

PAN OCEAN CO. LTD.
(Incorporated in the Republic of Korea)

FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

PART I. INFORMATION REQUIRED FOR FIRST QUARTER ANNOUNCEMENT

1.(a) 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 first quarter ended 31 March 2016 (in thousands of US\$)

	The Group		
	2016	2015	%
	Three months ended 31 March	Three months ended 31 March	
Sales	376,640	363,618	3.6%
Cost of sales	(331,969)	(297,815)	11.5%
Gross profit	44,671	65,803	-32.1%
Selling and administrative expenses	(12,355)	(10,280)	20.2%
Operating profit	32,316	55,523	-41.8%
Finance income	725	1,075	-32.6%
Finance costs	(8,985)	(25,171)	-64.3%
Net foreign exchange gain (loss) on financial instruments	(447)	(928)	-51.8%
Gain(loss) related to investments in associates and joint ventures	229	(629)	N/M
Other non-operating income (loss), net	37,581	73,104	-48.6%
Profit before income tax	61,419	102,974	-40.4%
Income tax expense	23	111	-79.3%
Profit from continuing operation	61,396	102,863	-40.3%
Loss from of discontinuing operations, net of tax	-	(1,254)	N/M
Profit for the period	61,396	101,609	-39.6%
Other Comprehensive income(loss)			
Items that will be reclassified subsequently to profit or loss:			
Net change in unrealized fair value of available-for-sale financial assets, net of tax	(145)	(94)	54.3%
Net change in unrealized fair value of derivative financial assets and liabilities, net of tax	12	1	1100.0%
Net change of OCI of equity accounted investee, net	113	724	-84.4%
Currency translation differences, net of tax	1,796	1,702	5.5%
	1,776	2,333	-23.9%
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	(12)	(8)	50.0%
Total other comprehensive income(loss) for the period, net of tax	1,764	2,325	-24.1%
Total comprehensive income for the period	63,160	103,934	-39.2%
Profit (loss) attributable to :			
Owners of the Group	61,376	101,610	-39.6%
Non-controlling interests	20	(1)	N/M
Profit for the period	61,396	101,609	-39.6%
Total comprehensive income (loss) attributable to :			
Owners of the Group	63,081	103,899	-39.3%
Non-controlling interests	79	35	125.7%
Total comprehensive income for the period	63,160	103,934	-39.2%

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 2016	At 31 Dec 2015	At 31 Mar 2016	At 31 Dec 2015
Assets				
Current assets				
Cash and cash equivalents	216,560	237,344	159,970	190,619
Trade receivables	84,150	98,243	50,804	81,826
Other receivables	19,071	20,986	17,297	18,905
Derivative financial assets	289	32	279	32
Other financial assets	675	1,170	574	1,070
Inventories	30,169	34,164	30,166	34,162
Other assets	127,533	139,929	121,521	128,414
Assets held for sale	828	2,417	1,060	2,649
	<u>479,275</u>	<u>534,285</u>	<u>381,671</u>	<u>457,677</u>
Non-current assets				
Trade receivables	71	71	71	71
Other receivables	12,102	12,655	9,829	10,571
Other financial Assets	45,906	16,050	45,906	16,050
Investments in subsidiaries	-	-	50,655	48,983
Investments in associates and joint ventures	1,632	1,333	1,540	1,498
Vessels, property and equipment	3,083,141	3,106,110	3,042,800	3,065,422
Intangible assets	7,542	7,261	4,023	4,059
Deferred tax assets	23	21	-	-
Other assets	4,102	3,344	4,102	3,344
	<u>3,154,519</u>	<u>3,146,845</u>	<u>3,158,926</u>	<u>3,149,998</u>
Total assets	<u>3,633,794</u>	<u>3,681,130</u>	<u>3,540,597</u>	<u>3,607,675</u>
Liabilities				
Current liabilities				
Trade payables	78,141	72,640	43,102	56,941
Borrowings	238,610	232,982	230,954	225,217
Derivative financial liabilities	1,324	1,772	1,324	1,714
Other payables	30,420	43,725	30,923	40,946
Provisions	2,271	1,837	2,271	1,837
Income tax liabilities	-	250	-	-
Other liabilities	75,703	72,600	66,657	64,012
Liabilities held for sale	-	-	-	-
Total current liabilities	<u>426,469</u>	<u>425,806</u>	<u>375,231</u>	<u>390,667</u>
Non-current liabilities				
Borrowings	1,011,585	1,063,847	1,002,376	1,053,801
Derivative financial liabilities	226	213	226	213
Provisions	87,715	107,071	87,716	107,071
Retirement benefit obligations	9,917	9,526	9,827	9,526
Other payables	61	60	-	-
Total non-current liabilities	<u>1,109,504</u>	<u>1,180,717</u>	<u>1,100,145</u>	<u>1,170,611</u>
Total liabilities	<u>1,535,973</u>	<u>1,606,523</u>	<u>1,475,376</u>	<u>1,561,278</u>
Equity				
Share capital	477,459	471,717	477,459	471,717
Share premium	642,584	627,169	642,030	626,615
Other reserves	1,064,730	1,124,116	1,079,991	1,141,252
Accumulated deficit	(108,577)	(169,941)	(134,259)	(193,187)
Equity attributable to owners of the Group & Company	2,076,196	2,053,061	2,065,221	2,046,397
Non-controlling interest	21,625	21,546	-	-
Total equity	<u>2,097,821</u>	<u>2,074,607</u>	<u>2,065,221</u>	<u>2,046,397</u>
Total equity and liabilities	<u>3,633,794</u>	<u>3,681,130</u>	<u>3,540,597</u>	<u>3,607,675</u>

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

	At 31 Mar. 2016		At 31 Dec. 2015	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less	238,610	-	232,982	-
Amount repayable after one year	976,908	34,677	1,029,717	34,130
	1,215,518	34,677	1,262,699	34,130

Details of securities

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	
	2016 Three months ended 31 March	2015 Three months ended 31 March
Cash flows from operating activities		
Cash generated from operations	91,720	128,372
Interest paid	(8,965)	(12,918)
Income tax paid	(165)	(412)
Net cash provided by operating activities	82,590	115,042
Cash flows from investing activities		
Acquisition of vessels, property and equipment	(31,318)	(6,580)
Acquisition of intangible assets	(269)	-
Proceeds from sale of vessels, property and equipment	4	33
Proceeds from sale of intangible assets	-	25
Acquisition of financial assets	(36,111)	(524)
Proceeds from sale of financial assets	6,609	4,545
Acquisition of subsidiaries share	-	-
Proceeds from sale of subsidiaries share	1,635	4,704
Acquisition of investments in associates	(42)	(40)
Dividend received	68	523
Loans collected	912	339
Interest received	823	709
Change of non-controlling interests	-	(657)
Net cash provided by (used in) investing activities	(57,689)	3,077
Cash flows from financing activities		
Proceeds from borrowings	4,890	20,000
Repayment of borrowings	(52,278)	(76,737)
Repayment of rehabilitation liabilities	-	(4,120)
Repayment of other liabilities	-	85
Net cash provided by financing activities	(47,388)	(60,772)
Net increase(decrease) in cash and cash equivalents	(22,487)	57,347
Cash and cash equivalents at beginning of the period	237,344	364,546
Effect of exchange rate fluctuations on cash held	1,703	1,684
Cash and cash equivalents at end of the period	216,560	423,577

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						
	Share capital	Share premium	Other reserves	Retained earnings (accumulated deficit)	Total	Non-controlling Interest	Total equity
Balance as of January 1, 2015	192,334	142,228	1,161,906	(203,448)	1,293,020	1,177	1,294,197
Total comprehensive income for the period							
Profit for the period	-	-	-	101,610	101,610	(1)	101,609
Other comprehensive income (loss)							
Net change in unrealized fair value of available-for-sale financial assets, net of tax	-	-	(94)	-	(94)	-	(94)
Net change in unrealized fair value of derivative assets and liabilities, net of tax	-	-	1	-	1	-	1
Net change of OCI equity accounted investees, net	-	-	724	-	724	-	724
Currency translation differences, net of tax	-	-	1,666	-	1,666	36	1,702
Remeasurements of defined benefit liability	-	-	-	(8)	(8)	-	(8)
Total other comprehensive income (loss)	-	-	2,297	(8)	2,289	36	2,325
Total comprehensive income for the period	-	-	2,297	101,602	103,899	35	103,934
Transactions with owners of the Group recorded directly in equity							
Contributions by and distributions to owners of the Group							
Debt-equity swap	11,940	19,164	(116,589)	-	(85,485)	-	(85,485)
Dividend	-	-	-	-	-	-	-
Acquisition of non-controlling interest	-	(376)	-	-	(376)	69	(445)
Total transactions with owners of the Group recorded directly in equity	11,940	18,788	(116,589)	-	(85,861)	(69)	(85,930)
Balance as of March 31, 2015	204,274	161,016	1,047,614	(101,846)	1,311,058	1,143	1,312,201
	Attributable to equity holders of the Group						
	Share capital	Share premium	Other reserves	Retained earnings (accumulated deficit)	Total	Non-controlling Interest	Total equity
Balance as of January 1, 2016	471,717	627,169	1,124,116	(169,941)	2,053,061	21,546	2,074,607
Total comprehensive income for the period							
Profit for the period	-	-	-	61,376	61,376	20	61,396
Other comprehensive income							
Net change in unrealized fair value of available-for-sale financial assets, net of tax	-	-	(145)	-	(145)	-	(145)
Net change in unrealized fair value of derivative assets and liabilities, net of tax	-	-	12	-	12	-	12
Net change of OCI equity accounted investees, net	-	-	113	-	113	-	113
Currency translation differences, net of tax	-	-	1,737	-	1,737	59	1,796
Remeasurement of defined benefit liability	-	-	-	(12)	(12)	-	(12)
Total other comprehensive income (loss)	-	-	1,717	(12)	1,705	59	1,764
Total comprehensive income for the period	-	-	1,717	61,364	63,081	79	63,160
Transactions with owners of the Group recorded in equity							
Contributions by and distributions to owners of the Group							
Debt-equity swap	5,742	15,415	(61,103)	0	(39,946)	0	(39,946)
Total transactions with owners of the Group recorded directly in equity.	5,742	15,415	(61,103)	-	(39,946)	0	(39,946)
Balance as of March 31, 2016	477,459	642,584	1,064,730	(108,577)	2,076,196	21,625	2,097,821

	Attributable to equity holders of the Company				
	Share capital	Share premium	Other reserves	Retained earnings (accumulated deficit)	Total equity
Balance as of January 1, 2015	192,334	141,839	1,171,353	(236,413)	1,269,113
Total comprehensive income for the period					
Profit for the period	-	-	-	105,985	105,985
Other comprehensive income(loss)					
Net change in unrealized fair value of available-for-sale financial assets, net of tax	-	-	(93)	-	(93)
Net change in unrealized fair value of derivative assets and liabilities, net of tax	-	-	-	-	-
Remeasurement of defined benefit liability	-	-	-	(7)	(7)
Total other comprehensive income	-	-	(93)	(7)	(100)
Total comprehensive income for the period	-	-	(93)	105,978	105,885
Transactions with owners of the Company, recorded directly in equity					
Contributions by and distributions to owners of the Company					
Debt-equity swap	11,940	19,163	(116,589)	-	(85,486)
Total contributions by and distributions to owners	11,940	19,163	(116,589)	-	(85,486)
Balance as of March 31, 2015	204,274	161,002	1,054,671	(130,435)	1,289,512

	Attributable to equity holders of the Company				
	Share capital	Share premium	Other reserves	Retained earnings (accumulated deficit)	Total equity
Balance as of January 1, 2016	471,717	626,615	1,141,252	(193,187)	2,046,397
Total comprehensive income for the period					
Profit for the period	-	-	-	58,939	58,939
Other comprehensive income(loss)					
Net change in unrealized fair value of available-for-sale financial assets, net of tax	-	-	(145)	-	(145)
Net change in unrealized fair value of derivative assets and liabilities, net of tax	-	-	(13)	-	(13)
Currency translation differences, net of tax	-	-	-	-	-
Remeasurements of defined benefit liabilities	-	-	-	(11)	(11)
Total other comprehensive income (loss)	-	-	(158)	(11)	(169)
Total comprehensive income for the period	-	-	(158)	58,928	58,770
Transactions with owners of the Company, recorded directly in equity					
Contributions by and distributions to owners of the Company					
Debt-equity swap	5,742	15,415	(61,103)	-	(39,946)
Total contributions by and distributions to owners	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

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.

(in shares)	At 31 Mar 2016			At 31 Dec 2015		
	Number of shares issued	Treasury stock	outstanding stock	Number of shares issued	Treasury stock	outstanding stock
Beginning number of shares	524,425,070	-	524,425,070	214,538,500	-	214,538,500
Share consolidation without refund	-	-	-	(45,635,846)	-	(45,635,846)
Debt-equity swap	6,333,685	-	6,333,685	16,046,309	-	16,046,309
Retirement of shares	-	-	-	(523,893)	-	(523,893)
Capital increase with issuing new stock	-	-	-	340,000,000	-	340,000,000
Ending number of shares	530,758,755	-	530,758,755	524,425,070	-	524,425,070

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. 2016	The Issuer At 31 Dec. 2015
Total number of issued shares	530,758,755	524,425,070
Less number of shares held as treasury shares	-	-
Total number of issued shares excluding treasury shares of the issuer	530,758,755	524,425,070

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 the 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 first quarter ended 31 March 2016 compared with the audited financial statements for the year ended 31 December 2015.

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>2016</u>	<u>2015</u>
	Three Months ended 31 Mar.	Three Months ended 31 Mar.
Earnings per share for profit attributable to owners of the Company during the period (expressed in US\$ per share)		
(a) Basic	0.12	0.46
(b) Diluted	0.12	0.46
Earnings per share – continuing operations for profit attributable to owners of the Company during the year (expressed in US\$ per share)		
(a) Basic	0.12	0.46
(b) Diluted	0.12	0.46

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. 2016	At 31 Dec. 2015	At 31 Mar. 2016	At 31 Dec. 2015
Net asset value per ordinary share based on issued share capital of the issuer	3.91	3.96	3.89	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

YTD 2016 1Q VS YTD 2015 1Q

The Group achieved sales of US\$ 377million, an increase of 3.6% compared to 364million in the corresponding period of preceding financial year. And costs of sales were increased by 11.5% or US\$ 34 million from US\$ 298 million in 2015 1Q to US\$ 332 million in 2016 1Q. For that factors mentioned above, the group recorded operating profit of US\$ 32 million in 2016 1Q, as compared to the operating profit of US\$ 56 million in the corresponding period of preceding financial year.

Pursuant to the (amended) rehabilitation plan, the Group recognized the profit for 'waiver from debt' due to debt-equity swap. And the profits for the waiver were decreased by U\$38 million from U\$89 million in 2015 1Q to U\$51 million in 2016 1Q. Consequently, profits for the period were decreased U\$40 million from U\$101 million in 2015 1Q to U\$ 61 million in 2016 1Q

(2) Balance Sheet & Cash Flow

The Group's total assets decreased US\$ 47 million, from US\$ 3,681 million as of 31 December 2015 to US\$ 3,634 million as of 31 March 2016.

Total liabilities of the Group decreased US\$ 71 million, from US\$1,607 million as of 31 December 2015 to US\$ 1,536 million as of 31 March 2016.

Cash flows from operating activities were surplus amounting to US\$ 83 million but Net cash used in investing activities and financing activities for 2016 1Q recorded the deficit amounting to US\$ 105 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.

2016 1Q Market Review

While over supply of tonnages is continuing, weak China and India coal import put downward pressure, moreover, iron ore export from both Australia and Brazil has decreased from the end of last year due to bad weather and longer maintenance duration of Brazil export port. In result, daily BDI has recorded at 290, the historical lowest level since 1999. afterwards, BDI has been recovering thanks to strong P'max market supported by increasing grain export from South America and scrapping of tonnages. Cape also started to rise thanks to increasing iron ore export from March.

2016 Yearly Outlook

Market situation is likely to be similar to 2015 due to a chronic oversupply of tonnages and slow demand, so we will see more scrapping of tonnages, which could relieve current supply and demand imbalance and possibly improve the market in the near future.

While South America's grain season is expected to keep supporting the market, decreasing coal import of both China and India keep downward pressure. However, China Iron ore import is increasing beyond previous expectation so far thanks to closure of high cost domestic iron ore mines and expectation of China stimulus. So, whether China iron ore import keeps increasing or not will be a key point for the future market prospect.

11. If a decision regarding dividend has been made:

Not applicable.

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

Not applicable.

13. Interested Person Transactions (in thousands of US\$)

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. 2016	Three months Ended 31 Mar. 2015	Three months Ended 31 Mar. 2016	Three months Ended 31 Mar. 2015
PanOcean(America), Inc.	-	-	1,689 ²⁾	-
Sunjin Co., Ltd.	-	-	571 ³⁾	-
Farmsco	-	-	2,216 ³⁾	-
Jeil Feed Company, Ltd.	-	-	1,096 ³⁾	-
Harim Co., Ltd.	-	-	617 ³⁾	-
Jeil Holdings Co., Ltd.	431 ⁴⁾	-	-	-
Total	431	-	6,189	-

1) There is no shareholders' mandate pursuant to Rule 920 relating to Interested person transactions in 2015 1Q

2) Sales relating to voyage and Agent commission in 2016 1Q

3) The group's effective interest of transaction relating to sales grain to interested person

4) The value of the transaction is the interest payable on the bond to Jeil Holdings in 2016 1Q.

The group issued unsecured private placed bond to Jeil holdings KRW 157,950 million and repaid amounting KRW 117,950 million in 2015. As of March 31, 2016 remaining balance of the bond is KRW 40,000 million (US\$ 34,677 thousand).

PART II. ADDITIONAL INFORMATION REQUIRED FOR FIRST QUARTER 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 2016 1Q and 2015 1Q shall be adjusted as below:

(In thousands of US dollars)

	The Group	
	2016 Three Months Ended 31 Mar.	2015 Three Months Ended 31 Mar.
Operating profit(loss) In K-IFRS	32,316	55,523
Adjustment :		
Gain on sale of vessels, property and equipment	432	439
Loss on sale of vessels, property and equipment	(689)	(1)
Gain on impairment of vessels, property and equipment	-	-
Loss on impairment of vessels, property and equipment	(17,298)	-
Gain (loss) on valuation of derivatives, net	3	(941)
Gain (loss) on derivative transactions, net	(76)	1,016
Gain (loss) on foreign currency translations, net	(159)	192
Gain (loss) on foreign currency transactions, net	(634)	3,092
Expense of provision and marine accident	4,466	(15,721)
Donations	0	(1)
Other	72	(3,856)
Operating profit(loss) In IFRS	18,433	39,742