

PAN OCEAN CO., LTD.

(Incorporated in the Republic of Korea)

FIRST HALF FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 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 30 June 2017 (in thousands of US\$)

	The Group			The Group		
	2017	2016	%	2017	2016	%
	Three months ended 30 Jun	Three months ended 30 Jun		Six months ended 30 Jun	Six months ended 30 Jun	
Sales	559,012	381,868	46.4%	1,011,891	758,508	33.4%
Cost of sales	(501,499)	(332,286)	50.9%	(906,227)	(664,255)	36.4%
Gross profit	57,513	49,582	16.0%	105,664	94,253	12.1%
Selling and administrative expenses	(14,342)	(12,813)	11.9%	(27,095)	(25,168)	7.7%
Operating profit	43,171	36,769	17.4%	78,569	69,085	13.7%
Finance income	1,300	3,162	-58.9%	6,521	6,397	1.9%
Finance costs	(12,793)	(12,049)	6.2%	(25,393)	(23,991)	5.8%
Other non-operating income (loss), net	(12,816)	(3,924)	226.6%	(12,026)	33,657	N/M
Gain(loss) related to investments in associates and joint ventures	17	11	54.5%	113	240	-52.9%
Profit before income tax	18,879	23,969	-21.2%	47,784	85,388	-44.0%
Income tax expense	1,093	1,153	-5.2%	2,380	1,176	102.4%
Profit for the year	17,786	22,816	-22.0%	45,404	84,212	-46.1%
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	(1)	25	N/M	36	(120)	N/M
Changes in the fair value of derivative financial assets	(167)	(1,643)	-89.8%	(421)	(1,631)	-74.2%
Share of the other comprehensive income of associates and joint	(20)	(96)	-79.2%	54	17	217.6%
				(331)	(1,734)	-80.9%
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	(19)	0	N/M	(50)	(12)	316.7%
Exchanges differences	(820)	1,455	N/M	(5,270)	3,251	N/M
Total other comprehensive income(loss) for the year, net of tax	(1,027)	(1,714)	-40.1%	(5,651)	1,505	N/M
Total comprehensive income for the year	16,759	21,102	-20.6%	39,753	85,717	-53.6%
Profit (loss) attributable to :						
Owners of the Group	17,950	22,798	-21.3%	45,889	84,174	-45.5%
Non-controlling interests	(164)	18	N/M	(485)	38	N/M
	17,786	22,816	-22.0%	45,404	84,212	-46.1%
Total comprehensive income (loss) attributable to :						
Owners of the Group	16,909	22,571	-25.1%	40,208	85,652	-53.1%
Non-controlling interests	(150)	(14)	971.4%	(455)	65	N/M
	16,759	22,557	-25.7%	39,753	85,717	-53.6%

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 30 Jun	At 31 Dec	At 30 Jun	At 31 Dec
	2017	2016	2017	2016
Assets				
Current assets				
Cash and cash equivalents	164,744	202,806	129,228	160,991
Trade receivables	97,506	77,122	67,118	66,841
Other receivables	25,585	20,013	21,438	18,708
Derivative financial assets	1,393	2,451	707	1,649
Other financial assets	42,407	6,615	28,775	3,000
Inventories	43,647	39,548	43,647	39,548
Other assets	167,932	125,855	167,509	123,137
	<u>543,214</u>	<u>474,410</u>	<u>458,422</u>	<u>413,874</u>
Non-current assets				
Other receivables	21,308	19,580	17,987	16,863
Derivative financial assets	114	0	114	0
Other financial Assets	17,875	31,257	17,875	27,979
Investments in subsidiaries	-	-	50,655	50,655
Investments in associates and joint ventures	1,821	1,654	1,252	1,252
Vessels, property and equipment	3,062,875	3,043,456	3,025,695	3,005,646
Intangible assets	8,900	8,493	4,344	3,916
Deferred tax assets	104	78	-	-
Other assets	6,101	4,560	4,517	4,525
	<u>3,119,098</u>	<u>3,109,078</u>	<u>3,122,439</u>	<u>3,110,836</u>
Total assets	<u>3,662,312</u>	<u>3,583,488</u>	<u>3,580,861</u>	<u>3,524,710</u>
Liabilities				
Current liabilities				
Trade payables	65,295	67,364	43,147	63,857
Borrowings	319,162	269,307	315,813	264,259
Derivative financial liabilities	803	525	224	21
Other payables	44,935	35,176	42,464	33,199
Provisions	6,734	572	2,525	3,008
Income tax liabilities	2,279	356	1,979	-
Other liabilities	86,475	60,217	78,285	55,045
	<u>525,683</u>	<u>433,517</u>	<u>484,437</u>	<u>419,389</u>
Non-current liabilities				
Borrowings	936,623	988,707	931,600	982,009
Derivative financial liabilities	47	90	47	90
Provisions	31,054	31,993	29,077	31,557
Retirement benefit obligations	6,435	5,923	6,379	5,826
Deferred income tax liabilities	5	22	-	-
Other payables	60	60	-	-
	<u>974,224</u>	<u>1,026,795</u>	<u>967,103</u>	<u>1,019,482</u>
Total liabilities	<u>1,499,907</u>	<u>1,460,312</u>	<u>1,451,540</u>	<u>1,438,871</u>
Equity				
Share capital	480,679	480,598	480,678	480,598
Capital surplus	651,710	651,355	651,155	650,802
Other reserves	1,049,601	1,056,192	1,068,168	1,069,049
Accumulated deficit	(39,970)	(85,809)	(70,680)	(114,610)
Equity attributable to owners of the Group & Company	<u>2,142,020</u>	<u>2,102,336</u>	<u>2,129,321</u>	<u>2,085,839</u>
Non-controlling interest	20,385	20,840	-	-
Total equity	<u>2,162,405</u>	<u>2,123,176</u>	<u>2,129,321</u>	<u>2,085,839</u>
Total equity and liabilities	<u>3,662,312</u>	<u>3,583,488</u>	<u>3,580,861</u>	<u>3,524,710</u>

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

	At 30 Jun 2017		At 31 Dec 2016	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less	245,805	73,357	256,807	12,500
Amount repayable after one year	911,623	25,000	951,207	37,500
	1,157,428	98,357	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	
	Six months ended 30. June	
	2017	2016
Cash flows from operating activities		
Cash generated from operations	97,389	160,529
Interest paid	(21,485)	(20,412)
Income tax paid	(143)	530
Net cash inflow(outflow) by operating activities	75,761	140,647
Cash flows from investing activities		
Acquisition of vessels, property and equipment	(72,730)	(65,927)
Acquisition of intangible assets	(815)	(1,390)
Proceeds from sale of vessels, property and equipment	-	7,589
Proceeds from sale of intangible assets	390	-
Acquisition of financial assets	(45,160)	(32,453)
Proceeds from sale of financial assets	22,976	7,387
Acquisition of investments in subsidiaries share	-	-
Acquisition of investments in associates & joint ventures	-	(42)
Proceeds from sale of subsidiaries share	-	1,635
Proceeds from sale of investments in associates & joint ventures	-	-
Dividend received	96	168
Loans provided	(26)	-
Loans collected	697	1,646
Interest received	1,618	1,093
Net cash inflow(outflow) from investing activities	(92,954)	(80,294)
Cash flows from financing activities		
Proceeds from borrowings	108,784	70,290
Repayment of borrowings	(129,839)	(159,745)
Net cash inflow(outflow) financing activities	(21,055)	(89,455)
Currency translation differences (cash and cash equivalents)	186	910
Net increase(decrease) in cash and cash equivalents	(38,248)	(29,102)
Cash and cash equivalents at beginning of the year	202,806	237,344
Cash and cash equivalents at end of the year	164,744	209,152

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 Period	-	-	-	84,174	38	84,212
Items that will be reclassified subsequently to profit or loss:						
Changes in the fair value of available-for-sale financial assets	-	-	(120)	-	-	(120)
Changes in the fair value of derivative financial assets and liabilities	-	-	(1,631)	-	-	(1,631)
Share of the other comprehensive income of associates and joint venture	-	-	17	-	-	17
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	(12)	-	(12)
Exchanges differences	-	-	3,224	-	27	3,251
Transactions with owners recorded directly in equity:						
Changes in equity due to debt-equity swap	6,514	17,520	(62,724)	-	-	(38,690)
Balance as of June 30, 2016	478,231	644,689	1,062,882	(85,779)	21,611	2,121,634
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 period	-	-	-	45,889	(485)	45,404
Items that will be reclassified subsequently to profit or loss:						
Changes in the fair value of available-for-sale financial assets	-	-	36	-	-	36
Changes in the fair value of derivative financial assets and liabilities	-	-	(421)	-	-	(421)
Share of the other comprehensive income of associates and joint ventures	-	-	54	-	-	54
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	(50)	-	(50)
Exchanges differences	-	-	(5,300)	-	30	(5,270)
Transactions with owners recorded directly in equity:						
Changes in equity due to debt-equity swap	81	354	(960)	-	-	(525)
Balance as of June 30, 2017	480,679	651,710	1,049,601	(39,970)	20,385	2,162,405

	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	-	-	-	81,988	81,988
Items that will be reclassified subsequently to profit or loss:					
Changes in the fair value of available-for-sale financial assets	-	-	(120)	-	(120)
Changes in the fair value of derivative financial assets and liabilities	-	-	12	-	12
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit liability	-	-	-	(22)	(22)
Transactions with owners recorded directly in equity:					
Changes in equity due to debt-equity swap	6,514	17,520	(62,724)	-	(38,690)
Balance as of June 30, 2016	478,231	644,135	1,078,420	(111,221)	2,089,565
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	-	-	-	43,980	43,980
Items that will be reclassified subsequently to profit or loss:					
Changes in the fair value of available-for-sale financial assets	-	-	36	-	36
Changes in the fair value of derivative financial assets and liabilities	-	-	43	-	43
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit liability	-	-	-	(50)	(50)
Transactions with owners recorded directly in equity:					
Changes in equity due to debt-equity swap	80	353	(960)	-	(527)
Balance as of June 30, 2017	480,678	651,155	1,068,168	(70,680)	2,129,321

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 30 Jun 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	89,740	89,740	9,967,764	9,967,764
Ending number of shares	534,482,574	534,482,574	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 30 Jun. 2017	The Issuer At 31 Dec. 2016
Total number of issued shares	534,482,574	534,392,834
Less number of shares held as treasury shares	-	-
Total number of issued shares excluding treasury shares of the issuer	534,482,574	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 30 June 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>
	Six months	Six months
	ended 30 Jun	ended 30 Jun
Earnings per share for profit attributable to owners of the Company during the period (expressed in US\$ per share)		
(a) Basic	0.09	0.16
(b) Diluted	0.09	0.16

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 30 Jun.	At 31 Dec.	At 30 Jun.	At 31 Dec.
	2017	2016	2017	2016
Net asset value per ordinary share based on issued share capital of the issuer	4.05	3.97	3.98	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 1H VS FY 2016 1H

The group achieved sales of US\$ 1,012 million, increase of 33% compared to the same period in the prior year. And Costs of sales was increased from US\$ 664 million as of 2016 first half to US\$ 906 million as of 2017 first half.

The group recorded operating profit of US\$ 79 million in 2017 first half, as compared to the operating profit of US\$ 69 million in the corresponding period of preceding financial year.

For the non-operating profit, the group recorded finance cost of US\$25 million in 2017 first half.

Pursuant to the amended rehabilitation plan, the Group recognized the profit and loss from debt restructuring including debt-equity swap recorded the gain of US\$ 59 million in 2016 first half.

And losses on impairment of vessel, property and equipment (held for sale) had recorded US\$ 31 million in 2016 first half.

Consequently, Profit for the year, which had recorded US\$ 45 million in first half of 2017, as compared US\$ 84 million in first half of 2016.

(2) Balance Sheet & Cash Flow

The group's total assets increased US\$ 79 million, from US\$ 3,583 million as of 31 December 2016 to US\$ 3,662 million as of 30 June 2017.

Total liabilities of the Group increased US\$ 40 million, from US\$ 1,460 million as of 31 December 2016 to US\$ 1,500 million as of 30 June 2017.

Cash flows from operating activities were surplus amounting to US\$ 76 million but Net cash used in investing activities and financing activities for 2017 First half recorded the deficit amounting to US\$ 38 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 12months.

The first half of 2017 has come out positively in terms of demand growth of Iron ore and Coal to China due to steady growth in China Economy despite the first half is usually a seasonally weaker half for the dry bulk market. Through the first half of 2017 BDI rate climbed almost the twice level as in the first half of 2016. Global fleet supply in the first half of 2017 dropped slightly, 26.3 million dwt has been delivered from 28.8 million dwt in the same period of 2016. The increasing rate of global dry bulk fleet in 2017 is forecasted high 2% level which slightly below from 2.9% of 2016.

The growth rate of dry bulk seaborne quantity in 2017 is expected to be over 3% with continuing increase of the aforesaid commodities and minor cargos supported by world GDP growth forecasted 3.5% in 2017 and 3.6% in 2018 according to IMF.

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)	
	Six months	Six months	Six months	Six months
	Ended 30 Jun. 2017.	Ended 30 Jun. 2016.	Ended 30 Jun. 2017.	Ended 30 Jun. 2016.
PanOcean(America), Inc.	-	-	14,155 ¹⁾	5,422 ¹⁾
Sunjin Co., Ltd.	-	-	1,746 ²⁾	571 ²⁾
Farmsco	-	-	2,382 ²⁾	2,216 ²⁾
Jeil Feed Company, Ltd.	-	-	4,399 ²⁾	1,635 ²⁾
Harim Co., Ltd.	-	-	3,119 ²⁾	617 ²⁾
Jeil Holdings Co., Ltd.	-	717 ³⁾	-	-
Total	-	717	25,800	10,461

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 first half and 2016 first half shall be adjusted as below:

(In thousands of US dollars)

	The Group	
	2017 2Q	2016 2Q
Operating profit(loss) In K-IFRS	78,569	69,085
Adjustment :		
Gain on sale of vessels, property and equipment	-	988
Loss on sale of vessels, property and equipment	(564)	(1,674)
Gain on impairment of vessels, property and equipment	-	-
Loss on impairment of vessels, property and equipment	-	(29,853)
Gain on sale of Intangible assets	202	-
Loss on sale of Intangible assets	-	-
Gain (loss) on valuation of derivatives, net	596	609
Gain (loss) on derivative transactions, net	(959)	1,261
Gain (loss) on foreign currency translations, net	618	(713)
Gain (loss) on foreign currency transactions, net	(145)	969
Expense of provision and marine accident	(13,398)	2,992
Donations	-	-
Allowance for (reversal of) doubtful accounts	-	-
Other	1,055	(73)
Operating profit(loss) In IFRS	65,974	43,591