

Pacific Basin Shipping Limited

Press Release

Pacific Basin Announces 2015 Annual Results

Increased EBITDA to a positive US\$88 million and reduced net loss
Our Handysize earnings outperformed market rates by 54%
Exit from RoRo and most of our Towage business completed
Cash position stood at \$358 million with net gearing at 35%

Hong Kong, 29 February 2016 – Pacific Basin Shipping Limited (“Pacific Basin” or the “Company”; SEHK:2343), one of the world’s leading dry bulk shipping companies, today announced the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2015.

RESULTS HIGHLIGHTS

- **EBITDA increased to a positive US\$88 million**
- Freight rates fell to the lowest since indices began
- **Our Handysize and Supramax daily earnings of US\$7,870 and US\$9,170 outperformed the market indices by 54% and 39% respectively**
- **We turned around our Supramax performance to a positive contribution**
- We reduced our G&A expenses by US\$19 million
- We issued a new US\$125 million convertible bond repayable in 2021
- **Our exit from RoRo and most of our towage business completed in 2015 generating cash of US\$140 million**
- **Our cash position stood at US\$358 million with net gearing at 35%**
- US\$375 million of undrawn loan facilities exceeds US\$274 million of remaining newbuilding capital commitments

US\$ million	2015	2014
EBITDA*	87.7	82.2
Underlying Loss	(27.8)	(55.5)
Loss Attributed to Shareholders	(18.5)	(285.0)
Basin Earnings per share (HK cents)	(7.5)	(115.8)
Proposed Final and Full Year Dividend per share (HK cents)	-	5

* EBITDA (earnings before interest, tax, depreciation and amortisation) is our gross profit less general and administration expenses, depreciation and amortisation, net unrealised bunker swap contract income and expenses and utilised onerous contract provisions

FULLY FOCUSED ON DRY BULK

- We are now fully focused on our market leading “Handy bulk” business where substantially all our long-term assets are invested
- We reduced our owned Handysize and Supramax operating costs to US\$4,210 and US\$4,060 per day
- We are operating more owned ships and redelivering expiring medium and long-term chartered ships to further reduce our daily vessel costs while enabling greater service quality
- We now operate 206 dry bulk ships of which 86 are owned
- 13 owned newbuildings will join our fleet in the next two years
- **We have covered 44% of our 37,080 Handysize revenue days for 2016 at US\$7,800/day net**

CHALLENGING MARKET CONDITIONS

- The market was undermined by continued oversupply and reduced dry bulk demand
- Very low fuel prices drove increased ship operating speeds in the third quarter thus further increasing effective shipping supply and weakening rates
- Current market rates are below industry operating cash costs which is unsustainable, leading to increased scrapping
- We are managing our business for a continued weak market in the medium term with safety and staying power our priority

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

“In 2015, dry bulk shipping suffered its weakest year since records began in 1985, undermined by slowing dry bulk demand and continued oversupply. Despite this challenging environment, we improved our EBITDA to a positive US\$88 million, we halved our underlying loss to US\$28 million, and we significantly reduced our net loss to US\$18.5 million.

Our results benefitted from a significant turnaround in our Supramax performance and Handysize and Supramax earnings that outperformed spot market rates by 54% and 39% respectively. We intensified our efforts to reduce costs, achieving substantially lower charter-in costs and a US\$19 million reduction in our G&A expenses.

Our cash position, track record and transparent reporting makes Pacific Basin a preferred counterparty for our customers to do business with.

With experienced staff and a strong business model, we are well positioned to navigate this weak market and to benefit from a cyclical upturn when it comes.”

BUSINESS COMMENTARY

Our Core Dry Bulk Business

Our average Handysize and Supramax daily earnings of US\$7,870 and US\$9,170 per day outperformed BHSI and BSI spot market indices by 54% and 39% respectively, reflecting the value of our fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes for maximum utilisation.

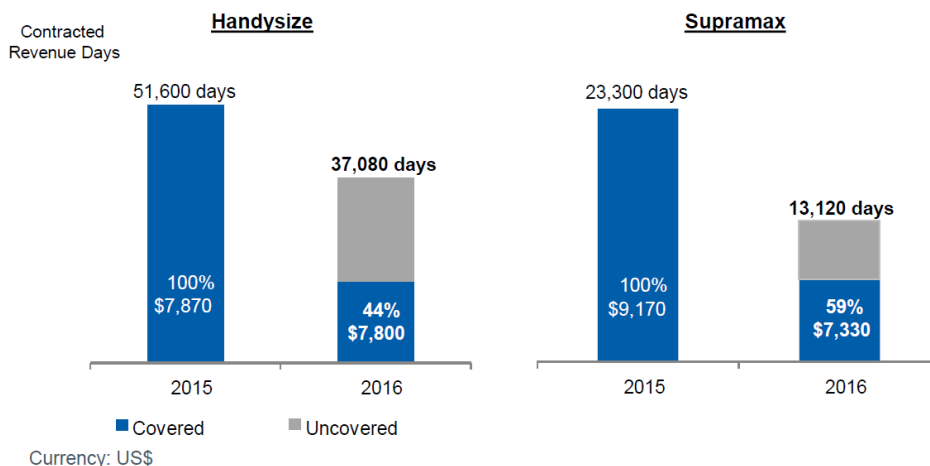
We achieved a significant turnaround in our Supramax performance by focusing on key routes and growing our global parcelling activity to generate a positive US\$22.6 million Supramax contribution (despite the much weaker market) from a US\$14.8 million loss in 2014. Our Supramax business is benefitting in the weak market from its larger proportion of short-term inward chartered ships.

Our Handysize results were under pressure in the weak market resulting in a negative Handysize contribution despite our strong premium.

We operated an average of 143 Handysize and 64 Supramax ships resulting in an 8% reduction and 4% increase in our Handysize and Supramax revenue days respectively. Our Handysize capacity has reduced as we are redelivering expiring medium and long-term chartered vessels to gradually lower our charter-in costs, relying instead on our growing fleet of owned ships and low-cost shorter-term and index-linked charters.

We have covered 44% and 59% of our 37,080 Handysize and 13,120 Supramax revenue days currently contracted for 2016 at US\$7,800 and US\$7,330 per day respectively.

Future Earnings and Cargo Cover



Towage & RoRo

We completed the disposal of most of our towage business in 2015. In December, we sold with forward delivery the two tugs and four barges remaining in Australia. The last chartered-in towage vessels have been redelivered to their owners. Our limited remaining towage activity is now solely situated in the Middle East where we are operating eight tugs and two barges in the oil and gas and construction sectors.

Our consolidated towage operations generated a profit of US\$6.2 million, and our remaining towage assets at 31 December 2015 had a net book value of US\$36 million.

Since the year end, we have agreed to sell two of our Middle East tugs with completion in March at approximately book value and expect to generate cash proceeds of US\$11 million.

Our sixth and final RoRo vessel delivered into Grimaldi's ownership in August generating cash proceeds of around US\$31 million and, as such, our exit from the RoRo sector is complete.

Balance Sheet

Last June we issued a new US\$125 million convertible bond maturing in 2021 to plan for known and expected convertible bond repayments in 2016. During the year we bought back in the open market and cancelled US\$104 million of convertible bonds due 2016. This retirement of part of the Company's convertible debt at a discount to face value has generated a principal repayment and related coupon savings of US\$2.3 million and reduced the outstanding convertible bonds due 2016 to US\$105.6 million.

At 31 December 2015, we had cash and deposits of US\$358 million and net borrowings of US\$568 million. We also have US\$375 million of committed but undrawn loan facilities which exceeds the US\$274 million of remaining payments due on our 13 Japanese newbuildings still to deliver. Our interest cover was 2.2X and we were in compliance with our bank covenants.

Increased Efficiencies

Our increased focus on our core dry bulk business has contributed to a US\$19 million reduction in our G&A expenses compared to 2014 despite growing our owned fleet. We are always looking for smart ways to control and reduce our costs while not compromising on safety, training, care or customer service.

Outlook & Position

Dry bulk indices have posted several record lows in 2016 to date, current market rates below industry operating cash costs are not sustainable, sentiment in the industry is very weak and scrapping levels are increasing. The current six year downturn since Q2 2010 has now lasted longer than the shipping bear markets of the 1970s and 1980s. The inflection point is difficult to forecast and will likely be triggered by a combination of unexpected market factors.

Market conditions are likely to drive some struggling shipowners to sell assets at record low prices, in which case stronger companies with business models that generate positive cash flows even in today's market conditions will be the only ones able to contemplate ship acquisition opportunities – something we will consider.

We are managing our business for a continued weak market in the medium term with safety and staying power our priority. We will not be complacent and it is our nature to always look for ways to refine and improve what we do and how we do it.

Few companies have the ability to outperform index rates the way we can. In this cyclical world of shipping, we expect scrapping and other self-correcting supply-side dynamics to lead to a healthier supply/demand balance in time.

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. As at 29 February 2016, the Company operates 206 dry bulk ships of which 86 are owned and 120 are chartered. A further 13 owned newbuildings are scheduled to join the Company's core fleet over the next two years. Pacific Basin is listed and headquartered in Hong Kong, and provides a quality service to over 400 customers, with approximately 3,000 seafarers and 330 shore-based staff in 12 offices in key locations around the world.

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Consolidated Income Statement

For the Year ended 31 December

	2015 US\$'000	2014 US\$,000
Continuing operations		
Revenue	1,260,291	1,718,454
Cost of services	<u>(1,264,402)</u>	<u>(1,758,078)</u>
Gross loss	(4,111)	(39,624)
General and administrative expenses	(5,954)	(9,353)
Vessel impairment and provision	-	(161,301)
Other income and gains	31,576	6,209
Other expenses	(3,724)	(32,000)
Finance income	4,469	10,789
Finance costs	(39,795)	(43,552)
Share of profits less losses/impairment of investments accounted for using the equity method	178	(9,693)
Loss before taxation	(17,361)	(278,525)
Taxation	(1,179)	(1,217)
Loss for the year	(18,540)	(279,742)
Discontinued operations		
Loss for the year	-	(5,222)
Loss attributable to shareholders	<u>(18,540)</u>	<u>(284,964)</u>
Basic and diluted earnings per share for loss attributable to shareholders (in US cents)		
From continuing operations	(0.97)	(14.66)
From discontinued operations	-	(0.27)
From loss attributable to shareholders	<u>(0.97)</u>	<u>(14.93)</u>

Consolidated Balance Sheet

As at 31 December

	2015 US\$'000	2014 US\$'000
Asset		
Non-current assets		
Property, plant and equipment	1,611,000	1,584,924
Investment properties	2,400	2,605
Land use rights	2,686	2,894
Goodwill	25,256	25,256
Investments accounted for using the equity method	-	682
Available-for-sale financial assets	2,135	4,126
Derivative assets	-	46
Trade and other receivables	5,559	8,936
Restricted bank deposits	58	89
	<u>1,649,094</u>	<u>1,629,558</u>
Current assets		
Inventories	50,785	79,524
Derivative assets	-	3,670
Assets held for sale	-	5,749
Trade and other receivables	87,486	225,679
Restricted bank deposits	-	1,605
Cash and deposits	358,370	361,731
	<u>496,641</u>	<u>677,958</u>
Total assets	<u>2,145,735</u>	<u>2,307,516</u>
Equity		
Capital and reserves attributable to shareholders		
Share capital	194,480	191,781
Retained profits	213,233	231,086
Other reserves	563,225	578,879
Total equity	<u>970,938</u>	<u>1,001,746</u>
Liabilities		
Non-current liabilities		
Derivative liabilities	33,797	22,326
Long-term borrowings	633,226	820,645
Provision for onerous contracts	51,918	79,582
	<u>718,941</u>	<u>922,553</u>
Current liabilities		
Derivative liabilities	16,655	23,524
Trade and other payables	117,364	157,698
Current portion of long term borrowings	292,739	179,099
Taxation payable	1,434	1,572
Provision for onerous contracts	27,664	21,324
	<u>455,856</u>	<u>383,217</u>
Total liabilities	<u>1,174,797</u>	<u>1,305,770</u>