Pacific Basin Shipping Limited

Press Release

Pacific Basin Announces
2010 Interim Results

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A much improved half year for handysize and handymax bulk carriers
Expect mid-year weakness to give way to recovery later in the year

Hong Kong, 3 August 2010 – 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 six months ended 30 June 2010.

Highlights

	Six months ended 30 June	
US$ million	**2010**	2009
Revenue	**616.5**	425.9
Gross Profit	**79.7**	83.8
Underlying Profit	**65.6**	56.8
Profit Attributable to Shareholders	**51.9**	74.8
Basic Earnings per share (HK cents)	**21**	32
Dividend per share (HK cents)	**5**	8

Group

- **Group profit was US$52 million** (2009: US$75 million) in the first half of 2010
- **Underlying profit was US$66 million** (2009: US$57 million) increasing 16% in a much improved half year for dry bulk shipping relative to first half 2009 due to growth in global industrial production and Chinese commodities imports
- Results were reduced by a net US$14 million non-cash derivative expense (2009: US$15 million non-cash derivative income) mainly due to a fall in bunker prices
- **Basic earnings per share were HK$0.21** (2009: HK$0.32), return on average equity was 7% and return on average assets was 4%
- **Operating cash flow was US$83 million** (2009: US$60 million)
- **Issued in April US$230 million of new 1.75% convertible bonds** in part to refinance a portion of our existing 3.3% convertible bonds
- **Balance sheet remains robust with US$970 million cash** and US$96 million net cash
- **Fully funded vessel capital commitments** of US$119 million in dry bulk vessels and US$235 million in RoRo vessels
- **Interim dividend of HK 5 cents per share** (2009: HK 8 cents)

Fleet

- **Contract cover in place for 89% of our combined handysize and handymax revenue days in 2010** and 33% of our combined revenue days in 2011. 86% of our contracted 25,810 handysize revenue days in 2010 are covered at US$16,260 per day net
- **Purchased 9 dry bulk vessels and long term chartered another 5** since reviving our fleet expansion activity in December 2009
- **Fleet now totals 171 vessels** (including newbuildings) comprising 125 dry bulk vessels, 39 tugs and barges, 1 bunker tanker and 6 RoRos

Divisions

- **Pacific Basin Dry Bulk** made a profit of US$79 million (2009: US$64 million) and remains primed to further expand its fleet and business
- **Core fleet remains cost competitive** despite handysize fleet daily breakeven costs increasing 25% year on year at a time when average short term charter rates increased over 100%
- **PB Energy & Infrastructure Services** made a profit of US$4 million (2009: US$6.6 million) in a quieter and weaker market than we expected thus impacting the utilisation of our tug capacity
- **PB RoRo** made a profit of US$0.5 million (2009: loss of US$0.4 million) with its first vessel operating satisfactorily. 5 remaining RoRo newbuildings are scheduled to deliver in late 2010 and 2011

Outlook

- **Our dry bulk market outlook for the remainder of 2010 remains neutral** as we expect a reversal of recent weakness since June to be driven by a seasonal demand rebound and resumed buying and restocking in China later in the year. This should result in a half year that is on balance somewhat weaker than the first half
- **Less than satisfactory outlook for energy and infrastructure services** in expectation of continued weak towage and infrastructure markets in Australasia and the Middle East with limited scope for improvement in 2010
- **RoRo market is expected to remain depressed** and, despite recent marginal improvement, should not see any measurable recovery until later in 2011 or 2012 assuming the slow resurgence in European trade continues. Fundamentals continue to look positive for the long term
- **Our strategic goals remain unchanged as we seek to expand further our dry bulk fleet and business**, a programme which we embarked on in December 2009

Commentary

In line with our March 2010 outlook, handysize and handymax bulk carriers enjoyed a much improved half year outperforming all other dry bulk segments relative to the preceding six months. Average handysize spot rates for the period more than doubled year on year and increased 39% compared to the second half of 2009.

Pacific Basin's unaudited net profit for the six months ended 30 June 2010 was US$52 million (2009: US$75 million) with basic earnings per share of HK$0.21. However, before the negative impact of unrealised non-cash adjustments mainly due to a fall in bunker prices, our underlying profit for the period was US$66 million. This represented a 16% improvement over our underlying profit of US$57 million in the first half of 2009 when results benefitted from US$15 million non-cash derivative income:

	For the six months ended 30 June		
US$ million	**2010**	2009	Change
Underlying profit	**65.6**	56.8	+16%
Non-cash derivative (expense)/income	**(13.7)**	15.0	
Provision write-backs	**-**	5.5	
Vessel disposal losses	**-**	(2.5)	
Net profit	**51.9**	74.8	-31%

The Board has declared an interim dividend of HK 5 cents per share, representing a payout ratio of 24% at the interim, and for the full year remains committed to our existing dividend policy of paying out a minimum of 50% of profits excluding disposal gains.

Pacific Basin Dry Bulk

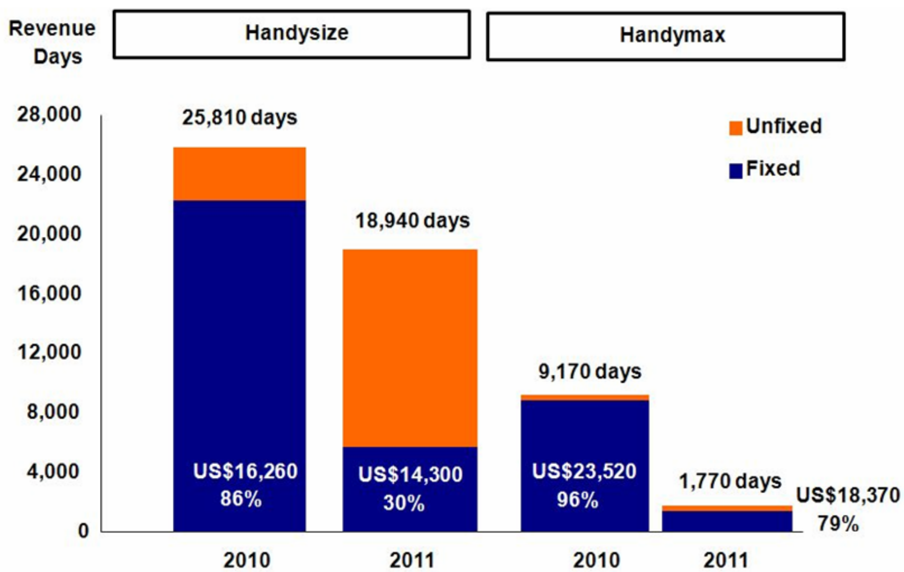
In line with our expectations, commodity transport demand, especially for handysize and handymax capacity, generally kept pace with significant dry bulk fleet growth in the first half of 2010. Growth in world industrial production and restocking, continued strengthening in Chinese commodities imports, increased Chinese domestic bulk transportation, and reduced efficiency of global fleet utilisation all contributed to the firm freight market over the period.

However, the dry bulk market has fallen significantly since the end of May primarily because of seasonally reduced activity compounded by a fall in Chinese commodities imports resulting from i) reduced government-backed stimulus commitments, ii) measures taken to cool the Chinese property market (the largest user of steel in China), and iii) tighter margins for steel producers, all at a time of unprecedented dry bulk fleet expansion especially in the capesize segment.

Pacific Basin's dry bulk focus in the period was on the strategic expansion, at reasonable cost, of our fleet of handysize and handymax ships. Since December, we have purchased nine vessels and chartered in on a long term basis another five, of which only eight will have delivered and contributed to our earnings in 2010.

Driven by the relatively strong freight market, ship values increased approximately 18% since December 2009 to US$26 million today for a benchmark five year old handysize vessel, which supports significantly increased asset values for our existing fleet, including our recent acquisitions.

In line with our policy to secure future earnings, we have increased our forward cargo cover for our expanded handysize and handymax fleet. We expect the majority of our current uncovered 2010 revenue days will generate revenue from the spot market, though we are building further our cover for 2011 and beyond. Our handysize and handymax coverage and average daily rates as at 26 July 2010 are summarised as follows:



PB Energy & Infrastructure Services

The towage and infrastructure markets in Australia and the Middle East remained weaker than we had expected thus impacting the utilisation of our offshore towage fleet over the second quarter, particularly in the Middle East, which saw reduced construction activity in the wake of the Dubai debt crisis. Meanwhile, our Fujairah Bulk Shipping joint venture has adjusted the pace of production on the 54 million tonne Fujairah Northern Land Reclamation project to complete approximately three months ahead of schedule, and we are exploring new infrastructure and offshore opportunities to pursue when this project is concluded in 2011. Our harbour towage business in Australia continues to be negatively impacted by rationalisation in containership operations into Australia (using larger but fewer vessels) resulting in fewer jobs and therefore lower utilisation of our harbour tugs.

PB RoRo

Our one delivered RoRo vessel is operating satisfactorily in the North Sea. Our five remaining RoRo newbuildings are scheduled to deliver in late 2010 and 2011, and we continue to expect a challenging trading environment for them in the immediate future as sluggish trade in Europe continues to undermine the RoRo market.

However, we anticipate a slow recovery over the next few years once the resumption of underlying demand growth in the European freight forwarding and road haulage sectors combines with a tightening of supply after the current orderbook has delivered. In the meantime, we are actively exploring a wide range of employment opportunities for our fleet both within and outside Europe. We have entered into a commercial management joint venture with our existing ship management partner, who controls several additional ferries, in order to enhance our marketing capability and offer our customers a wider choice of RoRo tonnage.

Fleet Development

As at 31 July 2010, the Group's fleet (including newbuildings) numbered 171 vessels comprising 125 dry bulk ships, 39 tugs and barges, one bunker tanker and six RoRos. In the year to date, our core fleet on the water expanded by four bulk carriers and 11 tugs, and we still await 12 bulk carriers and five RoRos delivering in the second half of 2010, 2011 and 2012. Our dry bulk core fleet on the water has an average vessel age of less than seven years.

Outlook

Our view remains neutral for the dry bulk market in the second half of 2010. We expect to see a relatively weak third quarter due to seasonally quieter activity and currently reduced Chinese demand for commodity imports. However, we believe the market will improve later in the year on the back of a seasonal demand rebound and resumed buying and restocking in China.

Much rides on the degree to which demand factors – some of which have been exceptional in nature during the financial crisis – will absorb expanded supply. Hopes pivot on China where questions remain over the impact on demand of reduced steel production margins and economic stimulus. Nevertheless, we expect a half-year period that is on balance somewhat weaker than the first half, though still generating profitable rates for our ships and thus supporting our aim to grow our fleet further while maintaining a competitive cost base.

We see continued challenges in 2010 for both PB Energy & Infrastructure Services and PB RoRo due to hesitant new demand for towage and infrastructure support services in Australasia and the Middle East, and surplus capacity and sluggish demand in the European RoRo market. However, we remain positive on the long term outlook for both sectors as increasing activity and new opportunities emerge.

Strategically our focus remains unchanged as we press on with efforts to expand our core dry bulk fleet. Pacific Basin is in a unique position to leverage its business model with a robust balance sheet that will allow us to further increase the scale of our cornerstone dry bulk business as appropriate opportunities arise.

Mr. Klaus Nyborg, CEO of Pacific Basin, said: “Our cornerstone dry bulk business enjoyed a much improved market in the first half of 2010, before the mid-year slump, driving a 16% year on year increase in the Group’s underlying profit. The launch of our fleet expansion programme in December 2009 has since culminated in the purchase of nine vessels and the long term charter of another five which will add new capacity over the next two years. We remain committed to growing our dry bulk fleet further, reflecting our confidence that the partly seasonal weakness since June will give way to a rebound later in the year and generally sustained strength over the longer term.”

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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 under the banners of Pacific Basin Dry Bulk, PB Energy & Infrastructure Services, and PB RoRo. Our fleet (including newbuildings on order) comprises 171 vessels directly servicing blue chip industrial customers. With over 1,700 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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Unaudited Condensed Consolidated Income Statement

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Revenue	**616,486**	425,913
Direct costs	**(536,811)**	(342,147)
Gross profit	**79,675**	83,766
General and administrative expenses	**(10,544)**	(4,487)
Other income	**20,856**	55,848
Other expenses	**(28,022)**	(47,544)
Losses on disposal of property, plant and equipment	**-**	(2,532)
Finance costs, net	**(14,494)**	(9,568)
Share of profits less losses of jointly controlled entities	**6,417**	1,414
Share of profits/(losses) of associates	**73**	(119)
Profit before taxation	**53,961**	76,778
Taxation	**(2,068)**	(1,949)
Profit attributable to shareholders	**51,893**	74,829
Dividends	**12,428**	19,912
Earnings per share for profit attributable to shareholders		
Basic	**US 2.69 cents**	US 4.19 cents
Diluted	**US 2.69 cents**	US 4.19 cents

Unaudited Condensed Consolidated Balance Sheet

	30 June 2010 US$'000	31 December 2009 US$'000
Non-current assets		
Property, plant and equipment	**1,121,749**	997,961
Investment properties	**2,628**	2,600
Land use rights	**3,784**	3,864
Goodwill	**25,256**	25,256
Interests in jointly controlled entities	**69,674**	49,615
Investment in associates	**3,321**	3,249
Available-for-sale financial assets	**57,454**	62,016
Derivative assets	**2,766**	6,879
Trade and other receivables	**7,539**	8,232
Restricted bank deposits	**4,934**	40,084
Other non-current assets	**52,353**	59,887
	1,351,458	1,259,643
Current assets		
Inventories	**40,170**	33,858
Derivative assets	**10,898**	20,336
Trade and other receivables	**103,492**	90,478
Restricted bank deposits	**5,504**	16,483
Cash and deposits	**959,320**	1,049,095
	1,119,384	1,210,250
Current liabilities		
Derivative liabilities	**8,355**	10,505
Trade and other payables	**112,691**	111,740
Current portion of long term borrowings	**57,799**	54,728
Taxation payable	**4,864**	3,737
Provision for onerous contracts	**1,831**	-
	185,540	180,710
Net current assets	**933,844**	1,029,540
Total assets less current liabilities	**2,285,302**	2,289,183
Non-current liabilities		
Derivative liabilities	**18,494**	9,735
Long term borrowings	**815,645**	821,850
Provision for onerous contracts	**200**	2,031
	834,339	833,616
Net assets	**1,450,963**	1,455,567
Equity		
Capital and reserves attributable to shareholders		
Share capital	**193,110**	192,708
Retained profits	**680,189**	659,339
Other reserves	**577,664**	603,520
Total equity	**1,450,963**	1,455,567