# Pacific Basin

**Bloomberg**
**19 Sep 2014**

*Our Handysize ship discharging steel in Vancouver*

3 Sep 2014

# Pacific Basin Overview

- A leading dry bulk owner/operator of Handysize & Handymax dry bulk ships
- Flexible Pacific Basin Dry Bulk business model
  - Large fleet of uniform, interchangeable, modern ships
  - Mix of owned and long-term, short-term chartered ships
  - Operating mainly on long term cargo contract (COA) and spot basis
  - Diversified customer base of mainly industrial producers and end users
  - Extensive network of offices positions PB close to customers
- Also owning/operating offshore and harbour tugs
- >300 vessels serving major industrial customers around the world
- Hong Kong headquarters, 16 offices worldwide, 380 shore-based staff, 3,000 seafarers*
- Our vision: To be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders

www.pacificbasin.com
Pacific Basin business principles

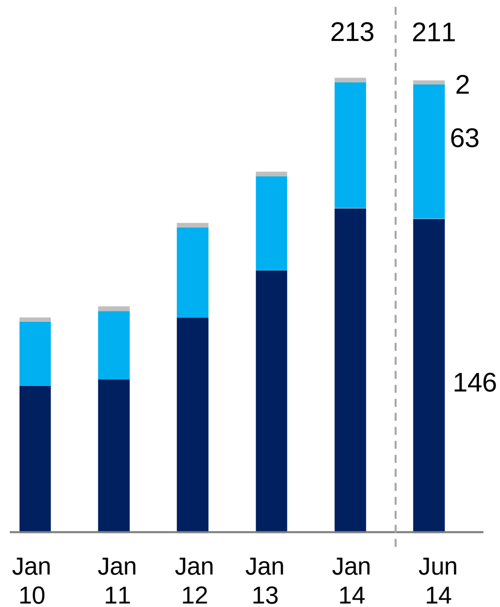


* As at Jan 2014

# Cargo Contract Business Model

**PB Dry Bulk Fleet Development**

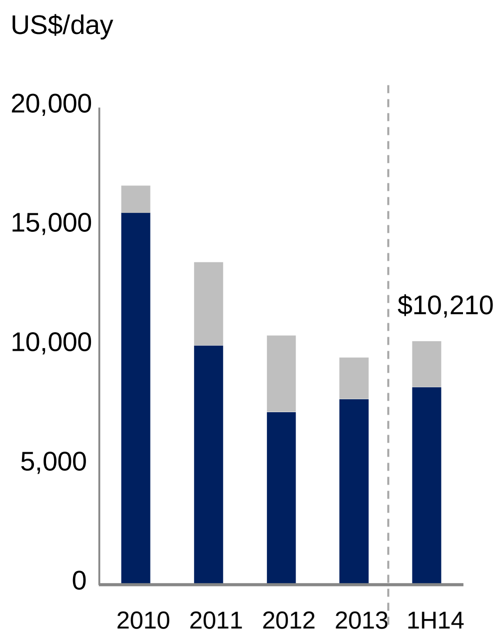
Average number of ships on the water




Handysize
Handymax
Post-Panamax

Jun 2014

**Pacific Basin Handysize – Outperformance Compared to Market**



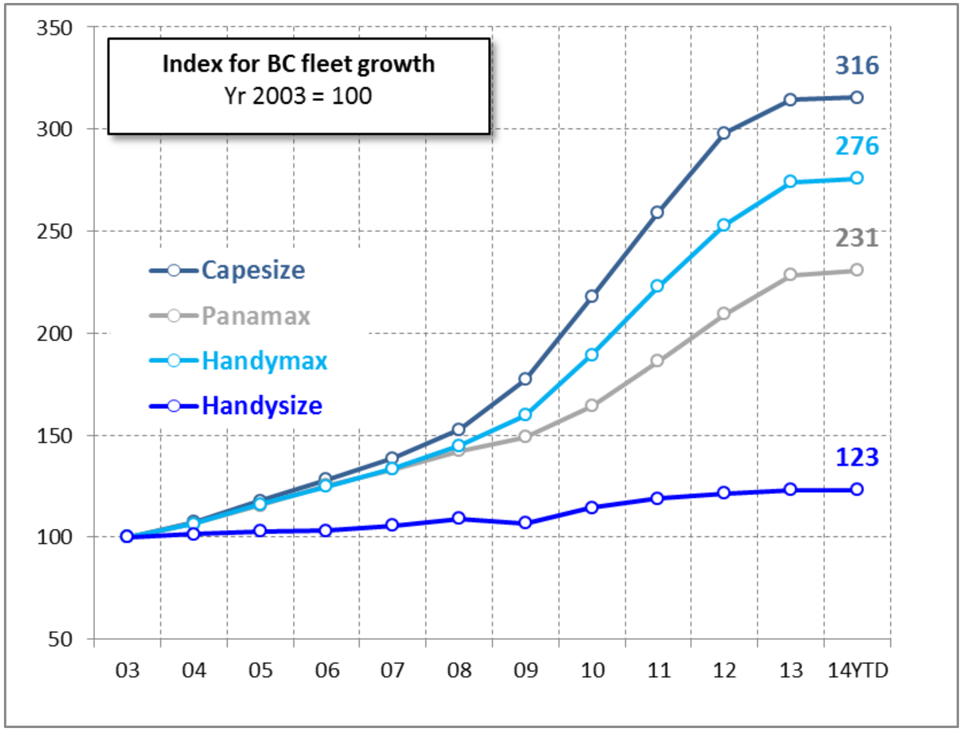

PB Margin vs Spot
BHSI - net rate

- Large portfolio of cargo contracts – No outward timecharters
- Large fleet of high-quality substitutable ships
- High laden percentage
- Model allows for both/either owning or chartering in ships
- Average premium last 5 years = US$2,300/day

# Why Handysize?

**Bulk Carrier Fleet Growth Index**

deadweight basis, Yr 2003 = 100 pts

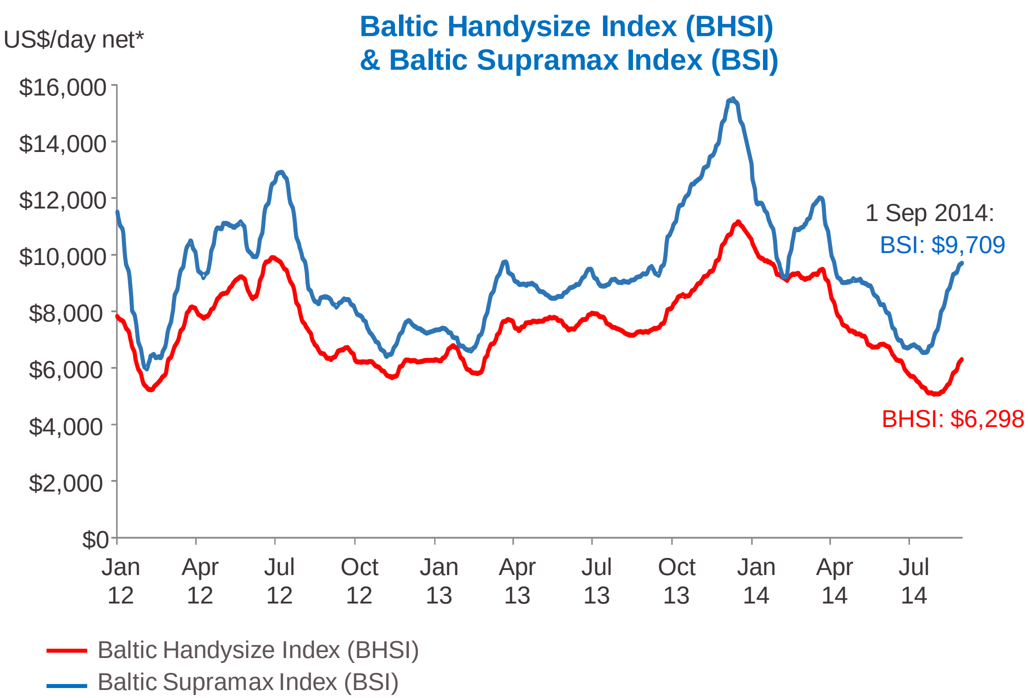


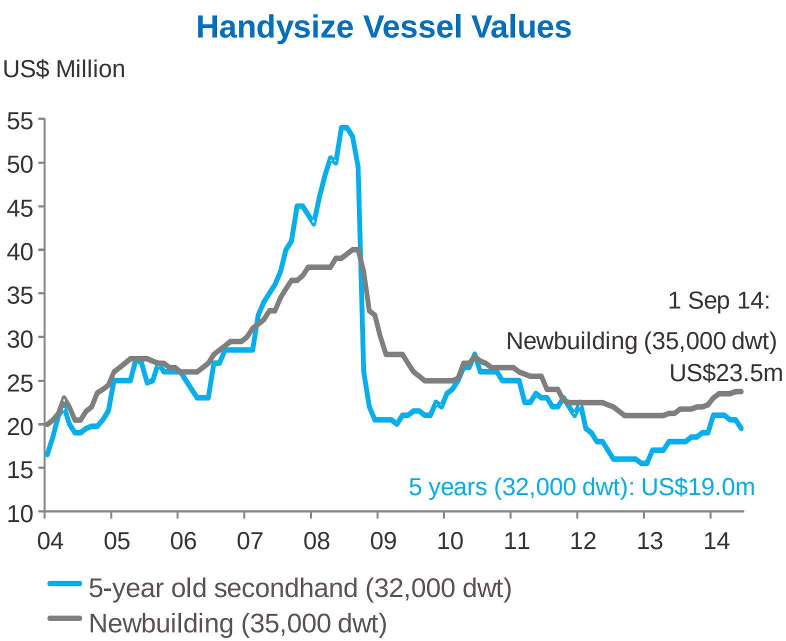

- Modest Handysize fleet growth
- Older age profile – higher scrapping
- Robust minor bulk demand
- A segment in which scale & operations make a difference

*Source: Clarksons,, 1 Aug 2014*

# Dry Bulk Market Information

- A weak 2Q14 (7% lower Handysize rates than 2Q13) was not anticipated by the market
- Fundamentally market recovery remains fragile – growing demand has not yet fully absorbed excessive supply
- Weak 2Q14: fall in Atlantic rates;
  repositioning of more ships than usual into Atlantic;
  reduced S. American port congestion
- 5 year old Handysize value declined 7% YTD but increased 26% since start 2013

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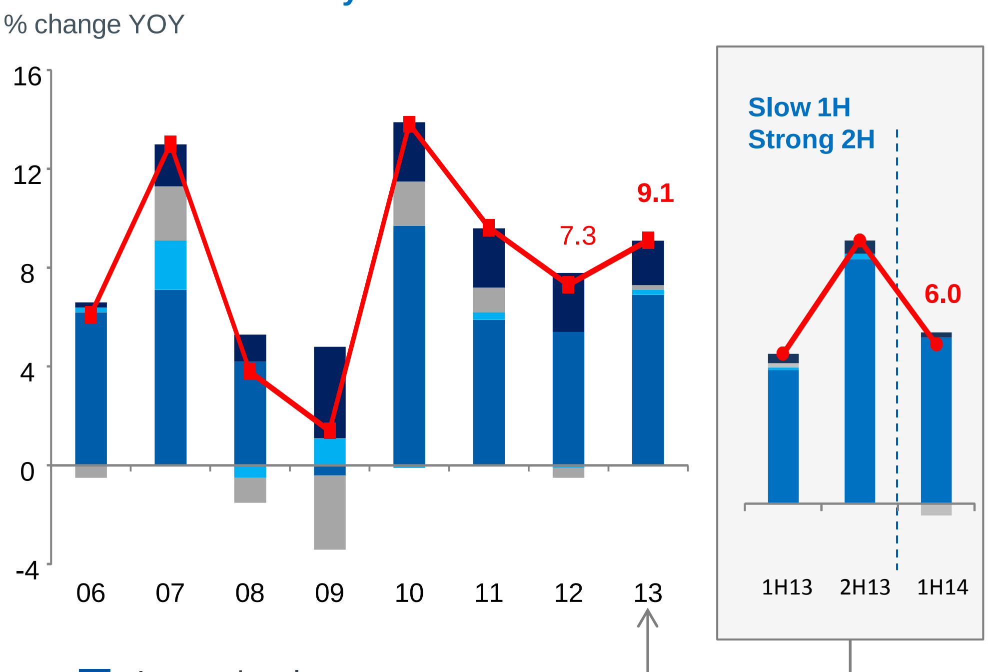
* US$ freight rates are net of 5% commission
*Source: Clarksons, Baltic Exchange*

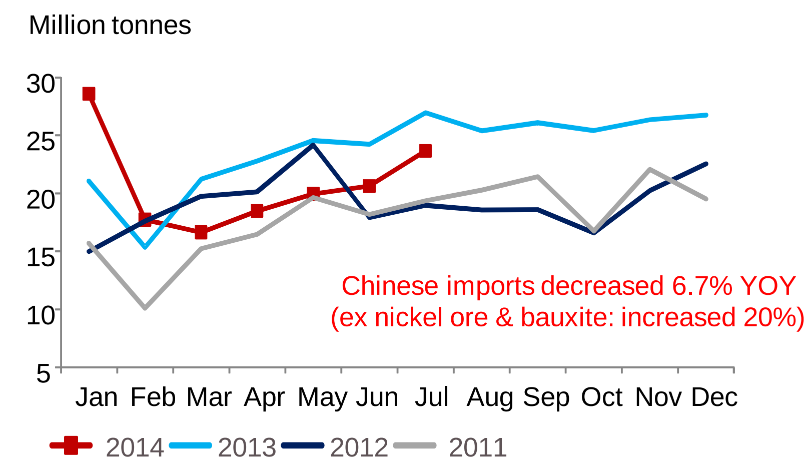
# Dry Bulk Demand

## Dry Bulk Effective Demand




- International cargo volumes
- Congestion effect
- Tonne-mile effect
- China coastal cargo, off-hire & ballast effect
- Net demand growth

## Chinese Minor Bulk Imports




*These 7 commodities make up over one third of the cargo volumes we carry*

*China imports of a basket of 7 important minor bulks:*
*logs, soyabean, fertiliser, bauxite, nickel, copper concentrates & mang. ore*

- Indonesian export ban significantly reduced Chinese imports of bauxite and nickel ore
- Excluding these trades, Chinese imports of other minor bulks increased 21% in 1H14
  - Europe coal imports reduced
  - Argentinian grain exports on hold

*Source: R.S. Platou, Bloomberg*

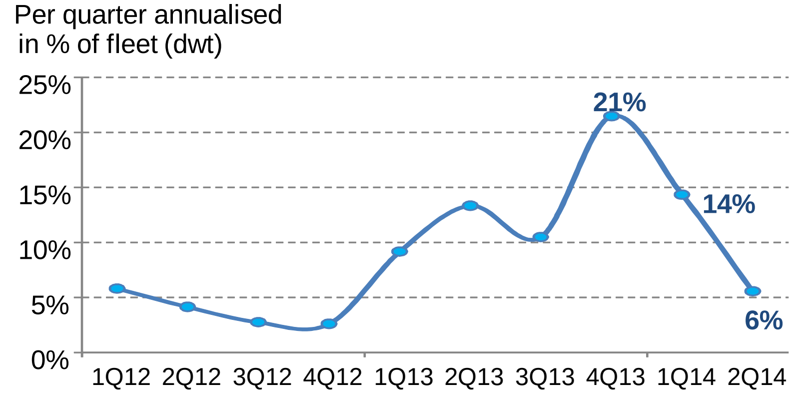
# Global Dry Bulk Fleet Development

| net fleet growth | Handysize | Dry Bulk overall |
|---|---|---|
| YOY | +2.5% | +5.2% |
| During 1H14 | +1.9% | +2.7% |

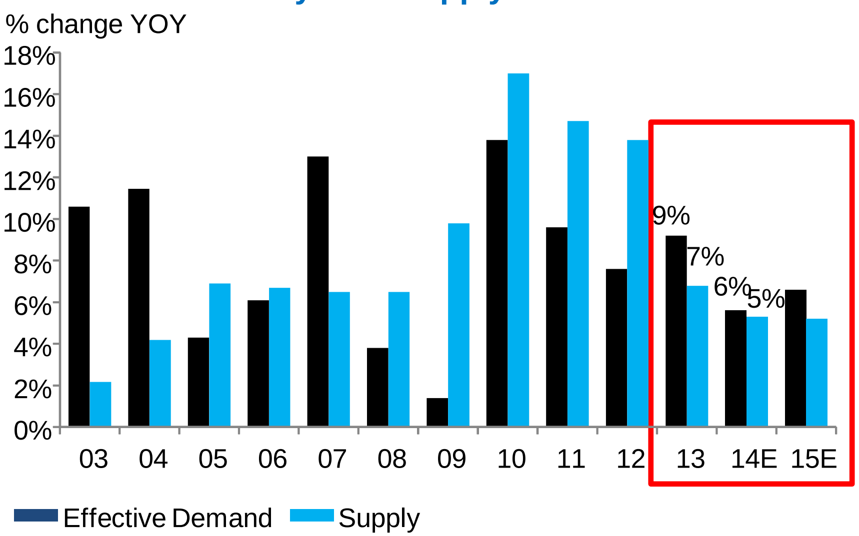
Dry bulk net fleet growth in 1H:

- Driven by 27m tonnes of new capacity
- Partially offset by 7m tonnes of scrapping
- Greater 1H vs Slower 2H fleet growth

## Dry Bulk New Ship Contracting




## Dry Bulk Supply & Demand




## Dry Bulk Orderbook and Age Profile

| | Orderbook as % of Existing Fleet | Average Age | Over 25 Years | Scrapping as % of Existing Fleet |
|---|---|---|---|---|
| **Total Dry Bulk >10,000 dwt** | **23%** | **9** | **4%** | **2%** |
| **Handysize**  (25,000-39,999 dwt) | **23%** | **10** | **13%** | **4%** |
| **Handymax**  (40,000-64,999 dwt) | **28%** | **8** | **5%** | **2%** |
| **Panamax**  (65,000-119,999 dwt) | **19%** | **8** | **2%** | **1%** |
| **Capesize**  (120,000+ dwt) | **24%** | **8** | **1%** | **2%** |

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*Source: R.S. Platou, Clarksons, Bloomberg, as at 1 Jul 2014*
** Estimated by R.S. Platou*

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# Dry Bulk Outlook & Strategy

- Expect dry bulk market to improve in 4Q14 – albeit from a low base
- A benefit of weak market = new ship ordering has substantially stopped

*Pacific Basin Dry Bulk*

- Our daily earnings outperformed spot market indices = effective business model
- Our dry bulk EBITDA of $53 million was up year on year
- Future fundamentals look favourable for Handies, despite fragility of the market recovery
- Very satisfied with our 51 ship acquisitions in the past two years = doubled our owned fleet
- 18 owned Japanese newbuildings still due to deliver in next 3 years
- Fully-funded capital commitments of US$410 million
- Our counter-cyclical owned fleet expansion at historically attractive prices positions us to leverage the market recovery we expect

- Strategy: i) Firmly focused on our core dry bulk business, making strong platform even stronger

  ii) Strengthening cargo systems and customer relationships to optimise fleet utilisation

  ii) Selectively open to ship acquisitions but at a much slower pace compared to 2013

# 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.*

**Our Communication Channels:**

- **Financial Reporting**
  - Annual & Interim Reports
  - Voluntary quarterly trading updates
  - Press releases on business activities
- **Shareholder Meetings and Hotlines**
  - Analysts Day & IR Perception Study
  - Sell-side conferences
  - Investor/analyst calls and enquiries

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- **Company Website - www.pacificbasin.com**
  - Corporate Information
  - CG, Risk Management and CSR
  - Fleet Profile and Download
  - Investor Relations:
  - financial reports, news & announcements, excel download, awards, media interviews, stock quotes, dividend history, corporate calendar and glossary
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# 2014 Interim Financial Highlights

| US$m | 1H14 | 1H13 |
| --- | --- | --- |
| **Segment net result** | **(16.1)** | 25.8 |
| ▪ Treasury | **-** | (4.3) |
| ▪ Discontinued Operations - RoRo | **(0.5)** | (0.8) |
| ▪ Non direct G&A | **(4.9)** | (7.1) |
| **Underlying (loss) / profit** | **(21.5)** | 13.6 |
| ▪ Unrealised derivative income/(expenses) | **(0.3)** | (3.5) |
| ▪ Towage impairment and provision | **(63.9)** | - |
| ▪ RoRo exchange loss & vessel impairment | **(5.0)** | (8.3) |
| ▪ Expenses relating exercising 10 finance lease purchase options | **-** | (6.1) |
| ▪ Towage exchange gain & others | **-** | 4.6 |
| **(Loss)/profit attributable to shareholders** | **(90.7)** | 0.3 |

- Segment and underlying results affected by both weak Handymax dry bulk and towage results
- Towage impairment to align vessel book values with international market values

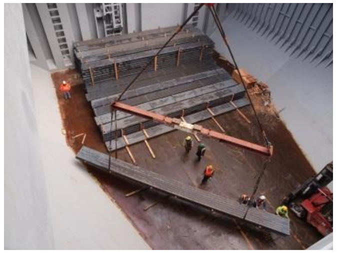
# Pacific Basin Dry Bulk – 1H14 Performance

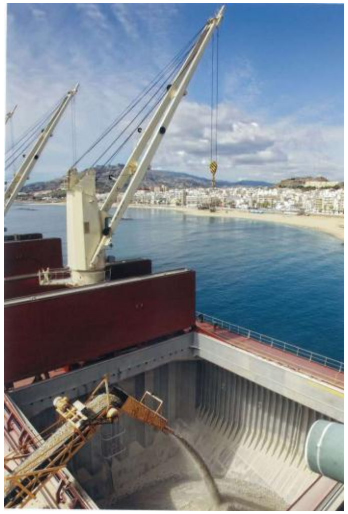
| Handysize – Outperformed Market by: 23% | | |
|---|---|---|
| Daily Earnings | US$10,210 | +10% YOY |
| Daily Costs | US$9,120 | -10% YOY |

| Handymax – Outperformed Market by: 13% | | |
|---|---|---|
| Daily Earnings | US$11,100 | +5% YOY |
| Daily Costs | US$11,890 | -18% YOY |

| US$ million | 1H14 |
|---|---|
| **Dry Bulk net (loss) / profit** | **(6.5)** |
| ▪ Handysize contribution | 26.2 |
| ▪ Handymax contribution | (10.7) |
| ▪ Direct overheads | (24.7) |
| **EBITDA** | **53.4** |
| **Vessel net book value** | **1,545** |
| **Return on net assets (annualised)** | **(2)%** |

- Handysize contribution marginally increased YOY
  - benefiting from outperformance and good owned vessels cost control
- Capacity increased
  - More purchased and long-term chartered vessels
- Overall dry bulk results impacted by:
  - Losses in 1Q on Handymax vessels short-term chartered at higher rates at end 2013 now expired to support cargo commitment
  - Losses from low-paying Handymax positioning voyages
  - Unexpectedly weak dry bulk market in 2Q
  - Loss of approx. US$5m of notional TCE earnings from unusually busy routine dry-docking programme
  - 1H14 commitments: 1 newbuilding and 3 secondhand (owned); 3 newbuildings (long-term chartered)

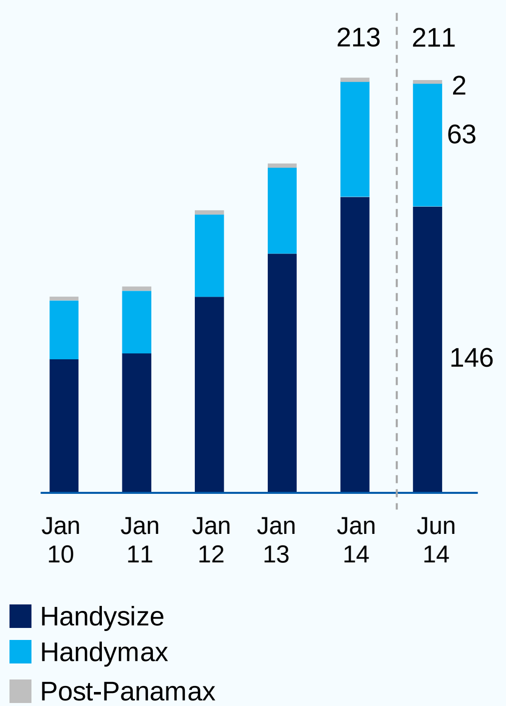


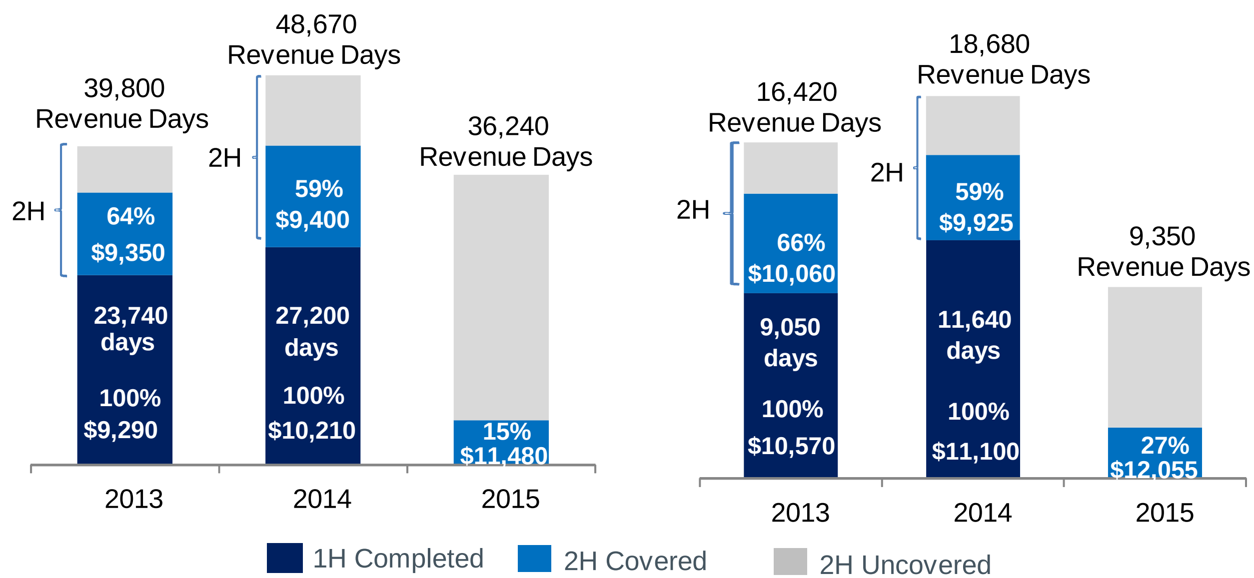


# Pacific Basin Dry Bulk – Earnings Coverage

Coverage as at 18 July 2014
Currency: US$

**PB Dry Bulk Fleet Development**
Average number of ships operated




| Market Rate (US$ Net) | 1H13 Avg. | 1 Sep 14: | 1H13 Avg. | 1 Sep 14: |
|---|---|---|---|---|
| | $7,060 | $6,298 | $8,270 | $9,709 |

- Uncovered capacity exposed to spot market rates (expect 4Q↑)
- 2014 cover excludes revenue days chartered in on index-linked basis

Slide 13 & 14

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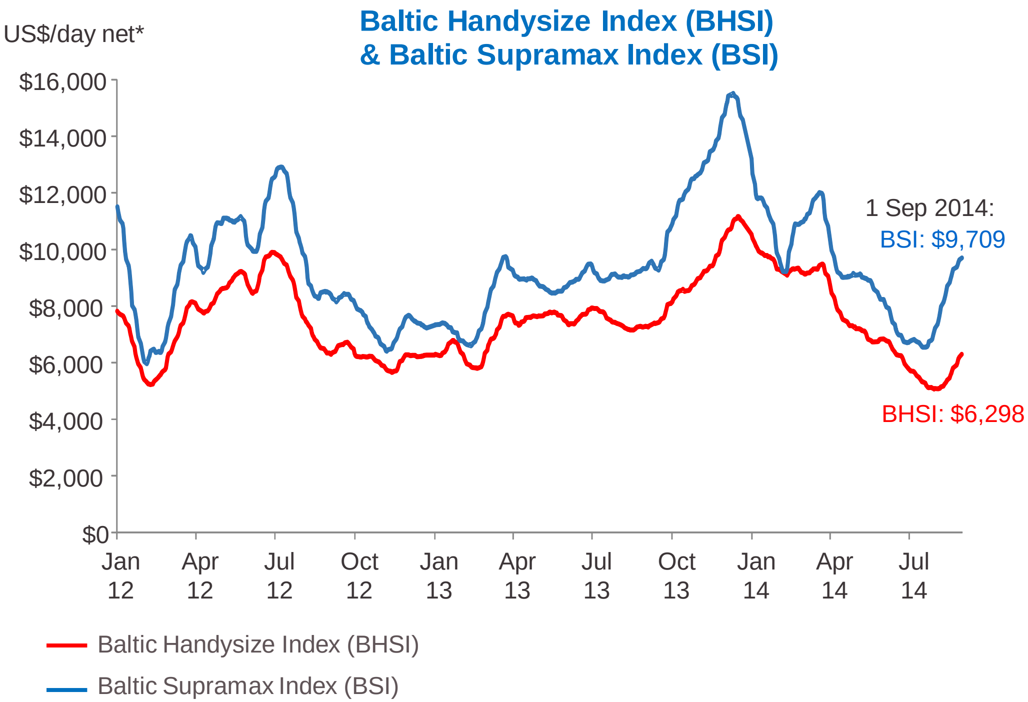


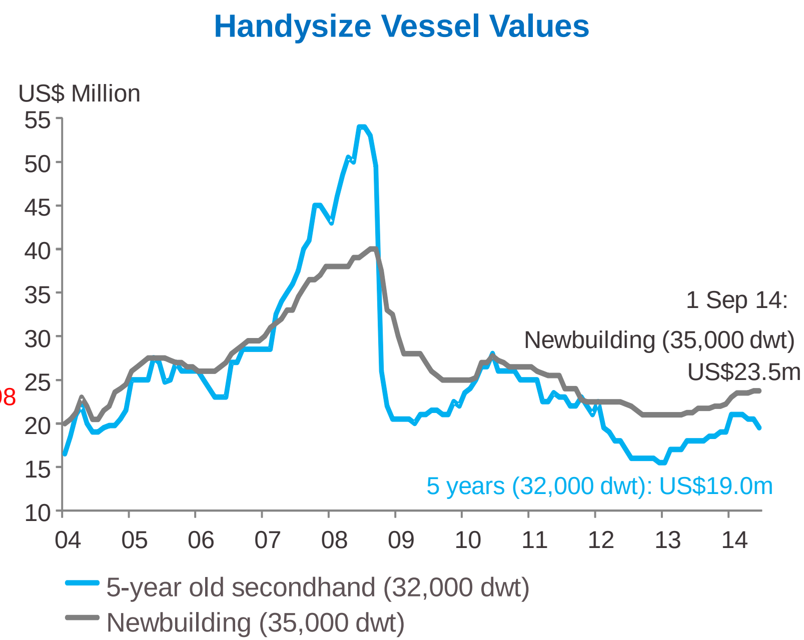


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# Dry Bulk Demand

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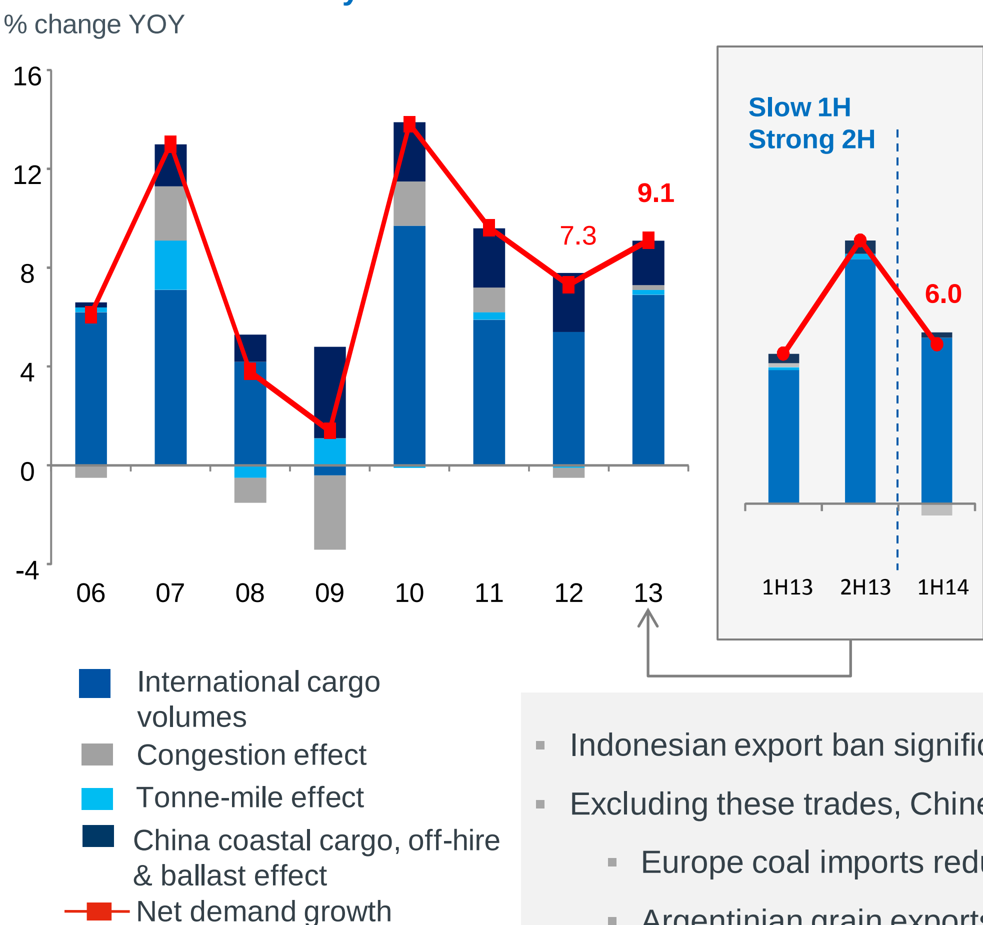
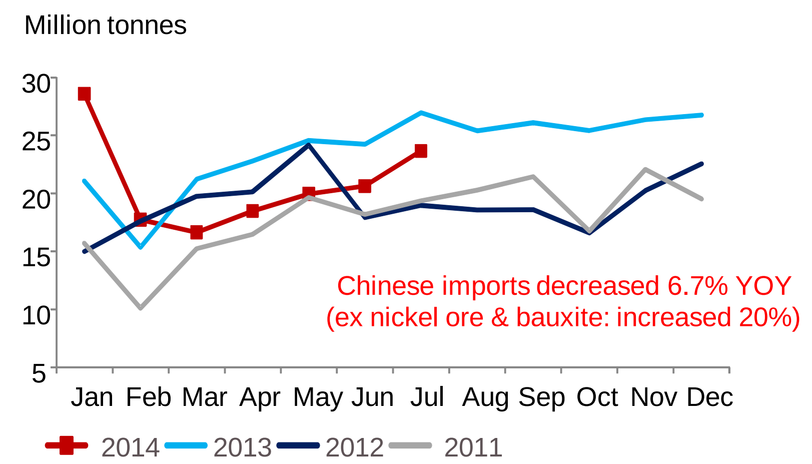



## Chinese Minor Bulk Imports

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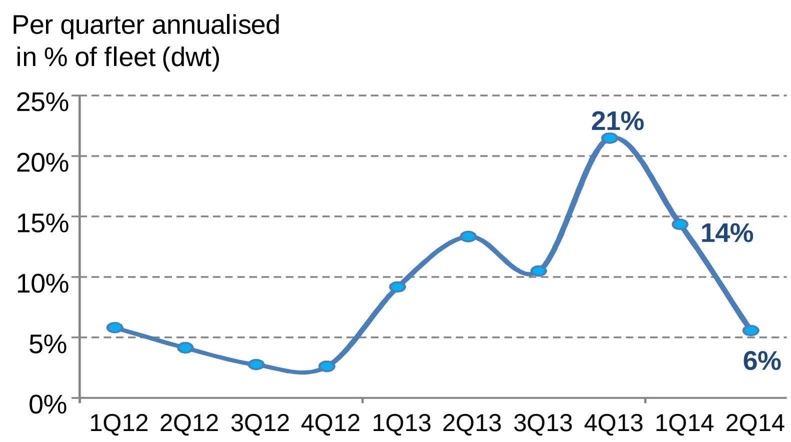
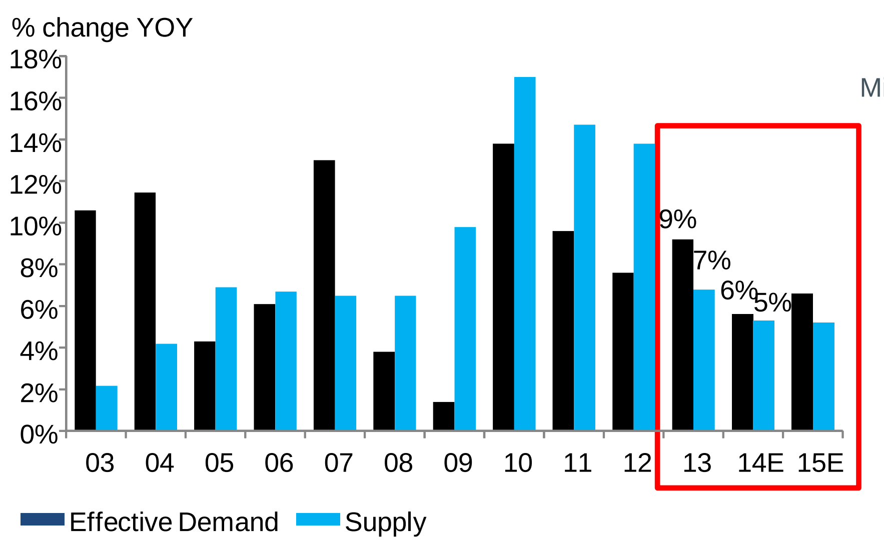
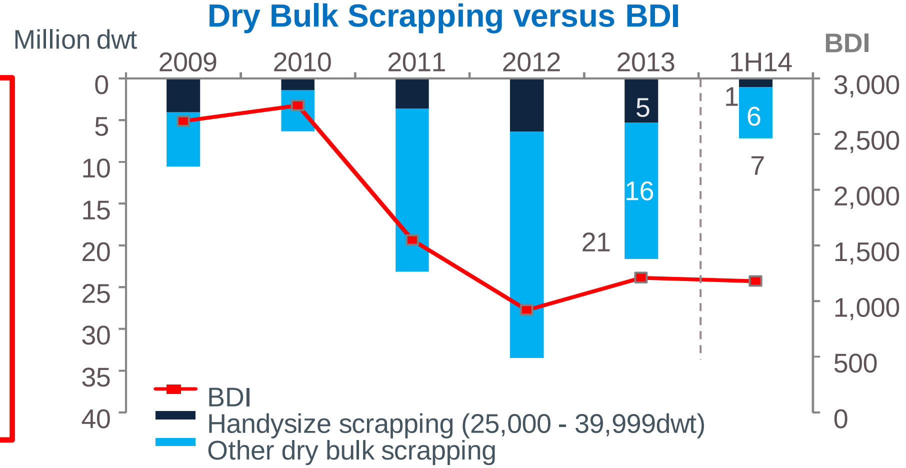
**Dry Bulk New Ship Contracting**




**Dry Bulk Supply & Demand**




**Dry Bulk Scrapping versus BDI**




*Source: R.S. Platou, Clarksons, Bloomberg, as at 1 Jul 2014*
** Estimated by R.S. Platou*

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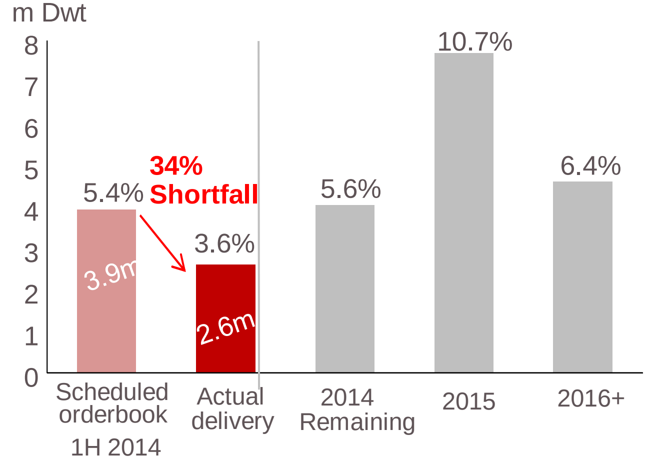
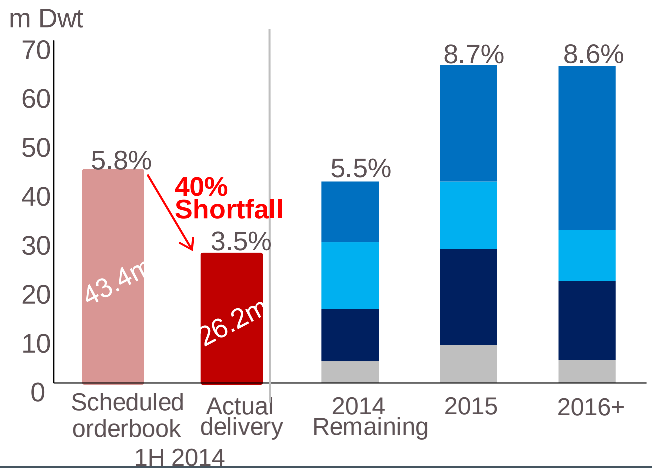
# Dry Bulk Orderbook

**Handysize Orderbook**
448 vessels (16.3m dwt)




- New vessel ordering activities gradually reduced to current low levels due to disappointing 2Q freight market
- Current orderbook: 23% (1H13: 16%)

**Total Dry Bulk Orderbook**
2,057 vessels (170.3m dwt)




| | Orderbook as % of Existing Fleet | Average Age | Over 25 Years | Scrapping as % of Existing Fleet |
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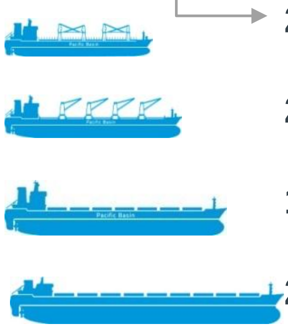

*Source: Clarksons, as at 1 Jul 2014*

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# Pacific Basin Dry Bulk – Outlook

- China's continued strong minor bulk demand
- Increased overseas mining output and lower commodity prices
- Continued OECD economic recovery and reviving North American industrialisation + stronger than expected recovery in Europe
- Moderate fleet growth: smaller scheduled newbuilding orderbook for 2014-2016 + continued scrapping

- Ship owner optimism may return resulting in less scrapping and increased vessel ordering
- Credit squeeze in China leading to slower economic and industrial growth and slower growth in dry bulk imports
- Lower fuel prices causing vessels to speed up
- Increased national protectionism (e.g. Indonesian minerals export ban) impacting key cargo trades

## PB Outlook

- Expect improvement in 4Q14 – from a low base
- Typically fewer shipyard deliveries and greater dry bulk cargo volumes in 2H14
- Outlook for our own business: positive
  ➔ satisfied with counter-cyclical ship acquisition program and 51 vessels purchased in past 2 years
  ➔ competitive cost base + increased capacity

**Strategy:**

- Firmly focused on Handysize + Handymax
- Proactively working to further strengthen our cargo systems and customers relationships to optimise utilisation of our fleet
- Remain selectively open to ship acquisition at appropriate prices but at a much slower pace compared to 2013

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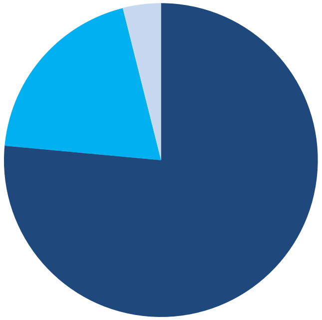
# PB Towage – 1H14 Performance

| | 1H14 | 1H13 | Change |
|---|---|---|---|
| Offshore & Infrastructure projects | **(2.6)** | 15.3 | -117% |
| Harbour towage | **2.4** | 7.0 | -66% |
| Direct overhead | **(9.0)** | (9.7) | +7% |
| **Towage Net (loss) / profit** | **(9.2)** | 12.6 | -173% |
| **Towage EBITDA** | **(3.0)** | 19.8 | -115% |

**PB Towage Fleet: 47 vessels**
(as at 30 Jun 2014)



- 35 Tugs (31 Owned + 4 Chartered)
- 10 Barges (10 Owned)
- 1 owned bunker tanker and 1 chartered passenger/supply vessel

# PB Towage – Outlook

- Exclusive licenses in a number of bulk ports up for tender in 2015 onwards
- New employment opportunities in Middle East, where we already have a presence and relationships
- Expected tender for Gorgon’s operating phase transportation services contract
- Growth in Australian bulk exports, container trade supporting continued growth in harbour towage volumes

- High costs, labour market inflexibility, declining productivity, environmental concerns and global competition impacting Australian project economics and oil and gas industry outlook
- Further price competition from other operators
- Credit squeeze in China impacting growth in dry bulk trades and Australian port activity
- Instability in Iraq and Iran a concern for energy and construction projects in the Middle East

## PB Outlook

- **Harbour Towage:** Expect continued expansion of Australian seaborne trade to support growth in harbour towage demand overall – albeit with increased competition for market share
- **Offshore Towage:** Challenging outlook for Australian offshore towage – reduced demand and increased competition

**Strategy:**

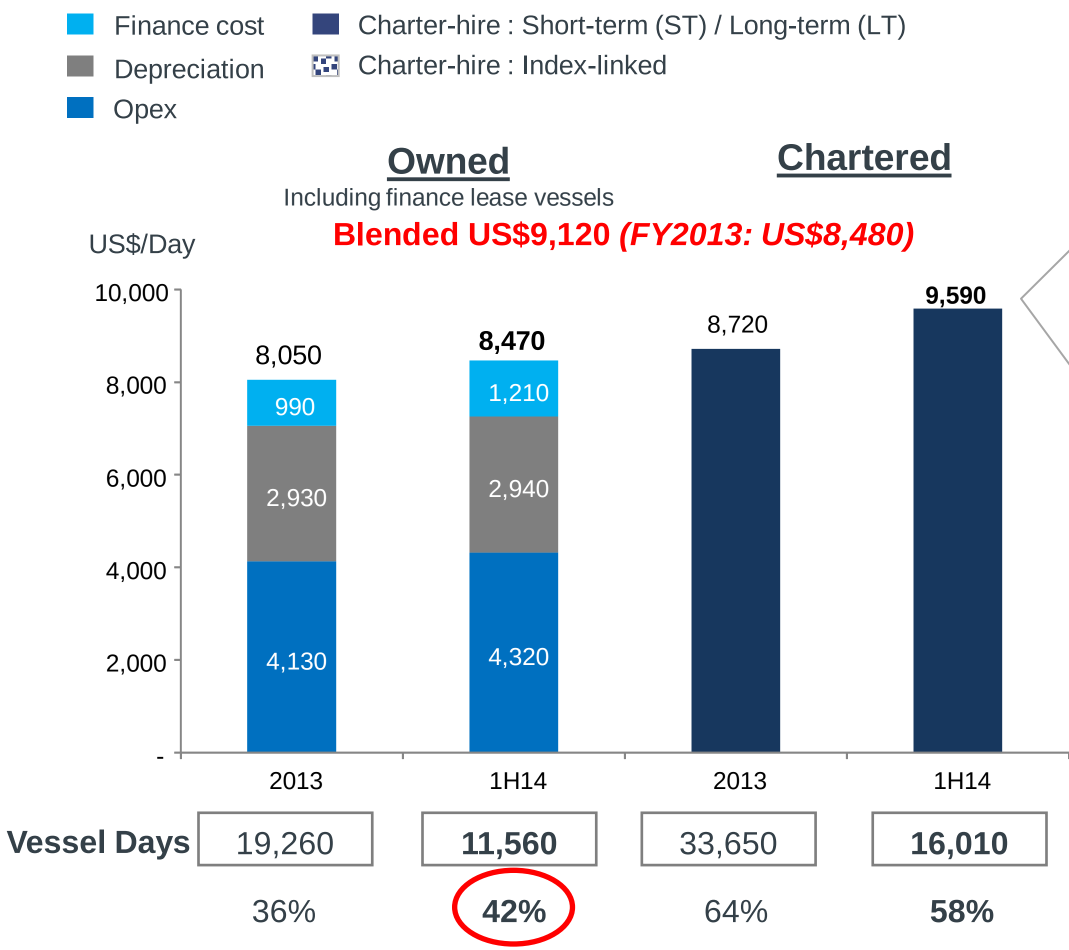
- Harbour towage focus: tender for licenses in new ports, grow our Newcastle business, and provide 1st class service to all customers

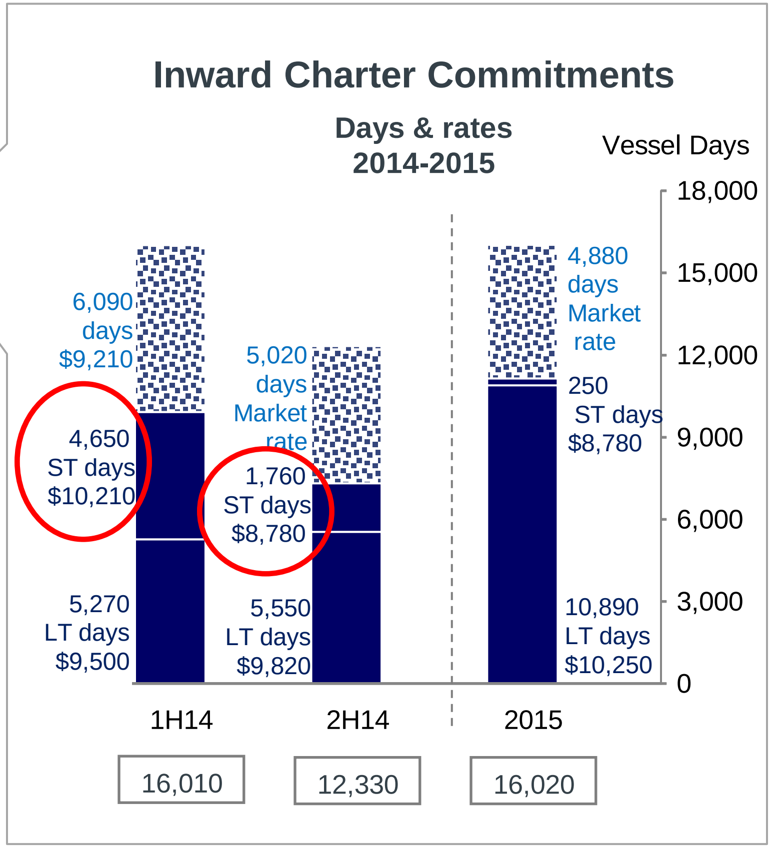
  Offshore towage focus: on manage and restructure our business as vessels redeliver, compete for tenders, reposition vessels for replacement employment

- Remain committed to these businesses and to providing secure and reliable service to harbour and offshore towage customers

# Daily Vessel Costs – Handysize

As at 30 June 2014




- In addition, direct overheads of US$620/day (2013: US$550/day)
- Chartered in costs increased 10% on higher short term and index-linked costs

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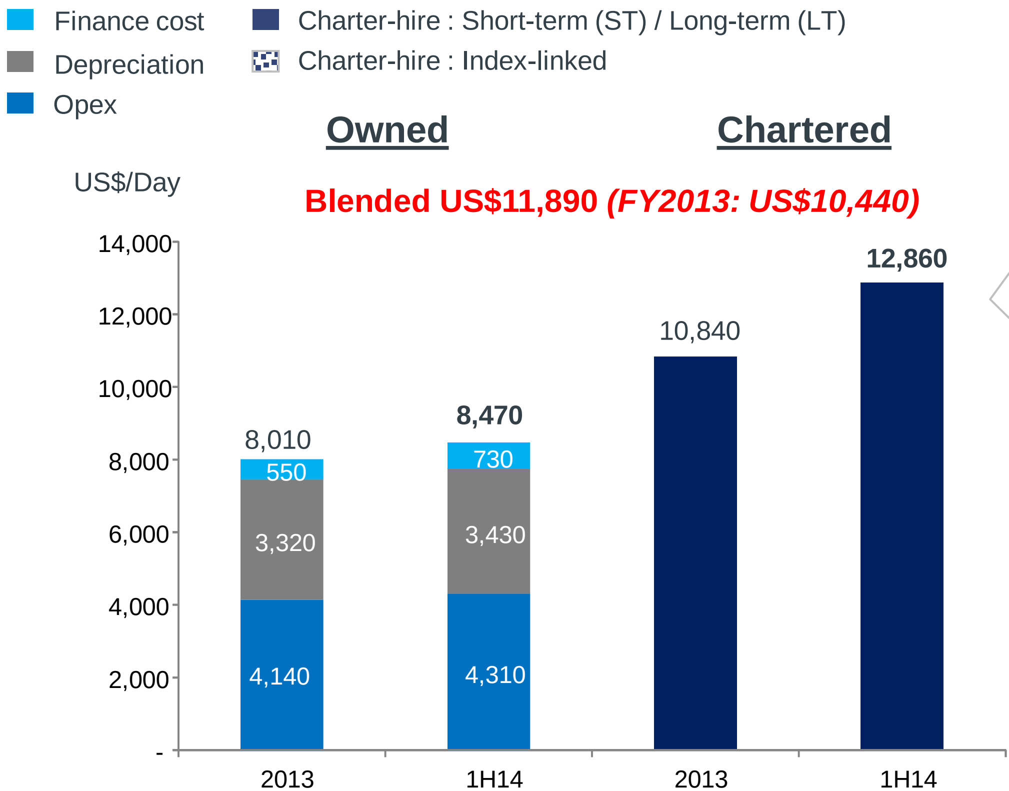
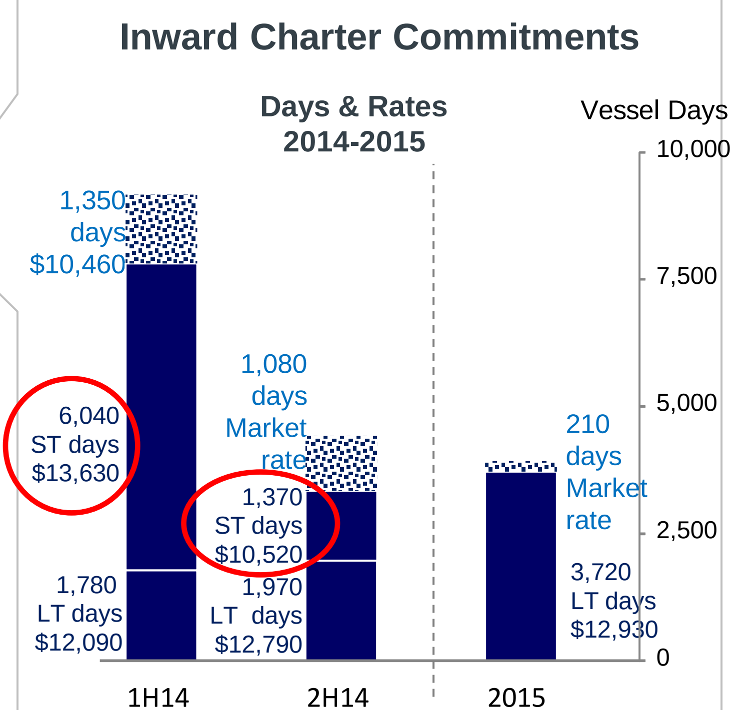
# Daily Vessel Costs – Handymax

As at 30 June 2014




| Vessel Days | 2,940 | **2,590** | 17,720 | **9,170** |
|---|---|---|---|---|
| | 14% | **22%** | 86% | **78%** |




| 1H14 | 2H14 | 2015 |
|---|---|---|
| 9,170 | 4,420 | 3,930 |

- In addition, direct overheads of US$620/day (2013: US$550/day)
- Chartered in costs increased 19% mainly due to significantly higher short term chartered-in fixtures at the end of 2013

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# Balance Sheet

| US$m | PB Dry Bulk | PB Towage | Treasury | Discontinued RoRo | 30 Jun 14 | 31 Dec 13 |
|---|---|---|---|---|---|---|
| Vessels & other fixed assets | 1,545 | 127 | - | - | **1,676** | **1,622** |
| Total assets | 1,750 | 172 | 421 | - | **2,369** | **2,537** |
| Total borrowings | 953 | 22 | - | - | **975** | **1,037** |
| Total liabilities | 1,087 | 35 | 15 | - | **1,152** | **1,233** |
| Net assets | 663 | 137 | 406 | - | **1,217** | **1,304** |
| Net borrowings (after total cash of US$320m) | | | | | **655** | **551** |
| Net borrowings to net book value of property, plant and equipment KPI | | | | | **39%** | **34%** |

- Vessel average net book value: Handysize $16.5m, 8.8 years
  Handymax $24.2m, 5.9 years
- US$372m undrawn bank borrowing facilities
- KPI: net gearing below 50%

Note: Total includes other segments and unallocated

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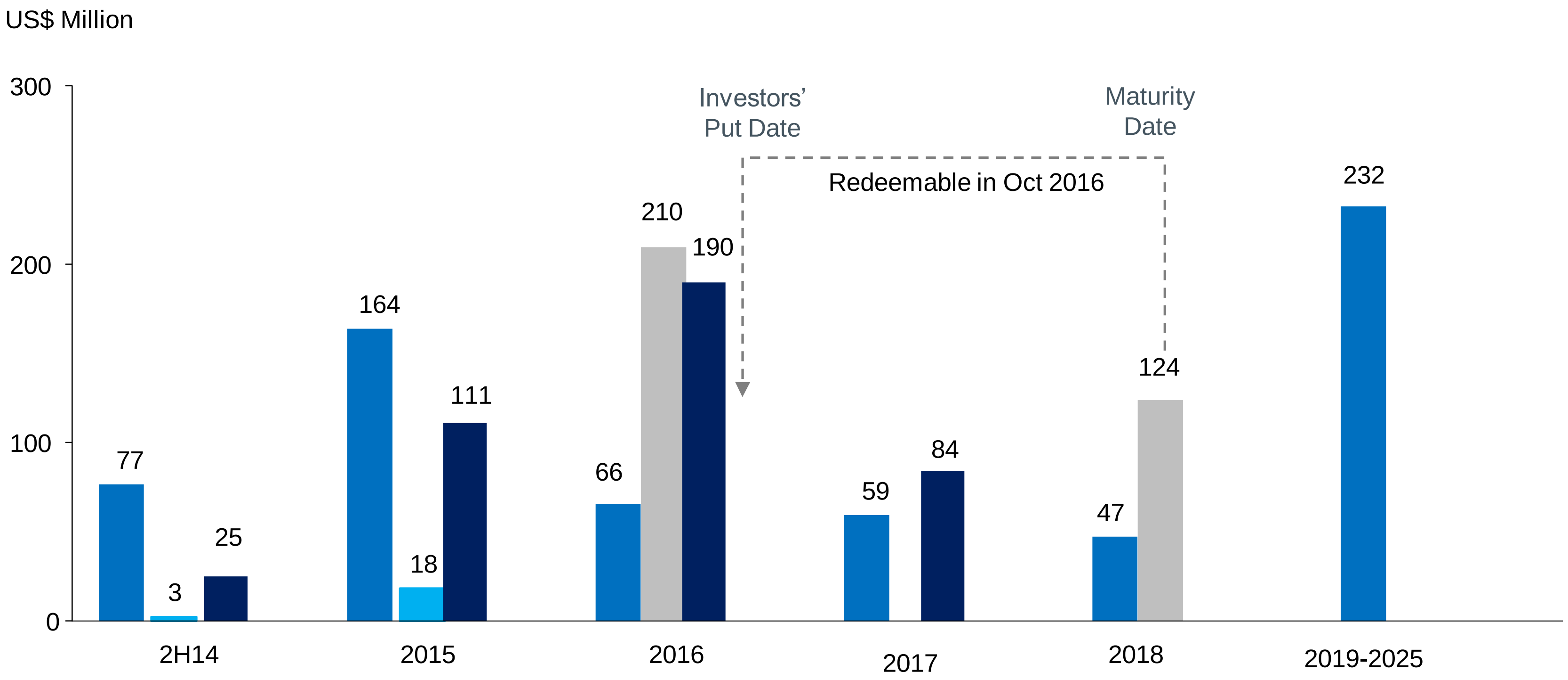
# Borrowings and Capex

**Schedule of Repayments and Vessel Capital Commitments**




- Bank borrowings (US$645m)
- Convertible bonds i) face value US$210m, book value US$200m: conversion price: HK$7.10
  ii) face value US$124m, book value US$109m: conversion price: HK$4.84, redeemable in Oct 2016
- Finance lease liabilities (US$21m)
- Vessel capital commitments (US$410m)

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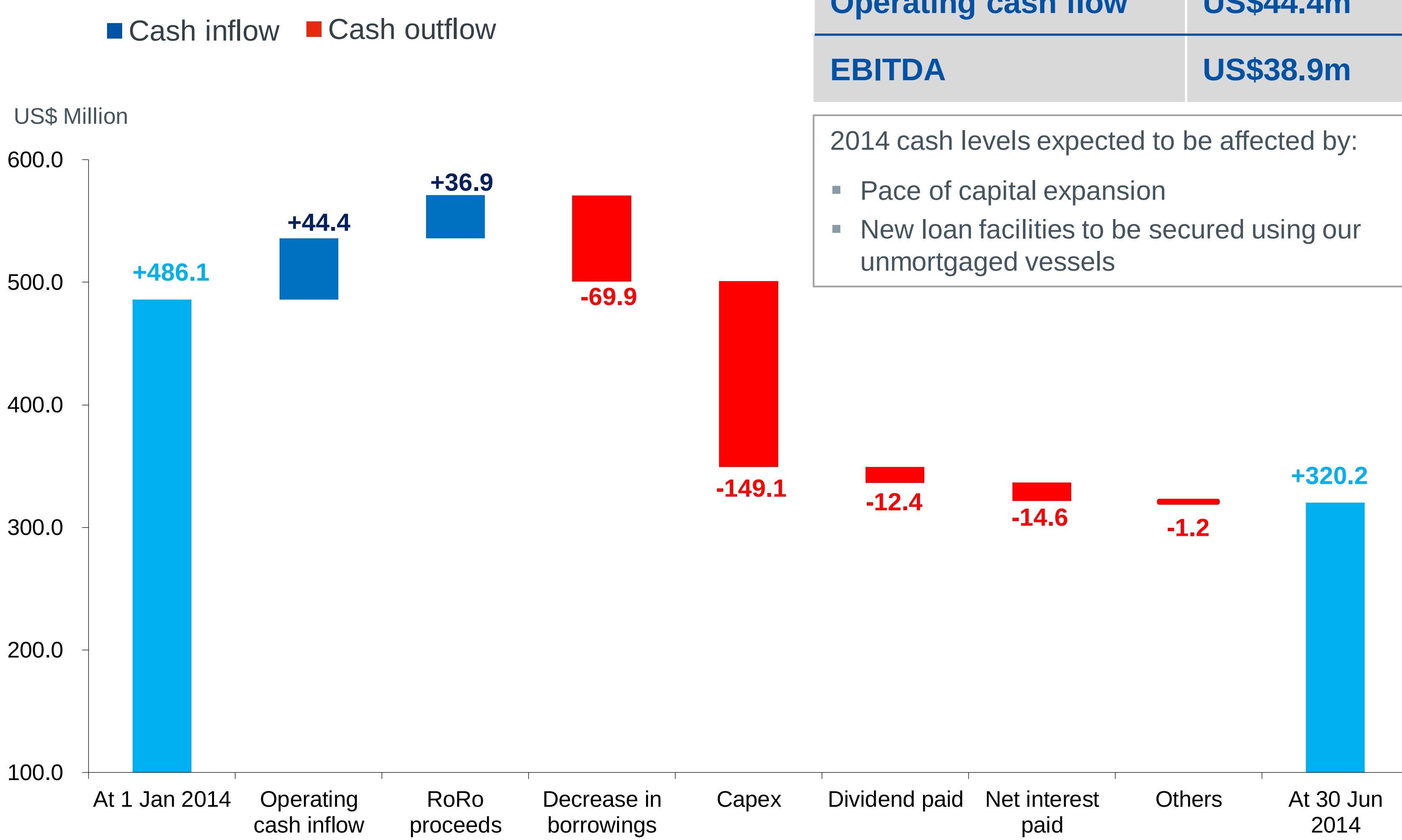
# Cash Flow –
# 1H14 Sources and Uses of Group Cash Flow

| | |
|---|---|
| **Operating cash flow** | **US$44.4m** |
| **EBITDA** | **US$38.9m** |

2014 cash levels expected to be affected by:

- Pace of capital expansion
- New loan facilities to be secured using our unmortgaged vessels

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# Dry Bulk Outlook & Strategy

- Expect dry bulk market to improve in 4Q14 – albeit from a low base
- A benefit of weak market = new ship ordering has substantially stopped
- Our daily earnings outperformed spot market indices = effective business model
- Our dry bulk EBITDA of $53 million was up year on year
- Future fundamentals look favourable for Handies, despite fragility of the market recovery
- Very satisfied with our 51 ship acquisitions in the past two years = doubled our owned fleet
- 18 owned Japanese newbuildings still due to deliver in next 3 years
- Fully-funded capital commitments of US$410 million
- Our counter-cyclical owned fleet expansion at historically attractive prices positions us to leverage the market recovery we expect

- Strategy: i) Firmly focused on our core dry bulk business, making strong platform even stronger

  ii) Strengthening cargo systems and customer relationships to optimise fleet utilisation

  ii) Selectively open to ship acquisitions but at a much slower pace compared to 2013

# Appendix: Strategic Model

## OUR LARGE VERSITILE FLEET

Fleet scale and interchangeable high-quality dry bulk ships facilitate service flexibility to customers, optimised scheduling and maximised vessel utilisation

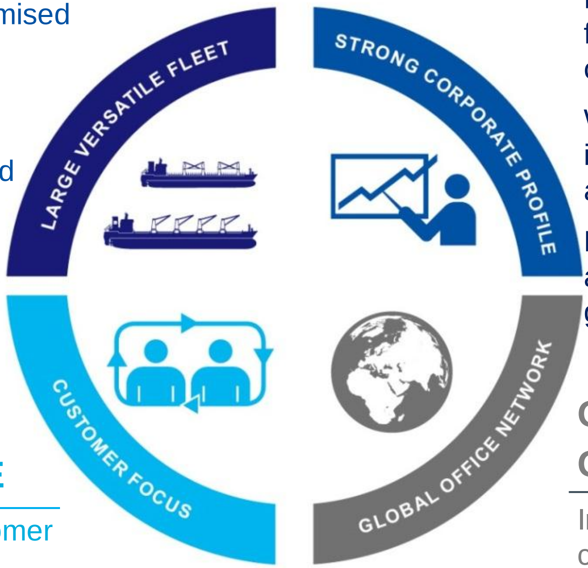
In-house technical operations facilitate enhanced
health & safety, quality and cost control, and enhanced service reliability and seamless, integrated service and support to customers

## OUR MARKET LEADING CUSTOMER FOCUS & SERVICE

Priority to build and sustain long-term customer relationships

Solution-driven approach ensures accessibility, responsiveness and flexibility towards customers

Close partnership with customers generates enhanced access to spot cargoes and long-term cargo contract opportunities of mutual benefit




## OUR STRONG CORPORATE & FINANCIAL PROFILE

Striving for best-in-class internal and external reporting, transparency and corporate stewardship

Robust balance sheet through conservative financial structure sets us apart as a preferred counterparty

Well positioned to deploy capital through selective investment in our core market when conditions are right

Responsible observance of stakeholder interests and our commitment to good corporate governance and CSR

## OUR COMPREHENSIVE GLOBAL OFFICE NETWORK

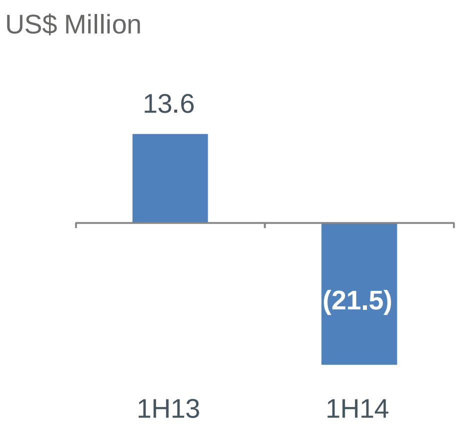
Integrated international service enhanced by commercial and technical offices around the world

Being local facilitates clear understanding of and response to customers' needs and first-rate personalised service

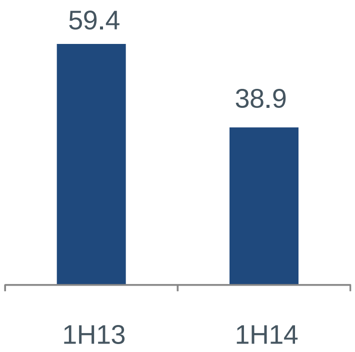
Being global facilitates comprehensive market intelligence and cargo opportunities, and optimal trading and positioning of our fleet

# Appendix:
# 2014 Interim Results – Group Highlights

Underlying (Loss) /Profit




EBITDA (excluding Towage Impairments)




| | 1H14 | 1H13 |
|---|---|---|
| Net (Loss) / Profit | US$(90.7)m | US$0.3m |
| Earnings per Share | HK¢(36.9) | HK¢0.1 |
| Cash Position | US$320.2m | US$442.3m |

- Group results were mainly influenced by:
  – US$63.9mil write-off and provision for PB Towage business
  – Dry bulk freight market decline in 2Q
  – Losses from low-paying Handymax positioning voyages
  – Loss of 450 revenue days from the routine dry docking of a large proportion of owned fleet
  + Effective business model → our TCE outperformed Handysize market by 23%
  + Good control over our owned vessel operating costs

- Balance sheet remains healthy:
  - US$320m total cash and deposits
  - 39% group net gearing
  - US$410m fully-funded dry bulk vessel capital commitments

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# Appendix:
# Pacific Basin Dry Bulk – Diversified Cargo

## Pacific Basin Handysize and Handymax Cargo Volume 1H14

**Energy**

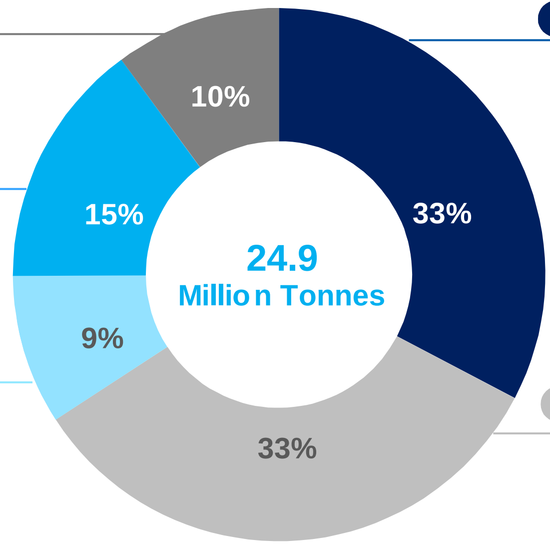
| | |
|---|---|
| Coal | 3% |
| Petcoke | 7% |

**Metals**

| | |
|---|---|
| Alumina | 4% |
| Ores | 5% |
| Concentrates& Other Metals | 6% |

**Minerals**

| | |
|---|---|
| Salt | 5% |
| Sand & Gypsum | 3% |
| Soda Ash | 1% |




**Agricultural Products**

| | |
|---|---|
| Grains & Agriculture Products | 20% |
| Fertiliser | 10% |
| Sugar | 3% |

**Construction Materials**

| | |
|---|---|
| Logs & Forest Products | 18% |
| Steel & Scrap | 8% |
| Cement & Cement Clinkers | 7% |

- Diverse range of commodities reduces product risk
- China and North America were our largest market
- 60% of business in Pacific and 40% in Atlantic

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# Appendix: Fleet List – June 2014*

## Pacific Basin Dry Bulk Fleet: 248

average age of core fleet: 6.5 years old

| | Owned | | Chartered | | Total |
|---|---|---|---|---|---|
| | Delivered | Newbuilding | Delivered [1] | Newbuilding | |
| Handysize | 63 | 12 | 83 | 14 | 172 |
| Handymax | 15 | 6 | 48 | 5 | 74 |
| Post-Panamax | 1 | 0 | 1 | 0 | 2 |
| Total | 79 | 18 | 132 | 19 | 248 |

www.pacificbasin.com
Fleet Details

## PB Towage : 47

| | Owned | | Chartered | | Total |
|---|---|---|---|---|---|
| | Delivered | Newbuilding | Delivered | Newbuilding | |
| Tugs | 31 | 0 | 4 | 0 | 35 |
| Barges | 10 | 0 | 0 | 0 | 10 |
| Others | 1 | 0 | 1 | 0 | 2 |
| Total | 42 | 0 | 5 | 0 | 47 |

* Excluding 3 RoRo ships
[1] Average number of vessels operated in Jun 2014

# Appendix:
# Pacific Basin Dry Bulk

| Dry Bulk | | 1H14 | 1H13 | Change |
|---|---|---|---|---|
| Handysize contribution | (US$m) | **26.2** | 22.4 | +17% |
| Handymax contribution | (US$m) | **(10.7)** | 4.3 | -349% |
| Post Panamax contribution | (US$m) | **2.7** | 2.9 | -7% |
| Direct overhead | (US$m) | **(24.7)** | (18.3) | -35% |
| **Dry Bulk Net (loss) / profit** | **(US$m)** | **(6.5)** | 11.3 | -158% |
| **Segment EBITDA** | **(US$m)** | **53.4** | 50.7 | +5% |
| **Annualised return on net assets (%)** | | **(2%)** | 3% | -5% |

- Improved Handysize contribution offset by weak Handymax contribution
- Direct overhead up due to step increase in headcount for vessel expansion

# Appendix:
# Pacific Basin Dry Bulk

| Handysize | | 1H14 | 1H13 | Change |
|---|---|---|---|---|
| Revenue days | (days) | **27,200** | 23,740 | +15% |
| TCE earnings | (US$/day) | **10,210** | 9,290 | +10% |
| Owned + chartered costs | (US$/day) | **9,120** | 8,280 | -10% |
| Handysize contribution | (US$m) | **26.2** | 22.4 | +17% |
| **Handymax** | | | | |
| Revenue days | (days) | **11,640** | 9,050 | +29% |
| TCE earnings | (US$/day) | **11,100** | 10,570 | +5% |
| Owned + chartered costs | (US$/day) | **11,890** | 10,060 | -18% |
| Handymax contribution | (US$m) | **(10.7)** | 4.3 | -349% |

- Revenue days reflect vessels delivery:
  - Owned: 4 Handysize; 2 Handymax
  - Long-term chartered-in: 2 Handysize
- Higher cost short-term charters at the end of 2013 resulted in Handymax losses

# Appendix:
# PB Towage – 1H14 Performance

- Increasingly competitive landscape

**Harbour Towage**

- Increase in job numbers driven by young Newcastle activity
- Reduced volumes in other bulk ports + statics volumes in liner ports

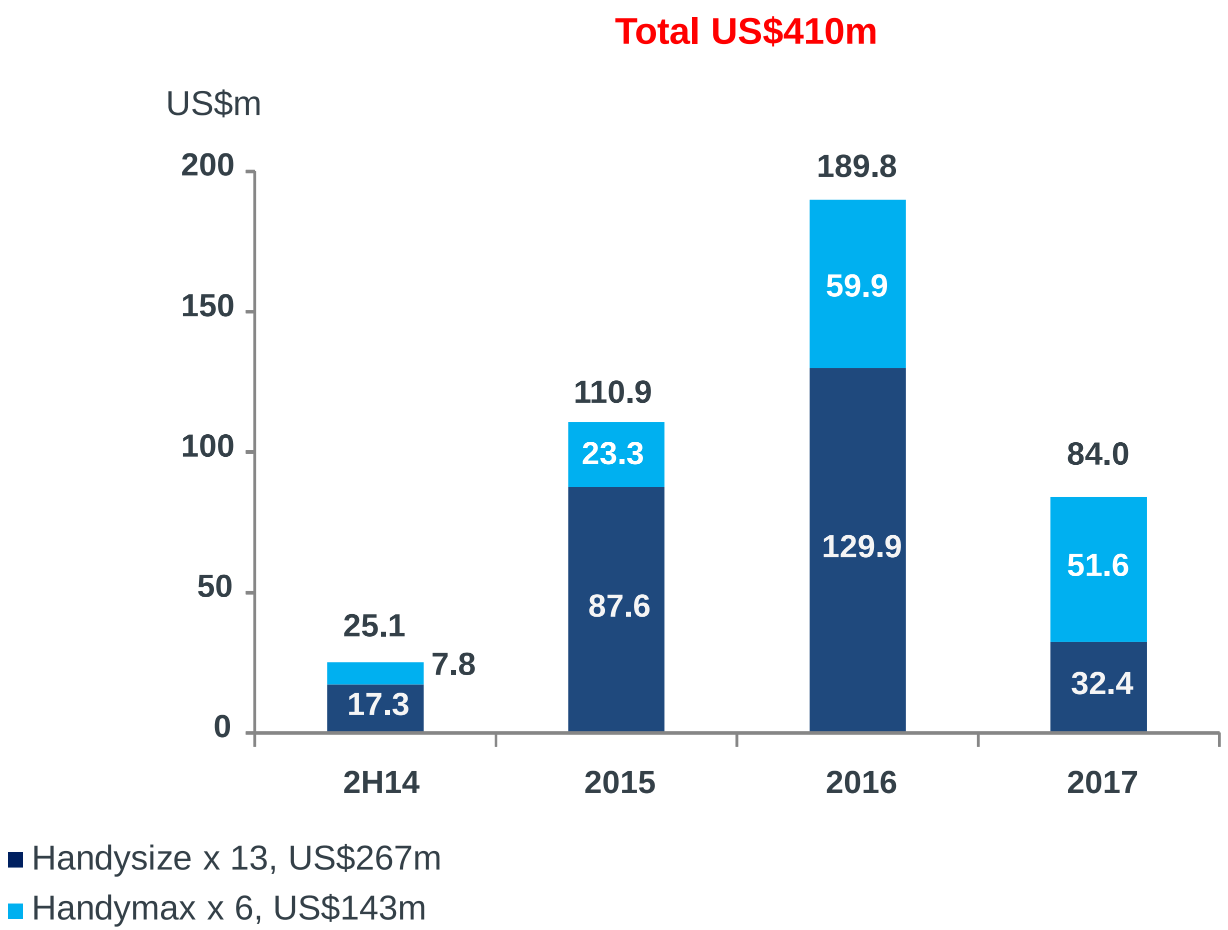
**Offshore Towage**

- Wind-down of construction phase of Gorgon and other gas projects ➔ increasing competition for fewer employment opportunities ➔ impacts utilisation
- Restructured barging operation in Northern Territory due to location difficulties ➔ unrecoverable project cost of US$3.5m

| | 1H14 US$ million |
|---|---|
| Vessel net book value | 126 |
| Return on net assets (annualised) | (13%) |

- Following a review of third-party acquisition interest in PB Towage, our discussion with PSA Marine did not produce an offer for our harbour towage due primarily to increased price competition in recent months
- We will maintain our ownership of both harbour and offshore towage businesses
- Change in competitive landscape led our Board to reassess prospects for PB Towage and its likely future cash flows ➔ downgraded outlook for its long-term earnings capability
- Non-cash impairment charge + provision amounting to US$63.9m in 1H14
  - non-cash: US$51.6m;
  - impairment against our interest in JV: US$10.1m;
  - provisions: US$2.2m

# Appendix: Vessels Commitments




- Further commitments expected in Dry Bulk

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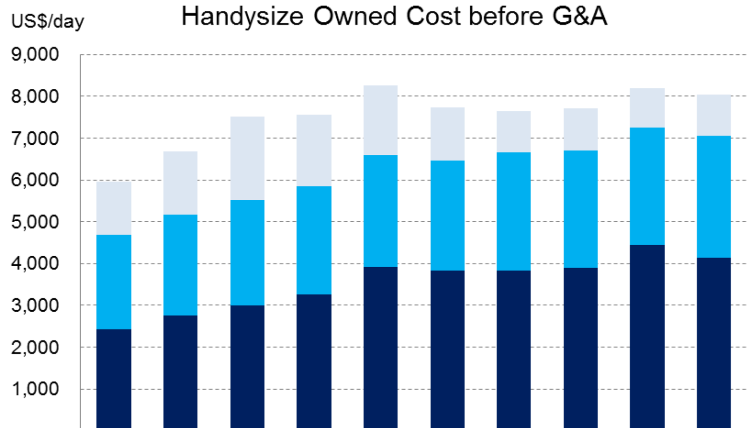
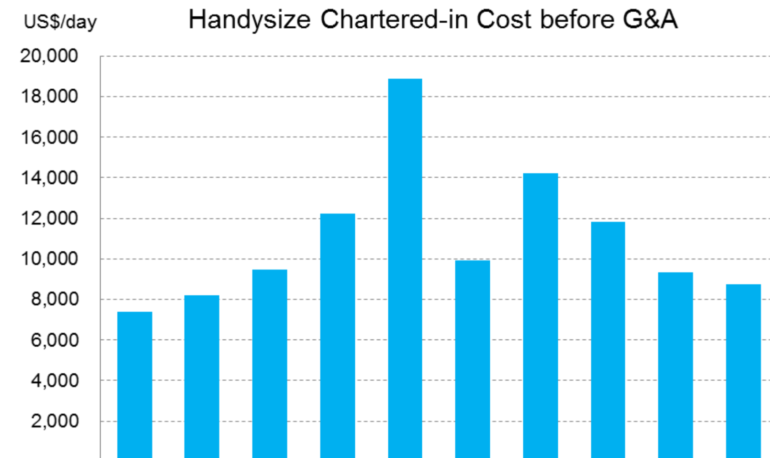
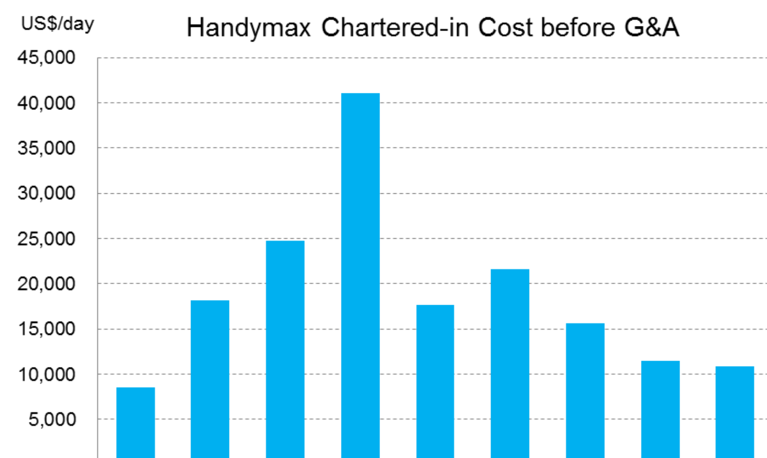
# Appendix:
# Historical Owned and Chartered-in Cost




| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Finance Costs | 1,270 | 1,500 | 2,000 | 1,720 | 1,660 | 1,260 | 990 | 1,000 | 960 | 990 |
| Depreciations | 2,260 | 2,420 | 2,530 | 2,590 | 2,670 | 2,630 | 2,830 | 2,810 | 2,800 | 2,930 |
| Opex | 2,420 | 2,750 | 2,990 | 3,250 | 3,920 | 3,840 | 3,830 | 3,900 | 4,440 | 4,130 |




| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Chartered | 7,370 | 8,190 | 9,470 | 12,230 | 18,890 | 9,900 | 14,200 | 11,810 | 9,340 | 8,720 |




| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Chartered | 8,540 | 18,170 | 24,750 | 41,060 | 17,690 | 21,580 | 15,590 | 11,430 | 10,840 |

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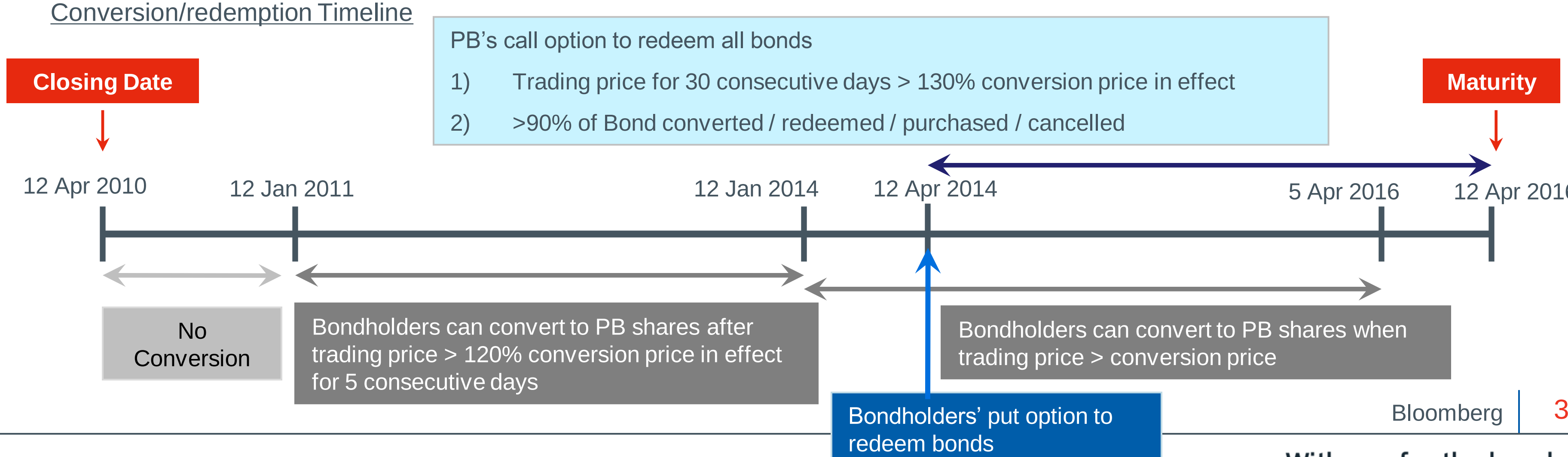
# Appendix: Convertible Bonds Due 2016

| | |
|---|---|
| Issue size | US$230 million (US$20.5m face value put back and repaid on 14 April 2014; Remaining: US$210m) |
| Maturity Date | 12 April 2016 (6 years) |
| Investor Put Date and Price | 12 April 2014 (4 years) at par |
| Coupon | 1.75% p.a. payable semi-annually in arrears on 12 April and 12 October |
| Redemption Price | 100% |
| Initial Conversion Price | HK$7.98 (Current conversion price: HK$ 7.1 with effect from 23 April 2014) |
| Conversion Condition | Before 11 Jan 2011: No Conversion is allowed<br>12 Jan 2011 – 11 Jan 2014: Share price for 5 consecutive days > 120% conversion price<br>12 Jan 2014 – 5 Apr 2016: Share price > conversion price |
| Intended Use of Proceeds | To purchase the 3.3% Existing Convertible Bonds due 2013, then redeem the 2013 Convertible Bonds (now all redeemed & cancelled) |
| Conditions | ▪ Shareholders' approval at SGM to approve the issue of the New Convertible Bonds and the specific mandate to issue associated shares.<br>▪ If the specific mandate is approved by the shareholders at the SGM, the Company would not pursue a new general share issue mandate at the forthcoming AGM on 22 April 2010 |

Conversion/redemption Timeline

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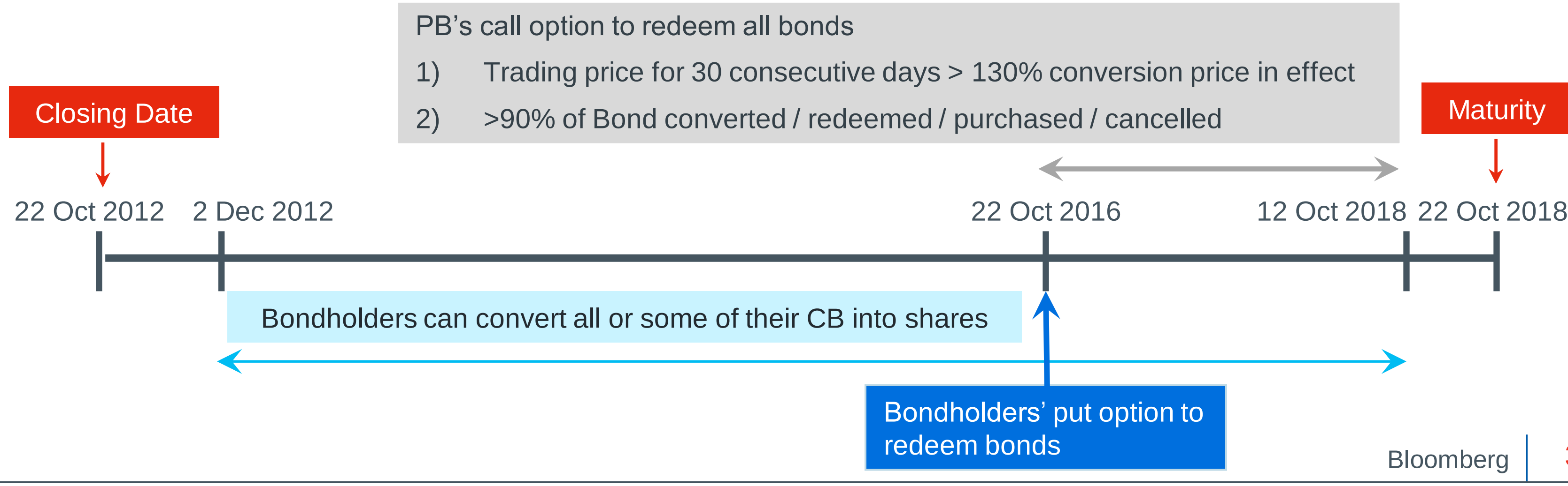
# Appendix: Convertible Bonds Due 2018

| | |
|---|---|
| Issue size | US$123.8 million |
| Maturity Date | 22 October 2018 (6 years) |
| Investor Put Date and Price | 22 October 2016 (4 years) at par |
| PB's Call Option | 1) Trading price for 30 consecutive days > 130% conversion price in effect<br>2) >90% of Bond converted / redeemed / purchased / cancelled |
| Coupon | 1.875% p.a. payable semi-annually in arrears on 22 April and 22 October |
| Redemption Price | 100% |
| Initial Conversion Price | HK$4.96 (current conversion price: HK$4.84 with effect from 23 April 2014) |
| Intended Use of Proceeds | To acquire additional Handysize and Handymax vessels, as well as for general working capital |

Conversion/redemption Timeline

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# Appendix:
# Dry Bulk Fleet Profile

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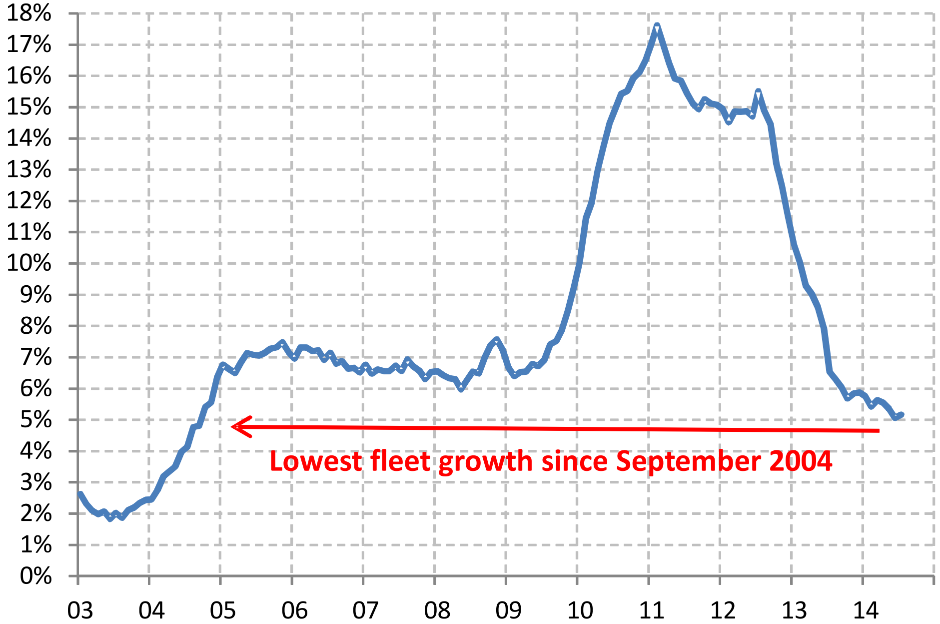
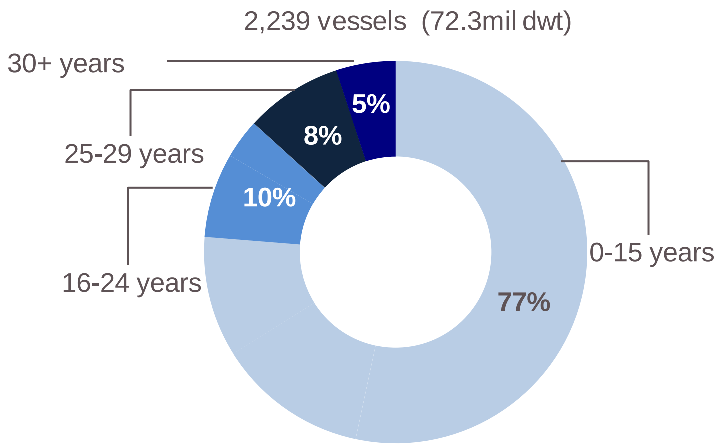
## Total Drybulk Year-on-Year Net Fleet Growth (%)



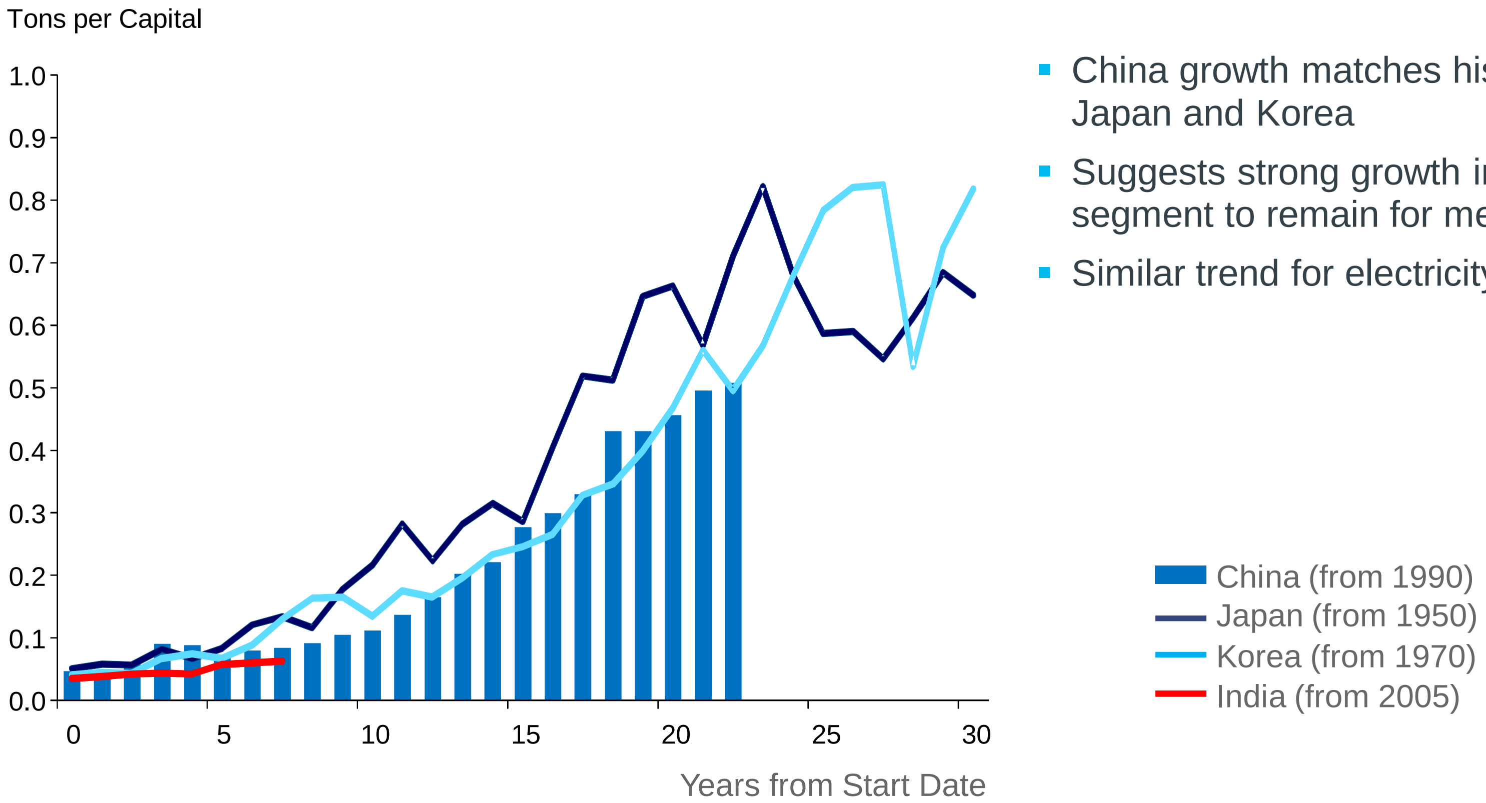

## Handysize Age Profile
(25,000-39,999 dwt)




*Source: Clarksons*

# Appendix:
# China at late-Industrialisation Stage

## Steel Consumption Per Capita




- China growth matches historical trend in Japan and Korea
- Suggests strong growth in dry bulk segment to remain for medium term
- Similar trend for electricity and cement

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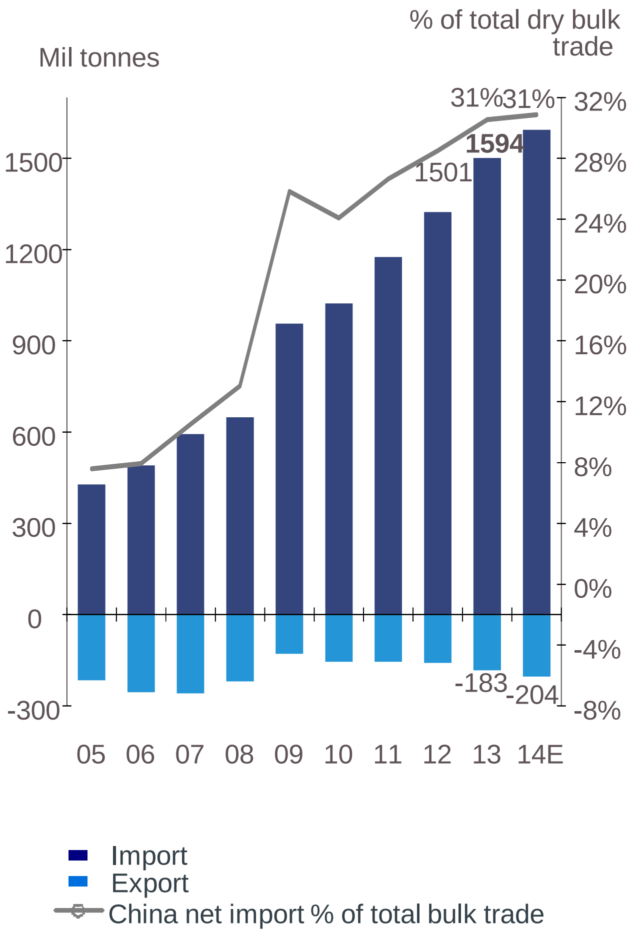
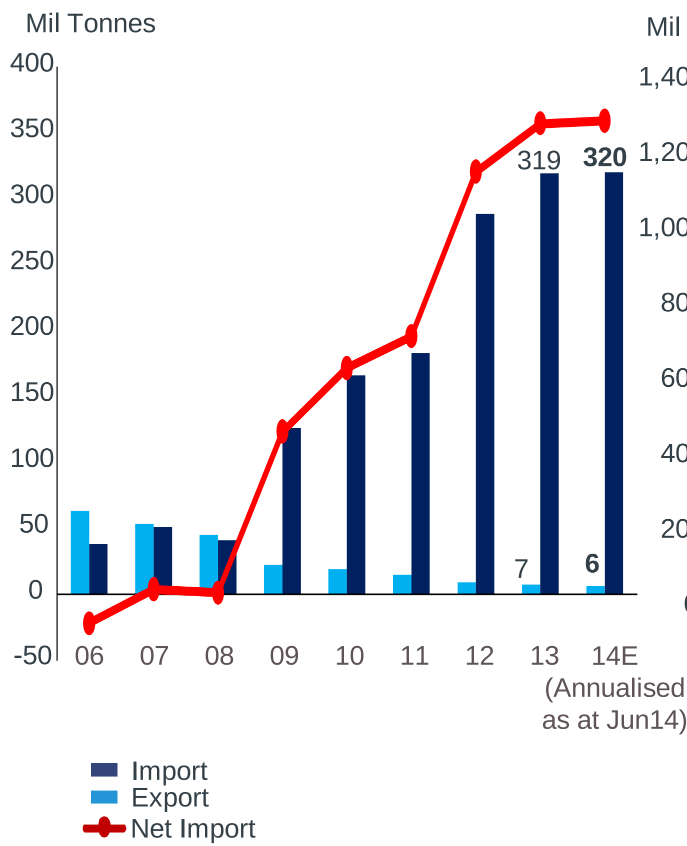
# Appendix:
# China Dry Bulk Trade, Iron Ore & Coal Demand

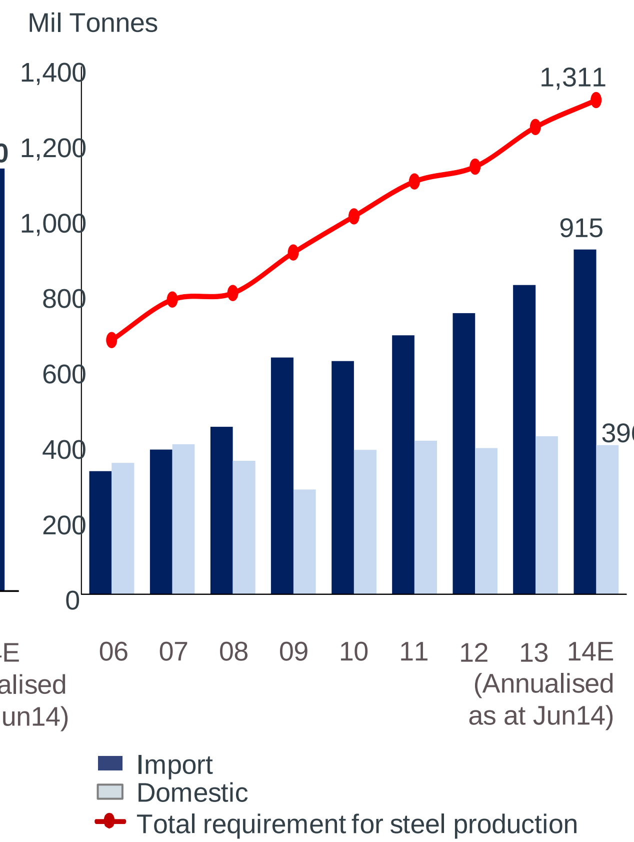
## Chinese Dry Bulk Trade Volume




## China is a significant net importer of coal




## China Iron Ore Sourcing for Steel Production




Source: Clarksons, Bloomberg