Pacific Basin Shipping Limited

Press Release

Pacific Basin Announces 2016 Interim Results

Extraordinarily weak dry bulk market conditions during first half 2016
Handysize daily TCE earnings outperformed the market index by 56%
Positive operating cash flow of US$7.7 million
Rights issue raised US$143 million net of new capital

Hong Kong, 29 July 2016 – 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 condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016.

BUSINESS HIGHLIGHTS

GROUP

	Six Months Ended 30 June	
US$ Million	2016	2015
Revenue	488.4	634.6
Operating cash flow	7.7	58.8
Underlying loss	(61.6)	(14.6)
(Loss)/profit Attributable to Shareholders	(49.8)	5.8
Basic Earnings per share *(HK cents)*	(14.4)	1.7*

* *Adjusted for the 1:1 rights issue completed in June 2016*

- Market freight rates fell further to a record low for dry bulk shipping leading to weak results for the Group
- We booked a net loss of US$49.8 million and positive operating cash flow of US$7.7 million
- Our Handysize daily TCE earnings outperformed the market index by 56%
- We completed a rights issue raising new capital of US$143 million net
- Towage disposals in first half 2016 have generated cash proceeds of US$12 million
- Our cash position increased to US$406 million with net gearing of 29%
- US$272 million of undrawn loan facilities exceeds US$237 million of remaining dry bulk newbuilding capital commitments
- We achieved further reductions in our daily Handysize vessel operating costs and G&A expenses

FLEET

- We are fully focused on dry bulk with substantially all our long-term assets invested in our market leading Handysize and Supramax business
- We have further reduced our owned Handysize operating costs to US$4,060/day through scale benefits and good cost control
- We are operating more owned ships enabling greater control and service quality
- We are not entering into new long-term charters, relying instead on our growing fleet of owned and low-cost short-term ships
- We now operate 212 dry bulk ships including 87 owned – in addition, 12 owned newbuildings join our fleet in the next year
- We have covered 58% of our 19,420 Handysize revenue days for second half 2016 at US$7,670 per day net

MARKET/POSITION

- Market rates were undermined by a general seasonal and Chinese New Year slowdown, lingering oversupply and lower Chinese coal imports
- Rates have improved on increasing activity since mid-February driven primarily by South American agricultural exports
- High levels of scrapping and negligible new ship ordering will contribute to a healthier market in time
- Our recent rights issue enhances our ability to safely navigate the protracted challenging environment, attract cargo as a strong partner, and carefully assess and potentially purchase second hand vessels in the weak market
- We continue to manage our business for a weak market in the medium term – we are driving further cost savings and conducting our business efficiently and safely while astutely combining ships and cargoes to maximise our margins

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

"The first half of 2016 saw extraordinarily weak dry bulk market conditions. While we were loss-making over this challenging period, our Handysize and Supramax earnings outperformed spot market rates by 56% and 29% respectively and we generated a positive operating cash flow.

We are not entering into new long-term inward charters, and are relying instead on our growing fleet of owned ships and low-cost shorter-term and index-linked charters, benefitting from improved fleet efficiency overall.

Our recent rights issue puts us in an advantageous position. The new capital enhances not only our ability to navigate the protracted challenging environment, but also our ability to attract cargo and to assess and potentially purchase secondhand vessels at low prices.

Our cash position, the successful rights issue, our robust business model and our solid track record all contribute to the strong corporate profile that sets us apart as a preferred, strong, reliable and safe counterparty for our business partners in these weak market conditions."

BUSINESS COMMENTARY

Our Core Dry Bulk Business

In this extremely weak market, our core dry bulk business generated a net loss of US$60.4 million (2015: net loss US$15.4 million) despite our strong TCE earnings premium.

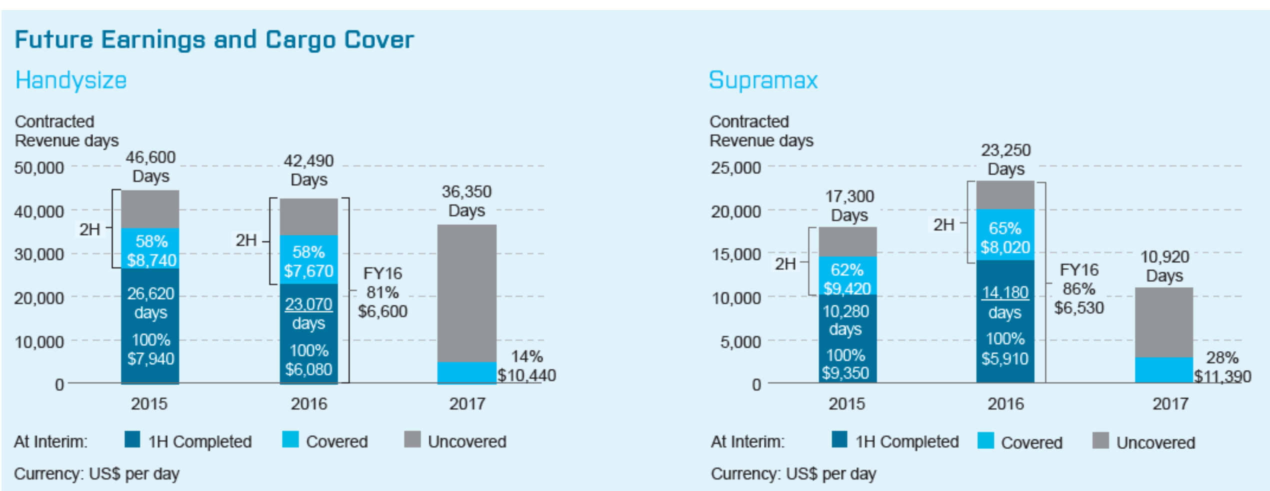
Our average Handysize and Supramax daily earnings of US$6,080 and US$5,910 per day outperformed BHSI and BSI spot market indices by 56% and 29% respectively, reflecting our ability to draw on our experienced teams, global office network, strong cargo support and large fleet of high-quality substitutable ships to optimise ship and cargo combinations for maximum utilisation.

We have been working hard with our customers around the world to further develop our core trades and routes for even greater fleet utilisation. As ship operators and owners with greater control of all processes from crewing and maintenance to dealing with the commodity end users, we are able to fine-tune every activity benefitting our customers and ourselves.

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.

We operated an average of 129 Handysize and 79 Supramax ships resulting in a 13% reduction and 39% increase in our Handysize and Supramax revenue days year on year.

We have covered 58% and 65% of our 19,420 Handysize and 9,070 Supramax revenue days currently contracted for the second half of 2016 at US$7,670 and US$8,020 per day respectively.



Limited Exposure to Towage

Our limited remaining towage activity is focused in the Middle East where we are operating five tugs and two barges in the oil and gas and construction sectors. Our remaining towage assets have a net book value of approximately US$18 million and we continue to market them for sale.

Our towage disposals in the year to date have generated cash proceeds of US$12 million.

Balance Sheet

Our rights issue net proceeds of US$143 million will cover the expected put of our 2018 convertible bonds in October 2016, leaving our existing cash intact.

As at 30 June 2016, we had cash and deposits of US$406 million, net borrowings of US$466 million and net gearing of 29%. We remain in compliance with our loan covenants. We also had US$272 million of committed but undrawn loan facilities – mainly attractive Japanese export credit – which exceeds the US$237 million of remaining payments due on our 12 Japanese newbuildings still to deliver.

Outlook & Position

Driven primarily by South American agricultural exports, dry bulk rates have improved on increasing activity since the record lows of mid-February. The cargoes we focus on – minor bulks and grain which together represent 48% of global dry bulk volumes – are still expected to grow.

Minor bulk demand is less dependent on China and has a more diversified geographical, cargo and customer profile. This allows for the combination of trades to achieve higher laden utilisation, which is exactly our strategy and how we can deliver value over average market earnings.

High levels of scrapping and negligible new ship ordering will contribute to a healthier market in time.

We are continuing to manage for a weak market in the medium term, driving further cost savings and conducting our business efficiently and safely while astutely combining ships and cargoes to maximise our margins.

We have developed a strong competitive edge in the Handy segments, underpinned by 99 high-quality owned ships (including newbuildings) which make up the best fleet we have ever had.

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 30 June 2016, the Company operates 212 dry bulk ships of which 87 are owned and 125 are chartered. A further 12 owned and 5 chartered newbuildings are scheduled to join the Company's core fleet over the next two years. Pacific Basin is listed and headquartered in Hong Kong, and provides a quality service to over 450 customers, with approximately 3,000 seafarers and 330 shore-based staff in 12 offices in key locations around the world.

For further information, please contact:

Pacific Basin Shipping Limited

Emily Lau
Tel: +852 2233 7054
Mobile: +852 9843 6557
E-mail: elau@pacificbasin.com

Our Fleet (as at 30 June 2016)

	Vessels in operation		Newbuildings on order		Total
	Owned	Chartered	Owned	Chartered	
Handysize	70	59	7	5	141
Supramax	16	65	5	–	86
Post-Panamax	1	1	–	–	2
Total	87	125	12	5	229

Unaudited Condensed Consolidated Income Statement

	Six months ended 30 June	
	2016	2015
	US$'000	US$,000
Revenue	**488,377**	634,556
Cost of services	**(529,712)**	(623,616)
Gross (loss)/profit	**(41,335)**	10,940
General and administrative expenses	**(3,157)**	(3,320)
Other income and gains	**14,054**	16,153
Other expenses	**(1,903)**	(1,196)
Finance income	**942**	2,960
Finance costs	**(18,027)**	(19,461)
Share of profits less losses/impairment of joint ventures	**-**	178
(Loss)/profit before taxation	**(49,426)**	6,254
Taxation	**(372)**	(499)
(Loss)/profit attributable to shareholders	**(49,798)**	5,755
Earnings per share for (loss)/profit attributable to shareholders (comparative restated)		
Basic	**US (1.86)cents**	US 0.22cents
Diluted	**US (1.86)cents**	US 0.21cents

Unaudited Condensed Consolidated Balance Sheet

	30 June 2016 US$'000	31 December 2015 US$'000
Asset		
Non-current assets		
Property, plant and equipment	**1,595,777**	1,611,000
Investment properties	**1,132**	2,400
Land use rights	**1,472**	2,686
Goodwill	**25,256**	25,256
Available-for-sale financial assets	**1,401**	2,135
Derivative assets	**426**	-
Trade and other receivables	**-**	5,559
Restricted bank deposits	**58**	58
	1,625,522	1,649,094
Current assets		
Inventories	**53,399**	50,785
Trade and other receivables	**85,335**	87,486
Cash and deposits	**406,055**	358,370
Derivative assets	**751**	-
	545,540	496,641
Total assets	**2,171,062**	2,145,735
Equity		
Capital and reserves attributable to shareholders		
Share capital	**38,785**	194,480
Retained profits	**178,265**	213,233
Other reserves	**850,394**	563,225
Total equity	**1,067,444**	970,938
Liabilities		
Non-current liabilities		
Derivative liabilities	**28,132**	33,797
Long-term borrowings	**674,221**	633,226
Provision for onerous contracts	**38,586**	51,918
	740,939	718,941
Current liabilities		
Derivative liabilities	**8,764**	16,655
Trade and other payables	**127,086**	117,364
Current portion of long-term borrowings	**198,004**	292,739
Taxation payable	**1,661**	1,434
Provision for onerous contracts	**27,164**	27,664
	362,679	455,856
Total liabilities	**1,103,618**	1,174,797