Pacific Basin Shipping Limited

Press Release

Pacific Basin Announces 2011 Annual Results

Respectable though weaker Group results
Pacific Basin Handysize earnings outperformed deteriorating spot market by 35%
Dry bulk market in 2012 expected to be weaker overall than 2011

Hong Kong, 1 March 2012 – Pacific Basin Shipping Limited ("Pacific Basin" or the "Company"; SEHK: 2343), one of the world's leading dry bulk shipping companies, today announced the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

Mr. Klaus Nyborg, CEO of Pacific Basin, said: *"Our dry bulk earnings outperformed a significantly weaker market and PB Towage had a turnaround year upholding the case for our strategic diversification into the Australasian towage sector. We anticipate continued challenges ahead for dry bulk, but stand patiently ready to expand our dry bulk fleet as opportunities arise, and to invest further in towage as specific projects materialise. Our balance sheet retains substantial buying power to execute our growth strategy.*

"On a personal note, it is with sadness that I will shortly be leaving Pacific Basin. I have thoroughly enjoyed my almost six years with the Company, and I will leave confident that Pacific Basin is well positioned to thrive despite on-going market challenges."

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
US$ million	**2011**	2010
Revenue	**1,342.5**	1,268.5
Underlying Profit	**57.8**	119.8
Profit Attributable to Shareholders	**32.0**	104.3
Operating Cash Flow	**159.4**	198.6
Basic Earnings per share (HK cents)	**13**	42
Proposed final dividend per share (HK cents)	**5**	16.5

The Group produced a net profit of US$32 million (2010: US$104 million) from an underlying profit of US$58 million. Basic EPS was HK$0.13 and return on shareholders' equity was 2%. Our operating cash flow remained strong at US$159 million (2010: US$199 million).

Our results for the year were impacted by:

1. weaker Handysize spot rates which drove a 19% decrease in our Handysize daily earnings and a 23% decrease in operating cash flow;
2. improved towage markets and a strong US$15 million contribution from PB Towage;
3. a significant US$80 million non-cash impairment of our RoRo investment as reported in our interim results; and
4. a partially offsetting net profit of US$56 million on the sale of a non-core asset (Green Dragon Gas) in the first half of the year.

As at 31 December 2011, we had cash and deposits of US$618 million and net borrowings of US$161 million. Our vessel capital expenditure obligations currently amount to US$322 million payable in the next three years in respect of 16 ships, leaving substantial buying power on our balance sheet for further fleet expansion.

The Board has recommended a final dividend of HK 5 cents per share bringing the total for 2011 to HK 10 cents per share (2010: HK 21.5 cents), representing a payout ratio of 78% of profits.

BUSINESS HIGHLIGHTS

RESPECTABLE PERFORMANCE IN DIFFICULT MARKET CONDITIONS

2011 was a profitable year in which our dry bulk and towage businesses supported respectable though weaker Group results undermined by a depressed RoRo market:

- Our Handysize earnings outperformed the deteriorating spot market by 35% amidst mounting dry bulk challenges
- Our Towage business demonstrated its ability to capitalise on improved markets for tugs in Australasia
- Our RoRo business faced continued depression in the freight ferry market leading to an unsatisfactory performance
- Despite weaker underlying profits, a strong operating cash flow has again augmented our balance sheet

CONTINUED FLEET GROWTH

- We operated an average of 131 dry bulk ships, and our fleet (including newbuildings) now comprises 169 dry bulk ships, 43 tugs and barges and 6 RoRos
- We have fully funded vessel capital commitments of US$322 million, substantially all in dry bulk vessels

EXPANDED OFFICE NETWORK AND NEW TRADES ENHANCE OUR REVENUE GENERATION

- Chartering offices across 6 continents, increased operation of short term chartered ships and expanded parcelling and project cargo activity have broadened business opportunities for our dry bulk fleet

STRONG ENVIRONMENTAL PERFORMANCE AND ENHANCED CORPORATE PROFILE

- Our brand was significantly enhanced with prestigious regional and global awards for excellence in ship operating, ship management, environment and safety, CSR, investor relations and governance

OUTLOOK

Dry Bulk

- Freight rates are expected to be weaker overall in 2012 as the market struggles to absorb a continued influx of newbuilding deliveries at a time of global economic uncertainty
- We have contract cover in place for 54% of our 2012 Handysize revenue days at US$11,480 per day net, and for 25% of our 2013 Handysize revenue days at US$12,920 per day net

Towage

- A positive outlook for PB Towage due to continued improvement in the Australasian offshore project and harbour towage markets

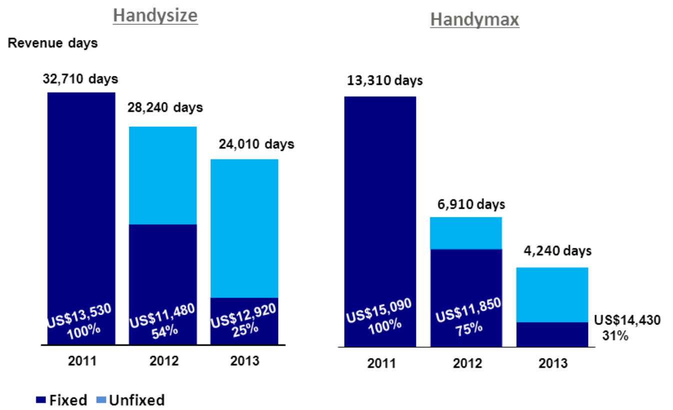
RoRo

- Charter market for RoRo ships is expected to remain weak, resulting in another loss-making year for PB RoRo

Group Strategy

- Dry bulk shipping is in crisis, facing excess ship supply and a significant contraction in funding for secondhand and newbuilding purchases, which may generate fleet expansion opportunities at attractive prices for cash rich owners like ourselves
- Our strategy is to direct new investment predominantly towards expansion of our dry bulk fleet – patiently awaiting the right opportunities at the right price – and invest further in our towage fleet as specific projects materialise

OUR DRY BULK CARGO COVER



As at 27 Feb 2012

COMMENTARY

Pacific Basin Dry Bulk

Our core dry bulk shipping business delivered a respectable performance in 2011 against the backdrop of a significantly weaker market.

Our average Handysize daily earnings outperformed the market, falling only 19% year on year to US$13,530 per day, as compared to spot freight rates which fell 36% to US$10,025 per day. Our performance was enhanced by the value of our cargo book throughout the period and by our business model.

While our Handymax earnings outperformed the market by 10%, our Handymax results were disappointing due mainly to our reliance on relatively expensive short term chartered ships and the cost of repositioning ships into more favourable areas in response to the Queensland floods in early 2011.

PB Energy & Infrastructure Services

Now renamed “PB Towage”, our Energy & Infrastructure Services division had a much improved year led by our towage activity despite losses on the closure of our Fujairah infrastructure business. Our towage team demonstrated its ability to capitalise on improved markets for offshore and harbour tugs in Australasia to generate a strong contribution to Group results.

PB RoRo

Continued depression in the Euro-centric RoRo market and suspension of the Nafta Gulf Bridge service have led to another disappointing year for our RoRo division, which has significantly impacted our results following the impairment in the middle of the year.

Disposal of Non-Core Assets

As previously reported, the sale in April of our entire remaining holding in Green Dragon Gas generated a net gain of US$56 million. Since the year end, we have sold our marine surveying and consultancy subsidiary PacMarine Services.

Outlook

Notwithstanding – and in part because of – the prevailing challenging markets, the Board continues to be confident in our current strategy, objectives and business model and our ability to deliver a world-class service, sustainable long term growth and shareholder value.

We expect dry bulk freight rates will be weaker overall in 2012. The dry bulk shipping market is in crisis, facing excess ship supply and a significant contraction in funding for secondhand and newbuilding purchases, which may generate fleet expansion opportunities at attractive prices for cash rich owners like ourselves.

With upgraded systems and processes in place to complement our business model and strong balance sheet, we have a unique framework on which to build our dry bulk fleet organically through the acquisition of ships or fleets at the right time and price.

The outlook for the towage market and our PB Towage business in Australasia is promising for the year ahead, but demand and supply side challenges are expected to drive continued severe weakness in the RoRo charter market.

Therefore, our key strategic objectives for the Group in 2012 are to:

- Direct new investment predominantly towards expansion of our owned fleet of dry bulk ships, patiently awaiting and capitalising on acquisition opportunities we expect to arise
- Grow our dry bulk customers and cargo contract portfolio in tandem with expansion of our core fleet in order to manage our market exposure
- Invest further in our towage business and fleet as specific projects materialise in the increasingly active offshore projects market
- Enhance our towage organisation with the aim of improving the execution efficiency of our project towage business
- Secure best possible charters and utilisation for our RoRo fleet in what will be another very challenging year, with no plans to invest in expansion of our RoRo fleet
- Consider opportunities for further divestment of non-core businesses

The Company bids a sad farewell to our outgoing CEO Klaus Nyborg whom we thank for managing our business so capably during his tenure and for inspiring so many of us here at Pacific Basin. We wish him well for the future back home in Denmark. Klaus will be leaving us on 15 March and we expect to announce his successor by the end of March.

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About Pacific Basin

Pacific Basin Shipping Limited (www.pacificbasin.com) is one of the world's leading owners and operators of modern Handysize and Handymax dry bulk vessels. The Company is listed and headquartered in Hong Kong, and operates in three main maritime segments under the banners of Pacific Basin Dry Bulk, PB Towage, and PB RoRo. Our fleet (including newbuildings on order) comprises over 210 vessels directly servicing blue chip industrial customers. With approximately 2,000 seafarers and 300 shore-based staff in 21 offices in key locations around the world, Pacific Basin provides a comprehensive quality service to a wide range of customers.

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Consolidated Income Statement
For the year ended 31 December 2011

	2011	2010
	US$'000	*US$'000*
Revenue	**1,342,535**	1,268,542
Direct costs	**(1,234,889)**	(1,109,213)
Gross profit	**107,646**	159,329
General and administrative expenses	**(10,754)**	(12,945)
Other income and gains	**67,173**	47,176
Other expenses	**(91,070)**	(59,189)
Finance costs, net	**(31,332)**	(31,193)
Share of profits less losses of jointly controlled entities	**508**	1,805
Share of profits less losses of associates	**(9,992)**	(192)
Profit before taxation	**32,179**	104,791
Taxation	**(197)**	(453)
Profit attributable to shareholders	**31,982**	104,338
Dividends	**24,896**	53,441
Earnings per share for profit attributable to shareholders		
Basic	**US 1.65 cents**	US 5.41 cents
Diluted	**US 1.65 cents**	US 5.41 cents

Consolidated Balance Sheet
As at 31 December 2011

	2011	2010
	US$'000	*US$'000*
Non-current assets		
Property, plant and equipment	**1,525,185**	1,518,632
Investment properties	**2,734**	2,664
Land use rights	**3,874**	3,815
Goodwill	**25,256**	25,256
Interests in jointly controlled entities	**44,403**	56,125
Investments in associates	**4,411**	4,098
Available-for-sale financial assets	**11,533**	74,476
Derivative assets	**361**	1,672
Trade and other receivables	**5,175**	6,792
Restricted bank deposits	**8,566**	10,280
Other non-current assets	**4,400**	-
	1,635,898	1,703,810
Current assets		
Inventories	**66,873**	39,911
Derivative assets	**5,303**	7,066
Structured notes	**12,913**	-
Trade and other receivables	**101,110**	111,444
Restricted bank deposits	**11,154**	3,421
Cash and deposits	**598,501**	689,736
	795,854	851,578
Current liabilities		
Derivative liabilities	**1,298**	3,972
Trade and other payables	**144,798**	127,248
Current portion of long term borrowings	**65,323**	165,696
Taxation payable	**2,139**	3,059
Provision for onerous contracts	**-**	2,031
	213,558	302,006
Net current assets	**582,296**	549,572
Total assets less current liabilities	**2,218,194**	2,253,382
Non-current liabilities		
Derivative liabilities	**19,563**	14,721
Long term borrowings	**713,716**	693,770
	733,279	708,491
Net assets	**1,484,915**	1,544,891
Equity		
Capital and reserves attributable to shareholders		
Share capital	**193,658**	193,164
Retained profits	**708,463**	720,809
Other reserves	**582,794**	630,918
Total equity	**1,484,915**	1,544,891