



SIEM SHIPPING INC.

REPORT FOR THE SECOND HALF AND PRELIMINARY FULL YEAR 2018

15 March 2019 – SIEM SHIPPING INC. (the “Company”) announces its results for the second half year ended 31 December 2018 and preliminary results for the fiscal year ended 31 December 2018, 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 via subsidiary Auto Marine Transport, with two pure car-and-truck carrier (“PCTC”) vessels in operation; one delivered in 2017 with a capacity of 7,000 car equivalent units (“CEU”) and the other being 2010-built with a capacity of 4,900 CEU. As part of its strategy to further diversify, the company has entered the bulk segment utilising chartered tonnage.

Highlights for 2018

- **Net profit before impairment of USD9.9 million (2017: USD4.8 million).**
- **Net loss after impairment was USD-21.5 million (2017 net loss: USD-15.8 million)**
- **Impairment charges USD31.4 million (2017: USD20.5 million)**
- **EPS USD-2.42 (2017: USD-1.75)**
- **EBITDA of USD21.9 million (2017: USD17.9 million)**
- **The company has entered the bulk segment utilising chartered tonnage**
- **Sale of *Silver Moon* to its charterer**
- **Cancellation of four new-build vessels from Uljanik Shipyard**
- **Recorded contract backlog at year end of USD205 million (reefers: USD155 million, car carriers: USD50 million)**
- **Fixed approximately 67% of reefer fleet capacity for 2019 and 100% of car carrier capacity**

Comparative Financial Statements (Year over Year)

In 2018, the Company reported a net profit of USD9.9 million before impairment charges (2017: net profit of USD4.8 million before impairment charges) and a net loss of USD-21.5 million after impairment charges (2017: net loss USD-15.8 million after impairment charges), or a net loss of USD-2.42 per share (net loss USD-1.75 per share).

Gross revenues were USD188.4 million (USD186.4 million) and net operating revenue after voyage and other expenses was USD139.0 million (USD141.8 million). Reefer capacity employed decreased by 8% to 198.0 million cbft (215.0 million cbft), whilst the car carriers’

capacity employed was 5.0 million CEU (2.2 million CEU; measure is based on cumulative available CEU during period).

Ship operating and administrative expenses were USD43.7 million (USD50.3 million). The main reason for the reduction was due to the sale of older and less efficient vessels in 2017.

Time charter expenses were USD73.4 million (USD73.6 million).

EBITDA was USD21.9 million (USD17.9 million). Depreciation and amortisation expenses were USD15.5 million (USD16.6 million). Impairment charges related to reefer fleet and contract write-down were USD31.4 million (USD20.5 million).

Interest income was USD7.3 million (USD0.1 million) The interest income relates mainly to the cancellation of the new builds and receipt of guarantees of paid construction instalments that earned interest. Interest expense was USD7.2 million (USD6.6 million). Other financial items were USD3.3 million (USD0.9 million). Other financial items include profit on sale of *Silver Moon*, which was classified as a finance lease.

Comparative Financial Statements (2H 2018 over 2H 2017)

During the second half of 2018, the Company recorded a net profit before impairment of USD5.0 million (2H 2017: USD7.6 million) and a net loss of USD-26.4 million after impairment charges (net profit after impairment charges of USD3.4 million), or a net loss of USD-2.98 per share (net profit of USD0.38 per share).

Gross revenues were USD94.6 million (USD92.8 million) and net operating revenue after voyage and other expenses were USD67.7 million (USD71.9 million). Capacity employed by the specialised reefers during the six-month period was 99.1 million cbft (105.1 million cbft), whilst capacity employed by the car carriers was 2.2 million CEU (2.1 million CEU).

Ship operating and administrative expenses were USD20.7 million (USD25.4 million). The decrease was mainly due to sale of four older and less efficient vessels in 2017.

Time charter expenses decreased to USD35.6 million (USD37.3 million).

EBITDA was USD11.3 million (USD9.2 million). Depreciation and amortisation expenses were USD7.4 million (USD8.0 million).

Impairment charges related to reefer fleet and contract write-down were USD31.4 million (USD4.2).

Interest expense increased to USD4.4 million (USD3.5 million).

Statement of Financial Position

Shareholders' equity was USD128.8 million at 31 December 2018 (31 December 2017: USD151.0 million). Cash flow from operating activities in 2018 was USD25.9 million (USD7.4 million). The cash position decreased from USD27.6 million at year-end 2017 to USD25.6 million at year-end 2018.

Interest-bearing debt decreased to USD77.5 million at 31 December 2018 from USD142.3 million at year-end 2017. 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

During 2018 the Company bought back 145,626 shares which all have been cancelled. The number of issued and outstanding shares per 31 December 2018 is 8,860,726.

Market

Reefer Vessels

In 2018, the average spot market rate was 40 cents per cubic foot per 30 days (“cents”), an increase of 18% compared to 2017 (34 cents). This was mainly due to fixtures reported in the Far East, otherwise there was a flat market.

During 2018, over 89% of the Company’s capacity operated under fixed time and voyage charters, with the remaining amount subject to spot charter activities. This is consistent with the pattern for the global international banana trade, a large part of which is now transported under contracts of affreightment, time charter or third-party liner services, with spot activity now making up only a small part.

A total of 20 ships from the global reefer fleet have been reported as recycled in 2018 (2017: 14 vessels). The Company did not scrap any vessels in 2018 (2017: 2).

Car Carriers

Charter rates remain weak due to the oversupply of PCTC vessels, however all owned PCTC vessels are deployed on long-term contracts, which insulated the Company from the fluctuations in the PCTC market.

Bulk Carriers

As part of its strategy to diversify, the Company has entered into a COA to transport clinker in bulk from Tunisia to West Africa during 2018 utilising chartered supramax and ultramax tonnage.

Operational Issues

At the end of 2018, our in-house ship management company, Siem Ship Management, which is based in Poland, manages the total fleet of 14 owned reefer vessels as well as three car carriers, of which one is indirectly owned by the Company’s largest shareholder, Siem Industries Inc. The performance statistics of Siem Ship Management demonstrate continued improvement and superior results compared to previous third-party managers. It has built on its success with certification to ISO9001, ISO14001 and OHSAS18001 standards, and has implemented integrated management tools to enhance the management and monitoring processes of the fleet.

The Company continues to promote good health and safety practices in an effort to ensure that all officers, crew and employees return home safely in good health. However, the Company was saddened by the death of a senior fitter on board the *Solent Star* in a tragic accident during operational maintenance in May 2018. No other major health, safety, environmental and quality (HSEQ) issues were reported during 2018.

For the whole of 2018, the Company recorded unplanned operational off-hire of 0.1% (2017: 0.1%).

Contract Backlog, Deployment and Fleet Changes

Reefer Vessels

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 December 2018, the contracts to charter-out *Dunedin Star* and *Wellington Star*, which originated in 2010, were renewed again for another year.

At 31 December 2018, 67% of the Company's fleet capacity for specialised reefers was fixed for 2019 and the balance is exposed to the short-term contract market (2017: 89%). The contract backlog for the specialised reefers at 31 December 2018 was USD150 million.

Car Carriers

In October 2017, the Company acquired two 4,900 CEU PCTC vessels; *Siem Socrates* and *Silver Moon*, both built in 2010. Both vessels were chartered out on five-year charters at profitable rates. In June 2018, the Company sold *Silver Moon* to its charterer.

The Company took delivery of the newbuild PCTC vessel *Siem Cicero* in June 2017, the first of five sister vessels to be built at Uljanik d.d. in Croatia. The second newbuild *Siem Ashanti* was launched in May 2018 with delivery to the Company expected at the end of August 2018. Following the launch, there were significant delays and increased uncertainty concerning the builder's ability to deliver the vessel within an acceptable timeframe. On 1 September 2018, the Company terminated the shipbuilding contract for *Siem Ashanti* and exercised its option to terminate the shipbuilding contracts for the remaining three newbuild vessels which were also significantly delayed in construction.

100% of the Company's car carriers fleet capacity was fixed for 2019. The contract backlog for the PCTC vessels at 31 December 2018 was USD50 million.

Subsequent Events

In 2019, the Company has entered into 12-month index-based charterers for two modern and efficient dry bulk vessels. The Company is expecting delivery of the vessels in Q2 and Q3 2019.

Outlook

The spot market for reefer transportation remains weak as a result of reduced demand as some clients continue to 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 this over-built 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 two PCTC vessels. In 2018, as part of its strategy, the Company entered the bulk segment where it entered into a COA to transport clinker in bulk from Tunisia to West Africa

utilising chartered supramax and ultramax tonnage. The Company has further expanded this in 2019 by committing 12-month index-based charters for two modern and efficient dry bulk vessels. The Company continues to evaluate other opportunities in the industrial shipping market and will remain flexible to the needs of its customers.

14 March 2019

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

SIEM SHIPPING INC. GROUP

STATEMENTS OF COMPREHENSIVE INCOME (in \$ thousand)	2018 2H Unaudited	2017 2H Unaudited	2018 Jan-Dec Unaudited	2017 Jan-Dec Audited
Gross revenue	\$ 94,610	\$ 92,837	\$ 188,404	\$ 186,408
Voyage expenses and other operating revenue	-26,887	-20,963	-49,393	-44,563
Net operating revenue	67,723	71,874	139,011	141,845
Ship operating and administrative expenses	-20,734	-25,373	-43,705	-50,337
Time charter hire	-35,640	-37,332	-73,415	-73,629
Earnings before interest, tax, depr. and amort.	11,349	9,169	21,891	17,879
Depreciation and amortisation	-7,430	-8,003	-15,473	-16,608
Impairment charges	-31,387	-4,200	-31,387	-20,543
Operating income	-27,468	-3,034	-24,969	-19,272
Interest expense	-4,432	-3,477	-7,173	-6,601
Other financial items, net	5,475	433	10,652	603
Profit on sale of vessels	-	369	-	369
Net financial items	1,043	-2,675	3,479	-5,629
Net income (loss) before tax	-26,425	-5,709	-21,490	-24,901
Taxes	-12	9,132	-20	9,128
Net (loss) income	\$ -26,437	\$ 3,423	\$ -21,510	\$ -15,773
Other comprehensive income	-	-	-	-
Total comprehensive income (loss)	\$ -26,437	\$ 3,423	\$ -21,510	\$ -15,773
Earnings (loss) per share, basic and diluted (amounts in \$)	-\$2.98	\$0.38	-\$2.42	-\$1.75
Wtd. avg. common shares outstanding	8,860,762	9,006,352	8,904,284	9,006,352
Issued and outstanding shares	8,860,726	9,006,352	8,860,726	9,006,352

STATEMENTS OF FINANCIAL POSITION

(in \$ thousand)

ASSETS

Intangible non-current assets:

Deferred tax asset \$ 9,181 \$ 9,150

Tangible non-current assets:

Vessels 169,339 207,616
Capitalised project costs 4,415 37,091
Other non-current assets 114 164

Other non-current assets

Long-term receivables and other assets - 12,914

Current assets:

Inventory 4,457 4,040

Receivables and other current assets 18,251 17,955

Bank deposits 25,575 27,564

Total assets

\$ 231,332 **\$ 316,494**

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity:

Share capital \$ 89 \$ 90

Additional paid-in capital 78,687 78,687

Retained earnings 50,017 72,190

Total shareholders' equity

128,793 **150,967**

Interest-bearing debt, long-term

57,757 97,847

Interest-bearing debt, short-term

19,718 44,446

Other short-term debt

25,064 23,234

Total liabilities

102,539 **165,527**

Total shareholders' equity and liabilities

\$ 231,332 **\$ 316,494**

STATEMENTS OF CASH FLOWS

<i>(in \$ thousand)</i>	2018		2017	
	2H Unaudited	2H Unaudited	Jan-Dec Unaudited	Jan-Dec Audited
Net (loss) income	\$ -26,437	\$ 3,419	\$ -21,510	\$ -15,773
Tax	12	-9,128	20	-9,128
Depreciation and amortisation	7,430	8,003	15,473	16,608
Impairment charges	31,387	4,200	31,387	20,543
Net changes in financing fees / Other	834	-3,395	540	-4,897
Cash flow from operating activities	13,226	3,099	25,911	7,353
Sales of vessels	-	8,568	-	8,568
Paid dry-docking	-4,180	-1,173	-4,180	-1,536
Capital expenditure vessels	40,174	-17,857	28,341	-37,855
Cash flow from investing activities	35,994	-10,462	24,162	-30,823
Share buy-back	-54	-	-663	-
New interest-bearing debt	-	25,640	11,868	55,310
Long-term receivable	1,077	-12,924	13,991	-12,924
Repaid interest-bearing debt	-43,835	-10,979	-77,259	-18,688
Net changes in financing fees	-	-	-	-
Cash flow from financing activities	-42,812	1,737	-52,062	23,698
Net change in cash	\$ 6,408	\$ -5,626	\$ -1,989	\$ 228
Cash at beginning of period	19,167	33,190	27,564	27,336
Cash at end of period	\$ 25,575	\$ 27,564	\$ 25,575	\$ 27,564

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(in \$ thousand)</i>	2018		2017	
	Jan-Dec Unaudited	Jan-Dec Audited	Jan-Dec Unaudited	Jan-Dec Audited
Shareholders' equity at beginning of period	\$ 150,967	\$ 166,740		
- Repurchased and cancelled 145,626 shares	-663	-		
- Net loss income for the period	-21,510	-15,773		
Shareholders' equity at end of period	\$ 128,793	\$ 150,967		

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 2018 and 2017 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 2017. The consolidated condensed financial statements should be read in conjunction with the 2017 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>	H2 2018	H2 2017	2018	2017
Gross revenue T/C	60,620	63,832	123,527	122,309
Gross revenue V/C	33,990	29,005	64,877	64,099
Total gross revenue	94,610	92,837	188,404	186,408
Voyage expenses and other operating revenue	-26,887	-20,963	-49,393	-44,563
Net operating revenue	67,723	71,874	139,011	141,845

4 Tangible Assets

<i>(in \$ thousand)</i>	31 Dec 18	31 Dec 17
Book value beginning of year	244,871	252,364
Additions, including capitalised project costs	16,204	37,855
Disposal / Cancellation of project	-40,365	-8,197
Depreciation and amortisation of dry-docking for the period	-15,472	-16,608
Impairment	-31,369	-20,543
Book value end of period	173,869	244,871

5 Interest-Bearing Debt

<i>(in \$ thousand)</i>	Siem	Bank Syndicate	Unamortised financing fees	Total
Balance (including financing fees) 31 December 2017	32,458	111,489	-1,652	142,295
New debt	-	11,868	-	11,868
Repaid debt	-32,458	-44,801	-	-77,259
Financing fees	-	-	572	572
Balance (including financing fees) 31 December 2018	-	78,554	-1,080	77,474

6 Charter Commitments

From 1 January 2019

<i>(in \$ thousand)</i>	2019	2020-2023	Total
Long-term charters	65,343	135,782	201,125

7 Related Parties

Siem Industries Inc. owns 83.9% 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 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 the Company has on long-term charters. The fee paid to Siem Industries for providing these guarantees in 2018 was USD0.2 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 2018 was USD1.1 million.

In addition, the Company is chartering out *Siem Cicero* and *Siem Socrates* to Siem Car Carriers AS on a five year time-charter agreement. The hire revenue earned in 2018 was USD13,088 (2017: USD6,090). The contract terms are on an arm's length basis. The Company was also a party to a finance lease with Siem Car Carriers AS in relation to *Silver Moon*. In 2018 Siem Car Carriers paid to the Company USD978 (2017: USD540) in lease payments. In June 2018 the finance lease was cancelled whereby the ultimate charterer bought the vessel direct from the Company.

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 (83.9% owner of Siem Shipping Inc.). The settlement of the AMT acquisition price of USD44.8 million was a cash payment of USD10.8 million and a seller's credit of USD34.0 million made available to the Company. The Company was paying 7.25% interest p.a. for the seller's credit, and with effect from 1 January 2018 the interest rate was reduced to 5% p.a.. Siem Investment granted an extension of the repayment terms for the Seller's Credit whereby up to USD9.0 million was extended to 31 December 2020. The extension of the credit facility was on commercial terms. However, in 2018 the Company repaid the whole Seller's Credit facility to Siem Investments Inc. and the balance per 31 December 2018 was 0. Interest expensed in 2018 was USD0.4 million (2017: USD2.5 million).

Also download our web page: www.siemshipping.com

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