Strategy and Market Update
Our Increased Focus on Dry Bulk

Early 2012

Four business units

- Strong platform but only about 25% of our fleet was owned
- Minor player with no competitive advantage

- US$1.6 billion of long-term assets
  - G&A: US$77 million

2015

Fully dry bulk focused

- World's largest Handysize owner & operator
- >40% of our fleet is owned

- US$2 billion of long-term assets including newbuildings
  - G&A: US$57 million

- 81 Dry Bulk Ships in operation
- 17 Newbuildings
- ME Towage
- Terminals, etc
- RoRo
- Dry Bulk Ships

As in Interim Results

With you for the long haul
Experienced Management - Team

Chairman & BOD
Mats Berglund 3/29

CEO
Mats Berglund 3/29

Finance & Accounting, CFO
Andrew Broomhead 12/12

Company Secretary & Risk
Kitty Mok 19/19

Asset Management
Morten Ingebrigtsen 26/29

HR
P.B. Subbiah 12/21

Chartering
Pacific & Global Handysize
Surinder Brrar 8/30

Chartering
Atlantic & Global Handymax
Kristian Helt 13/15

Commercial Operation
Suresh Prabhakar 15/39

Technical & Crewing, CTO
Charlie Kocherta 15/37

Numbers Indicate Years in Company / Years in Shipping
Handysize Vessel Values

Handysize vessel values at historical lows

- Second hand values substantially flat in recent months

Source: Clarksons Platou
Dry Bulk Supply & Demand

- Demand disappointment due primarily to much lower Chinese coal imports

Source: Clarksons Platou
Dry Bulk Supply – Self Correcting Factors

**New Vessel Ordering is Down**

Per quarter annualised in % of fleet (dwt)

<table>
<thead>
<tr>
<th>Year</th>
<th>New Vessel Ordering</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>11%</td>
</tr>
<tr>
<td>2013</td>
<td>24%</td>
</tr>
<tr>
<td>2014</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

**Increased Scapping**

<table>
<thead>
<tr>
<th>Year</th>
<th>Scapping (Mil dwt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>FY14: 16 mil dwt</td>
</tr>
<tr>
<td></td>
<td>Jan - Sep 15: 24 mil dwt</td>
</tr>
</tbody>
</table>

- Handysize scrapping (25,000-39,000 dwt)
- Other dry bulk scrapping

**Fleet Growth is Reducing**

Total Drybulk Year-on-Year Net Fleet Growth (%)

- Expecting net fleet growth for 2015 of about 2.5%

Source: Clarksons Platou
Chinese Minor Bulk Imports

Chinese imports of 7 minor bulks including Logs, Soyabeans, Fertiliser, Bauxite, Nickel, Copper Concentrates & Manganese Ore. These 7 commodities make up over one third of the cargo volumes we carry.

- YTD Chinese imports of minor bulks down 2% yoy but growing since March to lend some support to demand for Handysize and Handymax ships.
  - Chinese imports of Bauxite increased YOY and soybeans and cereal grains are up substantially;
  - Chinese steel exports also increased.

Source: Bloomberg
Beating the Markets
Dry Bulk Market

- Uncertain market situation - Oversupplied global fleet and reduced growth in dry bulk commodity demand – especially coal into China
- Scrapping, NB cancellations & postponements and very little new ordering are helping to mitigate supply growth

Strategy

- Fully focused on our world-leading Handy dry bulk business, now well structured and out of non-core
- Redelivering expiring and long-term chartered-in ships
- Relying more on owned ships, complemented by shorter-term and index-linked chartered ships
- Managing our business for a continued weak market in the medium term, focused on safeguarding our positive EBITDA generation and cash position
- Reduce costs, optimise our teams, fleet and cargo combinations
Cargo Mapping

10 Commercial offices  3 Technical & Crewing offices  Front Haul  Back Haul
Cargo System – Outperforming Market

- Experienced staff & global office network
- Large fleet of high-quality substitutable ships
- Large portfolio of cargo contracts & relationships → Direct end-user interaction
- High laden percentage (<10% ballast legs)
  → **Backhaul cargoes are the interlocking mechanism**
  → **Average premium last 5 years = US$2,380/day**

### Cargo Contract Business Model – Outperforming Market Indices

<table>
<thead>
<tr>
<th>Year</th>
<th>Baltic Handysize Index - net rate</th>
<th>PB Handysize Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$8,070</td>
<td>$5,320</td>
</tr>
<tr>
<td>2012</td>
<td>$9,340</td>
<td>$5,320</td>
</tr>
<tr>
<td>2013</td>
<td>$9,340</td>
<td>$5,320</td>
</tr>
<tr>
<td>2014</td>
<td>$8,070</td>
<td>$5,320</td>
</tr>
<tr>
<td>2015 YTD</td>
<td>$8,070</td>
<td>$5,320</td>
</tr>
</tbody>
</table>
A day in the life of a Chartering Manager – Cargo
Daily work

Calling

Collecting market information

Port information

Calculating
Daily work

Negotiating

Follow up leads to Success.

Team work
A day in the life of a Chartering Manager – Tonnage
Typical would involve the following:

- Read overnight emails including BDI Market and fixture reports.
- Either a call with overseas offices or desk ‘scrum’.
- Circulate market orders or discussion with brokers.
- Assess what comes in and market direction.
- Circulate market information to overseas offices throughout the day.
- COB send out a daily report advising market rumours, what ships are rating, fixtures and market commentary.
- Potentially concluded a fixture….afternoons into evenings is when most fixing actually takes place!!
Pricing / Booking Cargo
Market the Order
Tonnage Lists
Compare tonnage and run P/L
Enter into a firm trade
Fix on subjects / nominate to head charterers.
CP details. Lift subs and clean fix.

Booking Ships.....
The Chartering In Process

2015 Analyst Day
With you for the long haul
Bunker Derivatives Mark-to-Market Accounting Treatment
Our hedging policy

- We HEDGE bunker exposure on ALL firm fixed-rate forward cargoes and Contracts of Affreightment (COAs)
- Any cargo loading >2 months from the date of fixing
- Assumptions considered based on:
  - Intended physical bunker port;
  - Ship’s deviation;
  - Speed; and
  - Bunker delivery cost
Why hedge accounting doesn’t qualify

- Accounting standards require very high correlation between the derivative and the physical commodity at execution date
  - Derivative month and voyage start/end dates do not match
  - Location of reference bunker derivative (Singapore, Rotterdam) and physical bunker lifting port do not match
- PB chooses not to use hedge accounting for those that qualify in order to:
  - Avoid confusion over qualifying / non qualifying portion
  - Reduce potential P/L impact of an expected qualify hedge turns out to not meet the hedge criteria
### Physical Bunker Prices

<table>
<thead>
<tr>
<th></th>
<th>Oct-Dec 15</th>
<th>2016</th>
<th>30/Jan/17</th>
<th>30/Sep/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) CoA fixing (30 Sep 15)</td>
<td>$230</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) &amp; (3) In between (YE 15/16)</td>
<td>$330/270</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) CoA execution (30 Jan 17)</td>
<td>$270</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Physical Bunker value

<table>
<thead>
<tr>
<th></th>
<th>(230)</th>
<th>(330)</th>
<th>(270)</th>
<th>(270)</th>
<th>(270)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in value</td>
<td>(100)</td>
<td></td>
<td>60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B/S</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>(270)</td>
<td></td>
<td></td>
<td>(270)</td>
<td>(270)</td>
</tr>
<tr>
<td>P/L Reserve (earnings) / loss</td>
<td>270</td>
<td></td>
<td></td>
<td>270</td>
<td>270</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P/L</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voyage results before underlying profits</td>
<td>(270)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

|                           |       |       |       |       |       |

2015 Analyst Day
What happens to bunker derivative during its life

<table>
<thead>
<tr>
<th>Bunker Derivative Values</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>CoA fixing (30 Sep 15)</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) &amp; (3)</td>
<td>In between (YE 15/16)</td>
<td>$100/40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4)</td>
<td>CoA execution (30 Jan 17)</td>
<td>$40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Bunker swap

<table>
<thead>
<tr>
<th>Fix CoA</th>
<th>YE 2015</th>
<th>YE 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/Sep/15 value</td>
<td>Change</td>
<td>Balance</td>
</tr>
<tr>
<td>Oct-Dec 15</td>
<td>(230)</td>
<td>(330)</td>
</tr>
<tr>
<td>Change in bunker value</td>
<td>-</td>
<td>(100)</td>
</tr>
<tr>
<td>Bunker swap value</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Change in derivative value</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

### B/S

<table>
<thead>
<tr>
<th>30/Jan/17</th>
<th>30/Jan/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eliminate previous M2M settlement</td>
<td>Cash settlement</td>
</tr>
</tbody>
</table>

### P/L

<table>
<thead>
<tr>
<th>30/Jan/17</th>
<th>30/Jan/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eliminate previous M2M balance due to settlement of hedge, nothing to do with change in bunker value</td>
<td></td>
</tr>
</tbody>
</table>

#### Cash received from bunker swap counter-party

- **A**: M2M profit for increase in market value of original hedge goes to B/S & P/L
- **B**: M2M loss for decrease in market value of hedge goes to B/S
- **C**: Eliminate previous M2M balance due to settlement of hedge, nothing to do with change in bunker value
### How our bunker hedge works - summary

#### At Fixing of COA

<table>
<thead>
<tr>
<th>Physical bunker price</th>
<th>$230</th>
</tr>
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<tbody>
<tr>
<td>Bunker derivative</td>
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#### At Execution of COA

<table>
<thead>
<tr>
<th>Physical bunker price</th>
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<tbody>
<tr>
<td>Bunker derivative</td>
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#### Physical bunker

<table>
<thead>
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<th>P/L</th>
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</table>

#### Bunker swap (net effect of A + B + C)

<table>
<thead>
<tr>
<th></th>
<th>B/S</th>
<th>P/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Derivative assets / (liabilities)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>P/L Reserve (earnings) / loss</td>
<td>(40)</td>
<td></td>
</tr>
<tr>
<td>Voyage results before underlying profits</td>
<td>40</td>
<td></td>
</tr>
</tbody>
</table>

#### Net effect of execution

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<th>P/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>(230)</td>
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</tr>
<tr>
<td>Derivative assets / (liabilities)</td>
<td>-</td>
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</tr>
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<td>230</td>
<td></td>
</tr>
<tr>
<td>Voyage results before underlying profits</td>
<td>(230)</td>
<td></td>
</tr>
<tr>
<td>Derivative M2M after underlying profits</td>
<td>-</td>
<td>(230)</td>
</tr>
</tbody>
</table>
## Summary

### 2015 Interim Report: Note to Financial Statement Note 7(e)

**Presentation in the Segment Information:**

<table>
<thead>
<tr>
<th>Presentation in the Segment Information:</th>
<th>Revenue</th>
<th>Bunkers &amp; port disbursements</th>
<th>Cost of services</th>
<th>Other income/Other expenses</th>
<th>Finance costs</th>
<th>General and administration</th>
<th>Profit for the period</th>
</tr>
</thead>
</table>

**Presentation in the Financial Statements:**

- Revenue
- Bunkers & port disbursements
- Cost of services
- Other income/Other expenses
- Finance costs
- General and administration
- Profit for the period

### Table: Net

<table>
<thead>
<tr>
<th>US$ Million</th>
<th>Realised</th>
<th>Unrealised</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward freight agreements</td>
<td>(0.5)</td>
<td>0.2</td>
<td>(0.3)</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Bunker swap contracts</td>
<td>(9.9)</td>
<td>15.7</td>
<td>5.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>(3.6)</td>
<td>0.7</td>
<td>(2.9)</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Forward foreign exchange contracts</td>
<td>–</td>
<td>0.1</td>
<td>0.1</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(14.0)</strong></td>
<td><strong>16.7</strong></td>
<td><strong>2.7</strong></td>
<td><strong>(5.0)</strong></td>
</tr>
</tbody>
</table>

**Six months ended 30 June**

**Notes:**

- **A** Cash settlement of contracts completed in the period
  - Included in segment results
- **B** Contracts to be settled in future periods
- **C** Accounting reversal of earlier period contracts now completed
- **D** Not part of segment results

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**With you for the long haul***

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• We HEDGE only. We do not trade.

• Hedge accounting not available for most derivatives

• M2M creates fluctuation in P/L during the derivative’s life

• M2M fluctuations are non cash

• We disclose M2M movement after Underlying Results

• Actual derivative settlements are included before Underlying Results
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
  - 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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         ir@pacificbasin.com
Tel: +852 2233 7000

- **Company Website - www.pacificbasin.com**
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  - CG, Risk Management and CSR
  - Fleet Profile and Download
  - Investor Relations:
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