Pacific Basin Shipping Limited

Press Release
Pacific Basin Announces 2013 Interim Results

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Our dry bulk business outperformed the weakest half-year dry bulk market since 1986
Investment in 27 dry bulk ships will drive a significant increase in earning capacity
PB Towage delivered another solid contribution
Dry bulk market weakness is expected to continue throughout 2013

Hong Kong, 1 August 2013 – 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 six months ended 30 June 2013.

HIGHLIGHTS

Key Numbers	Six months ended 30 June	
US$ million	**2013**	2012
Revenue#	**766.8**	691.0
Underlying Profit#	**13.6**	3.2
EBITDA (excluding impairments)	**59.4**	53.7
Net Profit/(Loss)	**0.3**	(195.9)
Basic Earnings per Share (HK cents)	**0.1**	(79)

#relates to continuing operations (2012 figures restated)

Group

- The Group produced an underlying profit of US$13.6 million and a net profit of US$0.3 million
- Results were affected by i) the value of our cargo book and business model enabling our outperformance of the Handysize market by 32%, ii) a reduction in our daily vessel costs, iii) a solid contribution from PB Towage, iv) the weakest half-year dry bulk market since 1986, and v) one-off lease break costs and exchange rate losses
- We retain substantial cash and deposits of US$442 million with net borrowings of US$415 million
- We currently have fully-funded capital commitments of US$298 million relating to 19 dry bulk vessels

Fleet

- We have purchased 27 dry bulk vessels and long-term chartered another 9 in the year to date
- Acquisition commitments to date will expand our owned fleet on the water from 37 dry bulk ships at the start of the year to 72 by year end – almost doubling the number of ships we own
- Our fleet currently numbers 296 vessels (including newbuildings) comprising 246 dry bulk ships, 45 towage vessels and 5 RoRos
- Contract cover is in place for 64% of our contracted 16,060 Handysize revenue days in the second half of 2013 at US$9,350 per day net (64% of 13,850 days at US$11,710 as at 23 July 2012)

Outlook

- Dry bulk market weakness is expected to continue throughout 2013
- Freight rates and ship values have bottomed out but there is no tangible evidence to support a sustained recovery soon
- Positive long-term demand fundamentals for dry bulk remain intact despite slower Chinese output growth
- We will consider further expansion of our owned and chartered fleet, putting cash to work and positioning ourselves for a stronger market in the longer term
- Towage outlook remains positive and we aim to develop our towage business further

Mr. Mats Berglund, CEO of Pacific Basin, said:

"While 2012 was a year of increased focus for Pacific Basin, 2013 is becoming our year of counter-cyclical investment for growth. So far this year we have committed to purchase 21 secondhand ships and six newbuildings, and our acquisition commitments to date will expand our owned fleet on the water from 37 dry bulk ships at the start of the year to 72 by end. Having waited patiently for over two years, we are very satisfied with the timing of our acquisitions, actively putting our cash to work at attractive prices and positioning ourselves for a strong market in the longer term. We are investing today – and still retain healthy cash liquidity to invest in further vessels – to enhance customer satisfaction and generate increased shareholder value, a competitive cost base, sustainable growth and attractive long-term returns."

BUSINESS COMMENTARY

Pacific Basin Dry Bulk

Our core dry bulk shipping business was again profitable and delivered a healthy cash flow despite the weak dry bulk shipping market.

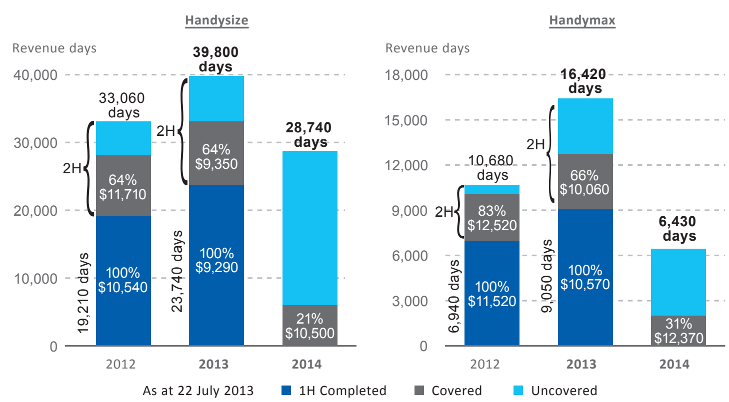
Dry Bulk net profit	US$11.3m
EBITDA	US$50.7m
Return on net assets	3% (annualised)

Our Handysize and Handymax daily rates averaged US$9,290 and US$10,570 per day net and outperformed the weak spot market by 32% and 28% respectively in the period in a continued demonstration of the value of our industrial and customer-focused business model and our high-performance teams globally.

Our Handymax business turned around to make a positive contribution during the period, now benefitting from lower vessel costs as expensive inward charters expired or were renewed at lower rates, and due to the increasing number of lower-cost, owned Handymax ships in our fleet.

We operated an average of 132 Handysize and 50 Handymax ships, resulting in a 24% and 30% increase in our Handysize and Handymax ship revenue days respectively year on year.

We have covered at profitable rates 64% and 66% of our Handysize and Handymax revenue days currently contracted for the second half of 2013 at average rates of US$9,350 and US$10,060 respectively.



PB Towage

Group results also benefited from another solid performance by PB Towage which continues to pursue a number of initiatives to enhance further our competitive position in the offshore support and harbour towage markets in Australasia.

PB Towage net profit	US$12.6m
EBITDA	US$19.8m
Return on net assets	12% (annualised)

We increased our stake in the OMSA joint venture to 50% reflecting our confidence in the prospects for the OMSA business in Australia's offshore gas sector. We are now tendering for LNG related projects in Western Australia and Northern Territories. We are also working on new opportunities to fill gaps in the market for project cargo transportation services, and to potentially expand into nearby markets outside of Australia leveraging on our construction support expertise.

Our harbour towage business logged 6% more tug jobs in the first half compared to the same period last year and, importantly, we have just commenced a new harbour towage operation in Newcastle where we will be one of only two operators in the world's largest coal port.

Further Investment in Dry Bulk

Our fleet expansion has accelerated. In the year to date we have committed to purchase 21 secondhand ships and we have ordered six newbuildings – with options for another three – from Japanese yards. Additionally, we have leased nine ships on long-term charters of three years or more. This brings to 31 and 16 the number of dry bulk vessels we have purchased and long-term chartered since we returned to the ship acquisitions market in September last year.

We remain very satisfied with the timing of our acquisitions. In view of the narrowing gap between secondhand and newbuilding ship prices, we gradually shifted our focus from the purchase of secondhand ships to also ordering newbuildings. Availability of the right ships remains tight, but we are well positioned to access both on-market and off-market opportunities – as our acquisitions of the past several months have shown – to position ourselves optimally for a cyclical recovery and to generate attractive long-term returns.

As announced in April, we secured an US$85 million Japanese export credit loan as part of our continuous search for funding opportunities which we consider beneficial to our shareholders. We are actively working to secure additional ECA financing for the further acquisition of high-quality vessels.

As at 30 June 2013, we had cash and deposits of US$442 million and net borrowings of US$415 million. Our vessel capital expenditure obligations currently amount to US$298 million payable in the next three years in respect of 19 dry bulk vessels. We have thus committed to deploy a substantial portion of our cash to expand our owned fleet at attractive prices and we continue to enjoy low gearing which gives us the flexibility to draw on sources of debt over the coming months to fund significant further fleet expansion.

Outlook

We expect the dry bulk market to remain weak overall in rest of the year and Handysize and Handymax spot rates to remain relatively flat with an eventual recovery being only gradual in the short-to-medium term. We consider ship values to have bottomed out and anticipate more upside than downside from current levels.

As we expected, the global fleet of Handysize vessels registered 1% net capacity growth in the first half of 2013 as scrapping substantially offset deliveries, and the fundamentals look more favourable for these smaller bulk carriers. Even so, while dry cargo demand is likely to remain similarly healthy as in the past year, it will take some time for the market to absorb the over-supply of larger dry bulk ships and for a sustained recovery to take hold. Recent slower growth in Chinese output may delay this turnaround, but we believe the positive long-term demand fundamentals for dry bulk remain intact.

We expect healthy demand for towage activities in Australia to continue in the medium term, as a number of key offshore projects commence construction and as Australian seaborne trade continues to support growing harbour towage job numbers.

We are on track to achieve the strategic objectives we set ourselves for 2013, and our focus for the rest of the year is to:

1. continue to expand our fleet of owned and long-term chartered Handysize and Handymax ships at attractive prices and rates to position the Company to leverage an expected cyclical upturn ahead;

2. grow our dry bulk customer and cargo portfolio in tandem with our core fleet expansion;

3. further decentralise our operational support function to enhance the customer experience; and

4. pursue growth and contract renewal opportunities for PB Towage in the Australian and neighbouring offshore gas sectors and in the harbour services sector.

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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 currently operates in two main maritime sectors under the banners of Pacific Basin Dry Bulk and PB Towage. We also own five specialised Roll-on Roll-off (RoRo) ships which have been sold with forward delivery by the end of 2015. Our fleet (including newbuildings on order) comprises approximately 300 vessels directly servicing blue chip industrial customers. With approximately 2,500 seafarers and 350 shore-based staff in 16 offices in key locations around the world, Pacific Basin provides a comprehensive quality service to a wide range of customers.

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Unaudited Condensed Consolidated Income Statement

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
		(restated)
Continuing operations		
Revenue	**766,793**	690,998
Direct costs	**(741,126)**	(673,744)
Gross profit	**25,667**	17,254
General and administrative expenses	**(9,495)**	(5,588)
Other income and gains	**5,581**	1,298
Other expenses	**(320)**	(1,752)
Finance costs, net	**(16,322)**	(8,278)
Share of profits less losses of jointly controlled entities	**2,785**	1,672
Share of profits less losses of associates	**2,226**	216
Profit before taxation	**10,122**	4,822
Taxation	**(710)**	(2,300)
Profit for the period	**9,412**	2,522
Discontinued operations		
Loss for the period	**(9,147)**	(198,454)
Profit/(loss) attributable to shareholders	**265**	(195,932)
Dividends	**–**	–
Earnings per share for profit/(loss) attributable to shareholders (in US cents)		
Basic earnings per share		
From continuing operations	**0.48**	0.13
From discontinued operations	**(0.47)**	(10.28)
From profit/(loss) attributable to shareholders	**0.01**	(10.15)
Diluted earnings per share		
From continuing operations	**0.48**	0.13
From discontinued operations	**(0.47)**	(10.28)
From profit/(loss) attributable to shareholders	**0.01**	(10.15)

Unaudited Condensed Consolidated Balance Sheet

	30 June 2013 *US$'000*	31 December 2012 *US$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**1,435,520**	1,270,202
Investment properties	**2,688**	2,675
Land use rights	**3,767**	3,767
Goodwill	**25,256**	25,256
Interests in jointly controlled entities	**38,277**	22,118
Investments in associates	**1,332**	1,332
Available-for-sale financial assets	**6,254**	4,729
Derivative assets	**972**	5,075
Trade and other receivables	**59,735**	58,039
Restricted bank deposits	**1,302**	50,192
Other non-current assets	**7,217**	5,322
	1,582,320	1,448,707
Current assets		
Inventories	**106,132**	79,102
Derivative assets	**423**	1,747
Structured notes	**15,058**	–
Trade and other receivables	**170,271**	106,044
Restricted bank deposits	**47,881**	70,148
Cash and deposits	**393,086**	633,118
	732,851	890,159
Assets of discontinued operations classified as held for sale	**32,178**	131,409
	765,029	1,021,568
Total assets	**2,347,349**	2,470,275
EQUITY		
Capital and reserves attributable to shareholders		
Share capital	**193,523**	193,605
Retained profits	**525,324**	537,456
Other reserves	**577,336**	600,960
Total equity	**1,296,183**	1,332,021
LIABILITIES		
Non-current liabilities		
Derivative liabilities	**17,421**	22,684
Long term borrowings	**728,556**	853,651
	745,977	876,335
Current liabilities		
Derivative liabilities	**3,942**	2,449
Trade and other payables	**167,282**	174,884
Current portion of long term borrowings	**128,347**	77,820
Taxation payable	**2,540**	2,509
	302,111	257,662
Liabilities of discontinued operations classified as held for sale	**3,078**	4,257
	305,189	261,919
Total liabilities	**1,051,166**	1,138,254
Net current assets	**459,840**	759,649
Total assets less current liabilities	**2,042,160**	2,208,356