Pacific Basin Shipping Limited

Press Release

Pacific Basin Announces 2016 Annual Results

Record low dry bulk market in early 2016 undermined results
Rights issue raised US$143 million net of new capital
Our Handysize TCE earnings outperformed market rates by 34%
Positive operating cash flow of US$50 million
Market rates improved in the fourth quarter

Hong Kong, 28 February 2017 – Pacific Basin Shipping Limited ("Pacific Basin" or the "Company"; SEHK: 2343), one of the world's leading dry bulk shipping companies, today announced the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

BUSINESS HIGHLIGHTS

GROUP

- Record low dry bulk market conditions significantly undermined our ability to generate satisfactory results in 2016
- We recorded a net loss of US$86.5 million and positive operating cash flows of US$49.5 million
- Our Handysize TCE earnings outperformed the market by 34%
- Our rights issue raised new capital of US$143 million net
- We generated cash proceeds of US$22 million from the sale of towage and other non-core assets, and our exit from the towage sector is substantially complete
- Our year-end cash position was US$269 million with net gearing of 34%
- US$158 million of undrawn committed loan facilities exceeds US$119 million of remaining newbuilding capital commitments

US$ million	Year Ended 31 December 2016	2015
Revenue	1,087.4	1,260.3
Underlying Loss	(87.7)	(27.8)
Operating cash flow	49.5	98.6
EBITDA #	22.8	93.2
Loss Attributable to Shareholders	(86.5)	(18.5)
Basic Earnings per share (HK cents)*	(20.4)	(5.4)
Proposed Final and Full Year Dividend per share (HK cents)*	–	–

EBITDA (earnings before interest, tax, depreciation and amortisation) is our gross profit less general and administration expenses, excluding: depreciation and amortisation; exchange differences; share-based compensation; net unrealised bunker swap contract income and expenses; utilised onerous contract provisions; and net of Charter Hire Reduction adjustments.

* *Prior year comparatives are adjusted for the June 2016 rights issue.*

Our Fleet – 226 Ships

	Vessels in operation		Newbuildings on order		Total
	Owned	Chartered	Owned	Chartered	
Handysize	75	56	2	3	136
Supramax	20	67	1	–	88
Post-Panamax	1	1	–	–	2
Total	96	124	3	3	226

FLEET

- Our market leading Handysize and Supramax business is operating more owned ships enabling greater control and service quality
- Our fleet comprises 220 dry bulk ships including 96 owned, with a further 3 owned newbuildings joining our fleet by mid-2017
- We continue to operate a large number of short-term chartered ships with which we can make a margin throughout the market cycle
- We have covered 44% of our Handysize and 71% of our Supramax revenue days for 2017 at US$8,200 and US$8,680 per day net respectively
- We have further reduced our owned Handysize operating costs to US$3,970 per day through scale benefits and careful cost control

POSITION

- Dry bulk market rates improved in the fourth quarter; indices have followed their typical seasonal decline in early 2017 but are well above levels of one year ago and sentiment in the industry is recovering
- However, the market continues to be oversupplied and freight earnings are still below breakeven for many shipowners
- We expect continued uncertain markets in 2017 and will continue to conduct our business efficiently and safely while astutely combining ships and cargoes to maximise our margins
- Positive actions taken to stay strong and competitive, generate cash, grow our owned fleet and make ourselves a leaner dry bulk company should position us well both for continued challenging market conditions and a market recovery

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

"2016 saw the weakest dry bulk freight rates in 45 years. Despite this challenging environment, we generated Handysize and Supramax TCE earnings that outperformed spot market rates by 34% and 14% and we made valuable margins on low-cost short-term chartered ships that supplement our core fleet. We generated a positive operating cash flow of US$50 million.

We pursued several important initiatives including completing a rights issue of new shares, repaying US$230 million of convertible bonds, reducing our vessel operating expenses further, committing to relocate to a more cost-efficient Hong Kong headquarters, and opening a new regional office in Brazil.

Our efforts have helped to maintain a balance sheet with total cash and deposits of US$269 million at 31 December 2016, and net gearing of 34%. They have also helped to further reduce our G&A expenses, improve our efficiencies and enhance our platform for success well beyond the recent market depression.

Demand and sentiment are recovering and the orderbook is reducing. However, lingering oversupply remains a negative factor. More scrapping, minimal ordering and patience are needed for a more fundamental recovery to be sustained."

BUSINESS COMMENTARY

Our Core Dry Bulk Business

In the weakest year since Baltic indices began in 1985, our core dry bulk business generated a net loss of US$87.6 million (2015: net loss US$34.7 million).

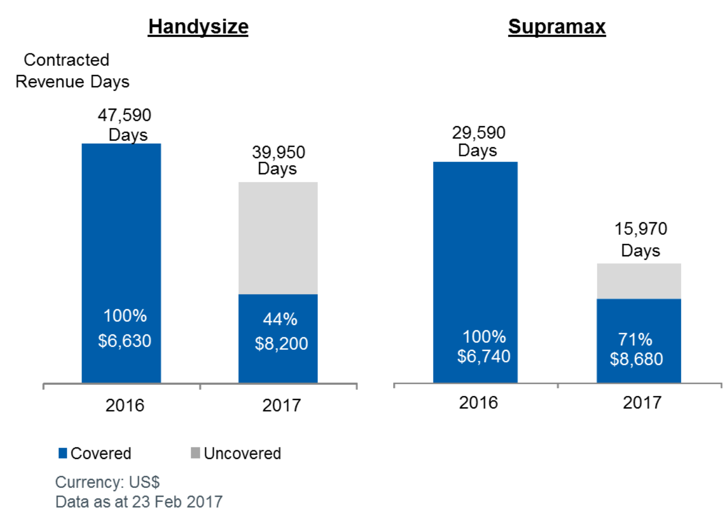
Our average Handysize and Supramax daily earnings of US$6,630 and US$6,740 per day net outperformed BHSI and BSI spot market indices by 34% and 14% respectively, reflecting our ability to draw on our experienced teams, global office network, strong cargo support and large fleet of high-quality substitutable ships to optimise ship and cargo combinations for maximum utilisation.

As part of our business model, we charter in vessels for short periods for combination with cargoes with the aim of making a margin irrespective of whether the market is high or low. In low markets as in 2016, these short-term positions generally lower our reported TCE earnings while in fact making a valuable positive contribution. If we exclude the vessel days attributable to these short-term operated ships and factor their positive margin into the TCE results of our core owned and long-term fleet, then our restated 2016 Handysize and Supramax daily earnings would improve to US$6,720 on 41,220 days and US$7,940 on 14,230 days respectively.

We remain focused on safe and cost-efficient operations and scale benefits, which have contributed to a reduction in both our daily Handysize vessel operating costs and shore-side G&A expenses compared to last year in spite of operating more owned ships.

We operated an average of 130 Handysize and 81 Supramax ships resulting in an 8% reduction and 27% increase in our Handysize and Supramax revenue days respectively.

We have covered 44% and 71% of our 39,950 Handysize and 15,970 Supramax revenue days currently contracted for 2017 at US$8,200 and US$8,680 per day net respectively.



Positive Initiatives

We generated sale proceeds of US$22 million for towage and other non-core assets in 2016 and have sold two further towage vessels so far in 2017. Our remaining towage assets have a net book value of approximately US$3 million and we continue to market them for sale. Our exit from the towage sector is substantially complete.

We have used the weak market to purchase a 7-year old Supramax and sell a 12-year old smaller Supramax, thereby trading up to a vessel of better design and longer life at an attractive price. We will continue to look for opportunities to purchase quality vessels and to assess attractive fleet renewal opportunities.

In May, we will be relocating our headquarters from Hong Kong's central business district to Wong Chuk Hang, a newly revitalised part of Hong Kong Island. The move will result in significant cost savings while also allowing us to create a more energetic, collaborative and productive working environment.

We have recently established a new commercial office in Rio de Janeiro to help grow our cargo volumes and support our many customers on the east coast of South America while enabling us to more fully cover all regions in the Atlantic.

In June we raised US$143 million net through a one-for-one rights issue of new shares. This served to strengthen our balance sheet and liquidity position, negate the impact of the October convertible bonds repayment and give us additional flexibility for vessel purchases.

In October, we reached an innovative agreement with ten shipowners to whom we issued US$13 million of new Pacific Basin shares as payment of existing long-term charter-hire obligations in 2017 and 2018, thereby reducing our cash outlay in these two years.

Balance Sheet

As at 31 December 2016, we had cash and deposits of US$269 million, net borrowings of US$570 million and net gearing of 34%. We remain in compliance with our loan covenants. We also had US$158 million of committed but undrawn loan facilities – mainly attractive Japanese export credit – which exceeds the US$119 million of payments due on our remaining seven Japanese newbuildings delivering in the first half of 2017.

Outlook & Position

Dry bulk market rates improved in the fourth quarter. Indices have followed their typical seasonal decline in early 2017 but are well above levels of one year ago and sentiment in the industry is recovering. We believe the worst of the current market cycle is behind us and that supply-side corrections have begun to lay the foundations for an eventual market improvement.

However, the market continues to be oversupplied and freight earnings are still below breakeven for many shipowners. We expect markets to remain uncertain in 2017 and we will continue to conduct our business efficiently and safely while astutely combining ships and cargoes to maximise our margins.

The positive actions we have taken to stay strong and competitive, generate cash, grow our owned fleet and make ourselves a leaner dry bulk company have positioned us well both for continued challenging market conditions and for a market recovery.

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. As at 31 January 2017, the Company operated 220 dry bulk ships of which 96 are owned and 124 are chartered. A further 3 owned and 3 chartered newbuildings are scheduled to join the Company's core fleet by mid-2017. Pacific Basin is listed and headquartered in Hong Kong, and provides a quality service to around 500 customers, with approximately 3,000 seafarers and 330 shore-based staff in 12 offices in key locations around the world.

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Consolidated Income Statement

	For the year ended 31 December	
	2016	2015
	US$'000	US$,000
Revenue	**1,087,371**	1,260,291
Cost of services	**(1,141,696)**	(1,264,402)
Gross loss	**(54,325)**	(4,111)
General and administrative expenses	**(5,749)**	(5,954)
Vessel impairments	**(15,245)**	–
Other income and gains	**29,971**	31,576
Other expenses	**(9,039)**	(3,724)
Finance income	**2,750**	4,469
Finance costs	**(33,925)**	(39,795)
Share of profits of investments accounted for using the equity method	**–**	178
Loss before taxation	**(85,562)**	(17,361)
Taxation	**(985)**	(1,179)
Loss attributable to shareholders	**(86,547)**	(18,540)
Basic and diluted earnings per share for loss attributable to shareholders (comparative restated) (in US cents)	**(2.63)**	(0.70)

Consolidated Balance Sheet

	As at 31 December	
	2016	2015
	US$'000	US$'000
Asset		
Non-current assets		
Property, plant and equipment	**1,653,433**	1,611,000
Investment properties	**–**	2,400
Land use rights	**–**	2,686
Goodwill	**25,256**	25,256
Available-for-sale financial assets	**875**	2,135
Derivative assets	**969**	–
Trade and other receivables	**5,405**	5,559
Restricted bank deposits	**58**	58
	1,685,996	1,649,094
Current assets		
Inventories	**62,492**	50,785
Derivative assets	**2,831**	–
Assets held for sale	**5,820**	–
Trade and other receivables	**80,940**	87,486
Cash and deposits	**269,146**	358,370
	421,229	496,641
Total assets	**2,107,225**	2,145,735
Equity		
Capital and reserves attributable to shareholders		
Share capital	**40,046**	194,480
Retained profits	**150,783**	213,233
Other reserves	**849,942**	563,225
Total equity	**1,040,771**	970,938
Liabilities		
Non-current liabilities		
Derivative liabilities	**24,860**	33,797
Long-term borrowings	**743,507**	633,226
Provision for onerous contracts	**31,564**	51,918
Trade and other payables	**5,856**	–
	805,787	718,941
Current liabilities		
Derivative liabilities	**2,899**	16,655
Trade and other payables	**140,625**	117,364
Current portion of long-term borrowings	**95,735**	292,739
Taxation payable	**1,054**	1,434
Provision for onerous contracts	**20,354**	27,664
	260,667	455,856
Total liabilities	**1,066,454**	1,174,797