Pacific Basin Shipping Limited

Press Release

Pacific Basin Shipping Limited Announces 2008 Annual Results

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Significant Profits Despite Economic Downturn

Hong Kong, 2 March, 2009 – 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 2008.

Highlights

	Year Ended 31 December	
US$ million	**2008**	2007
Revenue	**1,690.9**	1,177.3
Time Charter Equivalent Earnings	**909.4**	700.5
Profit Attributable to Shareholders	**409.1**	472.1
Basic Earnings per share (HK cents)	**189**	234

- Group profits for the year were US$409 million (2007: US$472 million) in a volatile year that featured both all time record high and recent record low bulk shipping rates. Basic earnings per share were HK$1.89 (2007: HK$2.34)

- Charges of US$138 million for one-off charter hire payments, provision for chartered-in vessel contracts, impairment for vessels to be sold in 2009, and non-cash mark-to-market impairment of an equity investment. Group's adjusted profit before these charges was US$547 million, its best performance since listing

- Strong balance sheet with cash of US$1 billion and net cash of US$176 million

- Fully funded capital commitments of US$433 million in non-dry bulk vessels and US$130 million in dry bulk vessels

- Challenging, volatile and uncertain bulk shipping market to continue in 2009

- Pacific Basin is well positioned to weather the shipping crisis and to take advantage of the opportunities ahead

Commentary

The Baltic Dry Index reached an all-time high of 11,793 points on 20 May 2008 and a 22 year low of 663 points on 5 December 2008. In the first half of the year, dry cargo demand outpaced ship supply pushing handysize vessels' spot daily earnings up as high as US$50,000. In the second half of the year, the financial crisis and consequent disappearance of much trade credit led to a collapse in bulk cargo movements with calamitous consequences for spot market earnings, which fell below US$5,000 per day, the approximate level of daily cash operating costs for many dry bulk owners.

A number of factors contributed to the extraordinary drop in the market. Chinese crude steel production slowed towards the middle of the year following Chinese government action to cool the overheated property market. The worsening global credit crisis hit the shipping markets in two ways: reduced trade finance stalled shipments, and the deteriorating global economic outlook caused consumers to cut spending and manufacturers to cut production.

Against this backdrop, Pacific Basin produced 2008 net profits of US$409 million and basic earnings per share of HK$1.89. These results were after charging US$138 million for one-off charter-hire payments, a provision for onerous chartered-in vessel contracts and a non-cash mark-to-market impairment of an equity investment. Prior to these charges, the Group's adjusted profit was US$547 million, its best performance since listing in 2004, compared to US$472 million in 2007.

As set out in the interim report, the Board's dividend policy was amended to pay out a minimum of 50% of profits excluding vessel disposal gains, whereas previously such gains were eligible for a dividend payment. For 2008 our interim dividend payout of HK 76 cents is equivalent to 57% of the Group's full year profit eligible for a dividend payment. As such, and in accordance with the policy, the Board recommends not to pay out a final dividend for 2008. The Group will continue to husband its cash so as to be better able to invest in the right opportunities when they arise.

The Group's handysize activities under the "Pacific Basin-IHC" brand continued to grow in 2008, with an expansion of the core fleet early in the year giving rise to a 13% YoY increase in ship revenue days from 20,100 days in 2007 to 22,770 days in 2008. The division currently operates a core fleet of 62 owned and long term chartered ships plus a further 11 ships on short term charter giving a total fleet size of 73 ships.

The Group's handymax activities under the "Pacific Basin-IHX" brand continued to grow in 2008 and delivered a solid performance in terms of profitability and market presence. We have secured significant forward contract cover for IHX and now have more cargo cover in place than controlled tonnage. This positions IHX well in the event of a further weakening of the market.

Second hand values of dry bulk vessels peaked in mid 2008 when Clarkson estimated the value of a five-year old handysize vessel to be in excess of US$50 million. The second half of the year saw a significant decline in vessel values as a result of the falling freight markets. During 2008 we sold seven dry bulk ships and one tug for a total consideration of US$313 million realising disposal gains of US$150 million (2007: US$137 million). Towards the end of the year and in early 2009, we reached agreement on the sale (with delivery in 2009) of five more vessels.

The PB Towage fleet has grown significantly and now comprises 17 tugs and six barges. The tug market fared well during 2008, proving more resistant than other shipping sectors to the changes in the financial and commodity markets in the latter half of the year. Continued expansion of port facilities and vessel traffic contributed to this, as did the roll-out of new energy-related projects requiring offshore construction and specialist transportation.

Pacific Basin entered the RoRo sector in February 2008 securing contracts for four newbuildings and subsequently, in July 2008, options for two additional newbuilding vessels. The Group’s strategy for the employment of these ships, which deliver between August 2009 and February 2011, is to act as a tonnage supplier, time chartering them to existing RoRo operators to allow them to develop new trades, expand cargo volumes prior to delivery of their own tonnage, and achieve flexibility in their operations.

In view of the severely depressed shipping markets and bleak outlook, the Group has taken a number of steps to improve our ability to weather a protracted downturn and to position ourselves to take advantage of the opportunities that the downturn will produce.

During the fourth quarter of 2008, the Group scaled back its non-core activities, including PB Tankers and PB Ports, to concentrate on developing its three core activities: Pacific Basin-IHC and Pacific Basin-IHX, PB RoRo and PB Towage, into which substantially all of the Group’s committed capital expenditure will be deployed.

As a result of the scale down of non-core activities and consequent reduction in headcount the Group’s 2009 overhead cost is anticipated to be 25% below 2008 levels. This saving also reflects a 10% salary reduction in respect of the Group’s most senior 11 executives.

In November and December 2008, the Group made one-off handysize and handymax charter termination payments amounting to US$42 million and simultaneously entered into new charter-in contracts at lower rates. These arrangements have resulted in a US$5.2 million cash discount on the originally contracted amounts. The Group has also provided US$54 million against its 2008 results for onerous chartered-in vessel contracts.

The Group believes that 2009 will be a very tough year for owners and operators of dry bulk tonnage, especially if the global economy deteriorates further. In the short term, some replenishment of depleted iron ore stockpiles may temporarily lift rates but, overall, continued slower industrial production and anaemic or negative economic growth will most likely depress activity.

Mr. Richard Hext, CEO of Pacific Basin, said: “We expect a very weak dry bulk market in 2009 but anticipate that our strong balance sheet and diverse range of shipping activities will help us to navigate the storm and take advantage of the growth opportunities that will arise from it.”

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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: dry bulk, tug and barge, and Roll on Roll off shipping. Our core fleet comprises over 100 vessels directly servicing blue chip industrial customers. With over 1,800 seafarers and 360 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 2008

	2008 US$'000	2007 US$'000
Revenue	**1,690,948**	1,177,292
Bunkers, port disbursements, other charges and amounts payable to other pool members	**(781,531)**	(476,819)
Time charter equivalent earnings	**909,417**	700,473
Direct costs	**(544,600)**	(315,951)
General and administrative expenses	**(18,007)**	(17,798)
Other income	**163,921**	81,651
Other expenses	**(229,297)**	(103,228)
Gains on disposal of property, plant and equipment	**149,818**	137,437
Finance costs, net	**(22,125)**	(17,847)
Share of profits less losses of jointly controlled entities	**3,568**	8,284
Share of losses of associates	**(287)**	-
Profit before taxation	**412,408**	473,021
Taxation	**(3,618)**	(889)
Profit for the year	**408,790**	472,132
Attributable to:		
Shareholders	**409,119**	472,125
Minority interests	**(329)**	7
	408,790	472,132
Dividends	**170,142**	244,127
Earnings per share for profit attributable to shareholders		
Basic	**US 24.29 cents**	US 30.05 cents
Diluted	**US 24.28 cents**	US 30.00 cents

Consolidated Balance Sheet
As at 31 December 2008

	2008 US$'000	2007 US$'000
Non-current assets		
Property, plant and equipment	**794,622**	755,865
Land use rights	**3,035**	419
Goodwill	**25,256**	36,426
Interests in jointly controlled entities	**50,806**	19,543
Investments in associates	**2,864**	-
Available-for-sale financial assets	**43,454**	-
Derivative assets	**10,915**	10,885
Trade and other receivables	**9,517**	10,662
Restricted bank deposits	**4,757**	-
Other non-current assets	**56,238**	-
	1,001,464	833,800
Current assets		
Inventories	**24,291**	27,312
Derivative assets	**68,682**	25,327
Financial assets at fair value through profit or loss	**-**	20,046
Assets held for sale	**65,891**	-
Trade and other receivables	**151,193**	98,316
Restricted bank deposits	**44,108**	-
Cash and cash equivalents	**974,876**	649,535
	1,329,041	820,536
Current liabilities		
Derivative liabilities	**51,815**	28,582
Trade and other payables	**154,691**	96,374
Current portion of long term borrowings	**58,679**	23,627
Taxation payable	**3,553**	1,548
Provision for onerous contracts	**28,179**	-
	296,917	150,131
Net current assets	**1,032,124**	670,405
Total assets less current liabilities	**2,033,588**	1,504,205
Non-current liabilities		
Long term borrowings	**789,133**	636,638
Provision for onerous contracts	**25,753**	-
	814,886	636,638
Net assets	**1,218,702**	867,567
Equity		
Capital and reserves attributable to shareholders		
Share capital	**174,714**	158,403
Retained profits	**568,648**	480,907
Other reserves	**475,340**	227,826
	1,218,702	867,136
Minority interests	**-**	431
Total equity	**1,218,702**	867,567