Pacific Basin

Jefferies 8th Annual Greater China Conference
Hong Kong
7 Nov 2018
Pacific Basin Overview

- World’s largest owner and operator of modern Handysize & Supramax ships
- Cargo system business model – consistently outperforming market rates
- Own 108* Handysize and Supramax vessel, with total 220+ dry bulk ships on the water serving major industrial customers around the world
- Hong Kong headquartered and HKEx listed, 12 offices worldwide, 335 shore-based staff, 3,400+ seafarers#
- Strong balance sheet with US$2bn+ total assets and US$300mn+ cash
- Our vision: To be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders

* An additional 3 vessels we purchased will deliver in 2H18 and early 2019
# As at Jul 2018

www.pacificbasin.com
Pacific Basin business principles and our Corporate Video
## Understanding Our Core Market

### The Dry Bulk Sector

<table>
<thead>
<tr>
<th>Bulk Carrier Ship Types</th>
<th>Percentage of Global Dry Bulk Capacity</th>
<th>Versatility</th>
<th>Main Commodities Carried</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minor Bulks with cranes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Handysize</strong></td>
<td>10%</td>
<td>More Versatile</td>
<td>Ore, Gravel, Bauxite, Salt</td>
</tr>
<tr>
<td><strong>Supramax</strong> (formerly Handymax)**</td>
<td>24%</td>
<td>More Versatile</td>
<td>Major Bulks: Grains, Coal, Iron Ore</td>
</tr>
<tr>
<td><strong>Major Bulks without cranes</strong></td>
<td></td>
<td>Less Versatile</td>
<td>Minor Bulks: Ores &amp; Concentrates, Alumina, Bauxite, Coal/Coke, Pet coke, Salt, Sand &amp; Gypsum</td>
</tr>
<tr>
<td><strong>Panamax &amp; Post-Panamax</strong></td>
<td>27%</td>
<td>Less Versatile</td>
<td></td>
</tr>
<tr>
<td><strong>Capesize</strong></td>
<td>39%</td>
<td>Less Versatile</td>
<td></td>
</tr>
</tbody>
</table>

*Major Bulks:* Grains, Coal, Iron Ore

*Minor Bulks:* Ores & Concentrates, Alumina, Bauxite, Coal/Coke, Pet coke, Salt, Sand & Gypsum

*Ore, Gravel, Bauxite, Salt:* Few ports, few customers, few cargo types, low scope for triangulation

*Major Bulks:* Many ports, many customers, many cargo types, high scope for triangulation
Why Handysize and Supramax?  
Why Minor Bulk?

### Full Year 2018E Global Dry Bulk Trade (Volume) = 5.2 Billion Tonnes (+2.4% YOY)

- **28%** Iron Ore
- **24%** Coal
- **9%** Grain & Soybean
- **38%** Minor Bulk

- Minor Bulks & Grain is 47% of total Dry Bulk demand
- Pacific Basin focuses on these growing markets

- 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 more modest fleet growth

Source:Clarksons Research, 1 Feb 2018
Pacific Basin Dry Bulk – Diversified Cargo

Our Dry Bulk Cargo Volumes in 1Q-3Q 2018

- 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

Approximately 500 customers
PB Daily TCE Earnings in 3Q Improved by 24% and 30%

- Handysize and Supramax freight market indices reached their highest 3Q levels since 2011, and our average Handysize and Supramax daily TCE earnings in 3Q improved by 24% and 30% YOY respectively
- During 3Q, we purchased and took delivery of one modern secondhand Supramax vessel
- Three of four modern vessels we committed to purchase in May 2018 (50% funded by equity) are scheduled to deliver into our ownership over the next five months, taking our owned fleet to 112 ships

Well Positioned for a Continued Recovery:

- Despite increasing trade tensions, the outlook for widely-spread global GDP growth remains favourable, which bodes well for dry bulk demand
- In addition, new regulations will discourage new ship ordering and constrain supply due to increased off-hire and slower ship operating speeds
- We continue to be cautiously optimistic for a continued market recovery, although with some volatility along the way
- Our robust customer-focused business model, global office network, experienced people, larger owned fleet with substantially fixed and competitive cost, position us well to benefit from the recovering market
Our Quarterly TCE has Improved Significantly Since Early 2016

- PB TCE earnings currently highest since winter 2013/2014
### 3Q18 Performance and 2018 / 2019 Cover

#### 3Q18

<table>
<thead>
<tr>
<th>US$/day</th>
<th>Handysize</th>
<th>Supramax</th>
</tr>
</thead>
<tbody>
<tr>
<td>PB daily TCE net rate 3Q18</td>
<td>10,080</td>
<td>12,180</td>
</tr>
<tr>
<td>Market (BHSI/BSI) index net rate 3Q18</td>
<td>7,840</td>
<td>11,260</td>
</tr>
<tr>
<td>PB outperformance</td>
<td>28% / 2,240</td>
<td>8% / 920</td>
</tr>
</tbody>
</table>

**Cover as at 10 Oct 2018**

**Improvement over 3Q17:**
- **Handysize:** +24% / $1,950
  
- **Supramax:** +30% / $2,830

#### 1Q-3Q18

<table>
<thead>
<tr>
<th>US$/day</th>
<th>Handysize</th>
<th>Supramax</th>
</tr>
</thead>
<tbody>
<tr>
<td>PB daily TCE net rate YTD</td>
<td>9,870</td>
<td>11,780</td>
</tr>
<tr>
<td>Market (BHSI/BSI) index net rate YTD</td>
<td>8,080</td>
<td>10,800</td>
</tr>
<tr>
<td>PB outperformance YTD</td>
<td>22% / 1,790</td>
<td>9% / 980</td>
</tr>
</tbody>
</table>

#### 4Q18

<table>
<thead>
<tr>
<th>US$/day</th>
<th>Handysize</th>
<th>Supramax</th>
</tr>
</thead>
<tbody>
<tr>
<td>PB daily TCE net rate 4Q18</td>
<td>10,560</td>
<td>11,970</td>
</tr>
<tr>
<td>% of contracted days covered</td>
<td>68%</td>
<td>78%</td>
</tr>
</tbody>
</table>

#### 2019

<table>
<thead>
<tr>
<th>US$/day</th>
<th>Handysize</th>
<th>Supramax</th>
</tr>
</thead>
<tbody>
<tr>
<td>PB daily TCE net rate FY2019</td>
<td>9,100*</td>
<td>11,640*</td>
</tr>
<tr>
<td>% of contracted days covered</td>
<td>17%</td>
<td>20%</td>
</tr>
</tbody>
</table>

*Note that our 2019 forward cargo contract cover is back-haul heavy*
Freight Market Continues to Improve

- YTD 2018 freight indices have followed a similar seasonal pattern as in recent years, although at a higher level
- Both Handysize and Supramax spot earnings reached their highest 3Q levels since 2011 after a softer summer market followed by improving market conditions since late September
- Demand was partly driven by healthy North American grain exports in the Atlantic and solid growth in Indonesian coal and minor bulk exports in the Pacific, as well as growth in Chinese imports of coal, minor bulks and logs
- In addition, fuel oil prices have increased contributing to slower ship operating speeds since May and, in turn, reducing dry bulk supply and therefore improved market conditions

* excludes 5% commission
* BSI is now based on a standard 58,000 dwt bulk carrier

Source: Baltic Exchange, data as at 24 Oct 2018
2018 Demand is Forecast to Grow 2.9% with Minor Bulks at +3.9%

- Trade conflict between the US and China could impact cargo flows in the minor bulk segment, including US agricultural products, primarily soybean, as well as forestry products and cement.

- Protectionist actions to date impact only a small fraction of the trades in which Pacific Basin is engaged, and commodity trade flows tend to shift rather than cease as a result of tariffs.

Source: Clarksons Research, 1 Oct 2018

With you for the long haul
Better Fundamentals for Handysize

<table>
<thead>
<tr>
<th>Type</th>
<th>Orderbook as % of Existing Fleet</th>
<th>Average Age</th>
<th>Over 20 Years</th>
<th>Over 15 Years</th>
<th>YTD Scrapping as % of Existing Fleet as at 1 Oct 2018 (annualised)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handysize – 82m dwt (25,000-41,999 dwt)</td>
<td>4.6%</td>
<td>9</td>
<td>10%</td>
<td>17%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Supramax – 197m dwt (42,000-64,999 dwt)</td>
<td>5.8%</td>
<td>9</td>
<td>7%</td>
<td>15%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Panamax – 222m dwt (65,000-119,999 dwt)</td>
<td>9.2%</td>
<td>9</td>
<td>6%</td>
<td>16%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Capesize and larger – 319m dwt (120,000+ dwt)</td>
<td>14.6%</td>
<td>8</td>
<td>6%</td>
<td>11%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Total Dry Bulk – 836m dwt (&gt;10,000 dwt)</td>
<td>9.9%</td>
<td>9</td>
<td>7%</td>
<td>15%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

- Combined Handysize and Supramax scheduled orderbook has reduced to 5.5%, lowest since 1990s

Source: Clarksons Research, as at 1 Oct 2018
Newbuilding Deliveries Continue to Reduce

- 2.3% net fleet growth in 1Q-3Q18 (2.7% deliveries less 0.4% scrapping)
- Very limited ordering in Handysize and Supramax (historically low 1.5% of fleet)
  + continued orderbook delivery shortfall
  ➔ should result in continued low new ship deliveries in coming years

Source: Clarksons Research, as at 1 Oct 2018
Clarksons Research estimates FY18:
- 2.9% tonne-mile demand growth
- 2.8% net fleet growth
  (3.4% deliveries – 0.6% scrapping)
- Actual deliveries expected to be around 27m dwt compared to 38m dwt in 2017
- Progressively fewer new ships will deliver from shipyards in 2018 and 2019

The supply fundamentals are more favourable for the Handysize and Supramax segment with expected net fleet growth of 2.2% for 2018 and below 2% for both 2019 and 2020

Source: Clarksons Research and Pacific Basin, as at 1 Oct 2018
The value of a benchmark five year old Handysize bulk carrier is up 7% YTD but slightly down since mid-year due to subdued buying interest for Handysize ships during the softer summer and as buyers monitored developments of the ongoing trade dispute between the US and China.

The increasing gap between newbuilding and secondhand prices (and uncertainty over future ship design requirements) continues to discourage new ship ordering.

Source: Clarksons Research, as at 19 Oct 2018
## New Regulations

<table>
<thead>
<tr>
<th>New Regulations</th>
<th>Content</th>
<th>Impact on the Industry</th>
<th>PB actions</th>
</tr>
</thead>
</table>
| **IMO Ballast Water Treatment: Installation required at first dry-docking after 8 Sep 2019** | - International Maritime Organization (IMO) requires ballast water treatment equipment (BWTS) to be fitted on all ships  
- US Coast Guard requires all ships sailing to US to use approved BWTS | - Increased capex for existing shipowners  
- Potentially increased scrapping | - We have arranged BTWS for all our owned vessels  
- 9 owned vessels are already fitted with BWTS and 2 acquisitions will soon deliver pre-fitted  
- Committed to retrofit our remaining 100 owned vessels with a system based on filtration and electrocatalysis  
- Well positioned to complete implementation by 2023 |
| **Low Sulphur Emissions Cap: 1 Jan 2020**    | - IMO has set a global 0.5% sulphur limit for marine fuel oil, effective 2020 (in addition to existing 0.1% sulphur limit in Emission Control Areas)  
Exception: Shipowners can use higher sulphur fuel if they fit scrubbers (costing several million US$) to clean exhaust gas | - Low sulphur fuel is more expensive leading to more slow-steaming  
- Increased capex and off-hire (if installing scrubbers)  
- Uncertainty of ship design discourages newbuild ordering  
- Potentially increased scrapping ➔ Leading to reduced supply | - We are well-prepared for both the low sulphur fuel and scrubber options, but continue to believe that the majority of the geared dry bulk fleet (especially smaller ships like Handysize) will comply by using low sulphur fuel |
| **Reducing carbon and greenhouse gas emission by 2050** | - IMO announced to cut total carbon and greenhouse gas emissions from shipping by at least 50% by 2050 (compared to 2008), requiring average efficiency improvements of at least 40% by 2030 and 70% by 2050 | - Reducing speed of vessels to reduce emission  
- Development of new fuels, engine technology and vessel designs  
- Potentially increased scrapping ➔ Leading to reduced supply | - Holding back ordering of new ships and closely monitoring the development of new technology and designs |

We believe the new regulations will penalise poor performers and older ships while benefitting stronger companies with high quality ships that are better positioned to adapt and cope practically and financially with compliance.
Outlook and Strategy
PB’s Fleet Mix is Changing

- Our number of owned ships is increasing, providing us with greater operational control and earnings leverage.
- Owned vessels are replacing LT charters as these get re-delivered, which should further improve earnings.
- Our ST chartered fleet fluctuates with market requirements and achievable operating margin. The reduction since 2017 is mainly due to reduced Chinese steel export volumes because of strong domestic demand.

**Fleet Development for Handysize and Supramax vessels**

- **2015:**
  - Owned: 207
  - LT Chartered: 84
  - ST Chartered: 110

- **2016:**
  - Owned: 213
  - LT Chartered: 94
  - ST Chartered: 99

- **2017:**
  - Owned: 242
  - LT Chartered: 86
  - ST Chartered: 29

- **1Q-3Q18:**
  - Owned: 222
  - LT Chartered: 89
  - ST Chartered: 89

**Note:** Average number of Handysize and Supramax vessels operated during the period.
Competitive Owned Vessel Break-Even Levels

FY18 PB TCE cover rate¹
US$9,980/day

2017 PB TCE actual
US$8,320/day

P&L Break-even
≈ US$8,300/day

81 Handysize²

G&A Overheads
Finance Cost
Depreciation
Operating Expenses (Opex)

900
750
2,810
3,820

27 Supramax²

900
1,090
3,230
3,770

FY18 PB TCE cover rate¹
US$11,810/day

2017 PB TCE actual
US$9,610/day

P&L Break-even
≈ US$9,000/day

¹ FY18 Cover as at 3Q18
² An additional 3 vessels we purchased will deliver in 2H18 and early 2019
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 interchangeable ships
- Experienced staff
- Global office network
- Our cargo contracts, relationships and direct interaction with end users
- Our fleet has a high proportion of owned vessels facilitating greater control and minimising trading constraints
- Our segment’s versatile ships and diverse trades

Our TCE Outperformance Compared to Market in Last 5 Years

<table>
<thead>
<tr>
<th></th>
<th>Daily Handysize Premium</th>
<th>Daily Supramax Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$1,870</td>
<td>$8,320</td>
<td>$9,870</td>
</tr>
<tr>
<td>US$1,260</td>
<td>$8,080</td>
<td>$11,780</td>
</tr>
</tbody>
</table>

Handysize

Supramax

Baltic Indices | PB Premium
Well Positioned for a Recovering Market

Our TCE Outperform Market

Average PB premium over market indices in last 5 years:

- **US$1,870/day** Handysize TCE
- **US$1,260/day** Supramax TCE

More Owned Vessels with Fixed Costs

Owned Vessel Breakeven Incl. G&A overheads

- **US$8,300/day** Handysize
- **US$9,000/day** Supramax

Efficient Cost Structure

- **Annual Group G&A Overheads**
  - US$75.7m
  - Annualised US$57m

- **Daily Vessel Operating Expenses** (Combined Handysize and Supramax)
  - 2014: US$4,370
  - 1H18: US$3,810

Sensitivity toward Market Rates*

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

Our Underlying Result

- **US$35-40m**

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1 1H18 PB owned Handysize $7,380/day + G&A overheads $900/day ≈ US$8,300/day
2 1H18 PB owned Supramax $8,090/day + G&A overheads $900/day ≈ US$9,000/day
3 An additional 3 vessels we purchased will deliver in 2H18 and early 2019

* Based on current fleet and commitments, and all other things being unchanged
Our Outlook and Strategy

**Outlook**

- The minor bulk freight market has improved again since late September. Despite increasing trade tensions, the outlook for widely-spread global GDP growth remains favourable and bodes well for dry bulk demand. In addition, supply fundamentals are now more positive.

- Possible market drivers in the medium term:
  - Positive economic growth and commodity demand outlook, low deliveries, and new regulations discouraging new ship ordering and constraining supply due to increasing off-hire and slower ship operating speeds.
  - Risk of reduced Chinese coal and ore imports, trade tariffs and trade conflict escalation impacting dry bulk demand; increased new ship ordering and faster ship operating speeds.

- We are cautiously optimistic for a continued market recovery, although with some volatility along the way.

**Strategy – Well Positioned for a Recovering Market**

- Continue to focus on our world-leading Handysize and Supramax business.

- Maximise our fleet utilisation and TCE earnings by combining minor bulk characteristics with our large fleet of substitutable ships and global office network.

- No newbuildings in the medium term, we will watch technological and regulatory developments closely.

- Healthy cash and net gearing positions enhance our corporate profile as a preferred, strong, reliable, safe partner for customers and other stakeholders.
Disclaimer

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

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Tel : +852 2233 7000

- **Company Website - 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: 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
- Handysize (<20 years old)
  - 27%
- Supramax (>20 years old)
  - 29%

We operate approx. 7% of global 25-42,000 dwt Handysize ships of less than 20 years old; and approx 3% of global 50-65,000 dwt Supramax of less than 20 years old

With you for the long haul
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:
Fleet List – as at 30 Sep 2018

109 Vessels owned

30 LT Chartered

82 ST Chartered

221 Total

Handysize

- Owned: 81
- LT Chartered: 21
- ST Chartered: 36
- Total: 138

Supramax

- Owned: 27
- LT Chartered: 8
- ST Chartered: 46
- Total: 81

Post-Panamax

- Owned: 1
- LT Chartered: 1
- ST Chartered: 0
- Total: 2

1 An additional 3 vessels we purchased during the period are scheduled to deliver into our fleet by January 2019
2 Average number of short-term + index-linked vessels operated in September 2018
Average age of core fleet: 8.1 years old
Note: we operated an average of 216 ships overall during the 3Q18
Appendix:
3Q18 Performance and Future Cover

* Note that our 2019 forward cargo contract cover is back-haul heavy

Currency in US$, 2017 data as at Oct 2017

Cover as at 10 Oct 2018
Better minor bulk market rates combined with our continued outperformance and competitive cost structure supported much improved results

- We have declared an interim dividend of HK2.5¢/share
- We secured a US$325m revolving credit facility that significantly extends our repayment profile and lowers our finance costs
- We acquired 5 modern vessels including 4 funded 50% by equity, which will grow our owned fleet to 111 ships
- Trade dispute actions to date impact only a small fraction of trades in which we are engaged, but an escalating global trade war could impact global GDP and dry bulk demand
- We remain cautiously optimistic for a continued market recovery, with some volatility along the way

### Appendix: 2018 Interim Results - Highlights

<table>
<thead>
<tr>
<th></th>
<th>1H18</th>
<th>1H17</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>99.3</td>
<td>56.6</td>
<td>+42.7</td>
</tr>
<tr>
<td>Underlying profit / (loss)</td>
<td>28.0</td>
<td>(6.7)</td>
<td>+34.7</td>
</tr>
<tr>
<td>Net profit</td>
<td>30.8</td>
<td>(12.0)</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>HK2.5¢</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>30 June 18</th>
<th>31 Dec 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>317.1</td>
<td>244.7</td>
</tr>
<tr>
<td>Net gearing</td>
<td>36%</td>
<td>35%</td>
</tr>
<tr>
<td>Owned fleet / Total fleet *</td>
<td>108 / 224</td>
<td>106 / 222</td>
</tr>
</tbody>
</table>

* An additional 3 vessels we purchased will deliver in 2H18 and early 2019
## Appendix: Strong Balance Sheet and Liquidity

<table>
<thead>
<tr>
<th></th>
<th>30 Jun 18</th>
<th>31 Dec 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vessels &amp; other fixed assets</td>
<td>1,821</td>
<td>1,798</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,358</td>
<td>2,232</td>
</tr>
<tr>
<td>Total borrowings</td>
<td>974</td>
<td>881</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,163</td>
<td>1,070</td>
</tr>
<tr>
<td>Total Equity</td>
<td>1,195</td>
<td>1,161</td>
</tr>
<tr>
<td>Net borrowings (total cash US$317m)</td>
<td>657</td>
<td>636</td>
</tr>
<tr>
<td>Net borrowings to net book value of vessels &amp; other fixed assets</td>
<td><strong>36%</strong></td>
<td><strong>35%</strong></td>
</tr>
</tbody>
</table>

- Vessel average net book value: Handysize $14.9m (10.3 years); Supramax $21.9m (6.5 years)
- KPI: maintain net gearing below 50%
Appendix: Significant Improvement in 1H18 Financial Results

As at 30 Jun

<table>
<thead>
<tr>
<th>US$m</th>
<th>1H18</th>
<th>1H17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>795.6</td>
<td>702.9</td>
</tr>
<tr>
<td><strong>Voyage expenses</strong></td>
<td>(360.6)</td>
<td>(339.8)</td>
</tr>
<tr>
<td><strong>Time-charter equivalent earnings (&quot;TCE&quot;)</strong></td>
<td>435.0</td>
<td>363.1</td>
</tr>
<tr>
<td><strong>Owned vessel costs</strong></td>
<td>(144.7)</td>
<td>(134.8)</td>
</tr>
<tr>
<td><strong>Charter costs</strong>*</td>
<td>(233.4)</td>
<td>(209.3)</td>
</tr>
<tr>
<td><strong>Operating profit/(loss)</strong></td>
<td>56.9</td>
<td>19.0</td>
</tr>
<tr>
<td><strong>Total G&amp;A overheads</strong></td>
<td>(28.4)</td>
<td>(26.2)</td>
</tr>
<tr>
<td><strong>Taxation &amp; others</strong></td>
<td>(0.5)</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Underlying profit/(loss) KPI</strong></td>
<td>28.0</td>
<td>(6.7)</td>
</tr>
<tr>
<td><strong>Derivatives M2M and one-off items</strong></td>
<td>2.8</td>
<td>(5.3)</td>
</tr>
<tr>
<td><strong>Profit/(loss) attributable to shareholders</strong></td>
<td>30.8</td>
<td>(12.0)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>99.3</td>
<td>56.6</td>
</tr>
</tbody>
</table>

*In view of the recovering market conditions and our return to a meaningful level of profitability, the Board has declared an interim dividend of HK2.5¢/share

*net of the write-back of onerous contract provisions
### Appendix: Improvement in Both Handysize and Supramax Segments

<table>
<thead>
<tr>
<th></th>
<th>1H18</th>
<th>1H17</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Handysize contribution</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(US$m)</td>
<td>38.4</td>
<td>7.8</td>
<td>+392%</td>
</tr>
<tr>
<td>Revenue days (days)</td>
<td>25,210</td>
<td>25,660</td>
<td>-2%</td>
</tr>
<tr>
<td>TCE earnings (US$/day)</td>
<td>9,750</td>
<td>7,920</td>
<td>+23%</td>
</tr>
<tr>
<td>Owned + chartered costs (US$/day)</td>
<td>8,150</td>
<td>7,660</td>
<td>-6%</td>
</tr>
<tr>
<td><strong>Supramax contribution</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(US$m)</td>
<td>15.8</td>
<td>9.1</td>
<td>+74%</td>
</tr>
<tr>
<td>Revenue days (days)</td>
<td>15,650</td>
<td>17,330</td>
<td>-10%</td>
</tr>
<tr>
<td>TCE earnings (US$/day)</td>
<td>11,730</td>
<td>8,920</td>
<td>+32%</td>
</tr>
<tr>
<td>Owned + chartered costs (US$/day)</td>
<td>10,690</td>
<td>9,000</td>
<td>-19%</td>
</tr>
<tr>
<td><strong>Post-Panamax contribution</strong></td>
<td>(US$m)</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>G&amp;A overheads and tax</strong></td>
<td>(US$m)</td>
<td>(28.9)</td>
<td>(25.7)</td>
</tr>
<tr>
<td><strong>Underlying profit (US$m)</strong></td>
<td>28.0</td>
<td>(6.7)</td>
<td>+518%</td>
</tr>
</tbody>
</table>

+/- Note: Positive changes represent an improving result and negative changes represent a worsening result.
Appendix: Handysize – Owned Vessel Costs Reducing

As at 30 June 2018

**US$8,150/day**

**US$6,690/day**
Blended Cash Cost before G&A Overheads (FY2017: US$6,360)

**US$690***
Daily G&A Overheads (FY2017: US$600)

---

**1H18 Daily Vessel Costs - Handysize**

- **Owned**
  - US$7,480/day
  - US$810/day
  - US$2,820/day
  - US$3,850/day

- **Chartered**
  - US$7,380/day
  - US$750/day
  - US$2,810/day
  - US$3,820/day

---

**Inward Charter Commitments #**

<table>
<thead>
<tr>
<th></th>
<th>LT</th>
<th>ST</th>
<th>Index</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H18</td>
<td>Rate</td>
<td>Days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$8,530</td>
<td>3,730</td>
<td>$8,390</td>
<td>10,970</td>
</tr>
<tr>
<td></td>
<td>$9,570</td>
<td>6,730</td>
<td>$510</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$8,390</td>
<td>3,970</td>
<td>Market</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,990</td>
</tr>
<tr>
<td>2H18</td>
<td>Rate</td>
<td>Days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$8,770</td>
<td>3,970</td>
<td>$9,920</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$9,920</td>
<td>1,010</td>
<td>Market</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>Rate</td>
<td>Days</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$10,240</td>
<td>7,060</td>
<td></td>
<td>7,060</td>
</tr>
</tbody>
</table>

**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. No write-back of onerous contract provisions will be applicable from 2019 onwards.

* Comprising US$900/day for owned ships and US$510/day for chartered-in ships
# Chartered rates are shown on a P&L basis (net of the write-back of onerous contract provisions)
Appendix: Supramax – More Owned Ships with Lower Daily Cost

As at 30 June 2018

<table>
<thead>
<tr>
<th></th>
<th>US$10,690/day</th>
<th>US$9,790/day</th>
<th>US$690*</th>
</tr>
</thead>
</table>

1H18 Daily Vessel Costs - Supramax

<table>
<thead>
<tr>
<th></th>
<th>Owned</th>
<th>Chartered #</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$/day</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days</td>
<td>7,800</td>
<td>4,530</td>
</tr>
<tr>
<td>FY17</td>
<td>8,210</td>
<td>8,090</td>
</tr>
<tr>
<td></td>
<td>3,260</td>
<td>3,230</td>
</tr>
<tr>
<td></td>
<td>3,780</td>
<td>3,770</td>
</tr>
<tr>
<td></td>
<td>1,170</td>
<td>1,090</td>
</tr>
<tr>
<td>Finance cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses (Opex)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charter-hire including: Long-term (&gt;1 year), Short-term, Index-linked</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Inward Charter Commitments #

<table>
<thead>
<tr>
<th></th>
<th>LT</th>
<th>ST</th>
<th>Index</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H18 (P/L)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate</td>
<td>$11,670</td>
<td>$11,810</td>
<td>$10,760</td>
<td>$11,740</td>
</tr>
<tr>
<td>Days</td>
<td>1,430</td>
<td>9,050</td>
<td>690</td>
<td>11,170</td>
</tr>
<tr>
<td>2H18 (P/L)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate</td>
<td>$11,610</td>
<td>$11,760</td>
<td>Market</td>
<td>-</td>
</tr>
<tr>
<td>Days</td>
<td>1,360</td>
<td>1,720</td>
<td>280</td>
<td>3,360</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate</td>
<td>$13,050</td>
<td>$10,690</td>
<td>Market</td>
<td>-</td>
</tr>
<tr>
<td>Days</td>
<td>2,360</td>
<td>150</td>
<td>50</td>
<td>2,560</td>
</tr>
</tbody>
</table>

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. No write-back of onerous contract provisions will be applicable from 2019 onwards.

* Comprising US$900/day for owned ships and US$510/day for chartered-in ships
# Chartered rates are shown on a P&L basis (net of the write-back of onerous contract provisions)
In June, we closed a new US$325m syndicated 7-year reducing revolving credit facility secured against 50 ships (including 9 un-mortgaged vessels) at Libor +1.5%. The facility refinanced 6 existing committed loan facilities and raised an additional US$136m in available funding. Upon closing, the facility was fully drawn.

- **US$317m**  
  Cash & Deposits

- **6 vessels**  
  Unmortgaged (approx. US$120m market value)

- **US$50m Capex**  
  3 secondhand Vessels in 2H18 & 2019

- **3.8%**  
  Average Cash Interest Rate

---

1 Including 3 vessels to be delivered in 2H18 and early 2019
2 US$50m Capex = US$13.5m in cash + US$36.5m in shares
Possible market drivers in the medium term

**Opportunities**
- Strong industrial growth and infrastructure investment in China and beyond enhancing demand for dry bulk shipping
- Positive and widely spread growth outlook for all major economic areas
- Continued strong grain demand primarily for animal feed due to shift towards meat-based diet
- Environmental policy in China encouraging shift from domestic to imported supply of resources
- Environmental maritime regulations encouraging ship scrapping from current minimal levels and discouraging new ship ordering
- Low newbuilding deliveries in the medium term
- Periods of higher fuel oil prices encouraging slower ship operating speeds which decreases supply and emissions
- Expanding thermal coal imports into emerging south and south-east Asian countries

**Threats**
- 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
- Trade tariffs between US and its major trading partners resulting in short-term reduction in trade volumes while importers seek alternate commodity sources
- 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 and emissions
Appendix: We Will Not Order More Newbuildings Today

- Market does not need more newbuildings
  - Extra capacity remains in the global fleet through potentially higher operating speed
  - Limited efficiency benefits from newbuildings compared to good quality Japanese-built secondhand ships
- The industry needs a more reasonable level of profitability
- Risk and payback time for newbuildings is currently excessive due to several uncertainties
  - How best to comply with the global sulphur emissions cap from 2020
  - Which ballast water treatment system to install
  - Questions about the future price, types and availability of fuel
  - Additional new regulations (e.g. NOx and CO2 emissions, etc)
  - Faster and potentially more significant technological developments in the longer term
- Attractive secondhand prices compared to newbuilding prices
- New accounting rules requiring time charters to be capitalised from 2019
## Appendix:
Dry Bulk Demand in 2018

### 2018E Dry Bulk Trade Volumes

<table>
<thead>
<tr>
<th>Cargo Type</th>
<th>Million Tonnes</th>
<th>YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron Ore</td>
<td>1,486</td>
<td>0.9%</td>
</tr>
<tr>
<td>Coal</td>
<td>1,249</td>
<td>4.0%</td>
</tr>
<tr>
<td>Major bulk total</td>
<td>2,735</td>
<td>2.3%</td>
</tr>
<tr>
<td>Bauxite / Alumina</td>
<td>145</td>
<td>9.8%</td>
</tr>
<tr>
<td>Copper Concentrates</td>
<td>34</td>
<td>9.7%</td>
</tr>
<tr>
<td>Nickel Ore</td>
<td>48</td>
<td>9.1%</td>
</tr>
<tr>
<td>Manganese Ore</td>
<td>37</td>
<td>8.8%</td>
</tr>
<tr>
<td>Scrap Steel</td>
<td>119</td>
<td>6.3%</td>
</tr>
<tr>
<td>Salt</td>
<td>52</td>
<td>6.1%</td>
</tr>
<tr>
<td>Others</td>
<td>282</td>
<td>4.4%</td>
</tr>
<tr>
<td>Cement</td>
<td>110</td>
<td>3.8%</td>
</tr>
<tr>
<td>Forest Products</td>
<td>374</td>
<td>2.7%</td>
</tr>
<tr>
<td>Fertiliser</td>
<td>173</td>
<td>1.8%</td>
</tr>
<tr>
<td>Soybean</td>
<td>149</td>
<td>1.4%</td>
</tr>
<tr>
<td>Wheat / Grains</td>
<td>335</td>
<td>1.2%</td>
</tr>
<tr>
<td>Steel Products</td>
<td>175</td>
<td>0.0%</td>
</tr>
<tr>
<td>Agribulks</td>
<td>392</td>
<td>-7%</td>
</tr>
<tr>
<td>Sugar</td>
<td>55</td>
<td>-0.3%</td>
</tr>
<tr>
<td>PB focus cargoes total</td>
<td>2,480</td>
<td>2.6%</td>
</tr>
<tr>
<td>2018E Total Dry Bulk</td>
<td>5,215</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

* 2017: 3.6%; 2018E: 3.7%; 2019E: 3.7%
* Source: International Monetary Fund (IMF) as at Oct 2018; Clarksons Research, as at 1 Oct 2018

### Key Drivers in 3Q18
- Broad based economic recovery seen through increased steel output, also outside China
- US coal exports grew strongly
- Stronger minor bulk demand in the Atlantic driven by Brazilian and US agricultural exports; Pacific demand benefited from increased trade in bauxite, nickel ore, copper concentrates and forestry products and other minor bulks in which we specialise

### Longer-Term Trends beyond 2018
- Solid world GDP – main driver for dry bulk demand growth
- Continued growth in grain demand for animal feed due to shift towards meat-based diet
- Trade disputes between US and its key trading partners appear so far to have had only limited impact on agricultural and steel trade volumes globally, but an escalating global trade war could impact global GDP and dry bulk demand
- Government policy in China and India could affect coal trades - up or down

### 2018 tonne-mile effect = 2.9%
- Longer average distances are forecast to supplement volume growth by an additional 0.5%, generating total demand growth of **2.9%** (+3.9% for minor bulk)
Appendix:
Handysize and Supramax Scheduled Orderbook at Historically Low Level

- Combined Handysize and Supramax scheduled orderbook has reduced to 5.5%, lowest since 1990s

Source: Clarksons Research, as at 1 Oct 2018
Appendix:
Vessel Speed Optimisation Example

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

<table>
<thead>
<tr>
<th>Bunker Cost / mt</th>
<th>TCE US$/day</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,000</td>
</tr>
<tr>
<td>100</td>
<td>50%</td>
</tr>
<tr>
<td>150</td>
<td>34%</td>
</tr>
<tr>
<td>200</td>
<td>31%</td>
</tr>
<tr>
<td>250</td>
<td>32%</td>
</tr>
<tr>
<td>300</td>
<td>34%</td>
</tr>
<tr>
<td>350</td>
<td>36%</td>
</tr>
<tr>
<td>400</td>
<td>38%</td>
</tr>
<tr>
<td>450</td>
<td>44%</td>
</tr>
<tr>
<td>500</td>
<td>44%</td>
</tr>
<tr>
<td>550</td>
<td>50%</td>
</tr>
<tr>
<td>600</td>
<td>50%</td>
</tr>
</tbody>
</table>

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

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

Full Practical Speed about 85% MCR (around 13.2 knots)
Minimum Practical about 30% MCR (around 9.2 knots)
### Appendix:
**China Major and Minor Bulk Trade**

#### China Coal Trade

![Graph: China Coal Trade]

#### China Iron Ore Sourcing for Steel Production

![Graph: China Iron Ore Sourcing for Steel Production]

#### 2018 Chinese Minor Bulk Imports

- Increased 5% YOY
- Chinese imports of 6 minor bulks including Logs, Soyabean, Cereals, Fertiliser, Copper Concentrates & Manganese Ore (Excluding bauxite and nickel ore for which data is not yet available)

#### China Steel Export

- [Graph: China Steel Export]

**Source:** Bloomberg, Clarksons Research

---

With you for the long haul
Appendix: Sustainability

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

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

<table>
<thead>
<tr>
<th>Issue size</th>
<th>US$125 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity Date</td>
<td>3 July 2021 (approx. 6 years)</td>
</tr>
<tr>
<td>Investor Put Date and Price</td>
<td>3 July 2019 (approx. 4 years) at par</td>
</tr>
<tr>
<td>Coupon</td>
<td>3.25% p.a. payable semi-annually in arrears on 3 January and 3 July</td>
</tr>
<tr>
<td>Redemption Price</td>
<td>100%</td>
</tr>
<tr>
<td>Initial Conversion Price</td>
<td>HK$4.08 (current conversion price: HK$3.03 with effect from 9 Aug 2018)</td>
</tr>
<tr>
<td>Intended Use of Proceeds</td>
<td>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</td>
</tr>
</tbody>
</table>

### Conversion/redemption Timeline

- **PB’s call option to redeem all bonds**
  - Trading price for 30 consecutive days > 130% conversion price in effect

- **Bondholders can convert all or some of their CB into shares**

- **Closing Date**: 8 Jun 2015, 19 Jul 2015
- **Maturity**: 3 Jul 2021, 23 Jun 2021

- **Bondholders’ put option to redeem bonds**

---

*With you for the long haul*