Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 2343)

PROFIT WARNING
ISSUE OF PRICE SENSITIVE INFORMATION

This announcement is made by Pacific Basin Shipping Limited (the "Company" and, together with its subsidiaries, the "Group") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors of Pacific Basin Shipping Limited (the "Board") wishes to inform the Company's shareholders and potential investors that the Group is expected to record in its consolidated 2014 results:

(a) a significant non-cash provision of approximately US$101 million for inward chartered vessel contracts; and

(b) an accounting non-cash charge of approximately US$31 million relating to the fair value change of bunker fuel swap contracts.

BACKGROUND

The dry bulk market continues to be weak. Despite reduced global dry bulk net fleet growth in 2014, the market has yet to fully absorb the supply overhang following the 2010 to 2012 newbuilding boom. Demand weakened in the second half of 2014 due primarily to decreasing coal imports to China and the continued Indonesian unprocessed minerals export ban. In addition, during the fourth quarter of 2014, the reference bunker fuel price dropped 45% (broadly reflecting the decline in global oil prices) resulting in early signs of a general increase in vessel operating speeds, effectively increasing global shipping supply further. In early 2015 the bunker fuel price has continued to weaken. This makes the outlook challenging.

CHARTERED IN VESSEL COSTS

The Board has reviewed the costs of the Group's pool of inward-chartered Handysize and Handymax vessels. These remain higher than the current and likely market rates, primarily due to the higher costs of long-term charters entered into in 2010 when an earlier return to long-term market rates was expected. As a result, the Board estimates that the costs of the Group's vessel inward charter obligations exceed the income we expect to receive under them. Based on the Board's preliminary evaluation of the consolidated management accounts of the Group, it is expected that a provision of approximately US$101 million for onerous vessel inward-charter contracts will be recorded in the Group's consolidated income statement for the year ended 31 December 2014 (the "Year").

HEDGED COMMITTED FUEL COSTS

The revenue generated under the Group's long-term contracts of affreightment ("COA") normally includes the cost of bunker fuel based on market prices at the time the contract is originally signed. The Group enters into bunker swap contracts to remove the risk of bunker price fluctuations for these future voyages. Consequently, the Group's net cost for the bunkers is the combination of (i) the actual fuel cost and (ii) the payment to or receipt from the bunker swap counterparties. This net cost is in line with the revenue element for the bunkers under the COA, producing no material realised gain or loss compared to the contracted cost after the voyages are completed.

However, relevant accounting rules require the bunker swap contracts to be adjusted to their fair values on the balance sheet, resulting in the change between each reporting date being charged or credited to the income statement. The significant drop in global fuel prices caused a reduction in the carrying value for the bunker swap contracts at the end of December 2014 and an estimated non-cash charge of approximately US$31 million is expected to be recorded in the Group's consolidated income statement for the Year. The bunker fuel price has continued to drop since the year end. Whilst the current price does not impact the 2014 year end position, for illustrative purposes only, a 5% drop in the bunker fuel price from that of 31 December 2014 would increase the non-cash charge by approximately US$3 million.

GENERAL

This announcement is prepared based only on the Company's preliminary review of the Group's internal records and management accounts, and has not been reviewed or audited by external auditors. The audited consolidated results of the Company for the 12 months ended 31 December 2014 are scheduled to be announced on 26 February 2015.

In assessing the Company's consolidated 2014 results, the Board also wishes to draw the attention of the Company's shareholders and potential investors to the announcements relating to the impairment of the Group's towage assets (dated 25 June 2014) and the loss on the disposal of the Group's harbour towage business (dated 11 December 2014).

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Pacific Basin Shipping Limited
Mok Kit Ting, Kitty
Company Secretary

Hong Kong, 14 January, 2015

As at the date of this announcement, the Directors of the Company are:

Executive Directors: David Muir Turnbull, Mats Henrik Berglund, Andrew Thomas Broomhead and Chanakya Kocherla

Independent non-executive Directors: Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Daniel Rochfort Bradshaw and Irene Waage Basili