Pacific Basin Shipping Limited

Press Release

Pacific Basin Shipping Limited Announces 2009 Annual Results

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A solid performance in a challenging environment as dry bulk market improves erratically from an exceptionally weak start to 2009

Hong Kong, 2 March 2010 – Pacific Basin Shipping Limited ("Pacific Basin" or the "Company"; SEHK: 2343), one of the world's leading dry bulk shipping companies, today announced the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

Highlights

	Year Ended 31 December	
US$ million	**2009**	2008
Revenue	**950.5**	1,690.9
Gross Profit	**152.8**	358.6
Profit Attributable to Shareholders	**110.3**	409.1
Basic Earnings per share (HK cents)	**46**	189
Dividend (HK cents)	**23**	76

Group

- **Group profits were US$110 million** (2008: US$409 million) and **return on average equity was 8%** in a better year for dry bulk than expected due to a strong recovery in commodity demand from China
- Results incorporate a net US$25 million write-back of onerous dry bulk contracts for future periods and a US$25 million impairment of our RoRo investment
- **Operating cash flow of US$145 million** (2008: US$459 million)
- **Reduced handysize fleet daily breakeven costs by 35%** and total administrative expenses by 14%
- **Robust balance sheet with US$1,106 million cash** and US$229 million net cash; **fully funded capital commitments** of US$306 million in non-dry bulk vessels and US$151 million in dry bulk vessels
- **Full year dividend of HK 23 cents per share** (2008: HK 76 cents) including a proposed final dividend of HK 15 cents

Divisions

- **Pacific Basin Dry Bulk** made a profit of US$138 million and, through proactive management of cargo book, fleet composition and overhead costs, is well prepared to weather further volatility and expand in scale over the long term
- **PB Energy & Infrastructure Services** comprising mainly PB Towage and Fujairah Bulk Shipping made a profit of US$8.2 million and continues to make good progress despite challenging times
- **PB RoRo's first vessel delivered in September 2009** resulting in a profit of US$0.1 million

Outlook

- **Our dry bulk market outlook** for 2010 improves from negative to neutral in expectation of better, albeit still volatile, demand/supply balance
- **Mixed outlook for energy and infrastructure services** with expectations of marked strengthening in demand for offshore towage but continued sluggish demand for harbour towage
- **RoRo market remains depressed and is expected to see limited short-term improvement** due to fragile European economic recovery. Fundamentals continue to look positive for the long term
- **Ambitions recalibrated and goals set** to significantly expand our dry bulk operations and energy and infrastructure services in the years ahead
- **Pacific Basin Dry Bulk fleet expansion activity revived** from December 2009 with the purchase of 5 ships and long-term charter of a further 3 ships

Commentary

After an unprecedented collapse in 2008, the dry bulk market in 2009 saw an unexpectedly positive though volatile recovery. Handysize spot earnings and the Baltic Dry Index increased approximately fourfold over the year from an extreme low as much improved demand outweighed the effect of record high new ship deliveries. Our strong book of forward cargo cover coming into 2009 offered valuable protection against low freight rates early in the year.

Despite the volatile market, Pacific Basin produced net profits of US$110 million in 2009 (2008: US$409 million) and basic earnings per share of HK 46 cents. The results were after a net US$25 million write-back of onerous dry bulk contracts for future periods and a US$25 million impairment of our RoRo investment.

The Board has recommended a final dividend of HK 15 cents per share bringing the total for 2009 to HK 23 cents per share (2008: HK 76 cents), representing a payout of 51% of profits excluding disposal gains.

We have seen the relatively strong commodity demand continue into 2010 and expect that it will generally keep pace with dry bulk fleet growth in the first half of the year. For the remainder of

2010 and 2011, our dry bulk market view is tempered by caution due mainly to the unpredictable impact of accelerating newbuilding deliveries. Overall, however, our view of the sector for the next one to two years has shifted from negative to neutral. Our outlook for the longer term beyond 2011 is more positive in the expectation that Asia's sustained industrialisation will support continued strong demand growth, and a declining orderbook overhang will lead to a more favourable demand/supply balance. We expect the dry bulk market to continue to be characterised by an increasing dependence on China's growing commodity consumption and the volatility generated by its fluctuating demand for raw material imports.

We continue to maintain our policy of prudently locking in forward cargo cover, which positions us well to weather the volatility ahead and provides a degree of protection if dry bulk shipping demand proves unable to absorb excessive fleet growth. Our handysize and handymax coverage and average daily charter rates as at 22 February 2010 are summarised as follows:

	FY2009	FY2010
Combined Coverage (in terms of handysize-equivalent days)	100%	64%
Handysize	100% (US$14,500)	59% (US$14,290)
Handymax	100% (US$19,490)	81% (US$24,220)

Our other main segments experienced more mixed fortunes.

In 2009, PB Energy & Infrastructure Services (mainly comprising PB Towage and Fujairah Bulk Shipping) made a profit of US$8.2 million which is less than we had hoped for due to a significant weakening in harbour towage activity but relatively robust demand for offshore and other infrastructure services. We anticipate continued challenges in the markets for the division in 2010, although growing demand for offshore and infrastructure activity in Australasia and the Middle East gives reason for optimism.

PB RoRo took delivery of its first of six RoRo newbuildings in September 2009 and has since performed well under charter to the established RoRo operator Norfolk Line resulting in a profit of US$0.1 million for PB RoRo in 2009. The RoRo market, however, continued to languish due to much reduced trade volumes in European waters, but increased freight forwarding activity in Europe in the fourth quarter of 2009 signals possible improvement ahead. Nevertheless, we expect this sector to face continued difficulties in the next two years, and the Group incurred a US$25 million impairment reflecting our concern about the current limited employment potential for unfixed RoRo vessels. Our RoRo team is focused on developing preferred employment opportunities for the remainder of our RoRo ships delivering between September 2010 and December 2011.

As at 28 February 2010, the Group's fleet (including newbuildings) numbered 167 vessels comprising 121 dry bulk ships, 39 tugs and barges, one bunker tanker and six RoRos. Our dry bulk core fleet has an average vessel age of 6.8 years.

Ambition & Outlook:

Measures taken in the first half of 2009 to strengthen our resilience to the challenging market, and efforts in the second half of the year to refine and recalibrate our ambitions have prepared the Company for growth. Planning ahead, we have set ourselves the following key goals for 2010 and beyond:

- Significantly expand our dry bulk fleet subject to price and market developments
- Grow our energy and infrastructure services operations in specialised markets with high entry barriers, focusing on Australasia and the Middle East
- Secure employment for our remaining RoRo newbuildings which deliver in the second half of 2010 and 2011

We believe that the global economy and international trade have begun a slow and gradual recovery supported by strong growth in China and the rest of Asia. We cannot ignore that there is some fragility in the outlook but we see 2010 as a year of opportunity to expand our dry bulk fleet and our energy and infrastructure services business.

Mr. Klaus Nyborg, CEO of Pacific Basin, said: "2009 was not one of our most profitable years, but I am pleased with what we achieved given the extreme weakness with which the year started and the volatility and sluggishness in our sectors. It was an important year for reinforcing our foundations in preparation for our future development plans. Our view of the dry bulk market for the next one to two years has shifted from negative to neutral, and a recalibration of our ambitions late last year has primed the Company for growth as we set out to realise our expansion goals with new investment predominantly directed towards our cornerstone dry bulk business."

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About Pacific Basin

Pacific Basin Shipping Limited (www.pacificbasin.com) is one of the world's leading owners and operators of modern handysize and handymax dry bulk vessels and a global provider of diversified shipping services. The Company is listed and headquartered in Hong Kong, and operates in three main maritime segments under the banners of Pacific Basin Dry Bulk, PB Energy & Infrastructure Services, and PB RoRo. Our fleet (including newbuildings on order) comprises 167 vessels directly servicing blue chip industrial customers. With over 1,700 seafarers and 350 shore-based staff in 20 offices in key locations around the world, Pacific Basin provides a comprehensive quality service to its customers.

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Consolidated Income Statement
For the year ended 31 December 2009

	2009	2008
	US$'000	*US$'000*
Revenue	**950,477**	1,690,948
Direct costs	**(797,681)**	(1,332,351)
Gross profit	**152,796**	358,597
General and administrative expenses	**(12,292)**	(11,787)
Other income	**110,477**	163,921
Other expenses	**(116,280)**	(229,297)
(Losses)/gains on disposal of property, plant and equipment	**(2,522)**	149,818
Finance costs, net	**(27,321)**	(22,125)
Share of profits less losses of jointly controlled entities	**7,246**	3,568
Share of losses of associates	**(103)**	(287)
Profit before taxation	**112,001**	412,408
Taxation	**(1,723)**	(3,618)
Profit for the year	**110,278**	408,790
Attributable to:		
Shareholders	**110,278**	409,119
Minority interests	**-**	(329)
	110,278	408,790
Dividends	**57,222**	170,142
Earnings per share for profit attributable to shareholders		
Basic	**US 5.94 cents**	US 24.29 cents
Diluted	**US 5.93 cents**	US 24.28 cents

Consolidated Balance Sheet
As at 31 December 2009

	2009	2008
	US$'000	*US$'000*
Non-current assets		
Property, plant and equipment	**997,961**	794,622
Investment properties	**2,600**	-
Land use rights	**3,864**	3,035
Goodwill	**25,256**	25,256
Interests in jointly controlled entities	**49,615**	50,806
Investments in associates	**3,249**	2,864
Available-for-sale financial assets	**62,016**	43,454
Derivative assets	**6,879**	23,800
Trade and other receivables	**8,232**	9,517
Restricted bank deposits	**40,084**	4,757
Other non-current assets	**59,887**	56,238
	1,259,643	1,014,349
Current assets		
Inventories	**33,858**	24,291
Derivative assets	**20,336**	55,797
Assets held for sale	**-**	65,891
Trade and other receivables	**90,478**	151,193
Restricted bank deposits	**16,483**	44,108
Cash and deposits	**1,049,095**	974,876
	1,210,250	1,316,156
Current liabilities		
Derivative liabilities	**10,505**	30,917
Trade and other payables	**111,740**	154,691
Current portion of long term borrowings	**54,728**	58,679
Taxation payable	**3,737**	3,553
Provision for onerous contracts	**-**	28,179
	180,710	276,019
Net current assets	**1,029,540**	1,040,137
Total assets less current liabilities	**2,289,183**	2,054,486
Non-current liabilities		
Derivative liabilities	**9,735**	20,898
Long term borrowings	**821,850**	789,133
Provision for onerous contracts	**2,031**	25,753
	833,616	835,784
Net assets	**1,455,567**	1,218,702
Equity		
Capital and reserves attributable to shareholders		
Share capital	**192,708**	174,714
Retained profits	**659,339**	568,648
Other reserves	**603,520**	475,340
Total equity	**1,455,567**	1,218,702