Pacific Basin Shipping Limited

Press Release

Pacific Basin Announces 2018 Interim Results

Better minor bulk market rates combined with our continued outperformance and competitive cost structure supported much improved results

We recorded a net profit of US$30.8 million, a US$43 million improvement year on year

We are recommencing dividend payments with an interim dividend of HK 2.5 cents per share

Hong Kong, 27 July 2018 – 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 2018.

BUSINESS HIGHLIGHTS

GROUP

- We recorded a net profit of US$30.8 million (2017: net loss of US$12.0 million)
- We have declared an interim dividend of HK 2.5 cents per share
- Our Handysize and Supramax daily TCE earnings outperformed the market indices by 19% and 11% respectively
- We secured a US$325 million revolving credit facility that significantly extends our repayment profile and lowers our finance costs
- Our mid-year cash position was US$317 million with net gearing of 36% (net borrowings to net book value of our fleet)

	Six Months Ended 30 June	
US$ Million	**2018**	2017
Revenue	**795.6**	702.9
EBITDA #	**99.3**	56.6
Underlying profit/(loss)	**28.0**	(6.7)
Profit/(loss) attributable to shareholders	**30.8**	(12.0)
Basic earnings per share *(HK cents)*	**5.5**	(2.4)
Dividend per share *(HK cents)*	**2.5**	–

EBITDA (earnings before interest, tax, depreciation and amortisation) is our gross profit less indirect general and administrative overheads, excluding: depreciation and amortisation; exchange differences; share-based compensation; net unrealised bunker swap contract income and expenses; net unrealised forward freight agreements income and expenses; utilised onerous contracts provisions; and Charter Hire Reduction adjustments.

FLEET

- We acquired five modern vessels including four funded 50% by equity, which will grow our owned fleet to 111 ships
- Including chartered ships, we operated an average of 225 vessels in the half year
- We have covered 54% and 67% of our Handysize and Supramax revenue days for second half 2018 at US$9,610 and US$11,010 per day net respectively
- Our blended Handysize and Supramax vessel operating expenses averaged US$3,810 per day and we maintain a competitive cost structure overall

Our Fleet (as at 30 June 2018)

	Vessels in operation Owned	Long-term Chartered	Short-term Chartered[2]	Total
Handysize	81	21	34	136
Supramax	26	8	52	86
Post-Panamax	1	1	0	2
Total	108[1]	30	86	224

[1] An additional 3 vessels we purchased during the period are scheduled to deliver into our fleet by January 2019

[2] Average number of short-term + index-linked vessels operated in June 2018

OUTLOOK & POSITION

- Sound global GDP growth outlook and limited new ship ordering bode well for further improvement in the dry bulk demand-supply balance
- We are cautiously optimistic for a continued market recovery, although with some volatility along the way
- Trade dispute actions to date impact only a small fraction of the trades in which we are engaged, but an escalating global trade war could impact global GDP and dry bulk demand
- We see upside in secondhand vessel values and continue to look at attractive secondhand ship acquisition opportunities
- Our robust business model, large owned fleet, healthy cash position and competitive cost structure position us well to benefit from the recovering market

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

"The minor bulk freight market strengthened again in the first half of 2018 which, combined with our high laden utilisation, continued outperformance and competitive cost structure, enabled us to record a much improved net profit of US$30.8 million and EBITDA of US$99.3 million for the half year.

In view of the recovering market conditions and our return to a meaningful level of profitability, we are recommencing dividend payments in line with the dividend policy of paying out at least 50% of net profits excluding disposal gains for the full year.

We acquired five modern vessels in the first half of the year which will grow our owned fleet to 111 ships by January 2019. Four of the acquisitions were 50% funded by equity, and are expected to be accretive to our earnings per share.

We closed a US$325 million 7-year reducing revolving credit facility secured over 50 of our owned ships, which refinanced several of our existing credit facilities and raised fresh capital on previously un-mortgaged vessels at a competitive interest cost of Libor plus 1.5%.

These initiatives help to enhance our operating cash flow, EBITDA and balance sheet strength, further reduce our already competitive P&L breakeven levels, and position us well to benefit from the recovering market.

The conflict between the US and its key trading partners might get resolved but may also escalate. This uncertainty weakens sentiment which could undermine trade, and a global trade war could impact global GDP and dry bulk demand. However, we continue to believe that any negative impact these protectionist actions have on the dry bulk trade will be largely outweighed by positive dry bulk supply fundamentals and continued global dry bulk trade growth overall."

BUSINESS COMMENTARY

Performance Overview

Both our Handysize and Supramax contributions increased significantly year on year, enabling our business to generate a much improved underlying profit of US$28.0 million (2017: underlying loss US$6.7 million). This improvement is due to better markets, continued outperformance and strong cost control leading to increasing profits from our larger owned fleet.

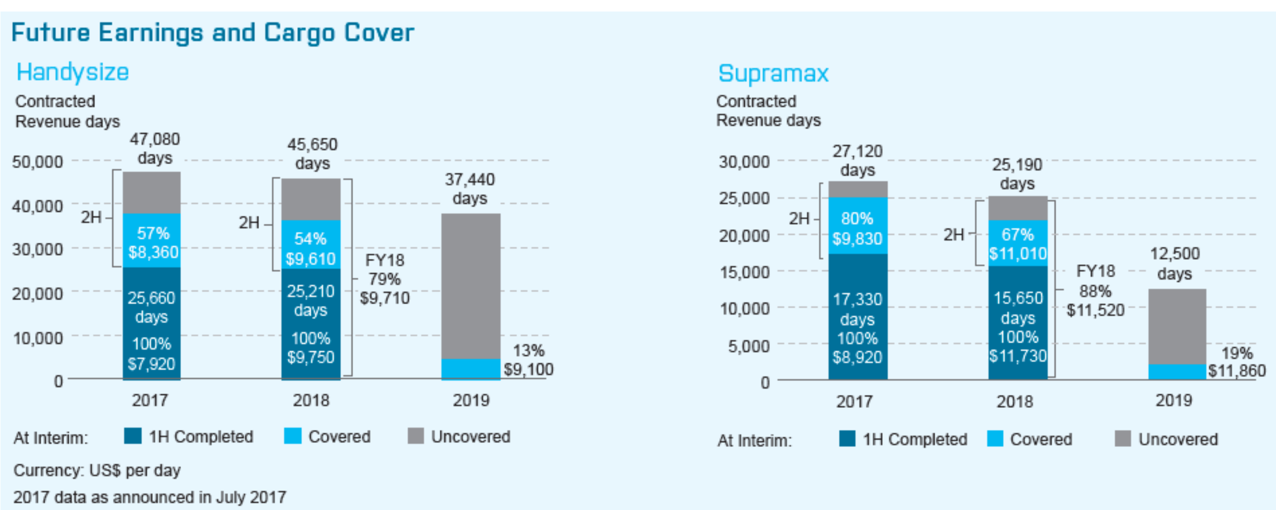
Our average Handysize and Supramax TCE earnings of US$9,750 and US$11,730 per day net were up 23% and 32% year on year, and outperformed the BHSI and BSI spot market indices by 19% and 11% respectively.

Our TCE premium and operating margins are driven by our ability to draw on our experienced teams, global office network, strong cargo support and large fleet of high-quality interchangeable ships in a way that optimises ship and cargo combinations for maximum utilisation.

We continue to maintain good control of our vessel operating expenses which averaged US$3,810 per day during the period. This contributes to a competitive overall cost structure and vessel breakeven level on our owned fleet.

We operated an average of 139 Handysize and 86 Supramax ships resulting in 2% and 10% reductions in our Handysize and Supramax revenue days. This reflects an increase in our owned fleet, offset primarily by reduced short-term chartered-in Supramax ships, mainly due to lower Chinese steel export volumes.

We have covered 54% and 67% of our 20,440 Handysize and 9,540 Supramax revenue days currently contracted for the second half of 2018 at US$9,610 and US$11,010 per day net respectively.



Positive Growth Initiatives

In January 2018 we took delivery of the last of five vessels we acquired in a mainly equity-funded transaction announced in August 2017.

As announced in May 2018, we committed to purchase four more modern vessels for US$88.5 million to be 50% funded by equity. These partly equity-funded acquisitions enhance our operating cash flow, EBITDA and balance sheet strength, lower our P&L breakeven levels, and are expected to be accretive to our earnings per share.

In April we also acquired a secondhand vessel for cash.

Following the delivery of all these acquisitions, our owned fleet will grow to 111 ships.

Balance Sheet

In June we closed a US$325 million 7-year reducing revolving credit facility secured over 50 of our owned ships, refinancing several of our existing credit facilities and raising fresh capital on previously un-mortgaged vessels at a competitive interest cost of Libor plus 1.5%. Supported by a syndicate of eight leading international banks, the new facility significantly extends our overall amortisation profile, further enhances our funding flexibility and reduces our already competitive P&L breakeven levels.

As at 30 June 2018, we had cash and deposits of US$317 million and net borrowings of US$657 million, which is 36% of the net book value of our owned vessels at mid-year.

Outlook & Position

The favourable outlook for widely-spread global GDP growth bodes well for dry bulk demand, and supply is expected to be kept in check by the continued gap between newbuilding and secondhand prices and the uncertain impact of new regulations on ship designs, both of which cause many shipowners in our segments to refrain from ordering new ships.

We see upside in secondhand vessel values and will continue to look at good quality secondhand ship acquisition opportunities as prices are still historically attractive, resulting in reasonable break-even levels and shorter payback times.

Trade dispute actions to date impact only a small fraction of the trades in which Pacific Basin is engaged. The conflict between the US and its key trading partners might get resolved but may also escalate. This uncertainty weakens sentiment which could undermine trade, and a global trade war could impact global GDP and dry bulk demand. However, we continue to believe that any negative impact these protectionist actions have on the dry bulk trade will be largely outweighed by positive dry bulk supply fundamentals and continued global dry bulk trade growth overall.

The global 0.5% sulphur cap takes effect on 1 January 2020. We continue to assess the two main methods of compliance – low-sulphur compliant fuel oil versus exhaust gas cleaning systems or "scrubbers" – and are preparing ourselves for this significant change. Some owners of larger vessels, including some Supramax owners, are planning to install scrubbers. However, we expect the majority of the global dry bulk fleet, especially smaller vessels such as Handysize ships, will comply by using more expensive low-sulphur fuel, which would also lead to lower operating speeds and thereby contribute to a more favourable supply/demand balance.

Our healthy cash and net gearing positions enhance our ability to take advantage of opportunities to grow our business and attract cargo as a strong partner. Our robust customer-focused business model, global office network, experienced people, larger owned fleet and competitive cost structure position us well to benefit from the recovering 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 2018, the Company operated over 220 dry bulk ships of which 108 are owned (with 3 more vessels delivering into our fleet by January 2019) and the rest chartered. Pacific Basin is listed and headquartered in Hong Kong, and provides a quality service to over 500 customers, with approximately 3,400 seafarers and 335 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	
	2018	2017
	US$'000	US$'000
Revenue	**795,643**	702,924
Cost of services	**(751,100)**	(703,448)
Gross profit/(loss)	**44,543**	(524)
Indirect general and administrative overheads	**(3,621)**	(3,690)
Other income and gains	**8,072**	10,196
Other expenses	**(1,747)**	(2,794)
Finance income	**1,218**	1,645
Finance cost	**(17,157)**	(17,361)
Profit/(loss) before taxation	**31,308**	(12,528)
Tax (charges)/credits	**(556)**	562
Profit/(loss) attributable to shareholders	**30,752**	(11,966)
Earnings per share for profit/(loss) attributable to shareholders (in US cents)		
Basic earnings per share	**0.70**	(0.30)
Diluted earnings per share	**0.69**	(0.30)

Unaudited Condensed Consolidated Balance Sheet

	30 June 2018 US$'000	31 December 2017 US$'000
Asset		
Non-current assets		
Property, plant and equipment	**1,820,480**	1,797,587
Goodwill	**25,256**	25,256
Financial assets at fair value through other comprehensive income	**361**	-
Available-for-sale financial assets	**-**	569
Derivative assets	**2,668**	1,233
Trade and other receivables	**10,550**	5,254
Restricted bank deposits	**58**	58
	1,859,373	1,829,957
Current assets		
Inventories	**87,734**	71,774
Derivative assets	**8,175**	4,834
Trade and other receivables	**85,557**	80,275
Cash and deposits	**317,021**	244,636
Tax receivable	**-**	116
	498,487	401,635
Total assets	**2,357,860**	2,231,592
Equity		
Capital and reserves attributable to shareholders		
Share capital	**44,936**	43,554
Retained profits	**177,244**	154,387
Other reserves	**972,946**	963,194
Total equity	**1,195,126**	1,161,135
Liabilities		
Non-current liabilities		
Derivative liabilities	**6,582**	5,790
Long-term borrowings	**876,105**	776,876
Provision for onerous contracts	**7,856**	12,731
Trade and other payables	**7,889**	10,203
	898,432	805,600
Current liabilities		
Derivative liabilities	**441**	772
Trade and other payables	**152,628**	143,878
Current portion of long-term borrowings	**98,064**	104,092
Taxation payable	**236**	-
Provision for onerous contracts	**12,933**	16,115
	264,302	264,857
Total liabilities	**1,162,734**	1,070,457