



# Pacific Basin



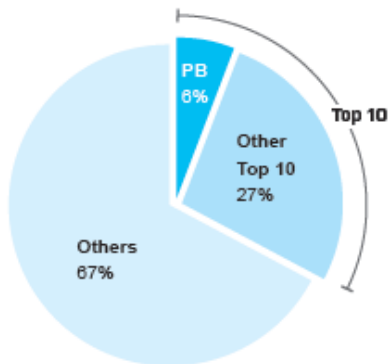


# Pacific Basin Overview

- A leading dry bulk owner/operator of Handysize & Supramax dry bulk ships
- Cargo system business model – outperforming market rates
- About 250 dry bulk ships on the water serving major industrial customers around the world
- Hong Kong headquarters, 12 offices worldwide, 330 shore-based staff, 3,000 seafarers\*
- Our vision: To be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders

## OUR MARKET SHARE

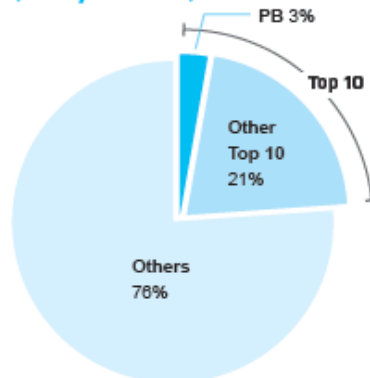
### Handysize (<20 years old)



We operate approximately 8% of global 25-40,000 dwt Handysize ships of less than 20 years old

Source: Pacific Basin, Clarksons Platou

### Supramax (<20 years old)



We operate approximately 3% of global 50-85,000 dwt Supramax ships of less than 20 years old



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

Pacific Basin business principles and our Corporate Video



# Understanding Our Core Market

## THE DRY BULK SECTOR



Bulk Carriers for dry bulk commodities

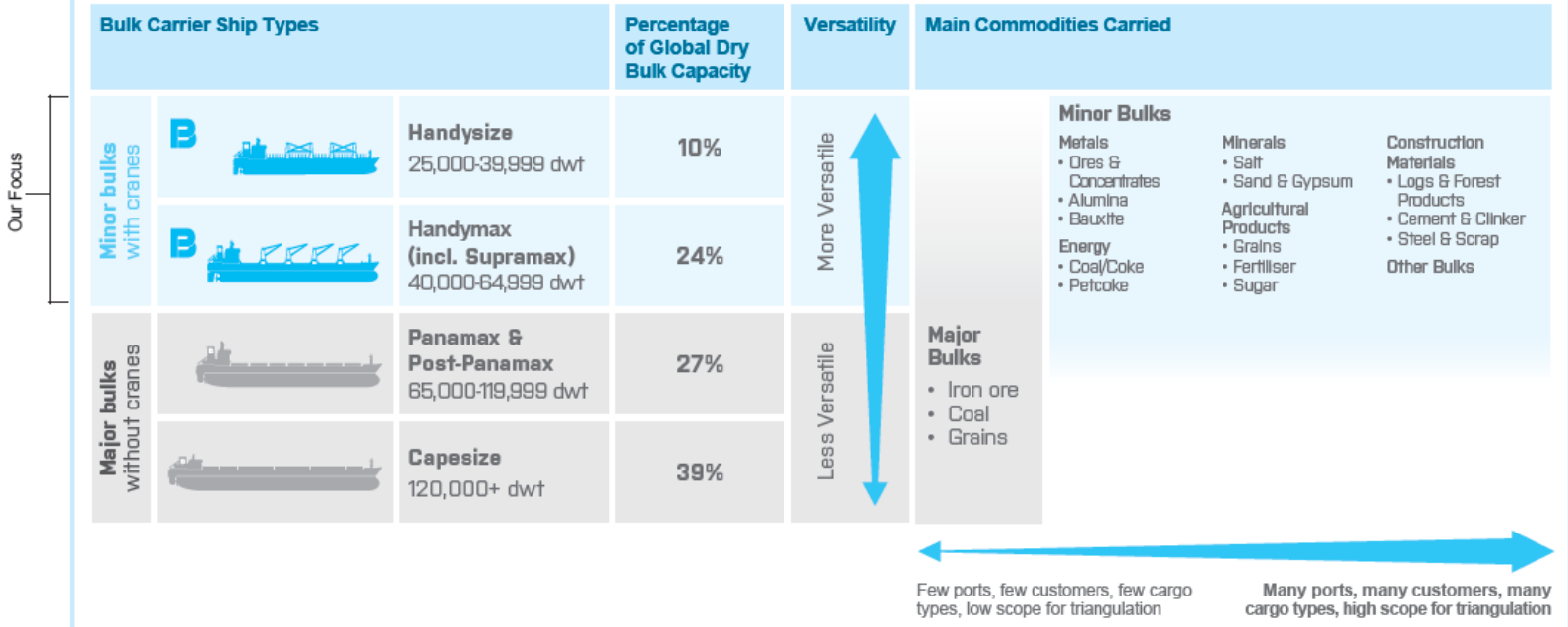
## OTHER MAINSTREAM SHIPPING SECTORS



Containerships for containerised goods

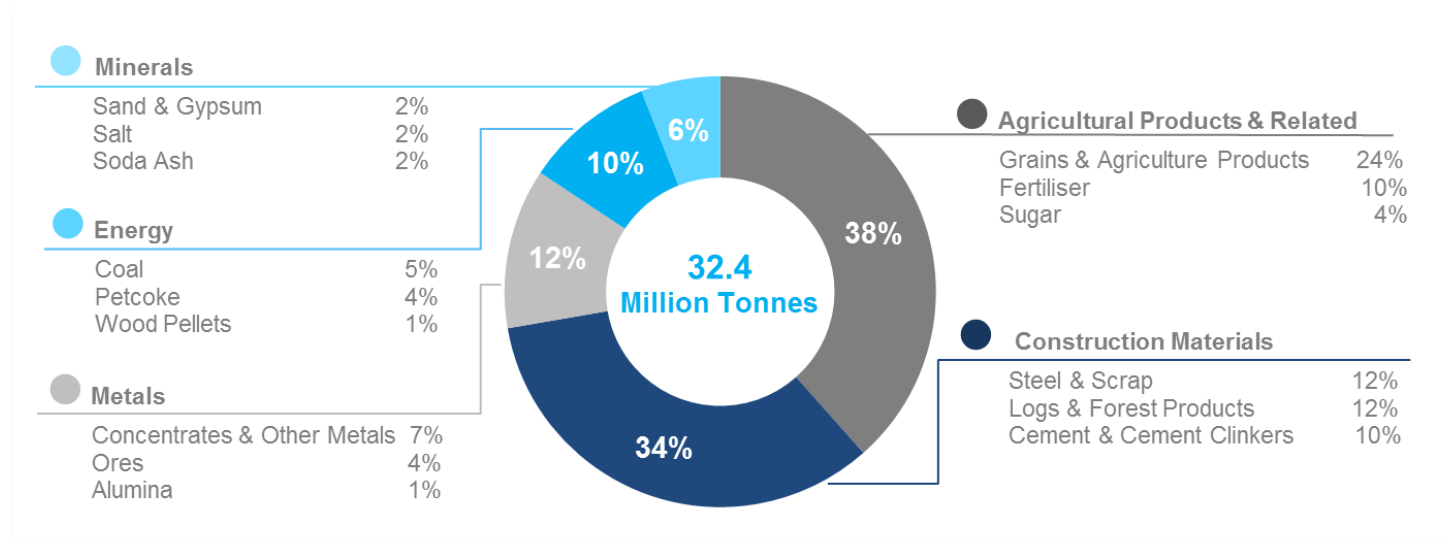


Tankers for oil, gas & chemicals



# Diversified Cargo & Customer Exposure

## Our Dry Bulk Cargo Volumes (1Jan17 – 30Jun17)



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

approx. **500**  
customers



# Large Fleet of Modern Versatile Ships

**Pacific Basin Dry Bulk Fleet: 261**

Average age of core fleet: 7.3 years old

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



	Owned	Chartered*	Total
Handysize	80	72	152
Supramax	25	82	107
Post-Panamax	1	1	2
<b>Total</b>	<b>106</b>	<b>155</b>	<b>261</b>



- Average number of vessels operated in June 2017  
Fleet list including the latest acquisition announced in early Aug

## MARKET-LEADING CUSTOMER FOCUS & SERVICE

Priority to build and sustain long-term customer relationships

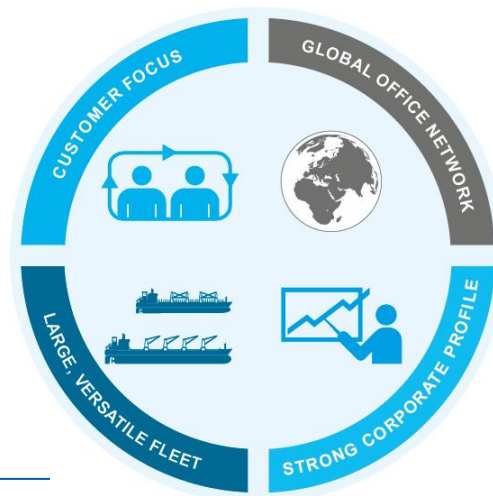
Solution-driven approach ensures accessibility, responsiveness and flexibility towards customers

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

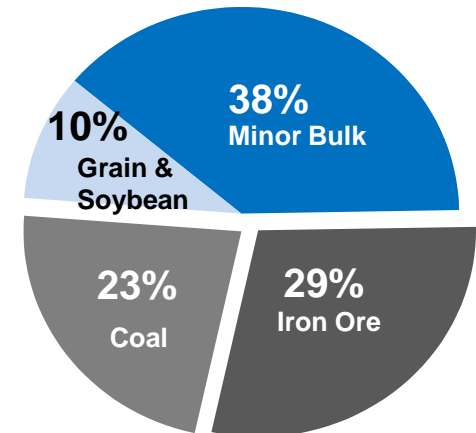
# Why Handysize? Why Minor Bulk?

- More diverse customer, cargo and geographical exposure enables high utilisation
- A segment where scale and operational expertise make a difference
- Better daily TCE earnings driven by a high laden-to-ballast ratio
- Sound long-term demand expectations and modest historical Handysize fleet growth

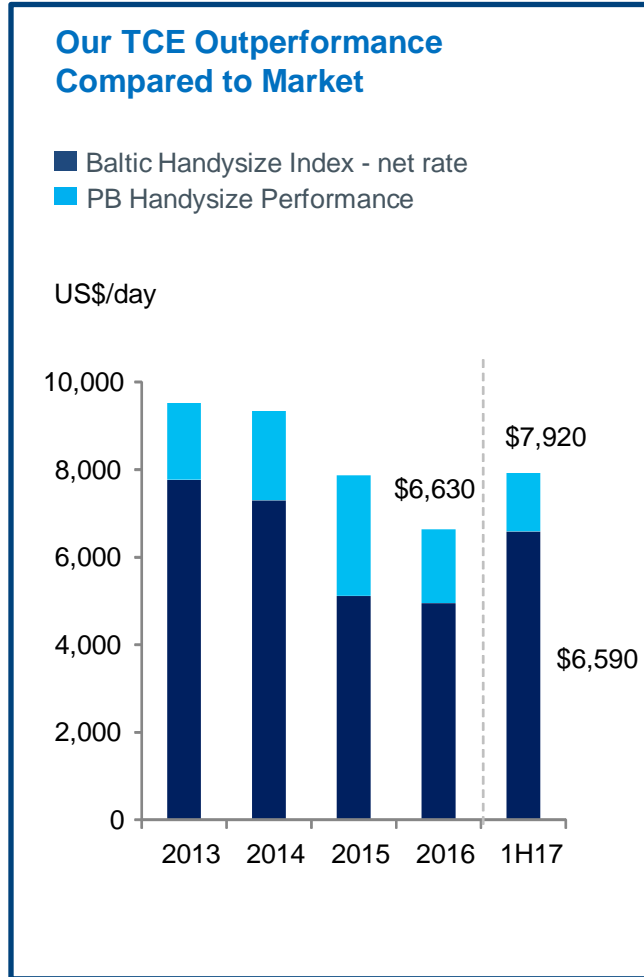
**Full Year 2017E Global Dry Bulk Trade**  
5.1 billion tonnes (+3.5% YOY)

Pacific Basin focuses on these growing markets

Minor Bulks & Grain is 48% of total Dry Bulk demand



# Our Ability 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:

- Our fleet scale
- High-quality substitutable ships
- Experienced staff
- Global office network
- Our cargo contracts, relationships & direct interaction with end users
- Our fleet has a high proportion of owned vessels facilitating greater control and minimising trading constraints
- Handysize segment's versatile ships and diverse trades

Average PB premium over market indices in last 5 years:

- Handysize TCE: **US\$2,000/day**
- Supramax TCE: **US\$1,350/day**



## 2017 Interim Results and Highlights

- 2017 Market freight rates well above historic lows one year ago and demand outpacing supply
- Much increased positive EBITDA of US\$56.6m from negative \$5m in 1H16
- Much reduced underlying loss of US\$6.7m from a loss of US\$61.6m in 1H16
- Took delivery of our final 7 newbuildings in 1H17 and our cash position was US\$248m at mid-year
- We are operating about 250 dry bulk ships overall and with 8 secondhand acquisitions during the year, our owned fleet will expand to 106 ships
- We opened a new commercial office in Rio and relocated our HK Headquarters to an improved lower cost office
- Our vessel opex and our G&A per day reduced further, lowering the breakeven levels for our owned ships

[www.pacificbasin.com](http://www.pacificbasin.com)  
2017 Interim Report



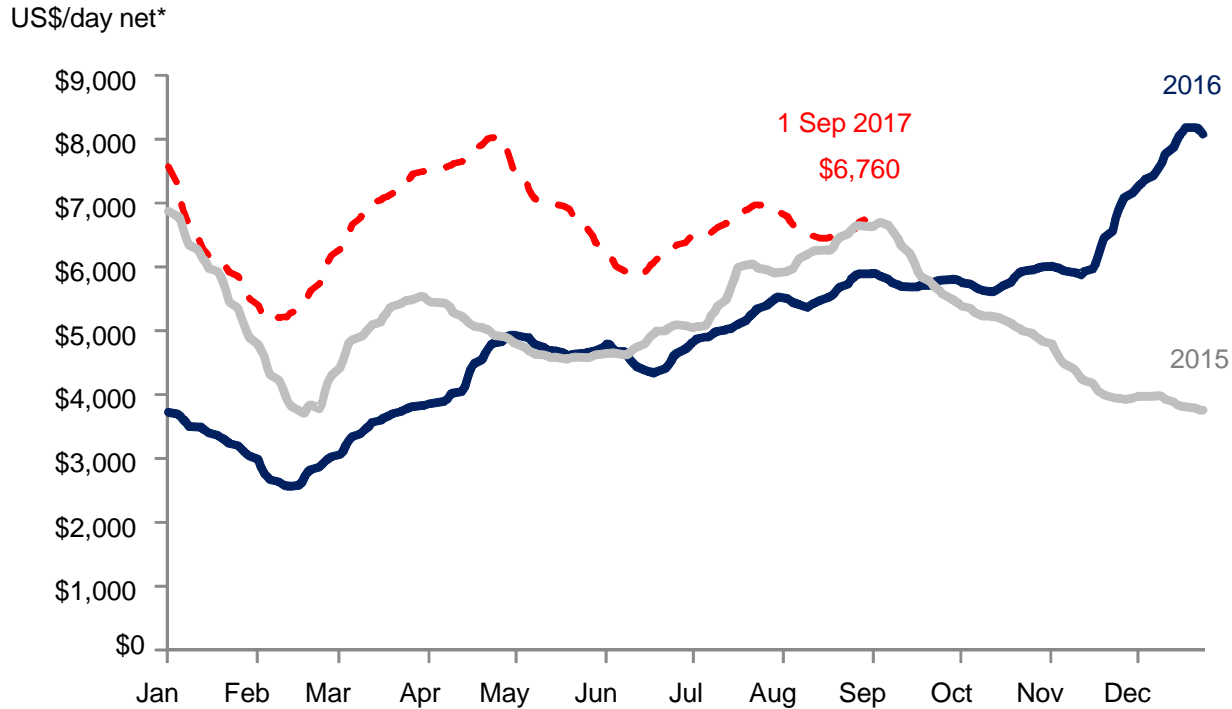
## Recent Acquisition and Placement

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- Secured 5 high quality ships for US\$105m, 4 Supramax & 1 Handysize
  - Growth and renewal of our fleet with modern, efficient and best design ships
  - US\$46m of share placed to sellers, US\$38m placed to institutional investors and US\$21m from our existing cash
- Increasing our low proportion of owned Supramax ships at a time we think is attractive
- The Handysize vessel we acquired is currently chartered by us and we are replacing charter cost with significantly lower opex and depreciation
- Enhancing operating cash flow, EBITDA and balance sheet strength
- Equity financing provide greater flexibility to Company in future
  - Dry Bulk market recovering but supply & demand factors remain uncertain
  - Not adding interest costs or repayment obligation
- Reputable Japanese sellers believing in the longer term prospects for PB and its shareholder value

# Handysize Market Rates Development YTD 2017

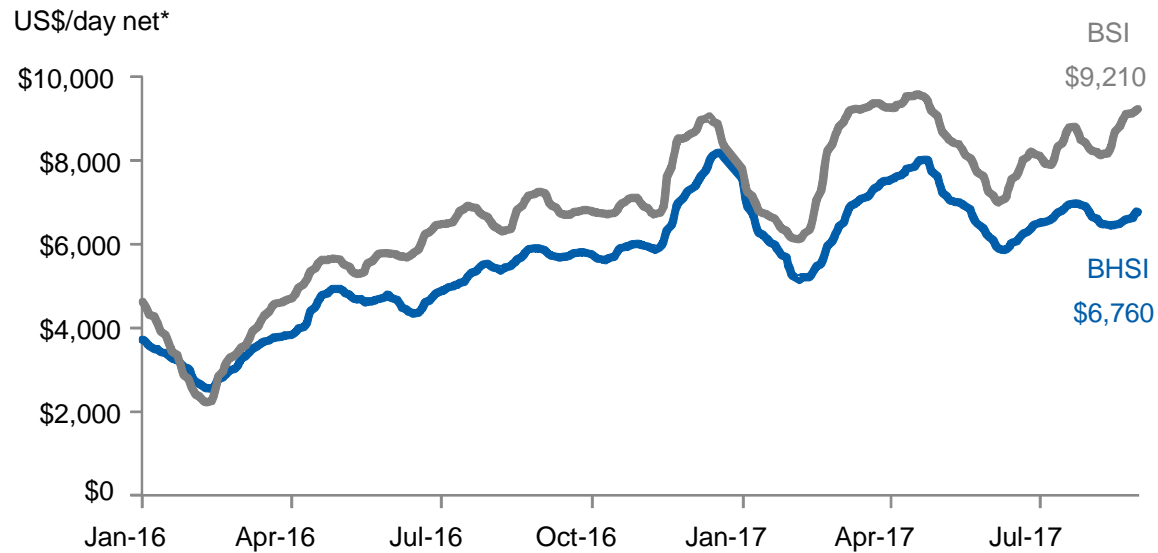
Baltic Handysize Index (BHSI)



\* excludes 5% commission  
 Source: Baltic Exchange, data as at 1 Sep 2017

# Supramax Rates Follow Same Pattern

Baltic Handysize Index (BHSI) and  
Baltic Supramax Index (BSI) #  
YTD 2017

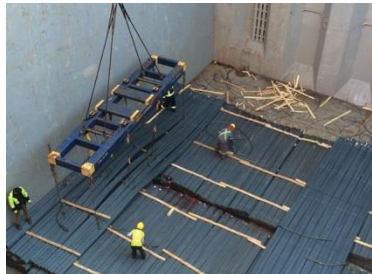


\* excludes 5% commission

# BSI is now based on a standard 58,000 dwt bulk carrier  
Source: Baltic Exchange, data as at 1 Sep 2017

## Key Demand Drivers for 1H17 Actual

- 1Q17 dry bulk effective demand 4.9% compared to +0.4% in 1Q16 and -1.7% in 1Q15
- Improved North & South American grain exports
- SE Asia coal imports increased
- Strong increase of imports into China with minor bulk outpacing iron ore & coal
- Soybean, bauxite and logs growing at healthy levels



\* excludes 5% commission  
Source: Baltic Exchange, data as at 26 Jul 2017

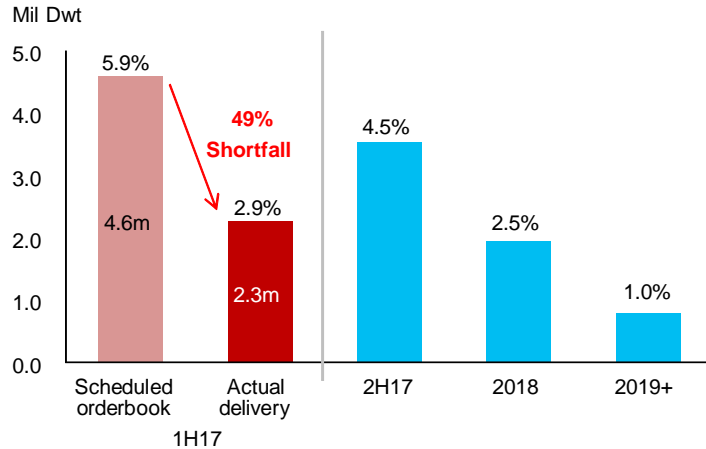


# Orderbook Continues to Shrink

## Pacific Basin

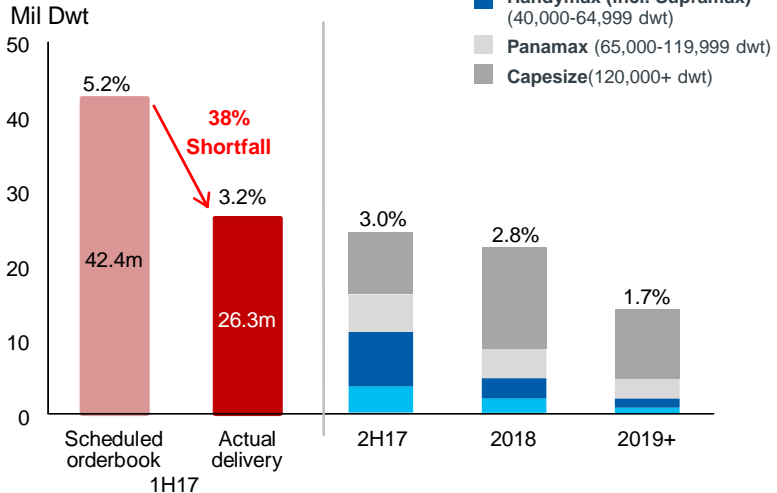
### Handysize Orderbook

170 vessels (6.3 million dwt)

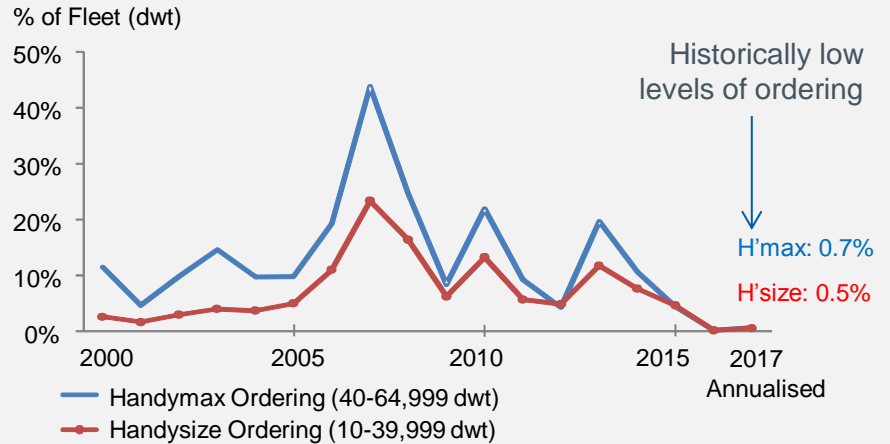


### Total Dry Bulk Orderbook

637 vessels (60.9 million dwt)



### New Vessel Ordering is Down



- Shortfall vs scheduled deliveries remains high
- Net fleet growth estimated at 3% this year
- Very low new vessel ordering in last 18 months influenced by:
  - Secondhand values still low
  - New low sulphur and Ballast Water Treatment System regulations create uncertainty of design
  - New accounting rules from 2019 discouraging new long-term time charters

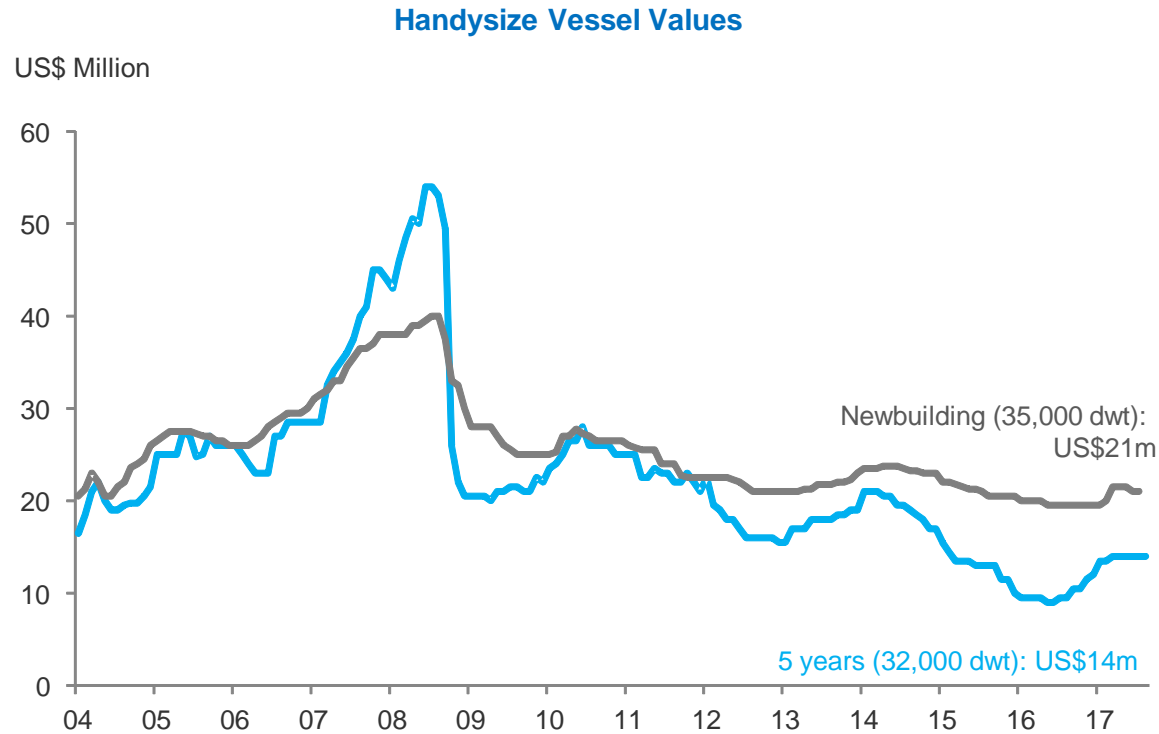
Source: Clarksons Platou, as at 1 Jul 2017

Pacific Basin

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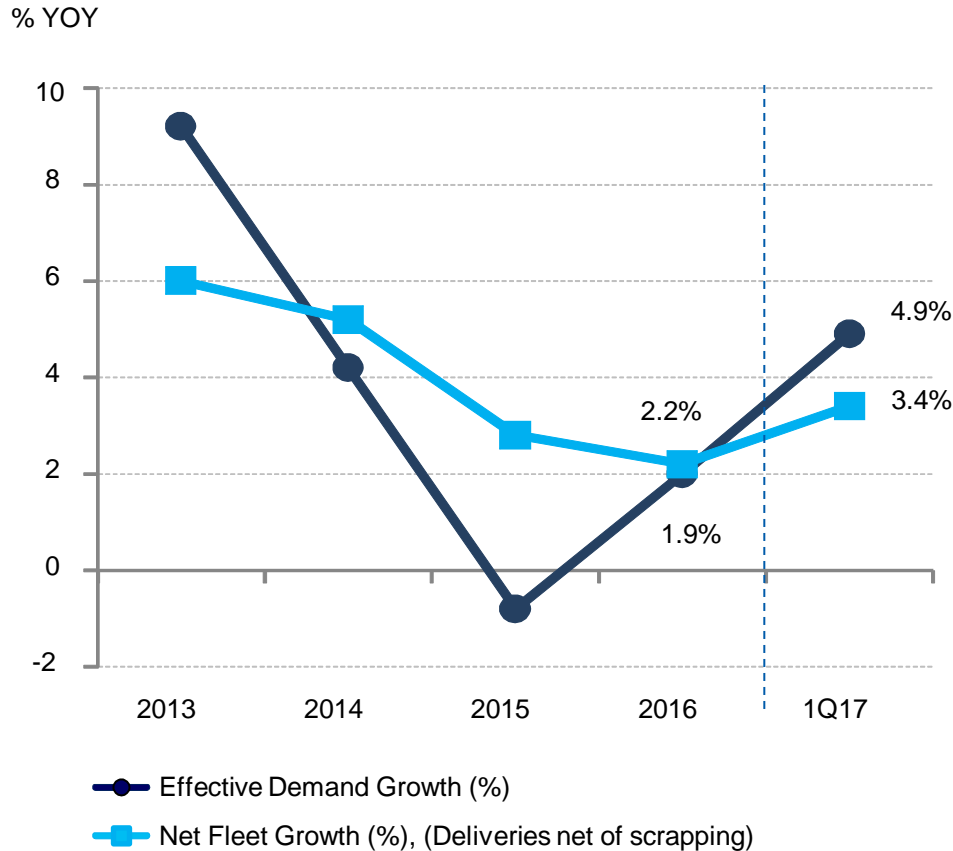
With you for the long haul

# Vessel Values Increased



- Improved freight market conditions supported increased vessel values
- Newbuilding and secondhand prices have increased but secondhand values remain below the low of 2013
- Gap between newbuilding and secondhand prices, continues to discourage new ship ordering

# Dry Bulk Supply & Demand



- Demand is recovering and outpacing supply so far in 2017
- For full year 2017:
  - Clarksons estimate effective demand growth of 3.9%
  - PB estimate net supply growth around 3% (5% deliveries – 2% scrapping)
- Progressively fewer new ships will deliver from shipyards in 2018 and 2019

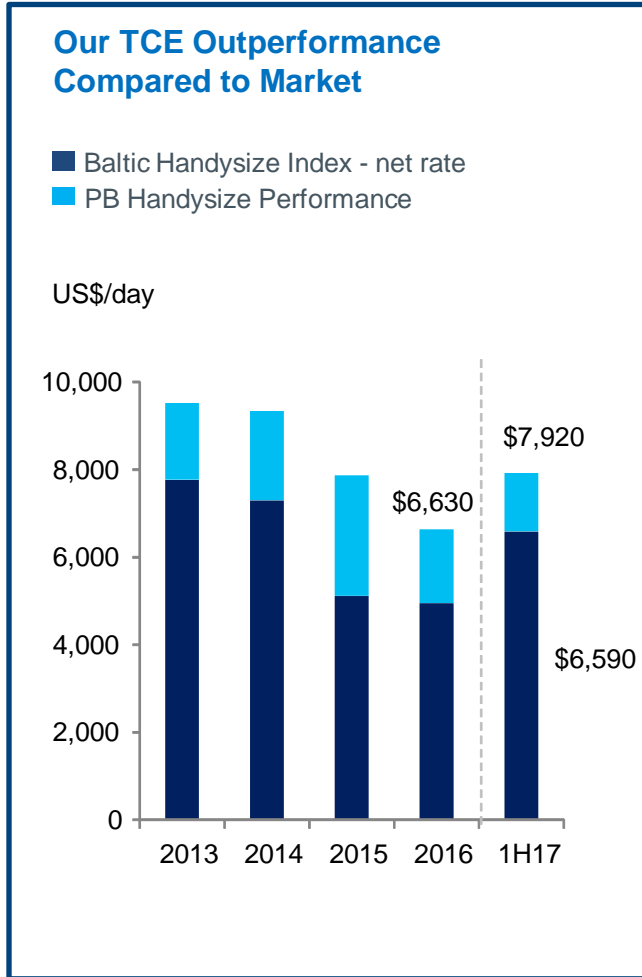


## 2H 2017 Results?

■ Our Handysize rate guidance:	US\$/day
Owned vessels 1H2017 costs/day	7,480
Overhead spread over all vessel days	590
Owned vessels break-even rate 1H2017	<u>8,070</u>
1H2017 Actual earnings	7,920
2H2017 Cover Rate (57%) *	8,360
Average market index rate so far during 3Q #	6,670
Current market index rate as of 1 Sep #	6,760

• As at Interim Results 2017  
 # net rate, excludes 5% commission  
 Source: Baltic Exchange, net rate

# Our Ability 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:

- Our fleet scale
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Average PB premium over market indices in last 5 years:

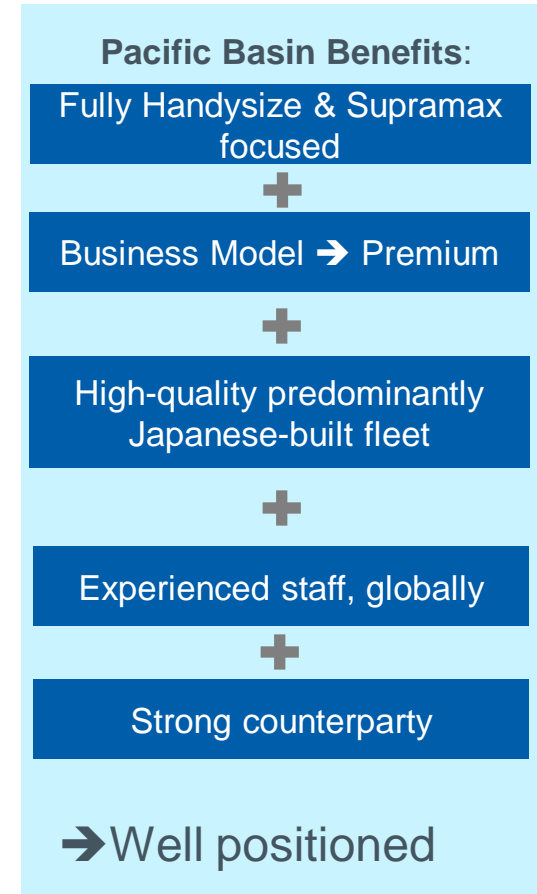
- Handysize TCE: **US\$2,000/day**
- Supramax TCE: **US\$1,350/day**

## Dry Bulk Outlook

- Market conditions have improved since last year and we believe the worst of the current Dry Bulk market cycle is behind us
- Demand has recovered and benefit from growing grain consumption for animal feed and increased government stimulus in China
- The shrinking orderbook bodes well for long-term but more time, scrapping and limited ordering are required for a more normal market balance to be sustained

## Strategy

- Continue to focus on our world-leading Handysize & Supramax business
- Maximise our fleet utilisation and TCE earnings by combining minor bulk characteristics with our large fleet of substitutable ships & global office network
- Continue to assess attractive ship acquisition opportunities to grow and renew our fleet
- Healthy cash and net gearing positions enhance our strong corporate profile: preferred, strong, reliable, safe partner for customers and other stakeholders
- We are well positioned for a recovering market





*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
- Voluntary 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

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### 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!



# Appendix: 1H17 Performance and 2H17 Cover

As at 26 July 2017

US\$/day	Handysize	Supramax
PB daily TCE rate 1H17 <sup>1</sup>	\$7,920	\$8,920
Market Index Rate	\$6,590	\$8,010
PB Outperformance	\$1,330 20%	\$910 11%
PB daily TCE cover 2H17	\$8,360	\$9,830
% of Contracted Days Covered	57%	80%

<sup>1</sup> Excluding short-term vessels days: Handysize daily TCE US\$8,010, outperform market 22%  
Supramax daily TCE US\$9,890, outperform market 24%



# Appendix: 2017 First Half Financial Highlights

US\$m

	1H17	1H16
<b>Dry Bulk</b>	(6.3)	(60.4)
<b>Towage &amp; Others</b>	(0.4)	(1.2)
<b>Underlying loss</b>	(6.7)	(61.6)
▪ Unrealised derivative (expenses)/income	(2.6)	13.7
▪ Office relocation costs	(1.4)	-
▪ Impairment of towage vessels	(0.9)	-
▪ Sales of vessels	(0.4)	(1.9)
<b>Loss attributable to shareholders</b>	(12.0)	(49.8)

- Revenue and cost of services increased by 44% and 33% respectively, mainly due to improved market conditions
- US\$(2.6)m unrealised derivative accounting loss:
  - M2M of existing and new bunker swap contracts to be completed
- US\$(0.4) disposal loss:
  - Sales of 2 tugs and 1 Supramax

## Appendix: 1H17 By Vessel Segment

<b>Handysize</b>		<b>1H17</b>	<b>1H16</b>	<b>Change</b>
Revenue days	(days)	<b>25,660</b>	23,070	+11%
TCE earnings	(US\$/day)	<b>7,920</b>	6,080	+30%
Owned + chartered costs	(US\$/day)	<b>7,550</b>	7,300	-3%
<b>Handysize contribution</b>	<b>(US\$m)</b>	<b>7.8</b>	(30.2)	>+100%
<b>Supramax</b>				
Revenue days	(days)	<b>17,330</b>	14,180	+22%
TCE earnings	(US\$/day)	<b>8,920</b>	5,910	+51%
Owned + chartered costs	(US\$/day)	<b>8,360</b>	6,370	-31%
<b>Supramax contribution</b>	<b>(US\$m)</b>	<b>9.1</b>	(6.8)	>+100%

- Both Handysize and Supramax contributions returned to positive territory as we continue to leverage our business model to outperform in the improved but still challenging market
- Excluding short-term vessel days:
  - Handysize daily TCE US\$8,010 on 21,460 days
  - Supramax daily TCE US\$9,890 on 8,980 days

# Appendix: Balance Sheet

US\$m	30 Jun 17	30 Dec 16
Vessels & other fixed assets	1,763	1,653
<b>Total assets</b>	<b>2,204</b>	<b>2,107</b>
Total borrowings	952	839
<b>Total liabilities</b>	<b>1,174</b>	<b>1,066</b>
Net assets	1,030	1,041
Net borrowings (total cash <b>US\$248m</b> )	705	570
Net borrowings to net book value of property, plant and equipment <b>KPI</b>	40%	34%

- Vessel average net book value: Handysize \$15.6m (9.4 years); Supramax \$22.8m (6.3 years)
- KPI: maintain net gearing below 50%
- Group in compliance with all loan covenants



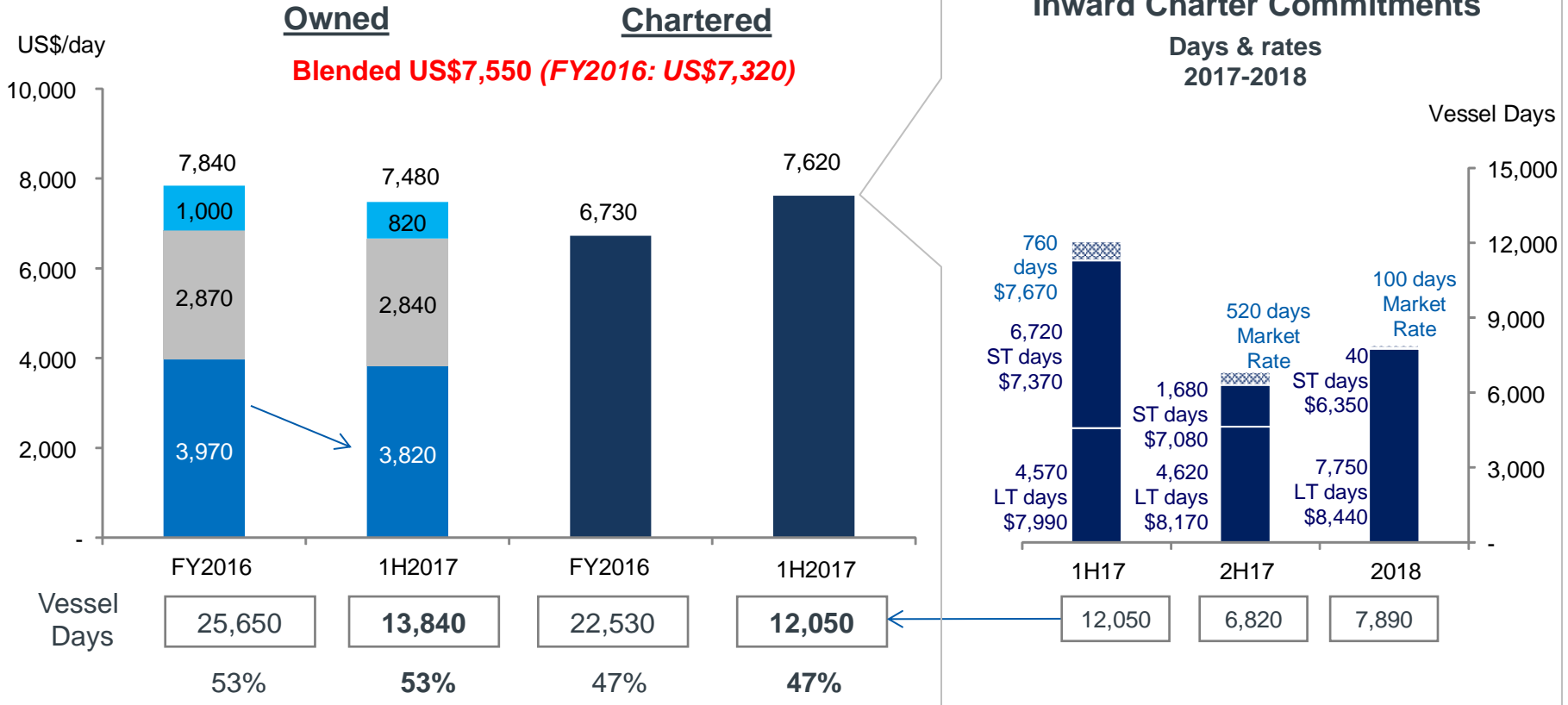


# Appendix: 1H17 Daily Vessel Costs – Handysize

## Pacific Basin

- Finance cost
- Charter-hire : Short-term (ST) / Long-term (LT)
- Depreciation
- Charter-hire : Index-linked
- Opex

As at 30 June 2017



- Daily cash cost before overhead: US\$6,310 (1H16: US\$6,010)
- Charter-hire costs increased due to new ST charters in stronger market
- Opex further reduced due to scale benefits
- **Overheads** reduced to US\$590/day (1H16: US\$680/day) - includes all direct & indirect costs

\* Chartered rates are shown net of provision

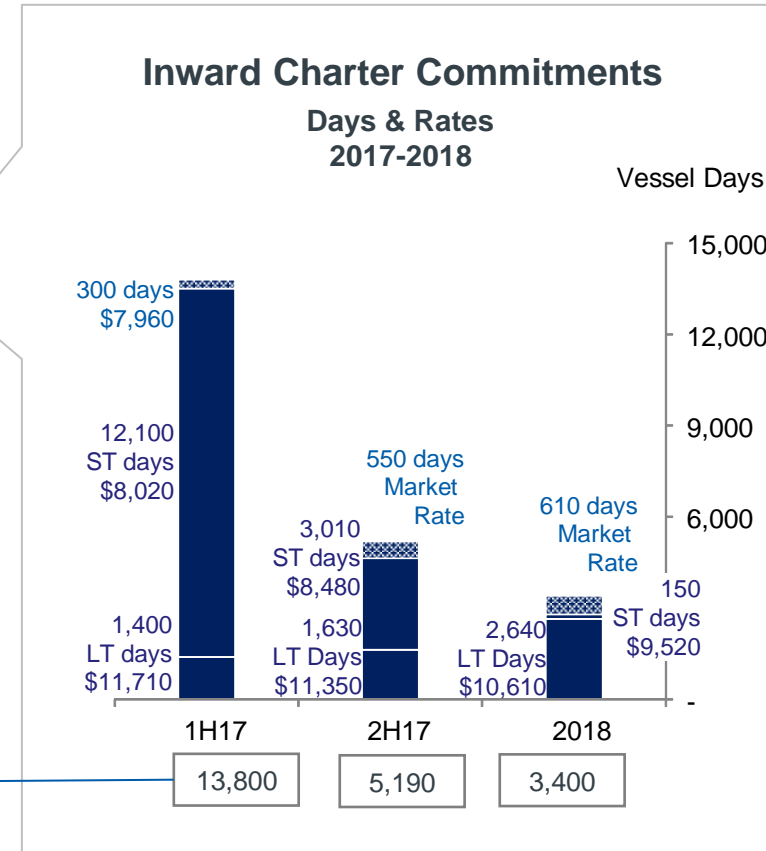
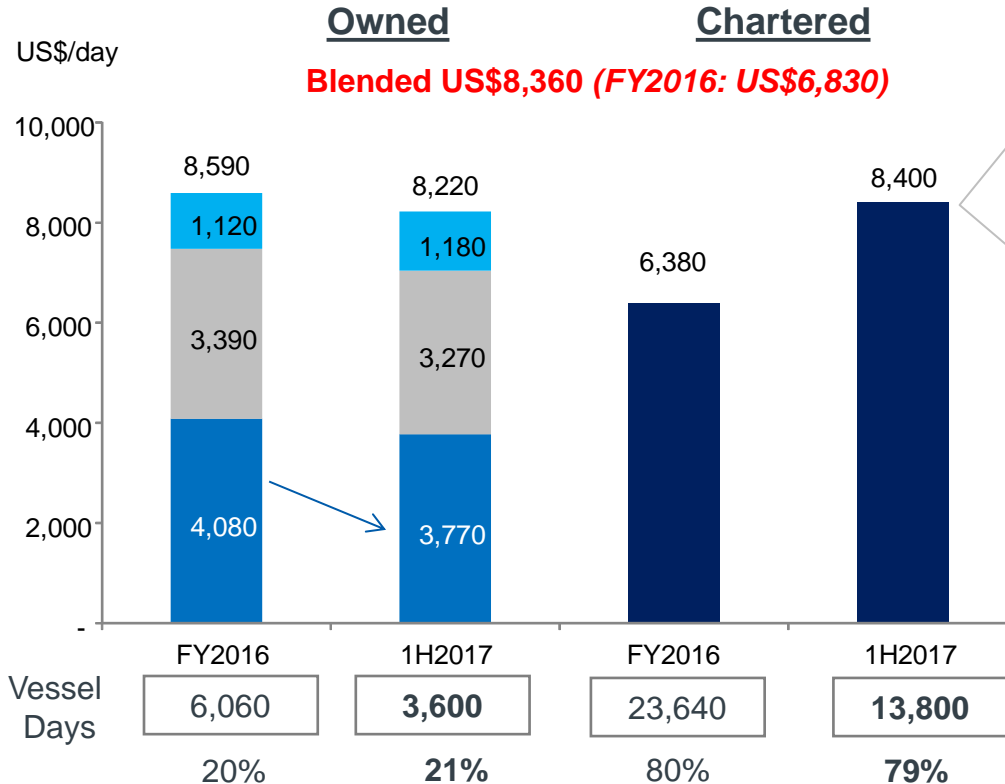


# Appendix: 1H17 Daily Vessel Costs – Supramax

## Pacific Basin

- Finance cost
- Charter-hire : Short-term (ST) / Long-term (LT)
- Depreciation
- Charter-hire : Index-linked
- Opex

As at 30 June 2017



- Daily cash cost before overhead: US\$7,850 (1H16: US\$5,940)
- Charter-hire costs increased due to new ST charters in stronger market
- Opex further reduced due to scale benefits
- **Overheads** reduced to US\$590/day (1H16: US\$680/day) - includes all direct & indirect costs

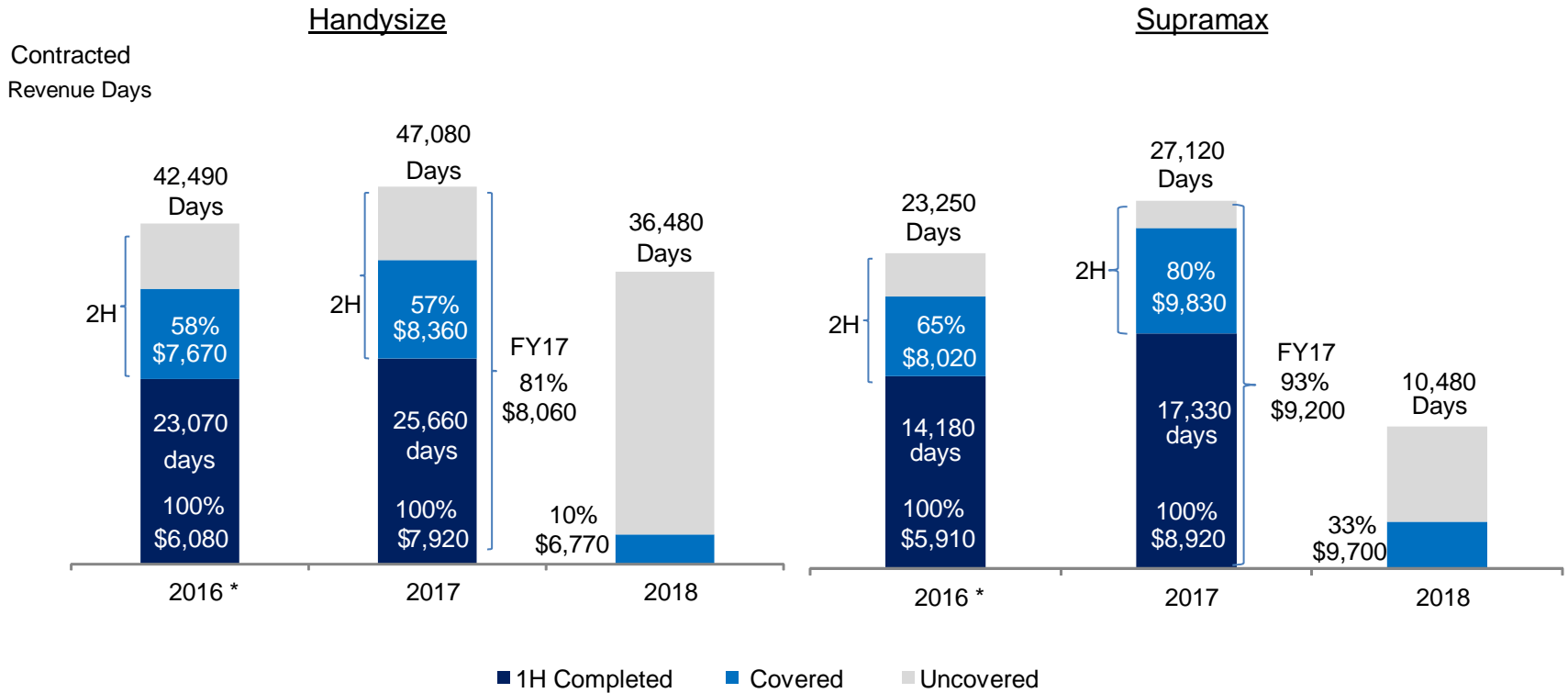
\* Chartered rates are shown net of provision

# Appendix: Five Vessel Acquisitions announced on 2 Aug 17

	Supramax 2014-built	Supramax 2014-built	Handysize 2014-built	Supramax 2016-built	Supramax Resale newbuild	Total
Shipbuilder	Tsuneishi	Tsuneishi	Imabari	Imabari	Tsuneishi	
Dwt	57,964	57,964	37,503	61,244	63,700	
Total consideration US\$m	17.0	17.0	21.1 *	23.5	26.0	104.6
Expected Delivery	Mid-Aug17 – end Sep17	Mid-Aug17 – end Sep17	Early Nov17 – end Dec17	Mid-Aug17 – end Sep17	Jan18	

\* Including termination of existing long-term time charter in contract

# Appendix: Earnings Cover in 2017

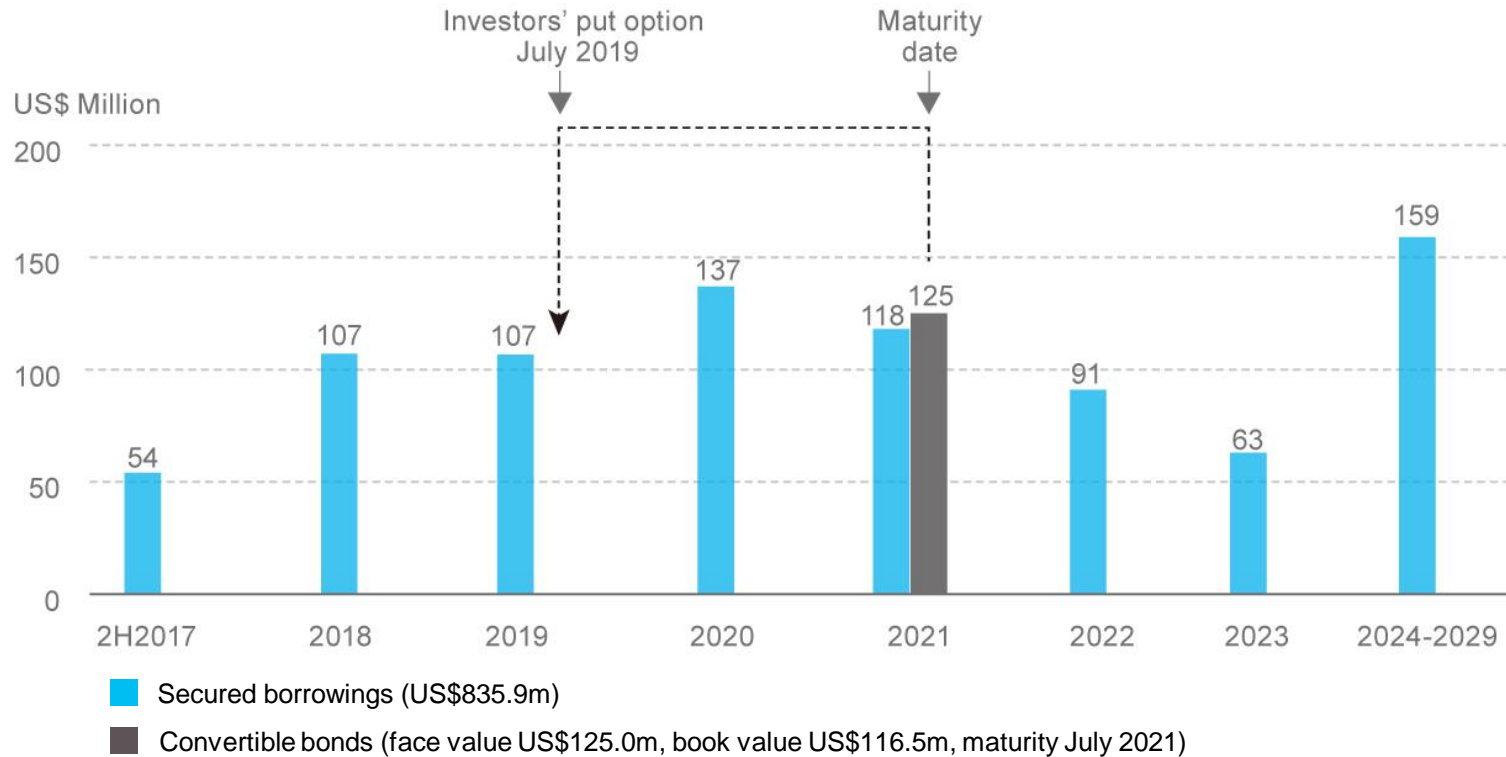


Currency in US\$, data as at 26 Jul 2017

\*2016 data as announced in Jul 2016

# Appendix: Borrowings and Capex

As at 30 June 2017



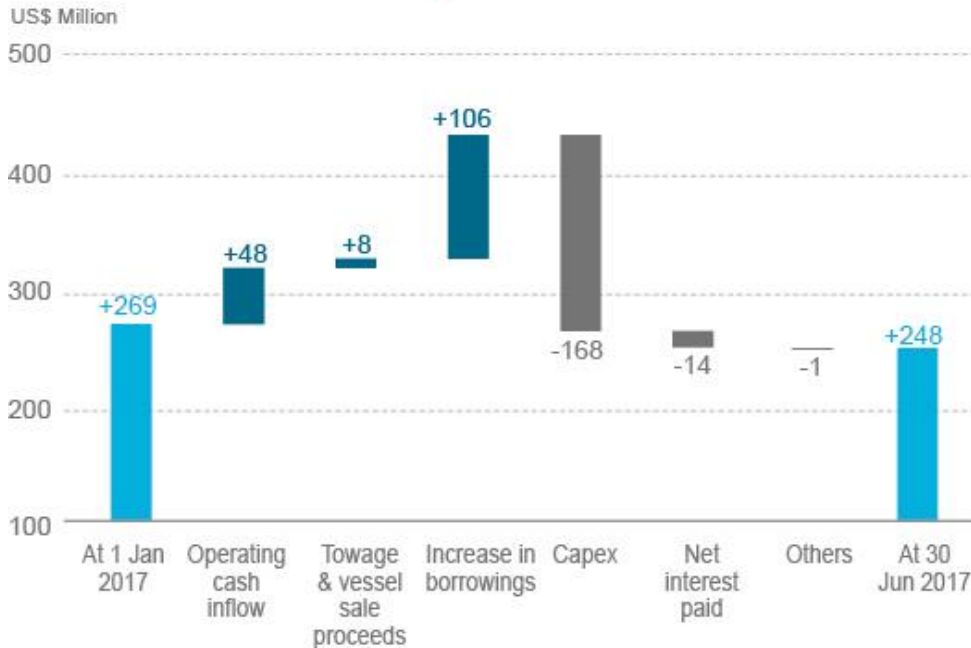
- Our final 7 newbuildings delivered in 1H17, all remaining facilities were drawn down

# Appendix: Cash Flow in 1H17

- Cash and deposits balance
- Cash inflow
- Cash outflow

As at 30 June 2017

## Sources and Uses of Group Cash in 1H 2017



<b>Operating cash flow</b>	<b>US\$47.6m</b>
<b>EBITDA</b>	<b>US\$56.6m</b>

Borrowings increased by US\$106m due to:

- Net repayment of US\$52m of secured borrowings
- Drew down US\$158m:
  - US\$140m Japanese export credit facilities
  - US\$18m other borrowings on 2 existing vessels

Capex US\$119m newbuildings and US\$31m three secondhand vessel purchased

We drew down our remaining committed banking facilities

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



2016 CSR Report   
[www.pacificbasin.com/ar2016](http://www.pacificbasin.com/ar2016)

## 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

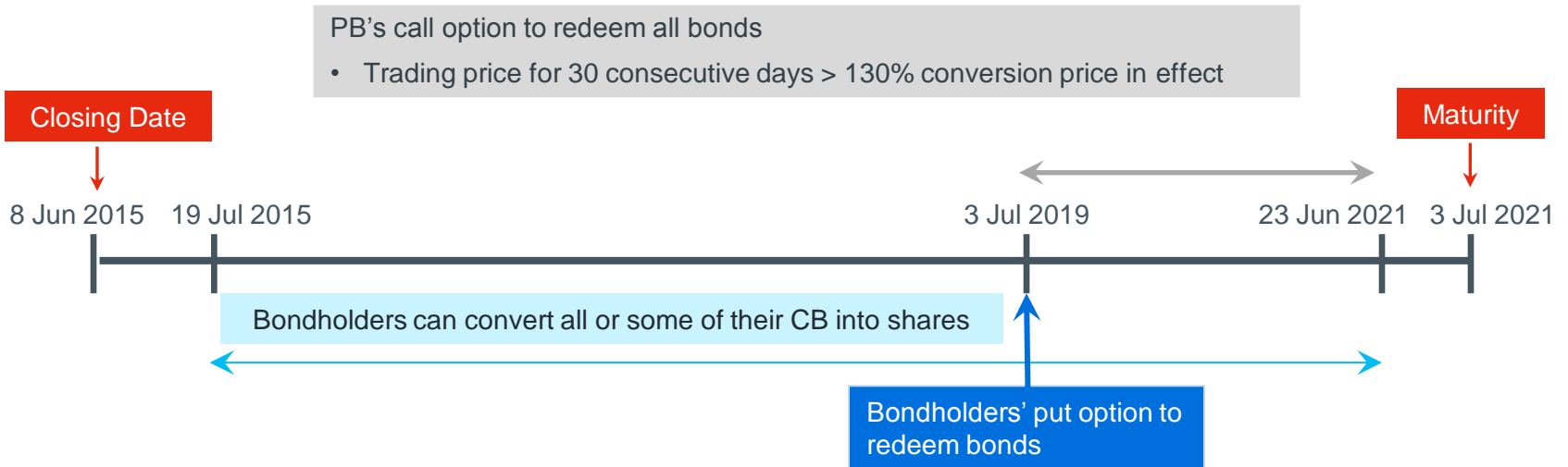
## Corporate Governance & Risk Management

- 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\$3.07 with effect from 30 May 2016)
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

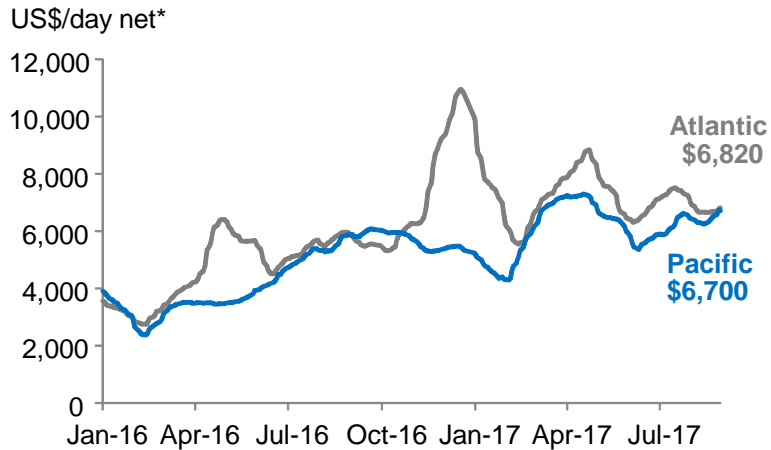
## Conversion/redemption Timeline



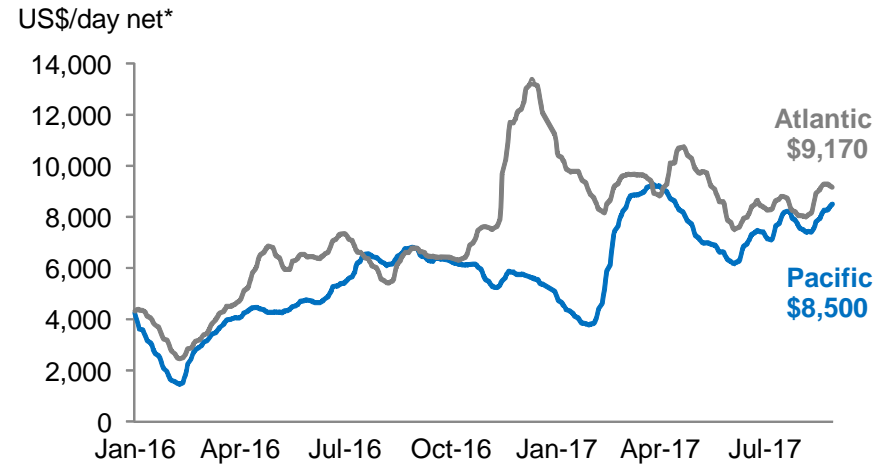


# Appendix: Atlantic Rates Stronger than Pacific

Handysize (BHSI)



Supramax (BSI) #

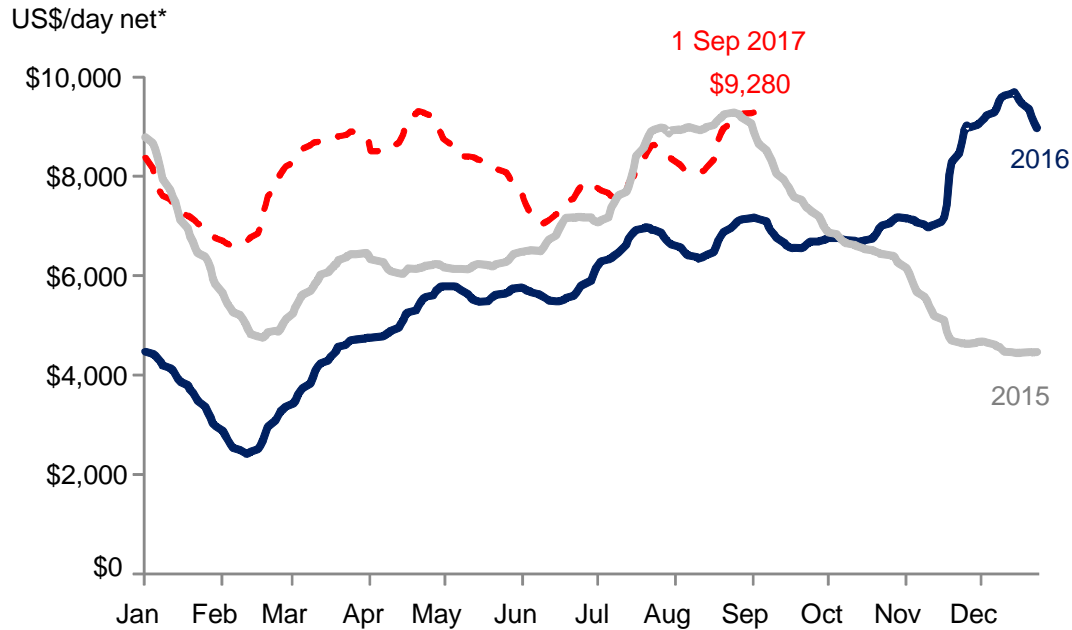


— Atlantic — Pacific

\* excludes 5% commission  
 # BSI is now based on a standard 58,000 dwt bulk carrier  
 Source: Baltic Exchange, data as at 1 Sep 2017

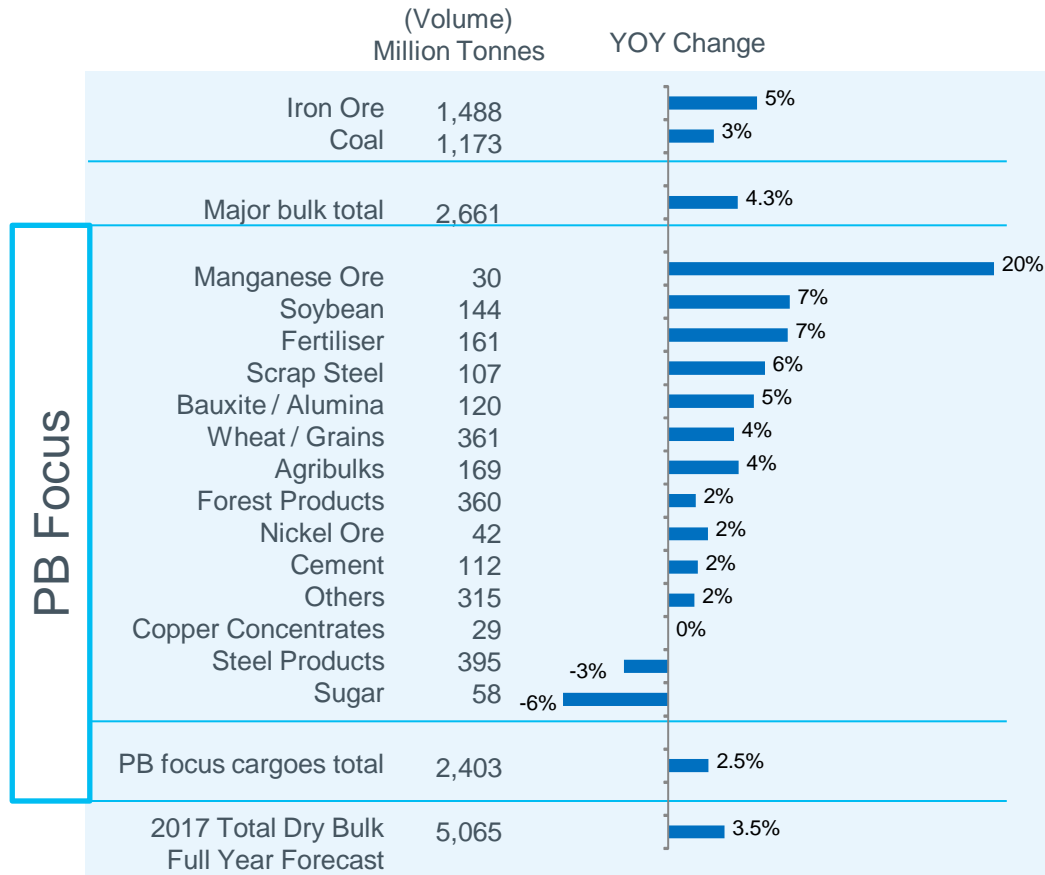
# Appendix: Supramax Rates Follow Same Pattern

Baltic Supramax Index (BSI) #



\* excludes 5% commission  
# BSI is based on a standard 52,000 dwt bulk carrier in this slide only  
Source: Baltic Exchange, data as at 1 Sep 2017

# Appendix: Estimated 3.9% Growth in Seaborne Dry Bulk Demand in Full Year 2017

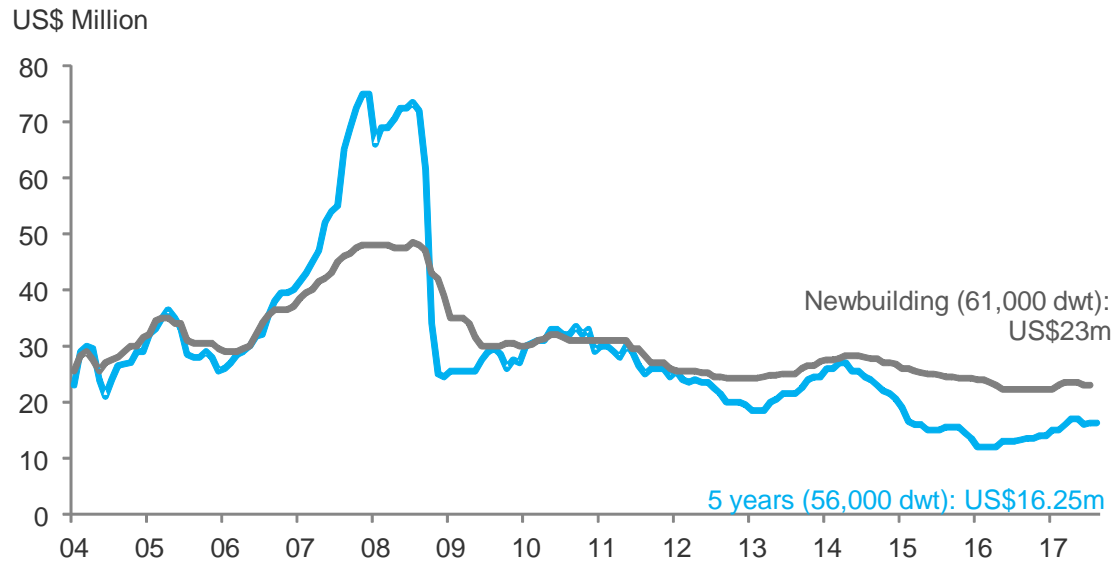


Clarksons estimate FY2017:

- 3.9% Effective Demand Growth
- 3.5% Volume Growth

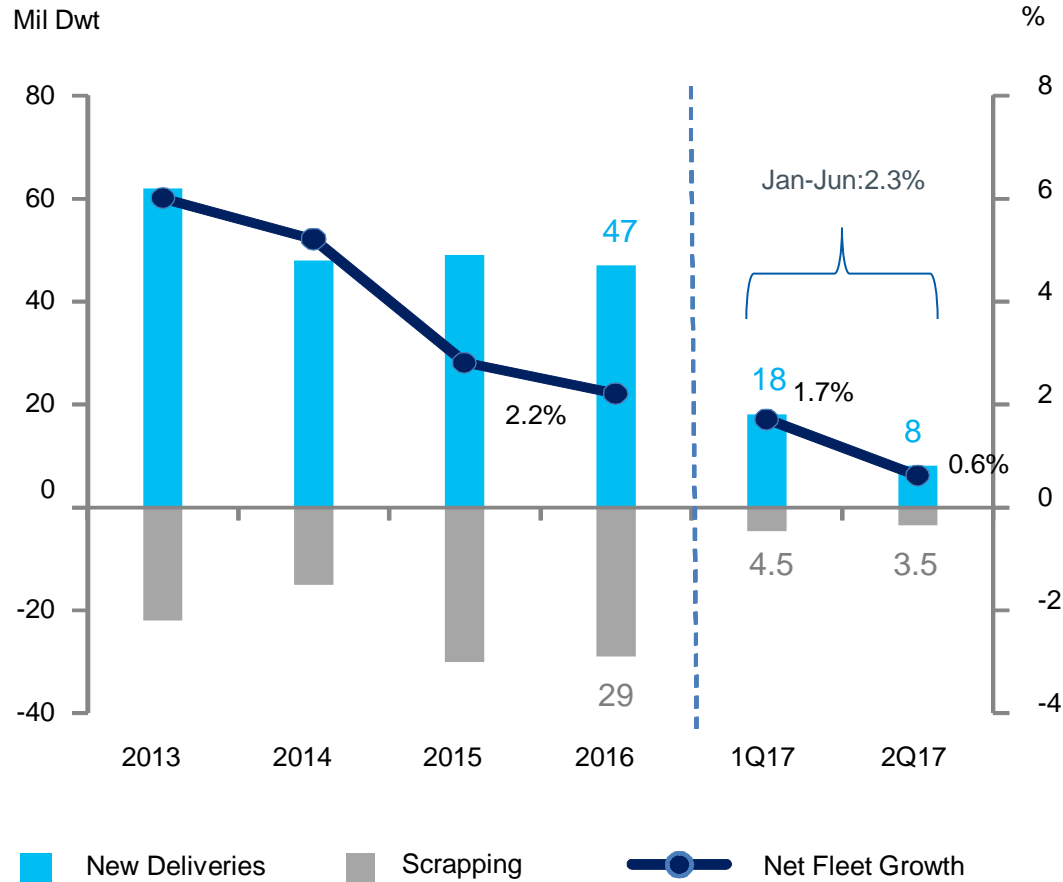
# Appendix: Vessel Values Increased

Supramax Vessel Values







Source: Clarksons Platou, as at 3 Sep 2017

# Appendix: 1H17 Dry Bulk Supply Development



Source: Clarksons Platou

# Appendix: Dry Bulk Supply

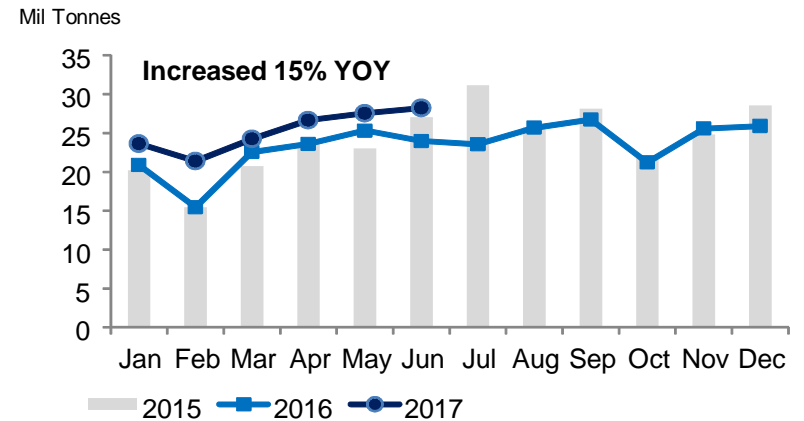
	Orderbook as % of Existing Fleet	Average Age	Over 20 Years	Over 15 Years	1H17 Scrapping as % of Existing Fleet as at 1 Jul 2017 (annualised)
 <b>Handysize</b> (25,000-39,999 dwt)	8%	8.6	10%	16%	1.9%
 <b>Handymax (incl. Supramax)</b> (40,000-64,999 dwt)	6%	8.3	7%		2.0%
 <b>Panamax</b> (65,000-119,999 dwt)	5%	8.4	6%		1.2%
 <b>Capesize</b> (120,000+ dwt)	10%	7.6	7%		2.4%
<b>Total Dry Bulk &gt;10,000 dwt</b>	8%	8.8	7%	15%	2.0%

# Appendix: China Major and Minor Bulk Trade

### China Coal Trade

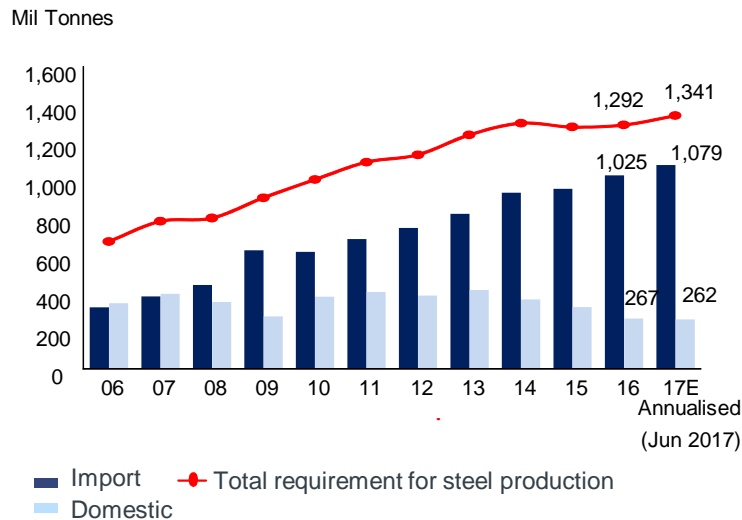


### 2017 Chinese Minor Bulk Imports

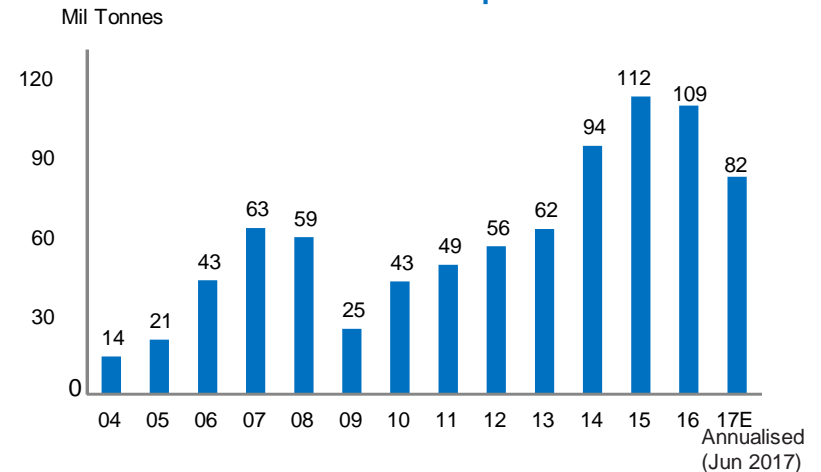


Chinese imports of 8 minor bulks including Logs, Soyabean, Cereals, Fertiliser, Bauxite, Nickel Ore, Copper Concentrates & Manganese Ore

### China Iron Ore Sourcing for Steel Production



### China Steel Export



Source: Bloomberg, Clarksons Platou