

B Pacific Basin Shipping Limited

Press Release

Pacific Basin Shipping Limited Announces 2010 Annual Results

**Stronger year for our dry bulk business
Not a fully satisfactory year for the Group as a whole
Negative market influences remain as we progress into 2011**

Hong Kong, 1 March 2011 – Pacific Basin Shipping Limited (“Pacific Basin” or the “Company”; SEHK: 2343), 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 year ended 31 December 2010.

Highlights

<i>US\$ million</i>	Year Ended 31 December	
	2010	2009
Revenue	1,268.5	950.5
Underlying Profit	119.8	115.8
Profit Attributable to Shareholders	104.3	110.3
Operating Cash Flow	198.6	145.3
Basic Earnings per share (HK cents)	42	46
Dividend for the full year (HK cents)	21.5	23

Mr. Klaus Nyborg, CEO of Pacific Basin, said:

“2010 was a relatively good year for our dry bulk operation which saw improved handysize earnings and a larger fleet on the water generating sound dry bulk results and significantly stronger operating cash flow. Even so, with continued difficult conditions affecting our other core markets, it was not a fully satisfactory year for the Group overall.

“We have expanded our dry bulk core fleet by 32 ships, 23 of which have yet to deliver mainly from the end of 2012 onwards.

“We anticipate a weaker market this year, but are satisfied that Pacific Basin is in a strong position with substantial buying power remaining on our balance sheet to support further expansion.”

The Company will host a conference call presentation of our Annual Results followed by a Q&A this evening. Participants are requested to call in and register 5-10 minutes prior to the scheduled call time. Details of the conference call are as follows:

Time: 21:00 hours (Hong Kong Time) on Tuesday, 1 March 2011

Dial-in Telephone Number: +852 2888 0377, Conference ID Number: 43519055

* The conference call will be conducted in English

A replay of the conference call will be available at the same dial-in numbers until 14 March 2011, and a webcast of the analyst presentation will be made available on the Company’s website on 2 March 2011.

Group

- **Group profit was US\$104 million** (2009: US\$110 million) in a relatively strong year for our dry bulk operation, although not a fully satisfactory year for the Group overall
- **Underlying profit was US\$120 million** (2009: US\$116 million) before the impact of unrealised non-cash adjustments and the scaling down of two investments
- **Basic earnings per share were HK\$0.42** (2009: HK\$0.46). Return on average equity was 7%
- **Operating cash flow increased strongly to US\$199 million** (2009: US\$145 million)
- **Issued US\$230 million of new 1.75% convertible bonds** in April to refinance the majority of our original 3.3% convertible bonds all of which will have been cancelled during first quarter 2011
- **Balance sheet retains substantial buying power with US\$703 million in cash and deposits** and net borrowings of US\$156 million
- **Fully funded vessel capital commitments** of US\$364 million in dry bulk vessels and US\$47 million in RoRo vessels
- **Full year dividend of HK 21.5 cents per share** (2009: HK 23 cents) including a proposed final dividend of HK 16.5 cents

Fleet

- **Contract cover in place for 56% of our combined handysize and handymax revenue days in 2011.** 47% of our contracted 22,950 handysize revenue days in 2011 are covered at US\$13,340 per day net (at 22 February 2010: 59% of 22,630 days at US\$14,290)
- **Purchased 22 dry bulk vessels and long term chartered another 10** since reviving our fleet expansion activity in December 2009
- **Fleet now numbers 184 vessels** (including newbuildings) comprising 136 dry bulk vessels, 41 tugs and barges, 1 bunker tanker and 6 RoRos

Outlook

- **Handysize dry bulk market in 2011 is expected to be weaker than 2010**, with near term demand recovery being eclipsed by continued newbuilding deliveries. However, we remain encouraged by prospects for the longer term
- **Dry bulk core fleet remains cost competitive** and, from end 2012 onwards, will benefit from newbuildings we contracted in 2010
- **Mixed outlook for energy and infrastructure services** with encouraging signs of improvement in the Australian offshore towage market offset by expected negative contribution from the Middle East
- **Charter market for RoRo vessels is expected to remain depressed** resulting in a loss-making year for PB RoRo, despite ongoing marginal improvement in freight volumes for the sector
- **Our strategic goals remain unchanged** as we seek to expand further our dry bulk fleet and business whilst considering divestment of certain non-core assets

Commentary

Our cornerstone dry bulk business had a relatively strong year in 2010. The market for small bulk carriers benefitted from a good start and, despite a much weaker second half, average handysize spot rates in 2010 increased significantly, once again outperforming other dry bulk segments. Even so, and notwithstanding some encouraging developments in our other core markets, 2010 was not a fully satisfactory year for Pacific Basin overall. Furthermore, many of the negative influences on the dry bulk, energy and infrastructure, and RoRo markets remain present as we progress further into 2011.

Pacific Basin produced net profits of US\$104 million in 2010 (2009: US\$110 million), basic earnings per share of HK\$0.42, and operating cash flow increased strongly to US\$199 million (2009: US\$145 million). Our underlying profit for the year was US\$120 million (2009: US\$116 million) before the impact of unrealised non-cash adjustments and the scaling down of two investments.

The Board has recommended a final dividend of HK 16.5 cents per share bringing the total for 2010 to HK 21.5 cents per share (2009: HK 23 cents), representing a payout of 51% of profits excluding disposal gains.

Pacific Basin Dry Bulk

Pacific Basin Dry Bulk generated a net profit of US\$145 million (2009: US\$138 million) and strongly increased operating cash flow of US\$199 million (2009: US\$157 million) mainly reflecting a 16% increase in our average handysize daily earnings and a larger number of ships operated.

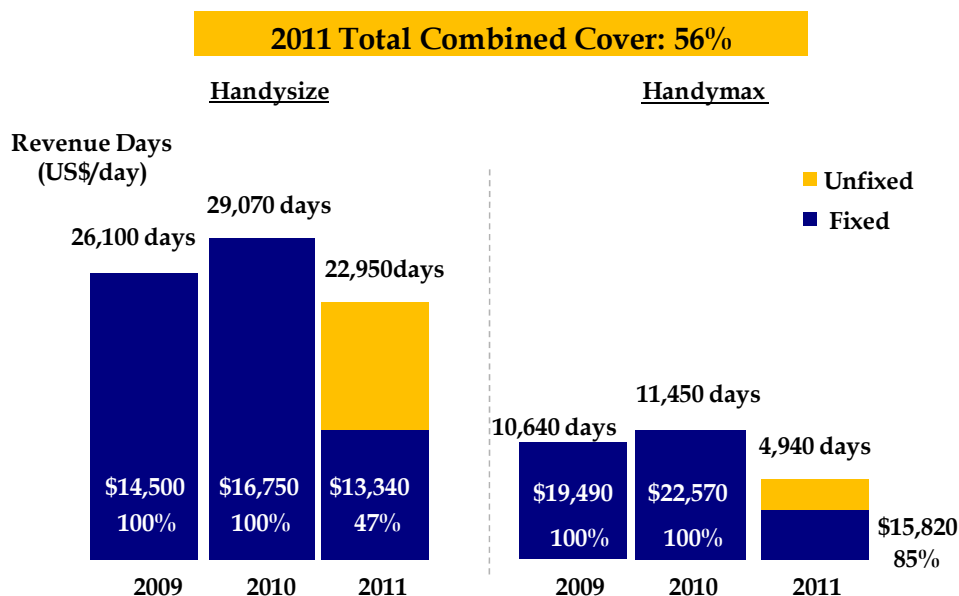
The handysize and handymax bulk carrier markets got off to a good start in the first half of 2010 largely due to strong growth in minor bulk commodity demand from China and other emerging economies generally keeping pace with fleet growth. As we anticipated, rates weakened over the second half, although sliding lower and for longer than we expected following a series of exceptional circumstances. Weakness was initially triggered by seasonally reduced activity in the middle of the year followed by a fall in Chinese commodities imports due to government policy moves related to energy consumption targets, reduced margins for steel producers and a normalisation of inventory management – all at a time of unprecedented dry bulk fleet expansion especially in the larger bulk carrier segments. Even so, looking at 2010 as a whole, handysize and handymax average spot rates increased 45% and 30% respectively year on year.

Our strategic focus remained on the continued expansion of our fleet of handysize and handymax ships at reasonable cost. Since reviving our fleet expansion activity in December 2009, we have purchased 22 vessels and chartered in on a long term basis another ten, of which only eight had delivered and partly contributed to our earnings in 2010. Our new acquisitions included six handysize ships of enhanced, fuel-efficient design and five Supramax ships, all delivering between mid-2012 and the end of 2013.

By mid-2010, ship values had increased strongly to US\$28 million for a benchmark five year old handysize vessel, though they have since fallen to US\$25 million in the wake of the recent freight market slump. Whilst last year's significant increase in asset values has now diminished, we expect the current downward pressure on values to generate interesting vessel acquisition opportunities during 2011.

Our cargo volumes increased 9% in 2010 with significant growth in the carriage of minor bulks and soft commodities offsetting a reduction in coal and ore volumes. Contracts performed as expected with again no counterparty defaults reflecting the strength of our customers and our minimal exposure to long term outward time charters.

As at 17 February 2011, we have secured forward cargo cover as follows:



PB Energy & Infrastructure Services

In 2010, PB Energy & Infrastructure Services made a net profit of US\$5 million as towage and infrastructure services markets in Australia and the Middle East continued to be adversely impacted by difficult conditions following the global economic crisis. The affects of a weak offshore charter market in Australia were compounded by surplus supply of offshore support vessels caused by recent new vessel deliveries. Our FBSL joint venture endured a continued difficult market resulting in the need to scale down the business and make a sizeable impairment of this investment. On a more positive note, PB Towage's Australian offshore logistics operations continued to perform well, and our Australian harbour towage business increased its market share on the back of new contracts and has benefitted from strong commodity exports mainly to China. In 2010, we took delivery of seven harbour tugs and two offshore support tugs, which brings our total PB Towage fleet to 42 vessels, with currently no more to deliver.

PB RoRo

The PB RoRo division generated a net loss of US\$1 million. The RoRo market continued to suffer in 2010 with only slow and fragile recovery in the sector's core European economy proving insufficient to spur RoRo operators to charter additional vessels at a time of relatively significant new ship deliveries. Our first RoRo vessel continued to trade successfully in the North Sea and we took delivery later in the year of two newbuildings. These are now deployed in the new Nafta Gulf Bridge RoRo service between Veracruz and Mobile, a start-up in which we invested in December, which offers shippers of trailers a faster, safer and more reliable route between the Eastern United States and Southern Mexico. Earlier in the year, we expanded our specialist ship management joint venture in the United Kingdom to include a significant commercial management function in order to enhance our RoRo marketing capability. Our remaining three newbuildings are scheduled to deliver over 2011.

Fleet Development

As at 25 February 2011, the Group's fleet (including newbuildings) numbered 184 vessels comprising 136 dry bulk ships, 41 tugs and barges, one bunker tanker and six RoRos. We await the delivery of 23 owned or long term chartered bulk carriers and three RoRos in 2011 to 2014.

Outlook

We expect the market for our dry bulk ships in 2011 will be weaker than in 2010 as positive forces such as recovery from regional export disruptions and increased scrapping are ultimately eclipsed by continued significant newbuilding deliveries during the year. In the shorter term, we anticipate a stronger second quarter due to a recovery in flood-affected Australian and Brazilian exports and the onset of the South American peak grain export season. We expect to benefit from our core fleet's competitive breakeven costs which for 2011 are currently lower than they were last year.

We are encouraged by the improved outlook for PB Towage in 2011 as we anticipate a measurable improvement in the Australian offshore market. However, due to the progress that still needs to be made in harbour towage and expected negative contributions from our Middle East activities, our outlook for PB Energy & Infrastructure Services in 2011 remains less than satisfactory overall. We expect the charter market for RoRo vessels to remain depressed resulting in a loss-making year for PB RoRo, despite ongoing marginal improvement in freight volumes for the sector.

Strategically our focus remains unchanged as we press on with efforts to expand our core dry bulk fleet and equip our business with the tools to support our increased scale and provide the best possible service to our customers. We expect current weakness in the dry bulk freight market will generate interesting opportunities to continue the expansion of our fleet. Following the successful partial sale of our shares in Green Dragon Gas, we will consider further divestment of certain non-core assets in 2011 and beyond.

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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 184 vessels directly servicing blue chip industrial customers. With over 2,100 seafarers and 375 shore-based staff in 21 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 2010

	2010 US\$'000	2009 <i>US\$'000</i>
Revenue	1,268,542	950,477
Direct costs	(1,109,213)	(797,681)
Gross profit	159,329	152,796
General and administrative expenses	(12,945)	(12,292)
Other income and gains	47,176	110,477
Other expenses	(59,189)	(118,802)
Finance costs, net	(31,193)	(27,321)
Share of profits less losses of jointly controlled entities	1,805	7,246
Share of profits less losses of associates	(192)	(103)
Profit before taxation	104,791	112,001
Taxation	(453)	(1,723)
Profit attributable to shareholders	104,338	110,278
Dividends	53,372	57,184
Earnings per share for profit attributable to shareholders		
Basic	US 5.41 cents	US 5.94 cents
Diluted	US 5.41 cents	US 5.93 cents

Consolidated Balance Sheet
As at 31 December 2010

	2010 US\$'000	2009 US\$'000
Non-current assets		
Property, plant and equipment	1,518,632	997,961
Investment properties	2,664	2,600
Land use rights	3,815	3,864
Goodwill	25,256	25,256
Interests in jointly controlled entities	56,125	49,615
Investments in associates	4,098	3,249
Available-for-sale financial assets	74,476	62,016
Derivative assets	1,672	6,879
Trade and other receivables	6,792	8,232
Restricted bank deposits	10,280	40,084
Other non-current assets	-	59,887
	<u>1,703,810</u>	<u>1,259,643</u>
Current assets		
Inventories	39,911	33,858
Derivative assets	7,066	20,336
Trade and other receivables	111,444	90,478
Restricted bank deposits	3,421	16,483
Cash and deposits	689,736	1,049,095
	<u>851,578</u>	<u>1,210,250</u>
Current liabilities		
Derivative liabilities	3,972	10,505
Trade and other payables	127,248	111,740
Current portion of long term borrowings	165,696	54,728
Taxation payable	3,059	3,737
Provision for onerous contracts	2,031	-
	<u>302,006</u>	<u>180,710</u>
Net current assets	<u>549,572</u>	<u>1,029,540</u>
Total assets less current liabilities	<u>2,253,382</u>	<u>2,289,183</u>
Non-current liabilities		
Derivative liabilities	14,721	9,735
Long term borrowings	693,770	821,850
Provision for onerous contracts	-	2,031
	<u>708,491</u>	<u>833,616</u>
Net assets	<u>1,544,891</u>	<u>1,455,567</u>
Equity		
Capital and reserves attributable to shareholders		
Share capital	193,164	192,708
Retained profits	720,809	659,339
Other reserves	630,918	603,520
	<u>1,544,891</u>	<u>1,455,567</u>
Total equity	<u>1,544,891</u>	<u>1,455,567</u>