

PAN OCEAN CO. LTD.

(Incorporated in the Republic of Korea)

FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2020

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 2020 (in thousands of US\$)

	The Group		
	2020	2019	%
	Three months ended 31 Mar	Three months ended 31 Mar	
Sales	468,727	475,628	-1.5%
Cost of sales	(421,359)	(419,531)	0.4%
Gross profit	47,368	56,097	-15.6%
Selling and administrative expenses	(15,644)	(16,120)	-3.0%
Operating profit	31,724	39,977	-20.6%
Finance income	13,002	4,117	215.8%
Finance costs	(13,903)	(13,995)	-0.7%
Other non-operating income (loss), net	(13,951)	(4,843)	188.1%
Gain(loss) related to investments in associates and joint ventures	53	(68)	N/M
Profit before income tax	16,925	25,188	-32.8%
Income tax expense	192	170	12.9%
Profit for the period	16,733	25,018	-33.1%
Other Comprehensive income(loss)			
Items that will be subsequently reclassified to profit or loss:			
Changes in the fair value of derivative financial assets	6	6	0.0%
Share of the other comprehensive income of associates and joint ventures	(84)	2	N/M
	(78)	(5)	1460.0%
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	2	(117)	N/M
Exchanges differences	889	96	826.0%
Total other comprehensive income(loss) for the period, net of tax	813	(26)	N/M
Total comprehensive income for the period	17,546	24,992	-29.8%
Profit (loss) attributable to :			
Owners of the Group	18,164	27,519	-34.0%
Non-controlling interests	(1,431)	(2,501)	-42.8%
	16,733	25,018	-33.1%
Total comprehensive income (loss) attributable to :			
Owners of the Group	18,983	27,485	-30.9%
Non-controlling interests	(1,437)	(2,493)	-42.4%
	17,546	24,992	-29.8%

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 2020	At 31 Dec 2019	At 31 Mar 2020	At 31 Dec 2019
Assets				
Current assets				
Cash and cash equivalents	203,876	220,516	171,061	171,028
Trade receivables	97,466	113,512	78,781	104,610
Contract Assets	69,923	55,684	69,923	55,684
Other receivables	25,604	22,103	24,423	21,010
Derivative financial assets	7,552	420	2,567	420
Other financial assets	31,238	24,811	22,956	24,709
Inventories	54,705	56,419	54,701	56,415
Other assets	115,354	93,450	100,053	83,293
Assets held for sale	5,835	-	5,835	-
	<u>611,553</u>	<u>586,915</u>	<u>530,300</u>	<u>517,169</u>
Non-current assets				
Other receivables	11,328	10,315	8,821	9,523
Other financial Assets	8,358	10,022	8,358	10,022
Investments in subsidiaries	-	-	37,309	39,261
Investments in associates and joint ventures	1,988	2,019	1,252	1,252
Vessels, property and equipment	3,294,018	3,227,672	3,278,651	3,211,552
Intangible assets	6,385	6,728	4,338	4,343
Other assets	3,243	3,433	2,691	2,756
	<u>3,325,320</u>	<u>3,260,189</u>	<u>3,341,420</u>	<u>3,278,709</u>
Total assets	<u>3,936,873</u>	<u>3,847,104</u>	<u>3,871,720</u>	<u>3,795,878</u>
Liabilities				
Current liabilities				
Trade payables	111,342	103,805	94,045	92,113
Borrowings	357,972	371,010	357,972	371,010
Derivative financial liabilities	10,515	61	3,820	61
Other payables	62,835	46,258	58,217	41,790
Provisions	1,391	3,170	1,391	3,170
Other liabilities	17,643	13,255	10,192	9,492
Contract liabilities	54,720	62,068	54,720	62,068
Lease liabilities	10,459	12,835	9,472	11,684
	<u>626,877</u>	<u>612,462</u>	<u>589,829</u>	<u>591,388</u>
Non-current liabilities				
Borrowings	744,663	684,076	744,663	684,076
Derivative financial liabilities	13	19	13	19
Provisions	21,186	22,638	20,776	22,110
Retirement benefit obligations	2,590	2,308	2,304	2,070
Lease liabilities	19,653	21,256	18,248	19,632
	<u>788,105</u>	<u>730,297</u>	<u>786,004</u>	<u>727,907</u>
Total liabilities	<u>1,414,982</u>	<u>1,342,759</u>	<u>1,375,833</u>	<u>1,319,295</u>
Equity				
Share capital	480,755	480,755	480,755	480,755
Capital surplus	652,814	652,814	651,483	651,483
Other reserves	1,052,169	1,051,352	1,068,374	1,068,368
Accumulated deficit	326,269	308,103	295,275	275,977
Equity attributable to owners of the Group & Company	<u>2,512,007</u>	<u>2,493,024</u>	<u>2,495,887</u>	<u>2,476,583</u>
Non-controlling interest	9,884	11,321	-	-
Total equity	<u>2,521,891</u>	<u>2,504,345</u>	<u>2,495,887</u>	<u>2,476,583</u>
Total equity and liabilities	<u>3,936,873</u>	<u>3,847,104</u>	<u>3,871,720</u>	<u>3,795,878</u>

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

	At 31 Mar 2020		At 31 Dec 2019	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less	319,344	38,628	330,780	40,230
Amount repayable after one year	625,061	119,602	558,338	125,737
	944,405	158,230	889,118	165,967

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	
	2020	2019
Cash flows from operating activities		
Cash generated from operations	65,855	96,697
Interest paid	(9,949)	(12,722)
Income tax paid	(54)	(74)
Net cash inflow(outflow) by operating activities	55,852	83,901
Cash flows from investing activities		
Acquisition of vessels, property and equipment	(43,979)	(49,066)
Acquisition of intangible assets	(60)	(38)
Proceeds from sale of vessels, property and equipment	10,539	78
Proceeds from sale of intangible assets	-	-
Acquisition of other financial assets	(13,149)	(7,337)
Proceeds from other financial assets	8,005	6,756
Dividend received	13	73
Loan Provided	(75)	(114)
Loan Collected	302	349
Interest received	866	901
Net cash inflow(outflow) from investing activities	(37,538)	(48,398)
Cash flows from financing activities		
Proceeds from borrowings	9,633	69,973
Repayment of borrowings	(40,956)	(96,217)
Repayments of lease liabilities	(4,336)	(2,497)
Changes in other controlling interests	-	-
Net cash inflow(outflow) financing activities	(35,659)	(28,741)
Currency translation differences (cash and cash equivalents)	705	105
Net increase(decrease) in cash and cash equivalents	(16,640)	6,867
Cash and cash equivalents at beginning of the year	220,516	186,668
Cash and cash equivalents at end of the period	203,876	193,535

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, 2019	480,755	652,814	1,052,220	178,747	14,891	2,379,427
Comprehensive income (loss)						
Profit for the Period	-	-	-	27,519	(2,501)	25,018
Items that will be reclassified subsequently to profit or loss:						
Changes in the fair value of derivative financial assets and liabilities	-	-	(7)	-	-	(7)
Share of the other comprehensive income of associates and joint venture	-	-	2	-	-	2
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	(117)	-	(117)
Exchanges differences	-	-	88	-	8	96
Balance at March 31, 2019	480,755	652,814	1,052,303	206,149	12,398	2,404,419
Balance as of January 1, 2020	480,755	652,814	1,051,352	308,103	11,321	2,504,345
Comprehensive income (loss)						
Profit(loss) for the period	-	-	-	18,164	(1,431)	16,733
Items that will be reclassified subsequently to profit or loss:						
Changes in the fair value of derivative financial assets and liabilities	-	-	6	-	-	6
Share of the other comprehensive income of associates and joint ventures	-	-	(84)	-	-	(84)
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	2	-	2
Exchanges differences	-	-	895	-	(6)	889
Balance at March 31, 2020	480,755	652,814	1,052,169	326,269	9,884	2,521,891

	Attributable to owners of the Company				
	Share capital	Capital surplus	Other reserves	Accumulated deficit	Total equity
Balance as of January 1, 2019	480,755	651,483	1,068,385	144,910	2,345,533
Comprehensive income (loss)					
Profit for the Period	-	-	-	28,196	28,196
Items that will be reclassified subsequently to profit or loss:					
Changes in the fair value of available-for-sale financial assets	-	-	-	-	-
Changes in the fair value of derivative financial assets and liabilities	-	-	(6)	-	(6)
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit liability	-	-	-	(12)	(12)
Transactions with owners recorded directly in equity:					
Changes in equity due to debt-equity swap	-	-	-	-	-
Balance at March 31, 2019	<u>480,755</u>	<u>651,483</u>	<u>1,068,379</u>	<u>173,094</u>	<u>2,373,711</u>
Balance as of January 1, 2020	480,755	651,483	1,068,368	275,977	2,476,583
Comprehensive income (loss)					
Profit for the Period	-	-	-	19,330	19,330
Items that will be reclassified subsequently to profit or loss:					
Changes in the fair value of derivative financial assets and liabilities	-	-	6	-	6
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit liability	-	-	-	(32)	(32)
Balance at March 31, 2020	<u>480,755</u>	<u>651,483</u>	<u>1,068,374</u>	<u>295,275</u>	<u>2,495,887</u>

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 2020		At 31 Dec 2019	
	Number of shares issued	outstanding stock	Number of shares issued	outstanding stock
Beginning number of shares	534,569,207	534,569,207	534,569,207	534,569,207
Debt-equity swap	-	-	-	-
Ending number of shares	534,569,207	534,569,207	534,569,207	534,569,207

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 Mar 2020	The Issuer At 31 Dec 2019
Total number of issued shares	534,569,207	534,569,207
Less number of shares held as treasury shares	-	-
Total number of issued shares excluding treasury shares of the issuer	534,569,207	534,569,207

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 audited 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 2020 compared with the audited financial statements for the year ended 31 December 2019.

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>2020</u>	<u>2019</u>
	3 months	3 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	0.03	0.05
(b) Diluted	0.03	0.05

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
	2020	2019	2020	2019
Net asset value per ordinary share based on issued share capital of the issuer	4.72	4.68	4.67	4.63

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 2020 1Q VS FY 2019 1Q

The group achieved sales of US\$ 469 million, decrease of 1.5% compared to the same period in the prior year. And Costs of sales was increased from US\$ 420 million as of 2019 1Q to US\$ 421 million as of 2020 1Q.

The group recorded operating profit of US\$ 32 million in 2020, as compared to the operating profit of US\$ 40 million in the corresponding period of preceding financial year.

For the non-operating profit, the group recorded finance cost of US\$ 14 million in 2020 1Q.

Consequently, Profit for the period, which had recorded US\$ 17 million in 2020, as compared US\$ 25 million in 2019 1Q.

(2) Balance Sheet & Cash Flow

The group's total assets increased US\$ 90 million, from US\$ 3,847 million as of 31 December 2019 to US\$ 3,937 million as of 31 March 2020.

Total liabilities of the Group increased US\$ 72 million, from US\$ 1,343 million as of 31 December 2019 to US\$ 1,415 million as of 31 March 2020.

Cash flows from operating activities were surplus amounting to US\$ 56 million but Net cash used in investing activities for 2020 1Q recorded the deficit amounting to US\$ 38 million. And financing activities for 2020 1Q recorded the deficit amounting to US\$ 36 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.

In 2019, the average Baltic Dry Index (BDI) recorded 1,353 points, same as the record in 2018. The lowest BDI point was 595 in the second quarter and the highest was 2,518 in the third quarter last year. The average BDI during the first half of last year recorded 895 points due to negative factors such as the supply disruption of iron ore from Brazil as the one of the major export countries and extended uncertainty resulted from trade tension between US and China. On the other hand, during the second half of last year, the average BDI recorded 1,804 points owing to positive factors such as resumption of iron ore export from Brazil and the increased grain export from South America.

As for the demand, the total dry bulk seaborne trade volume in 2019 increased by 1.1% to 5.28 billion tons, even though the seaborne iron ore trade volume decreased by 1.6% to 1.45 billion tons mainly because of supply disruption from Brazil during the first half of last year. The seaborne coal trade volume increased by 1.7% and recorded 1.29 billion tons because of steady demand from China and growing demand from Asian emerging economies' coal-fired power generation. The growth of grain trade volume in 2019 was a bit limited due to the impact of US-China trade tension, but increased volume of minor cargoes rather diluted its negative impact.

On the supply side, the newbuilding deliveries of dry bulk vessels in 2019 recorded 41.1 million DWT, about 44% up from the previous year (28.5 million DWT). That is mainly because of the increase in new newbuilding orders affected by gradual recovery trend during 2017. The scrapping volume of the bulkers was 7.8 million DWT, about 75% up from the previous year (4.4 million DWT) because of the influence of bearish market mood during the first half of last year and reinforcement of IMO regulations. Consequently, the total fleet growth rate recorded 4%, increased by 1% compared to those of the previous year.

Meanwhile, the International Monetary Fund (IMF) has lowered its projection of GDP growth in 2020 by -6.4% to -3.0% because of the COVID-19 corona virus pandemic. However, despite global economic disruption caused by the coronavirus outbreak, the relevant effects on the dry bulk seaborne trade would be relatively limited.

As for the demand in 2020, the total volume of seaborne trade is expected to decrease by 3.4% to 5.09 billion tons mainly due to the negative effects related to the COVID-19 for the first half of the year. However, considering the ongoing worldwide endeavors to boost their own economies, the seaborne trade volume of iron ore and coal is anticipated to gradually recover for the 2nd half of the year. Meantime, the grain trade volume is expected to increase by 2%, considering ample production in the major export countries and lots of efforts of many countries to secure strategic reserve amid the spread of COVID-19. On the supply side, the total fleet growth rate at the end of 2020 is expected to be less than the level in 2019 on the basis of the prospects of increase of scrapping volume and overall inefficiency on fleet operation related to the reinforcement of IMO regulation.

Therefore, in spite of worldwide uncertainty this year caused by COVID-19, the relevant effects on the dry bulk market would be relatively limited.

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.

	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)	
Name of interested person	Three months Ended 31 Mar. 2020.	Three months Ended 31 Mar. 2019.	Three months Ended 31 Mar. 2020.	Three months Ended 31 Mar. 2019.
PanOcean(America), Inc.	37,490 ³⁾	33,124 ³⁾	- ¹⁾	3,751 ¹⁾
Sunjin Co., Ltd.	-	-	902 ²⁾	318 ²⁾
Farmsco	-	-	653 ²⁾	- ²⁾
Jeil Feed Company, Ltd.	-	-	618 ²⁾	- ²⁾
Harim Co., Ltd.	-	-	468 ²⁾	- ²⁾
Orpum Co., Ltd.	-	-	322 ²⁾	- ²⁾
Harim Holdings Co.,Ltd.	374 ⁴⁾	-	-	-
Harim USA,Ltd.	- ⁵⁾	-	-	-
Total	37,864	33,124	2,963	4,069

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, Orpum)

3) Provided performance guarantee, finance guarantee for the period and commission fee

4) The group's shared expenses (Harim Holdings Co., Ltd.)

5) The group's effective interest of transaction relating to lending of money to interested person (Harim USA, Ltd.)

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 2020 1Q and 2019 1Q shall be adjusted as below:

(In thousands of US dollars)

	The Group	
	2020 1Q	2019 1Q
Operating profit(loss) In K-IFRS	31,724	39,977
Adjustment :		
Gain on sale of vessels, property and equipment	0	78
Loss on sale of vessels, property and equipment	(206)	(3)
Gain on impairment of vessels, property and equipment	0	0
Loss on impairment of vessels, property and equipment	(5,039)	0
Gain on sale of Intangible assets	0	0
Loss on sale of Intangible assets	0	0
Gain (loss) on valuation of derivatives, net	(2,971)	(799)
Gain (loss) on derivative transactions, net	(1,096)	731
Gain (loss) on foreign currency translations, net	(1,711)	(272)
Gain (loss) on foreign currency transactions, net	104	90
Expense of provision and marine accident	28	(1,474)
Donations	(680)	(643)
Other	(2,380)	(2,551)
Operating profit(loss) In IFRS	17,773	35,134