



# Pacific Basin

## 1Q19 Trading Update



J.P. Morgan Global China Summit 2019  
Beijing, 8 May 2019

A large blue and red cargo ship named "Pacific Basin" is sailing on the water under a suspension bridge. The ship has "Pacific Basin" written on its side and "PORT ALICE" on the bow. The bridge is a suspension bridge with two main towers and many stay cables. The sky is overcast and there are mountains in the background.

## Overview



Pacific Basin

## Pacific Basin Overview

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- World's largest owner and operator of modern Handysize & Supramax ships
- Cargo system business model – consistently outperforming market rates
- Own 114\* Handysize and Supramax vessel, with total 230+ dry bulk ships on the water serving major industrial customers around the world
- Hong Kong headquartered and HKEx listed, 12 offices worldwide, 336 shore-based staff, 3,800+ seafarers#
- Strong balance sheet with US\$2.4bn+ total assets and US\$340mn+ cash
- Our vision: To be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders



[www.pacificbasin.com](http://www.pacificbasin.com)

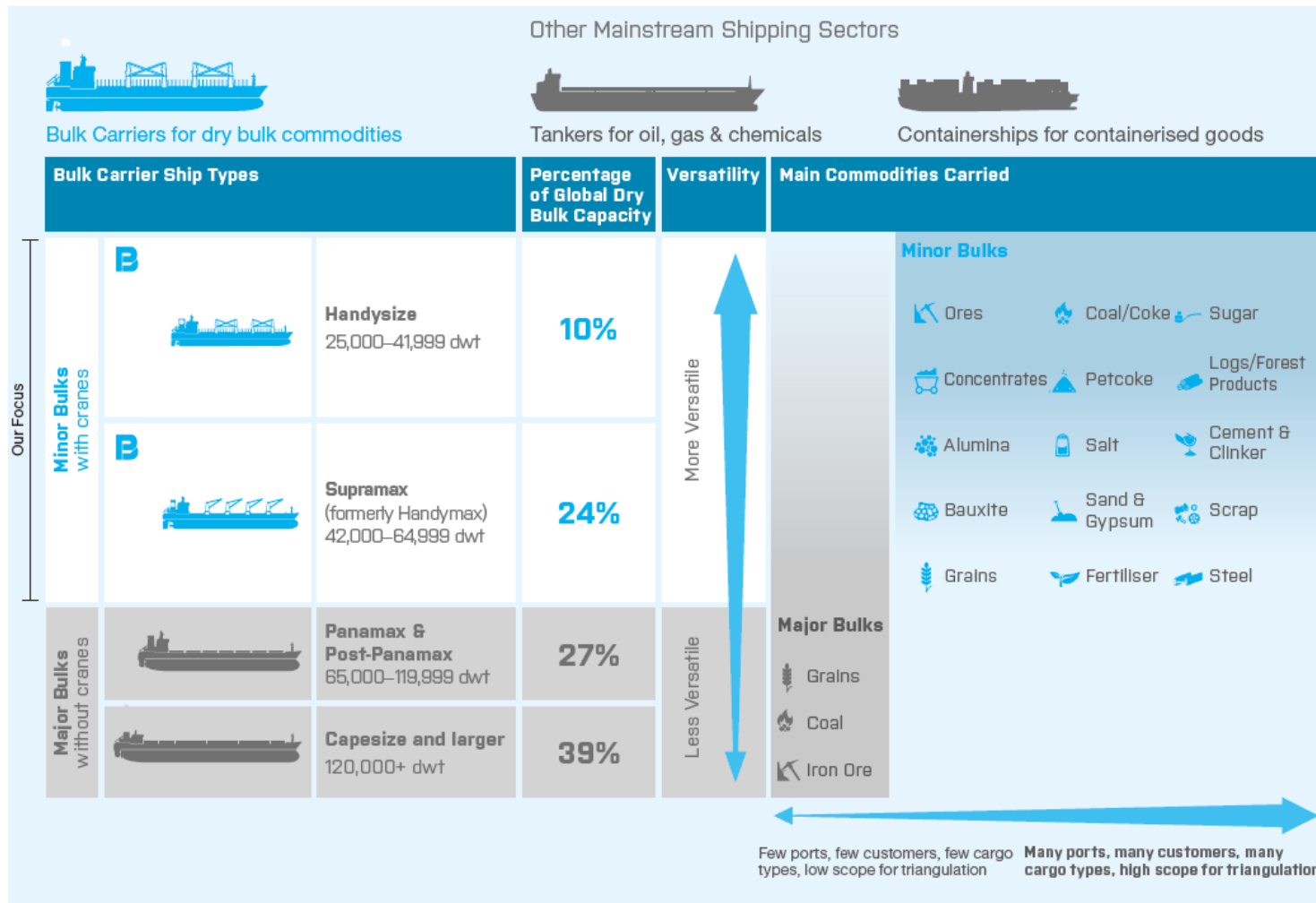
Pacific Basin business principles  
and our Corporate Video

\* Including 3 vessels purchased and scheduled to deliver in next 3 months  
# As at January 2019



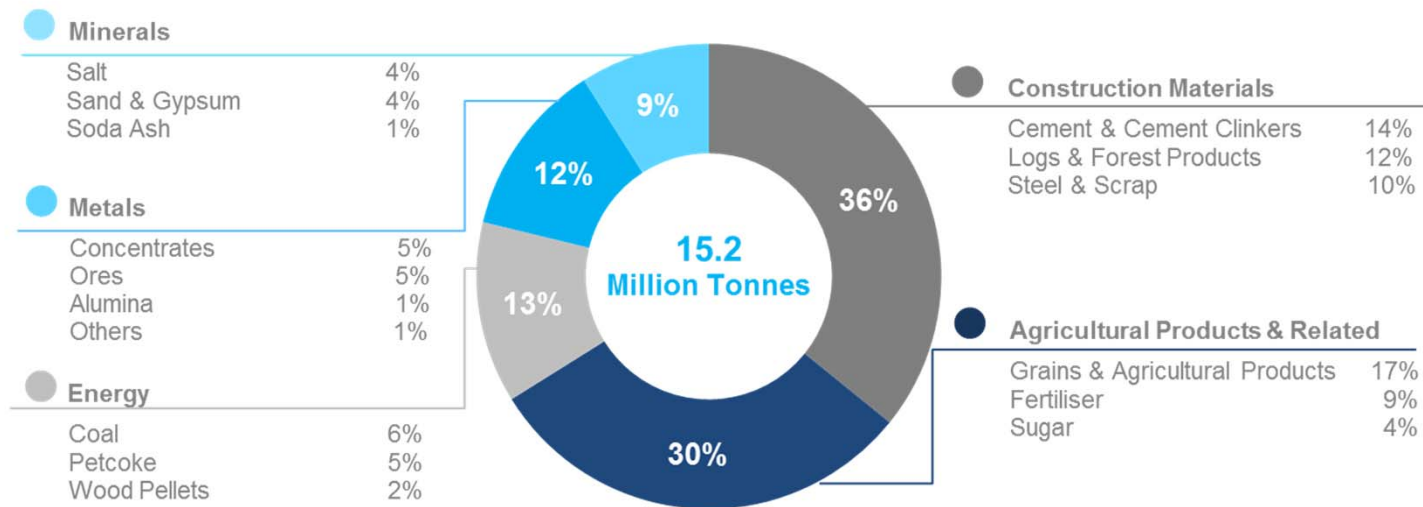
# Understanding Our Core Market

## The Dry Bulk Sector



## Pacific Basin Dry Bulk – Diversified Cargo

### Our Dry Bulk Cargo Volumes in 1Q19



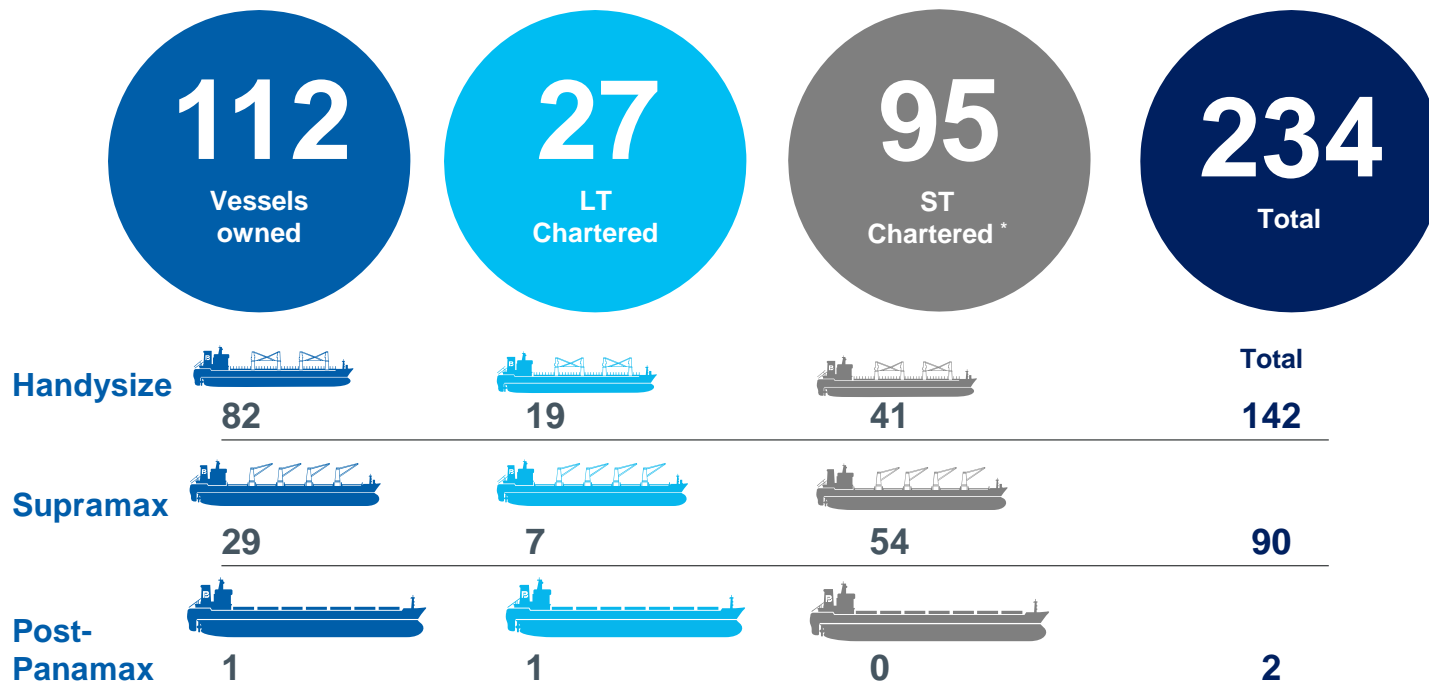
- Diverse range of commodities reduces product risk
- China and North America were our largest markets
- About 60% of business in Pacific and 40% in Atlantic

approx. **500**  
customers



## Fleet List – 31 March 2019

[www.pacificbasin.com](http://www.pacificbasin.com)  
Our Fleet



Average age of core fleet: 8 years old

An additional 3 vessels purchased and scheduled to deliver in next 3 months

\* Average number of short-term + index-linked vessels operated in March 2019



**2019 First Quarter Trading Update,  
Market Review and Outlook**



# Strong PB Performance Despite Market Headwinds

Cover as at 8 April 2019

	US\$/day	Handysize	Supramax
1Q	Market (BHSI/BSI) index net rate	5,730	7,540
	PB daily TCE net rate	9,080	10,400
	PB outperformance	58% / 3,350	38% / 2,860
2Q-4Q	PB daily TCE net cover rate	9,360	10,690
	% cover for remaining contracted days	36%	58%
FY	PB daily TCE net cover rate	9,210	10,550
	% of contracted days covered	55%	73%

BHSI (Handysize) and BSI (Supramax) down 29% and 26% YOY respectively vs PB Handysize and Supramax TCE down by 3% and 8% YOY respectively

We operated 220 ships overall during 1Q and our owned fleet will increase to 115 by July 2019:

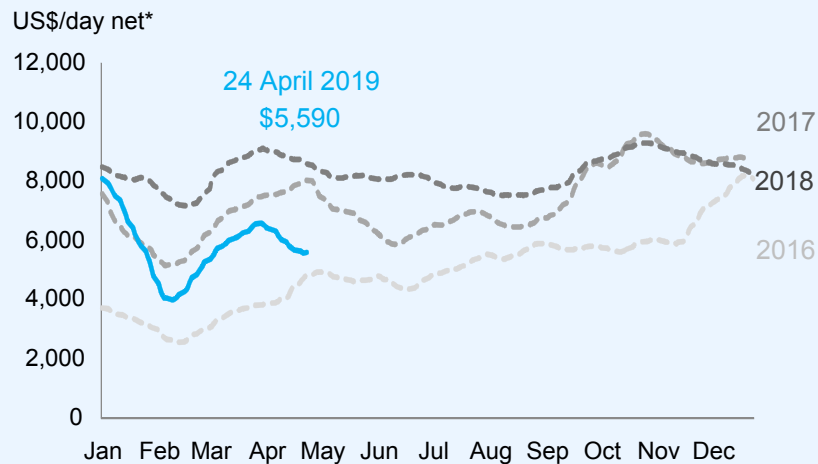
- In 1Q19, we took delivery of 3 vessels (2 committed in May 18, 1 committed at end 18) and we completed the sale of an older small Handysize
- YTD, we have committed to purchase for cash a further 3 modern secondhand Supramax vessels



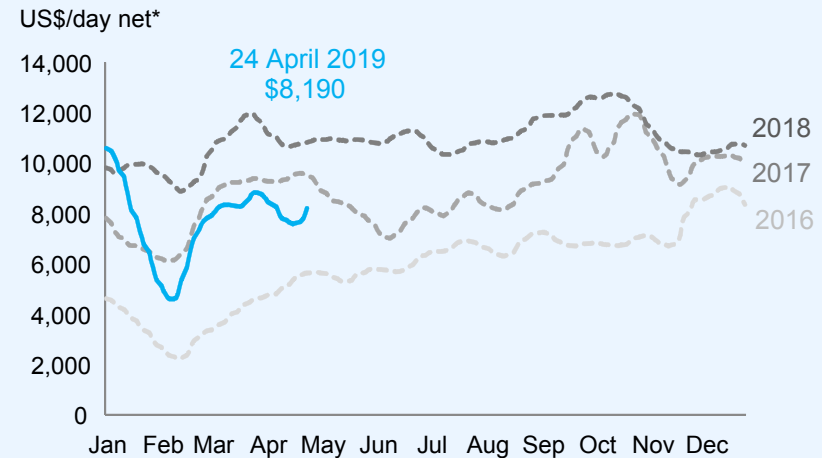


## Market has Experienced a Weak Start in 2019

**Baltic Handysize Index (BHSI)  
Market Spot Rates in 2016-2019**



**Baltic Supramax Index (BSI)  
Market Spot Rates in 2016-2019**



- Weak start to the year due to usual seasonal weakness with a more pronounced CNY dip compounded by :
  - US-China trade conflict
  - Chinese restrictions on coal imports and other custom clearance issues (e.g. canola oil seeds)
  - Iron ore infrastructure disruptions in Brazil and weather disruptions in Australia
- Handysize and Supramax market improved significantly during second half of 1Q
- In contrast, larger Capesize vessel segment saw little recovery and continued to weaken through 1Q. Decreasing correlation between Capesize and smaller vessel segments

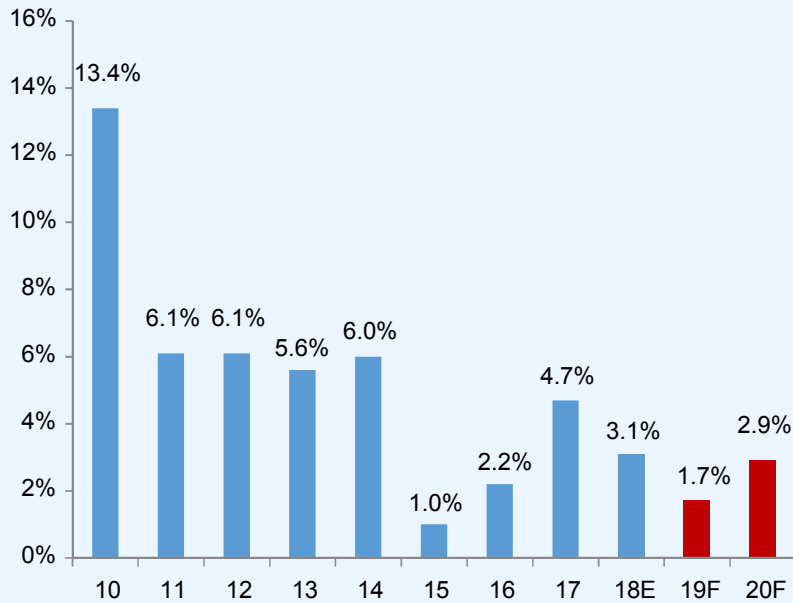
\* excludes 5% commission

Source: Baltic Exchange, data as at 24 April 2019

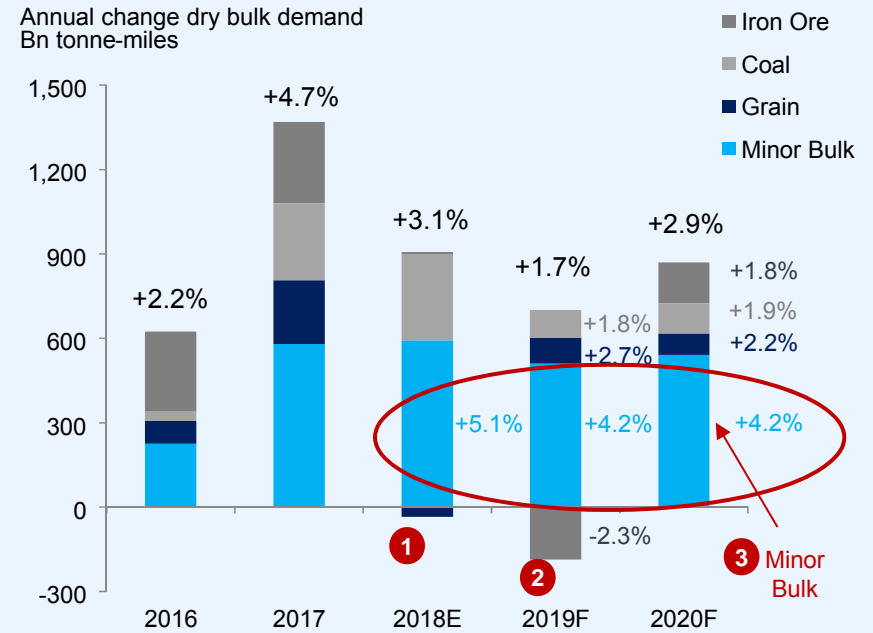


# Minor Bulk Expected to Drive Demand in 2019

### Overall Dry Bulk Tonne-miles Demand Growth Since 2010



### Annual Change in Dry Bulk Tonne-miles Demand



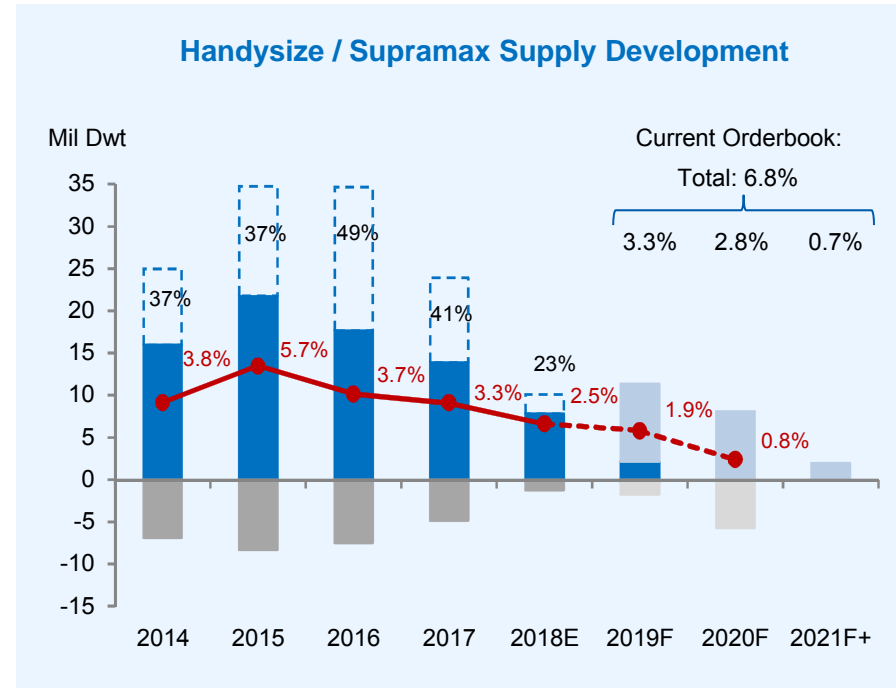
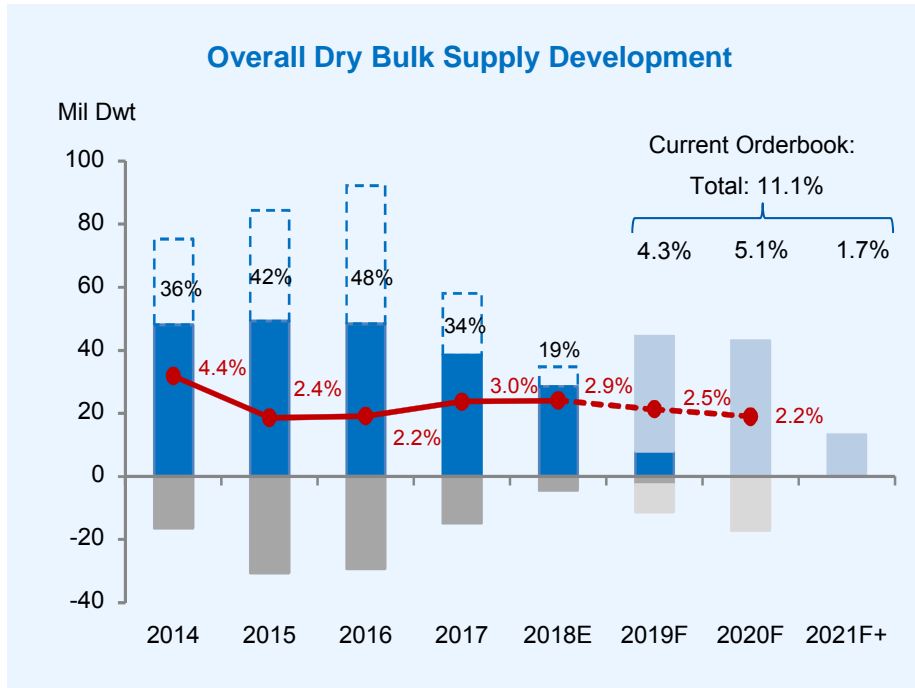
- In January and February 2019:
  - 7 key minor bulk commodities (including grain) into China grew 7% YOY
  - Chinese iron ore and coal imports declined 3% YOY
- We expect continued growth in minor bulk demand and grain to bounce back
- A resolution to trade tensions would provide a welcome boost to the market
- Minor bulk demand expected to grow 4.2% in 2019

- 1 China reducing US grain buying
- 2 Iron ore disruptions
- 3 Versatile minor bulk less exposed to trade disruption

Source: Bloomberg, Clarksons Research, as at April 2019



# Better Supply Fundamentals for Handysize / Supramax (I)







- New Deliveries
- Scrapping
- Net Fleet Growth
- ▤ Shortfall
- Scrapping Forecast
- - Net Fleet Forecast
- Scheduled Orderbook

- Scrapping remains very low for Handysize/Supramax, but has increased for the larger vessel segments
- Steadily reducing net fleet growth in Handysize/Supramax segment

Source: Clarksons Research, as at April 2019



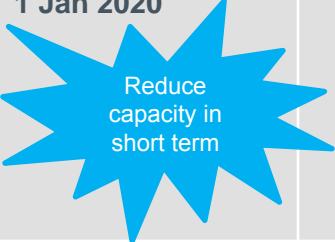
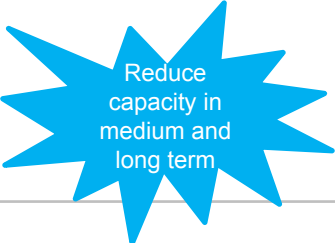
## Better Supply Fundamentals for Handysize / Supramax (II)

	Scheduled Orderbook as % of Existing Fleet	Average Age	Over 20 Years	Over 15 Years	YTD Scrapping as % of Existing Fleet as at 1 Apr 2019 (annualised)	
 <b>Handysize – 84m dwt</b> (25,000-41,999 dwt)	<b>5.6%</b>	10	<b>11%</b>	19%	<b>0.2%</b>	Lower orderbook
 <b>Supramax – 199m dwt</b> (42,000-64,999 dwt)	7.3%	10	8%	17%	<b>0.2%</b>	More older ships
 <b>Panamax – 226m dwt</b> (65,000-119,999 dwt)	11.0%	10	8%	19%	<b>0.2%</b>	
 <b>Capesize and larger – 321m dwt</b> (120,000+ dwt)	<b>15.3%</b>	9	<b>5%</b>	13%	<b>2.6%</b>	
<b>Total Dry Bulk – 847m dwt</b> (>10,000 dwt)	11.1%	10	8%	16%	<b>1.2%</b>	

Source: Clarksons Research, as at 1 April 2019



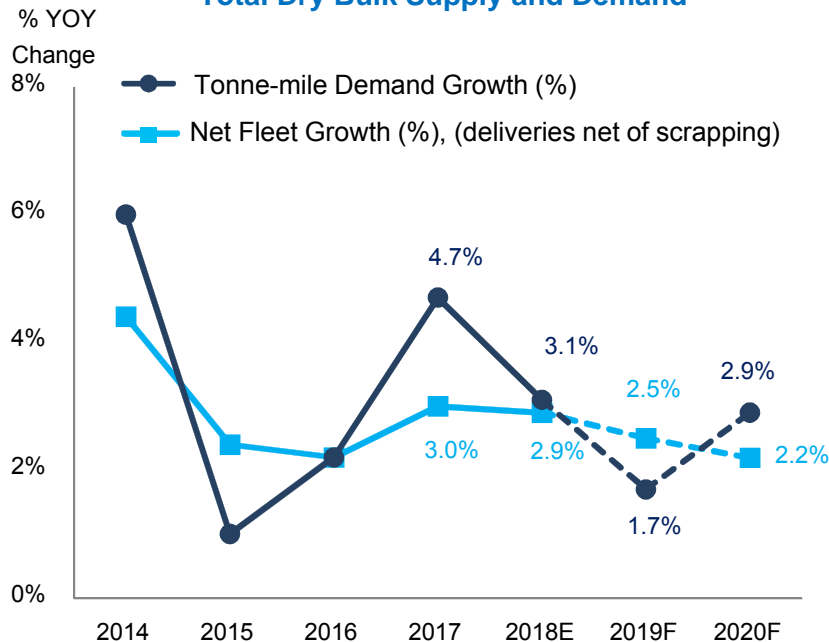
# New Regulations Benefitting Stronger Companies

New Regulations	Content	Impact on the Industry	PB actions
<b>IMO Ballast Water Treatment: Installation required at first dry-docking after 8 Sep 2019</b>	<ul style="list-style-type: none"> <li>IMO and USCG requirement</li> </ul>	<ul style="list-style-type: none"> <li>Capex for shipowners</li> <li>Increased scrapping</li> </ul>	<ul style="list-style-type: none"> <li>14 PB owned vessels fitted</li> <li>Retrofitting 97 owned vessels with system based on filtration and electrocatalysis</li> <li>Completion in 2022</li> </ul>
<b>Sulphur Emissions Cap: 1 Jan 2020</b> 	<ul style="list-style-type: none"> <li>IMO global 0.5% sulphur cap requires:               <ul style="list-style-type: none"> <li>i) low-sulphur fuel or;</li> <li>ii) exhaust gas cleaning systems (“scrubbers”)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Majority of global fleet (esp. Handysize) will comply using low-sulphur fuel  <b>→slow-steaming and tighter supply</b></li> <li>Larger vessels (incl. some Supramaxes) installing scrubbers <b>→docking ships for several weeks for scrubber retrofit</b></li> </ul>	<ul style="list-style-type: none"> <li>Cannot risk being competitively disadvantaged</li> <li>Arrangements in place with yards and scrubber makers to install scrubbers on Supramaxes</li> <li>Fitting and testing scrubbers to gain experience early</li> </ul>
<b>IMO greenhouse gas emissions reduction</b> 	<ul style="list-style-type: none"> <li>Cut total greenhouse gas emissions from shipping by at least 50% by 2050 (compared to 2008), requiring efficiency improvements of at least 40% by 2030 and 70% by 2050</li> </ul>	<ul style="list-style-type: none"> <li>Reducing speed</li> <li>Development of new fuels, engine technology and vessel designs</li> <li>Discouraging new ship ordering in short and medium term</li> <li>Increased scrapping</li> </ul>	<ul style="list-style-type: none"> <li>No newbuild ordering</li> <li>Monitoring new technology and designs</li> </ul>



# Favourable Minor Bulk Supply and Demand Outlook

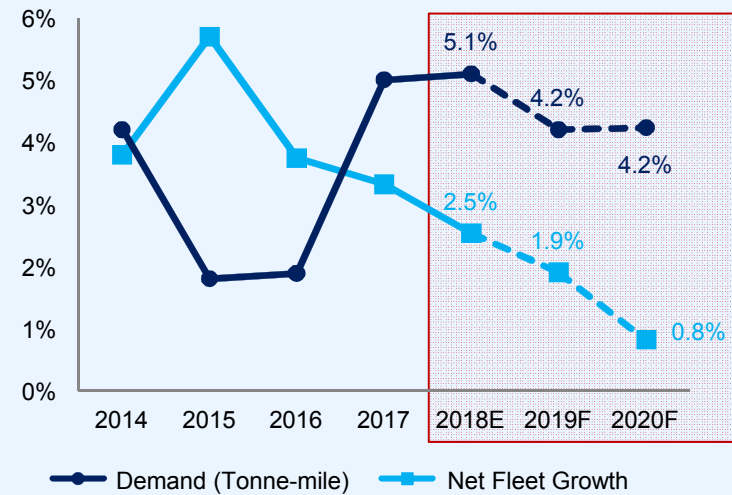
**Total Dry Bulk Supply and Demand**



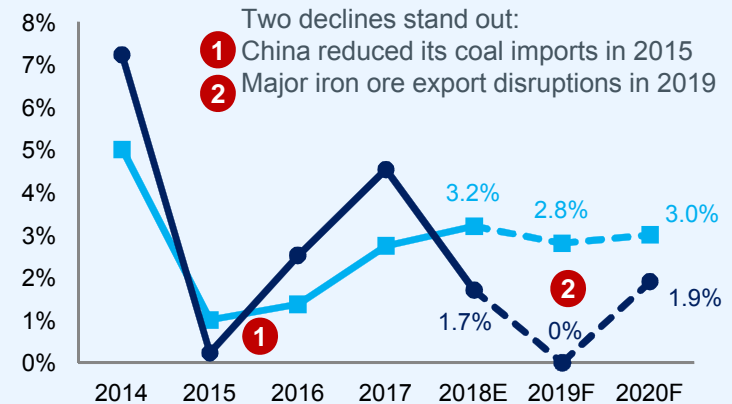
- 2019 weak start – trade war uncertainty and Chinese import policies
- Attractive supply fundamentals in our segments with supply disruptions expected approaching IMO 2020
- Factors other than supply and demand can also drive rates: bunker prices and speed, off-hire, congestion, sentiment, etc.

\* Major Bulk includes iron ore, coal and grains  
Source: Clarksons Research, as at April 2019

**Minor Bulk Demand and Handysize/Supramax Supply**

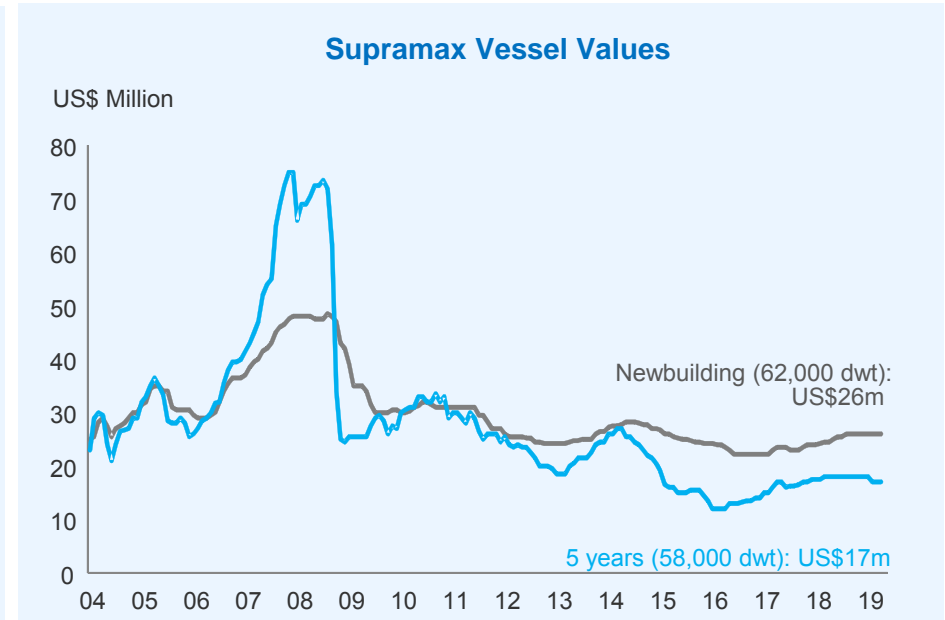
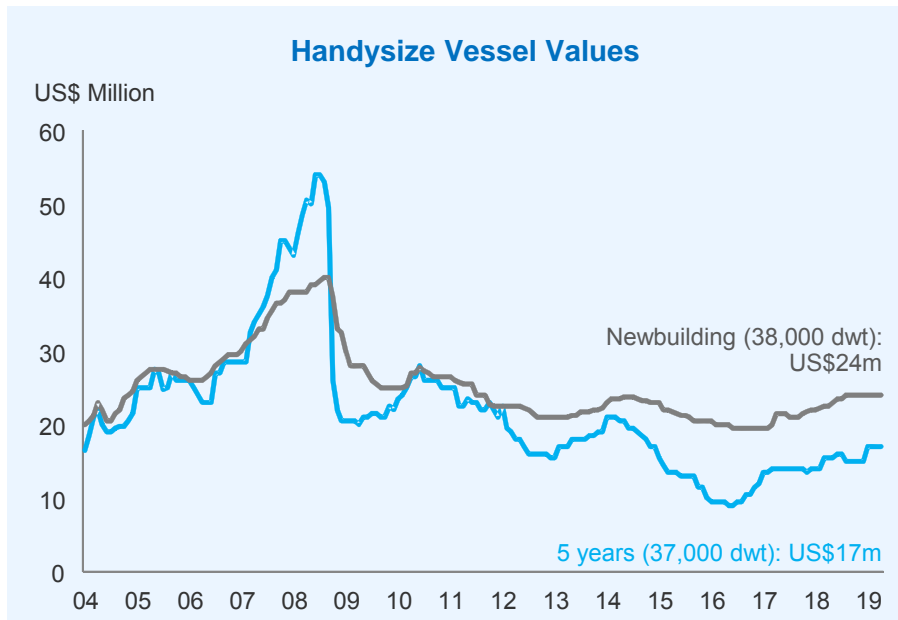


**Major Bulk\* Demand and Capesize/Panamax Supply**





## Secondhand Values Remain Attractive



- Large gap between newbuilding and secondhand prices and uncertainty over future ship designs due to upcoming IMO CO<sub>2</sub> regulations discourage new ship ordering
- Upside in secondhand values

Secondhand 5 years old benchmark Handysize and Supramax vessels defined as 37,000 dwt (up from 32,000 dwt since Jan 19) and 58,000 dwt (up from 56,000 dwt since Jan 19) respectively

Source: Clarksons Research, as at 12 April 2019



## Uncertain Short-term Outlook but Long-term Fundamentals Remain Positive

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Market is now softening as it did same time last year, and the global growth outlook has been revised downwards. Some key factors are likely to make the remaining market more volatile this year:

- IMF's current 2019 GDP forecast of 3.3% still represents a healthy level of growth (despite reduction from 3.9% in Oct18)
  - Continues to bode well for minor bulk tonne-mile demand
  - IMF expects global economy to slowly strengthen in 2H19 and into 2020 supported by Chinese economic stimulus and continued loose monetary policy in US
- A resolution to the trade conflict between US and China would provide a welcome boost to the market
- IMO 2020 sulphur preparations should lead to increased supply disruptions in 2H, which could compound dry bulk market strength that typically builds in 3Q and 4Q
- Clarksons estimates minor bulk demand growth of 4.3% in 2019 vs Handysize/Supramax net fleet growth of 1.9% for 2019 and 1.6% for 2020

Despite short term volatility and in view of the combination of continued healthy growth in minor bulk demand and reducing Handysize and Supramax fleet growth, we continue to believe that the longer term fundamentals for our vessel segments are positive



# Financial Review





## Significant Improvement in 2018 Financial Results

As at 31 December 2018

US\$m	2018	2017	
Revenue	1,591.6	1,488.0	
Voyage expenses	(710.5)	(701.5)	
Time-charter equivalent ("TCE") earnings	881.1	786.5	
Owned vessel costs	(296.6)	(279.2)	
Charter costs*	(451.4)	(451.0)	
Operating performance before overheads	133.1	56.3	
Total G&A overheads	(59.8)	(54.4)	
Taxation & others	(1.3)	0.3	
Underlying profit <b>KPI</b>	72.0	2.2	
Derivatives M2M and one-off items	0.3	1.4	
<b>Profit attributable to shareholders</b>	<b>72.3</b>	<b>3.6</b>	
<b>EBITDA</b>	<b>215.8</b>	<b>133.8</b>	

Owned vessel costs	2018	2017
Opex	(149.7)	(139.3)
Depreciation	(114.5)	(107.6)
Finance	(32.4)	(32.3)

Derivatives M2M and one-off items	2018	2017
Derivative M2M	(11.7)	5.4
Write-back of onerous contract provisions	12.7	-
Others	(0.7)	(4.0)

- The Board proposes a final dividend of HK3.7¢/share
- With HK2.5¢/share interim dividend, total payout represents 50% of net profits



## Improvement in Handysize and Supramax Segments

As at 31 December 2018

		2018	2017	Change
Handysize contribution	(US\$m)	85.5	31.4	+172%
Revenue days	(days)	50,120	53,360	-6%
TCE earnings	(US\$/day)	10,060	8,320	+21%
Owned + chartered costs	(US\$/day)	8,260	7,660	-8%
Supramax contribution	(US\$m)	42.1	19.8	+113%
Revenue days	(days)	29,980	34,510	-13%
TCE earnings	(US\$/day)	12,190	9,610	+27%
Owned + chartered costs	(US\$/day)	10,740	9,000	-19%
Post-Panamax contribution	(US\$m)	5.5	5.5	-
G&A overheads and tax	(US\$m)	(61.1)	(54.5)	-12%
Underlying profit	(US\$m)	72.0	2.2	>+1,000%

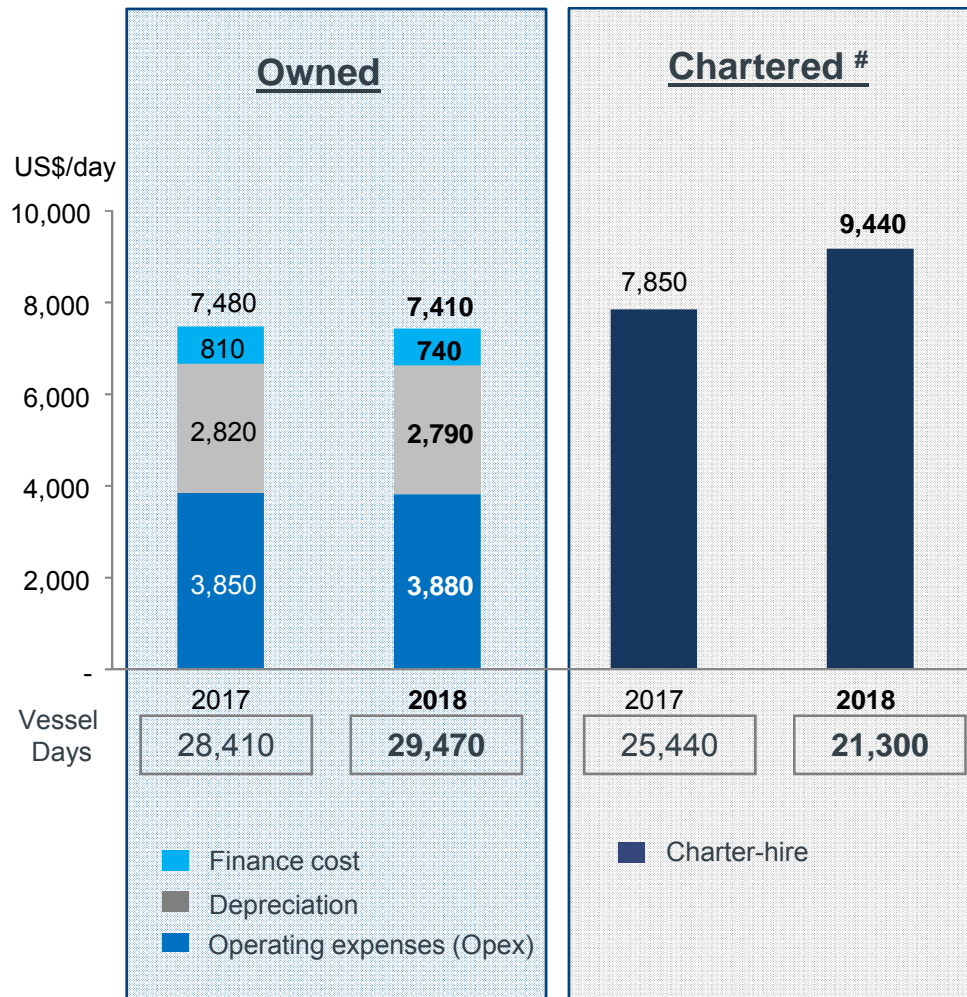
+/- Note: Positive changes represent an improving result and negative changes represent a worsening result



# Handysize – Good Control of Owned Vessel Costs

As at 31 December 2018

2018 Daily Vessel Costs - Handysize



**US\$8,260/day**  
Blended Daily P/L Costs before G&A Overheads  
(2017: US\$7,660)

**2018 Charter Costs #**

	Vessel days	Average daily P/L rate (US\$)
<i>Fixed in nature</i>		
Long-term (>1 year)	7,450	8,600
<i>Variable in nature</i>		
Short-term	13,250	9,960
Index-linked	600	8,380
<b>Total</b>	<b>21,300</b>	<b>9,440</b>

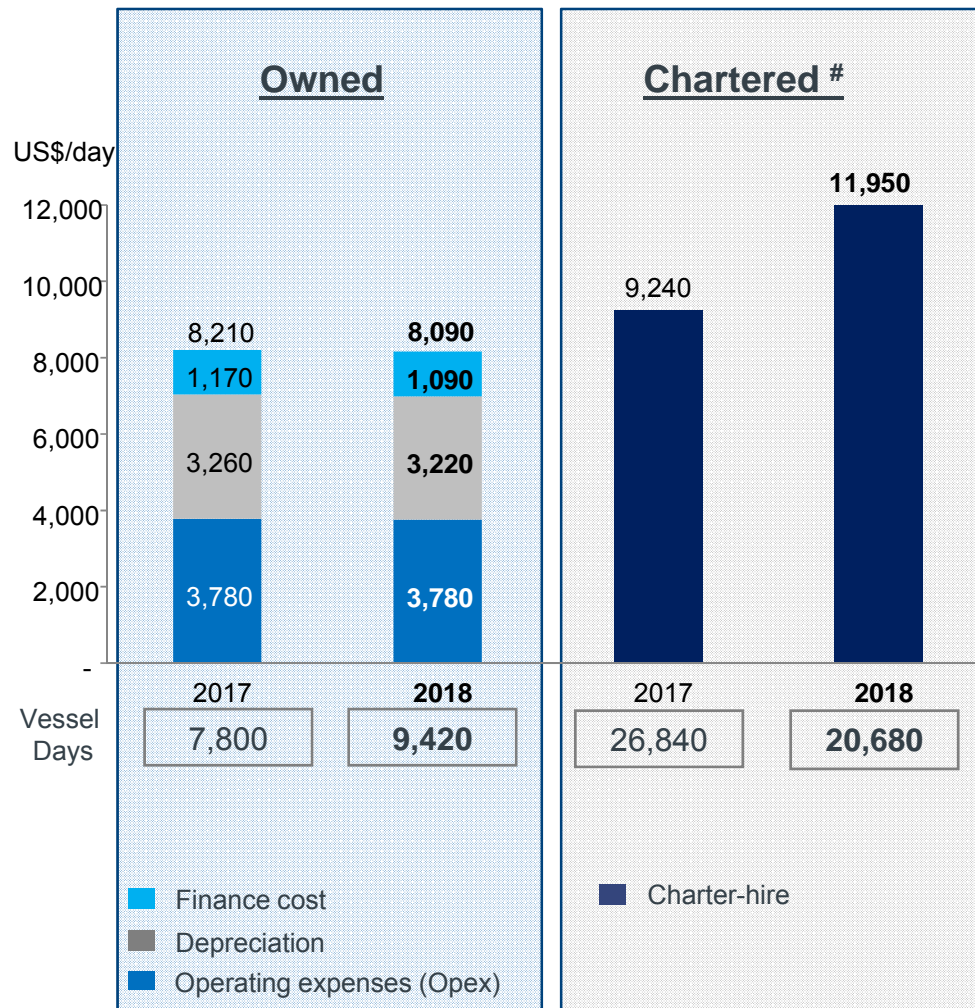
# Chartered rates are shown on a P&L basis (net of the release of onerous contract provisions)



# Supramax – More Owned Ships with Lower Daily Cost

As at 31 December 2018

2018 Daily Vessel Costs - Supramax



**US\$10,740/day**  
Blended Daily P/L Costs before G&A Overheads  
(2017: US\$9,000)

**2018 Charter Costs #**

	Vessel days	Average daily P/L rate (US\$)
<i>Fixed in nature</i>		
Long-term (>1 year)	2,820	11,530
<i>Variable in nature</i>		
Short-term	16,770	12,100
Index-linked	1,090	10,790
<b>Total</b>	<b>20,680</b>	<b>11,950</b>

# Chartered rates are shown on a P&L basis (net of the release of onerous contract provisions)



## Significant Operational Leverage

		Handysize		Supramax		Sensitivity <sup>2</sup>		
		2018 avg. TCE (US\$/d)	Vessel Days Costs incl. G&A <sup>1</sup> (US\$/d)	2018 avg. TCE (US\$/d)	Vessel Days Costs incl. G&A <sup>1</sup> (US\$/d)			
Largely Fixed Cost	Owned	10,060	29,470	8,360	9,420	9,040	<p>+/- US\$1,000 daily TCE</p> <p><b>US\$35-40m</b></p>	
	LT Chartered		7,450	9,140	2,820	12,070		
Largely Variable Cost	ST Chartered		13,250	10,500	16,770	12,640		<p>Margin business, less sensitive to rates movement</p>
	Index		600	8,920	1,090	11,330		

	Handysize	Supramax
Opex	3,880	3,780
Depreciation	2,790	3,220
Fin Costs	740	1,090
	7,410	8,090
G&A	950	950
<b>Total</b>	<b>8,360</b>	<b>9,040</b>

Includes US\$16.1m reversal of onerous contract provisions in 2018 → Not available in 2019

Adjusted for ca. 20-25% typical long-term forward cargo cover at any point in time

<sup>1</sup> Comprising G&A US\$950/day for owned ships and US\$540/day for chartered-in ships

<sup>2</sup> Based on current fleet and commitments, and all other things equal

As at 31 December 2018

## Strong Balance Sheet and Liquidity

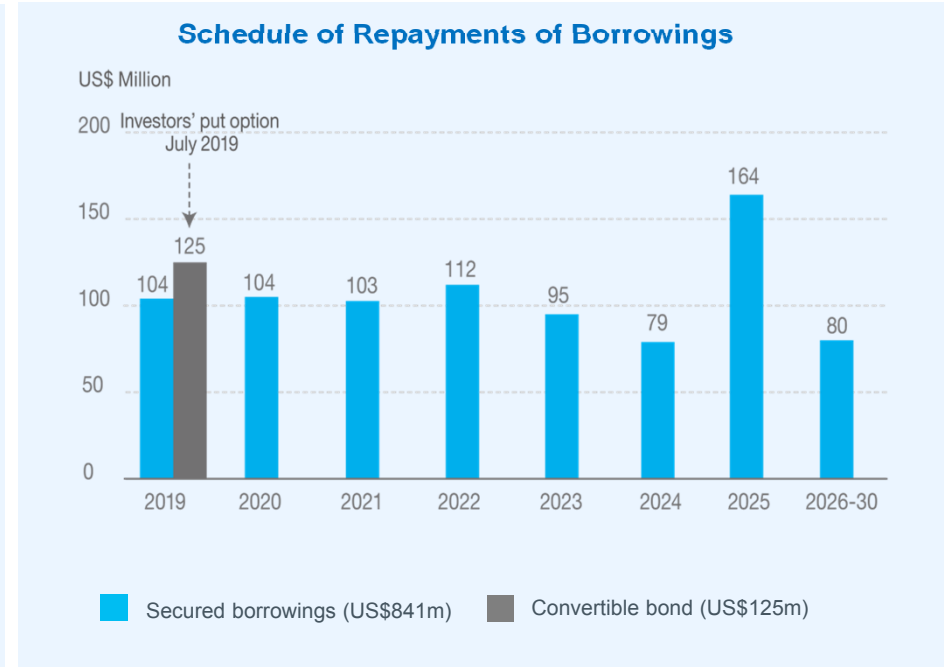
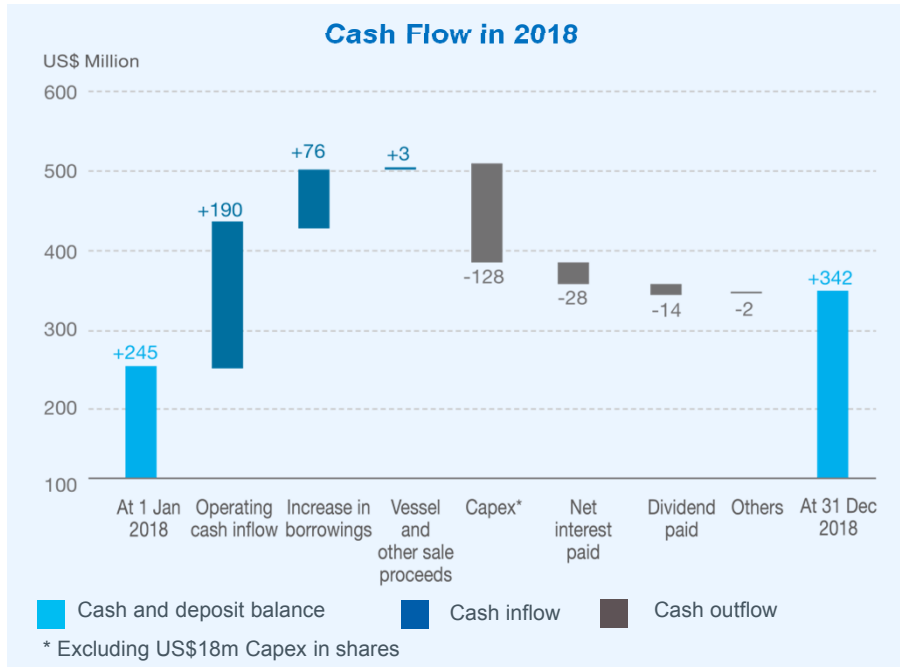
As at 31 December 2018

US\$m	2018	2017
Vessels & other fixed assets	1,808	1,798
Total assets	2,366	2,232
Total borrowings	961	881
Total liabilities	1,135	1,070
Total Equity	1,231	1,161
Net borrowings (total cash US\$342m)	619	636
Net borrowings to net book value of owned vessels <span style="float: right;">KPI</span>	34%	35%

- Vessel average net book value: 82 Handysize (10 years): \$14.6m/ship  
27 Supramax (6 years): \$21.3m/ship

# Extended Repayment Profile and Reduced Cost of Funding

As at 31 December 2018



**US\$342m**  
Cash & Deposits

**8 vessels**  
Unmortgaged  
(approx. US\$147m market value)

**3.9%** KPI  
Average Cash  
Interest Rate





**Strategy and Position**



Pacific Basin

## Our Business Model Continues to Outperform

Our business model has been refined over many years. We are able to generate a TCE earnings premium over market rates because of our high laden percentage (minimum ballast legs), which is made possible by a combination of:

- Fleet scale
- High-quality interchangeable ships
- Experienced staff
- Global office network
- Cargo contracts, relationships and direct interaction with end users
- High proportion of owned vessels facilitating greater control and minimising trading constraints
- Versatile ships and diverse trades in minor bulk



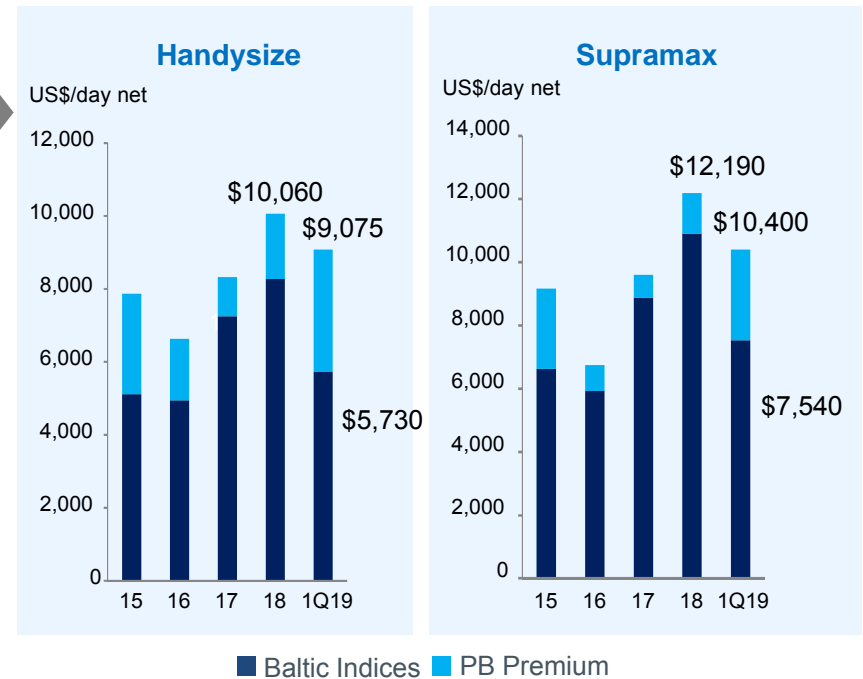
### TCE Outperformance Compared to Market in Last 5 Years

**US\$1,910**

Daily Handysize Premium

**US\$1,430**

Daily Supramax Premium



## Competitive at Every Level

1	<b>TCE/day</b>	<ul style="list-style-type: none"> <li>Outperforming indexes and most companies who report publicly</li> <li>Cargo focused business model with 90% plus laden percentage</li> </ul>	
2	<b>Opex/day</b>	<ul style="list-style-type: none"> <li>US\$3,850*/day in 2018</li> <li>Scale, focus and sister ship effects</li> <li>In-house management</li> </ul>	
3	<b>G&amp;A/day</b>	<ul style="list-style-type: none"> <li>Scale benefits and efficient systems</li> <li>US\$740/day spread over both owned and chartered ships in 2018</li> </ul>	
4	<b>Capital Cost/day</b>	<ul style="list-style-type: none"> <li>Focused on good quality, predominantly Japanese-built secondhand ships</li> <li>Fleet financed through long-term secured facilities at industry leading cost</li> </ul>	

\* US\$3,850\*/day is 2018 blended daily opex cost of Handysize and Supramax



## Our Strategic Direction and Priorities

- **Maintain and grow our cargo focus and scale**
- **Continue to be both a fully integrated owner and operator**
  - Not only owned ships, not only asset light
- **Maintain empowered local chartering and operations close to customers**
  - With best in class centralised support & systems
- **Keep building our brand**
  - Long term thinking, safety, care and quality in everything we do
- **Continue to grow our owned fleet with quality second hand acquisitions**
- **Opportunistically trading up smaller older ships to larger younger ships**
- **Avoid buying newbuildings**
  - due to high price, low return, and new regulations will change technology
- **Continue to reduce long term charters**
  - Replace with owned ships, and medium and short term chartered in ships
- **Thorough preparations for IMO 2020**
  - Fuel contracts, cleaning of tanks, installation and testing of scrubbers, new clauses
- **Keep our balance sheet strong**



# Well Positioned for the Future

## Our TCE Outperform Market

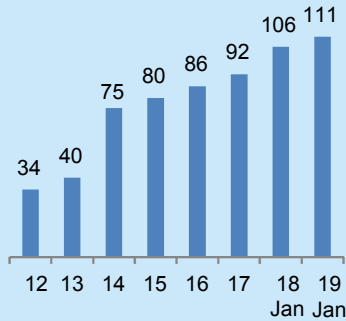
Average PB premium over market indices in last 5 years<sup>1</sup>:

**US\$1,910/day**  
Handysize TCE

**US\$1,430/day**  
Supramax TCE



## More Owned Vessels with Fixed Costs



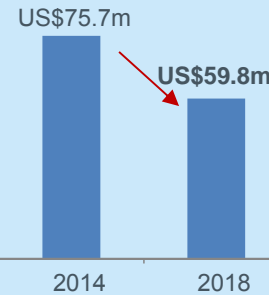
Owned Vessel Breakeven  
Incl. G&A overheads

**US\$8,360/day**  
Handysize<sup>2</sup>

**US\$9,040/day**  
Supramax<sup>3</sup>

## Efficient Cost Structure

Annual Group  
G&A Overheads



Daily Vessel  
Operating Expenses  
(Combined Handysize and Supramax)



## Sensitivity toward Market Rates\*

Market Rate  
+/-  
**US\$1,000**  
daily TCE



**Our Underlying Result**

+/-  
**US\$**  
**35-40m**

US\$16.1m reversal of onerous contract provisions in 2018  
→ Not available in 2019

<sup>1</sup> PB Premium as at 8 April 2019

<sup>2</sup> 2018 PB owned Handysize \$7,410/day + G&A overheads \$950/day ≈ US\$8,360/day

<sup>3</sup> 2018 PB owned Supramax \$8,090/day + G&A overheads \$950/day ≈ US\$9,040/day

\* Based on current fleet and commitments, and all other things equal



*This presentation contains certain forward looking statements with respect to the financial condition, results of operations and business of Pacific Basin and certain plans and objectives of the management of Pacific Basin.*

*Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of Pacific Basin to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Pacific Basin's present and future business strategies and the political and economic environment in which Pacific Basin will operate in the future.*

### Our Communication Channels:

- **Financial Reporting**
  - Annual (PDF & Online) & Interim Reports
  - Quarterly trading updates
  - Press releases on business activities
- **Shareholder Meetings and Hotlines**
  - Analysts Day & IR Perception Study
  - Sell-side conferences
  - Investor/analyst calls and enquiries
- **Company Website - [www.pacificbasin.com](http://www.pacificbasin.com)**
  - Corporate Information
  - CG, Risk Management and CSR
  - Fleet Profile and Download
  - Investor Relations:
    - financial reports, news & announcements, excel download, awards, media interviews, stock quotes, dividend history, corporate calendar and glossary
- **Social Media Communications**
  - Follow us on Facebook, Twitter, LinkedIn, YouTube and WeChat!

#### Contact IR – Emily Lau

E-mail: [elau@pacificbasin.com](mailto:elau@pacificbasin.com)  
[ir@pacificbasin.com](mailto:ir@pacificbasin.com)

Tel : +852 2233 7000





# Appendix: Business Foundation

## Our People



Close to you



12 local dry bulk offices



24/7 support

## Our Record



Trusted and transparent



Strong public balance sheet and track record



Award winning CSR policy and environmental focus

## Our Fleet



Managed In-house and Highly Versatile



Modern quality ships with the best-in-class design

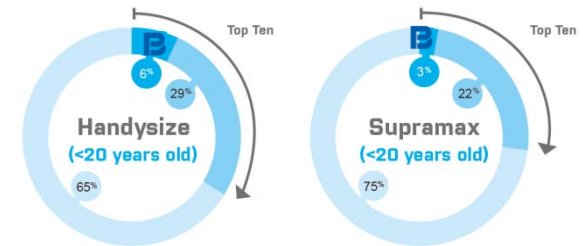


Low breakeven cost and fuel efficient

## Our Worldwide Network and Trading Areas



## Our Market Shares



We operate approx. 6% of global 25-42,000 dwt Handysize ships of less than 20 years old; and approx 3% of global 42-65,000 dwt Supramax of less than 20 years old



## Appendix: Strategic Model

### MARKET-LEADING CUSTOMER FOCUS & SERVICE

Priority to build and sustain long-term customer relationships

Solution-driven approach ensures accessibility, responsiveness and flexibility towards customers

Close partnership with customers generates enhanced access to spot cargoes and long-term cargo contract opportunities of mutual benefit

### LARGE FLEET & MODERN VERSATILE SHIPS

Fleet scale and interchangeable high-quality ships facilitate service flexibility for customers, optimised scheduling and maximised vessel and fleet utilisation

In-house technical operations facilitate enhanced health & safety, quality and cost control, and enhanced service reliability and seamless integrated service and support for customers



### COMPREHENSIVE GLOBAL OFFICE NETWORK

Integrated international service enhanced by experienced commercial and technical staff around the world

Being local facilitates clear understanding of and response to customers' needs and first-rate personalised service

Being global facilitates comprehensive market intelligence and cargo opportunities, and optimal trading and positioning of our fleet

### STRONG CORPORATE & FINANCIAL PROFILE

Striving for best-in-class internal and external reporting, transparency and corporate stewardship

Strong cash position and track record set us apart as a preferred counterparty

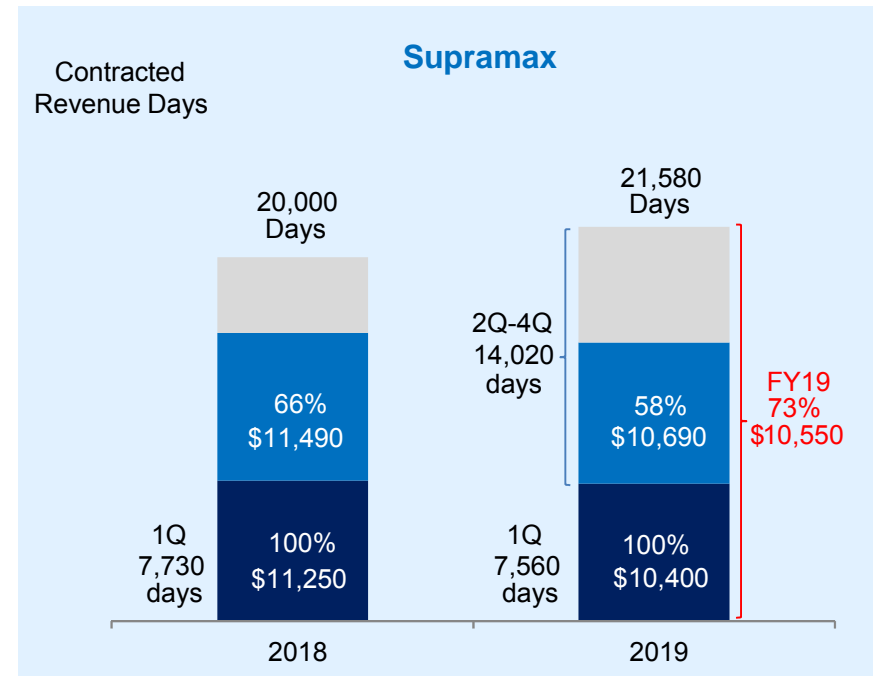
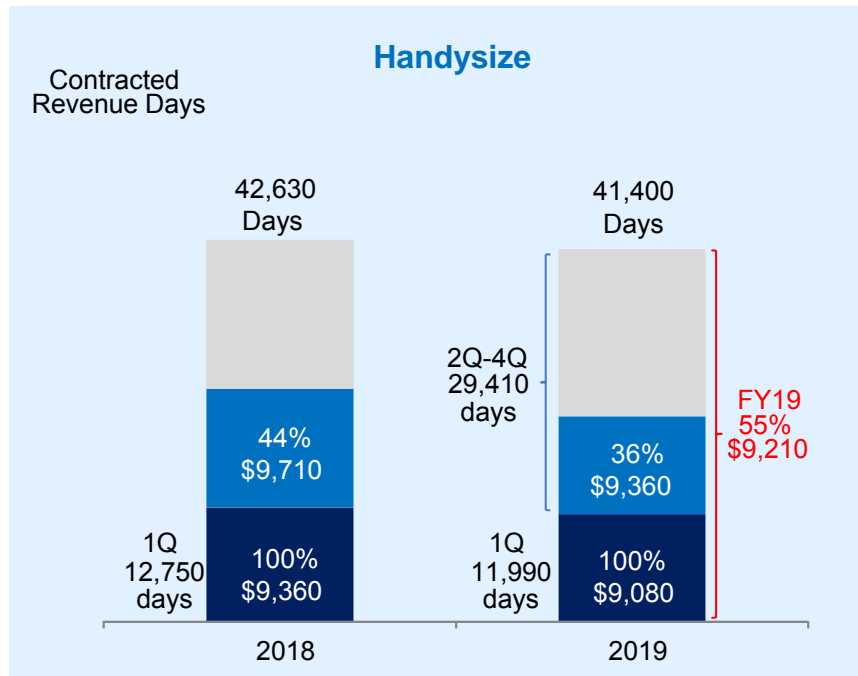
Hong Kong listing, scale and balance sheet facilitate good access to capital

Responsible observance of stakeholder interests and our commitment to good corporate governance and CSR





# Appendix: 2019 Future Cover



■ 1Q Completed    ■ 2Q-4Q Covered    ■ 2Q-4Q Uncovered

\* Note that our 2019 forward cargo contract cover is back-haul heavy  
 Currency in US\$  
 Cover as at 9 April 2019, 2018 data as announced in April 2018

## Appendix: Inward Charter-in Commitments

As at 31 December 2018

Year	Handysize						Supramax					
	Long-term (> 1 year)		Short-term		Total		Long-term (> 1 year)		Short-term		Total	
	Vessel days	Average rate	Vessel days	Average rate	Vessel days	Average rate	Vessel days	Average rate	Vessel days	Average rate	Vessel days	Average rate
1H 2019	3,590	10,260	910	10,240	4,500	10,250	1,090	13,170	2,960	12,010	4,050	12,320
2H 2019	3,350	10,160	60	11,260	3,410	10,180	1,080	13,210	210	11,410	1,290	12,920
2019	6,940	10,210	970	10,310	7,910	10,220	2,170	13,190	3,170	11,970	5,340	12,460
2020	4,020	10,420	–	–	4,020	10,420	1,560	13,030	–	–	1,560	13,030
2021	3,130	10,150	–	–	3,130	10,150	590	12,240	–	–	590	12,240
2022	2,490	9,920	–	–	2,490	9,920	130	12,500	–	–	130	12,500
2023	1,470	10,620	–	–	1,470	10,620	–	–	–	–	–	–
2024+	1,020	11,310	–	–	1,020	11,310	–	–	–	–	–	–
<b>Total</b>	<b>19,070</b>		<b>970</b>		<b>20,040</b>		<b>4,450</b>		<b>3,170</b>		<b>7,620</b>	

**Note:**

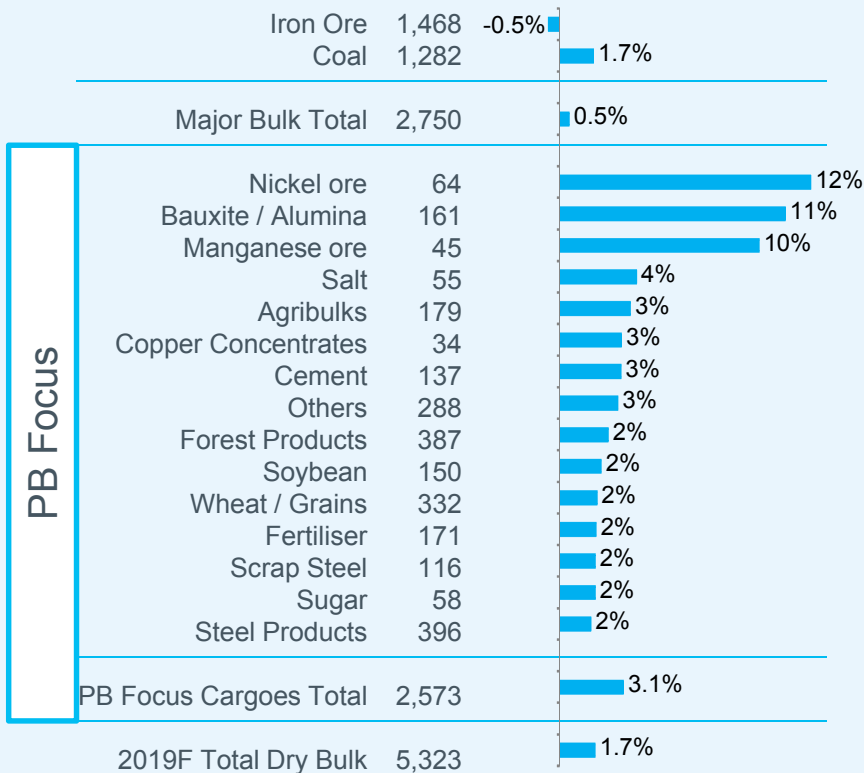
Following the adoption of new accounting standard HKFRS16 Leases on 1 Jan 2019, charter-in operating leases of longer than 12 months will be accounted for on balance sheet as right-of-use assets and lease liabilities.



# Appendix: Dry Bulk Demand in 2019 and 2020 Forecast

## 2019F Dry Bulk Trade Volumes

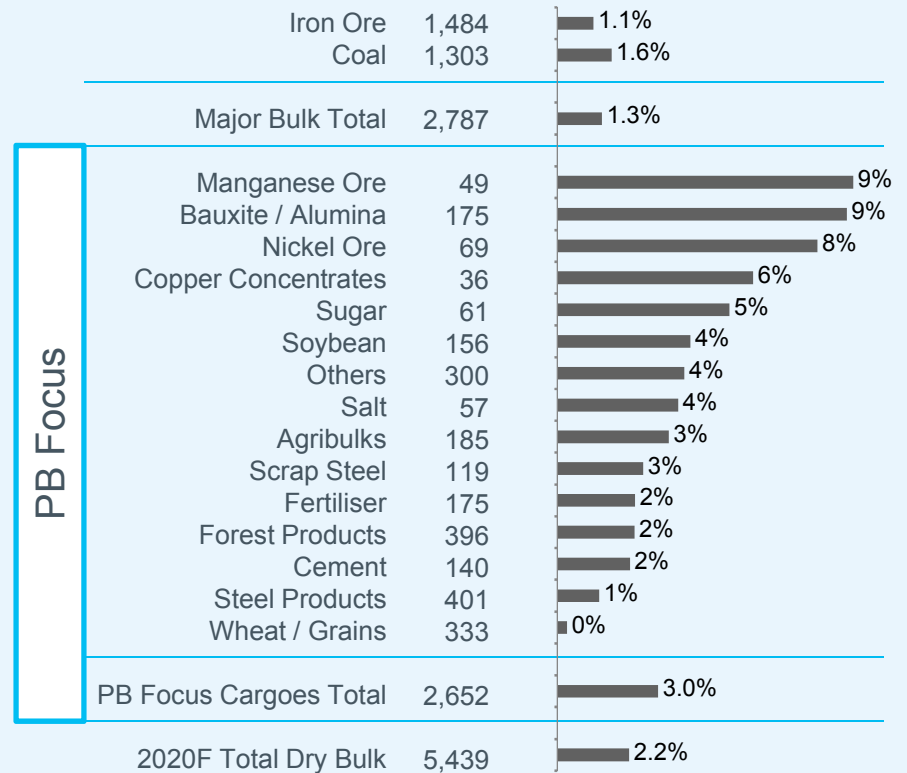
Million Tonnes YOY



(tonne-mile effect = 1.7%)

## 2020F Dry Bulk Trade Volumes

Million Tonnes YOY



(tonne-mile effect = 2.9%)



# Appendix: Vessel Speed Optimisation Example

- Higher fuel oil prices allow freight rates to increase without increasing speed and hence supply

**Optimal MCR / Speed Matrix on Typical Handysize Ship  
(Japanese-built 32,000 dwt, all weather)**

		TCE US\$/day																	
US\$		1,000	2,000	3,000	4,000	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000	13,000	14,000	15,000	16,000	17,000	18,000
Bunker Cost / mt	100		50%																
	150		34%	50%	69%														
	200			38%	50%	65%													
	250			31%	40%	50%	62%	69%											
	300				34%	42%	50%	60%	69%	69%									
	350				36%	43%	50%	58%	58%	67%	69%								
	400				32%	38%	44%	50%	50%	57%	65%	69%							
	450					34%	39%	44%	44%	50%	56%	62%	68%	69%					
	500					31%	35%	40%	40%	45%	50%	56%	62%	68%	69%				
	550						32%	36%	36%	41%	45%	50%	55%	61%	66%	69%			
600						30%	34%	34%	38%	42%	46%	50%	55%	60%	65%	69%	69%		

Minimum Practical  
about 30% MCR  
(around 9.2 knots)

Full Practical Speed about 85% MCR  
(around 13.2 knots)

- 30% MCR = 9.2knots
- 50% MCR = 11knots
- 70% MCR = 12knots
- 85% MCR = 13.2knots

## Appendix: Dry Bulk Outlook in the Medium Term

### Possible Market Drivers in the Medium Term

#### Opportunities

- Continued strong industrial growth and infrastructure investment in emerging markets and China, boosted by economic stimulus, enhancing demand for dry bulk shipping
- Easing of US-China trade tariffs and restrictions resulting in improved sentiment and dry bulk trade activity
- Environmental policy in China encouraging shift from domestic to imported supply of resources
- Limited newbuilding ordering and deliveries supporting tighter supply in the medium term
- Environmental maritime regulations encouraging increased ship scrapping from current minimal levels and discouraging new ship ordering
- Supply contraction due to slower operating speed of ships burning more expensive low-sulphur fuel and time out of service for ships installing scrubbers to meet the IMO 2020 sulphur cap
- Expanding thermal coal imports into emerging south and south-east Asian countries


#### Threats

- Slowing global economic growth affecting the trade in dry bulk commodities
- Reduction in Chinese industrial growth and investments impacting demand for dry bulk shipping
- Environmental policy in China encouraging greater shift to renewable energy, possibly impacting coal imports
- Escalating trade disputes impacting global GDP growth, weakening sentiment and undermining dry bulk demand
- Excessive new ship ordering if the price gap between newbuilding and secondhand ships closes
- Periods of low fuel prices supporting faster ship operating speeds which increases supply
- Iron ore infrastructure disruptions in Brazil impacting global iron ore tonne-mile trade flows



- **Applying sustainable thinking in our decisions and the way we run our business**
- **Creating long-term value through good corporate governance and CSR**



2018 CSR Report   
[www.pacificbasin.com/ar2018](http://www.pacificbasin.com/ar2018)

### Corporate Social Responsibility (CSR)

- Guided by strategic objectives on (i) workplace practices (primarily safety), (ii) the environment, and (iii) our communities (where our ships trade and our people live and work)
- Active approach to CSR, with KPIs to measure effectiveness
- Reporting follows SEHK's ESG Reporting Guide
- Disclosure also through CDP, HKQAA, CFR for HK-listed companies

### Corporate Governance & Risk Management

- Adopted recommended best practices under SEHK's CG Code (with quarterly trading update)
- Closely integrated Group strategy and risk management
- Transparency priority
- Stakeholder engagement includes in-depth customer and investor surveys
- Risk management committee interaction with management and business units
- Integrated Reporting following International <IR> Framework of IIRC



# Appendix: Convertible Bonds Due 2021

Issue size	US\$125 million
Maturity Date	3 July 2021 (approx. 6 years)
Investor Put Date and Price	3 July 2019 (approx. 4 years) at par
Coupon	3.25% p.a. payable semi-annually in arrears on 3 January and 3 July
Redemption Price	100%
Initial Conversion Price	HK\$4.08 (current conversion price: HK\$2.96 with effect from 23 Apr 2019)
Intended Use of Proceeds	To maintain the Group's balance sheet strength and liquidity and to continue to proactively manage its upcoming liabilities, including its Existing Convertible Bonds, as well as for general working capital purposes

### Conversion/redemption Timeline

