Pacific Basin

Annual Results 2020

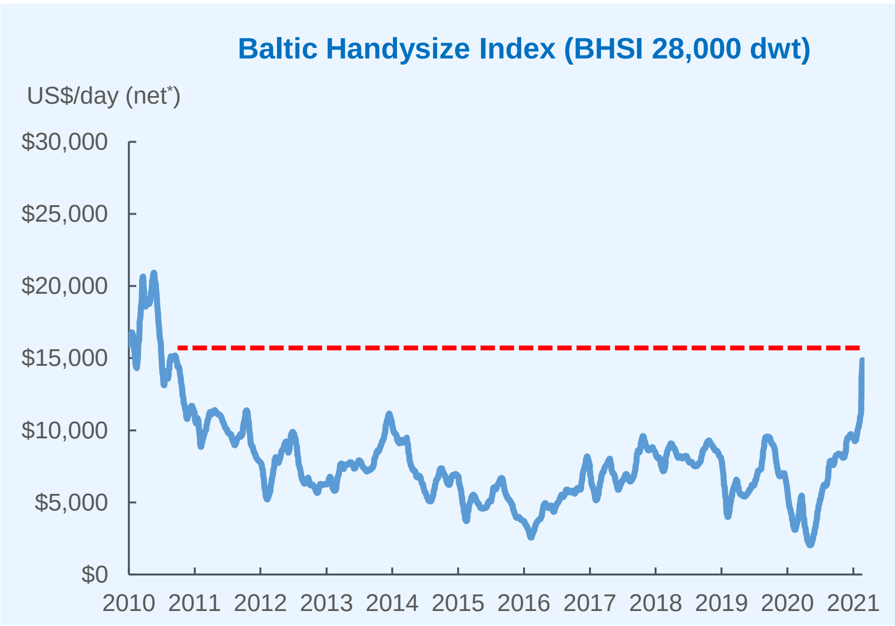
25 Feb 2021

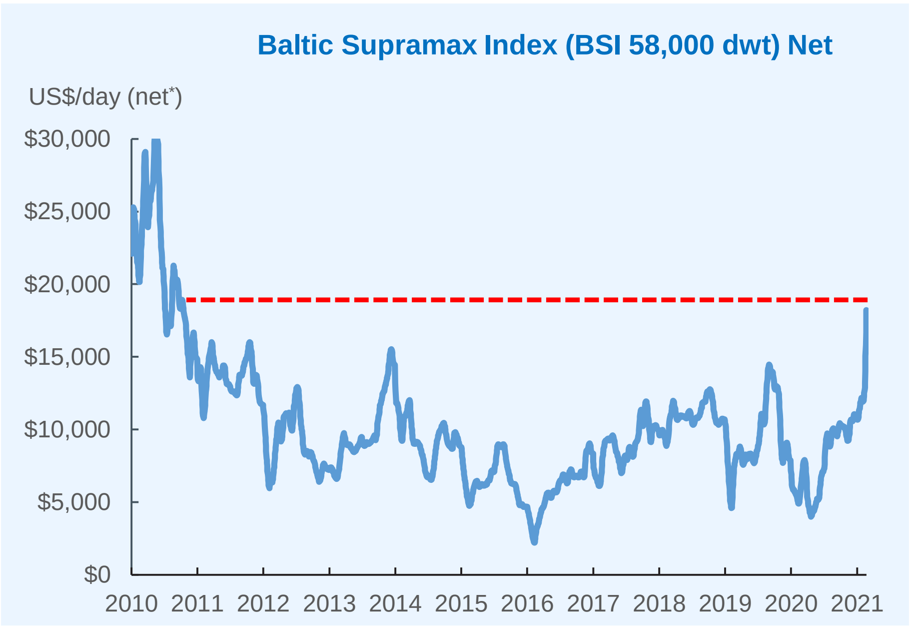
Our Pacific Basin Crew
are our Heroes at Sea

Performance and Market Review

A Remarkable Recovery – Back to 2010 Levels

- 2020 was a year of lows and highs – a very weak first half with second quarter average minor bulk freight rates at a 50-year low impacted by measures to contain the pandemic, and a remarkable demand-driven recovery from May onwards driving spot rates to levels last seen in 2010





- While the recent very sharp increase in spot rates is not expected to continue, it demonstrates that demand and supply is finely balanced and when the current extreme tightness eases, we believe that rates will settle at substantially higher levels than in recent years
- A vaccine and stimulus-powered strengthening of economic activity coupled with reducing fleet growth make us optimistic about the freight market in 2021 and the years ahead!

Source: Baltic Exchange
** Excludes 5% commission*

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2020 was a Year of Two Halves

	US$million	1H20	2H20	2020	2019
P&L	EBITDA	79.2	105.5	**184.7**	230.7
	Underlying (loss) / profit	(26.6)	7.2	**(19.4)**	20.5
	Net profit	(222.4)	14.2	**(208.2)**	25.1

	US$million	1H20	2H20	31 Dec 2020	31 Dec 2019
B/S	Available liquidity	349.5	362.5	**362.5**	382.8
	Net gearing	41%	37%	**37%**	35%

- In 2020 we delivered a positive annual EBITDA of US$184.7 million and an annual underlying loss of US$19.4 million
- In the first half of the year our TCE earnings were below break-even resulting in an underlying loss for the period. Net profit was further impacted by a non-cash US$198.2 million impairment of our Handysize fleet, primarily on our smallest and oldest Handysize vessels
- In the second half our TCE earnings recovered resulting in an underlying profit of US$7.2 million for the period.
- We also improved available liquidity to US$362.5 million and net gearing reduced from 41% to 37% compared to our position in June

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Continued Strong Outperformance

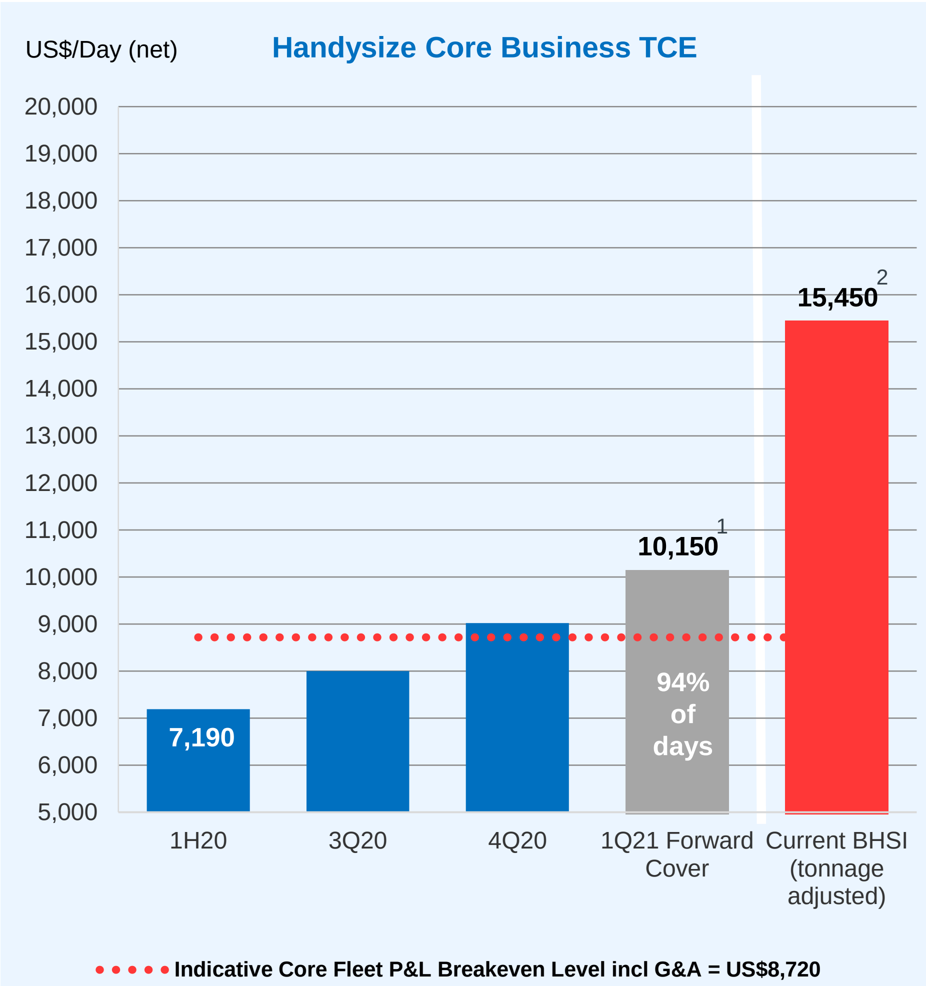
Core Business	PB Outperformance vs Index (per day)	
	Last 5 years* (US$)	2020 (US$)
Handysize	**1,720**	**1,140**
Supramax	**1,490**	**3,360**

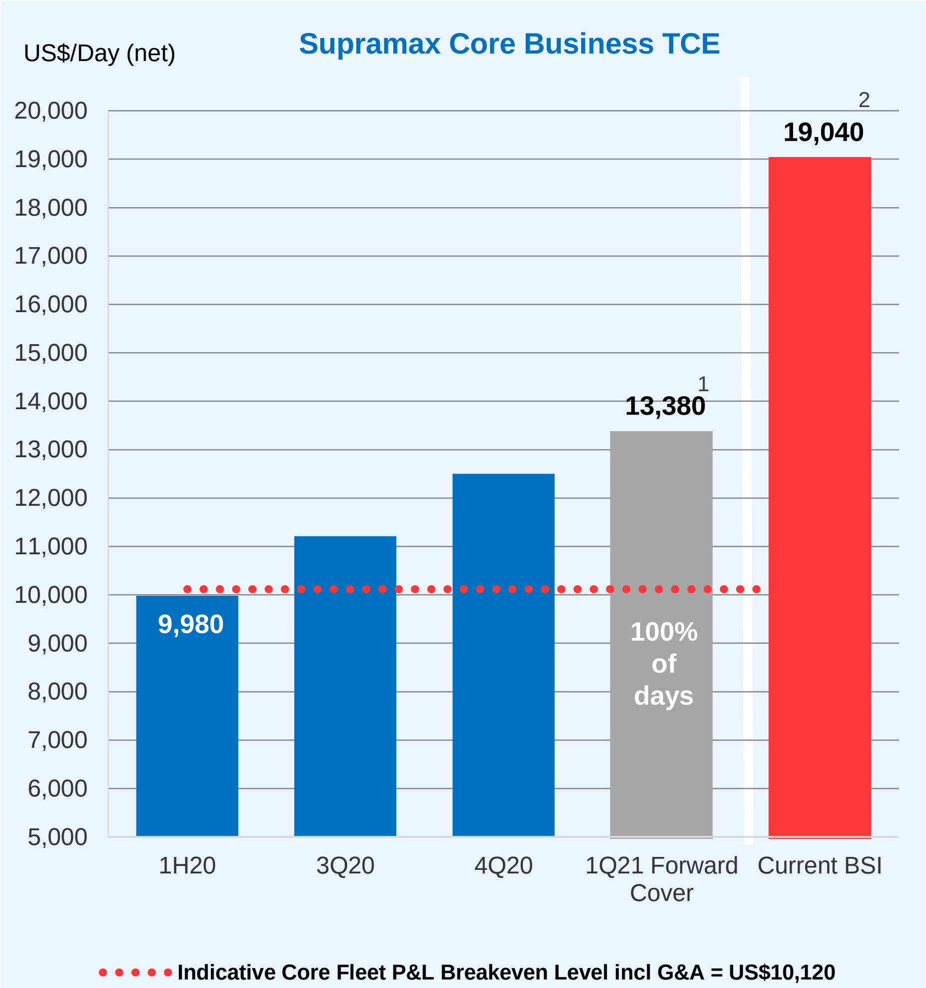
Operating Activity	Last 5 years (US$)	2020 (US$)
Margin (per day)	**650**	**1,080**

** Historical data has not been restated to split 'operating activity' from 'core business'*

- Particularly strong outperformance in Supramax due to (a) significant scrubber benefit early in the year and (b) a relatively stronger Atlantic market where the majority of our Supramaxes trade
- Our performance tends to narrow in a rising market due to (a) existing cargo contracts committed at prior lower levels and (b) the 1-3 month lag between spot market fixtures and execution of voyages

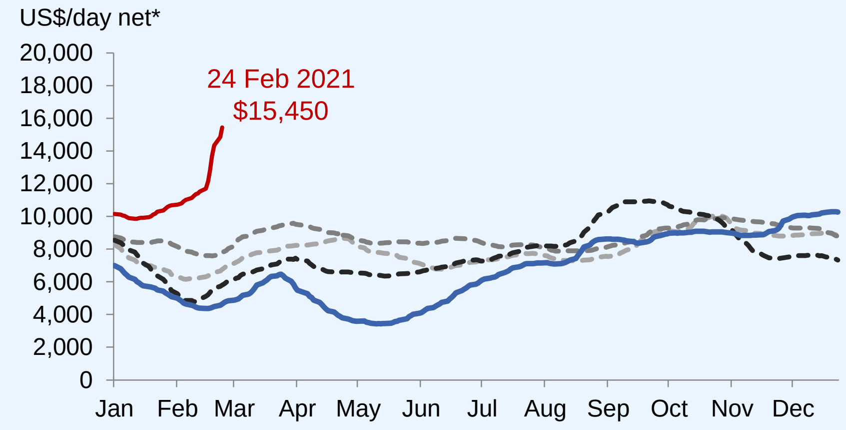
Positive TCE Trend Continues



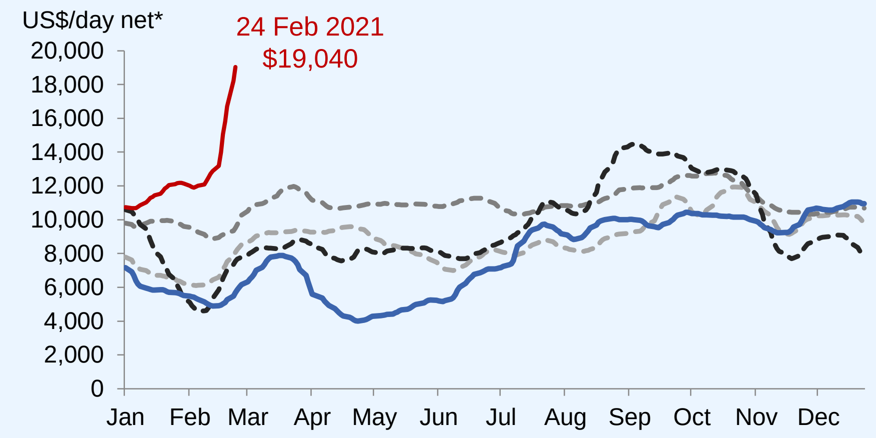


[1] *Indicative 1Q TCE only, voyages are still in progress*
[2] *As at 24 February 2021*

Market Rates at 10-Year Highs



[1] BHSI 38,000 dwt tonnage adjusted



[2] Baltic Supramax Index 58,000 dwt tonnage

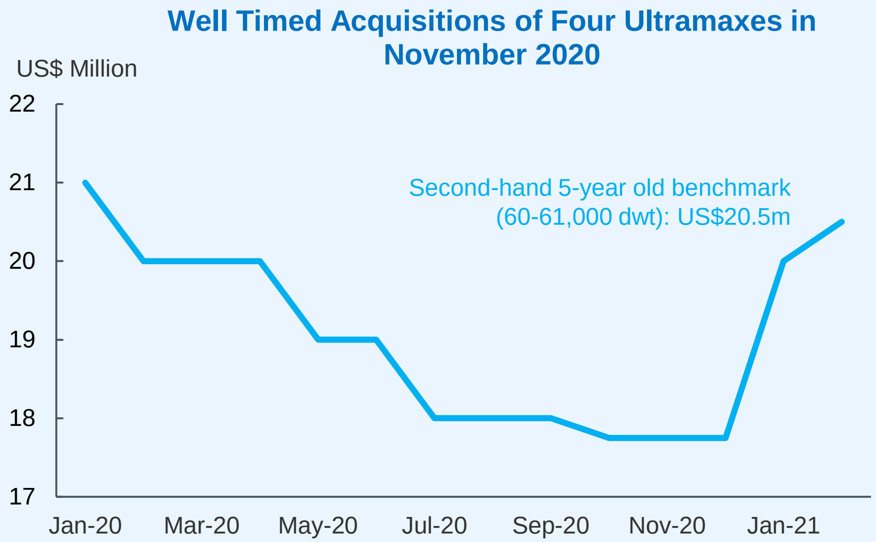
* Excludes 5% commission

Source: Baltic Exchange

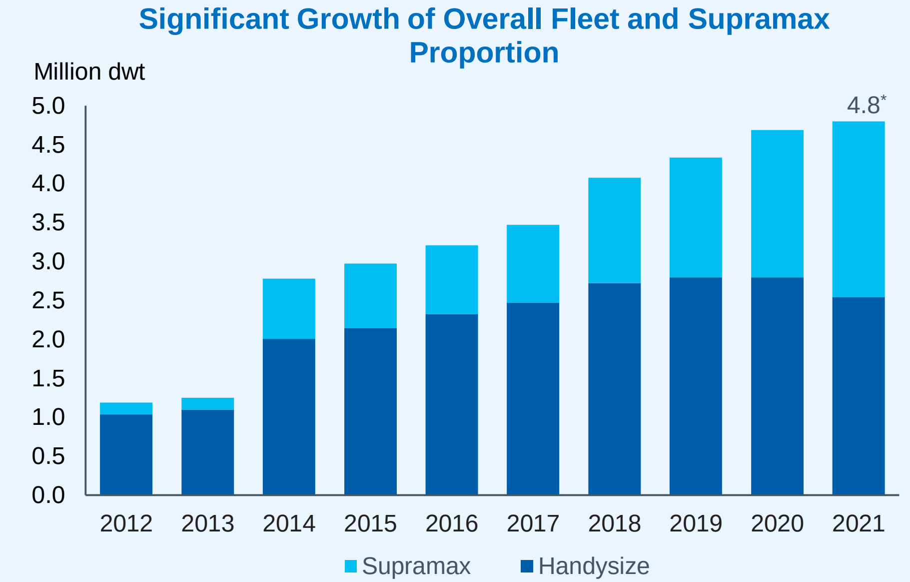
2017 2018 2019 2020

- The dry bulk freight market has staged a remarkable recovery since the pandemic-induced low in May last year
- Handysize and Supramax spot rates today are at 10-year highs
- The recovery is driven by:
  - strong Chinese dry bulk imports which grew 8% YoY overall in spite of the pandemic
  - global shipments of grain grew by more than 8% (not negatively affected by the pandemic)
  - recovering demand for Asian coal (Indian coal in particular) and construction material
  - unlike the fourth quarters of 2018 and 2019 that were negatively impacted by US tariffs and swine fever in China, US grain exports (including to China) were very strong. This has continued into 2021 and is partly why Atlantic rates are significantly above Pacific rates

Significant Leverage from Our Larger Owned Fleet



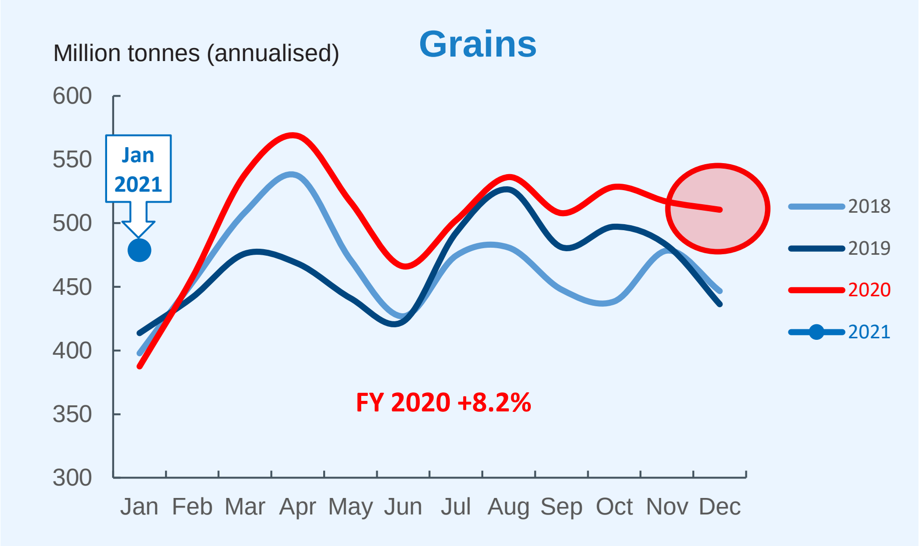
Source: Clarksons Research

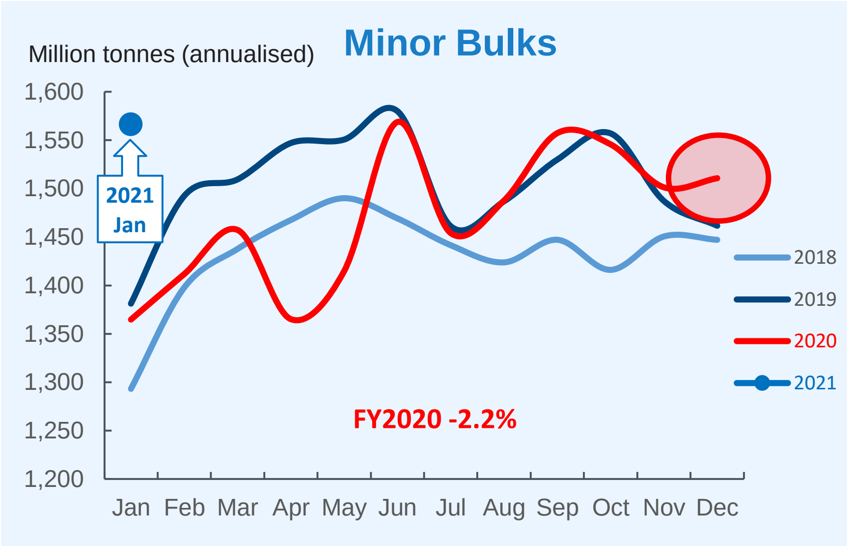


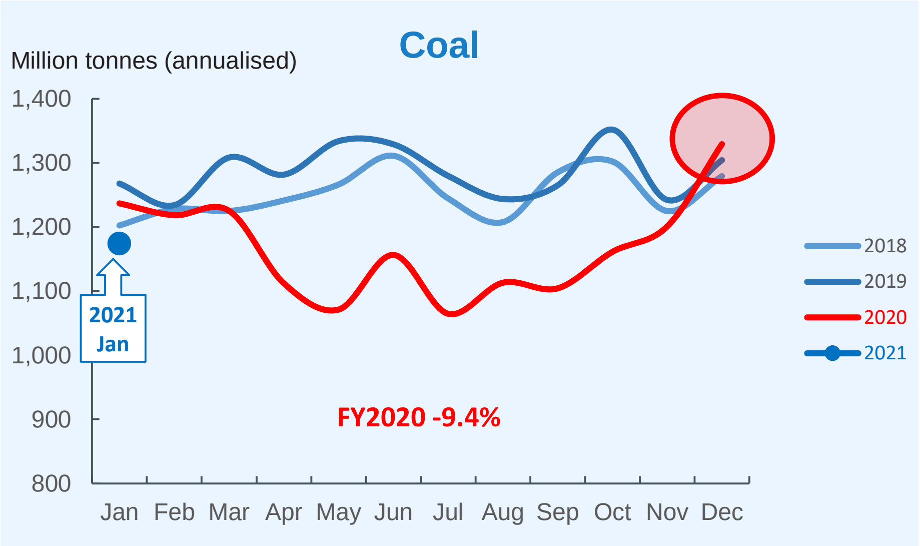
*Including purchased and sold vessels scheduled to deliver in the first half of 2021

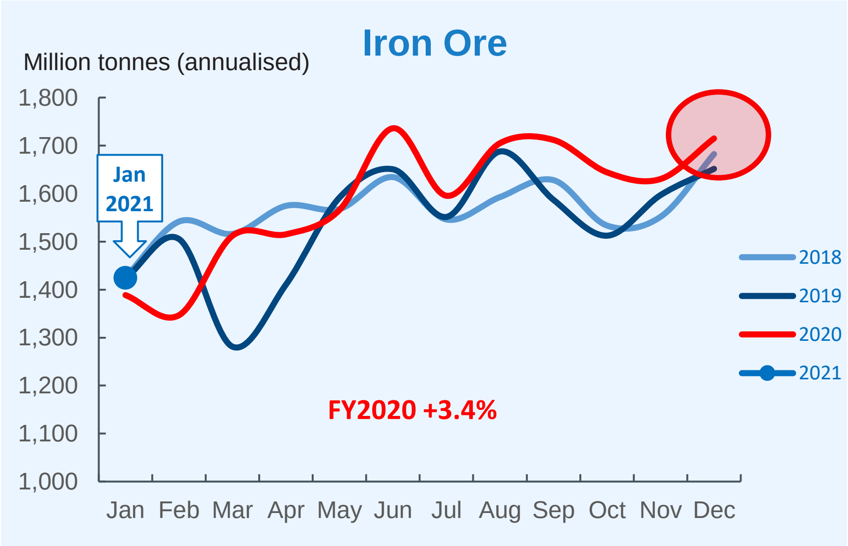
- Pacific Basin has grown its owned fleet significantly in recent years particularly in Supramaxes and Ultramaxes, while continuing to divest older, smaller Handysize vessels
- Supramaxes and Ultramaxes have larger earnings upside in strong markets
- On the back of improving freight rates, asset values have rebounded by 10%-15% since the lows of last year
- The most recent acquisitions of five modern Ultramax ships have been well timed

All Commodity Groups were Up YoY in December
Strong Start to 2021





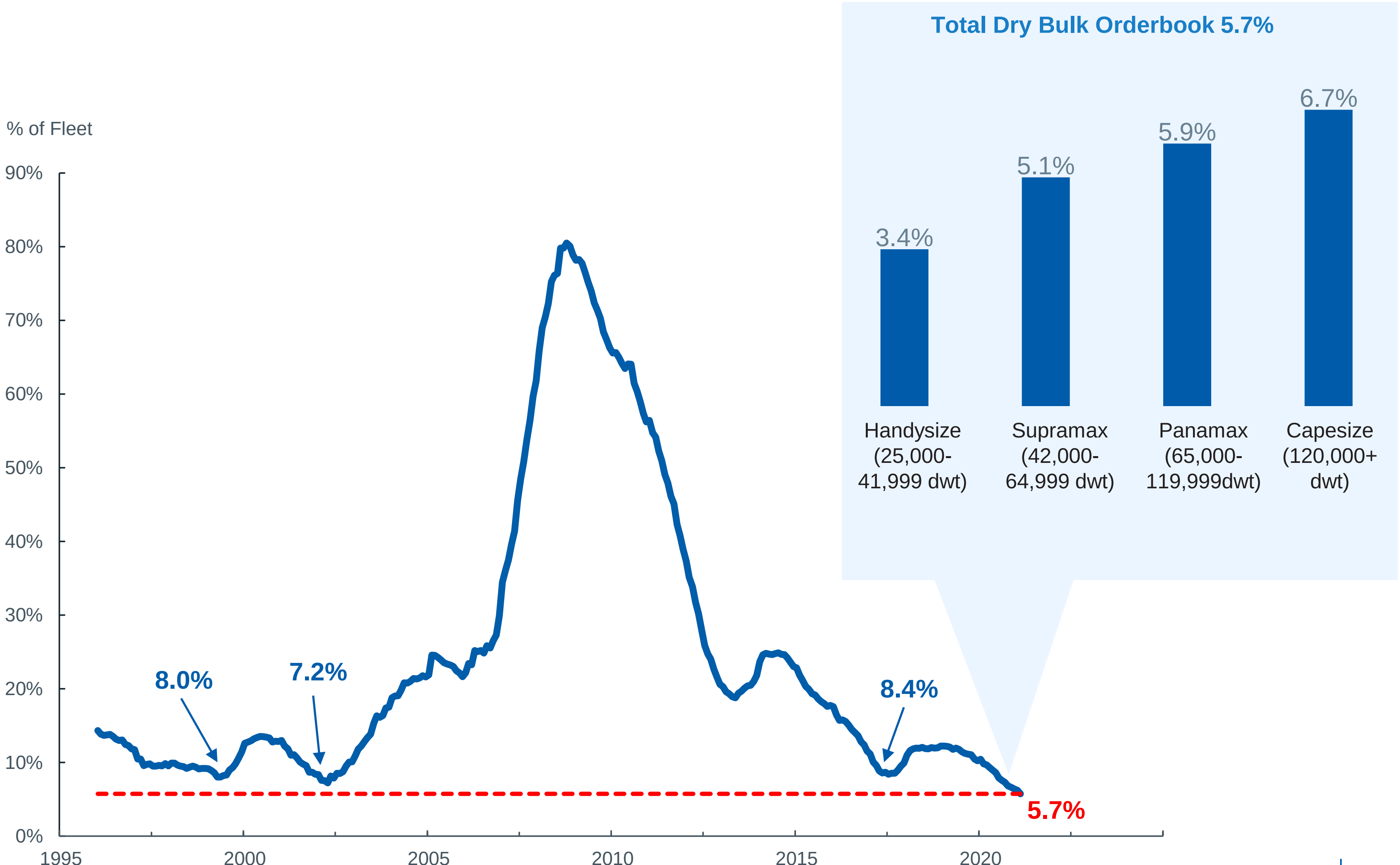




Note: Percentage changes are year-on-year comparisons

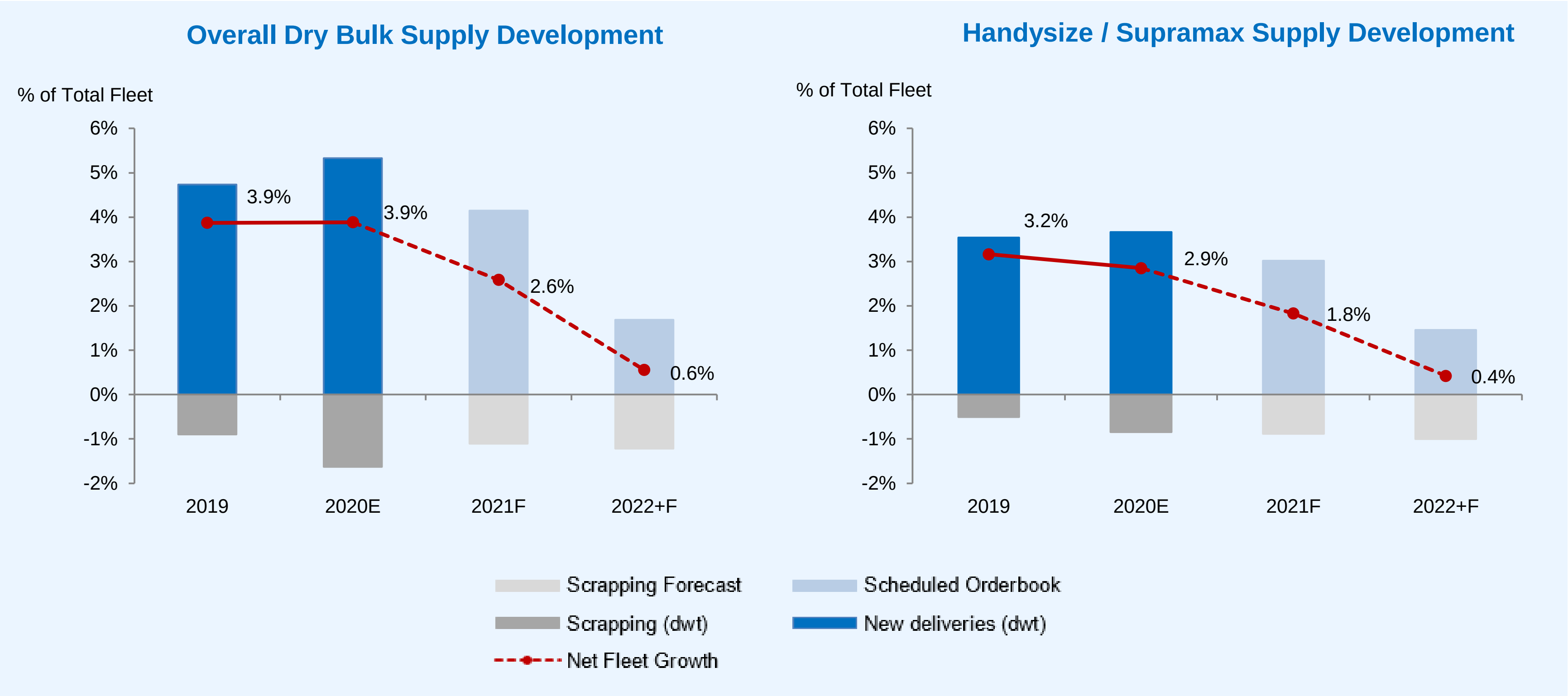
Source: Includes indicative data and material from AXSMarine, all rights reserved
Data subject to revision. Data is in reference to total market dry cargo trade

Dry Bulk Orderbook is at a Multi-Decade Low and is Set to Decline Further



Source: Clarksons Research

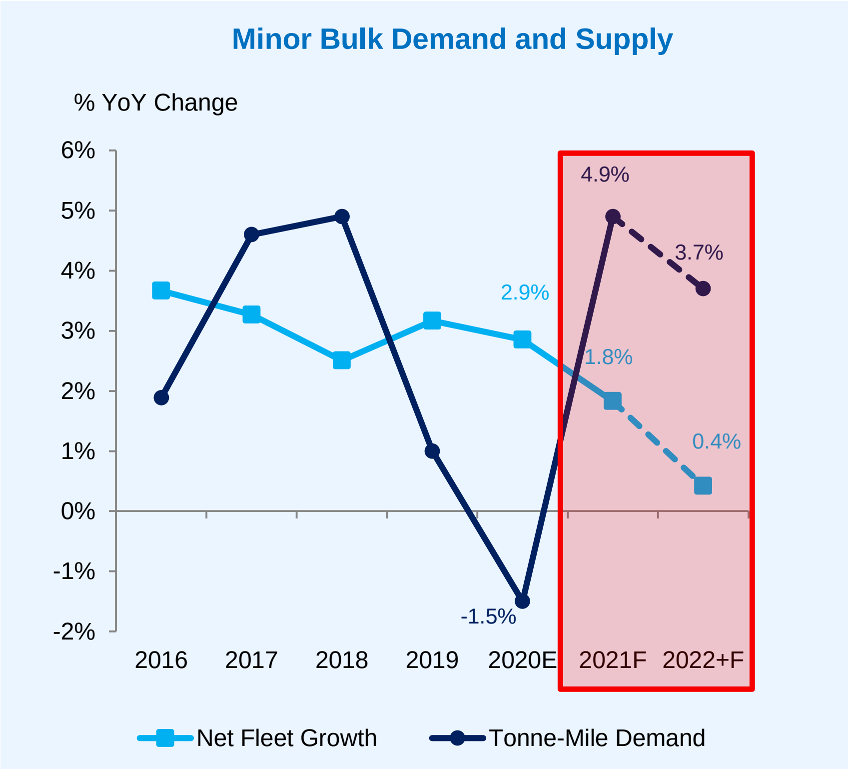
Supply Growth is Expected to Slow

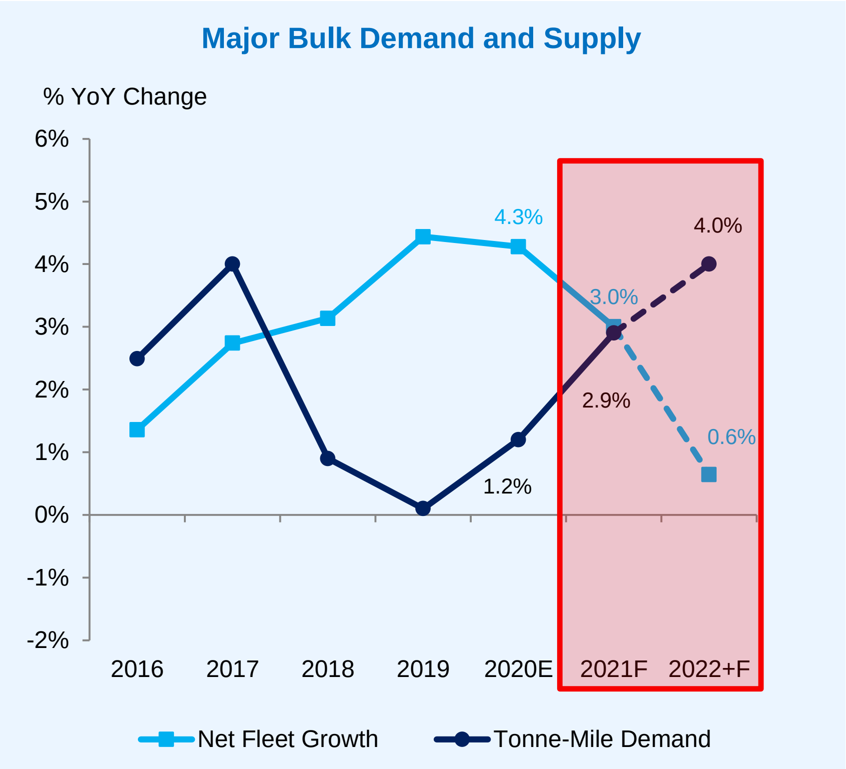


- Supply growth in the first half of 2020 was high, but moderated in the second half
- Scheduled deliveries for 2021 are 30% lower compared to actual 2020 deliveries
- We expect new ordering to remain muted despite higher freight rates due to the price differential between newbuildings and second-hand ships and uncertainty around environmental regulation
- The fleet growth for Handysize and Supramax is lower than for larger vessels

Source: Clarksons Research

Significantly Improving Demand / Supply Balance





- IMF forecasts global GDP growth of 5.5% for 2021, moderating to 4.2% in 2022
- Clarksons Research forecasts minor bulk demand growth of 4.9% and 3.7% in 2021 and 2022, versus supply growth of 1.8% and 0.4% respectively

Source: Clarksons Research

Financial Review

Weak First Half of 2020 and Fleet Impairment Negatively Impacted Our Annual Results

US$m	FY20	FY19
Revenue	**1,470.9**	1,585.9
Voyage expenses	**(702.6)**	(720.2)
Time-charter equivalent ("TCE") earnings	**768.3**	865.7
Owned vessel costs	**(333.3)**	(327.1)
Charter costs	**(392.7)**	(456.0)
Operating performance before overheads	**42.3**	82.6
Adjusted total G&A overheads	**(61.2)**	(61.2)
Taxation & others	**(0.5)**	(0.9)
Underlying (loss)/profit KPI	**(19.4)**	20.5
Derivatives M2M and one-off items	**(188.8)**	4.6
(Loss)/profit attributable to shareholders	**(208.2)**	25.1
EBITDA	**184.7**	230.7

Owned vessel costs

	FY20	FY19
Opex	**(174.6)**	(167.4)
Depreciation	**(125.3)**	(127.5)
Finance	**(33.4)**	(32.2)

Charter costs

	FY20	FY19
Non-capitalised	**(358.8)**	(417.1)
Capitalised	**(33.9)**	(38.9)

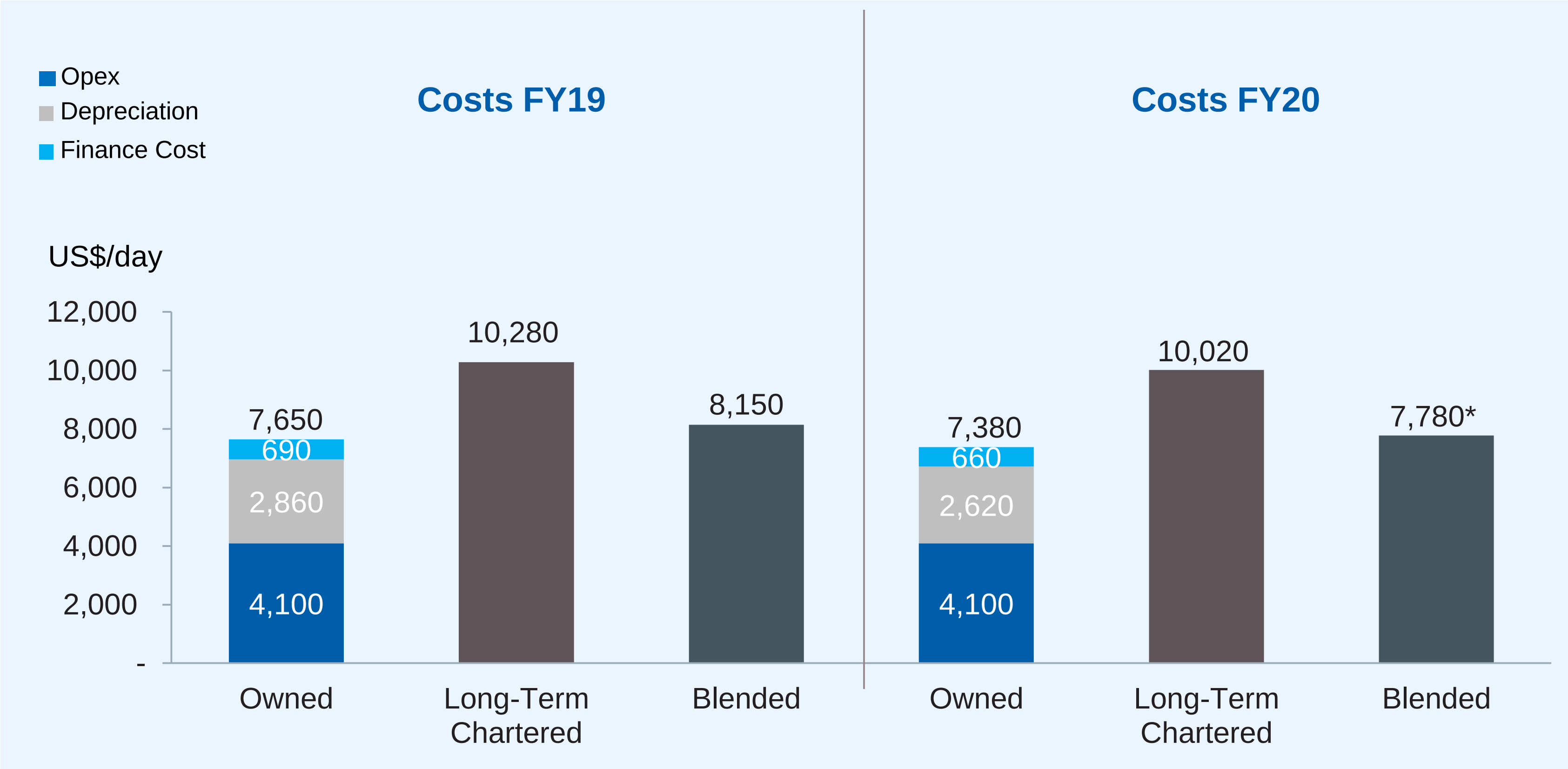
Derivatives M2M and one-off items

	FY20	FY19
Vessel impairment	**(199.6)**	-
Closed-out gains on fuel price hedges	**8.3**	-
Derivative M2M	**4.3**	7.8
Disposal loss of vessels	**(1.8)**	(5.1)
Write-back of provision	**-**	1.9

Supramax Outperformed in 2020

		1H20	2H20	FY20
Handysize contribution	**(US$m)**	(16.0)	12.3	**(3.7)**
Core Revenue days	(days)	16,980	17,140	34,120
Core TCE earnings	(US$/day)	7,190	8,520	7,860
Core Owned + chartered costs	(US$/day)	7,920	7,640	7,780
Supramax contribution	**(US$m)**	5.0	20.0	**25.0**
Core Revenue days	(days)	6,950	7,170	14,120
Core TCE earnings	(US$/day)	9,980	12,260	11,140
Core Owned + chartered costs	(US$/day)	8,960	9,400	9,180
Operating Activity contribution	**(US$m)**	12.5	4.2	**16.7**
Post-Panamax contribution	**(US$m)**	2.1	2.2	**4.3**
Adjusted G&A overheads and tax	**(US$m)**	(30.2)	(31.5)	**(61.7)**
Underlying (loss)/profit	**(US$m)**	(26.6)	7.2	**(19.4)**

Handysize – Costs Well Controlled

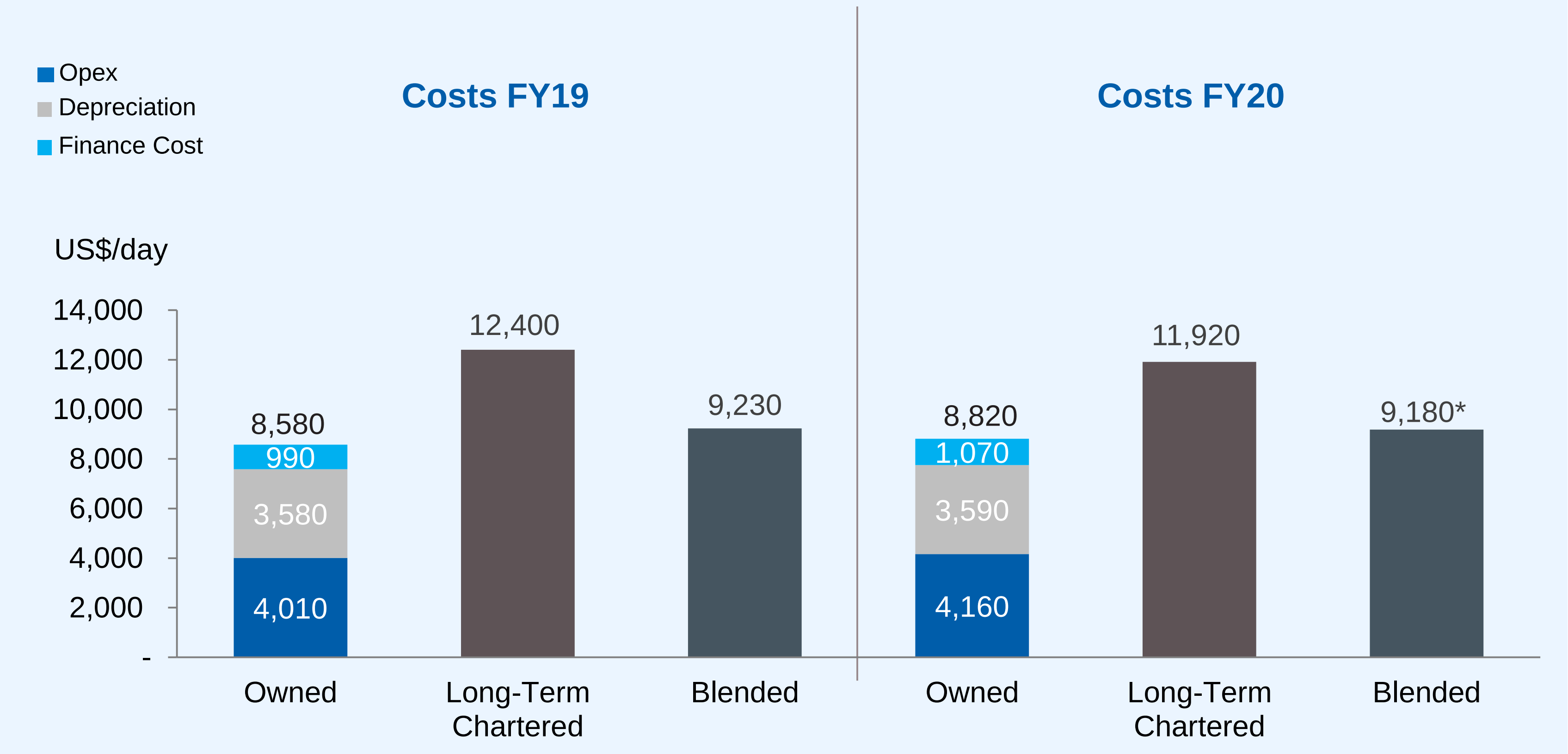


No. of Ships as at 31 Dec 2020:	79	14	93

- G&A per day in 2020 was US$940 for our owned ships and US$520 for our chartered in ships
- Including G&A our core business blended Handysize costs reduced by US$370 per day to US$8,720*

*Indicative Core Fleet P&L Breakeven Level incl G&A = US$7,780 + US$940 (Owned G&A) = US$8,720/day

Supramax – Blended Costs Reducing as LT Charters Redeliver

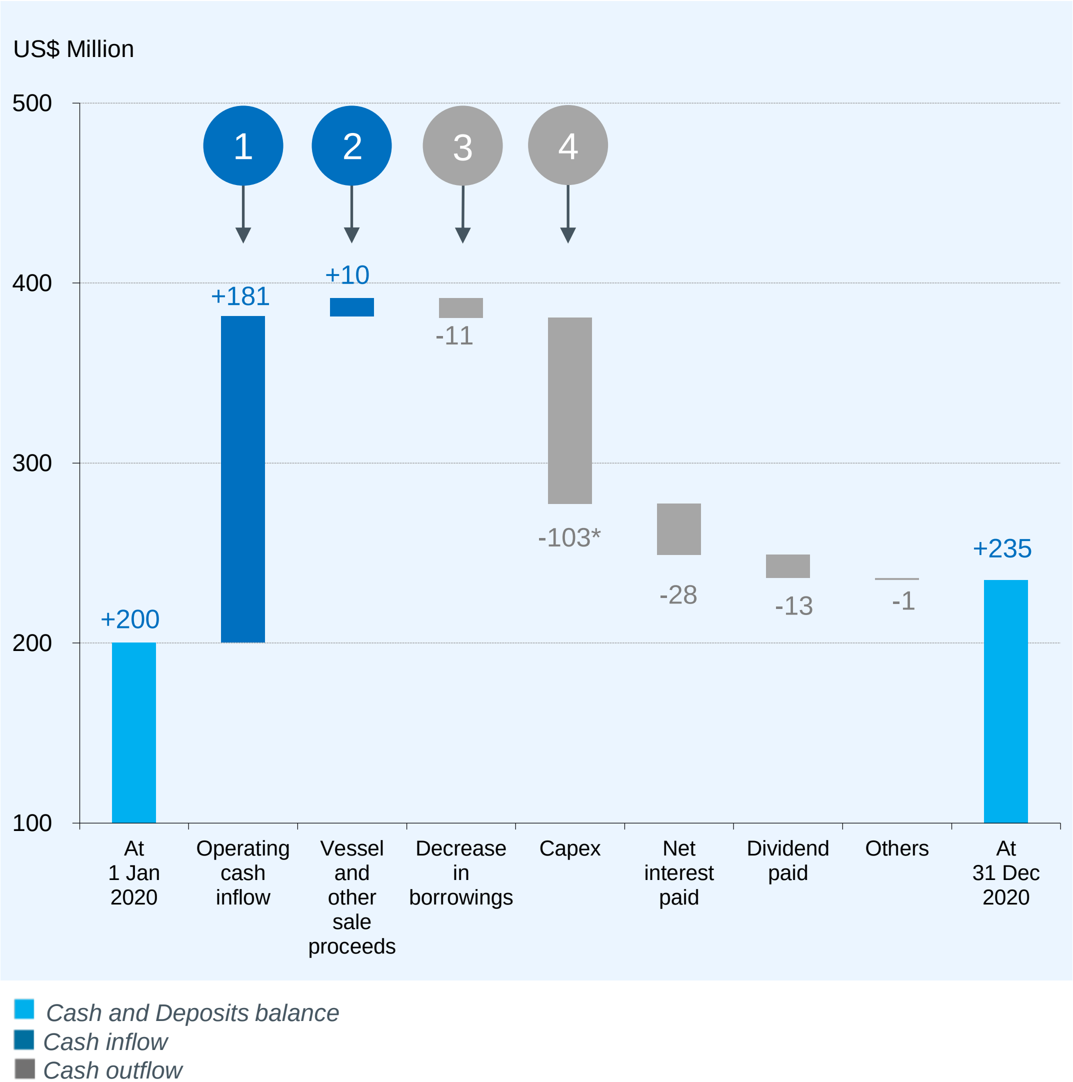


No. of Ships as at 31 Dec 2020:	35	4	39

- G&A per day in 2020 was US$940 for our owned ships and US$520 for our chartered in ships
- Including G&A our core business blended Supramax costs reduced by US$50 per day to US$10,120*

*Indicative Core Fleet P&L Breakeven Level incl G&A = US$9,180 + US$940 (Owned G&A) = US$10,120/day

Cash Inflow and Outflow in 2020



1. Operating cash inflow was US$181.5 million, inclusive of all long and short-term charter hire payments. Despite lower TCE rates, this was higher than the same period last year due to movements in working capital
2. Proceeds from sale of 3 vessels
3. Borrowings decreased due to net repayments of US$177.7 million offset by draw down US$166.2 million on committed facilities
4. Capex was US$103.4 million of which we paid US$38.4 million for acquired vessels and US$65.0 million for dry dockings, scrubbers and BWTS

The information on this slide is presented before the adjustments required by HKFRS16 "Leases"

** Excluding Capex of US$11.9 million funded by the issuance of shares*

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Strong Balance Sheet – Headroom to Grow

Balance Sheet Summary

US$m	2020	2019
Vessels & other fixed assets	**1,665**	1,875
Total assets	**2,190**	2,394
Total borrowings	**864**	863
Total liabilities	**1,125**	1,118
Total Equity	**1,065**	1,276
Net borrowings	**629**	663
Net borrowings to net book value of owned vessels KPI	**37%**	35%
Committed liquidity	**362.5**	382.8

- Vessels & other fixed assets reduced compared to 2019 due to the US$199.6 million impairments of the Handysize fleet
- This resulted in a slight increase in our net borrowings to net book value of owned vessels to 37% compared to 2019 despite reducing net borrowings (although an improvement on the 41% recorded at 30 June 2020)
- During the year we raised a total of US$63.3 million in new secured borrowings from banks and owners and renewed our US$50 million unsecured 364-day facility – all at very competitive cost
- At 31 December 2020 we had US$362.5 million in committed liquidity providing us with ample headroom to continue to grow and renew our fleet after meeting all our committed capital expenditure and scheduled debt amortisation

Strategy and Priorities

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Our Strategic Direction and Priorities

- **Maintain and grow our cargo focus and scale as both a fully integrated owner and operator** – Both asset heavy and asset light
- **Empowered local chartering and operations teams close to customers**
  – With best in class centralised support and systems
- **Continue our Supramax fleet growth and Handysize renewal strategy, acquiring quality secondhand ships and divesting older, smaller vessels**
  – Continue to reduce long-term chartered ships
- **Secondhand vessel acquisitions resumed –** more certainty in market conditions, we are assessing opportunities to acquire second-hand vessels at attractive prices
- **No new ordering of existing technology ships**
  – Due to high prices and low returns, and as new regulations will change ship designs and technology – Wait until low-emission ships become technically and commercially viable
- **We are investing in further optimisation, systems and process improvement** – Both on board and ashore, including fuel and energy savings, automation, software and AIS data
- **Keep building our brand**
  – Long-term thinking, in-house ship management, safety, care and quality in everything we do
- **Keep our balance sheet and liquidity strong**

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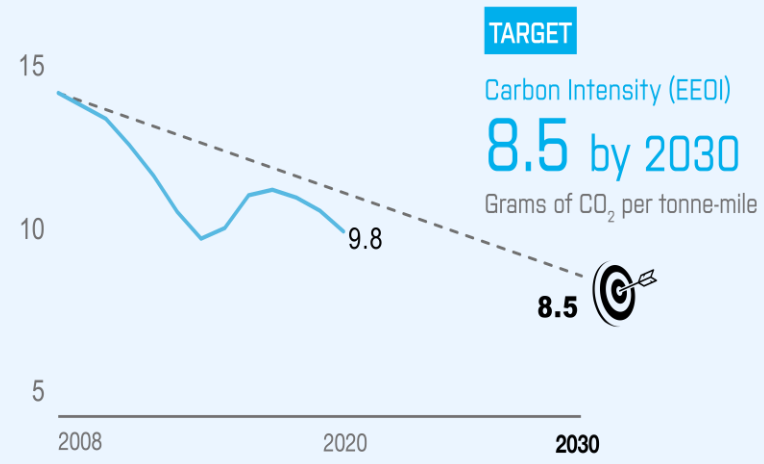
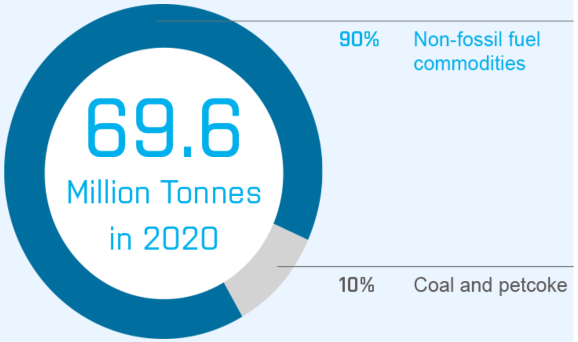
We Are On Track To Meet Our Carbon Intensity Targets



We are Well Placed in a Decarbonising World

As the world decarbonises, Pacific Basin will continue to carry the non-fossil fuel commodities that will be the mainstay of future global seaborne trade



Our Carbon Reduction Measures

- Maintain a high laden-to-ballast ratio (>90%)
- Modernise our fleet by trading up to the best design second hand ships which are younger, larger and more efficient
- Adopt latest energy-efficient operating measures and technologies on our ships
- Support the development of potential zero-carbon fuels and vessels
- Voluntarily offset our emissions with carbon credits

Customers Prefer Freight Partners who Own and Manage their Own Fleets

- We control and drive the technological and operational measures to continually improve our carbon efficiency
- We have better control of safety, labor standards and environmental practices and performance
- Having our own large and interchangeable fleet, crews and in-house technical operations enhances responsiveness and seamless service and support for customers
- Our experienced crews and uniform ships are better prepared and equipped for customers' needs

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We are Well Positioned for the Future

Healthy Demand Outlook

- Vaccine and economic stimulus expected to lead demand recovery
- IMF forecast global growth of 5.5% in 2021
- Clarkson Research expects 4.9% minor bulk demand growth in 2021

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Favourable Supply Fundamentals

- Dry bulk orderbook at 5.7% (lowest in modern time)
- Handy/Supra expected fleet growth of 1.8% in 2021 and lower in 2022
- Environmental regulations discouraging new ordering
- Regulation will lead to speed restrictions

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Pacific Basin Operating Leverage

- Large owned fleet with fixed costs including increasing Supramax proportion means significant leverage
- Competitive costs and track record of TCE outperformance
- Strong balance sheet allowing strategically timed investment

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Earnings sensitivity to rates*

+/- US$1000 daily TCE

+/- US$35-40m in underlying earnings

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

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.

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  - Press releases on business activities
- **Shareholder Meetings and Hotlines**
  - Analysts Day & IR Perception Study
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Contact IR – Peter Budd
E-mail: pbudd@pacificbasin.com
ir@pacificbasin.com
Tel : +852 2233 7032

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