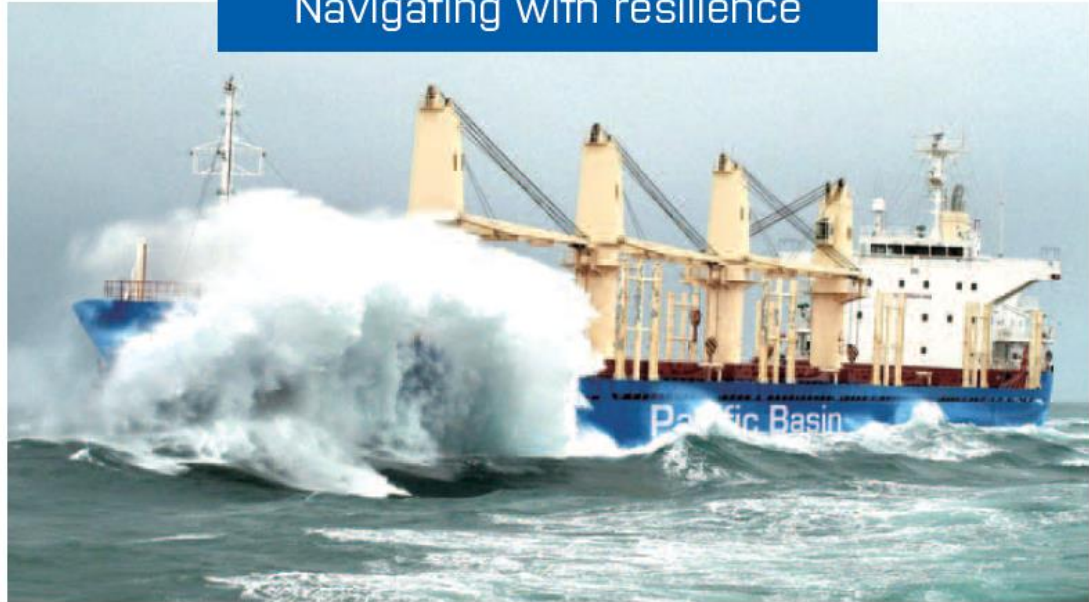




**2016  
First Quarter  
Trading Update**

6 April 2016

Navigating with resilience



Experienced team



Exceptional fleet



Customers first



# 2016 First Quarter Trading Update

PB Update

- Our business model enabled us to outperform spot market indices in 1Q:

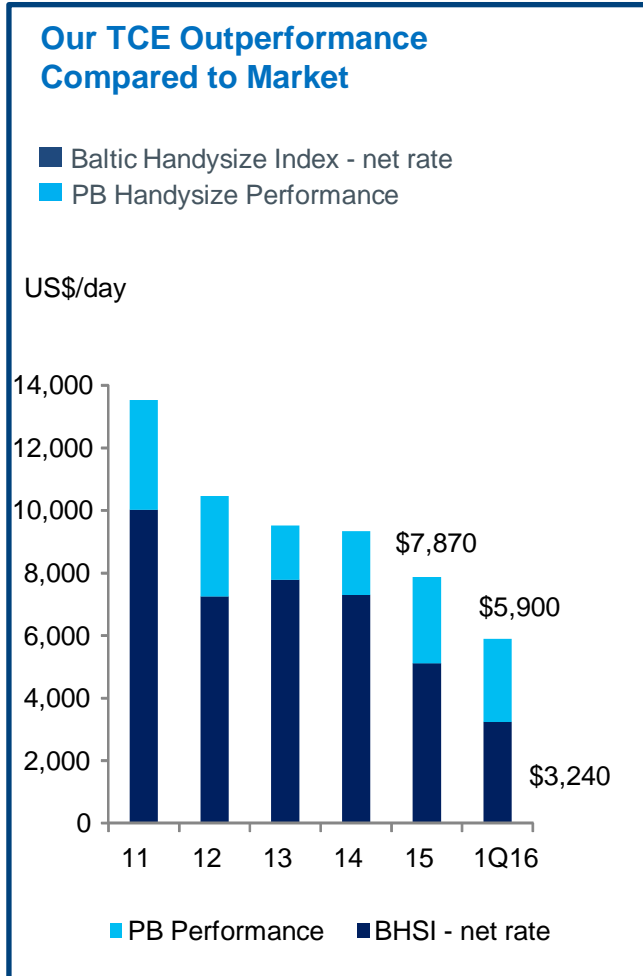
Average Daily Earnings	FY2016 Cover US\$/day	Q1 US\$/day	Q1 Outperformance
Handysize TCE	55% @ \$7,100	\$5,900	+83%
Supramax TCE	71% @ \$6,800	\$5,800	+61%

- We have not taken any long-term chartered ships – we rely more on our larger owned fleet, complemented by ships on shorter-term and index-linked charters
- About 2/3 of our Supramax fleet is chartered in on a short-term basis, hence weak Supramax market rates are reducing our Supramax vessel costs as well as revenue

Market Update

- New record low market freight rates for all bulk carrier types in Feb 2016
- Market rates have improved for minor bulk ships since mid-Feb (after seasonally slower winter and Chinese New Year holiday) albeit from a very low base
- Significant gap between newbuilding and secondhand prices continues to discourage new ship ordering which was negligible in 1Q
- YTD average industry freight earnings are below industry cash operating expenses for many shipowners
  - significantly higher scrapping in early 2016 has helped reduce global dry bulk net fleet growth
  - if sustained, could lead to net shrinkage of the global dry bulk fleet in 2016

# Our Ability to Outperform



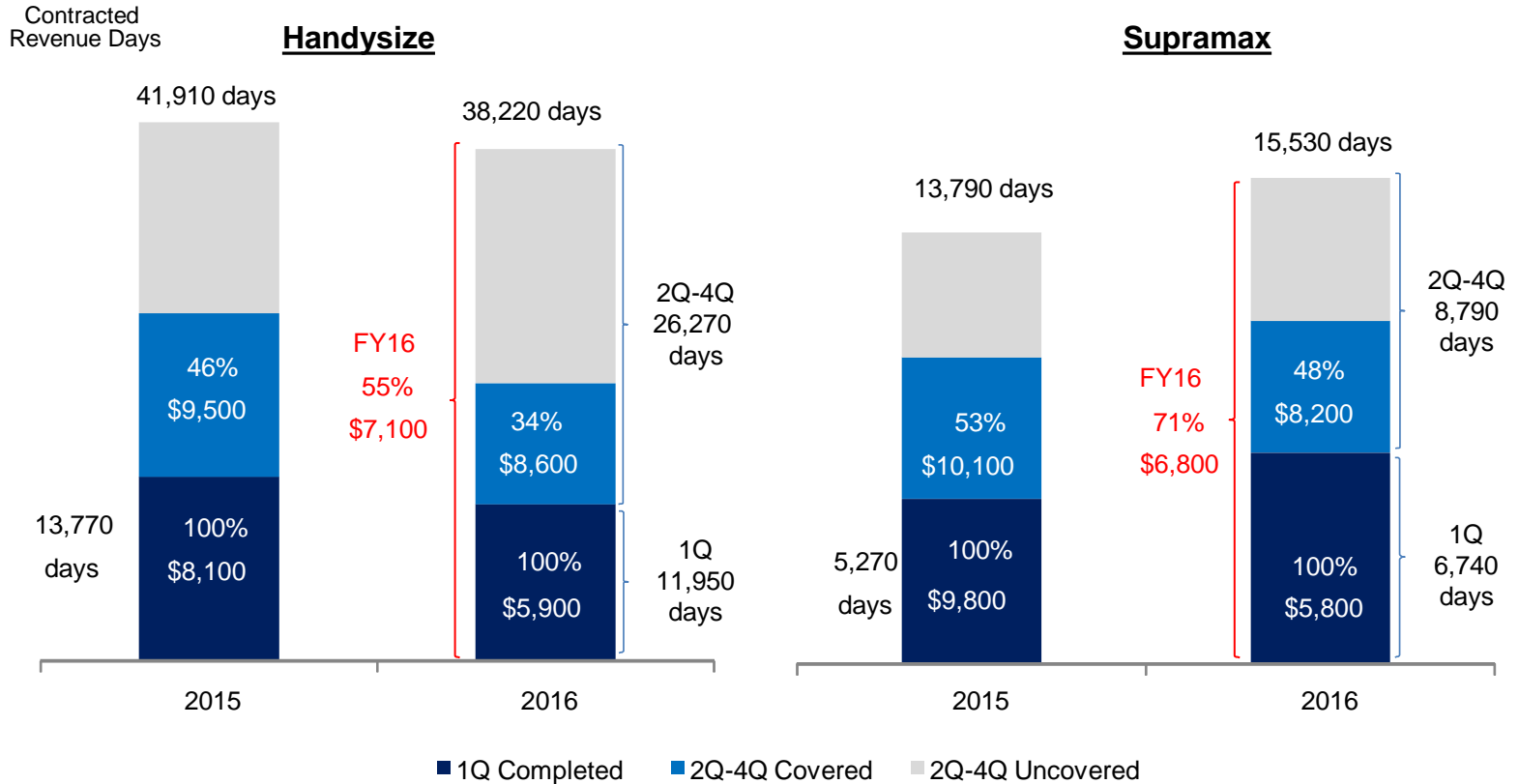
Our business model has been built up and refined over many years. Through a combination of the following factors, we are able to generate a premium over market rates due to our high laden percentage (minimum ballast legs):

- Experienced staff & global office network
- Large fleet of high-quality substitutable ships
- Our cargo contracts, relationships & direct interaction with end users
- An increasing proportion of owned vessels facilitating greater control and minimising trading constraints
- Handysize Segment's versatile ships and diverse trades

Average premium last 5 years:

- Handysize TCE: **US\$2,650/day** (FY2015: \$2,760)
- Supramax TCE: **US\$1,800/day** (FY2015: \$2,550)

# Earnings Cover for 2016



Currency in US\$, data as at 31 Mar 2016

## 2015 Balance Sheet & Liquidity

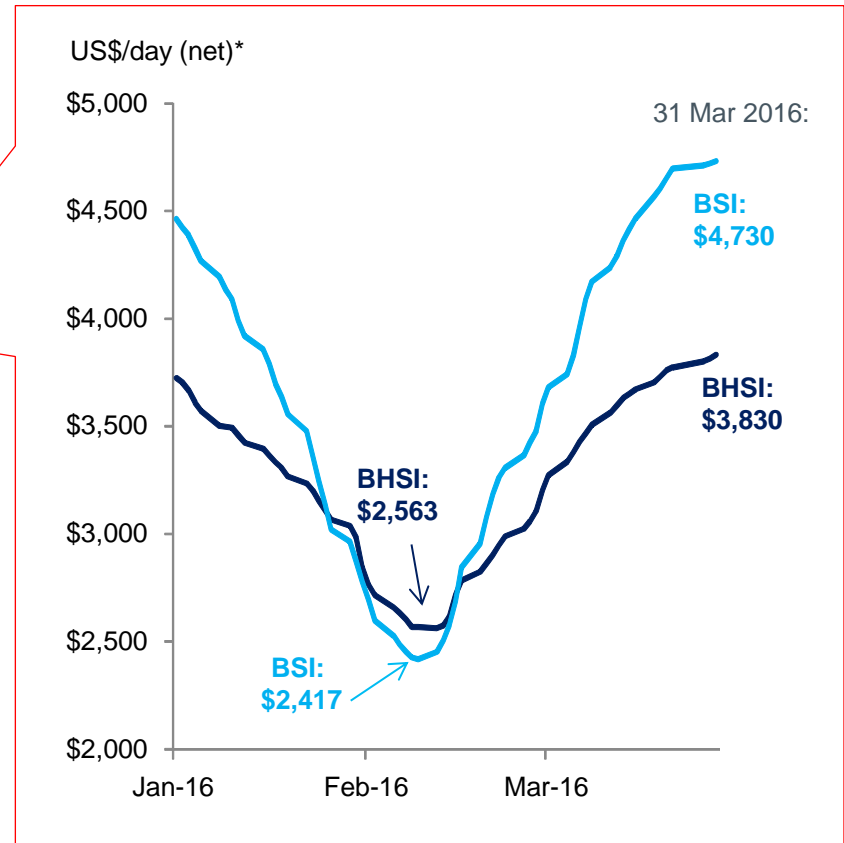
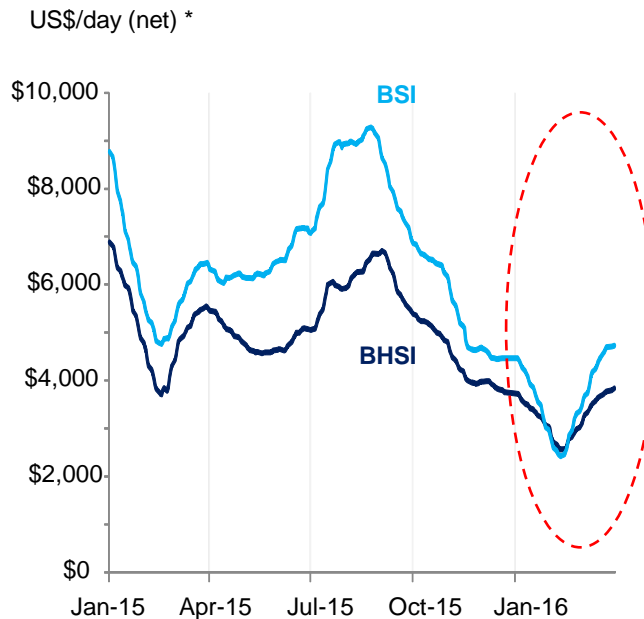
31 December 2015

US\$m	2015	2014
Cash Position	358	363
Committed but undrawn loan facilities	375	
Remaining Newbuilding Capital Commitments	274	
Net Borrowings	568	
Vessels & Other Fixed Assets	1,611	
Net Gearing	35%	40%

- New US\$125million convertible bonds in 1H15, maturity 2021
- US\$140million proceeds from RoRo & Towage Sales collected during the year
- US\$14million of Towage assets sold with payment & delivery early 2016 and about US\$22million of towage assets remains in Middle East
- Repayment of US\$230million Convertible Bonds due 2016

# Dry Bulk Spot Market at 30 Year Lows

Baltic Handysize Index (BHSI) & Baltic Supramax Index (BSI)

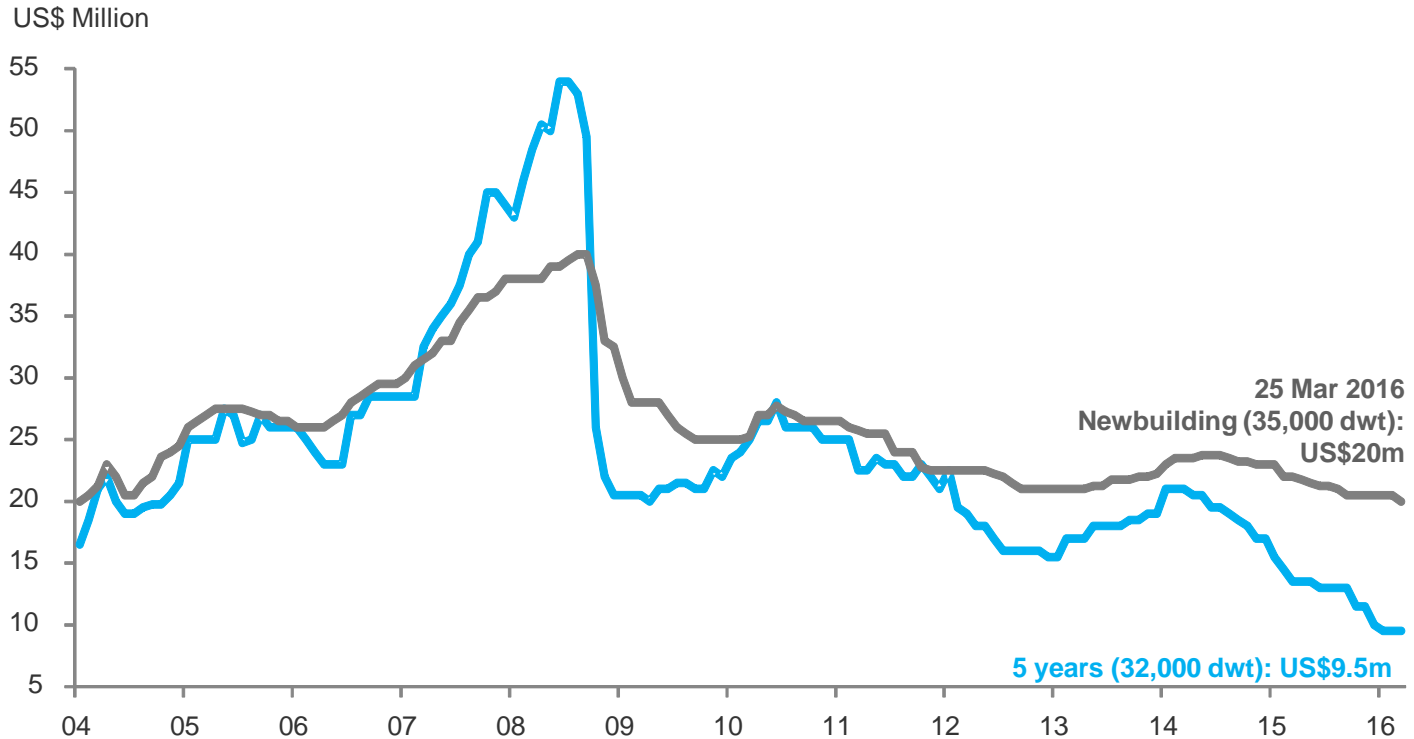


- New record low market freight rates for all bulk carrier types in Feb 2016
- Market rates have improved for minor bulk ships after seasonally slower winter and Chinese New Year holiday albeit from a very low base

\* excluding 5% commission

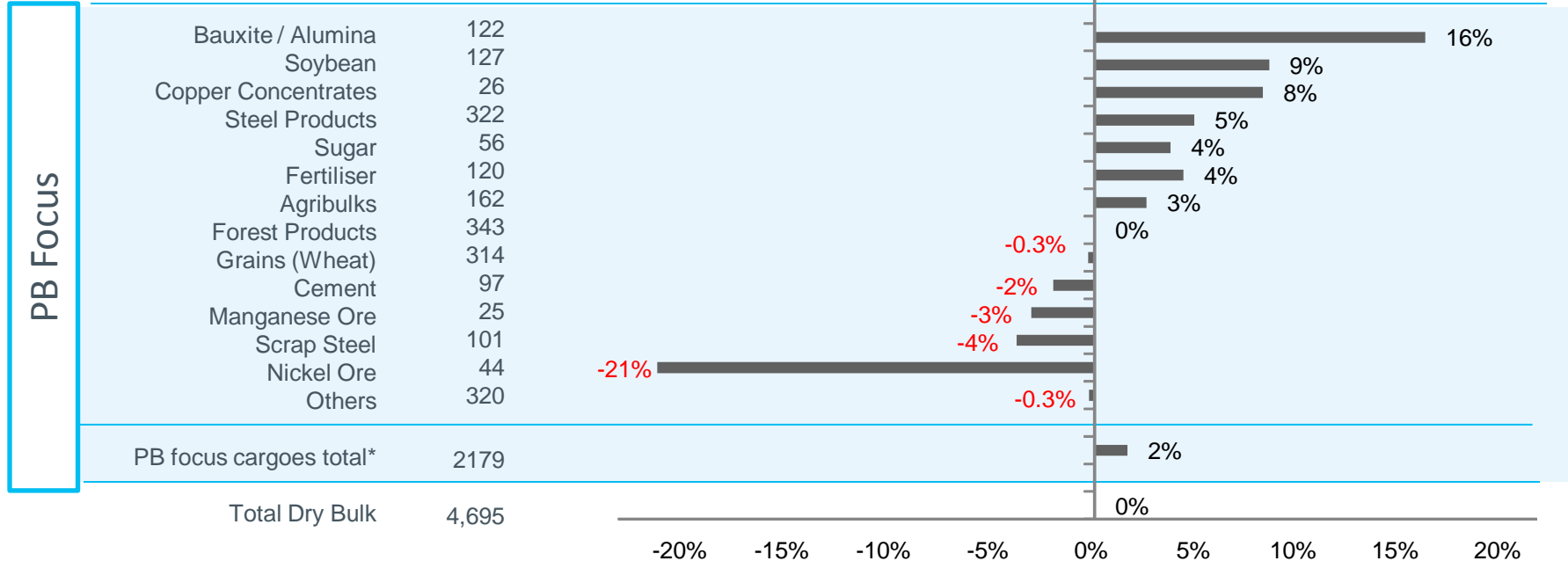
Source: Baltic Exchange, data as at 31 Mar 2016

# Handysize Vessel Values



- All time high gap between newbuilding and secondhand values
- Discourages new ship ordering which was negligible in 1Q16

# Dry Bulk Seaborne Trade in 2015

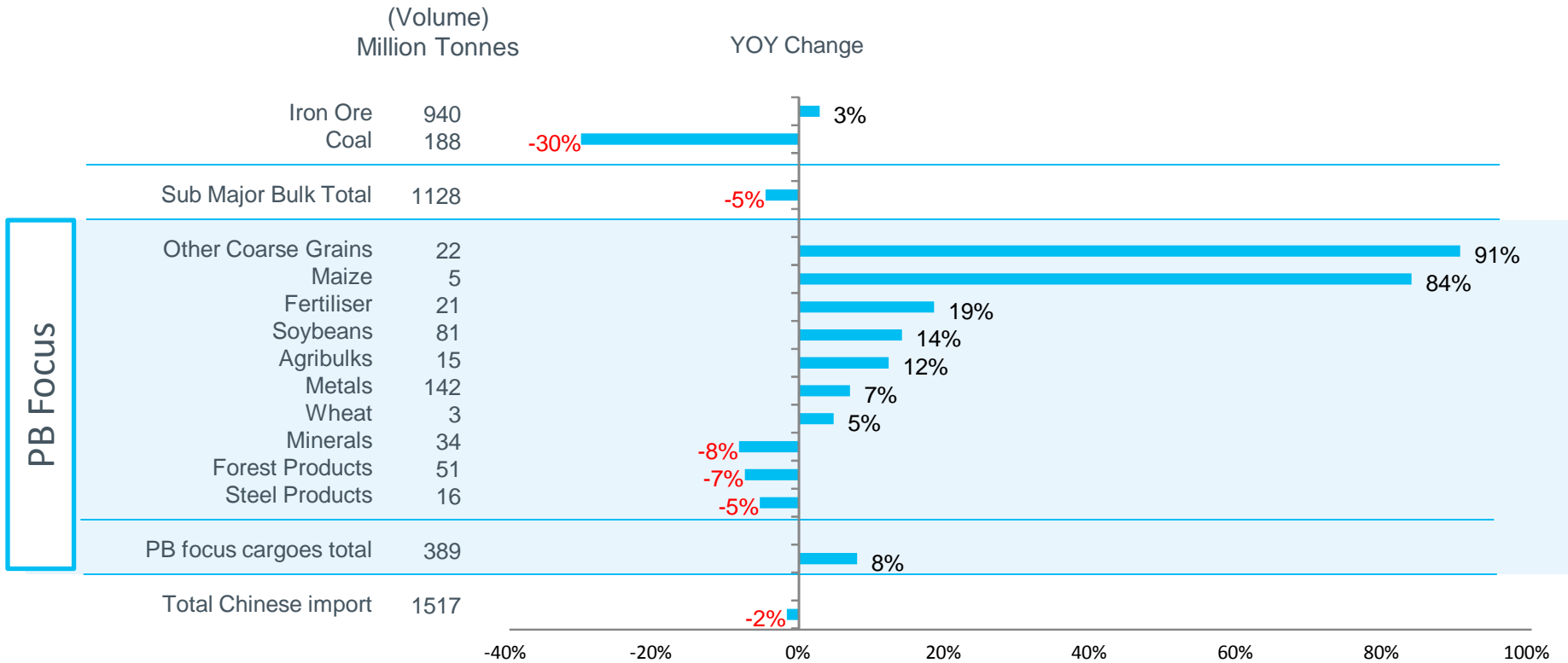


\* Minor bulk trade: 1,588 mil tonnes

Source: Bloomberg, Clarksons Platou



# Chinese Seaborne Dry Bulk Imports 2015

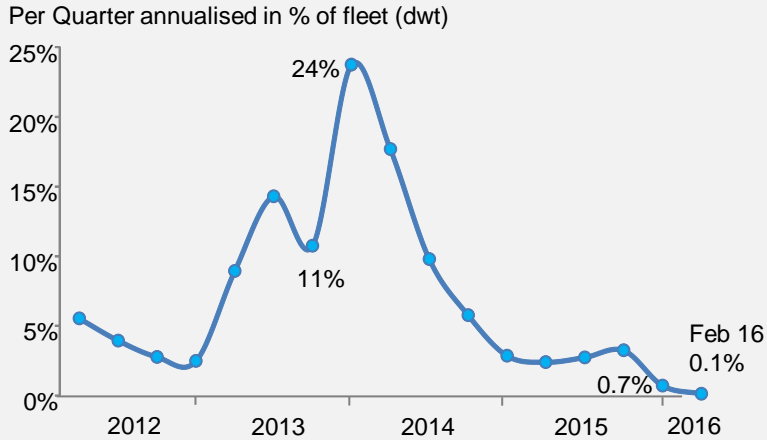


\* Chinese Minor bulk trade: 278 mil tonnes

Source: Clarksons Platou

# Self Correcting Supply Factors

## New Vessel Ordering is Down

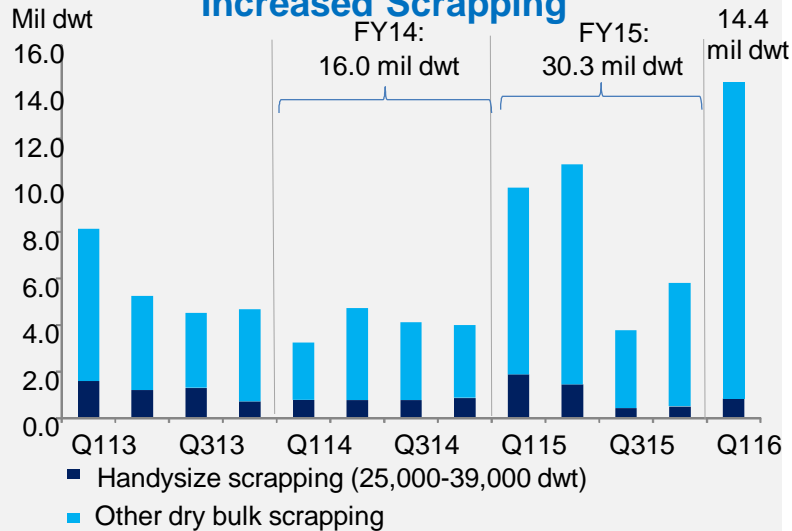


Number of Chinese yards delivering Handy bulk vessels decreased from 54 in 2012 to 23 in 2015

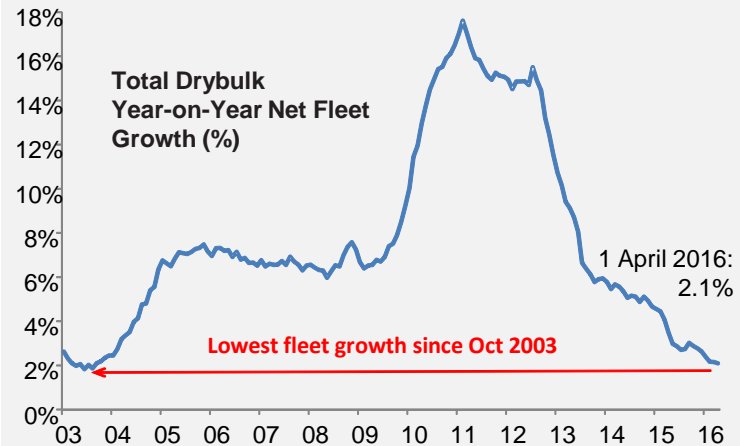
Delivery Slippage

Orderbook Cancellations & Conversions

## Increased Scrapping

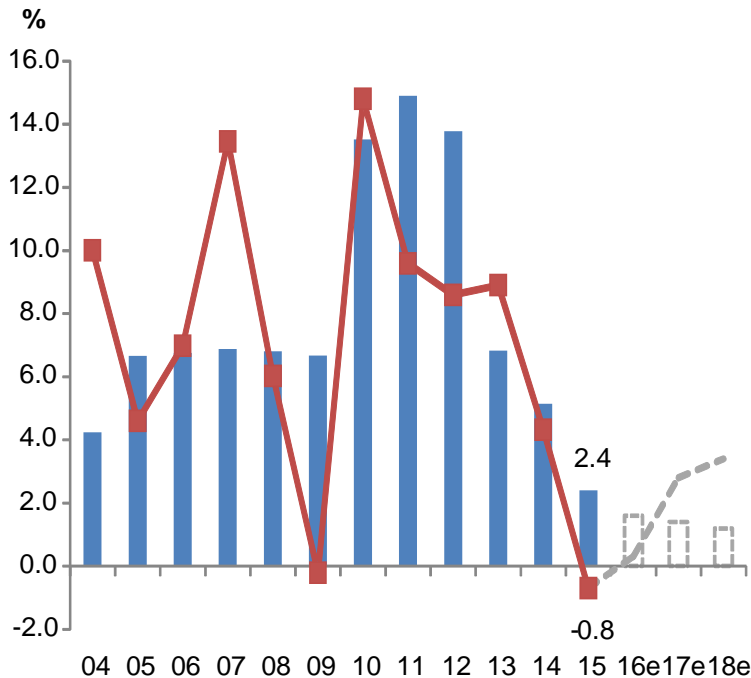


## Fleet Growth is Reducing



- Scraping YTD, if sustained, could lead to net shrinkage of the global fleet in full year 2016

# Dry Bulk Supply & Demand



■ Net fleet growth  
■ Effective Demand growth  
--- Analyst's forecast

Data as in Feb 2016

## Supply:

- 1Q16 net fleet growth: 2.1%
- New deliveries partly offset by increased scrapping (Handysize: 2.4% new deliveries vs 1.1% scrapping)
- Low fuel prices
  - ➔ increasing ship operating speeds in 3Q15
  - ➔ increasing effective shipping supply
- Scrapping YTD indicates potential net shrinkage of the global fleet in full year 2016

## Demand based on tonne-mile:

- 2015 overall dry bulk -0.8%; minor bulk: +1.6%
- Jan-Feb 2016:
- Chinese steel exports remained at high levels
  - Chinese demand for minor bulks ↑ YOY
    - Led by ↑ in bauxite and copper concentrates
  - Robust long haul S. American grain exports (due to stronger US\$ and Argentina's relaxation of currency & grain export controls)



Pacific Basin

## 2015 Financial Highlights

US\$m

**Pacific Basin Dry Bulk**

**PB Towage**

**Others**

**Underlying loss**

- Unrealised derivative income/(expense)
- Sale of towage assets
- RoRo and towage exchange loss
- Provision for onerous contracts
- Towage impairments and provisions
- Other impairments and provisions

**Loss attributable to shareholders**

	2015	2014
<b>Pacific Basin Dry Bulk</b>	<b>(33.8)</b>	(39.4)
<b>PB Towage</b>	<b>6.2</b>	(15.1)
<b>Others</b>	<b>(0.2)</b>	(1.0)
<b>Underlying loss</b>	<b>(27.8)</b>	(55.5)
▪ Unrealised derivative income/(expense)	<b>8.8</b>	(28.9)
▪ Sale of towage assets	<b>2.8</b>	(7.6)
▪ RoRo and towage exchange loss	<b>(1.5)</b>	(17.7)
▪ Provision for onerous contracts	-	(100.9)
▪ Towage impairments and provisions	-	(70.5)
▪ Other impairments and provisions	<b>(0.8)</b>	(3.9)
<b>Loss attributable to shareholders</b>	<b>(18.5)</b>	(285.0)

- Results in line with 26 Nov 2015 announcement
- Underlying loss cut in half
- Our significantly reduced Towage operation generated US\$6.2m profit - US\$1.6m from operations and US\$4.6m from OMSA transaction



Pacific Basin

## 2015 Pacific Basin Dry Bulk

<b>Handysize</b>		<b>2015</b>	<b>2014</b>	<b>Change</b>
Revenue days	(days)	<b>51,600</b>	56,210	-8%
TCE earnings	(US\$/day)	<b>7,870</b>	9,340	-16%
Owned + chartered costs	(US\$/day)	<b>7,930</b>	8,750	+9%
Handysize contribution	(US\$m)	<b>(8.4)</b>	28.5	>-100%
<b>Supramax</b>				
Revenue days	(days)	<b>23,300</b>	22,410	+4%
TCE earnings	(US\$/day)	<b>9,170</b>	10,460	-12%
Owned + chartered costs	(US\$/day)	<b>8,190</b>	11,050	+26%
Supramax contribution	(US\$m)	<b>22.6</b>	(14.8)	>100%

- Weak market condition impacted both Handysize and Supramax TCE
- Significant turnaround in our Supramax performance from:
  - concentrating on key trades;
  - more parcelling;
  - significantly reduced charter-in costs

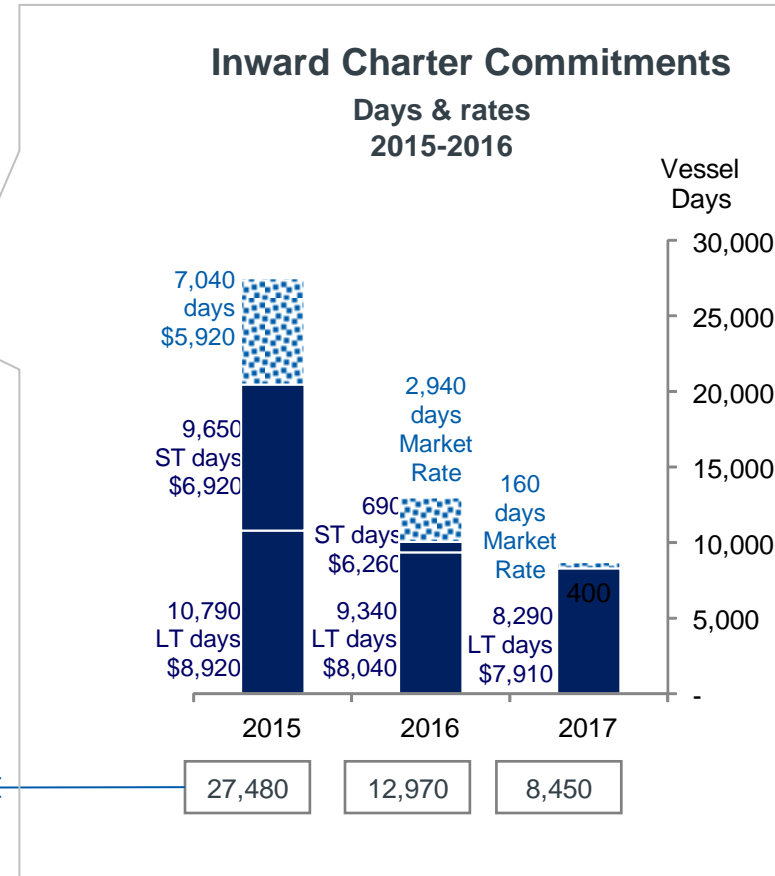
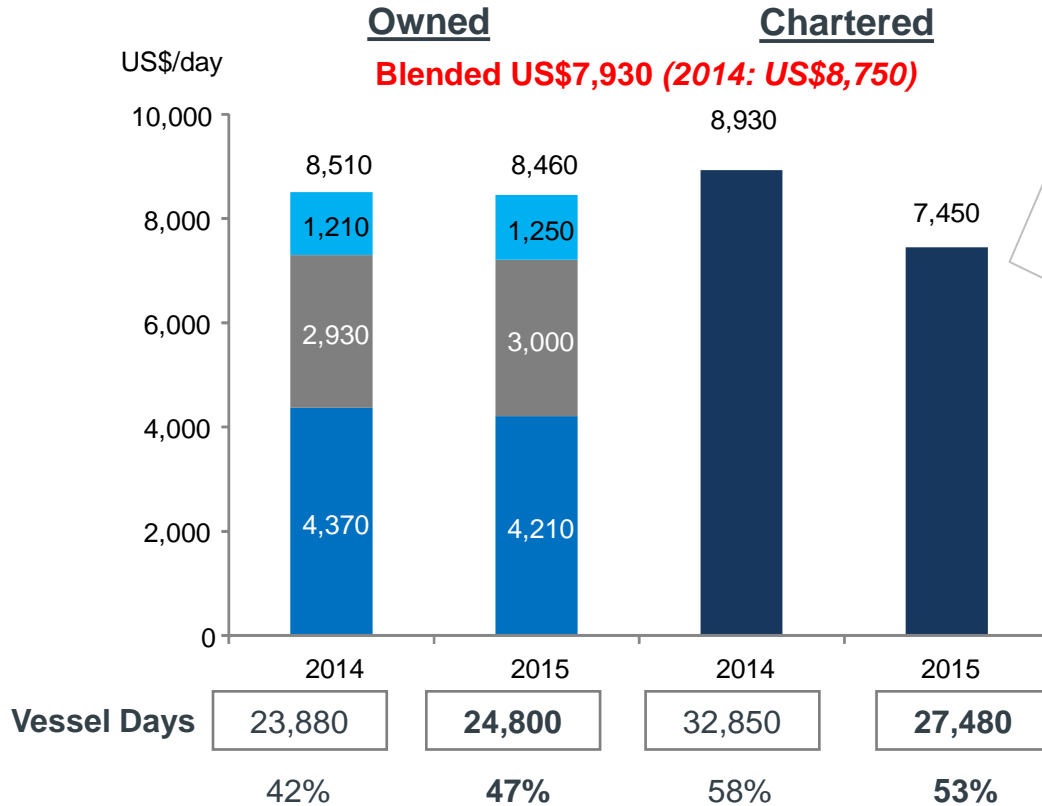


# 2015 Daily Vessel Costs – Handysize

## Pacific Basin

- Finance cost
- Charter-hire : Short-term (ST) / Long-term (LT)
- Depreciation
- Charter-hire : Index-linked
- Opex

As at 31 December 2015



- Overheads of US\$710/day including all direct & indirect costs
- Charter-hire cost significantly reduced

\* Chartered rates are shown net of provision

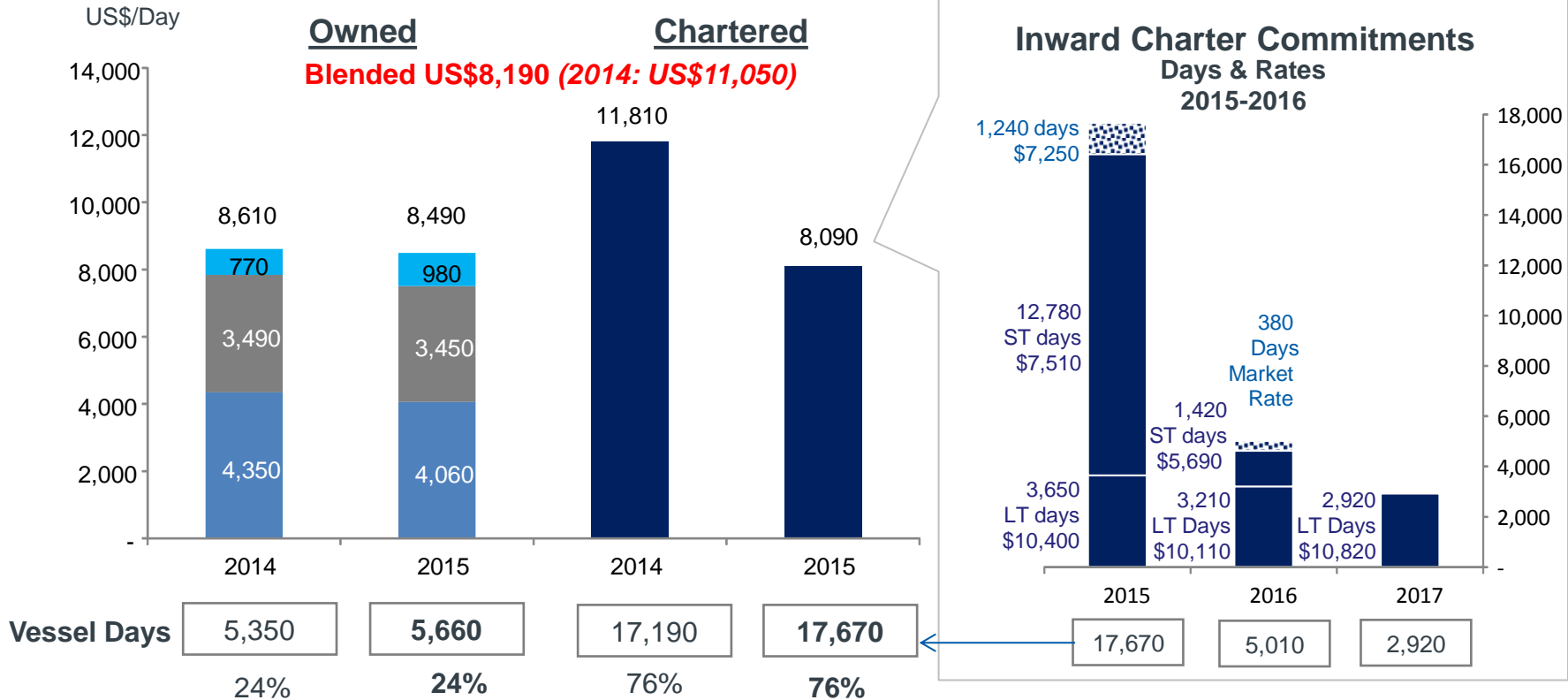


# 2015 Daily Vessel Costs – Supramax

## Pacific Basin

- Finance cost
- Charter-hire : Short-term (ST) / Long-term (LT)
- Depreciation
- Charter-hire : Index-linked
- Opex

As at 31 December 2015



- Overheads of US\$710/day including all direct & indirect costs
- Charter-hire cost significantly reduced

\* Chartered rates are shown net of provision

## 2015 Balance Sheet

US\$m	PB Dry Bulk	31 Dec 15	31 Dec 14
Vessels & other fixed assets	1,578	1,611	1,585
<b>Total assets</b>	<b>1,740</b>	<b>2,146</b>	<b>2,308</b>
Total borrowings	926	926	1,000
<b>Total liabilities</b>	<b>1,118</b>	<b>1,175</b>	<b>1,306</b>
Net assets	622	971	1,002
Net borrowings (total cash <b>US\$358m</b> )		568	636
Net borrowings to net book value of property, plant and equipment <b>KPI</b>		35%	40%

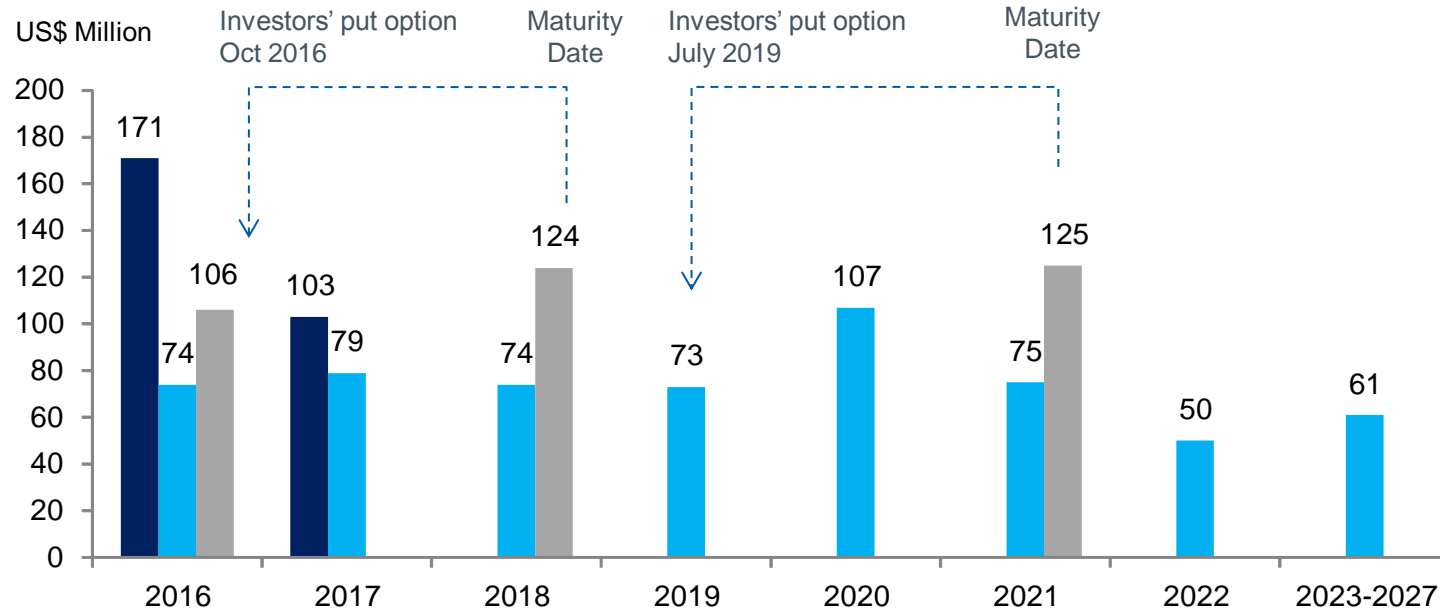
- Vessel average net book value: Handysize \$16.2m, 8.4 years, Supramax \$22.7m, 6.4 years
- Towage net asset: US\$36m
- KPI: net gearing below 50%
- Group in compliance with loan covenants

Note: Total includes other segments and unallocated



# Borrowings and Capex

As at 31 December 2015



- Vessel capital commitments (US\$274 million)
- Bank borrowings (US\$593 million)
- Convertible bonds, face value US\$355 million, book value US\$332million

- US\$375m of undrawn banking facilities

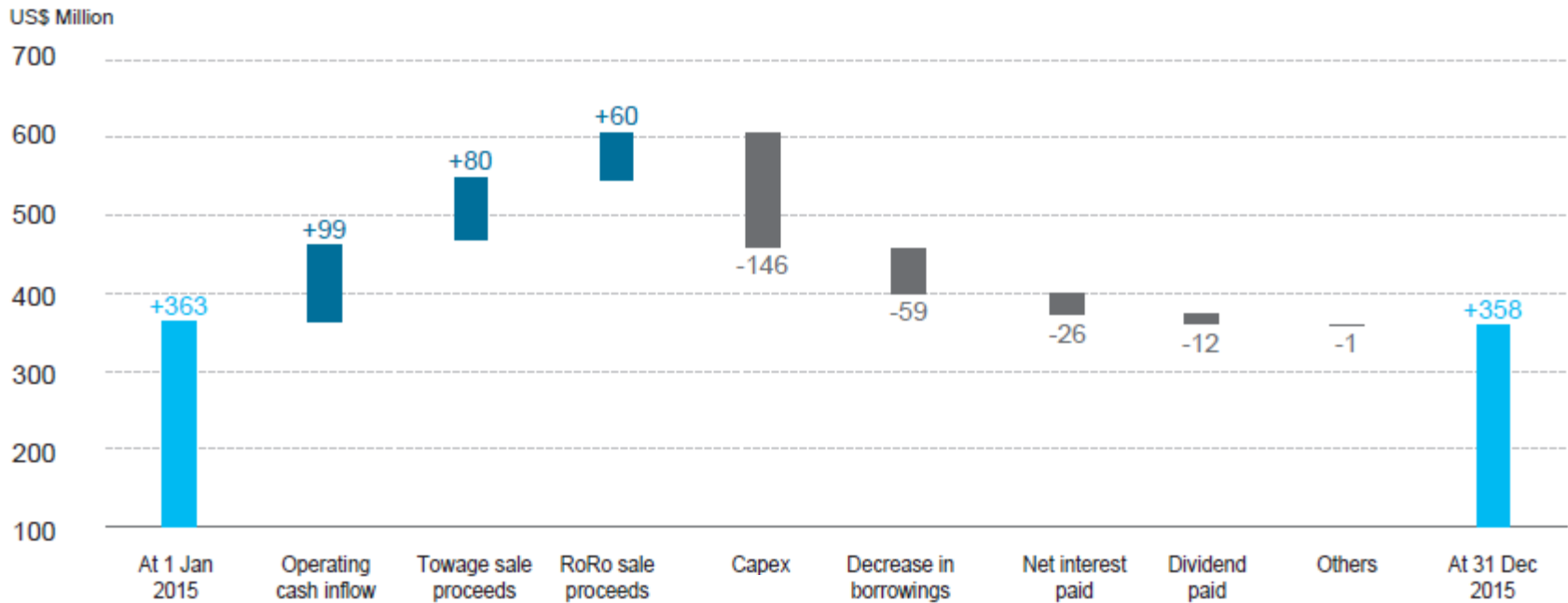
# Cash Flow in 2015

As at 31 December 2015

- Cash and deposits balance
- Cash inflow
- Cash outflow

<b>Operating cash flow</b>	<b>US\$99m</b>
<b>EBITDA</b>	<b>US\$88m</b>

## Sources and Uses of Group Cash Flow in 2015





Pacific Basin

## Our Outlook and Strategy

### Dry Bulk Outlook

- Minor bulk demand is growing and less dependent on China than iron ore and coal. Reduced commodity prices is also stimulating demand.
- The shipping market has a track record of over-reacting in both directions - This is not the end of dry bulk transportation!
- Current market rates below operating cash costs are not sustainable
- Scrapping will be encouraged by low freight rates, cost of routine dry-dockings and new ballast water treatment system requirements
- Negative sentiment and low secondhand values discourage new orders and increase cancellations and postponement of newbuildings
- These self-correcting supply side factors will drive the market to better balance but the timing of the recovery is hard to forecast

### Strategy

- Make the most of our business model, customer focus and position as a strong/preferred counterparty.
- Continued focus on cost savings and efficiencies (without compromising safety) and further reductions in vessel costs by redelivery of long and medium term chartered-in ships
- We are managing our business for a continued weak market in the medium term and are prioritising safety and staying power

#### Pacific Basin Benefits:

Now fully Handy focused



Business Model → Premium



High-quality predominantly Japanese-built fleet



Experienced staff, globally



Strong counterparty

→ Well positioned

*This presentation contains certain forward looking statements with respect to the financial condition, results of operations and business of Pacific Basin and certain plans and objectives of the management of Pacific Basin.*

*Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of Pacific Basin to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Pacific Basin's present and future business strategies and the political and economic environment in which Pacific Basin will operate in the future.*

## Our Communication Channels:

### Financial Reporting

- Annual (PDF & Online) & Interim Reports
- Voluntary quarterly trading updates
- Press releases on business activities

### Shareholder Meetings and Hotlines

- Analysts Day & IR Perception Study
- Sell-side conferences
- Investor/analyst calls and enquiries

#### Contact IR – Emily Lau

E-mail: [elau@pacificbasin.com](mailto:elau@pacificbasin.com)  
[ir@pacificbasin.com](mailto:ir@pacificbasin.com)

Tel : +852 2233 7000

### Company Website - [www.pacificbasin.com](http://www.pacificbasin.com)

- Corporate Information
- CG, Risk Management and CSR
- Fleet Profile and Download
- Investor Relations:
  - financial reports, news & announcements, excel download, awards, media interviews, stock quotes, dividend history, corporate calendar and glossary

### Social Media Communications

- Follow us on Facebook, Twitter, LinkedIn, Youtube and WeChat!



## Appendix: Pacific Basin Overview

- A leading dry bulk owner/operator of Handysize & Supramax dry bulk ships
- Cargo system business model – outperforming market rates
- About 200 dry bulk ships on the water serving major industrial customers around the world
- Hong Kong headquarters, 12 offices worldwide, 330 shore-based staff, 3,000 seafarers\*
- Our vision: To be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders



[www.pacificbasin.com](http://www.pacificbasin.com)  
Pacific Basin business principles  
and our Corporate Video

## MARKET-LEADING CUSTOMER FOCUS & SERVICE

Priority to build and sustain long-term customer relationships

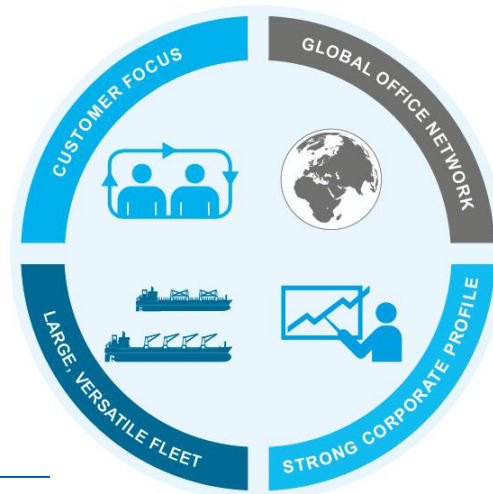
Solution-driven approach ensures accessibility, responsiveness and flexibility towards customers

Close partnership with customers generates enhanced access to spot cargoes and long-term cargo contract opportunities of mutual benefit

## LARGE FLEET & MODERN VERSATILE SHIPS

Fleet scale and interchangeable high-quality ships facilitate service flexibility for customers, optimised scheduling and maximised vessel and fleet utilisation

In-house technical operations facilitate enhanced health & safety, quality and cost control, and enhanced service reliability and seamless integrated service and support for customers



## COMPREHENSIVE GLOBAL OFFICE NETWORK

Integrated international service enhanced by experienced commercial and technical staff around the world

Being local facilitates clear understanding of and response to customers' needs and first-rate personalised service

Being global facilitates comprehensive market intelligence and cargo opportunities, and optimal trading and positioning of our fleet

## STRONG CORPORATE & FINANCIAL PROFILE

Striving for best-in-class internal and external reporting, transparency and corporate stewardship

Strong cash position and track record set us apart as a preferred counterparty

Hong Kong listing & location facilitates good access to capital

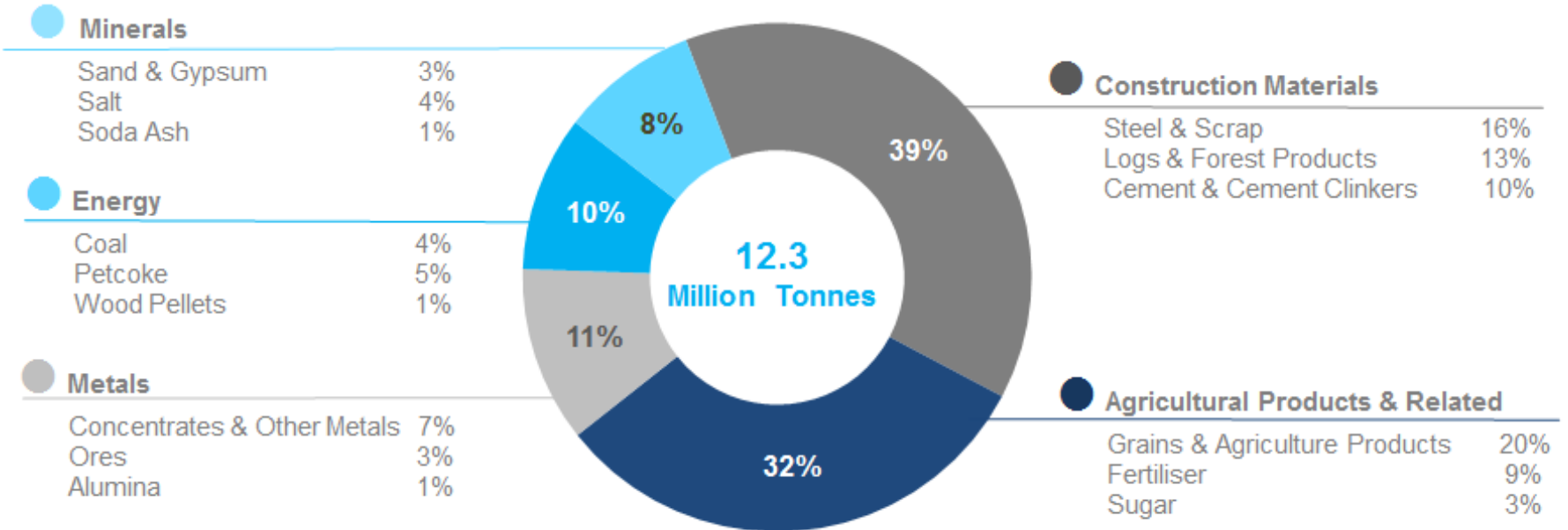
Responsible observance of stakeholder interests and our commitment to good corporate governance and CSR

	2015	2014
<b>EBITDA</b>	<b>US\$88m</b>	US\$82m
<b>Operating Cash Flow</b>	<b>US\$99m</b>	US\$94m
<b>Underlying Loss</b>	<b>-US\$28m</b>	-US\$56m
<b>Net Loss</b>	<b>-US\$18.5m</b>	-US\$285m

- Reduced losses in one of the weakest dry bulk markets on record
- Positive turnaround of Supramax by focusing trades, growing parcelling business and significantly reduced charter-in costs
- Reduced vessel opex per day through scale benefits & good cost control
- Positive Towage results, RoRo sale fully finalised
- Overall G&A reduced by US\$19 million
- Operating more owned ships and redelivering expiring medium and long-term chartered ships to further reduce our daily vessel costs while enabling greater control and service quality

# Appendix: Pacific Basin Dry Bulk – Diversified Cargo

Our cargo volume (1 Jan 2016 - 24 Mar 2016)



- Diverse range of commodities reduces product risk
- China and North America were our largest market
- 60% of business in Pacific and 40% in Atlantic

More than  
400 customers!



# Appendix: Fleet List – 31 Mar 2016\*

## Pacific Basin Dry Bulk Fleet: 226

Average age of core fleet: 6.5 years old

	Owned		Chartered		Total
	Delivered	Newbuilding	Delivered*	Newbuilding	
Handysize	69	8	56	5	138
Supramax	16	5	64	1	86
Post-Panamax	1	0	1	0	2
<b>Total</b>	<b>86</b>	<b>13</b>	<b>121</b>	<b>6</b>	<b>226</b>

## PB Towage : 10

	Owned
Tugs	8
Barges	2
<b>Total</b>	<b>10 *</b>

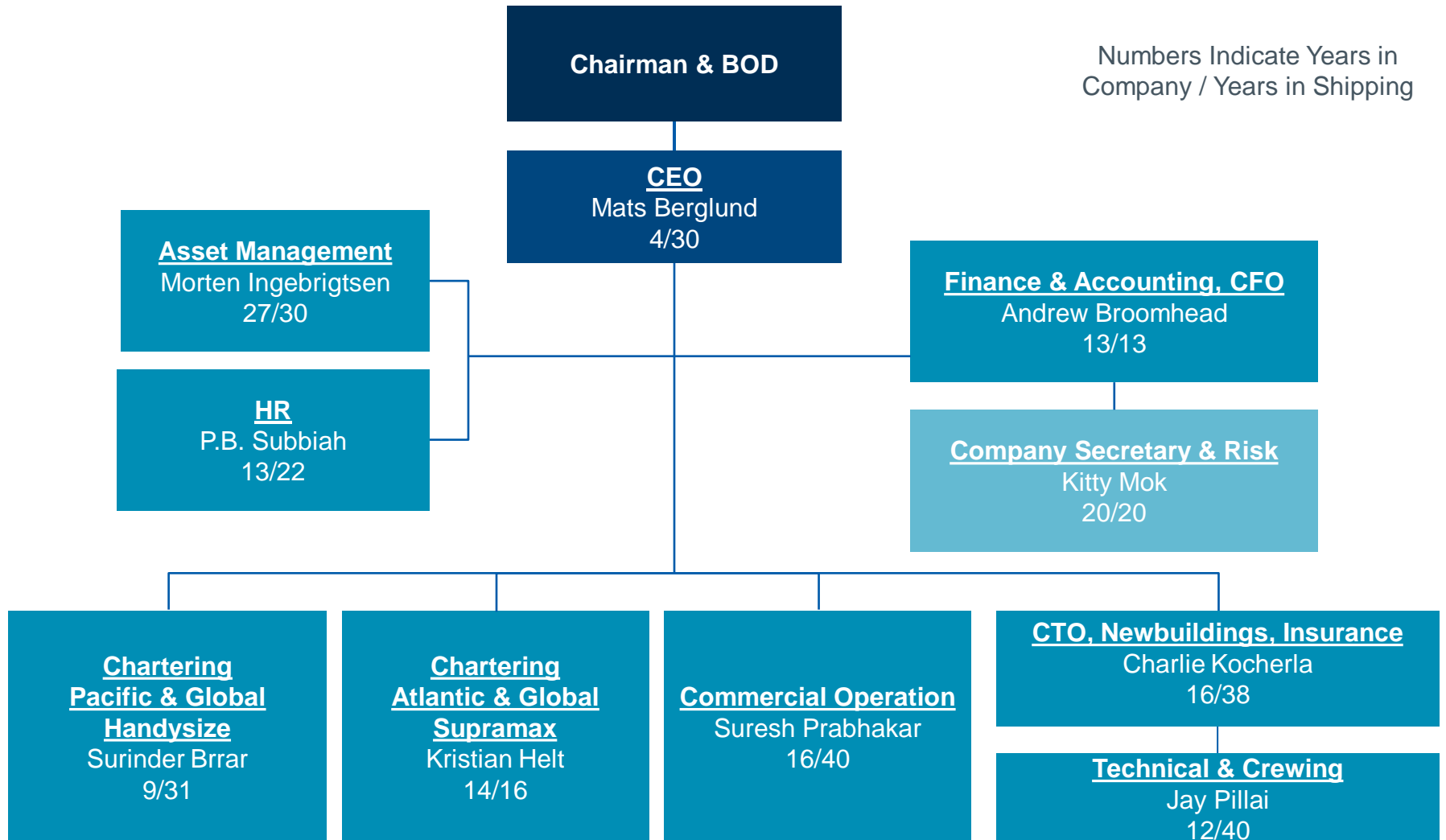
[www.pacificbasin.com](http://www.pacificbasin.com)  
Customers > Our Fleet



*Our delivered fleet in operation is defined as the number of owned ships at 31 Mar 2016 + average number of chartered ships in full month of March*

*\* Excluding towage vessels sold but not yet delivered*

# Appendix: Experienced Management - Team



- **Applying sustainable thinking in our decisions and the way we run our business**
- **Creating long-term value through good corporate governance and CSR**

## Corporate Social Responsibility (CSR)

- Guided by strategic objectives on (i) workplace practices (primarily safety), (ii) the environment, and (iii) our communities (where our ships trade and our people live and work)
- Active approach to CSR, with KPIs to measure effectiveness
- Reporting follows SEHK's ESG Reporting Guide
- Disclosure also through CDP, HKQAA, CFR for HK-listed companies

[www.pacificbasin.com](http://www.pacificbasin.com)  
CSR report



## Corporate Governance & Risk Management

- Adopted recommended best practices under SEHK's CG Code (with quarterly trading update)
- Closely integrated Group strategy and risk management
- Transparency priority
- Stakeholder engagement includes in-depth customer and investor surveys
- Risk management committee interaction with management and business units
- Integrated Reporting following International <IR> Framework of IIRC

[www.pacificbasin.com](http://www.pacificbasin.com)  
Corporate Governance



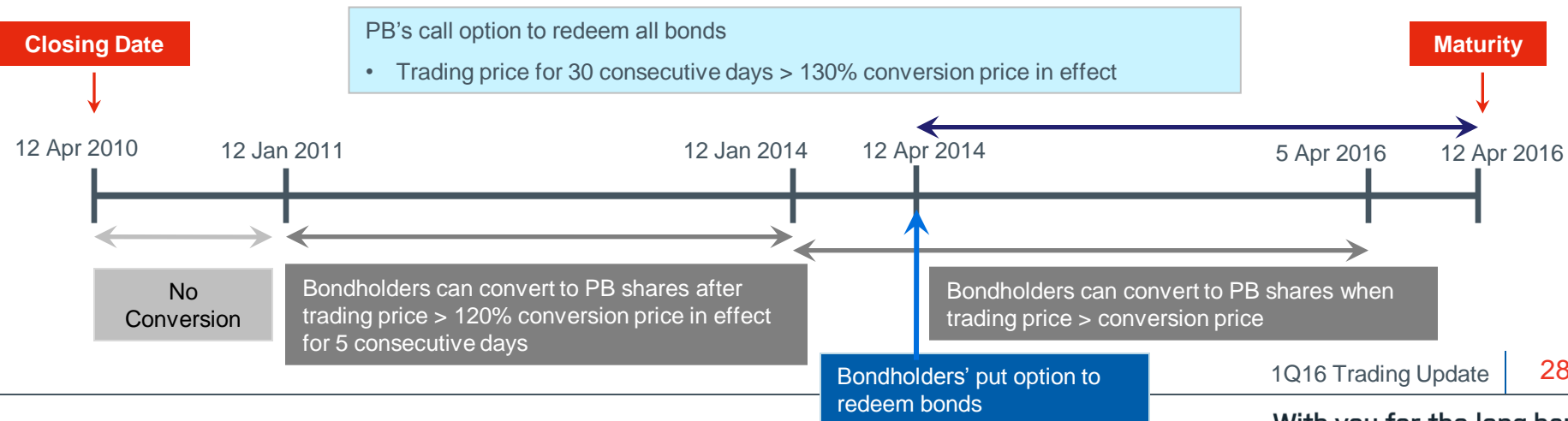


# Appendix: Convertible Bonds Due 2016

## Pacific Basin

Issue size	US\$230 million (US\$20.5m face value put back and repaid on 14 April 2014; Current size as at 31 Dec 15: US\$106m)
Maturity Date	12 April 2016 (6 years)
Investor Put Date and Price	12 April 2014 (4 years) at par
Coupon	1.75% p.a. payable semi-annually in arrears on 12 April and 12 October
Redemption Price	100%
Initial Conversion Price	HK\$7.98 (Current conversion price: HK\$ 6.97 with effect from 27 April 2015)
Conversion Condition	<p>Before 11 Jan 2011: No Conversion is allowed</p> <p>12 Jan 2011 – 11 Jan 2014: Share price for 5 consecutive days &gt; 120% conversion price</p> <p>12 Jan 2014 – 5 Apr 2016: Share price &gt; conversion price</p>
Intended Use of Proceeds	To purchase the 3.3% Existing Convertible Bonds due 2013, then redeem the 2013 Convertible Bonds (now all redeemed & cancelled)
Conditions	<ul style="list-style-type: none"> <li>Shareholders' approval at SGM to approve the issue of the New Convertible Bonds and the specific mandate to issue associated shares.</li> <li>If the specific mandate is approved by the shareholders at the SGM, the Company would not pursue a new general share issue mandate at the forthcoming AGM on 22 April 2010</li> </ul>

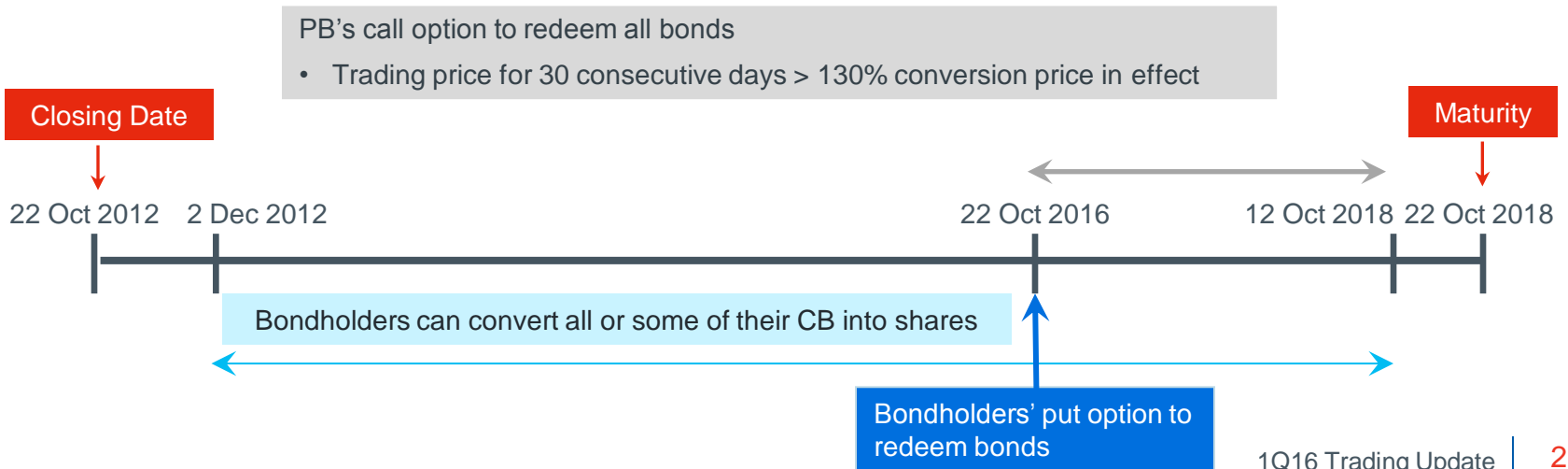
### Conversion/redemption Timeline



# Appendix: Convertible Bonds Due 2018

Issue size	US\$123.8 million
Maturity Date	22 October 2018 (6 years)
Investor Put Date and Price	22 October 2016 (4 years) at par
PB's Call Option	1) Trading price for 30 consecutive days > 130% conversion price in effect 2) >90% of Bond converted / redeemed / purchased / cancelled
Coupon	1.875% p.a. payable semi-annually in arrears on 22 April and 22 October
Redemption Price	100%
Initial Conversion Price	HK\$4.96 (current conversion price: HK\$4.75 with effect from 27 April 2015)
Intended Use of Proceeds	To acquire additional Handysize and Handymax vessels, as well as for general working capital

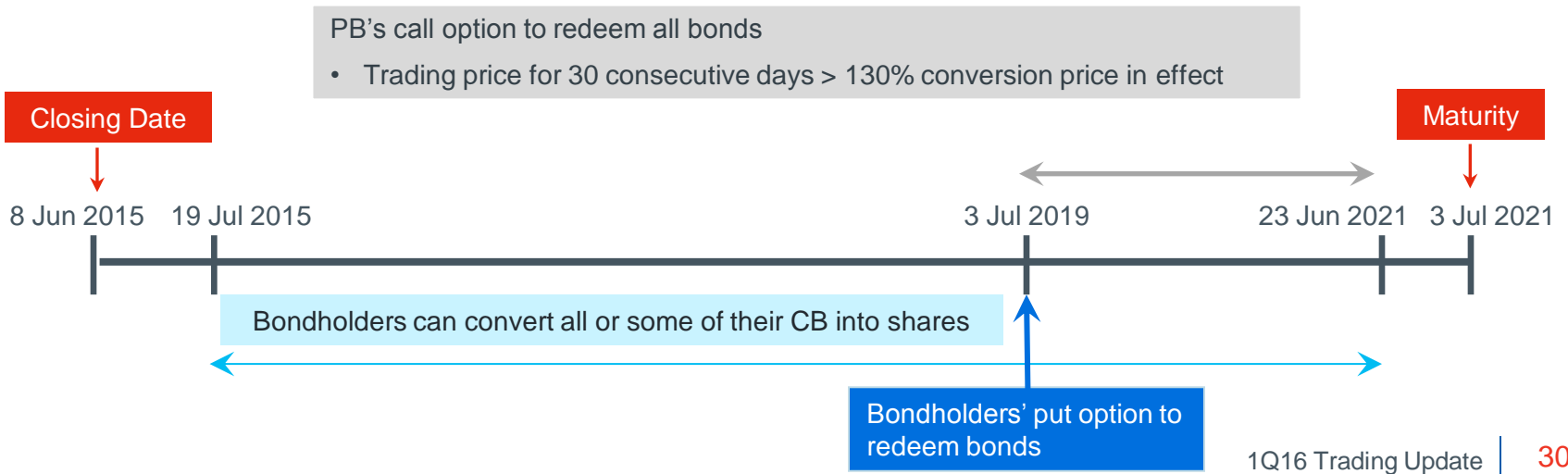
## Conversion/redemption Timeline



# Appendix: Convertible Bonds Due 2021

Issue size	US\$125 million
Maturity Date	3 July 2021 (approx. 6 years)
Investor Put Date and Price	3 July 2019 (approx. 4 years) at par
Coupon	3.25% p.a. payable semi-annually in arrears on 3 January and 3 July
Redemption Price	100%
Initial Conversion Price	HK\$4.08
Intended Use of Proceeds	To maintain the Group's balance sheet strength and liquidity and to continue to proactively manage its upcoming liabilities, including its Existing Convertible Bonds, as well as for general working capital purposes
Conditions	Shareholders' approval at a SGM to approve the issue of the new Convertible Bonds and the issue of new shares upon conversion of the new Convertible Bonds.

## Conversion/redemption Timeline

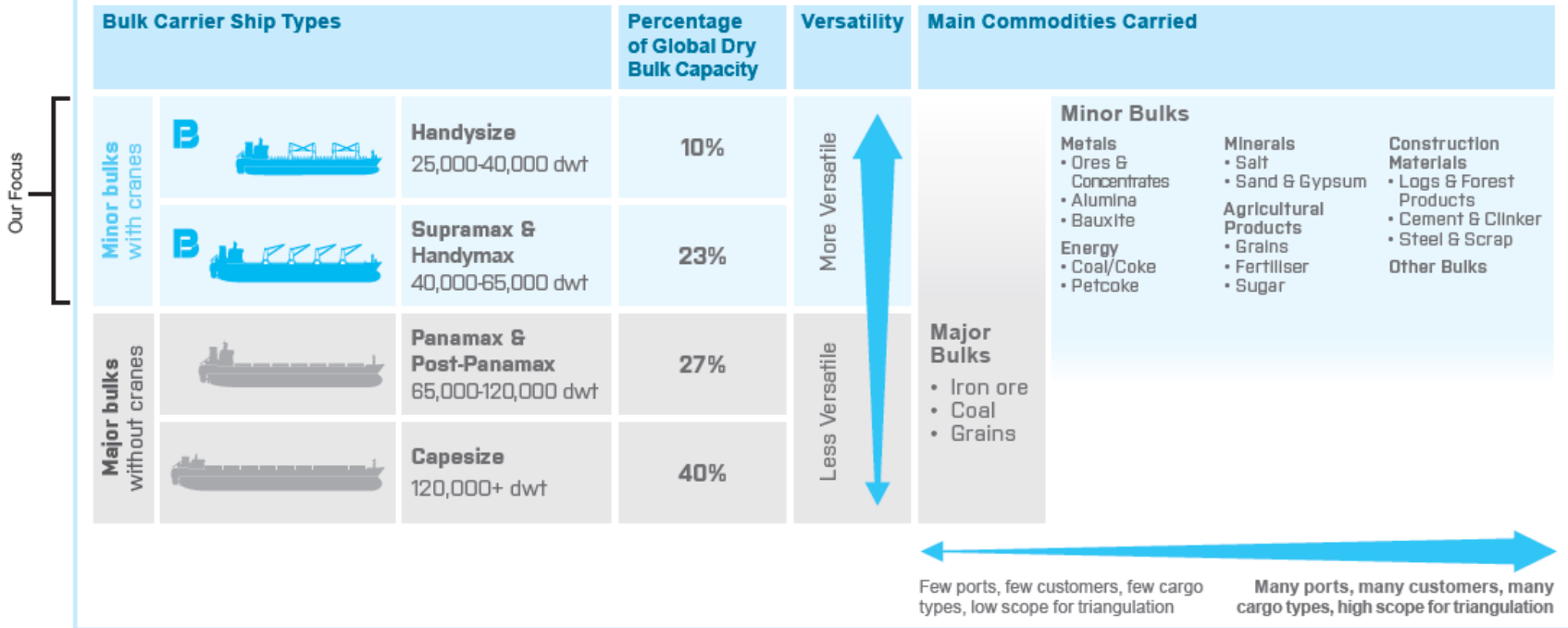


# Appendix: Understanding Our Core Market

## THE DRY BULK SECTOR



Bulk Carriers for dry bulk commodities



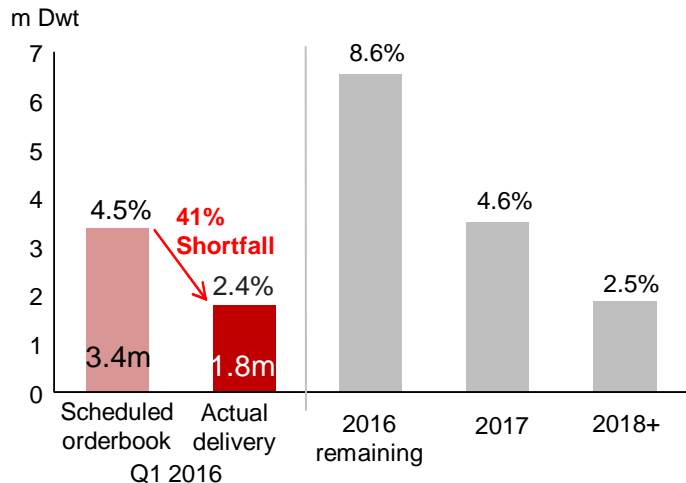


# Appendix: Dry Bulk Supply

## Pacific Basin

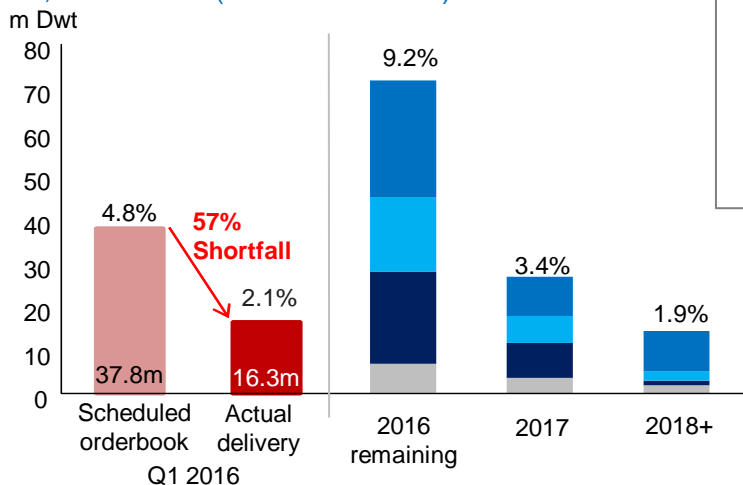
### Handysize Orderbook

322 vessels (11.9 million dwt)



### Total Dry Bulk Orderbook

1,359 vessels (112.9 million dwt)



	Orderbook as % of Existing Fleet	Average Age	Over 20 Years	2016 Scrapping as % of Existing Fleet (annualised)
<b>Handysize</b> (25,000-39,999 dwt)	16%	9	11%	4%
<b>Handymax (incl. Supramax)</b> (40,000-64,999 dwt)	17%	8	8%	3%
<b>Panamax</b> (65,000-119,999 dwt)	12%	8	6%	7%
<b>Capesize</b> (120,000+ dwt)	15%	8	8%	9%
<b>Total Dry Bulk &gt;10,000 dwt</b>	15%	9	8%	<b>7%</b>

Total Dry Bulk >15 years 17%  
Handysize >15 years 18%

Source: Clarksons Platou, as at 1 Apr 2016

1Q16 Trading Update

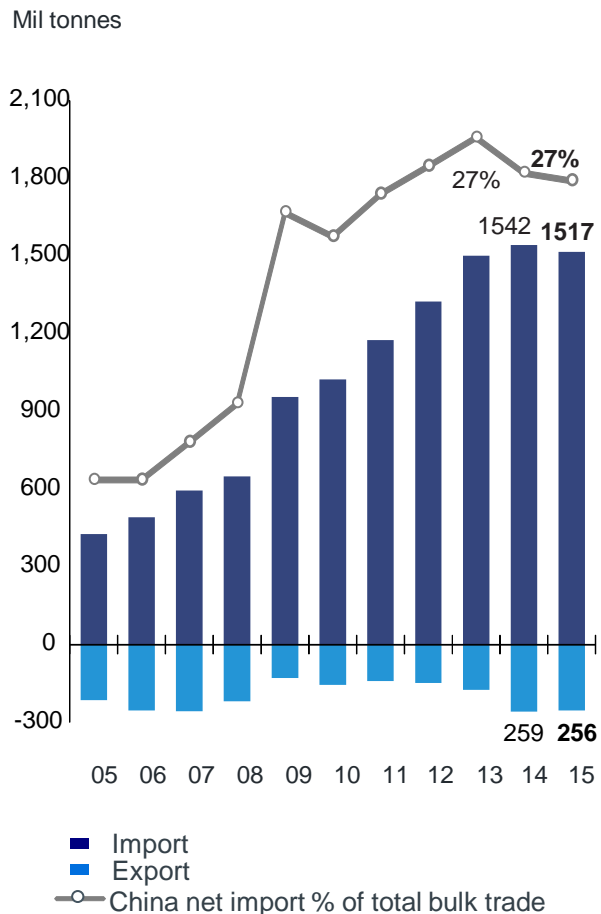
32

With you for the long haul

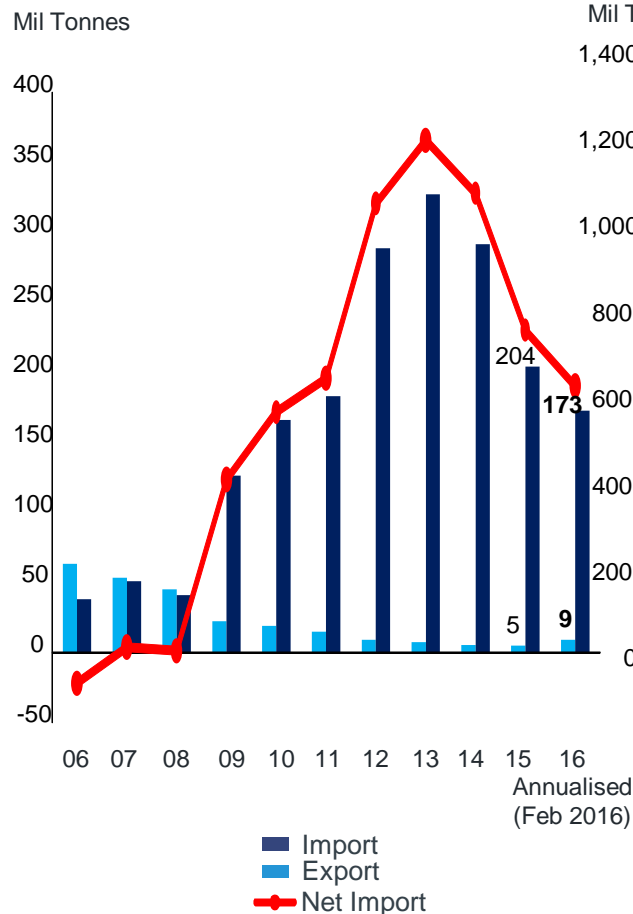


# Appendix: China Dry Bulk, Coal & Iron Ore Trade

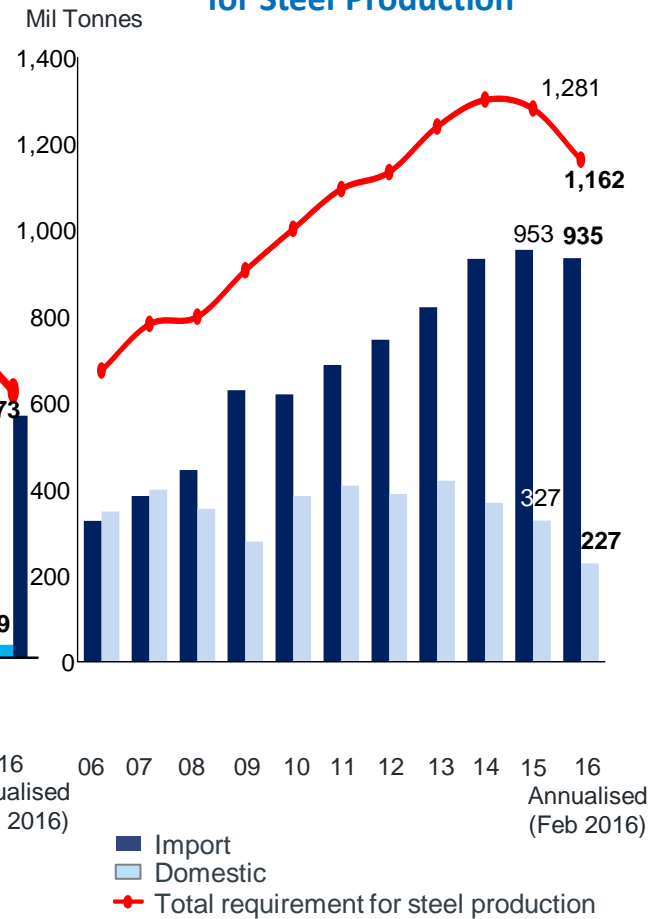
### Chinese Dry Bulk Trade



### China Coal Trade



### China Iron Ore Sourcing for Steel Production



Source: Bloomberg, Clarksons Platou