



**Pacific Basin**

**Deutsche Bank – Access China Conference 2010  
Beijing, January 2010**



**PB RoRo**  
**PB Towage**

**Pacific Basin – IHC**  
**Pacific Basin – IHX**

**Pacific Basin**

# Pacific Basin Overview

- World's leading dry bulk owner/operator of modern handysize vessels and a top 10 handymax operator, principally operating in the Asia Pacific region
- Major presence in Towage and RoRo businesses, with supporting Maritime Services
- >160 ships directly serving major industrial customers
- Carrying the dry bulk commodities required for Asia's growth
- Headquartered in Hong Kong with 22 offices worldwide, 350+ Group staff, 1,700+ seafarers \*



# Q309 Highlights

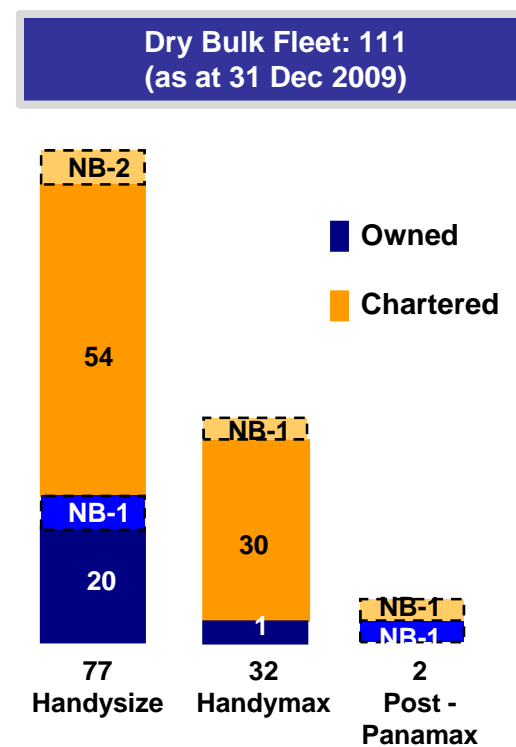
- The dry bulk market performed better than expected due to stronger cargo demand, principally from China, and weaker than projected ship supply growth
- We have become more optimistic for the remainder of 2009 but remain cautious for 2010 and expect a volatile and generally lower dry bulk market due to
  - Excessive newbuilding deliveries
  - A bumpy global economic recovery
  - China’s erratic raw materials import demand
- We have reduced our market exposure by:
  - Increasing the proportion of short term chartered tonnage in our fleet; and
  - Securing a high level of cargo cover at attractive rates well above both today’s equivalent forward rates and our blended daily cost:

<u>Cover and Average Daily Charter Rate:</u>		
	<b>FY2009</b>	<b>FY2010</b>
Handysize	97% / US\$14,210	49% / US\$14,260
Handymax	100% / US\$19,640	108% / US\$27,780

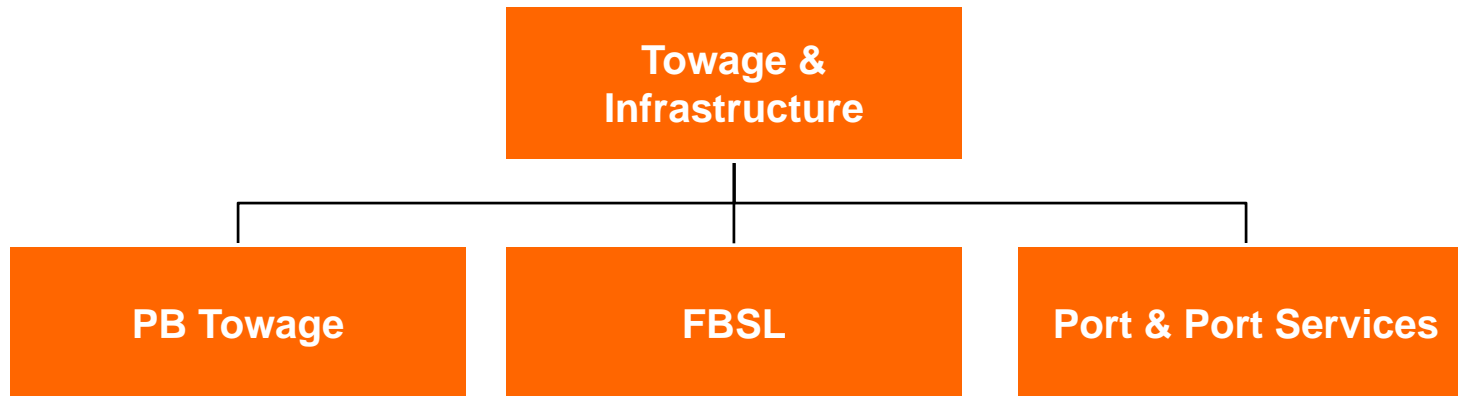
As at 22 Oct 2009

# Business Direction – Dry Bulk

- Handysize freight rates continued to rise during the third quarter:
  - increased Chinese imports of minor bulk cargoes;
  - growing imbalance dry bulk capacity in the Pacific and Atlantic oceans;
  - scrapping of older vessels; and
  - Limited deliveries of newbuilding tonnage
- Cautious market view remain for 2010
- Significantly increased cargo cover level
- Short term vessel charters reduce our medium term cost exposure
- Post-panamax vessels – secured long term charters
- Conserving capital to invest in appropriate opportunities
- Cost savings across the Group



# Business Direction – Towage & Infrastructure



- FBSL began land reclamation project for the Municipality of Fujairah :
  - Requiring quarrying and transport of approx. 54m tonnes of aggregates
  - FBSL expects to perform on budget and on time by the end of 2011



- APMIG
  - Focusing on the Nanjing Longtan Tianyu Terminal (45% holding JV)
  - In 1H09, the terminal handled revenue throughput of 1 million (2008: 0.6 million) tonnes of bulk and general cargo



# Towage Development

- US\$1.6m 1H09 net profit in towage division (FY2008: US\$5.8m loss)
- Profitable despite harbour towage operations in Australia being more affected by economic downturn than our offshore business
- Strong oil price supporting oil and gas exploration
- Towage fleet comprises 35 vessels:
  - 29 tugs \* (including 7 newbuildings)
  - 6 barges
  - 1 bunker tanker \*
- Development of the “Gorgon” gas project of Western Australia has been approved by the Australian Government, paving the way for PB Towage to commence towage logistics services for the project
- Secured long-term fixed-income contracts in bulk ports in Western Australia and Queensland



# Roll On Roll Off Development

- First RoRo vessel fixed to Norfolkline Shipping, a wholly-owned subsidiary of A.P.Moller-Maersk for 3 years since mid-Sep 2009
- 5 RoRo newbuildings on order including 2 chartered in vessels with purchase options
- No RoRo market exposure until second half of 2010
- Successfully negotiated deferred delivery of remaining three RoRo newbuildings from Odense Steel Shipyard into 2011
- Evaluating a number of potential employment routes and opportunities both within and outside of European

## Attractive long term market fundamentals

- *Good growth prospects in Asia Minor, Europe and the Far East*
- *“Motorways of the Sea” concept initiated by the EU*
- *Low orderbook (<17% vs current fleet) \**
- *43% of vessels aged 25 years or over*



Loading and discharging cargoes over a ramp



Our first RoRo vessel has been chartered to Norfolkline Shipping. It is now plying the seas between the Netherlands & UK.



A wide range of goods on wheeled cargoes / trailers. Examples: Chilled salad vegetables from Holland to the UK and chemicals from the UK to Holland

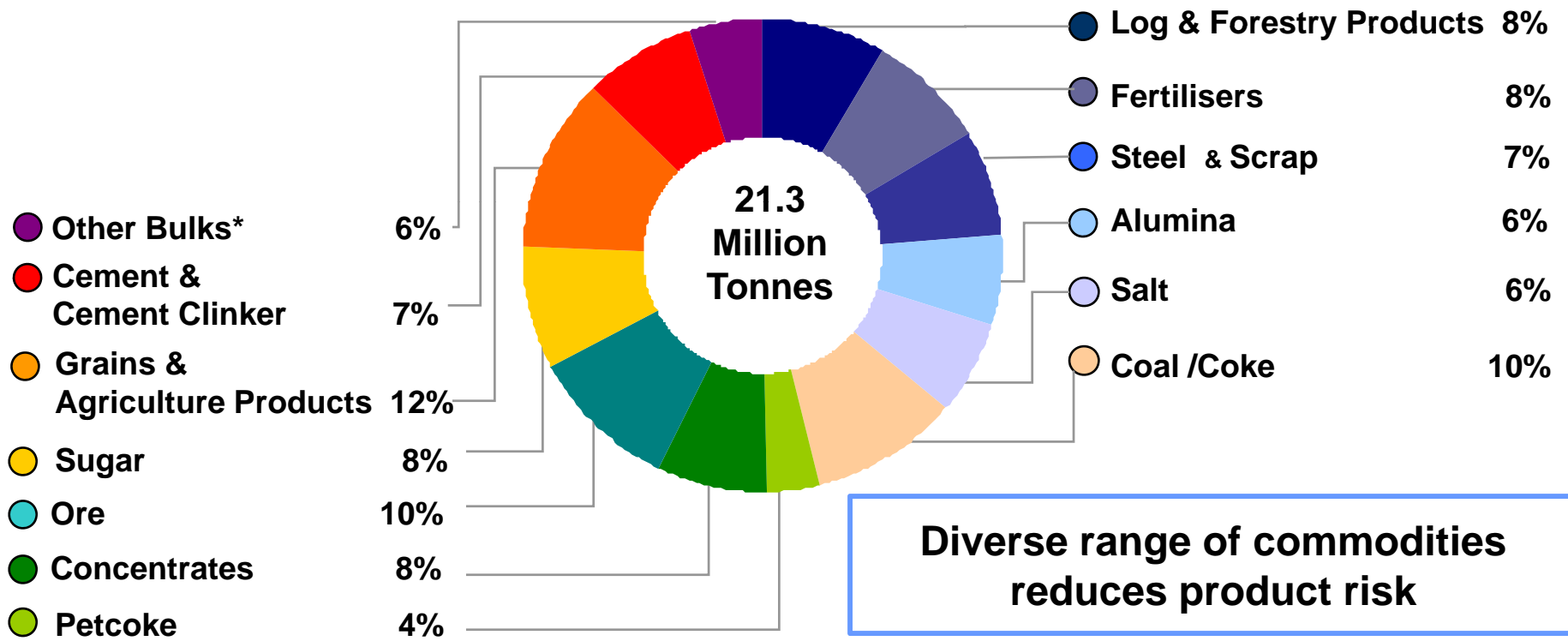


Only the trailers remain on board while the truck's head units & the drivers leave the ship



# Diversified Dry Bulk Cargo

Total Handysize and Handymax Cargo Volume Q1-Q3 2009



**Diverse range of commodities reduces product risk**

**China was our largest discharge zone in Q1-Q309 with 23% of volumes compared to 13% same time last year**

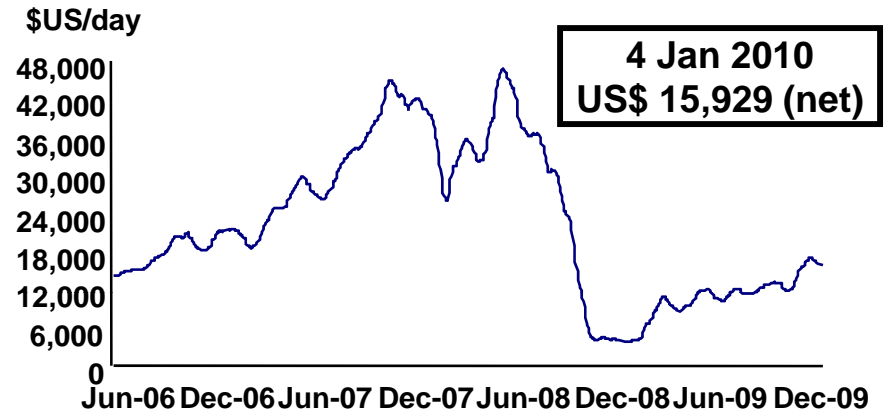
\*Other bulks: Gypsum and Sands

# Dry Bulk Market Information

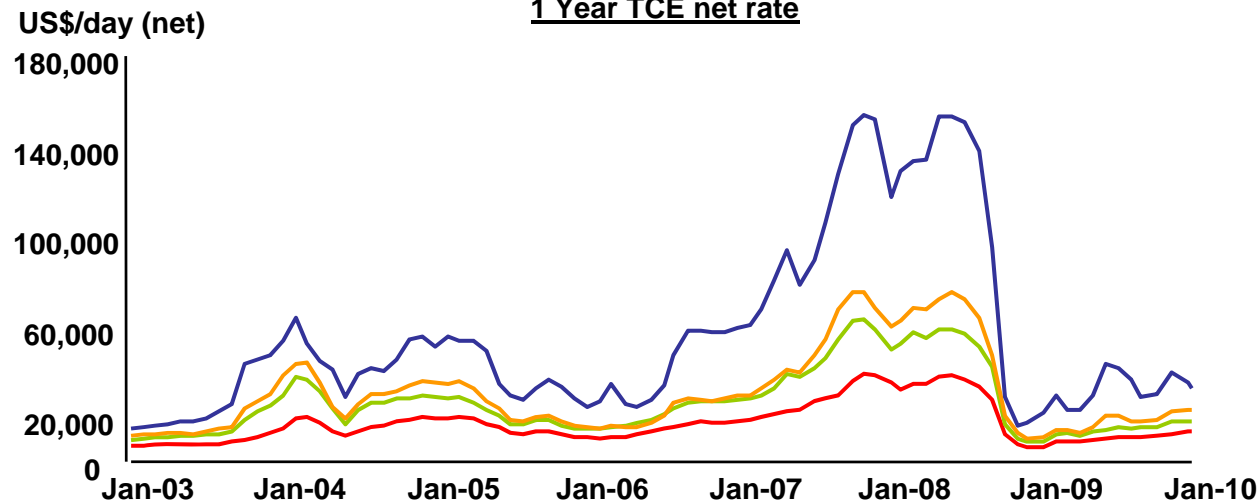
Baltic Dry Index



The Baltic Handysize Index (BHSI)



1 Year TCE net rate



As at 1 Jan 2010

Capesize - \$32,300

Panamax - \$22,681

Supramax - \$18,050

Handysize

1-Year: \$13,300

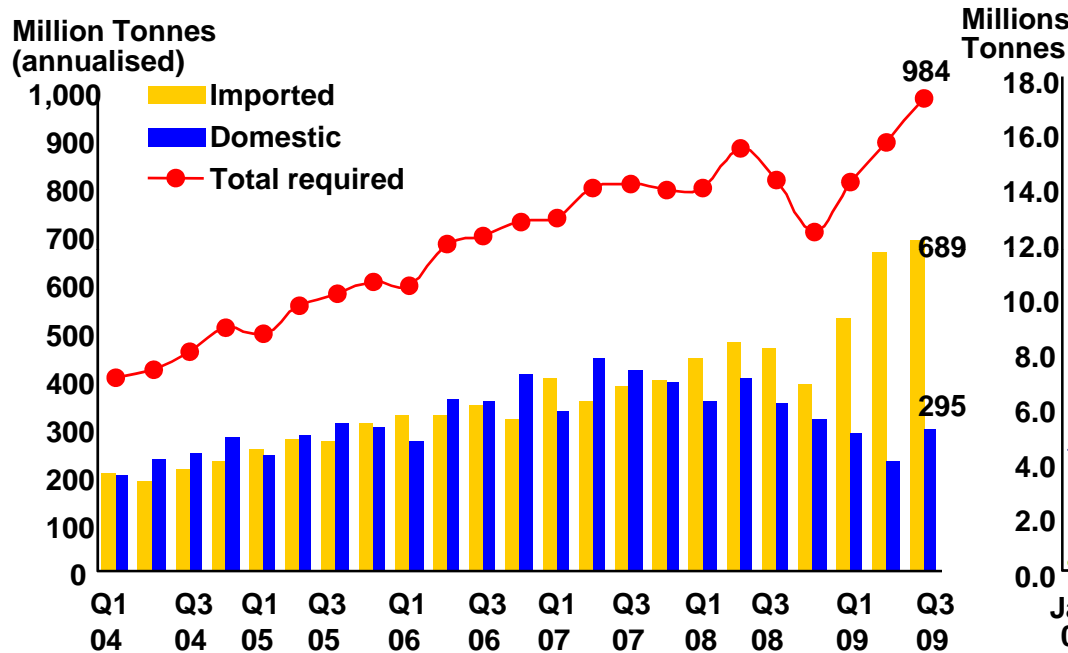
3-Year: \$11,163



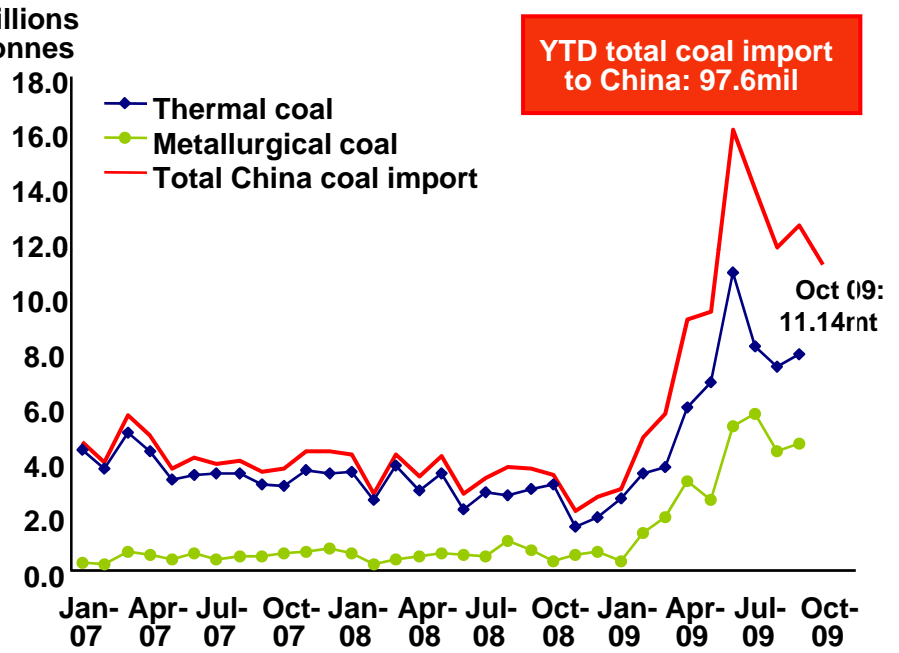
BHSI officially began on 2 January 07  
Sources: Clarksons, The Baltic Exchange, Bloomberg LP

# Major Bulk Import to China

Iron Ore Import Growth in China



Coal Import to China

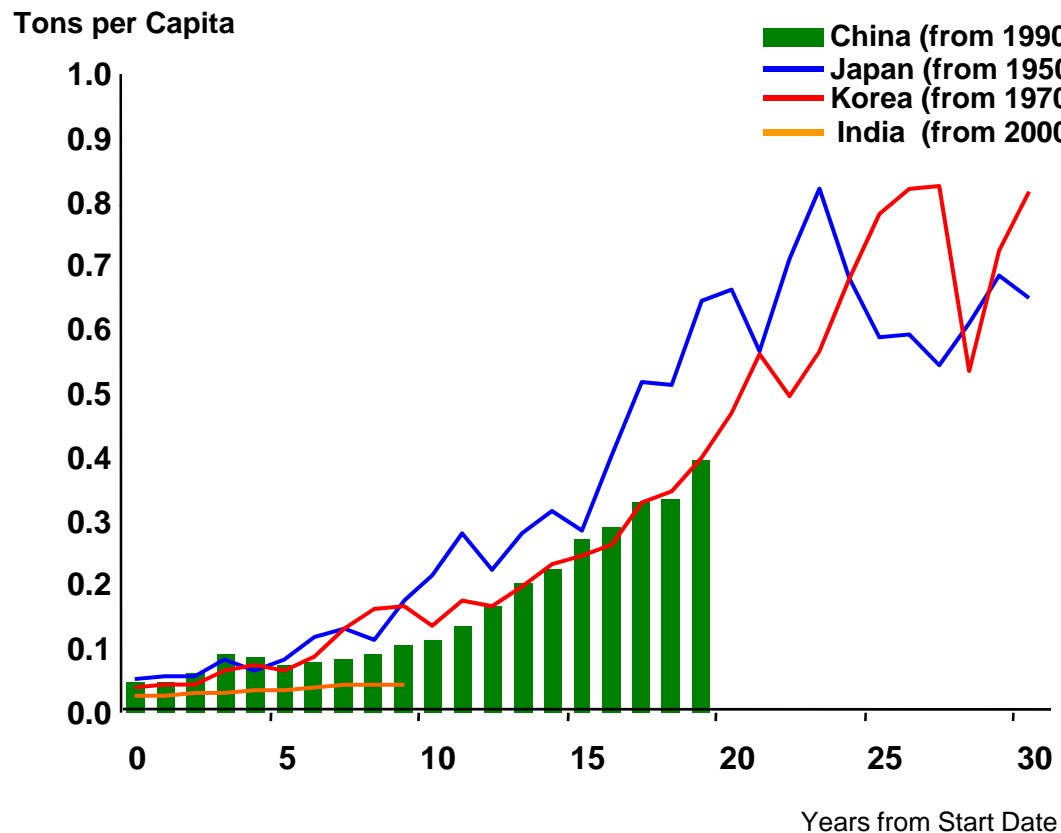


Chinese iron ore imports up 48% in Q3 year on year, supporting freight market

China's total net imports of coal were 77 mil tonnes YTD, compared to total net exports of 4.5mil tonnes in 2008

# China at Mid-Industrialization Stage

Steel Consumption Per Capita



Source: UBS, IISI, Pacific Basin

**Same growth as historical trend in Japan and Korea**

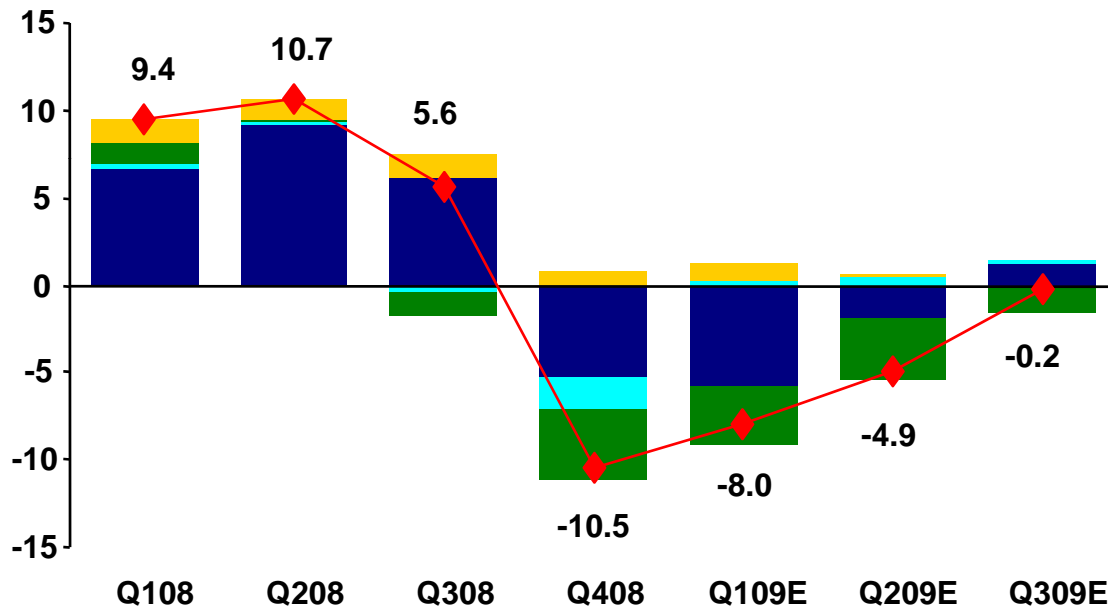
**Suggesting long term strong growth in dry bulk segment**

**Same trend for other commodities such as electricity and cement**

# Dry Bulk Demand

Changes in Tonnage Demand

% change YOY



- China Coastal Cargo Effect
- Congestion Effect
- Tonne-mile Effect
- International Cargo Volumes
- Net Change

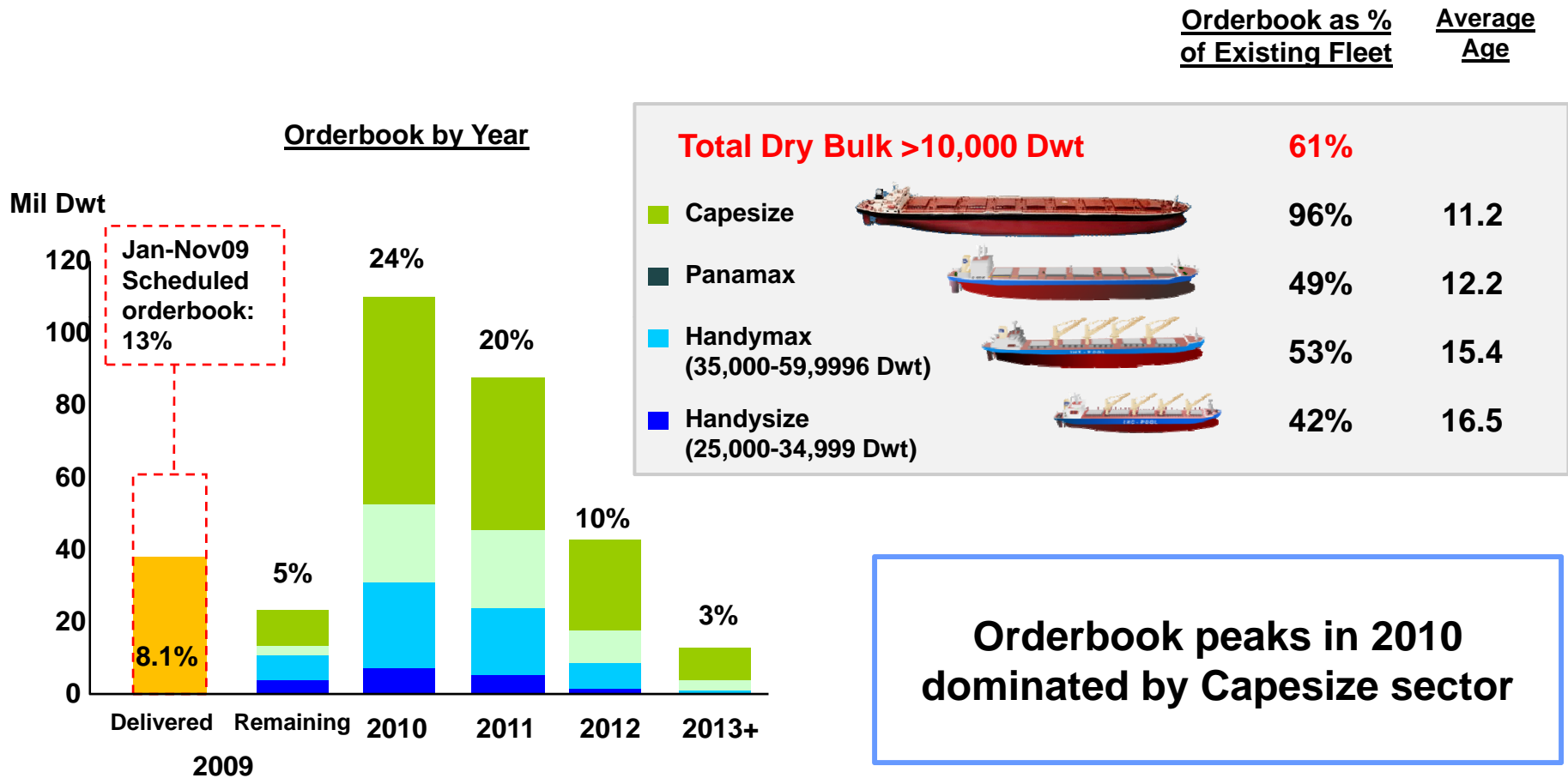
**Implied demand improvement from 1Q09 to 3Q09 supported by reports of significantly increased dry bulk trade volumes**

**Tonnage imbalance between the Pacific and Atlantic oceans facilitate a positive tonne-mile effect**



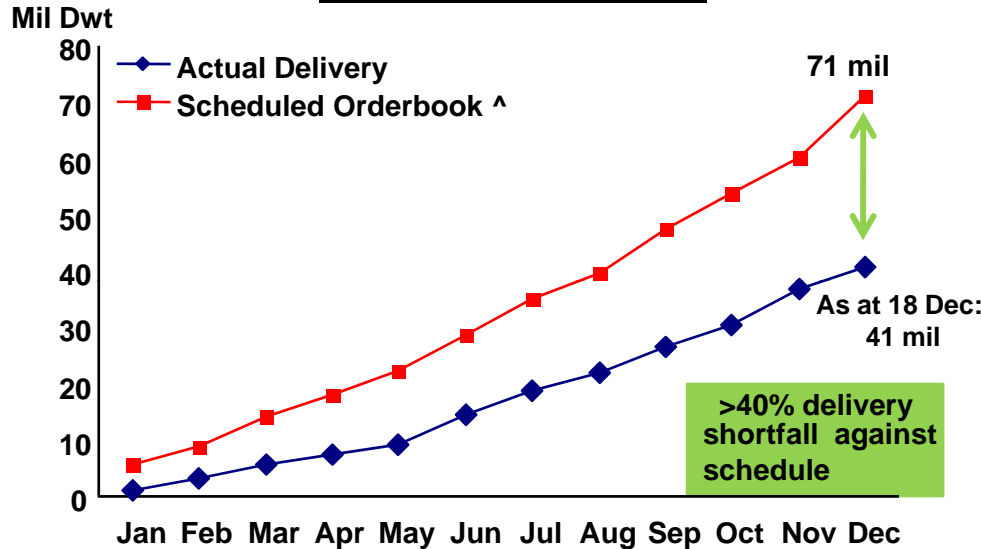
Source: R.S. Platou Oct 2009

# Dry Bulk Orderbook

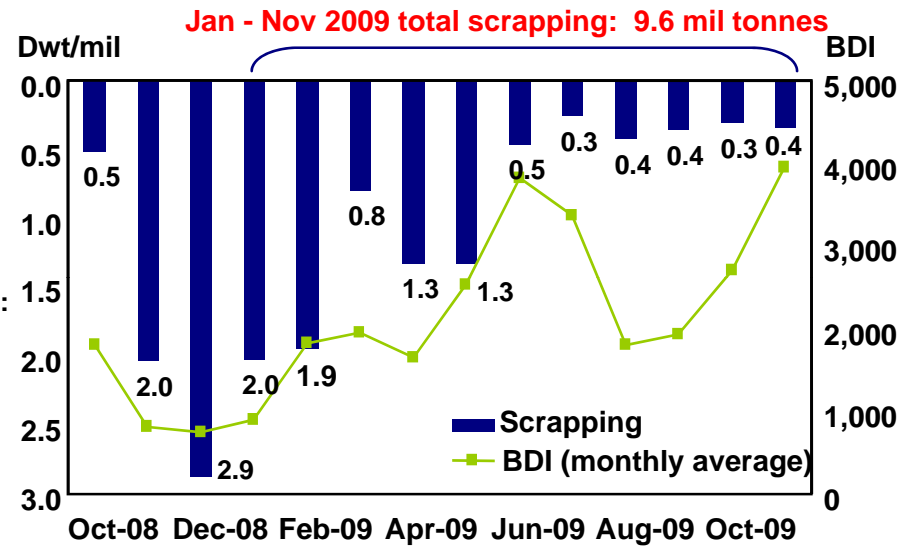


# Dry Bulk Fleet Changes

**Bulk Carrier Deliveries 2009**



**Dry Bulk Scrapping versus BDI**

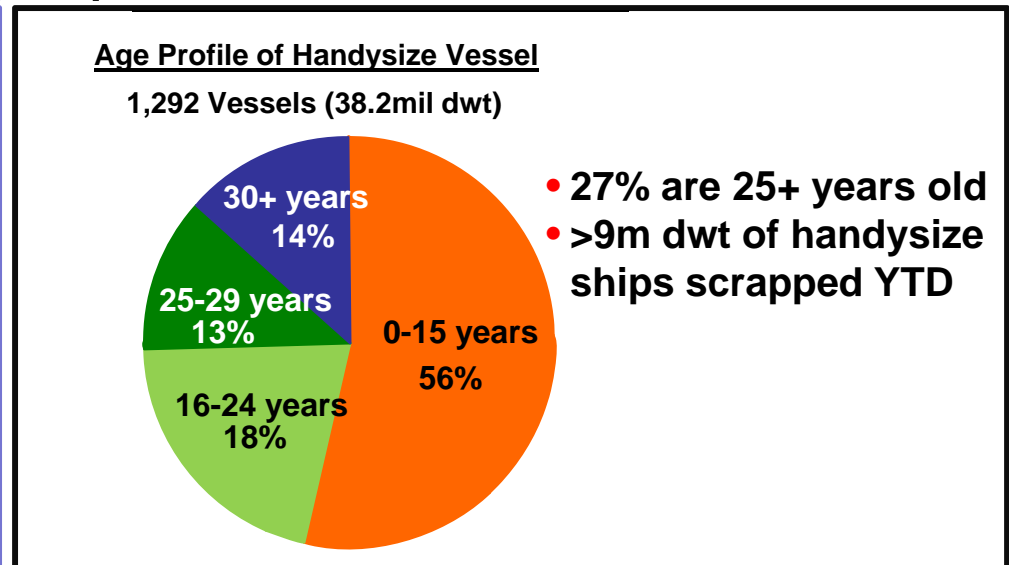
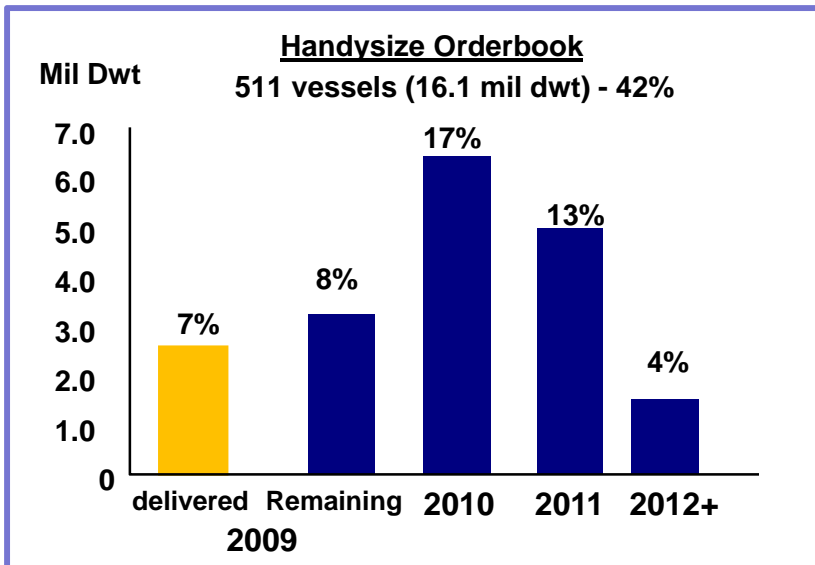
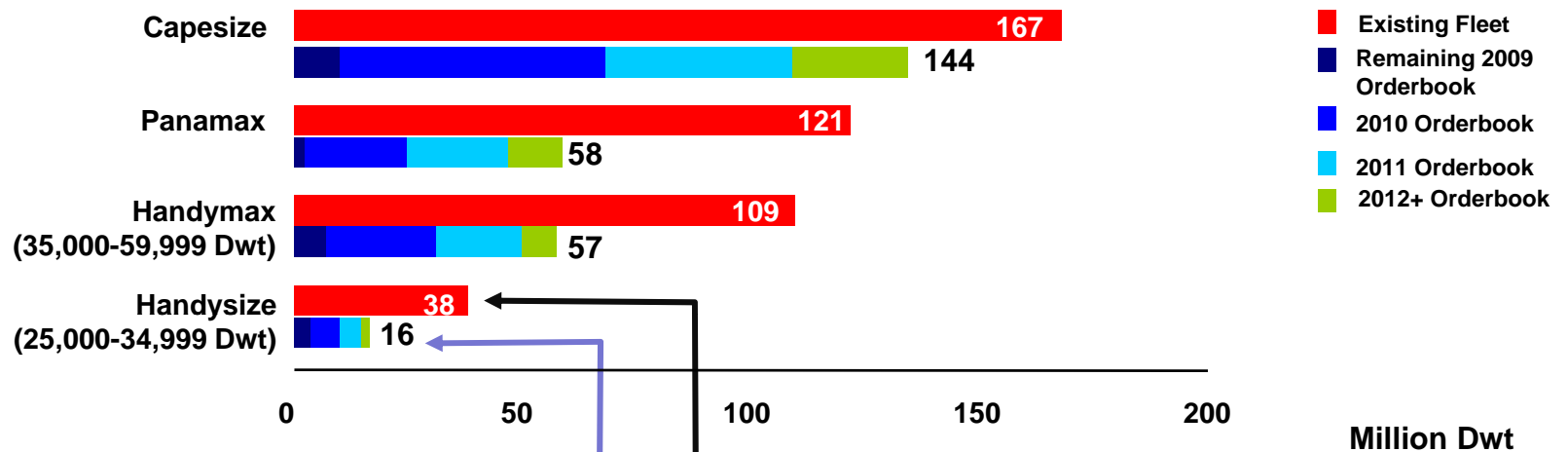


**Delivery shortfall against schedule is mainly caused by ineffective orders and construction delays**

**We expect ~45 million tonnes of new dry bulk capacity to deliveries in 2009**

**Scrapping is likely to pick up again if the freight market declines**

# Dry Bulk Orderbook – Sector Analysis

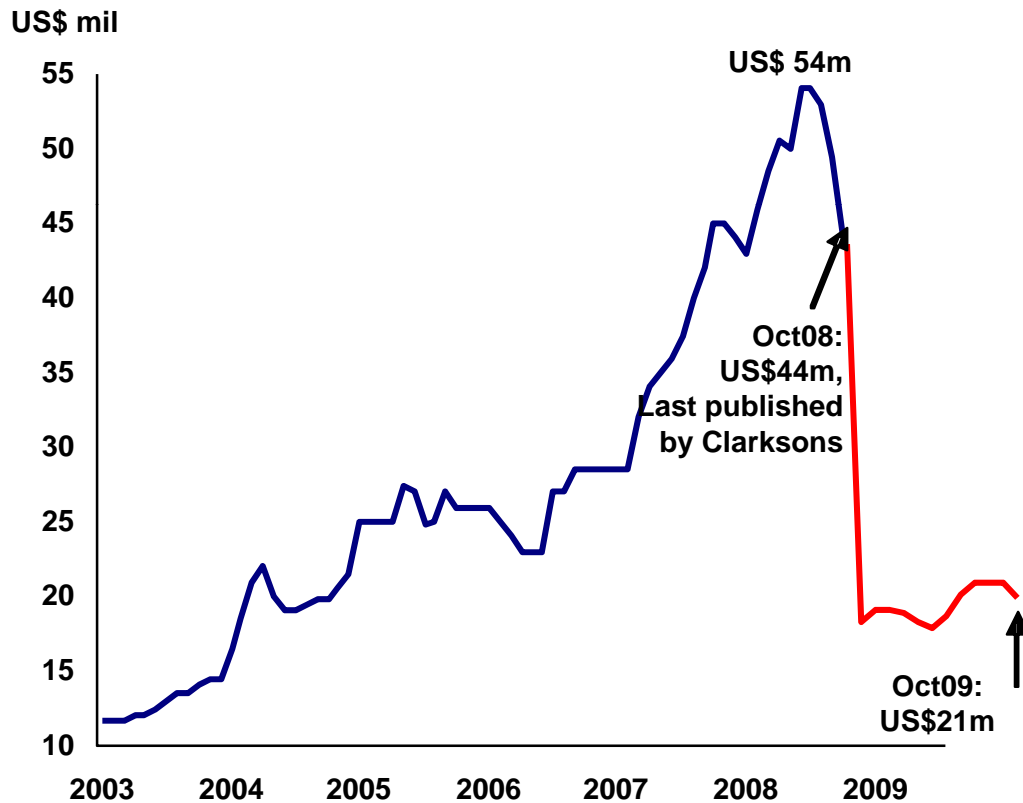


Source: Clarksons Dec 2009  
\* Dry bulk fleet is defined as dry bulk vessels over 10,000 Dwt; Handysize is defined as 25,000-34,999 Dwt



# Handysize Vessel Values

5 Year Old 28,000 Dwt Values



Sales and purchase activity continues to be relatively stagnant

Slight strengthening in sentiment in half year since January

Few owners willing to contemplate acquisitions due to newbuilding overhang and uncertain future newbuilding prices

# 2009 Financial Highlights

As at 30 June 2009

	1H09	1H08
Revenue (US\$m)	425.9	909.9
Net Profit (US\$m)	74.8	337.6
Basic EPS (HK¢)	32	162
Return on average shareholders' equity	12%	68%
Dividends (HK¢ per share)	8.0	76.0

Revenue (US\$m)

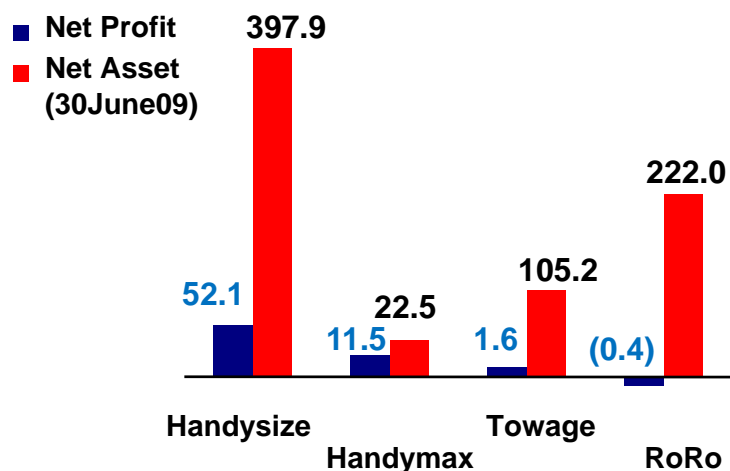
Net Profit (US\$m)

Basic EPS (HK¢)

Return on average shareholders' equity

Dividends (HK¢ per share)

Segment Net Profit versus Net Assets (US\$m)



## Net Profit after:

- US\$15.0m unrealised net derivatives income
  - US\$5.5m write-back of onerous contract provisions for future period
  - US\$2.5m vessel disposal losses
- Hence underlying profit US\$56.8m

# Segment Result – Handysize As at 30 June 2009

		1H09	1H08	% Change	2008
Revenue days	(days)	12,460	12,480	-	24,890
TCE earnings	(US\$/day)	13,610	32,580	-58%	29,600
Owned + chartered cost	(US\$/day)	9,380	14,470	-35%	14,960
Segment net profits	(US\$m)	52.1	225.7	-77%	361.2

## Earnings:

- Average BHSI reduced 76%
- Our TCE reduced 58%

## Costs:

- Cheaper chartered-in vessels
- Write-back of US\$16.5m of onerous contracts provision relating to this period
- Cost reduction

## Segment result excludes:

- US\$5.5m write-back of onerous contracts provision for future periods
- US\$11.3m unrealised net derivatives income

# Segment Result – Handymax As at 30 June 2009

		1H09	1H08	% Change	2008
Revenue days	(days)	5,150	5,210	-1%	11,050
TCE earnings	(US\$/day)	19,840	49,150	-60%	44,610
Owned + chartered cost	(US\$/day)	17,580	41,980	-58%	40,070
Segment net profits	(US\$m)	11.5	36.6	-69%	48.9

## Earnings:

- Average BSI reduced 72%
- Our TCE reduced 60%

## Costs:

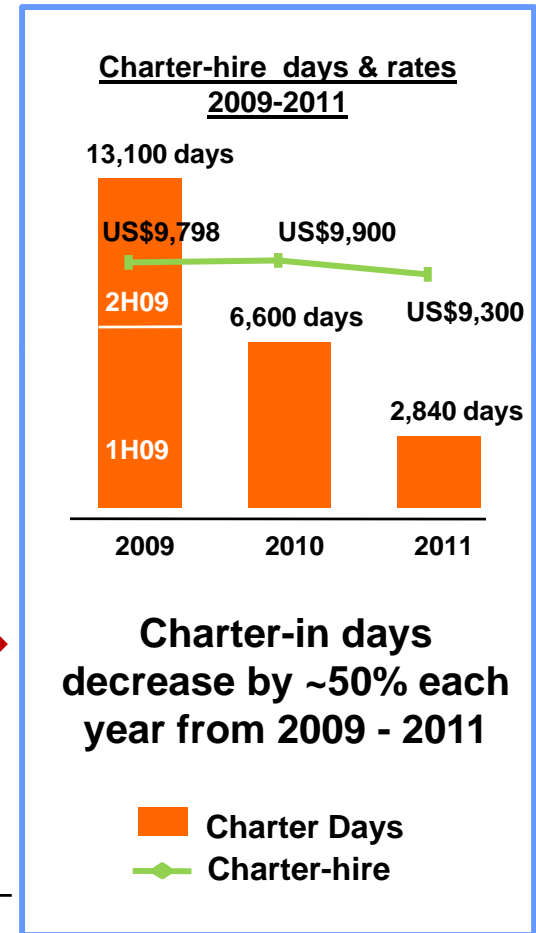
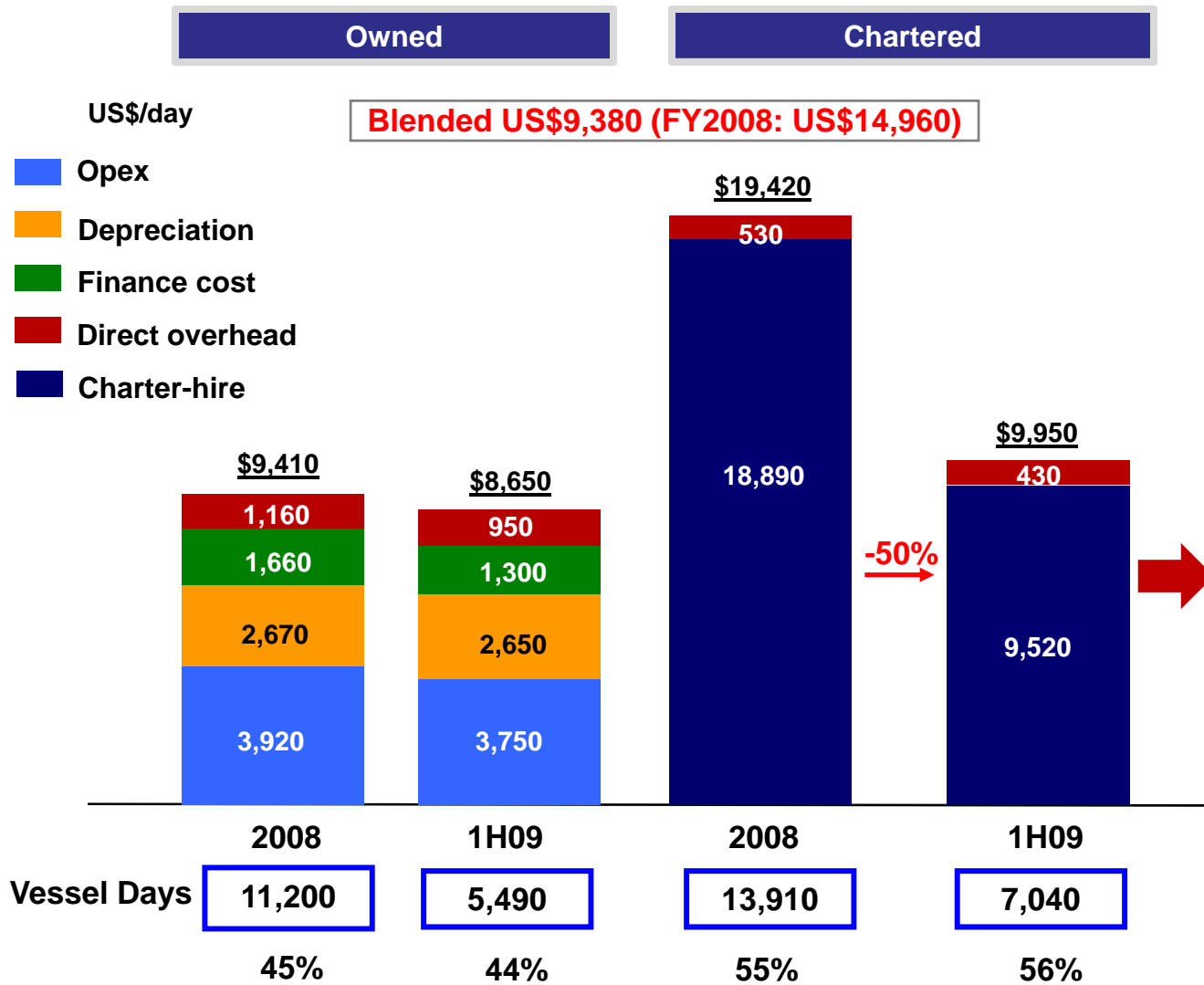
- Cheaper chartered-in vessels
- Cost reduction
- No onerous contracts provision or charges

## Segment result excludes:

- US\$0.9m unrealised net derivatives income

As at 30 June 2009

# Daily Vessel Costs - Handysize



# Impact of Financial Instruments

US\$ m	Period ended 30 June			
	Realised	Unrealised	2009	2008
<b>Net Gains / (Losses)</b>				
Interest rate swap contracts	(1.5)	2.9	1.4	(0.6)
Bunker swap contracts	(10.4)	43.4	33.0	54.9
Forward freight agreements	19.0	(31.3)	(12.3)	(11.7)
	7.1	15.0	22.1	42.6

- Completed in period and cash settled
- Included in divisional results

- Contracts to be settled in future period
- Accounting reversal of earlier period contracts now completed
- Not part of divisional results

As at 30 June 2009

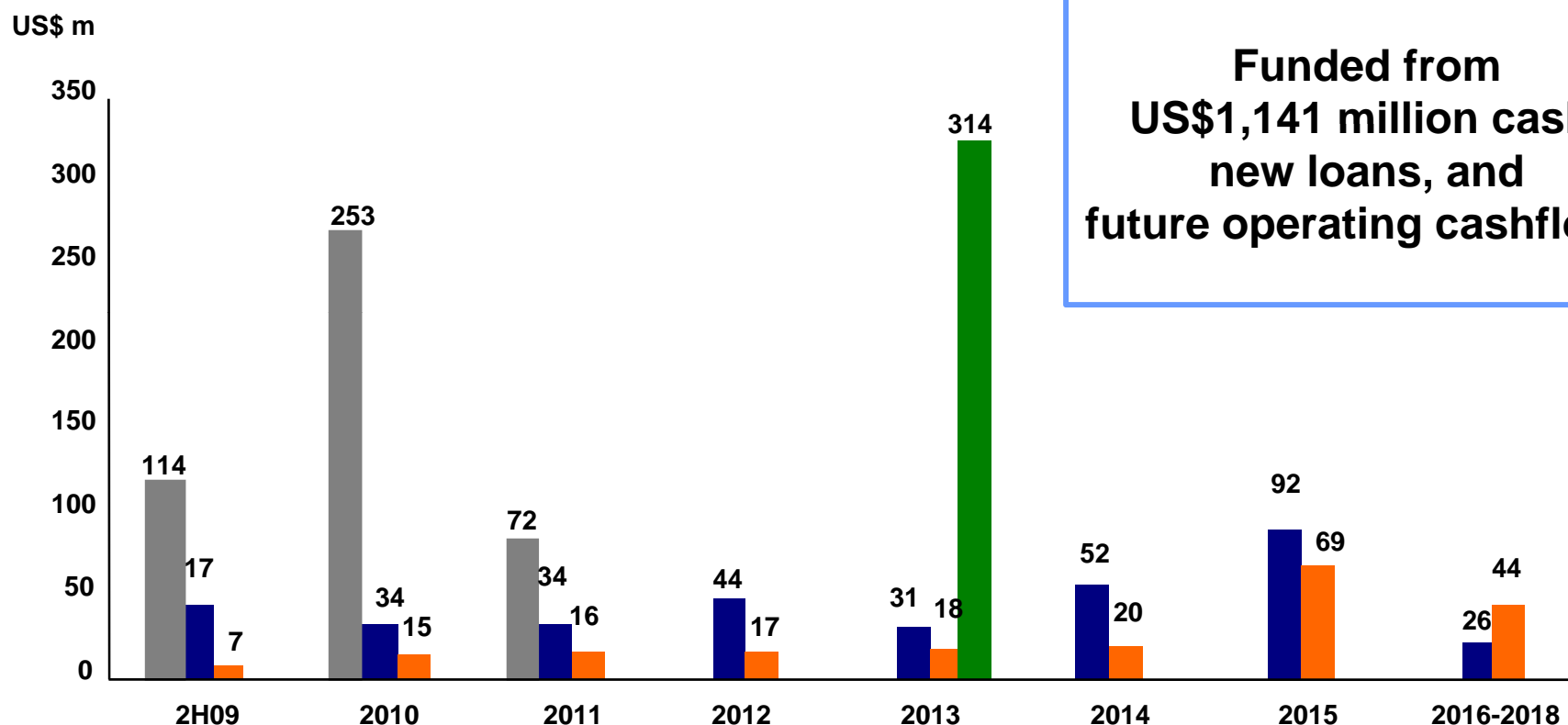
# Balance Sheet

US\$m	Dry bulk	Towage	RoRo	Treasury	30 Jun 09	31 Dec 08
Vessels & other fixed assets	594	121	181	-	912	861
<b>Total assets</b>	<b>744</b>	<b>156</b>	<b>222</b>	<b>1,097</b>	<b>2,406</b>	<b>2,331</b>
Long term borrowings	207	39	-	581	827	848
<b>Total liabilities</b>	<b>324</b>	<b>50</b>	<b>-</b>	<b>586</b>	<b>983</b>	<b>1,112</b>
Net assets	420	105	222	511	1,424	1,219
Net cash					314	176
Net cash / Fixed assets					34%	22%
Net cash / Shareholder's equity					22%	14%

Dry bulk - 30 delivered vessels  
 Average age 6 years; Average book value:  
 Handysize: US\$17.6m, Handymax: US\$16.0m

As at 30 June 2009

# Borrowings and Capex



Funded from US\$1,141 million cash, new loans, and future operating cashflows

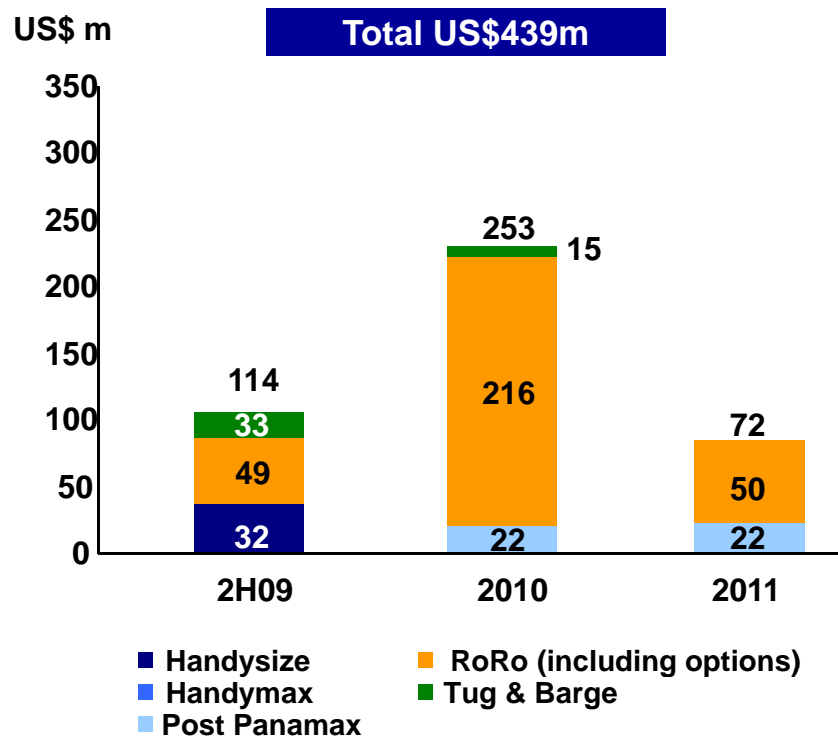
- Vessel capex (US\$439m, including 2 RoRo options)
- Bank borrowings (US\$330m) : 2012 - 2018
- Finance lease liabilities (US\$206m) : 2015 - 2017
- Convertible bonds (Nominal Value US\$314m): 2013, redeemable Feb 2011



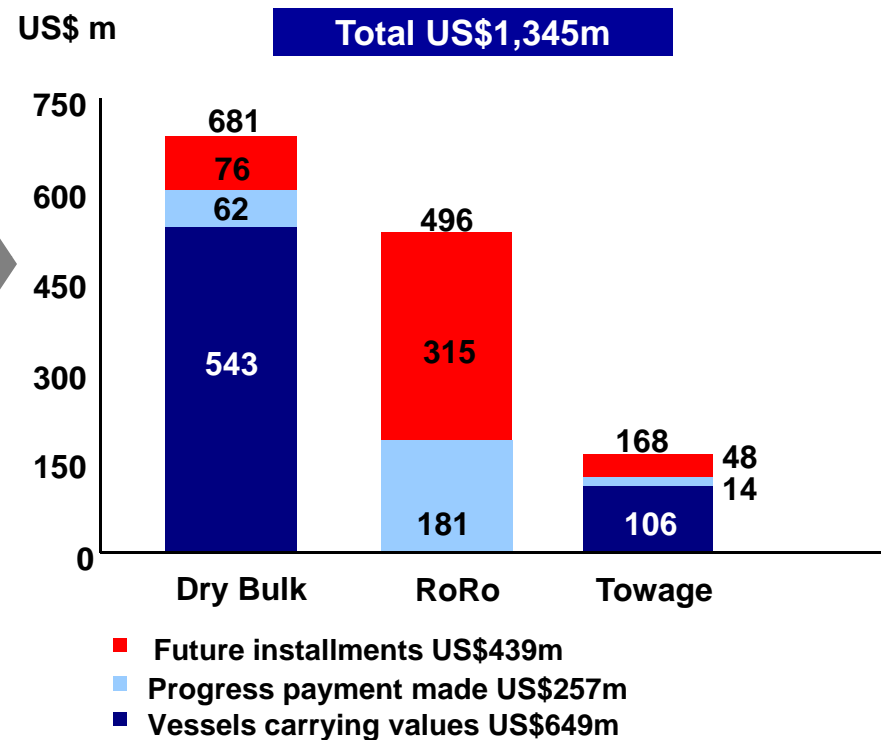
# Capex and Combined Value by Vessel Types

As at 30 June 2009

Vessels Commitments



A Combined View of Vessel Carrying Values and Commitments



Funded from operating cashflow, existing cash + new debt (as required)

Further commitments expected in dry bulk

As at 30 June 2009

# Cashflow

US\$ m

## Operating cash inflows

## Investing cash in / (out) flows

- Vessels & other fixed assets related payments
- Sales of vessels
- Jointly controlled entities related payments and receipts
- Purchase of available-for-sale financial assets
- Net receipts from forward foreign exchange contracts
- Change in restricted / pledged bank deposits
- Others

## Financing cash in/ (out) flows

- Proceeds from placement
- Repurchase of convertible bonds
- Net drawdown / (repayment) of borrowings
- Dividends paid
- Others, mainly interest paid

## Cash and bank deposits

1H09

61

13

(171)

105

40

-

17

13

9

57

97

(9)

(14)

-

(18)

1,141

1H08

284

(218)

(201)

81

(17)

(40)

-

(34)

(5)

54

271

-

(52)

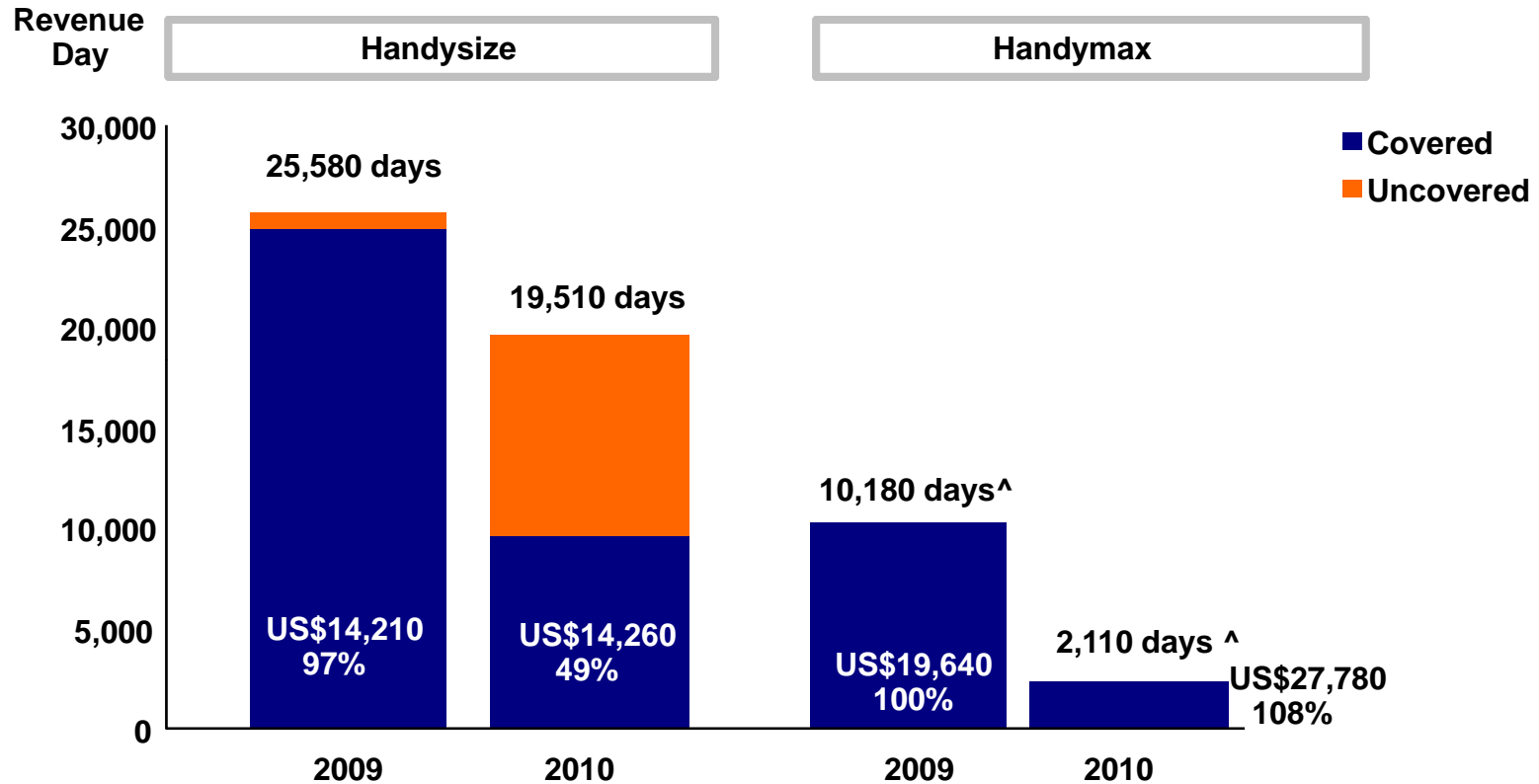
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804

# Earnings Coverage

Earnings coverage as at 22 Oct 2009



**97% of 2009 handysize revenue days covered at rates significantly above market**

**Total combined cover \* is 98% for year 2009 and 57% for year 2010**

<sup>^</sup> Excludes 2 handymax vessels on long term charter out

\*As at 22 October 2009, we had for 2009 covered 97% of our 25,580handysize revenue days and 100% of our 10,180 handymax revenue days, equating to approximately 98% of our handysize equivalent days

# Outlook

- Focus on three core segments:

Dry Bulk

Towage

RoRo

- Robust balance sheet as at 30 June 2009 : US\$1.1 billion cash, and shareholders' equity of US\$1.4 billion
- 97% of 2009 handysize days covered at US\$14,210 per day. 2009 total combined cover is 98%
- Unchanged dividend policy: continue to pay out for the full year a minimum of 50% of profits excluding vessel disposal gains
- Remain cautious for 2010 when we expect a difficult and volatile freight market with healthy levels of cargo demand being outstripped by escalating vessel supply

# Disclaimer

*This presentation contains certain forward looking statements with respect to the financial condition, results of operations and business of Pacific Basin and certain plans and objectives of the management of Pacific Basin.*

*Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of Pacific Basin to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Pacific Basin's present and future business strategies and the political and economic environment in which Pacific Basin will operate in the future.*