



SIEM SHIPPING INC.

REPORT FOR THE FOURTH QUARTER AND PRELIMINARY FULL YEAR 2016

8 March 2017 – SIEM SHIPPING INC. (the “Company”) announces its preliminary results for the fiscal year and quarter ended 31 December 2016, prepared in accordance with 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 has committed to becoming a tonnage provider to the car carrier market and, consequently, has 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 delivery 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 2016

- **Net profit USD4.4 million (2015: USD10.1 million)**
- **EPS USD0.49 (2015: USD1.10)**
- **EBITDA of USD25.6 million (2015: USD30.5 million)**
- **Completed voluntary share buy-back in March 2016 and bought-back and cancelled 112,053 shares at NOK60 per share**
- **Acquired Auto Marine Transport Inc. and its three car-carrier newbuilds**
- **Received approval for the delisting of the Company’s shares from the Oslo Stock Exchange with effect from 14 February 2017**
- **PCTC *MV Siem Cicero* launched in November 2016 with expected delivery in Q2 2017**
- **Received delivery of the *MV Star Spirit*, the first of two newbuild specialised reefers chartered by the Company, in January 2017**
- **Recorded contract backlog at year end of USD551 million (2015: USD450 million)**
- **Fixed approximately 79% of fleet capacity for 2017**

Comparative Financial Statements (Year over Year)

In 2016, the Company reported a net income of USD4.4 million (2015: USD10.1 million), or a net income of USD0.49 per share (USD1.10 per share).

Gross revenues were USD180.4 million (USD200.1 million) and net operating revenue after voyage and other expenses was USD142.8 million (USD159.4 million). The capacity employed increased by 2% to 210.5 million cbft (205.9 million cbft).

Ship operating and administrative expenses were USD49.9 million (USD55.0 million).

Time charter expenses were USD67.2 million (USD73.9 million). The decrease is mainly due to fewer short-term charter vessels.

EBITDA was USD25.6 million (USD30.5 million). Depreciation and amortisation expenses were USD17.4 million (USD17.7 million).

Interest expense was USD3.8 million (USD3.1 million). Other financial items were USD0.1 million (USD0.4 million).

Comparative Financial Statements (Q4 over Q4)

During the quarter, the Company recorded a net loss of USD0.1 million (Q4 2015: net profit of USD2.3 million), or a net loss of USD0.02 per share (net profit of USD0.25 per share).

Gross revenues were USD43.9 million (USD49.8 million) and net operating revenue after voyage and other expenses was USD32.4 million (USD38.5 million). Capacity employed for the three-month period was 51.3 million cbft (53.0 million cbft).

Ship operating and administrative expenses were USD10.9 million (USD14.2 million).

Time charter expenses decreased to USD16.0 million (USD16.9 million).

EBITDA was USD5.5 million (USD7.4 million). Depreciation and amortisation expenses were USD4.6 million (USD4.5 million).

Interest expense increased to USD1.2 million (USD0.8 million).

Statement of Financial Position

Shareholders' equity was USD166.7 million at 31 December 2016 (31 December 2015: USD163.1 million), or USD18.51 per share (31 December 2015: USD17.89 per share). Cash flow from operating activities in 2016 was USD23.0 million (USD31.2 million). The cash position decreased from USD35.9 million at year-end 2015 to USD27.3 million year-end 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 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

the Company 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. During Q4 2016, the Company drew down the first instalment for USD11.9 million under the USD124.6 million facility for construction financing for the three new-builds at Uljanik Shipyard d.d. The facility carries an interest rate of Libor plus a margin of 2.25%, an arrangement fee of 0.7% and a commitment fee of 0.6%.

Interest-bearing debt increased from USD69.2 million at year-end 2015 to USD107.3 million at 31 December 2016. The next scheduled repayment of bank debt of USD7.7 million due in May 2017 was prepaid in February 2017. In addition to the liabilities on the balance sheet, the Company has significant long-term charter commitments (see Note 7 in the Notes to the Accounts).

Shareholder Information

In January 2016, the Company announced a voluntary share buy-back offer to purchase shares in the Company at NOK60 per share for a maximum of 1,708,907 shares. The offer was extended on 19 February until 7 March 2016. On completion of the voluntary buy-back offer, shareholders representing 112,053 shares accepted the offer for an aggregate consideration of NOK6.7 million (USD0.8 million). Following the buy-back and cancellation of shares, the issued and outstanding number of shares is 9,006,352 shares.

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 Q4 2016, the average spot market rate was 36 cents ("cents" means cents per cubic foot per 30 days), a 17% reduction from the 42 cents observed in Q4 2015.

There were very few open ships reported and fleet employment was good, but the larger vessels did incur some significant waiting time prior to employment.

By early November rates had marginally improved from the beginning of the quarter as demand increased in citrus trades from Spain and Morocco.

The non-contracted excess banana production shipped from the East Coast of Central America to the Mediterranean was greater than in 2015, causing over-supply, low pricing and congestion in Eastern Mediterranean transit ports.

Employment in the smaller ship sector was steady and showed some signs of meaningful improvement towards the end of Q4 when the annual potato and onion trades from the North Continent to North Africa commenced. Elsewhere, the fish trades from the North Continent to West Africa tended to be concentrated on 300,000 cbft +/- size vessels and Nigeria continued to experience foreign currency exchange issues due to lower oil revenues, leading to a reduction in the available fish import licences and quotas. As a consequence, a small number of vessels usually deployed in the fish trades encroached into the spot fruit trades, putting further pressure on rates.

Due to continuing uncertainty over Philippines production volumes, major charterers reverted

to the spot market rather than relying on period tonnage commitments. Due to limited availability of tonnage in the Far East, this created temporarily higher regional spot rates than those seen in the Atlantic.

In 2016, only four ships from the global specialised reefer fleet (above 400,000 cbft) were reported as scrapped. No vessels from the Company fleet were scrapped in the period.

Operational Issues

Our in-house ship-management company, Siem Ship Management, which is based in Poland, manages the total fleet of 18 owned vessels as well as two car carriers 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. No major health, safety, environmental and quality (HSEQ) issues were reported during 2016.

For the whole of 2016, the Company recorded unplanned operational off-hire of 0.1% (2015: 0.2%).

Contract Backlog, Deployment and Fleet Changes

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 that the vessel did not comply with the requirements of its charter-party upon redelivery on 31 December 2014. The Company entered into a settlement agreement with the owners in November 2016 and the claim has now been withdrawn.

In June 2016, 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 September 2016, the contracts to charter-out *Dunedin Star* and *Wellington Star*, which originated in 2010, were renewed again for another year.

At the Company's Annual General Meeting held on 6 May 2016, the shareholders approved a resolution to acquire all of the shares of Auto Marine Transport Inc. for USD 44.8 million from Siem Investments Inc., a wholly-owned subsidiary of Siem Industries (82% owner of Siem Shipping Inc.). Auto Marine Transport is the owner of three PCTC vessels under construction at Uljanik d.d. shipbuilding yard based in Croatia, with the vessels due to be delivered to the Company commencing in 2017. This transaction supports the diversification of the Company's exposure to a broader range of activities. The first of the PCTCs, *Siem Cicero*, was launched in November 2016 with delivery planned during Q2 2017.

The *MV Star Spirit*, the first of two new-build specialised reefers chartered by the Company, was delivered to the Company in January 2017. The sister vessel, *MV Star Courage*, will be delivered Q2 2017.

At 31 December 2016, 79% of the Company's fleet capacity for 2017 has been fixed and the balance is exposed to the short-term contract market (2016: 81%).

The contract backlog at 31 December 2016 was USD551 million (2015: USD450 million).

Subsequent Events

In January 2017, the Company took delivery of *MV Star Spirit* which is on charter for a minimum period of five years. The sister vessel, *MV Star Courage*, will be delivered in Q2 2017. The charters are part of the Company's strategy to secure modern tonnage to maintain its position as the leading specialised reefer operator.

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

Outlook

The second half of 2016 continued to be challenging for specialised reefer transportation providers. Competition from container lines remains fierce with significant downward pressure on rates as the lines look to build market share. Despite consolidation amongst the container lines, there are few signs that 2017 will bring much respite.

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 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 at Uljanik d.d. The first vessel in the series is expected to deliver in Q2 2017 with subsequent deliveries at approximately 6 month intervals thereafter. The construction of all vessels is behind schedule and it is possible that some may not be delivered by the contractual cancellation dates. The Company continues to evaluate other opportunities in the industrial shipping market and will remain flexible to the needs of its customers.

7 March 2017

The Board of Directors of Siem Shipping Inc.

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<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</p>

SIEM SHIPPING INC. GROUP - FOURTH QUARTER AND FULL YEAR 2016

STATEMENTS OF COMPREHENSIVE INCOME (in \$ thousand)	2016	2015	2016	2015
	4Q Unaudited	4Q unaudited	Jan-Dec Unaudited	Jan-Dec Audited
Gross revenue	\$ 43,880	\$ 49,813	\$ 180,356	\$ 200,101
Voyage expenses and other operating revenue	-11,487	-11,320	-37,594	-40,750
Net operating revenue	32,393	38,493	142,762	159,351
Ship operating and administrative expenses	-10,887	-14,194	-49,927	-54,954
Time charter hire	-16,008	-16,902	-67,192	-73,906
Earnings before interest, tax, depr. and amort.	5,498	7,397	25,643	30,491
Depreciation and amortisation	-4,552	-4,489	-17,445	-17,673
Operating income	946	2,908	8,198	12,818
Interest expense	-1,225	-758	-3,817	-3,094
Other financial items net	157	176	57	409
Net financial items	-1,068	-582	-3,760	-2,685
Net income before tax	-122	2,326	4,438	10,133
Taxes	-14	-8	-22	-21
Net income	\$ -136	\$ 2,318	\$ 4,416	\$ 10,112
Other comprehensive income	-	-	-	-
Total comprehensive income	\$ -136	\$ 2,318	\$ 4,416	\$ 10,112
Earnings per share, basic and diluted (amounts in \$)	-0.02	0.25	0.49	1.10
Wtd. avg. common shares outstanding	9,006,352	9,118,405	9,034,212	9,167,689
Issued and outstanding shares	9,006,352	9,118,405	9,006,352	9,118,405
STATEMENTS OF FINANCIAL POSITION				
(in \$ thousand)			2016	2015
			31 Dec	31 Dec
			Unaudited	Audited
ASSETS				
Tangible non-current assets:				
Vessels			\$ 182,707	\$ 195,492
Capitalised project costs			69,564	5,345
Other non-current assets			93	107
Other non-current assets				
Pension funds			-	82
Current assets:				
Inventory			3,573	3,528
Receivables and other current assets			11,113	11,019
Bank deposits			27,336	35,853
Total assets			\$ 294,386	\$ 251,426
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Share capital			\$ 90	\$ 91
Additional paid-in capital			78,687	78,687
Treasury shares				
Retained earnings			87,965	84,338
Total shareholders' equity			166,742	163,116
Interest-bearing debt, long-term				
			74,304	60,617
Interest-bearing debt, short-term				
			32,166	7,461
Other short-term debt				
			21,174	20,232
Total liabilities			127,644	88,310
Total shareholders' equity and liabilities			\$ 294,386	\$ 251,426

STATEMENTS OF CASH FLOWS

<i>(in \$ thousand)</i>	2016		2015	
	4Q Unaudited	4Q Unaudited	Jan-Dec Unaudited	Jan-Dec Audited
Net income before tax	\$ -122	\$ 2,326	\$ 4,438	\$ 10,133
Depreciation and amortisation	4,552	4,489	17,445	17,673
Net changes in financing fees / Other	2,448	-3,683	1,093	3,409
Cash flow from operating activities	6,878	3,132	22,976	31,215
Sales of vessels	-	-	-	9,049
Paid dry-docking	-880	-143	-4,440	-4,422
Capital expenditure vessels	-19,625	-5,617	-64,425	-38,397
Cash flow from investing activities	-20,505	-5,760	-68,865	-33,770
Share buy-back	-	-	-787	-4,063
New interest-bearing debt	11,868	-	45,868	28,125
Repaid interest-bearing debt	-	-7,709	-7,709	-23,127
Cash flow from financing activities	11,868	-7,709	37,372	935
Net change in cash	\$ -1,759	\$ -10,337	\$ -8,517	\$ -1,620
Cash at beginning of period	29,095	42,959	35,853	\$ 37,473
Cash at end of period	\$ 27,336	\$ 35,853	\$ 27,336	\$ 35,853

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(in \$ thousand)</i>	2016		2015	
	Jan-Dec Unaudited	Jan-Dec Audited	Jan-Dec Unaudited	Jan-Dec Audited
Shareholders' equity at beginning of period	163,116	\$ 157,067		
- Repurchased 112,053 shares (2015: 529,074 shares)			-789	-4,063
- Net income for the period			4,416	10,112
Shareholders' equity at end of period	\$ 166,742	\$ 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 31 December 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	Q4 2016	Q4 2015	2016	2015
Bananas	93%	92%	89%	85%
Deciduous	0%	2%	2%	5%
Citrus	0%	0%	2%	2%
Fish	6%	6%	6%	7%
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 2016	Q4 2015	2016	2015
Gross revenue T/C	28,642	30,795	114,537	118,002
Gross revenue V/C	15,238	19,018	65,819	82,099
Total gross revenue	43,880	49,813	180,356	200,101
Voyage expenses and other operating revenue	-11,487	-11,320	-37,594	-40,750
Net operating revenue	32,393	38,493	142,762	159,351

5 Tangible Assets

<i>(in \$ thousand)</i>	31 Dec 16	31 Dec 15
Book value beginning of year	200,944	175,798
Additions, including capitalised project costs	68,865	42,819
Depreciation and amortisation of dry-docking for the period	-17,445	-17,673
Book value end of period	252,364	200,944

6 Interest-Bearing Debt

<i>(in \$ thousand)</i>	Credit Suisse	ABN AMRO	Siem	Total
Balance (including financing fees) 31 December 2015	-	68,078	-	68,078
New debt	11,868	-	34,000	45,868
Repaid debt	-	-7,709	-	-7,709
Financing fees	-	233	-	233
Balance (including financing fees) 31 December 2016	11,868	60,602	34,000	106,470

7 Charter Commitments

From 1 January 2017

<i>(in \$ thousand)</i>	2017	2018	2019-2023	Total
Long-term charters	73,549	65,343	201,122	340,014

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 USD0.4 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 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 arm's length basis.

At the Siem Shipping Inc. 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 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 the 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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