Pacific Basin Shipping Limited

Press Release

Pacific Basin Announces 2017 Interim Results

Improved but still challenging dry bulk market conditions in first half 2017
Our Handysize TCE earnings outperformed rising market rates by 20%
Our EBITDA improved to positive US$57 million
Recommenced secondhand acquisitions

Hong Kong, 28 July 2017 – 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 condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017.

BUSINESS HIGHLIGHTS

GROUP

- Market conditions have improved since last year and we believe the worst of the current dry bulk market cycle is behind us
- We booked a much reduced underlying loss of US$6.7 million and increased positive EBITDA of US$56.6 million
- Our Handysize and Supramax daily TCE earnings outperformed the market indices by 20% and 11% respectively
- We took delivery of our final newbuildings and recommenced secondhand acquisitions
- Our mid-year cash position was US$248 million with net gearing of 40%
- We opened a new commercial office in Rio and relocated our headquarters in Hong Kong to an improved, lower-cost office

	Six Months Ended 30 June	
US$ Million	**2017**	2016
Revenue	**702.9**	488.4
EBITDA #	**56.6**	(5.0)
Underlying loss	**(6.7)**	(61.6)
Loss attributable to shareholders	**(12.0)**	(49.8)
Basic earnings per share *(HK cents)*	**(2.4)**	(14.4)

see interim results announcement for EBITDA definition

FLEET

- Our last seven newbuildings delivered in the first half of the year
- We used the still weak asset values to buy a younger, larger Supramax vessel of better design to one we sold, and we purchased two secondhand Handysize vessels
- Our owned fleet expanded to 101 ships on the water by mid-year, and we operate about 250 dry bulk ships overall
- We continued to exercise good control of our operating expenses
- We have covered 57% of our Handysize and 80% of our Supramax revenue days for second half 2017 at US$8,360 and US$9,830 per day net respectively

Our Fleet (as at 30 June 2017)

	Vessels in operation Owned	Chartered	Total
Handysize	79	73	152
Supramax	21	82	103
Post-Panamax	1	1	2
Total	101	156	257

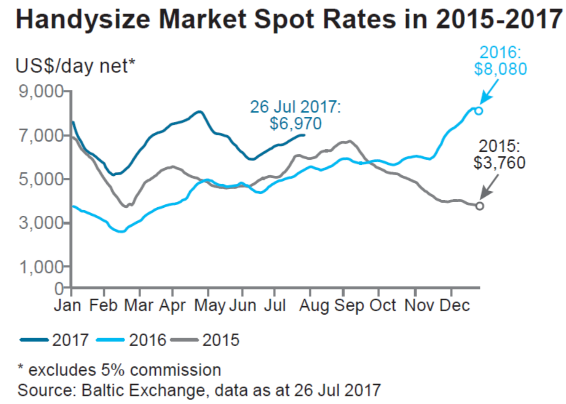
POSITION

- Market freight rates in the first half were significantly above the historic low levels of one year ago, but earnings are still not profitable for most dry bulk shipowners
- The shrinking orderbook bodes well for the long term, but reduced scrapping and continued global fleet growth remain negative factors
- More scrapping and limited ordering are required for a more normal market balance to be sustained
- Our healthy cash and net gearing positions enhance our ability to safely navigate the protracted challenging environment and attract cargo as a strong partner
- We continue to assess attractive ship acquisition opportunities to grow and renew our fleet

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

"Dry bulk freight rates in the first half of 2017 were markedly improved compared to the same period last year, albeit from an historically low base. In this better but still challenging trading environment, we generated a much improved underlying loss of US$6.7 million and EBITDA of US$56.6 million.

We took delivery of the last of our newbuildings and used the still weak asset values to trade up an older Supramax to a younger and better one, and to purchase two secondhand Handysize ships. By mid-year we had 101 owned ships on the water, out of about 250 ships that we operate overall, and we continue to look for attractive opportunities to grow and renew our fleet.



We believe the worst of the current dry bulk market cycle is behind us. However, more time, scrapping and limited ordering are required for a more normal market balance to be sustained.

We have healthy cash and net gearing positions which enhance the corporate profile that sets us apart as a preferred, strong, reliable and safe partner for customers and other stakeholders. We are well positioned for a recovering market."

BUSINESS COMMENTARY

Our Core Dry Bulk Business

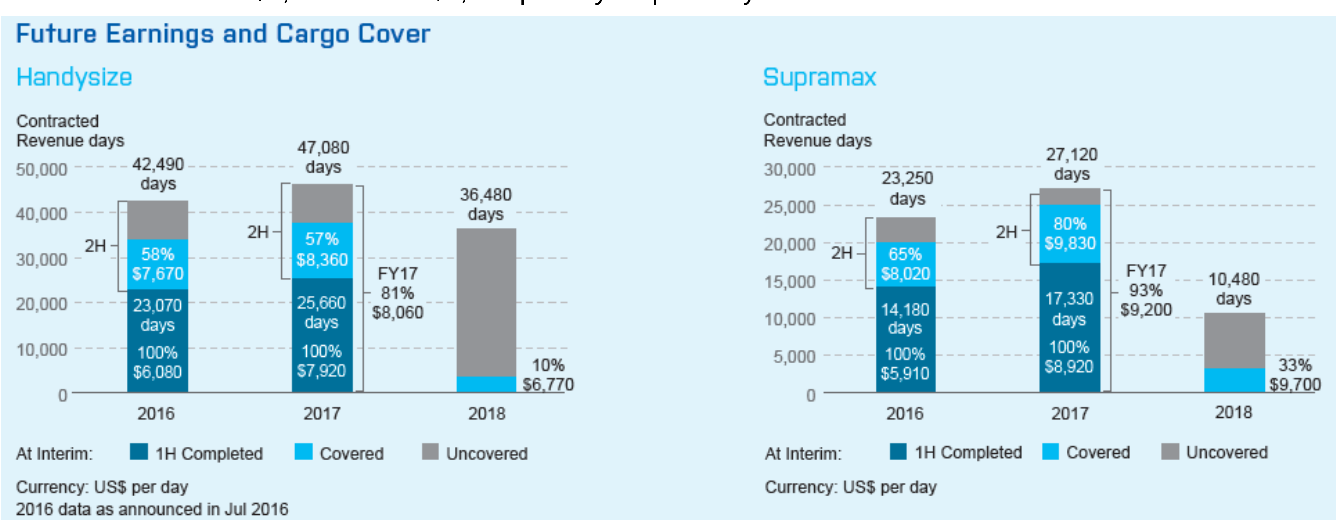
Our Handysize and Supramax contributions (before overheads and tax) returned to positive territory as we leveraged our business model to outperform in the markedly improved but still challenging market. Overall, our core dry bulk business generated a much reduced net loss of US$6.3 million (2016: net loss US$60.4 million).

Our average Handysize and Supramax TCE earnings of US$7,920 and US$8,920 per day net were up 30% and 51% year on year, and outperformed the BHSI and BSI spot market indices by 20% and 11% respectively. Our outperformance reflects our ability to draw on our experienced teams, global office network, strong cargo support and large fleet of high-quality substitutable ships in a way that optimises ship and cargo combinations for maximum utilisation.

If we exclude vessel days attributable to our short-term operated ships that we charter in for less than one year and factor their positive margin into the TCE results of our core owned and long-term fleet, then our restated Handysize and Supramax daily TCE earnings would improve to US$8,010 and US$9,890 per day net, representing a 22% and 23% outperformance of the BHSI and BSI.

We operated an average of 142 Handysize and 96 Supramax ships resulting in 11% and 22% increases in our Handysize and Supramax revenue days year on year.

We have covered 57% and 80% of our 21,420 Handysize and 9,790 Supramax revenue days currently contracted for the second half of 2017 at US$8,360 and US$9,830 per day respectively.



Positive Initiatives

During the half year, we completed our newbuilding programme with the delivery of seven newbuildings of the latest, efficient designs. The last of these delivered in May 2017.

We used the still weak asset values to purchase a secondhand Supramax and sell an older, smaller Supramax, thereby trading up to a vessel of better design and longer life at an attractive price. We also purchased two secondhand Handysize vessels. By 30 June we had expanded our owned fleet to 101 ships on the water out of about 250 ships that we operate overall.

Our new commercial office in Rio de Janeiro has generated valuable new business since it was established early this year to help grow our cargo volumes and support our many customers on the east coast of South America while enabling us to more fully cover all regions in the Atlantic.

In May, we relocated our headquarters to Wong Chuk Hang, about 15 minutes from Hong Kong's Central business district. We now benefit from a better, more energised, collaborative and productive office with a markedly lower rent which will result in significant cost savings over the coming six years.

We sold one towage vessel in June 2017 and have agreed the sale of our final tug for delivery in the second half of 2017. Together, these disposals will generate sale proceeds of approximately US$2 million and conclude our exit from this non-core activity.

Balance Sheet

As at 30 June 2017, we had cash and deposits of US$248 million. We drew down our remaining Japanese export credit facilities and other committed facilities following the delivery of our newbuildings resulting in net borrowings of US$705 million and net gearing of 40%.

Outlook & Position

We believe the worst of the current dry bulk market cycle is behind us. However, the market improvement year on year was from a very low base, and more time, scrapping and limited ordering are required for a more normal market balance to be sustained.

The Handysize and Supramax segments have seen historically low ordering over the past 18 months which bodes well for the long term, but scrapping has reduced and the global fleet is still growing. We believe that new low sulphur fuel regulations and ballast water treatment regulations will over time drive scrapping of older ships and ships of poor design, thus improving the supply-demand balance.

We have healthy cash and net gearing positions which contribute to the strong corporate profile that sets us apart as a preferred, strong, reliable and safe partner for customers and other stakeholders.

We continue to look for and assess attractive ship acquisition opportunities to grow and renew our fleet with modern, high-quality secondhand ships or resales that can generate a reasonable pay-back and cash flow even in today's challenging market.

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 30 June 2017, the Company operates about 250 dry bulk ships of which 101 are owned and 156 are chartered. Pacific Basin is listed and headquartered in Hong Kong, and provides a quality service to around 500 customers, with approximately 3,000 seafarers and 330 shore-based staff in 12 offices in key locations around the world.

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Unaudited Condensed Consolidated Income Statement

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
Revenue	**702,924**	488,377
Cost of services	**(703,448)**	(529,712)
Gross loss	**(524)**	(41,335)
General and administrative expenses	**(3,690)**	(3,157)
Other income and gains	**10,196**	14,054
Other expenses	**(2,794)**	(1,903)
Finance income	**1,645**	942
Finance cost	**(17,361)**	(18,027)
Loss before taxation	**(12,528)**	(49,426)
Taxation	**562**	(372)
Loss attributable to shareholders	**(11,966)**	(49,798)
Basic and diluted earnings per share for loss attributable to shareholders	**US(0.30) cents**	US(1.86) cents

Unaudited Condensed Consolidated Balance Sheet

	30 June	31 December
	2017	2016
	US$'000	US$'000
Asset		
Non-current assets		
Property, plant and equipment	**1,762,846**	1,653,433
Goodwill	**25,256**	25,256
Available-for-sale financial assets	**439**	875
Derivative assets	**317**	969
Trade and other receivables	**2,292**	5,405
Restricted bank deposits	**58**	58
	1,791,208	1,685,996
Current assets		
Inventories	**77,761**	62,492
Derivative assets	**802**	2,831
Assets held for sale	**2,112**	5,820
Trade and other receivables	**84,189**	80,940
Cash and deposits	**247,524**	269,146
	412,388	421,229
Total assets	**2,203,596**	2,107,225
Equity		
Capital and reserves attributable to shareholders		
Share capital	**39,464**	40,046
Retained profits	**137,754**	150,783
Other reserves	**852,360**	849,942
Total equity	**1,029,578**	1,040,771
Liabilities		
Non-current liabilities		
Derivative liabilities	**14,525**	24,860
Long-term borrowings	**840,310**	743,507
Provision for onerous contracts	**20,453**	31,564
Trade and other payables	**12,555**	5,856
	887,843	805,787
Current liabilities		
Derivative liabilities	**3,152**	2,899
Trade and other payables	**149,292**	140,625
Current portion of long-term borrowings	**112,083**	95,735
Taxation payable	**360**	1,054
Provision for onerous contracts	**21,288**	20,354
	286,175	260,667
Total liabilities	**1,174,018**	1,066,454