2010 Annual Results – 1 March 2011

Slide 1 – Cover
Speaker: David Turnbull

Good afternoon ladies and gentlemen, and thank you very much for attending Pacific Basin's 2010 full year results presentation.

I will start with a brief overview of Pacific Basin's results for the period.

I will then hand over to Jan Rindbo, our Chief Operating Officer, who will talk about our dry bulk shipping activities and the dry bulk market outlook. Klaus Nyborg, our CEO, will provide an overview of our other main activities which comprise energy and infrastructure services and RoRo shipping.

Andrew Broomhead, our CFO, will talk you through the financials, and Klaus will then summarise our overall outlook for 2011.

You will then be invited to ask questions.

Slide 2 – 2010 Group Highlights
Speaker: David Turnbull

Pacific Basin made a net profit of US$104 million in 2010 in a relatively strong year for our dry bulk operation, although we do not consider it to have been a fully satisfactory year for the Group overall.

Our underlying profit was US$120 million before the impact of unrealised non-cash adjustments and the scaling down of two investments. Our dry bulk operation saw improved handysize earnings and a larger fleet on the water, contributing to a significantly stronger Group operating cash flow of US$199 million. Our balance sheet retains substantial buying power with US$703 million in cash and deposits, and net borrowings of only US$156 million.

Our Board has recommended a final dividend of 16.5 Hong Kong cents per share, bringing the full year dividend to 21.5 cents per share.

I will now hand over to Jan Rindbo who will take you through a review of the Group's dry bulk development and the bulk markets.

Slide 3 – Pacific Basin Dry Bulk Performance
Speaker: Jan Rindbo

Thank you David.

Pacific Basin Dry Bulk performed well in 2010 with more Pacific Basin ships on the water carrying more cargo at improved daily charter rates, driving a 17% increase in the division's net profit of US$145 million.

We carried 9% more cargo year on year including 12% more cargoes out of China, thus complementing our traditional front-haul cargo volumes and thereby improving the utilisation of our fleet.

We operated an average of 114 dry bulk ships during the year (up from 103 in 2009) and have added at a reasonable cost 22 purchased ships and ten long-term chartered ships to our core dry bulk fleet since reviving our fleet expansion activity in December 2009.

Our recent fleet growth has favoured the acquisition of newbuilding vessels most of which are scheduled to deliver from late 2012 onwards.

Strategically, therefore, our focus remains substantially unchanged: we will continue to evaluate acquisition and inward charter opportunities with a view to further expanding our dry bulk fleet whilst mindful of maintaining our competitive breakeven cost.

Slide 4 – Differentiated from BDI and Traditional Ship Owning *[Business Model]*
Speaker: Jan Rindbo

What sets us apart from the BDI and most other dry bulk owners is the type of ship in which we specialise and the way we choose to operate them.

Handysize and handymax vessels in which we are interested benefit from:

- smaller newbuilding orderbooks
- older global fleet age profiles and a higher propensity for scrapping… in fact, there is more handysize capacity over 25 years old than there is handysize capacity on order!
- a diverse range of commodities carried, trade patterns and ports

Our business model seeks to leverage on all these beneficial segment attributes, and we do this primarily through:

1. Owning and operating a very large fleet of interchangeable ships which allows for optimum scheduling to meet our customers' needs for a competitive and reliable service while maximising our utilisation and earnings capability by reducing ballast legs. We also make use of our ability to change our market exposure through charter activities.
2. A unique network of offices that puts our chartering and operations staff close to our customers so we can better understand their needs and ensure first-rate, local and personal customer service. Our newest office of 21 that we have around the world has just been opened in New York.
3. Our customer focus facilitates strong relationships with over 200 mainly industrial commodity producers and end-users, and broad access to both spot cargoes and longer term contracts of affreightment which affords our customers long term freight cover whilst securing increased earnings stability for ourselves.
4. Our corporate profile allows us to engage closely with good partners and stakeholders, including customers, ship owners, shipyards and suppliers. Our strong and public balance sheet, reputation and track record set us apart as a trusted counterparty for our cargo customers and tonnage providers.

Slide 5 - Dry Bulk Market Information
Speaker: Jan Rindbo

The handysize market got off to a good start in 2010 but, as we anticipated, rates weakened over the second half, though sliding lower – and for longer – than we expected towards the year end. Even so, looking at the year as a whole, average handysize spot rates were 45% up year on year.

By contrast, the market for the largest bulk carriers started the year on a downward trend culminating in a 30% decrease in average freight rates year on year, thus again highlighting the relatively better performance of smaller bulk carriers.

On which note, you may be curious to hear that capesize spot rates are currently less than half handysize rates.

Driven by the relatively strong freight market of the first half of 2010, benchmark five year old handysize values increased to US$28 million in June before softening over the remainder of the year. According to Clarksons, values currently stand at US$25 million.

Slide 6 – 2010 Dry Bulk Market
Speaker: Jan Rindbo

Despite a similar general trend across the various segments, we see a decreasing correlation between our handysize market and the market for capesize bulk carriers which we attribute to differing supply and demand characteristics.

Buoyancy in OUR handysize and handymax markets early in the year was largely due to strong growth in minor bulk commodity demand from China and other emerging economies, and a normalisation of demand in OECD countries.

Weakness in the second half was triggered by seasonally reduced activity in June followed by a fall in Chinese commodities imports due to reduced margins for steel producers, a normalisation of inventory management, and government policy moves related to energy consumption targets. All this at a time of unprecedented dry bulk fleet expansion.

Slide 7 – Chinese Dry Bulk Trade
Speaker: Jan Rindbo

Chinese dry bulk imports exceeded one billion tonnes in 2010 and, with China and other emerging economies assuming a greater share of worldwide imports (but much smaller exports), East-West trade imbalances are growing and, in turn, global fleet utilisation has dropped some 14% since 2007 thus boosting tonne-mile demand.

Growing imbalances were already very apparent in the capesize segment and the iron ore trades prior to the global financial crisis but, importantly for our business, we are now seeing similarly less efficient patterns emerge in the smaller ship segments.

Slide 8 – Strong Minor Bulk & Coal Demand from China
Speaker: Jan Rindbo

Chinese demand for coal and minor bulks increased significantly in 2010. Most notably, coal import volumes were up 31% year on year, whilst Soya Bean increased 29% and logs & forest products grew 19%. In fact, in 2010, we carried about 50% more logs on our ships, meaning logs now represent about 12% of our total volumes.

Slide 9 – Dry Bulk Demand
Speaker: Jan Rindbo

R.S. Platou estimates demand for dry bulk transportation in 2010 grew 13.4% year on year – the highest level of growth since 2003 – reflecting the strong global appetite for commodities compared to 2009 which was let down by the dysfunctional market at the start of that year.

Slide 10 – Dry Bulk Fleet Changes
Speaker: Jan Rindbo

The dry bulk fleet grew by 17% net over 2010, driven by 79 million tonnes of new capacity delivered during the year. This is significantly above the 7% level of 2004-2008 and the 10% fleet expansion of 2009, and we believe represents a degree of year on year fleet expansion not seen in 40 years.

Newbuilding deliveries were 84% greater than in the previous year with only very limited scrapping.

The fleet of handysize ships (which we now define as 25-40k tonners) grew by 11% net year on year whereas the capesize fleet experienced more punishing growth of 22%. Even so, recorded deliveries in 2010 fell short of the scheduled orderbook at the start of the year by 38% – similar to the shortfall observed in 2009.

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 11 – Dry Bulk Orderbook
Speaker: Jan Rindbo

The total dry bulk orderbook currently stands at around 50% of the fleet currently on the water. The orderbook for handysize ships stands at a less onerous 39% of which over half is scheduled to deliver this year. We expect there to be a 30-40% shortfall in scheduled deliveries, which is similar to the shortfall observed in 2009 and 2010.

Slide 12 – Pacific Basin Dry Bulk Earnings Coverage
Speaker: Jan Rindbo

As at 17 February 2011, our cargo book provides combined handysize and handymax cover of 56% for 2011.

We had covered 47% of our 22,950 handysize revenue days in 2011 at $13,340 dollars per day, with 4% of our handysize revenue days generated by vessels chartered in on an index-linked basis. Our handysize market cover is thus effectively 50% when taking the index-linked vessels out of the equation.

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

Slide 13 – Dry Bulk Outlook
Speaker: Jan Rindbo

We anticipate 2011 will be weaker than 2010.

In the short term, we expect dry bulk to benefit from a stronger second quarter as demand improves on the recovery in flood-affected Brazilian and Australian exports and the onset of the South American peak grain export season, and as the annual rush of new ship deliveries at the start of the year eases.

Overall however, we anticipate the single most influential factor is likely to again be the high level of newbuilding deliveries throughout the year.

Nevertheless, we still expect to benefit from our core fleet's competitive breakeven costs which for 2011 are currently lower than they were last year. And, despite our dampened view for the year, we remain encouraged by prospects for the minor bulk segments with a measurably improved supply/demand balance expected in the longer term.

Klaus Nyborg will now present results and outlook for our PB Energy & Infrastructure Services and PB RoRo divisions.

Slide 14 – PB Energy & Infrastructure Services
Speaker: Klaus Nyborg

Thank you Jan.

In 2010, PB Energy & Infrastructure Services made a net profit of US$5 million as towage and infrastructure services markets in Australia and the Middle East continued to be adversely impacted by difficult conditions following the global economic crisis.

The affects of a weak offshore charter market in Australia were compounded by surplus supply of offshore support vessels caused by recent new vessel deliveries.

Our FBSL joint venture endured a continued difficult market resulting in the need to scale down this business and make a sizeable US$19 million impairment of our investment.

On a more positive note, PB Towage's Australian offshore logistics operations continued to perform well despite the deferral of Australian projects negatively impacting the utilisation of some of our assets.

And our Australian harbour towage business increased its market share on the back of new contracts, and has benefitted from strong commodity exports mainly to China.

Slide 15 – Energy and Infrastructure – Outlook
Speaker: Klaus Nyborg

We are encouraged by the improved outlook for PB Towage in 2011 as we anticipate a measurable improvement in the Australian offshore market. However, due to the progress that still needs to be made in harbour towage and expected negative contributions from our Middle East activities, our outlook for PB Energy & Infrastructure Services in 2011 remains less than satisfactory overall.

Slide 16 – PB RoRo
Speaker: Klaus Nyborg

The PB RoRo division generated a loss of US$1.1 million last year.

The RoRo market continued to suffer in 2010 with only slow and fragile recovery in the sector's core European economy proving insufficient to spur RoRo operators to charter additional vessels at a time of relatively significant new ship deliveries.

Our first RoRo vessel continued to trade successfully in the North Sea and we took delivery later in the year of two Hyundai Mipo newbuildings. These are now deployed in the new Nafta Gulf Bridge RoRo service between Veracruz and Mobile, a start-up in which we invested in December, which offers shippers of trailers a faster, safer and more reliable route between the Eastern United States and Southern Mexico. Developing this new trade will present many challenges for Pacific Basin and our partners.

Earlier in the year, we expanded our specialist ship management joint venture in the United Kingdom to include a significant commercial management function in order to enhance our RoRo marketing capability.

Our remaining three newbuildings are scheduled to deliver from Odense Steel Shipyard over 2011.

Slide 17 – RoRo - Outlook
Speaker: Klaus Nyborg

We expect the charter market for RoRo vessels to remain depressed resulting in a loss-making year for PB RoRo in 2011, despite ongoing marginal improvement in freight volumes for the sector.

However, we remain positive on the longer term prospects for our RoRo business, driven by tightening supply and the eventual recovery of European trades and the future development of new trades in the Mediterranean, the Americas and Asia.

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

Slide 18 – 2010 Financial Highlights
Speaker: Andrew Broomhead

- The Group reported segment net profit of **US$146.3m**, in which
- Pacific Basin Dry Bulk made **US$144.9m**:
  PB Energy & Infrastructure Services make **US$4.9m** whilst
  PB RoRo lost**US$1.1m**.
- Underlying profit of **US$119.8m** improved 3% compare to last year.
- However results were reduced by:
- **US$12.4m** of unrealised derivative non cash expenses; and
- A **US$19.1m** impairment on our investment in Fujairah Bulk Shipping following the decision to scale down the operation; partially offset by
- The **US$16.0m** gain from the sale of some **26**% of our holding of the shares in Green Dragon Gas
- Giving a resultant net profit of **US$104.3** million.

Slide 19 – Pacific Basin Dry Bulk - Handysize
Speaker: Andrew Broomhead

- Looking at the main drivers of our dry bulk results.
- Our handysize revenue days increased **11%** to **29,070**, reflecting on average **8** additional vessels, compared to last year.
- TCE increased **16**% to **US$16,750** per day
- Blended operating costs increased **24**% to **US$11,970** per day, due to increased chartered in vessel costs
- The result was a 10% increase in segment net profit from Handysize to **US$136.1m**
- and a return on net assets of **22%**.

Slide 20 – Daily Vessel Costs - Handysize
Speaker: Andrew Broomhead

- The increase in handysize blended daily costs to **US$11,970**
- was primarily due to the average daily operating lease payments increasing **43%** to **US$14,200** per day as we chartered short term ships from the market
- However owned vessel costs decreased around **1%** and the proportion of owned vessels has started to increase, averaging 45% in 2010.
- You can see on the right that the number of our contracted charter in days in 2011 and 2012 started the year at about 34% and 25% respectively of the 2010 total. This underpins our wish to expand our fleet of vessels..

Slide 21 – Balance Sheet
Speaker: Andrew Broomhead

- Most capital is employed in the dry bulk segment with **US$829m** of vessel book value including **US$173m** for vessels under finance leases.

- We have **US$860m** of borrowings, part of which are allocated to the specific business segments.

- Treasury borrowings includes the new US$230 million 1.75% coupon convetible bonds issued in April 2010, currently convertible into ordinary shares at a 20% premium to the conversion price of HK$**7.79**

- Treasury also manages the **US$703 million** Group cash. This 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$156** million following the use of our cash to fund vessel payments during the year.

Slide 22 – Borrowing & Capex
Speaker: Andrew Broomhead

- We have summarised the payment profile of the Group's **US$860m** year end borrowings and **US$411m** current capex.

- The new **US$230m** convertible bonds will expire in 2016 and its proceeds were used to repurchase and cancel **US$211m** of the **old** convertible bonds.

- By the end of March 2011 the US$**105m** remaining of the old convertible bonds will have been redeemed and cancelled.

- Our **US$411m** vessel capex commitments are spread mainly in the next **3 years**.

- We expect all these payments to be comfortably met by the Group's existing **US$703 million** of cash, US$**302m** undrawn bank facilities, and future operating cashflows.

Slide 23 – Cash Flow
Speaker: Andrew Broomhead

- During 2010, the Group generated significant **operating cashflows of US$199m**, an increase of 37% over last year**.**

- This with our **US$1.1 Bn opening cash** position was used to fund our investing activities relating to

- **vessel payments of US$541m**, including 7 handysize, 1 handymax, 10 tugs and 2 RoRo vessels, all delivered during the year, and **instalments** for another 16 vessels

- We also sold **26% of** our shareholdings in Green Dragon Gas Limited generating **cash of US$25m**

- New funding featured a convertible bond which raised **US$227m**

- from which **US$211m** was used to repurchase and cancel the convertible bonds maturing in 2013.
- Leaving PB with **cash of US$703 million** at the year end.
- and now I would like to hand back to Klaus

Slide 24 – Outlook
Speaker: Klaus Nyborg

We expect the market for our dry bulk ships in 2011 will be weaker than in 2010 as positive forces (such as recovery from regional export disruptions and increased scrapping) are ultimately eclipsed by continued significant newbuilding deliveries during the year.

In the shorter term, we anticipate a stronger second quarter due to a recovery in flood-affected Australian and Brazilian exports and the onset of the South American peak grain export season.

We expect to benefit from our core fleet’s competitive breakeven costs which for 2011 are currently lower than they were last year.

We are encouraged by the improved outlook for PB Towage in 2011 but, due to the progress that still needs to be made in harbour towage and expected negative contributions from our Middle East activities, our outlook for PB Energy & Infrastructure Services in 2011 remains less than satisfactory overall.

We expect the charter market for RoRo vessels to remain depressed resulting in a loss-making year for PB RoRo, despite ongoing marginal improvement in freight volumes for the sector.

Strategically our focus remains unchanged as we press on with efforts to expand our core dry bulk fleet and equip our business with the tools to support our increased scale and provide the best possible service to our customers.

We expect current weakness in the dry bulk freight market will generate interesting opportunities to continue the expansion of our fleet. We will consider further divestment of certain non-core assets in 2011 and beyond.

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