

PAN OCEAN CO., LTD.

(Incorporated in the Republic of Korea)

FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017

PART I. INFORMATION REQUIRED FOR ANNUAL ANNOUNCEMENT

1.(a)(i) A statement of comprehensive income (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

For the period ended 31 March 2017 (in thousands of US\$)

	The Group		
	2017	2016	%
	Three months ended 31 Mar	Three months ended 31 Mar	
Sales	452,879	376,640	20.2%
Cost of sales	(404,728)	(331,969)	21.9%
Gross profit	48,151	44,671	7.8%
Selling and administrative expenses	(12,753)	(12,355)	3.2%
Operating profit	35,398	32,316	9.5%
Finance income	5,221	3,235	61.4%
Finance costs	(12,600)	(11,942)	5.5%
Other non-operating income (loss), net	790	37,581	-97.9%
Gain(loss) related to investments in associates and joint ventures	96	229	-58.1%
Profit before income tax	28,905	61,419	-52.9%
Income tax expense	1,287	23	5495.7%
Profit for the year	27,618	61,396	-55.0%
Other Comprehensive income(loss)			
Items that will be subsequently reclassified to profit or loss:			
Changes in the fair value of available-for-sale financial assets	37	(145)	N/M
Changes in the fair value of derivative financial assets	(254)	12	N/M
Share of the other comprehensive income of associates and joint ventures	74	113	-34.5%
	(143)	(20)	615.0%
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	(31)	(12)	158.3%
Exchanges differences	(4,450)	1,796	N/M
Total other comprehensive income(loss) for the year, net of tax	(4,624)	1,764	N/M
Total comprehensive income for the year	22,994	63,160	-63.6%
Profit (loss) attributable to:			
Owners of the Group	27,939	61,376	-54.5%
Non-controlling interests	(321)	20	N/M
	27,618	61,396	-55.0%
Total comprehensive income (loss) attributable to:			
Owners of the Group	23,299	63,081	-63.1%
Non-controlling interests	(305)	79	N/M
	22,994	63,160	-63.6%

N/M : Not meaningful

1.(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year (in thousands of US\$).

	The Group		The Company	
	At 31 Mar 2017	At 31 Dec 2016	At 31 Mar 2017	At 31 Dec 2016
Assets				
Current assets				
Cash and cash equivalents	201,852	202,806	140,396	160,991
Trade receivables	75,707	77,122	61,266	66,841
Other receivables	28,071	20,013	22,929	18,708
Derivative financial assets	2,021	2,451	402	1,649
Other financial assets	32,060	6,615	31,960	3,000
Inventories	43,534	39,548	43,534	39,548
Other assets	175,323	125,855	175,898	123,137
	<u>558,568</u>	<u>474,410</u>	<u>476,385</u>	<u>413,874</u>
Non-current assets				
Trade receivables	-	-	-	-
Other receivables	19,083	19,580	16,091	16,863
Other financial Assets	18,180	31,257	18,180	27,979
Investments in subsidiaries	-	-	50,655	50,655
Investments in associates and joint ventures	1,824	1,654	1,252	1,252
Vessels, property and equipment	3,050,249	3,043,456	3,012,611	3,005,646
Intangible assets	8,814	8,493	4,028	3,916
Deferred tax assets	105	78	-	-
Other assets	4,626	4,560	4,589	4,525
	<u>3,102,881</u>	<u>3,109,078</u>	<u>3,107,406</u>	<u>3,110,836</u>
Total assets	<u>3,661,449</u>	<u>3,583,488</u>	<u>3,583,791</u>	<u>3,524,710</u>
Liabilities				
Current liabilities				
Trade payables	74,952	67,364	54,069	63,857
Borrowings	289,228	269,307	285,880	264,259
Derivative financial liabilities	1,824	525	497	21
Other payables	51,192	35,176	49,706	33,199
Provisions	6,514	572	2,305	3,008
Income tax liabilities	1,330	356	1,179	-
Other liabilities	75,271	60,217	68,969	55,045
	<u>500,311</u>	<u>433,517</u>	<u>462,605</u>	<u>419,389</u>
Non-current liabilities				
Borrowings	978,476	988,707	972,615	982,009
Derivative financial liabilities	63	90	63	90
Provisions	29,742	31,993	29,350	31,557
Retirement benefit obligations	6,608	5,923	6,411	5,826
Deferred income tax liabilities	6	22	-	-
Other payables	60	60	-	-
	<u>1,014,955</u>	<u>1,026,795</u>	<u>1,008,439</u>	<u>1,019,482</u>
Total liabilities	<u>1,515,266</u>	<u>1,460,312</u>	<u>1,471,044</u>	<u>1,438,871</u>
Equity				
Share capital	480,602	480,598	480,602	480,598
Capital surplus	651,365	651,355	650,811	650,802
Other reserves	1,051,582	1,056,192	1,069,112	1,069,049
Accumulated deficit	(57,901)	(85,809)	(87,778)	(114,610)
Equity attributable to owners of the Group & Company	<u>2,125,648</u>	<u>2,102,336</u>	<u>2,112,747</u>	<u>2,085,839</u>
Non-controlling interest	20,535	20,840	-	-
Total equity	<u>2,146,183</u>	<u>2,123,176</u>	<u>2,112,747</u>	<u>2,085,839</u>
Total equity and liabilities	<u>3,661,449</u>	<u>3,583,488</u>	<u>3,583,791</u>	<u>3,524,710</u>

1.(b)(ii) Aggregate amount of group's borrowings and debt securities(in thousands of US\$)

	At 31 Mar 2017		At 31 Dec 2016	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less	250,478	38,750	256,807	12,500
Amount repayable after one year	947,226	31,250	951,207	37,500
	1,197,704	70,000	1,208,014	50,000

Details of collateral

The Group's borrowings are secured by way of :

- legal mortgages over certain vessels or building and land of the Company ;
- legal charges over certain bank accounts ; and
- assignment of insurance of certain vessels

1.(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (in thousands of US\$).

	The Group	
	Three months ended 31 March	
	2017	2016
Cash flows from operating activities		
Cash generated from operations	51,393	91,720
Interest paid	(10,049)	(8,965)
Income tax paid	(463)	(165)
Net cash inflow(outflow) by operating activities	40,881	82,590
Cash flows from investing activities		
Acquisition of vessels, property and equipment	(22,806)	(31,318)
Proceeds from sale of vessels, property and equipment	-	4
Acquisition of intangible assets	(306)	(269)
Proceeds from sale of intangible assets	239	-
Acquisition of other financial assets	(28,547)	(36,111)
Proceeds from sale of other financial assets	16,630	6,609
Proceeds from sale of asset held for sale	-	1,589
Acquisition of investments in subsidiaries share	-	(42)
Proceeds from sale of subsidiaries share	-	46
Dividend received	44	68
Loans provided	(24)	
Loans collected	340	912
Interest received	725	823
Net cash inflow(outflow) from investing activities	(33,705)	(57,689)
Cash flows from financing activities		
Proceeds from borrowings	55,059	4,890
Repayment of borrowings	(64,195)	(52,278)
Net cash inflow(outflow) financing activities	(9,136)	(47,388)
Currency translation differences (cash and cash equivalents)	1,006	1,703
Net increase(decrease) in cash and cash equivalents	(1,960)	(22,487)
Cash and cash equivalents at beginning of the year	202,806	237,344
Cash and cash equivalents at end of the year	201,852	216,560

1.(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (in thousands of US\$)

	Attributable to owners of the Group				Non-controlling Interest	Total equity
	Share capital	Capital surplus	Other reserves	Accumulated deficit		
Balance as of January 1, 2016	471,717	627,169	1,124,116	(169,941)	21,546	2,074,607
Comprehensive income (loss)						
Profit for the year	-	-	-	61,376	20	61,396
Items that will be reclassified subsequently to profit or loss:						
Changes in the fair value of available-for-sale financial assets	-	-	(145)	-	-	(145)
Changes in the fair value of derivative financial assets and liabilities	-	-	12	-	-	12
Share of the other comprehensive income of associates and joint venture	-	-	113	-	-	113
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	(12)	-	(12)
Exchanges differences	-	-	1,737	-	59	1,796
Transactions with owners recorded directly in equity:						
Changes in equity due to debt-equity swap	5,742	15,415	(61,103)	-	-	(39,946)
Balance as of March 31, 2016	477,459	642,584	1,064,730	(108,577)	21,625	2,097,821
Balance as of January 1, 2017	480,598	651,356	1,056,192	(85,809)	20,840	2,123,177
Comprehensive income (loss)						
Profit(loss) for the year	-	-	-	27,939	(321)	27,618
Items that will be reclassified subsequently to profit or loss:						
Changes in the fair value of available-for-sale financial assets	-	-	37	-	-	37
Changes in the fair value of derivative financial assets and liabilities	-	-	(254)	-	-	(254)
Share of the other comprehensive income of associates and joint ventures	-	-	74	-	-	74
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	(31)	-	(31)
Exchanges differences	-	-	(4,466)	-	16	(4,450)
Transactions with owners recorded directly in equity:						
Changes in equity due to debt-equity swap	4	9	(1)	-	-	12
Balance as of march 31, 2017	480,602	651,365	1,051,582	(57,901)	20,535	2,146,183

	Attributable to owners of the Company				
	Share capital	Capital surplus	Other reserves	Accumulated deficit	Total equity
Balance as of January 1, 2016	471,717	626,615	1,141,252	(193,187)	2,046,397
Comprehensive income (loss)					
Profit for the year	-	-	-	58,939	58,939
Items that will be reclassified subsequently to profit or loss:					
Changes in the fair value of available-for-sale financial assets	-	-	(145)	-	(145)
Changes in the fair value of derivative financial assets and liabilities	-	-	(13)	-	(13)
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit liability	-	-	-	(11)	(11)
Transactions with owners recorded directly in equity:					
Changes in equity due to debt-equity swap	5,742	15,415	(61,103)	-	(39,946)
Balance as of March 31, 2016	477,459	642,030	1,079,991	(134,259)	2,065,221
Balance as of January 1, 2017	480,598	650,802	1,069,049	(114,610)	2,085,839
Comprehensive income (loss)					
Profit for the year	-	-	-	26,863	26,863
Items that will be reclassified subsequently to profit or loss:					
Changes in the fair value of available-for-sale financial assets	-	-	37	-	37
Changes in the fair value of derivative financial assets and liabilities	-	-	27	-	27
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit liability	-	-	-	(31)	(31)
Transactions with owners recorded directly in equity:					
Changes in equity due to debt-equity swap	4	9	(1)	-	12
Balance as of March 31, 2017	480,602	650,811	1,069,112	(87,778)	2,112,747

1.(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

<i>(in shares)</i>	At 31 Mar 2017		At 31 Dec 2016	
	Number of shares issued	outstanding stock	Number of shares issued	outstanding stock
Beginning number of shares	534,392,834	534,392,834	524,425,070	524,425,070
Debt-equity swap	3,937	3,937	9,967,764	9,967,764
Ending number of shares	534,396,771	534,396,771	534,392,834	534,392,834

1.(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	The Issuer At 31 Dec. 2016	The Issuer At 31 Dec. 2015
Total number of issued shares	534,396,771	534,392,834
Less number of shares held as treasury shares	-	-
Total number of issued shares excluding treasury shares of the issuer	534,396,771	534,392,834

1.(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current period and as at the end of the current financial period reported on.

Not applicable

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have been reviewed in accordance with Korean International Financial Reporting Standards

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in financial statements for the period ended 31 March 2017 compared with the audited financial statements for the year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

	<u>The Group</u>	<u>The Group</u>
	<u>2017</u>	<u>2016</u>
	Three months	Three months
	ended 31 Mar	ended 31 Mar
Earnings per share for profit attributable to owners of the Company during the period (expressed in US\$ per share)		
(a) Basic	0.05	0.12
(b) Diluted	0.05	0.12

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the

(a) Current financial period reported on; and

(b) Immediately preceding financial year (in US\$).

	<u>The Group</u>		<u>The Company</u>	
	At 31 Mar.	At 31 Dec.	At 31 Mar.	At 31 Dec.
	2017	2016	2017	2016
Net asset value per ordinary share based on issued share capital of the issuer	4.02	3.97	3.95	3.90

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(1) Income Statement

FY 2017 1Q VS FY 2016 1Q

The group achieved sales of US\$ 453 million, increase of 20% compared to the same period in the prior year. And Costs of sales was increased by US\$ 73 million from US\$ 332 million as of 2016 1Q to US\$ 405 million as of 2017 1Q.

For that factors mentioned above, the group recorded operating profit of US\$ 35 million in 2017 1Q, as compared to the operating profit of US\$ 32 million in the corresponding period of preceding financial year.

Pursuant to the amended rehabilitation plan, the Group recognized the profit and loss from debt restructuring including debt-equity swap. It recorded the gain of US\$ 51 million in 2016 1Q.

And losses on impairment of vessel, property and equipment (held for sale) had recorded US\$ 18 million in 2016 1Q.

Consequently, Profit for the year, which had recorded US\$ 28 million in 2017 1Q, as compared US\$ 61 million in 2016 1Q.

(2) Balance Sheet & Cash Flow

The group's total assets increased US\$ 78 million, from US\$ 3,583 million as of 31 December 2016 to US\$ 3,661 million as of 31 March 2017.

Total liabilities of the Group increased US\$ 55 million, from US\$1,460 million as of 31 December 2016 to US\$ 1,515 million as of 31 March 2017.

Cash flows from operating activities were surplus amounting to US\$ 41 million but Net cash used in investing activities and financing activities for 2017 1Q recorded the deficit amounting to US\$ 43 million.

9. Where a forecast or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The yearly average BDI for 2016 was 673, hit the lowest record in annual average BDI since 1999, due to the chronic oversupply and low demand for raw material. However, the average BDI for 2017 1st quarter which is usually known as the weakest quarter in a year recorded 945 as more bulkers were phased out and as global seaborne transportation increased.

47.3 Mil.DWT of bulker was delivered in 2016 despite many owners to cancel the orders or to defer delivery schedule. And 29.3 Mil. DWT of bulker was phased out by demolition thanks to more expensive regular maintenance and stricter environment regulations. As a consequence, the fleet growth has declined from 2.7% in 2015 to 2.3% in 2016 constantly. Even though the demolition activity has slowed owing to the strong market in 1st quarter, new bulkers to be scheduled is 67% only from last year's which means fleet growth would be limited.

Maritime financing environment is tight which hindered new orders, and given the current low level of vessel time chartering rate, aged vessel will be put more pressure on increment of overage scrapping.

In demand side, China's imports of iron ore in 2016 reached new annual high, and its growth rate has increased from 3% in 2015 to 7% in 2016. Global coal import has decreased by 1% to 1.12 billion tones in 2016, reflecting falling oil price and unstable economy of the developing company. However, seaborne dry bulk trade is being revived since major countries are trying to boost their economy and Global grain export is expected to grow by 3% to 486 million tons in 2017. The developed countries such as USA and EU showed solid improvement.

According to IMF World Economic Outlook, world GDP growth forecast is to be accelerated to 3.5% in 2017 and to 3.6% in 2018 from 3.1% in 2016, and may to be further in 2019.

11. If a decision regarding dividend has been made: N/A

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1) (a) (ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	Three months Ended 31 Mar. 2017.	Three months Ended 31 Mar. 2016.	Three months Ended 31 Mar. 2017.	Three months Ended 31 Mar. 2016.
PanOcean(America), Inc.	-	-	4,171 ¹⁾	1,689 ¹⁾
Sunjin Co., Ltd.	-	-	778 ²⁾	571 ²⁾
Farmsco	-	-	1,459 ²⁾	2,216 ²⁾
Jeil Feed Company, Ltd.	-	-	3,004 ²⁾	1,096 ²⁾
Harim Co., Ltd.	-	-	582 ²⁾	617 ²⁾
Jeil Holdings Co., Ltd.	-	431 ³⁾	-	-
Total	-	431	9,995	6,189

1) Sales relating to voyage and Agent commission under shareholders' mandate pursuant to Rule 920

2) The group's effective interest of transaction relating to sales grain to interested person (Sunjin, Farmsco, Jeil Feed Company, Harim)

3) The value of the transaction is the interest payable on the bond to Jeil Holdings.

The group issued unsecured private placed bond to Jeil holdings KRW 157,950 million and repaid amounting KRW 117,950 million in 2015. and repaid the remaining balance amount to KRW 40,000 million in 2016.

PART II -ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous.

Not applicable

15. Reconciliations of K-IFRS with IFRS

There has been a change in listing status of the Group on the Mainboard of the SGX-ST from primary listing to secondary listing since 23 January 2013 and in compliance with statutory reporting purposes, the Group continues to prepare consolidated financial statements in accordance with Korea International Financial Reporting Standards ("K-IFRS").

The Group adopted the amendments pursuant to the amended K-IFRS No. 1001, 'Presentation of Financial Statements' from the annual period ended December 31, 2012. The Group's operating profit (loss) is calculated as revenue less: (1) cost of goods sold, and (2) selling, general and administrative expenses, and is presented separately in the consolidated statement of comprehensive income.

Whereas, IFRS does not explicitly define operating profit (loss), but it is interpreted that all profit (loss) items except ones clearly excluded from operating activities be included in operating profit (loss).

Based on this interpretation, the operating profit (loss) of the Group for 2017 1Q and 2016 1Q shall be adjusted as below:

(In thousands of US dollars)

	The Group	
	2017 1Q	2016 1Q
Operating profit(loss) In K-IFRS	35,397	32,316
Adjustment :		
Gain on sale of vessels, property and equipment	-	432
Loss on sale of vessels, property and equipment	(99)	(689)
Gain on impairment of vessels, property and equipment	-	-
Loss on impairment of vessels, property and equipment	-	(17,298)
Gain on sale of Intangible assets	145	-
Loss on sale of Intangible assets	-	-
Gain (loss) on valuation of derivatives, net	(532)	3
Gain (loss) on derivative transactions, net	(357)	(76)
Gain (loss) on foreign currency translations, net	1,262	(159)
Gain (loss) on foreign currency transactions, net	(732)	(634)
Expense of provision and marine accident	377	4,466
Donations	-	-
Allowance for (reversal of) doubtful accounts	-	-
Other	693	72
Operating profit(loss) In IFRS	<u>36,154</u>	<u>18,433</u>