Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 2343)

Press Release

Pacific Basin Announces 2020 Annual Results

Global Covid-19 containment measures impacted dry bulk trade and our underlying results in the first half of 2020, but the second half saw a remarkable market recovery leading to a very strong start to 2021

We continued to outperform the market, achieved a positive EBITDA and maintained healthy liquidity

We expect the reducing fleet growth and improving demand for commodities to result in stronger average dry bulk freight earnings in 2021 and beyond

Handysize and Supramax market freight rates have quadrupled since May 2020 to 10-year highs

We made timely acquisitions of five high-quality second-hand Ultramax vessels

Hong Kong, 25 February 2021 – 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 2020.

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

"In a year dominated by the global Covid-19 pandemic, we delivered a positive EBITDA of US$184.7 million and an underlying loss of US$19.4 million. Our core business of deploying owned and long-term chartered ships generated Handysize and Supramax TCE earnings that outperformed the BHSI (tonnage adjusted) and BSI spot market indices by US$1,140 and US$3,360 respectively. Our operating activity generated a healthy margin of US$1,080 net per day.

Our underlying results were negatively impacted by markedly weaker dry bulk market freight rates in first half of the year due to global efforts to contain the pandemic while the dry bulk fleet continued to grow. Overall, we made a net loss of US$208.2 million, substantially attributable to US$199.6 million one-off non-cash impairments of our Handysize core fleet (primarily our smallest and oldest Handysize vessels), which do not impact our operating cash flows, EBITDA or available liquidity, and result in lower depreciation costs, higher EPS and higher return on equity going forward, all things being equal.

Financial Highlights

US$ Million	Year Ended 31 December 2020	2019
Revenue	1,470.9	1,585.9
EBITDA #	184.7	230.7
Underlying (Loss)/Profit	(19.4)	20.5
(Loss)/Profit Attributable to Shareholders	(208.2)	25.1
Basic Earnings per share *(HK cents)*	(34.5)	4.3
Full Year Dividends per share *(HK cents)*	–	2.1

\# *EBITDA (earnings before interest, tax, depreciation and amortisation) is gross profit less indirect general and administrative overheads, excluding: depreciation and amortisation; exchange differences; share-based compensation; closed-out gains on fuel price hedges and net unrealised derivative income and expenses.*

Our Fleet (as at 31 January 2021)

	Vessels in operation Owned[1, 2]	Long-term Chartered	Short-term Chartered[3]	Total
Handysize	**77**	**15**	**41**	**133**
Supramax	**36**	**4**	**77**	**117**
Post-Panamax	**1**	**1**	**–**	**2**
Total	114	20	118	252

[1] Including 1 vessel we committed to purchase in 2020 that delivered in February 2021
[2] Excluding an additional 4 vessels purchased and 2 sold that are scheduled to deliver in the first half of 2021
[3] Average number of short-term and index-linked vessels operated in January 2021

Having implemented wide-ranging business continuity initiatives, our business has been fully operational throughout the pandemic. While incurring Covid-related additional costs and delays, our service to customers has continued seamlessly and substantially uninterrupted. However, governments' Covid restrictions around the world continue to make it very difficult for ship owners to change crews and get their seafarers home, leaving tens of thousands stuck at sea beyond their original contract periods. We continue to pursue every effort to reunite our seafarers with their families and we have successfully changed and repatriated many of our crews in recent months.

In view of the generally much improved conditions and outlook, we resumed our strategy to grow and renew our owned fleet by buying larger, high-quality, modern second-hand vessels. In November 2020 we agreed to acquire four high-quality 2015-built Ultramax ships and in February 2021 we agreed to acquire one more second-hand Ultramax, all at what we consider to be attractive prices. We continue to sell our smaller, older Handysize vessels to trade up to newer vessels with larger carrying capacity. We are still avoiding contracting newbuildings with traditional fuel oil engines due to the continued gap between newbuilding and second-hand prices, their low return and the uncertainty over new environmental regulations and their impact on future vessel designs and technology.

We will own 116 ships after our current sale and purchase commitments are delivered in the first half of 2021. Including chartered ships, we currently have about 250 ships on the water overall.

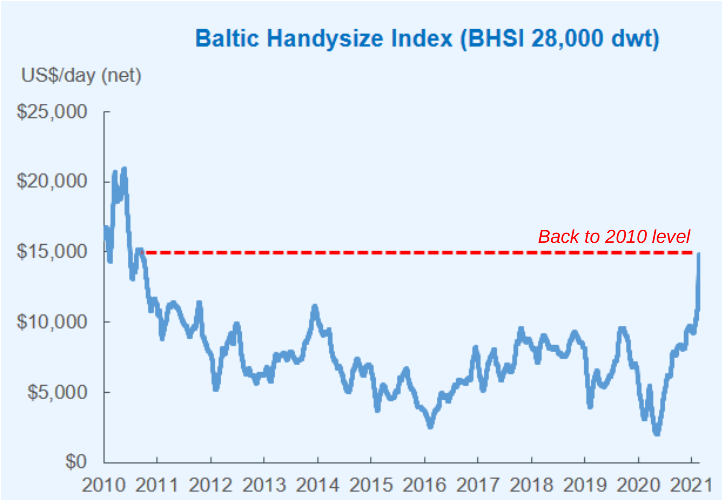
We further enhanced our total available liquidity position to US$362.5 million at the year end. Our net borrowings of US$629.1 million were 37% of the net book value of our owned vessels.

The Market Outlook is Encouraging

Global economic recovery is already benefitting the dry bulk freight market in 2021 which has got off to a significantly stronger start than usual at this time of year. The stronger market rates are driven by a broad-based demand recovery for dry bulk commodities with especially strong Chinese demand and global grain trades.

Fleet inefficiencies have also supported recent market strength. Vessels carrying Australian coal have been held up outside Chinese discharge ports, Covid restrictions have disrupted the flow of traffic, and a larger than usual concentration of dry bulk tonnage is in the Pacific.

Deliveries of new ships are expected to reduce further, especially in the second half of 2021 and into 2022, which combined with scrapping will likely result in reduced net fleet growth across the whole dry bulk sector and especially in our segments. The dry bulk orderbook is now the smallest it has been in decades.



Source: Baltic Exchange, 23 Feb 2021

We are Well Positioned for the Future

The market has staged a remarkable recovery from May 2020 onwards and, although Covid uncertainty remains, the roll out of vaccine programmes and extensive stimulus around the world should help to drive global economic activity.

We expect the reducing fleet growth and improving demand for commodities to result in stronger average dry bulk freight earnings in 2021 and beyond.

Our healthy balance sheet and liquidity, customer-focused business model, high laden utilisation, strong team, large owned fleet, competitive cost structure and ability to outperform helped us to ride out the challenging period last year and we are now well positioned for stronger markets ahead.”

For details, please see our 2020 Annual Results Announcement in the Investor section of our website at www.pacificbasin.com/en/ir/iroverview.php. Our full Annual Report will be published on or around 12 March 2021.

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. The Company is committed to sustainable shipping with a keen focus on seafarer health, safety and wellbeing, responsible environmental practice, performance optimisation for best fuel and carbon efficiency, and best-in-class service delivery. As at 31 January 2021, the Company operated about 250 dry bulk ships of which 114 are owned (soon to be 116) and the rest chartered. Pacific Basin is listed and headquartered in Hong Kong, and provides a quality service to over 500 customers, with over 4,100 seafarers and 343 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	
	2020	2019
	US$'000	US$'000
Revenue	**1,470,932**	1,585,900
Cost of services	**(1,434,059)**	(1,513,427)
Gross profit	**36,873**	72,473
Vessel Impairment	**(199,604)**	(1,513)
Indirect general and administrative overheads	**(6,112)**	(6,040)
Other income and gains	**1,427**	1,867
Other expenses	**(2,100)**	(3,585)
Finance income	**2,979**	5,716
Finance costs	**(39,657)**	(42,681)
(Loss)/profit before taxation	**(206,194)**	26,237
Tax charges	**(2,034)**	(1,113)
(Loss)/profit attributable to shareholders	**(208,228)**	25,124
Earnings per share for (loss)/profit attributable to shareholders (in US cents)		
Basic earnings per share	**(4.45)**	0.55
Diluted earnings per share	**(4.45)**	0.54

Consolidated Balance Sheet

	As at 31 December	
	2020	2019
	US$'000	US$'000
Assets		
Non-current assets		
Property, plant and equipment	**1,665,242**	1,875,352
Right-of-use assets	**65,778**	77,835
Subleasing receivables	**-**	1,915
Goodwill	**25,256**	25,256
Derivative assets	**4,026**	1,464
Trade and other receivables	**4,947**	25,487
Restricted bank deposits	**51**	51
	1,765,300	2,007,360
Current assets		
Inventories	**78,095**	90,381
Subleasing receivables	**1,915**	6,692
Derivative assets	**15,410**	2,495
Trade and other receivables	**77,898**	82,714
Assets held for sale	**16,136**	4,400
Cash and deposits	**234,773**	200,193
	424,227	386,875
Total assets	**2,189,527**	2,394,235
Equity		
Capital and reserves attributable to shareholders		
Share capital	**47,490**	47,039
(Accumulated losses)/retained profits	**(11,330)**	208,698
Other reserves	**1,028,349**	1,020,195
Total equity	**1,064,509**	1,275,932
Liabilities		
Non-current liabilities		
Borrowings	**775,149**	736,101
Lease liabilities	**50,089**	53,770
Derivative liabilities	**13,564**	13,090
Trade and other payables	**895**	2,123
	839,697	805,084
Current liabilities		
Borrowings	**88,736**	127,050
Lease liabilities	**26,744**	39,137
Derivative liabilities	**7,667**	1,937
Trade and other payables	**161,366**	143,949
Taxation payable	**808**	1,146
	285,321	313,219
Total liabilities	**1,125,018**	1,118,303