Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 2343)

Press Release

Pacific Basin Announces 2023 Interim Results

We generated a net profit of US$85.3 million and EBITDA of US$189.1 million

The Board has declared an interim dividend of HK6.5 cents per share – represents 51% of our net profit for the period and is consistent with our distribution policy

Optimistic about the future of the dry bulk market despite short-term headwinds

Continue to maintain a healthy financial position with available committed liquidity of US$375.1 million and net gearing of 7%

Continue to grow and renew our fleet to more easily meet tightening environmental regulations

Hong Kong, 31 July 2023 – Pacific Basin Shipping Limited ("Pacific Basin" or the "Company", 2343.HK), one of the world's leading dry bulk shipping companies, today announced the results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2023.

Mr. Martin Fruergaard, CEO of Pacific Basin, said:

"For the first half of 2023, we generated an underlying profit of US$76.2 million, net profit of US$85.3 million and EBITDA of US$189.1 million. This yielded a return on equity of 9% (annualised) with basic EPS of HK12.9 cents.

Financial Highlights

US$ Million	Six Months Ended 30 June 2023	2022
Revenue	**1,148.1**	1,722.8
EBITDA #	**189.1**	566.9
Underlying Profit	**76.2**	457.5
Profit Attributable to Shareholders	**85.3**	465.1
Basic Earnings per Share *(HK cents)*	**12.9**	74.5
Interim Dividend per Share *(HK cents)*	**6.5**	52.0

EBITDA (earnings before interest, tax, depreciation and amortisation) is gross profit less indirect general and administrative overheads, excluding: depreciation and amortisation; exchange differences; share-based compensation and unrealised derivative income and expenses.

Global dry bulk demand increased year on year, mainly due to higher coal and iron ore loadings. Coal loadings increased from a low base caused by the Indonesian coal export ban in January 2022 and because of increased demand due to China's energy security concerns. China's post-Covid economic recovery has benefitted iron ore demand. Despite benefits of China reopening, global demand for minor bulks was lower year on year mainly due to decelerating global growth, higher interest rates and ongoing conflict in Ukraine.

Although there was limited supply growth and increased demand overall in the first half, freight rates were under considerable pressure due to the unwinding of congestion that increased effective supply.

Global dry bulk loading volumes grew approximately 2% year on year supported by China reopening which increased demand for both coal and iron ore. Minor bulk loadings decreased by 0.1% year on year due to reduced loadings of cement and clinker, forest products and alumina, which were down 10%, 3% and 16% year on year respectively. Bauxite loadings increased 8% year on year primarily from Guinea and despite an export ban in Indonesia starting from June 2023. The global dry bulk fleet experienced a modest growth rate of 1.6% net during the first half of the year, despite limited scrapping. This is slightly higher than last year's fleet growth, due to increased scrapping being offset by an increase in newbuilding deliveries during the first half of the year. Effective supply increased during the period through a gradual unwinding of port congestion.

Our large **core business** generated US$96.1 million despite the weak freight market. Our average daily time-charter equivalent (TCE) earnings for Handysize and Supramax vessels were down 51% and 60% year on year to US$13,030 and US$13,700 net per day respectively. In the period we outperformed the average Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) indices by US$4,390 per day and US$3,770 per day respectively. Our **operating activity** contributed US$17.0 million, having generated a margin of US$1,550 net per day over 11,000 operating days.

We continue to maintain a healthy financial position with US$375.1 million of available committed liquidity and have reduced debt while expanding our fleet. Our net borrowings now represent 7% of the net book value of our owned vessels. Additionally, we have increased our list of unencumbered vessels, with 65 currently unmortgaged.

The Board has declared an interim dividend of HK6.5 cents per share, which represents 51% of our net profit for the period. This decision is consistent with our distribution policy and reflects our confidence in our strong balance sheet, despite the current uncertainty surrounding global dry bulk demand and freight rates, which continues to impact our industry.

Fleet Growth Strategy

Our long-term strategy is to grow our owned fleet of Supramax vessels by buying modern, second-hand vessels, and to upgrade our older and less-efficient Handysize vessels with newer and larger ones. This improves our fleet efficiency, longevity and earnings capacity.

During the period we acquired more modern vessels including five Ultramax vessels, one Supramax vessel and one Handysize vessel, while selling two older Handysize vessels to capture value and adapt to stricter environmental regulations.

Our owned fleet deadweight carrying capacity has grown by 6% since early 2021, reaching a current total carrying capacity of 5.3 million deadweight, with 55% of this capacity now comprising Supramax vessels.

Our Fleet

	Vessels in operation			Total	Total Capacity (Million DWT)	Average Age
	Owned	Long-term Chartered	Short-term Chartered[1]		Owned	Owned
Handysize	71	9	47	127	2.4	13
Supramax/ Ultramax[2]	50	9	95	154	2.9	11
Capesize	1	-	-	1	0.1	12
Total	122	18	142	282	5.4	12

As at 30 June 2023

1 Average number of short-term and index-linked vessels operated in June 2023

2 Supramax vessels in excess of 60,000 dwt are generally referred to as Ultramaxes

We currently own 121 quality Handysize and Supramax vessels that are well suited for our customers and trades as we continue to optimise our fleet to more easily meet tightening environmental regulations.

Market Outlook

Global growth continues to decelerate as a result of higher interest rates and inflation. According to the International Monetary Fund, global GDP growth is forecast to slow from 3.5% in 2022 to 3.0% in 2023 which may have a negative impact on the demand for dry bulk commodities.

In the short term we believe that global dry bulk demand will continue to be impacted by higher interest rates, inflation and weaker global economic activity with the potential for a recession in some economies. While China's reopening has helped dry bulk demand, additional stimulus would be needed to boost demand further.

These headwinds will continue to have a negative effect on dry bulk freight rates in the short term and potentially for the remainder of 2023. In the longer term, we remain optimistic about the supportive fundamentals of our industry.

Dry bulk demand is expected to be supported by substantial global infrastructure investment, with a focus on emerging markets such as India and ASEAN countries, as well as concerns over food and energy security worldwide. China's reopening policies are expected to contribute to this demand through various sectors such as manufacturing, infrastructure, property and the green economy.

Our view is that environmental regulations, both existing and upcoming, will deter excessive new vessel orders for some time and support dry bulk rates. We also expect environmental regulations to induce slower speeds and increase the scrapping of inefficient vessels in coming years.

Our large and modern owned fleet of highly versatile Handysize and Supramax vessels, combined with our close customer partnerships, enhanced access to cargo opportunities, and high vessel utilisation, makes us well positioned for the future.

Well Positioned for the Future

We are optimistic about the future of the dry bulk market, and anticipate underlying demand and supply fundamentals will allow us to generate steadier and more sustainable earnings over the long term. We anticipate growth in coal, grain and iron ore demand due to changes in trade flows and emerging market economies, as well as China's post-Covid government policies. Despite weaker economic activity in the United States and Europe, minor bulk activity remains robust due to China's post-Covid economic recovery and global green transition initiatives.

We do not expect significant new dry bulk vessel ordering due to the high cost of newbuildings, uncertainty over new environmental regulations, and the higher interest rate environment. The low orderbook and efforts to reduce carbon intensity will likely lead to lower speeds and increased scrapping in the coming years, potentially creating a shortage of vessels and providing long-term structural undersupply to the market.

We are actively working towards a sustainable future by reducing the carbon intensity of our existing vessels and pursuing complete decarbonisation by 2050. We also strive for ESG to become more fully embedded in our operations, decision making and culture across our business.

We are excited about the future of dry bulk shipping, supported by our modern fleet that can meet the diverse needs of our customers. Our staff operate globally with a local presence, which we utilise to drive insight and knowledge back into our business, so we can deliver the best service and access cargo opportunities. We believe that dry bulk shipping is a vital sector that connects the world and enables global trade."

About Pacific Basin

Pacific Basin Shipping Limited (www.pacificbasin.com) is one of the world's leading owners and operators of modern Handysize and Supramax dry bulk vessels. Enhanced by a world class in-house fleet management team, the Company is committed to sustainable shipping with a keen focus on seafarer safety, health and wellbeing, responsible environmental practice, performance optimisation for best fuel and carbon efficiency, and best-in-class service delivery. The Company operates approximately 282 dry bulk ships of which 122 are owned and the rest chartered. Pacific Basin is listed and headquartered in Hong Kong and provides quality services to over 500 customers, with over 4,200 seafarers and 386 shore-based staff in 14 offices in key locations around the world.

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Unaudited Condensed Consolidated Income Statement

	Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Revenue	**1,148,084**	1,722,828
Cost of services	**(1,067,526)**	(1,234,390)
Gross profit	**80,558**	488,438
Indirect general and administrative overheads	**(3,898)**	(5,661)
Other income and gains	**12,960**	12,856
Other expenses	**-**	(18,612)
Finance income	**8,082**	1,725
Finance costs	**(11,727)**	(12,908)
Profit before taxation	**85,975**	465,838
Tax charges	**(636)**	(710)
Profit attributable to shareholders	**85,339**	465,128
Earnings per share for profit attributable to shareholders (in US cents)		
Basic earnings per share	**1.64**	9.53
Diluted earnings per share	**1.59**	8.79

Unaudited Condensed Consolidated Balance Sheet

	30 Jun 2023 US$'000	31 December 2022 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,896,554**	1,772,168
Right-of-use assets	**71,632**	89,867
Goodwill	**25,256**	25,256
Derivative assets	**5,833**	6,120
Trade and other receivables	**4,215**	5,276
Restricted cash	**53**	52
	2,003,543	1,898,739
Current assets		
Inventories	**129,146**	124,461
Derivative assets	**3,892**	4,421
Trade and other receivables	**158,193**	157,355
Assets held for sale	**6,034**	19,884
Cash and deposits	**214,986**	443,825
	512,251	749,946
Total assets	**2,515,794**	2,648,685
EQUITY		
Capital and reserves attributable to shareholders		
Share capital	**52,411**	52,464
Retained profits	**616,739**	705,625
Other reserves	**1,152,449**	1,149,266
Total equity	**1,821,599**	1,907,355
LIABILITIES		
Non-current liabilities		
Borrowings	**252,620**	280,803
Lease liabilities	**19,385**	33,389
Derivative liabilities	**114**	292
	272,119	314,484
Current liabilities		
Borrowings	**90,553**	97,805
Lease liabilities	**55,327**	59,902
Derivative liabilities	**5,106**	7,268
Trade and other payables	**270,779**	261,870
Taxation payable	**311**	1
	422,076	426,846
Total liabilities	**694,195**	741,330

For more details, please see our 2023 Interim Results Announcement in the Investor section of our website at (www.pacificbasin.com). Our full 2023 Interim Report will be published on or around 16 August 2023.