



Pacific International Lines (Private) Limited

2nd Informal Meeting for Noteholders

15 January 2021

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Important Notes

- This presentation is prepared for the sole purpose of providing the holders of the S\$60,000,000 8.50 per cent. Notes due 2020 (ISIN: SG7JE9000007) comprised in Series 003 (the “Notes”) issued by the Company an overview of the financial position of the Group and to engage in a discussion with the holders of the Notes (the “Noteholders”).
- Kindly note that:
 - the informal meeting is not intended to and does not amount to a meeting under or in connection with the trust deed constituting the Notes (the “Trust Deed”);
 - the informal meeting has been called solely for the dissemination of information and no decisions or voting will be made at the informal meeting;
 - the informal meeting is private and confidential and will be held on an entirely without prejudice basis. You are not permitted to take any recording of the informal meeting; and
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Meeting Protocol

- Without prejudice
- Informal meeting
- No recording and photo-taking in any forms

Introduction

- PIL is grateful for the continued support of its stakeholders, including Noteholders, during these challenging times, while it works on normalising its financial situation
- On 11 November 2020, PIL presented the terms of the final restructuring package to Noteholders at the Company's 1st Informal Meeting for Noteholders, including details of the investment from the Investor, Heliconia, into PIL. Full details of PIL's restructuring plan under the Scheme are also outlined in the Explanatory Statement, which was sent to all Noteholders (directly or via their nominees) on 15 December 2020
- The Noteholders are an important partner to PIL and PIL is committed to maintaining an open line of communication with all Noteholders. Since the last meeting, to help Noteholders understand the restructuring package and the constraints facing the business, PIL has held several interactive small-group sessions for Noteholders to engage with the Company, and has responded to the numerous Noteholder queries received
- In order to keep Noteholders updated on the topics discussed across the Company's ongoing Noteholder engagement process, PIL has also circulated a list of common questions from Noteholders, or topics which appear to be of particular interest to Noteholders based on feedback received
- **PIL's Scheme Meeting where Scheme creditors may vote in regard of the proposed Scheme will be held on 1 February 2021, at the PIL Building**

PIL would like to take the opportunity today to engage with Noteholders once again, reiterate the salient terms for the restructuring package, and address further questions Noteholders may have

Why is a debt restructuring necessary?

The restructuring is PIL's last resort and is necessary to prevent the Company from going into liquidation

■ **This is PIL's last resort**

- Decision undertaken only after significant efforts by the Company to streamline the business, and extension of substantial amounts shareholder support, including loans, pledging of personal assets, and provision of personal guarantees to secure additional financing for the company

■ **Despite the recent improvement in shipping industry dynamics, PIL continues to be over-levered and its capital structure is untenable**

- Outsized amount of payments to critical vendors, which would impede PIL's ability to operate normally
- Substantial amount of debts to lenders and lessors, which are currently under payment standstills or reduced payments that would fall away in the absence of a successful restructuring
- US\$112 mm Emergency Credit Facility ("ECF") from the Investor which needs to be repaid in March 2021

■ **Continued uncertainty surrounding PIL has resulted in an adverse effect on the Company's operations**

- Customer confidence has and will continue to weaken as long as a resolution to the current situation is not found

■ **PIL's substantial debt burden continues to be too large for the Company to sustain – PIL therefore needs to undergo a holistic restructuring to recalibrate its capital structure for long-term sustainability**

- Even with a sizeable capital injection of US\$600 mm from the Investor, PIL's financial position remains untenable
- A holistic restructuring is necessary

Why must the debt restructuring be completed as soon as possible?

There is strong urgency for this comprehensive restructuring to be completed as soon as possible

- **Any delays to both the completion of the restructuring and the capital injection will result in irreparable damage and significantly impair PIL's commercial attractiveness to the Investor**
 - Further loss of customer and supplier confidence, driving yet another round of operational disruptions which would be irreparable
 - Loss of support from PIL's creditors, who have been on standstill and / or payment arrangements for an extended period of time. These arrangements begin to fall away in March 2021 absent a successful restructuring
- **With the comprehensive restructuring, we are confident that PIL will therefore emerge as a stronger, leaner and well-capitalised Company, and one that will provide all creditors with a path to par recovery going forward**

What is the final restructuring package for PIL?

The final restructuring package comprises a capital injection from Heliconia, a wholly-owned subsidiary of Temasek, in conjunction with a holistic debt structuring to be implemented via the Scheme

- **The final restructuring package involves a capital injection of up to US\$600mm from Heliconia, in conjunction with a holistic debt restructuring of PIL**
 - Capital injection comprises a combination of equity and debt
 - This investment from the Investor is contingent upon the success of the Scheme, and in conjunction with a holistic restructuring of PIL's financial liabilities, among other things
- **Terms of the final restructuring package, including the terms of Scheme and subsequent capital injection, represent the best available outcome for the Company and its stakeholders. These terms were heavily negotiated over many months with the Investor and the lenders, and there is no scope for further changes**
 - PIL does not believe it will be able to secure a better proposal for the Company and its stakeholders from any other investor – over the years, PIL has exhausted numerous attempts to raise capital from both the debt and equity capital markets, but had not been successful
- **Upon completion, PIL's existing shareholders' stake will be diluted to < 15%**

The Investor's comprehensive financing package in conjunction with a holistic restructuring of PIL's financial liabilities will recalibrate PIL's capital structure for long-term sustainability

What will Noteholders receive under the Scheme?

Noteholders' claims will be converted into Perpetual Securities ("Perps")

Key Terms of the Perps

Perpetual	<ul style="list-style-type: none"> Perpetual security, i.e. no fixed maturity date
Flexibility to elect between Perps options	<ul style="list-style-type: none"> Each Noteholder would be able to elect to receive either: Option A Perps, Option B Perps, or a combination of the two options. Details on the options are on the next page
Tradeable over-the-counter ("OTC")¹	<ul style="list-style-type: none"> OTC tradeability provides flexibility for Noteholders to crystallise value of their Perps if they wish by selling on the OTC market
Distributions with step-ups	<ul style="list-style-type: none"> Distribution rates include a step-up feature (detailed on the next page)
Cash distributions priority (where applicable)	<ul style="list-style-type: none"> Cash distribution payments, where applicable, are paid <u>ahead</u> of principal repayments of secured claims under the Scheme, subject to a debt service waterfall²
Senior to equity	<ul style="list-style-type: none"> Senior to equity, including the Investor's equity Junior to all financial indebtedness of PIL
Redemption potential	<ul style="list-style-type: none"> Redeemable at PIL's election, with accrued and cumulated distributions Mandatory redemption upon change of control for Option B perps only
USD denominated	<ul style="list-style-type: none"> USD denominated, which is PIL's functional currency and the currency of the Investor's capital injection

What are the differences between the Option A and Option B Perps?

Each Noteholder would be able to elect to receive one of the two options below, or a combination of the two options¹

Two Perps Options for Election

	Option A	Option B
Allocation	US\$1 of perps issued for every US\$1 of claims held	US\$1 of perps issued for every US\$2 of claims held
Year 1 distribution	1% non-cash ²	5% non-cash ²
Year 2 distribution	1% non-cash ²	5% non-cash ²
Year 3 distribution	2% non-cash ²	5% non-cash ²
Year 4 distribution	2% non-cash ²	5% non-cash ²
Year 5 distribution	3% non-cash ²	5% non-cash ²
Year 6 distribution	3% non-cash ²	6% cash
Year 7 distribution	3% cash	6% cash
Year 8 distribution	5% cash	6% cash
Year 9 distribution	5% cash	7% cash
Year 10 distribution and onwards	5% cash	8% cash
Redemption	<ul style="list-style-type: none"> Redeemable at PIL's election, with accrued and cumulated distribution Redeemable at PIL's election, with accrued and cumulated distribution Mandatory redemption upon change of control for Option B perps only 	

1. Unsecured / undersecured claim holders who fail to make an election will be allocated the Option B Perp

2. Non-cash distribution shall bear interest as if it is constituted part of the principal amount of the Perps as from the relevant distribution date; non-cash would become cash pay post-IPO

What are the potential cash distributions for Perps holders?

Illustrative Example: Noteholder holding S\$250,000 of Notes today

Amount of Notes held by Noteholder (S\$)	250,000	Principal amount
Accrued Interest ¹ (S\$)	13,216	Takes into account 8.5% coupon due on 16 Nov 2020
Total (S\$)	263,216	Total amount to be converted into Perps in SGD
Total (US\$)	197,875²	Total amount to be converted into Perps in USD²

Option A Perps (US\$1 of perps issued for every US\$1 of claims held)

Principal Value of Option A Perps issued (US\$)

$$197,875 \times 100\% = 197,875$$

Year	Distribution type	Distribution rate	Illustrative Perps Principal (US\$) ³	Cash Distributions (US\$) ⁴
Year 0	N.A.	N.A.	197,875	-
Year 1	Non-Cash	1.0%	199,854	-
Year 2	Non-Cash	1.0%	201,852	-
Year 3	Non-Cash	2.0%	205,889	-
Year 4	Non-Cash	2.0%	210,007	-
Year 5	Non-Cash	3.0%	216,307	-
Year 6	Non-Cash	3.0%	222,797	-
Year 7	Cash	3.0%	222,797	6,684
Year 8	Cash	5.0%	222,797	11,140
Year 9	Cash	5.0%	222,797	11,140
Year 10	Cash	5.0%	222,797	11,140

Option B Perps (US\$1 of perps issued for every US\$2 of claims held)

Principal Value of Option B Perps issued (US\$)

$$197,875 \times 50\% = 98,937$$

Year	Distribution type	Distribution rate	Illustrative Perps Principal (US\$) ³	Cash Distributions (US\$) ⁴
Year 0	N.A.	N.A.	98,937	-
Year 1	Non-Cash	5.0%	103,884	-
Year 2	Non-Cash	5.0%	109,078	-
Year 3	Non-Cash	5.0%	114,532	-
Year 4	Non-Cash	5.0%	120,259	-
Year 5	Non-Cash	5.0%	126,271	-
Year 6	Cash	6.0%	126,271	7,576
Year 7	Cash	6.0%	126,271	7,576
Year 8	Cash	6.0%	126,271	7,576
Year 9	Cash	7.0%	126,271	8,839
Year 10	Cash	8.0%	126,271	10,102

Illustrative analysis assumes: Restructuring Effective Date of 31 March 2021, no public offering of the ordinary shares of PIL, no change of control at PIL, no voluntary redemption of Perps by PIL, PIL pays annual cash distributions on Perps (where necessary), and that PIL does not elect to defer distribution accrued (save for arrears of distribution accrued or accruing from distribution deferred by way of mandatory deferral in accordance with Explanatory Statement Schedule 9 Clause 4.3 (a) Mandatory Deferral)

- Accrued interest of 8.5% per annum on a 365 days basis from the period 17 May 2020 to 9 Nov 2020, and from 10 Feb 21 to 31 Mar 21
- Converted at SGD 1 = USD 0.75176
- Principal plus cumulative Arrears of Distribution
- Annual cash distribution payments are subject to the debt service waterfall

Can the Company survive post-restructuring?

Debt restructuring terms are designed to provide PIL's capital structure with flexibility for long-term sustainability

- **Secured lenders under the Scheme do not have a fixed debt repayment schedule**
 - Any debt repayments made to secured lenders are variable and to be paid only if the Company has sufficient available excess cash, as it is subject to a debt service waterfall
 - In this regard, PIL believes that the possibility of defaulting on such debt is greatly reduced (compared to a scenario where fixed repayments need to be made to the secured lenders on a regular basis)
- **US\$200mm committed Revolving Credit Facility (“RCF”) provides additional liquidity “cushion”**
 - US\$20mm RCF extended by the Investor is available for the Company to drawdown to meet its operational and financial liquidity requirements
 - Amounts disbursed under the RCF will need to be “replenished” in the following year(s) by the Company’s cash flows
- **Further, PIL expects to benefit from the Investor’s role as a significant stakeholder in PIL¹**
 - This includes strengthened controls and processes, including appointment of certain operating and financial advisors

How are Scheme Creditors treated under the Scheme?

The Investor's proposal seeks to treat all creditors equitably – terms take into account relative priority of creditors' security positions and the value of their collateral (if any)

Scheme Creditor	Considerations	Illustrative Liquidation Recovery Rate	Treatment under the Scheme
Unsecured lenders (including Noteholders)	<ul style="list-style-type: none"> Unsecured lenders <u>do not</u> have security over any collateral 	<ul style="list-style-type: none"> 2% 	<ul style="list-style-type: none"> Claims to be converted into Perps Perps distribution payments (where applicable) subject to debt service waterfall and <u>paid ahead</u> of principal amortisation of secured claims
Secured lenders	Secured claims	<ul style="list-style-type: none"> 47%¹ (CCP) 68%¹ (non-CCP) 	<ul style="list-style-type: none"> Debt re-sized to 100% of collateral value Debt service subject to debt service waterfall
	Under-secured claims	<ul style="list-style-type: none"> 2% 	<ul style="list-style-type: none"> Undersecured claims will receive the Perps on the <u>same terms</u> as unsecured lenders (including Noteholders)

Classification and similar treatment of unsecured and undersecured lender is consistent with precedent Schemes of Arrangement

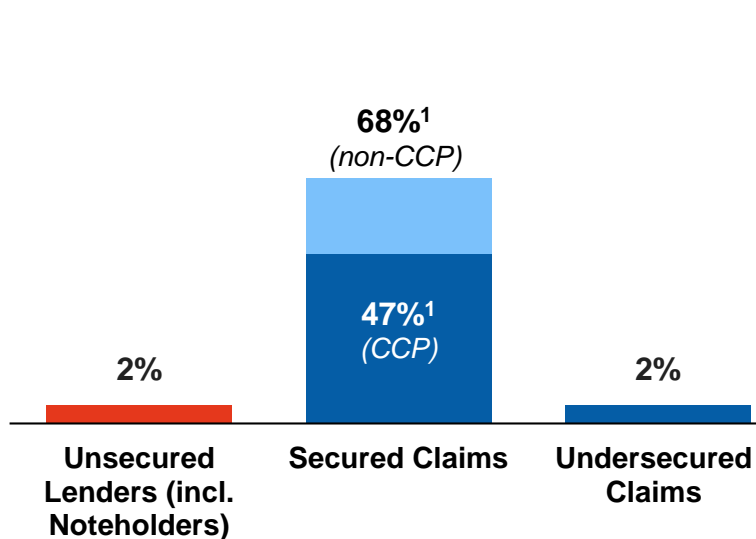
Why should Noteholders and other Scheme creditors vote in favour of the Scheme?

If PIL does not get the required number of votes in support of the Scheme, this restructuring will fail and PIL believes liquidation is the alternative

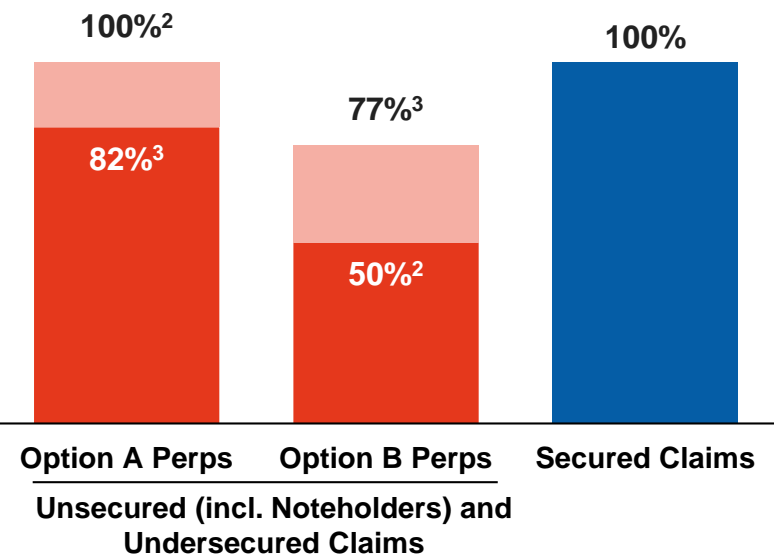
- In a liquidation scenario, any value to unsecured lenders will be based on any surplus after secured creditor claims
- PIL's pledged assets are currently insufficient to cover obligations to secured creditors
- Based on analysis by an independent third party advisor, it is estimated that **Noteholders will receive 2% recovery on outstanding claims** (i.e. \$2 for every \$100 of notes held)

The restructuring plan offers Noteholders (and all creditors) a significantly better recovery than liquidation

Illustrative Recovery Rate: Liquidation



Illustrative Recovery Rate: Scheme



1. Note that this reflects a blended recovery rate. Actual recoveries range from 35% to 78% for CCP Secured Claims, and 27% to 82% for non-CCP Secured claims
 2. Based on par value
 3. Based on present value of future cash flows discounted at 5%

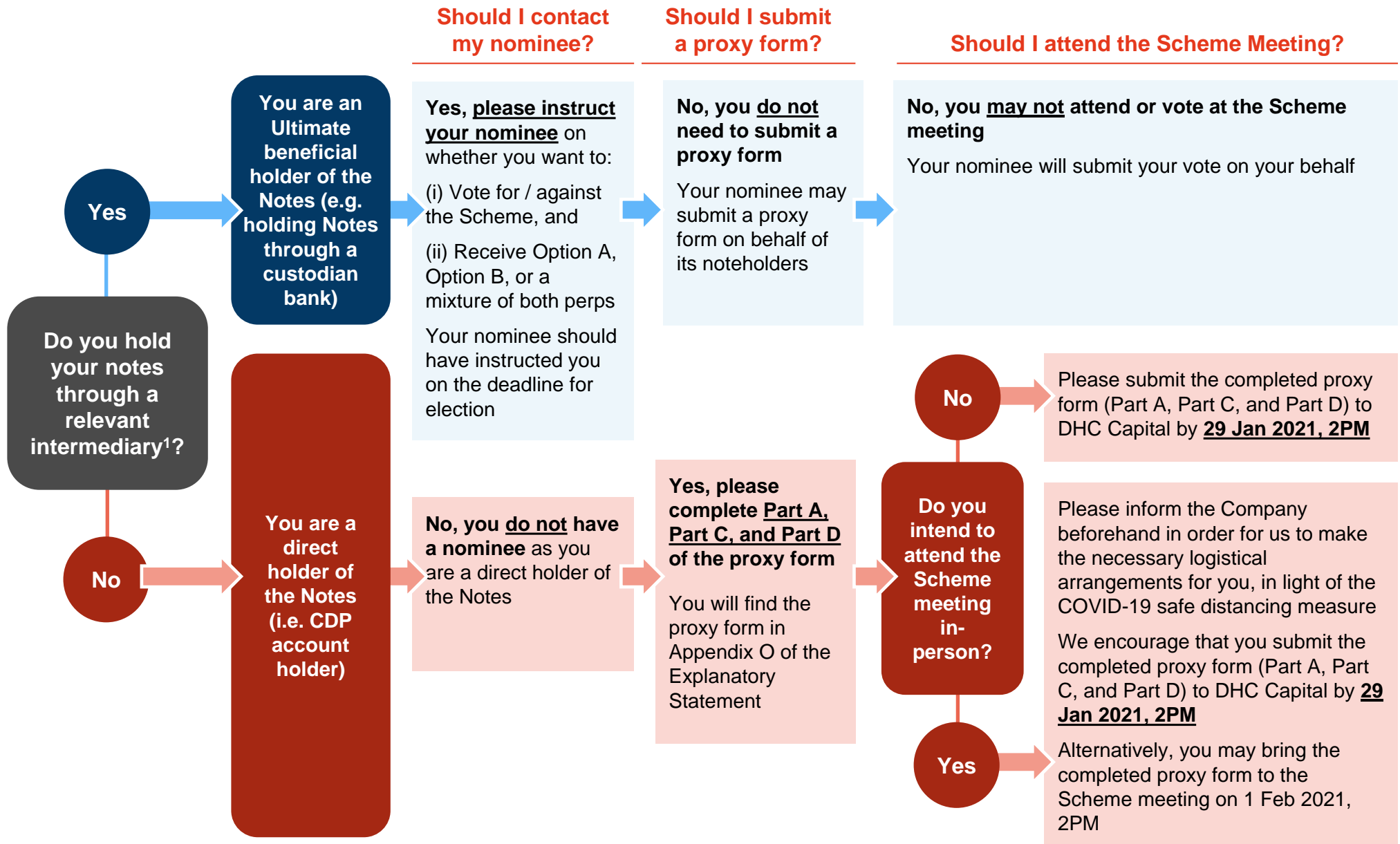
Merits for Noteholders

- 1** Significantly higher recoveries compared to recoveries under a liquidation scenario
- 2** Perps are tradable OTC, providing a way for noteholders who wish to sell the Perps and crystallise its value
- 3** Ranks senior to the Investor's equity-like instrument and common equity
- 4** Perps cash distribution payments will be paid ahead of principal repayments of secured claims under the Scheme¹
- 5** Noteholders receive same treatment as secured lenders' under-secured claims, despite noteholders having no collateral as security
- 6** The Investor, controlled and managed by Heliconia, will own majority economic interest in PIL

1. Refers to secured claims subject to terms of the Scheme

Voting Instructions for Noteholders

Refer to the Company's email to Noteholders and Nominees on 23 December 2020 for more details



1. Defined under the Companies Act as a licensed bank, a holder of a capital markets services license or the CPF/SRS agent bank

Appointment of Counsel for Noteholders

- Over the course of PIL's Noteholder engagement process, PIL has received questions from Noteholders, including some which are legal in nature
- While PIL would like to address these queries, we believe that Noteholders will benefit from an independent voice to navigate through this restructuring process
- PIL has therefore appointed **Senior Counsel, Thio Shen Yi of TSMP Law**, to provide Noteholders with **independent legal advice** as requested
- Mr. Thio and his team are on-call and available to all Noteholders who wish to seek advice. Their contact details are as follows:

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- **TSMP will deliver independent quality advice to the Noteholders**

Next Steps

- | | | |
|----------|---|---|
| 1 | Deadline for submission of proxy form to DHC Capital | 29 January 2021, 2pm |
| 2 | Scheme Meeting for Unsecured Claims | 1 February 2021, 2pm |
| 3 | Sanction Application | 2 February 2021 |
| 4 | Sanction Hearing | February / March 2021 |
| 5 | Implementation of Scheme Terms | After the court orders the sanction of the Scheme of Arrangement |

The above timetable and procedures may be subject to such modification as the Court may, in their respective discretion, approve and/or decide. Noteholders will be kept advised of any changes to the above dates via SGXNet. Dates for items 4 and 5 will depend on when the court hearing date is fixed, which is subject to the Court's availability.

Conclusion

- **An unprecedented series of events have culminated in the difficult situation that PIL faces today**
- **A significant capital injection and capital structure recalibration is necessary for PIL to continue operating as a going concern**
 - Capital injection will drive restoration of operations, and meaningful deleveraging in the medium term
- **Substantial value destruction for stakeholders if the Scheme is not successful**
 - In light of current circumstances, under a liquidation scenario, timing of recovery is highly uncertain, and amount of recovery is likely to be depressed
- **The final restructuring package provides a significantly higher recovery for stakeholders**
 - Liquidation analysis conducted by 3rd party advisor indicates that the Scheme offers significantly more favourable recovery¹
- **The final restructuring package is highly complex series of interconditional bilateral agreements – further modifications and / or timing delays are untenable and put the entire restructuring, and PIL's ability to operate as a going concern, at risk**
- **PIL does not believe that there is a better proposal for the Company and its stakeholders that would be available from any alternative investor**
 - Additionally, PIL will benefit from having the Investor role as a significant stakeholder in PIL²

PIL urges all stakeholders to vote in favour of this restructuring

1. Details supporting the comparison between Noteholders' recoveries under the Scheme vs. recoveries under a liquidation scenario is available in the Explanatory Statement that was made available to creditors

2. Investor is expected to own a majority economic interest in PIL

Q&A

For further enquiries, please contact the Company at bondholder.meeting2020@sgp.pilship.com