2011 Annual Results – 1 March 2012
Script for Results Presentation

Speaker: David Turnbull

Slide 1 – Cover

Good afternoon ladies and gentlemen, and thank you for attending Pacific Basin's 2011 Annual Results presentation.

I will start with a brief overview of our results. I will then hand over to Klaus Nyborg, our CEO, who will discuss our core business activities, including dry bulk shipping, towage services and RoRo shipping.

Andrew Broomhead, our CFO, will cover the financials, and Klaus will then summarise our overall outlook for 2012. You will then be invited to ask questions.

But before I proceed, I would like to remind you that Klaus will sadly be leaving Pacific Basin. We have this afternoon published a formal announcement saying that 15 March will be his last day with us and we expect to announce his successor by the end of the month.

Klaus has managed our business very capably and I'd like to say a big thank you to him for all that he has done for our Company in the past 5 years. We all wish him the very best for his future back home in Denmark.

Slide 2 – Group Highlights

Pacific Basin made a net profit of $32 million and an operating cash flow of $159 million in 2011, representing weaker though respectable results against the backdrop of significantly weaker market conditions.

Our Handysize earnings outperformed but were impacted by the deteriorating spot market.

PB Towage had a turnaround year, upholding the case for our strategic diversification into the Australasian towage sector.

PB RoRo's unsatisfactory performance – and the significant impairment we announced with our interim results – reflected continued depression in the freight ferry market.

That impairment was partially offset by a $56 million net profit from the sale of our remaining shares in Green Dragon Gas which we announced in the first half of 2011.

We still have $618 million in cash and deposits, which more than covers our commitments in respect of 16 owned vessels on order, and leaves substantial buying power on our balance sheet.

The Board has recommended a final dividend of 5 Hong Kong cents per share, bringing the full year dividend to 10 cents per share.

I will now hand over to Klaus who will take you through our 3 main businesses.

Speaker: Klaus Nyborg

Slide 3 – Pacific Basin Dry Bulk – 2011 Performance

Thank you David.

In 2011, our dry bulk division made a net profit of US$81 million and an operating cash flow of $138 million, driven by a relatively strong contribution from our Handysize business.

Our Handysize daily rates decreased 19% year on year, but <u>still</u> outperformed the deteriorating spot market by 35%.

Our Handymax results were disappointing due mainly to our reliance on relatively expensive short term chartered ships, and the cost of repositioning ships in response to the Queensland floods in early 2011.

On a more positive note for our Handymax business, we are building a strong long term forward book, and we have started the process of growing our core fleet of low cost ships which we expect to improve our margins.

On other developments:

We expanded our office network to cover 6 continents, and we increased our activity in parcelling and project cargo trades. Both initiatives broaden business opportunities for our dry bulk fleet and differentiate us from many of our traditional bulk-focused competitors.

Our new maritime operating system is already proving its value as an appropriately advanced IT platform to support our continued future fleet growth.

And we have achieved significant fuel savings through the in-house development and implementation of our "Right Speed Programme" to determine optimal operating speeds based on prevailing freight rates and fuel prices.

Slide 4 – Pacific Basin Dry Bulk Earnings Cover

We operated an average of 131 dry bulk ships in 2011 – up from 114 in 2010.

As at 27 February 2012, we had covered 54% of our 28,240 Handysize revenue days in 2012 at $11,480 per day.

We had also covered 25% of our 24,010 Handysize revenue days in 2013 at $12,920 per day.

Maintaining a certain degree of forward cargo cover while adapting to market changes is an important part of our strategy, and we manage this very carefully.

Slide 5 - Dry Bulk Market Information

The market for minor bulk shipping got off to a poor start and remained largely flat over 2011.

Handysize and Handymax rates averaged approximately $10,000 and $13,700 per day net respectively – both 36% down year-on-year.

Dry bulk shipping demand was relatively healthy save for the impact of weather-related export disruptions early in the year.

The main negative factor was a 14% expansion of capacity, driven by record newbuilding deliveries.

Similar factors – seasonal export trade disruptions and a rush of newbuilding deliveries in the New Year – have caused a poor start in 2012 with freight rates declining sharply to 26-year lows.

Freight market weakness has again translated into lower secondhand ship prices. Clarksons estimate the value of their benchmark five year old Handysize at US$19.5 million, which is now down to the levels seen in early 2009.

Slide 6 – Dry Bulk Demand

R.S. Platou estimate dry bulk transportation demand in 2011 to have increased by 10%.

That's down from 14% in 2010, but still indicative of relatively healthy activity which was, however, overshadowed by even more significant supply growth.

China continued to dominate developments in the demand for dry bulk shipping with Chinese dry bulk imports representing 28% of global dry bulk traded in 2011. Notably and directly impacting demand for our ships – China imported:

- 12% more manganese ore;
- 37 % more logs and forestry products;
- 49% more bauxite; and
- 92% more nickel.

India imported more coal and logs, and its reduced ore exports drove buyers to source iron ore from further afield thus supporting increased tonne-mile demand for shipping.

Slide 7 – Dry Bulk Fleet Development

The global fleet of 25 – 40,000 tonne Handysize ships in which we specialise expanded by 7% net in 2011.

Overall dry bulk capacity expanded by 14%, driven by the influx of 96 million tonnes of new capacity.

That's 30% below scheduled deliveries as at the start of 2011, but still 20% more than the previous record deliveries of 2010.

The heavy influx of newbuildings was moderated by record-high scrapping of 22 million tonnes of dry bulk capacity. Of this, 15% was Handysize capacity.

The Handysize segment continues to be advantaged by an old fleet age profile, which is expected to result in the earlier removal of capacity through scrapping.

Slide 8 – Dry Bulk Orderbook

Challenging market conditions led to much reduced new ship ordering activity in 2011 which – combined with the heavy influx of new ships – has resulted in a significant reduction in dry bulk capacity on order.

As at 1 February, the orderbook for Handysize vessels stood at 23% – down by over one third year-on-year – as compared with 30% for dry bulk overall.

Slide 9 – Dry Bulk Outlook

We expect to see a continued heavy flow of newbuilding deliveries combine with strong but hesitant dry bulk transportation demand to result in:

- a weak first half,
- a more buoyant second hand, and
- a weaker freight market overall this year than in 2011.

Our market outlook for the longer term is positive, as we believe generally strong demand for dry bulk commodities will be more favourably balanced by a less onerous newbuilding orderbook from 2013 onwards.

Therefore we remain committed to our strategy of directing new investment towards the further expansion of our dry bulk fleet at the right time and price, and we have the platform on which to grow organically through the acquisition of individual ships or fleets.

Slide 10 – PB Energy & Infrastructure Services – 2011 Performance

In 2011, PB Energy & Infrastructure Services generated a net profit of US$10.8 million and an operating cash flow of US$29.0 million.

This reflected a turnaround year for our towage business which increased its market share, capitalised on improved tug markets in Australasia, and contributed a net profit of US$15.2 million.

These towage results more than offset the operating loss of our FBSL joint-venture operation which was closed in June after completing the Northern Project in Fujairah due to difficult market conditions in the Middle East.

Since the year end, we have sold PacMarine Services.

In view of the closure of FBSL, the sale of PacMarine and the now exclusive focus on its towage activities, we have changed the name of the "PB Energy & Infrastructure Services" division to "PB Towage".

Slide 11 – PB Towage – Outlook

We anticipate seeing continued growth in the Australian offshore construction sector and further improvement in Australian port activity in 2012.

We consider ourselves well positioned to participate in this increasing activity, and we have started 2012 with good earnings cover for the year.

Strategically, we aim to enhance PB Towage's organisation in areas of human resources, health and safety, systems and processes.

And we stand ready to invest further in our towage fleet as specific projects materialise.

Slide 12 – PB RoRo – 2011 Performance

Our PB RoRo division generated a loss of US$10.6 million and an operating cash flow of US$7.5 million in a very difficult year due to continued depression in the Euro-centric RoRo market and suspension of the Nafta Gulf Bridge service.

We achieved average daily charter rates of US$21,190 on utilisation of 84%.

All 6 of our RoRo's are delivered and on the water. Four ships are employed, although at generally disappointing rates reflecting the weak market.

We are still working on charters for our final two ships, and our priority for 2012 is to secure satisfactory employment for these and other ships in our RoRo fleet as their current charters expire.

As reported with our interim results, a reassessment of prospects for the RoRo sector resulted in an impairment of US$80 million to our group results, but no further impairment was warranted for the full year.

Slide 13 – RoRo – Outlook

We expect the charter market for RoRo ships to remain weak and challenging throughout 2012 due to the further influx of new ships, overall muted growth in freight volumes and an anaemic European economy.

We therefore expect another very challenging loss-making year for our RoRo business, though our longer-term view is more positive as we anticipate an end to the current wave of newbuilding deliveries in 2013, coupled with eventual European economic recovery and the development of new RoRo trades.

Our priority for 2012 is to secure best possible charters, improve utilisation and implement stringent cost control to minimise losses until the market recovers, and we have no plans to invest in expansion of our RoRo fleet.

I will now pass you to Andrew, our CFO, who will present the financial section.

Speaker: Andrew Broomhead

Slide 14: 2011 Annual Financial Highlights

- The Group reported segment net profit of **US$78.9m**. A deterioration **of 46%** compared to last year in the face of a weaker market for dry bulk vessels
- Underlying profit was **US$57.8m**
- And overall results were affected by two items from the first half of 2011:
- A **US$80.0m** impairment on our RoRo vessels;
- Partially offset by a **US$55.8m** gain from the sale of our remaining holding of the shares in Green Dragon Gas.
- Giving a resultant Group net profit of **US$32.0m**.

Slide 15: Pacific Basin Dry Bulk – Handysize

- Looking at the main drivers of our dry bulk results.
- Our handysize revenue days increased **13%** to **32,710**, reflecting on average **10** additional vessels, compared to last year, as we chartered short term ships from the market, particularly in 2H11, to service our growing customer base.
- TCE decreased **19%** to **US$13,530** per day, which was about **35%** above the benchmark rate for the year.
- The result was a 34% decrease in Handysize net profit to **US$89.8m** and a return on net assets of **16%**.

Slide 16: Daily Vessel Costs – Handysize

- Handysize blended operating costs decreased **11%** to **US$10,680** per day,
- This was due to a **17%** decrease in charterhire payments to **US$11,810** per day.
- Owned vessel costs at just above **US$8,700** per day remained flat
- and the proportion of owned to chartered vessels was **46%** to 54%

Slide 17: Balance Sheet

- Dry bulk represents **US$936m** of vessel book value.

- Our **42** Handysize vessels have an average age of **7.6** years and average book value of **US$17.3m**.
- Borrowings reduced to **US$779m** as a result of retiring our 2013 convertible bond.
- Treasury manages **US$618m** of Group cash which is placed with a range of leading banks, mainly in Hong Kong.
- At the end of December we had a net borrowings position of **US$161m**, giving gearing of **11%**.

Slide 18: Capex and Combined Vessel Value

- If we take the vessel capital commitments of **US$322m** and add them to the book value of those vessels delivered and under construction, the combined value of the Group's vessels would amount to **US$1.84 billion**.
- The Dry bulk vessels represent **67%** of the Group's combined asset value.
- The RoRo vessels' proportion, post impairment, is **21%**
- Tugs and barges represent the remaining **12%** of combined value.
- In 2012 we are patiently waiting to invest further cash resources in our dry bulk division.

Slide 19: Borrowing and Capex

- We have summarised the payment profile of the Group's **US$779m** of borrowings and included the **US$322m** capex.
- We expect all these payments to be comfortably met by the Group's existing **US$618m** of cash, **US$117m** undrawn bank facilities, and future operating cashflows.

Slide 20: Cash Flow

- The Group generated operating cashflows of **US$159m**, exceeding the $150m of EBITDA for the year.
- Coupled with existing cash and **US$80m** from the sale of our shares in Green Dragon Gas Limited
- This funded:
- Vessel payments of **US$175m**, including 3 handysize, 1 post panamax, 2 tugs and 2 RoRo vessels, all delivered during the year; and
- **US$105m** of convertible bond repurchases.
- Leaving PB with cash of **US$618m** at the year end.

and now I would like to hand back to Klaus

Speaker: Klaus Nyborg

Slide 21 – Outlook

We expect to see a weaker dry bulk freight market overall this year than in 2011.

Dry bulk shipping is in crisis, facing excess ship supply and much reduced availability of funding for vessel acquisitions, which should generate fleet expansion opportunities at attractive prices for cash rich owners like ourselves.

Our RoRo business faces continued market weakness, but the outlook for the towage market and our Towage business is promising.

Our strategic focus in 2012 will therefore be to:

- Direct investment mainly towards expansion of our dry bulk fleet, patiently awaiting and capitalising on opportunities we expect to arise;
- Grow our dry bulk customers and cargo contract portfolio in tandem with our fleet expansion in order to manage our market exposure;
- Invest in our towage fleet as specific projects materialise in the increasingly active offshore projects market;
- Secure best possible charters and utilisation for our RoRo fleet, with no plans to invest in more RoRo ships
- Consider opportunities for further divestment of non-core businesses

Notwithstanding – and in part because of – the prevailing challenging markets, we continue to be confident in our current strategy, objectives and business model.

I'd like to end on a personal note. As David mentioned, I will shortly be leaving Pacific Basin. I will do so with a mixture of great sadness and satisfaction, as I have thoroughly enjoyed my almost six years with the Company, and I will leave confident that Pacific Basin is well positioned to thrive despite on-going market challenges.

-------------- xxx XXX xxx --------------

Disclaimer

This transcript 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.