Pacific Basin Shipping Limited

Press Release
Pacific Basin Announces 2014 Annual Results

Very difficult year for dry bulk shipping due to oversupply and negative demand-side surprises

Results were undermined by significant dry bulk and towage non-cash charges

Our Handy earnings outperformed, driving US$82m positive EBITDA and US$363m cash position

We remain focused on dry bulk Handy segments, most of our towage business is sold

Hong Kong, 26 February 2015 – 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 2014.

RESULTS HIGHLIGHTS

Key Numbers		Year ended 31 December	
		2014	2013
Revenue (relating to continuing operations)	US$ million	**1,718.5**	1,708.8
Underlying (Loss)/Profit		**(55.5)**	15.6
EBITDA *		**82.2**	118.2
(Loss)/Profit Attributed to Shareholders		**(285.0)**	1.5
Basic Earnings per share	HK cents	**(115.8)**	0.6
Proposed final and full year dividend per share	HK cents	**5**	5

Group

- In a very difficult market, our results were influenced by:
  - the impact on revenues of very low dry bulk market rates
  - US$130 million non-cash impairments and provisions reflecting significant changes in dry bulk and bunker fuel markets
  - US$91 million towage-related impairment and business disposal charges
- EBITDA was positive US$82 million
- Robust balance sheet with:
  - US$363 million cash and deposits
  - net gearing of 40%
  - US$350 million of undrawn committed bank facilities
  - US$69 million of towage sale proceeds received in early 2015
- Dry bulk vessel capital commitments of US$385 million

Fleet

- We stopped buying ships in early 2014 and have taken delivery of all 33 secondhand ships that we purchased between late 2012 and early 2014
- These dry bulk ships were acquired at historically low prices and have made a positive cash contribution despite weak market
- We now operate 218 dry bulk ships of which 80 are owned
- We have 18 owned and 14 chartered newbuildings on order
- 56% of our contracted 40,220 Handysize revenue days in 2015 are covered at US$8,880 per day net
- Our towage vessel net book value has reduced to US$41.5 million following sale of harbour towage business
- Remaining two RoRo vessels deliver into buyer's ownership within 2015 generating proceeds of US$60 million

Outlook

- Poor start to 2015 with Baltic Dry Index falling to its lowest since indices began in 1985 and a dysfunctional freight market in some regions
- We expect weak market to continue in 2015 and take a cautious view on freight earnings outlook
- Net fleet growth has reduced, but excessive dry bulk supply is not yet fully absorbed
- Low fuel prices may lead to faster ship speeds thereby potentially further increasing shipping supply
- Demand growth continues to be threatened by softer outlook for China and most developed economies
- We remain focused on Handy segments and are managing our business to deliver positive contributions even in a weak market and to safeguard our strong cash position and EBITDA generation
- Difficult market will present opportunities for companies able to access capital

* EBITDA is calculated as gross profit excluding depreciation of vessels and net unrealised bunker swap contract income and expenses, less general and administrative expenses

Mr. Mats Berglund, CEO of Pacific Basin, said:

"2014 was a very difficult year characterised by an oversupplied dry bulk market, negative demand-side surprises, and the sale of most of our towage interests. Our results were undermined by significant one-off and mainly non-cash accounting charges we had to book due to market-related challenges in both dry bulk and towage. Poor as these results are, it says much about our effective business model and competitive cost base that we remain EBITDA positive in these testing times and able to generate Handysize earnings that outperformed spot market rates by 28%.

With our harbour towage activities now sold, our core business remains firmly focused on the Handysize and Handymax segments and these will receive even more of our attention as our remaining towage business scales down. We remain satisfied with the 51 ships we acquired from late 2012 to early 2014, more than doubling our owned fleet and enhancing our service quality and competitive cost base. While we are currently neither buying nor taking ships on long-term charters, this difficult market will present acquisition opportunities for companies able to access capital."

BUSINESS COMMENTARY

Pacific Basin Dry Bulk

A disappointing segment net loss of US$30 million reflects the impact of weak dry bulk spot market rates in 2014, which fell more than 60% over the year and are currently at their lowest levels since Baltic indices began in 1985.

Dry Bulk net (loss)	US$(30)m
Segment EBITDA	US$94m
Return on net assets	(6)%

Additionally the Group's consolidated results were affected by non-cash accounting charges and provisions of US$130 million comprising:

- a non-cash provision of US$101 million for inward chartered vessel contracts taken at higher rates primarily in 2010; and
- a non-cash unrealised derivative charge of US$29 million relating mainly to the fair value change of bunker fuel hedges following a more than 50% drop in fuel prices.

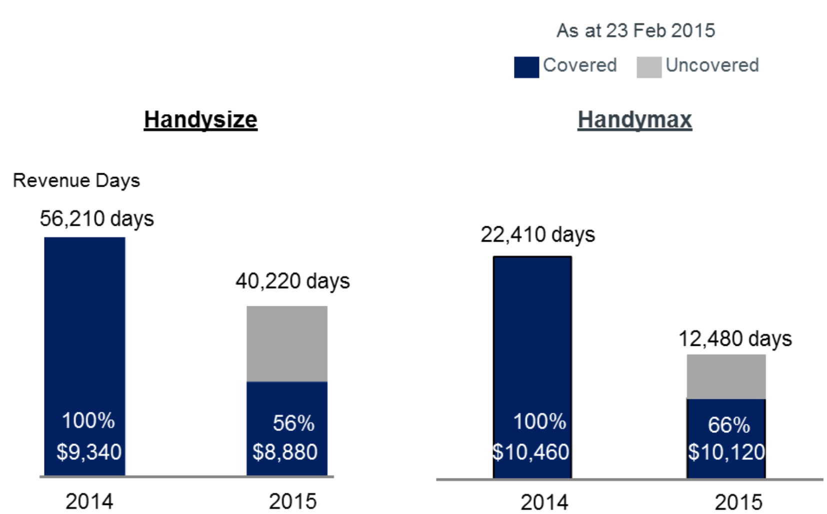
Our positive EBITDA in this challenging market was driven by our ability to generate daily earnings that outperformed the market and by our good control of our owned vessel operating costs.

Our average Handysize daily earnings reduced 2% year on year to US$9,340 per day, beating the market index earnings of US$7,300 by 28% and demonstrating the value of our business model and cargo programme.

Our Handymax earnings of US$10,460 outperformed market rates by 12%. However, Handymax vessels chartered in on a short-term basis at higher cost at the end of 2013 impacted our first half performance, and we incurred losses on long-term chartered ships we took at higher rates primarily in 2010.

We operated an average of 155 Handysize and 62 Handymax ships, resulting in 7% and 9% year-on-year increases in our Handysize and Handymax revenue days respectively.

We have covered 56% and 66% of our Handysize and Handymax revenue days currently contracted for 2015 at average rates of US$8,880 and US$10,120 respectively.



PB Towage

PB Towage net (loss)	US$(15.1)m
Segment EBITDA	US$(6.0)m

The most notable development was the agreement we reached in December to sell our harbour towage business to Smit Lamnalco. The transaction completed successfully in February 2015, generating proceeds equivalent to US$63 million and resulting in a net book loss of US$9.9 million and a non-cash exchange loss of US$9.3 million in our 2014 results. The disposal of the business as a going concern ensured that the staff and crew transferred as an integral part of the transaction and saves us the significant cost of vessel dockings scheduled for this year. In January 2015, we also received proceeds of US$6 million relating to the sale of our interest in OMSA.

The completion of these transactions leaves Pacific Basin with a towage vessel net book value of US$41.5 million. The majority of these assets are now in the Middle East and only a few remain in Australia and New Zealand where they are being marketed for sale. We have downsized our New Zealand and Australian offshore towage organisation accordingly.

Investment and Balance Sheet

We have taken delivery of all 33 secondhand ships that we committed to purchase between late 2012 and early 2014. They have slotted into our cargo systems, are performing well and have made a positive cash contribution despite the weak market.

We currently operate 218 dry bulk ships of which 80 are owned. A further 32 newbuildings (18 owned and 14 chartered) are due to join our core fleet over the next two years.

As at 31 December 2014, we had cash and deposits of US$363 million and net borrowings of US$636 million. Our vessel capital expenditure obligations amounted to US$385 million payable in 2015 to 2017 in respect of our 18 newbuildings ordered at historically attractive prices.

These will be largely financed by the US$350 million, 12-year Japanese export credit agency (“ECA”) loan we secured in April. In December, we drew down an additional US$122 million in conventional ship finance secured against 12 of our dry bulk ships on the water, which we will use to refinance existing loans that mature in the first half of 2015.

Dry Bulk Outlook & Strategy

We take a cautious view on the freight earnings outlook due to the threat of worsening balance of supply and demand.

Dry bulk net fleet growth has reduced to around 5% per year, but demand has recently only been growing at around 4%. Demand growth continues to be impacted by the on-going Indonesian mineral exports ban, reduced Chinese coal imports, a further reduction in Chinese economic growth and the softer growth outlook for most developed economies.

Low fuel prices and, in turn, potentially faster vessel operating speeds threaten to worsen oversupply.

Our core business remains firmly focused on the Handysize and Handymax segments and these will receive even more of our attention as our towage business scales down.

We strive to manage our dry bulk business to deliver profitable contributions even in a weak market, and seek to safeguard the Company’s strong cash position and EBITDA generation.

We are working hard on making our dry bulk platform even more robust. That includes initiatives to reduce our costs and grow our customer relationships which enhance our access to cargoes – in turn facilitating our continued outperformance of the market. Good control of our vessel operating expenses, efficient workflows and minimising administrative costs are especially important in these difficult times. We are implementing new ship management and accounting software to facilitate these objectives.

In Handymax, we will concentrate our fleet and cargo focus on a tighter geographical range to provide a better quality service to our customers, enable better ship-cargo matching and to optimise our front and backhaul combinations to generate better vessel earnings.

While we are currently neither buying nor taking ships on long-term charters, we will continue to supplement our core fleet with low-rate short-term chartered ships, which contribute to our service and our results even in the depressed market.

However, this difficult market will present acquisition and chartering opportunities for companies able to access capital.

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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. The Company is listed and headquartered in Hong Kong, and currently operates in two main maritime sectors under the banners of Pacific Basin Dry Bulk and PB Towage. Our dry bulk fleet (including newbuildings on order) comprises over 250 vessels directly servicing blue chip industrial customers. Following the recent completion of the sale of our harbour towage business, our towage fleet reduced to 20 owned ocean towing and offshore support vessels. Pacific Basin provides a quality service to a wide range of customers, with approximately 3,000 seafarers and 340 shore-based staff in 13 offices in key locations around the world.

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Consolidated Income Statement

For the Year ended 31 December

	2014	2013
Continuing operations	**US$'000**	US$'000
Revenue	**1,718,454**	1,708,792
Cost of services	**(1,758,078)**	(1,653,695)
Gross (loss)/profit	**(39,624)**	55,097
General and administrative expenses	**(9,353)**	(17,558)
Vessel impairment and provision	**(161,301)**	(656)
Other income and gains	**6,209**	8,735
Other expenses	**(32,000)**	(3,719)
Finance income	**10,789**	14,679
Finance costs	**(43,552)**	(52,122)
Share of profits less losses / impairment of joint ventures	**(8,193)**	5,028
Share of profits less losses / impairment of associates	**(1,500)**	1,542
(Loss)/profit before taxation	**(278,525)**	11,026
Taxation	**(1,217)**	(1,168)
(Loss)/profit of the year	**(279,742)**	9,858
Discontinued operations		
Loss for the year	**(5,222)**	(8,335)
(Loss)/profit attributable to shareholders	**(284,964)**	1,523
Dividends	**12,489**	12,490
Basic and diluted earnings per share for (loss)/profit attributable to shareholders (in US cents)		
From continuing operations	**(14.66)**	0.51
From discontinued operations	**(0.27)**	(0.43)
From (loss)/profit attributable to shareholders	**(14.93)**	0.08

Consolidated Balance Sheet

	As at 31 December	
	2014	2013
	US$'000	US$'000
Asset		
Non-current assets		
Property, plant and equipment	**1,584,924**	1,622,297
Investment properties	**2,605**	2,675
Land use rights	**2,894**	2,971
Goodwill	**25,256**	25,256
Interests in jointly ventures	**682**	26,650
Investments in associates	**-**	1,332
Available-for-sale financial assets	**4,126**	4,894
Derivative assets	**46**	13,175
Trade and other receivables	**8,936**	65,975
Restricted bank deposits	**89**	1,269
Other non-current assets	**-**	5,917
	1,629,558	1,772,411
Current assets		
Inventories	**79,524**	104,006
Derivative assets	**3,670**	2,238
Assets held for sale	**5,749**	-
Trade and other receivables	**225,679**	142,374
Restricted bank deposits	**1,605**	1,593
Cash and deposits	**361,731**	483,200
	677,958	733,411
Assets of discontinued operations classified as held for sale	**-**	31,624
	677,958	765,035
Total assets	**2,307,516**	2,537,446
Equity		
Capital and reserves attributable to shareholders		
Share capital	**191,781**	193,237
Retained profits	**231,086**	526,582
Other reserves	**578,879**	584,475
Total equity	**1,001,746**	1,304,294
Liabilities		
Non-current liabilities		
Derivative liabilities	**22,326**	18,779
Long-term borrowings	**820,645**	708,660
Provision for onerous contracts	**79,582**	-
	922,553	727,439
Current liabilities		
Derivative liabilities	**23,524**	4,580
Trade and other payables	**157,698**	166,475
Current portion of long term borrowings	**179,099**	328,565
Taxation payable	**1,572**	1,985
Provision for onerous contracts	**21,324**	656
	383,217	502,261
Liabilities of discontinued operations classified as held for sale	**-**	3,452
	383,217	505,713
Total liabilities	**1,305,770**	1,233,152
Net current assets	**294,741**	259,322
Total assets less current liabilities	**1,924,299**	2,031,733