to the Company in June 2017. The vessel is on charter to Siem Car Carriers AS for a period of five years from delivery. The contract is on an arm's length basis.

Also download our web page: www.siemshipping.com

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