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*Shareholders and investors are reminded that this trading update for the quarter is based on the Group's internal records and management accounts, and has not been reviewed or audited by external auditors. Shareholders and investors are cautioned not to rely unduly on this trading update and are advised to exercise caution when dealing in the shares of the Company.*

# Pacific Basin Shipping Limited

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

## FIRST QUARTER 2018 TRADING UPDATE

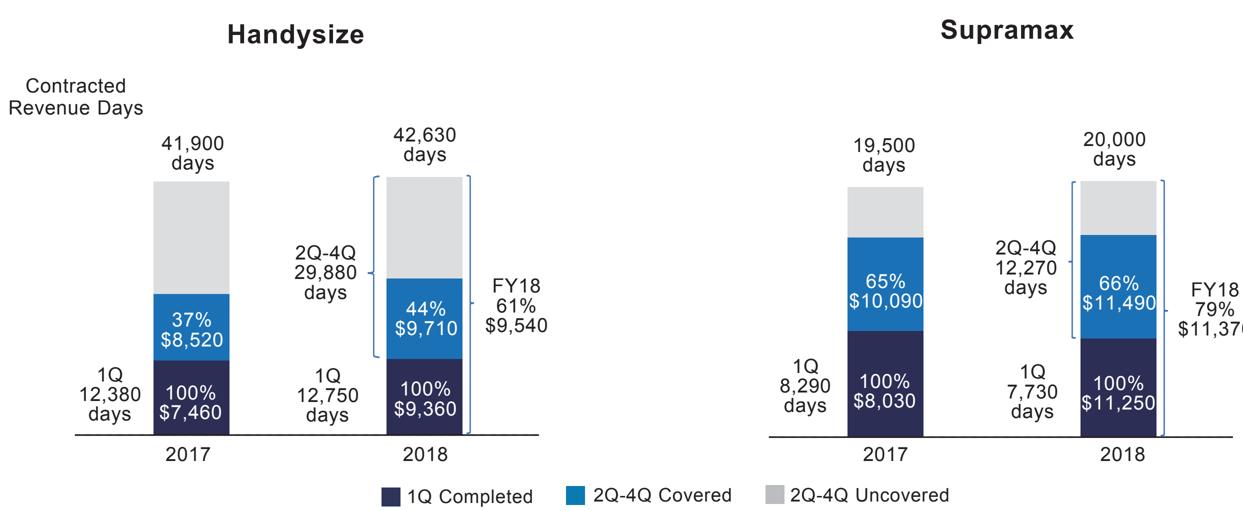
The Handysize and Supramax freight market indices in the year to date have followed a similar pattern as in recent years with a short seasonal decline in early 2018 and recovery after Chinese New Year, although at a significantly higher level as the demand-supply balance continues to improve.

## PACIFIC BASIN VESSEL EARNINGS IMPROVE SIGNIFICANTLY YEAR ON YEAR

We generated average Handysize and Supramax daily TCE earnings of US$9,360 and US$11,250 per day net in the first quarter, representing a 25% and 40% improvement compared to the same period in 2017 and outperforming the BHSI and BSI spot market indices by 16% and 10% respectively.

As at 6 April, we have secured cover for the last three quarters of 2018 as follows:

- 44% of our 29,880 contracted Handysize revenue days at around US$9,710 per day net (1Q17: US$8,520)
- 66% of our 12,270 contracted Supramax revenue days at around US$11,490 per day net (1Q17: US$10,090)




Currency US$, 2018 data as at 6 Apr 2018
2017 data as announced in April 2017

In January we took delivery of the last of five vessels we committed to acquire in August 2017, increasing our owned fleet to 106 ships on the water. Including chartered ships, we operated an average of 228 ships overall during the first quarter. Our capacity during the period was substantially unchanged from a year ago as we operated more owned ships but took in fewer short-term chartered ships primarily due to reduced Chinese steel export volumes.

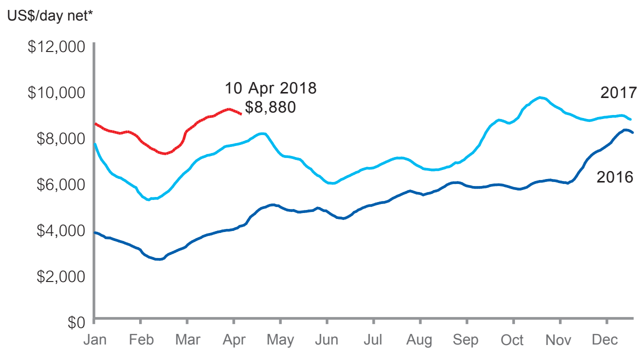
The market improvement since last year benefits our increased proportion of owned ships which have mainly fixed costs. The breakeven levels on our owned Handysize and Supramax ships are about US$8,300 and US$9,100 per day respectively including G&A overheads.

The stronger market rates increase our cost of short-term chartered-in vessels, but we charter these in to generate valuable positive operating margins irrespective of whether the market is high or low.

## FREIGHT MARKET RECOVERY CONTINUES

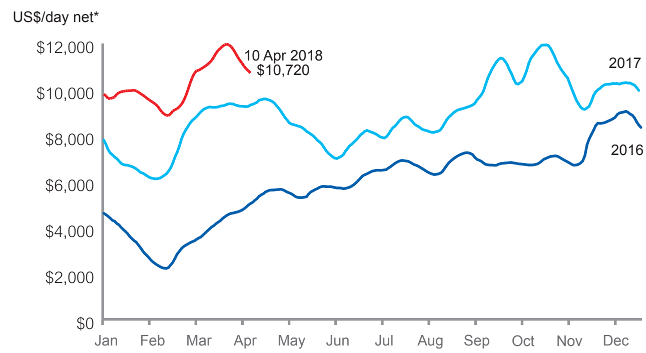
Market spot rates for Handysize and Supramax ships averaged US$8,070 and US$10,190 per day net respectively in the first quarter of 2018, representing a 28% and 32% improvement over the same period last year driven by a further improved demand-supply balance.

**Handysize Market Spot Rates in 2016 – 2018**




* excludes 5% commission
Source: Baltic Exchange, data as at 10 Apr 2018

**Supramax Market Spot Rates in 2016 – 2018**




* excludes 5% commission
Source: Baltic Exchange (BSI 58,000 dwt), data as at 10 Apr 2018

Following the seasonal dip before Chinese New Year, spot market conditions recovered, especially in the Pacific which improved 31% year on year to its highest quarterly average since early 2014. Atlantic market rates also improved strongly at 26% year on year. The upward trend in market freight rates during the quarter was driven by further improvements in both demand and supply side factors. Market rates have softened somewhat in the last few weeks following the usual seasonal pattern, but remain above last year's levels.

Demand for dry bulk shipping in the first quarter was partly driven by a strong 9% increase in Chinese imports of dry bulk commodities in January and February, especially the minor bulks in which we specialise which are estimated to have increased around 17% year on year. In the Pacific, stronger market freight rates were partly supported by a shortage of suitable capacity and a continuing recovery in demand for commodities such as concentrates and logs from Australia and New Zealand. In the Atlantic, Brazilian and Argentinian agricultural bulk exports in the first quarter grew strongly year or year, but were partly offset by weaker US exports.

Slower growth in global dry bulk capacity was a key driver of the improved freight market during the first quarter. Newbuilding deliveries reduced significantly year on year, and the global dry bulk fleet grew by around 0.8% net during the first quarter compared to 1.7% in the same period last year. Scrapping of older dry bulk ships has again reduced due to the improved freight rate environment, but the reduced new ship deliveries from Asian shipyards contributed to the tighter availability of ships in the Pacific market than in recent years and was a major contributor to the freight market improvement overall.

The improved freight market conditions have supported sale and purchase activity and increased vessel values. Clarksons Research currently values a benchmark five year old Handysize bulk carrier at US$15.5 million, up from US$14 million at the end of 2017. Newbuilding prices have increased to US$22.5 million from US$22.0 million at the end of 2017. The gap between newbuilding and secondhand prices remains significant and is discouraging new ship ordering. New ship ordering remains limited in our Handysize and Supramax segments, with activity largely restricted to the larger bulk carrier segments.

## POSITIVE MARKET OUTLOOK WITH SOME VOLATILITY ALONG THE WAY

The first-quarter improvement in the market for minor bulk shipping is encouraging and, with the all-important supply fundamentals looking more positive, we are cautiously optimistic for a continued market recovery, although with some volatility along the way.

The introduction of United States import tariffs on steel and aluminium from certain countries and announced retaliatory measures by China are now in effect, but dry bulk cargo flows threatened by these protectionist measures account for only a small fraction of the trades in which Pacific Basin is engaged and we do not expect them to have a material impact on the overall dry bulk market.

Last week the United States proposed further trade tariffs on China in retaliation for alleged unfair trade practises and unauthorised intellectual property transfer. China promptly announced plans to impose retaliatory import tariffs, including on US soybean and other agricultural products, which could have an impact on cargo flows and has already generated some negative sentiment in the market. The timing and scale of the Chinese tariffs are dependent on the eventual form of the US measures which remain subject to lengthy public consultation.

However, it is important to bear in mind that (i) total US soybean exports to China in 2017 represented about 0.6% of total dry bulk seaborne trade, (ii) the majority of this volume moves in Panamax and Kamsarmax vessels and not on Pacific Basin's vessel types, (iii) no implementation date for the tariffs has yet been set, (iv) any impact on trade volumes in the medium term would likely be limited as the high season for US soybean exports does not start until the fourth quarter, and (v) while Chinese buyers will still depend on significant soybean imports from the United States, they will likely continue to buy more from Brazil.

While we believe these protectionist actions could affect the dry bulk trade, the impact would be largely outweighed by positive dry bulk supply fundamentals and continued global dry bulk trade growth overall.

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. These supply-side factors will continue to benefit freight market fundamentals in the future.

## WELL POSITIONED FOR A GRADUAL RECOVERY

We 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. We continue to watch technological, fuel and regulatory developments closely.

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 business model, larger owned fleet and competitive cost structure position us well to navigate and benefit from the recovering market.

By Order of the Board

**Mok Kit Ting, Kitty**
*Company Secretary*

Hong Kong, 12 April 2018

*As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull and Mats Henrik Berglund, and the Independent Non-executive Directors of the Company are Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Daniel Rochfort Bradshaw, Irene Waage Basili and Stanley Hutter Ryan.*