Pacific Basin

Morgan Stanley
18th Annual Asia Pacific Summit
Singapore
Nov 2019

4 Nov 2019

Company and Market Review

Pacific Basin

Pacific Basin Overview

- World’s largest owner and operator of modern Handysize & Supramax ships
- Cargo system business model – consistently outperforming market rates
- Own 115* vessels, with total 240+ dry bulk ships on the water serving major industrial customers around the world
- Hong Kong headquartered and HKEX listed, 12 offices worldwide, about 340 shore-based staff and 3,800+ seafarers#
- Strong balance sheet with US$2.5bn+ total assets and US$300mn+ cash
- 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
and our Corporate Video

** We sold 2 older smaller Handysize vessels and committed to purchase an additional 4 vessels in Sep, following the delivery of these acquired and sold vessels between Oct 2019 and Apr 2020, our owned fleet will grow to 117 ships*
 # As at January 2019

Pacific Basin

Understanding Our Core Market

The Dry Bulk Sector

Other Mainstream Shipping Sectors

Bulk Carriers for dry bulk commodities | Tankers for oil, gas & chemicals | Containerships for containerised goods

	Bulk Carrier Ship Types	Percentage of Global Dry Bulk Capacity	Versatility	Main Commodities Carried
Our Focus: **Minor Bulks** with cranes	**Handysize** 25,000–41,999 dwt	10%	More Versatile	**Minor Bulks:** Ores, Coal/Coke, Sugar, Concentrates, Petcoke, Logs/Forest Products, Alumina, Salt, Cement & Clinker, Bauxite, Sand & Gypsum, Scrap, Grains, Fertiliser, Steel
Our Focus: **Minor Bulks** with cranes	**Supramax** (formerly Handymax) 42,000–64,999 dwt	24%	More Versatile	
Major Bulks without cranes	**Panamax & Post-Panamax** 65,000–119,999 dwt	27%	Less Versatile	**Major Bulks:** Grains, Coal, Iron Ore
Major Bulks without cranes	**Capesize and larger** 120,000+ dwt	39%	Less Versatile	

Few ports, few customers, few cargo types, low scope for triangulation ↔ **Many ports, many customers, many cargo types, high scope for triangulation**

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Our Business Model Continues to Outperform

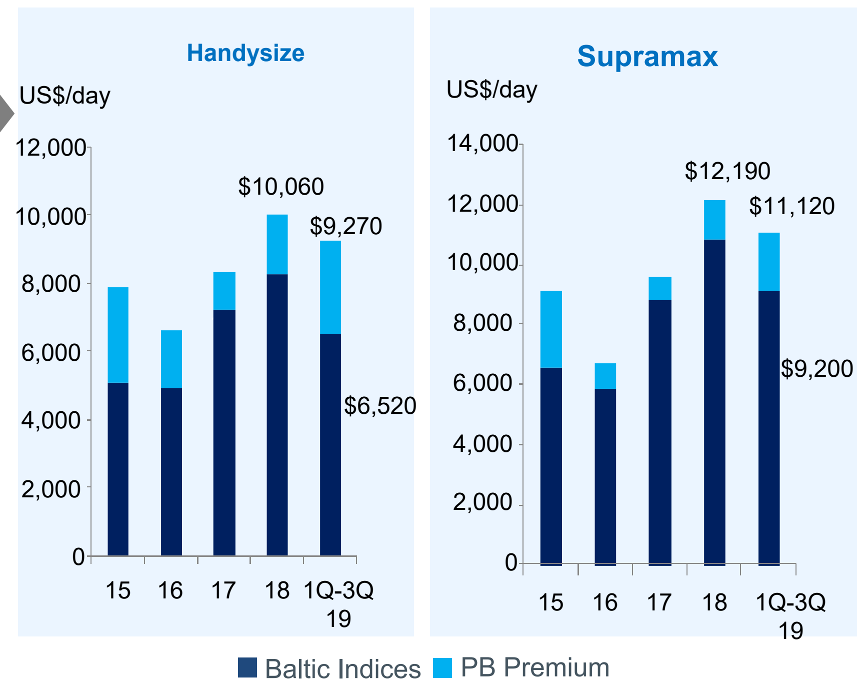
Our business model has been refined over many years. We are able to generate a TCE earnings premium over market rates because of our high laden percentage (minimum ballast legs), which is made possible by a combination of:

- Fleet scale
- High-quality interchangeable ships
- Experienced staff
- Global office network
- Cargo contracts, relationships and direct interaction with end users
- High proportion of owned vessels facilitating greater control and minimising trading constraints
- Versatile ships and diverse trades in minor bulk

TCE Outperformance Compared to Market in Last 5 Years

US$1,970
Daily Handysize Premium

US$1,440
Daily Supramax Premium



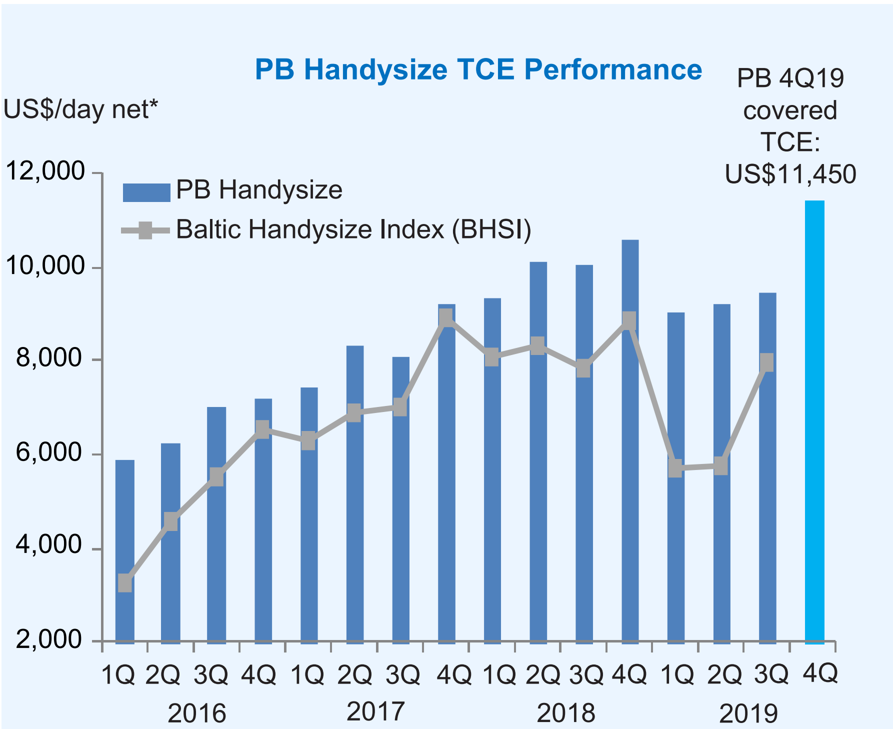
Competitive at Every Level

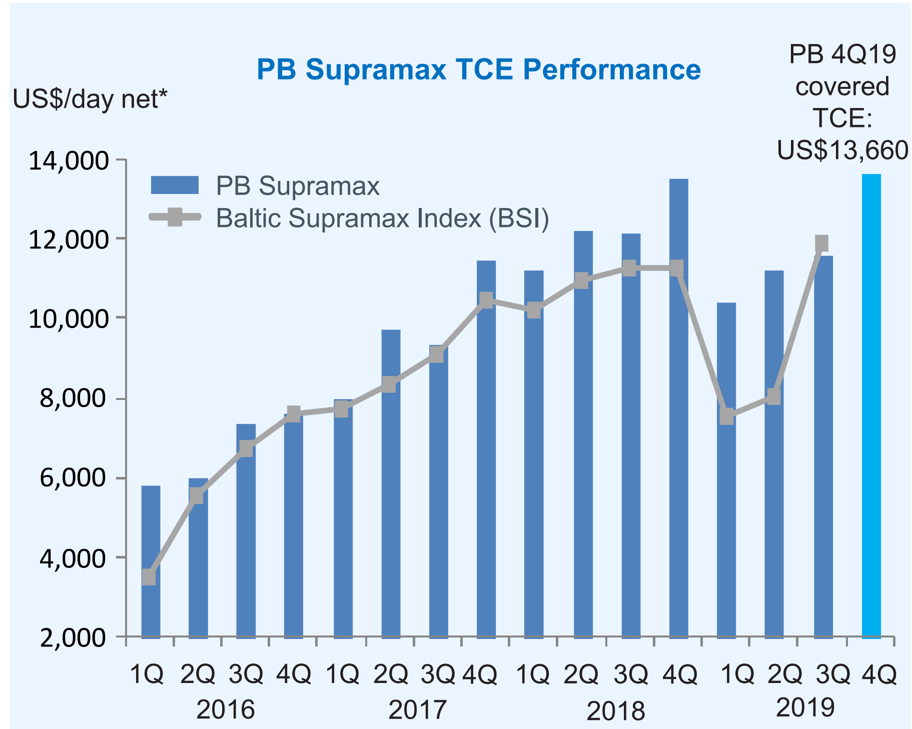
		1H19		
1	**TCE/day**	HS: US$9,170/day SM: US$10,860/day	▪ Outperforming indexes and most publicly reporting companies ▪ Cargo focused business model with 90% plus laden percentage	
2	**Opex/day**	US$3,990[1]/day	▪ Scale, focus and sister ship effects ▪ In-house management	
3	**G&A/day**	US$730[2]/day	▪ Scale benefits and efficient systems	
4	**Interest Cost/day**	US$820/day	▪ Focused on good quality, predominantly Japanese-built secondhand ships ▪ Fleet financed through long-term secured facilities at industry leading cost	

[1] US$3,990/day is 1H19 blended daily opex of Handysize and Supramax
[2] Spread over both owned and chartered-in ships

Increasing Earnings on Stronger Market Conditions

Cover as at 11 Oct 2019

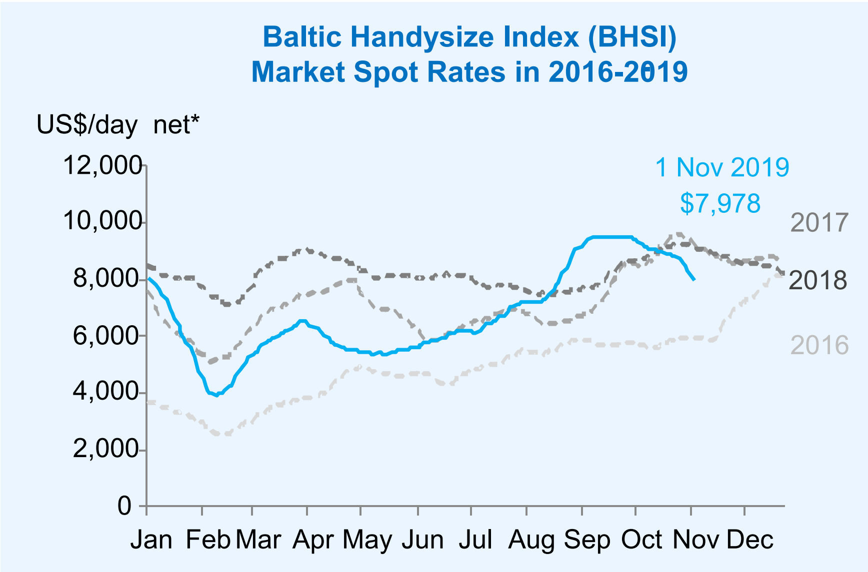


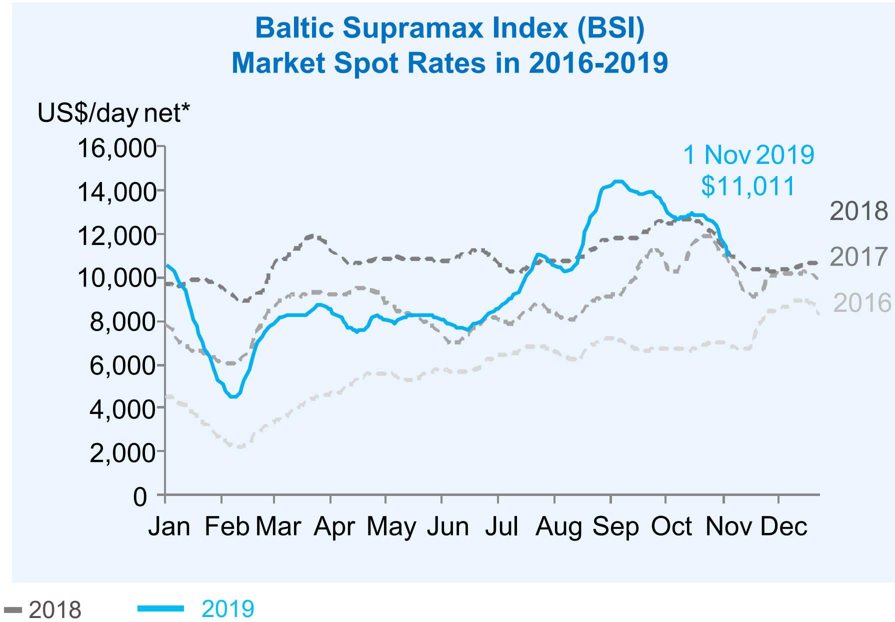


- In the first 9 months, our Handysize and Supramax daily TCE earnings outperformed the BHSI and BSI indices by 42% and 21% respectively
- The much improved market freight rates in Q3 will primarily impact our 4Q earnings due to the time lag between spot market fixtures and voyage execution

** excludes 5% commission*
Source: Baltic Exchange

Market Strengthened Significantly in 3Q19





- Tightening conditions drove Handysize and Supramax market freight rates up to around four and five-year highs respectively in early Sep:
  - Handysize and Supramax 3Q market rates improved 39% and 53% respectively compared to average market rates in 1H19
- Demand strength was driven by:
  - Seasonally strong grain export volumes out of S. America and Black Sea
  - Robust demand for bauxite, nickel and manganese ore
  - Return to normal levels of exports following earlier disruption to Mississippi River grain and Brazilian iron ore traffic
- Following the increase in market freight rates in Aug and early Sep, rates have moderated closer to long term averages

** excludes 5% commission*
Source: Baltic Exchange, data as at 1 Nov 2019

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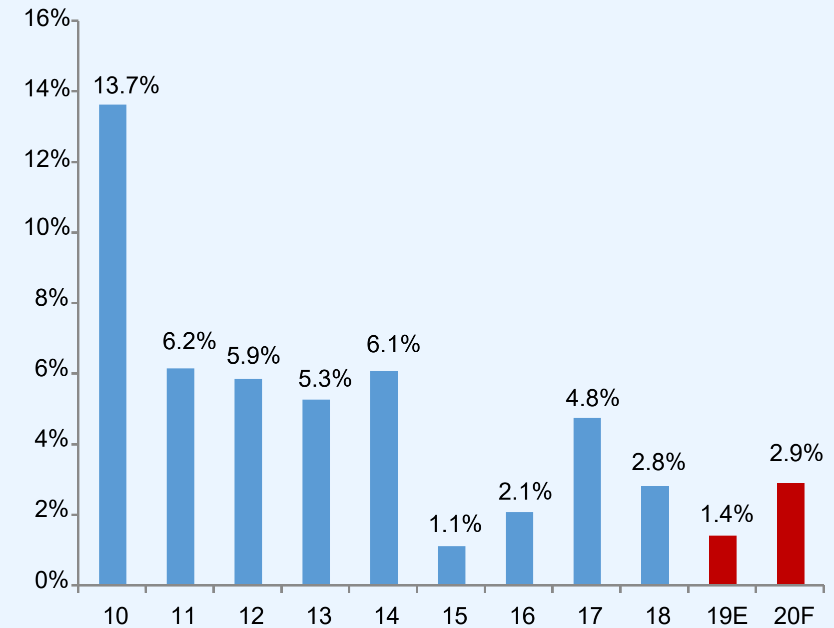
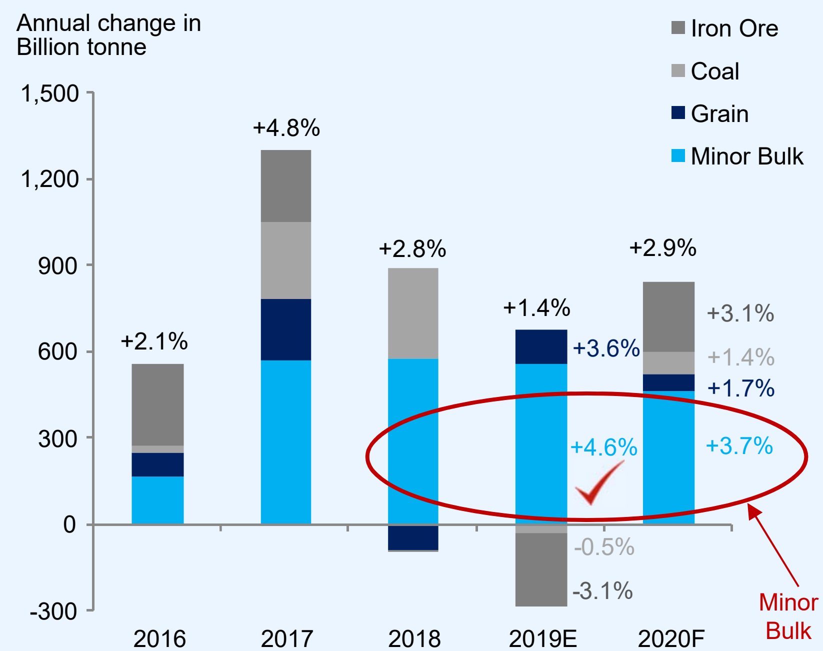
Minor Bulk Expected to Drive Demand into 2020



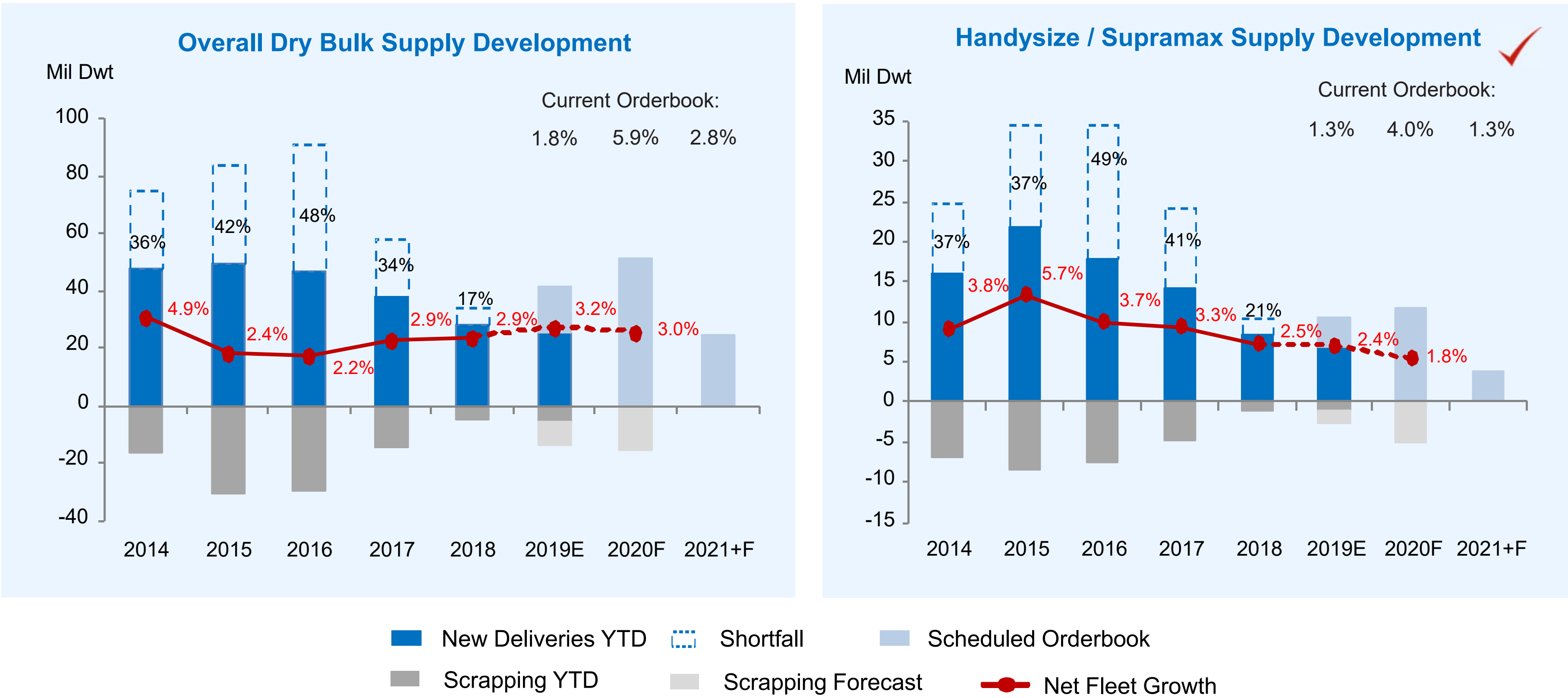


- Despite weaker US-China trade, minor bulk demand remains strong, benefitting from growth particularly in bauxite, nickel and manganese ore. Overall minor bulk tonne-mile demand is expected to grow at 4.6% in 2019 and 3.7% in 2020
- Chinese imports of minor bulks* and coal in the first 8 months of the year grew at 17% and 8% respectively while imports of grain and iron ore fell 13% and 3% respectively. Grain imports were impacted by the US-China trade war and the effect of African Swine Fever on the demand for soybean. Both grain and iron ore volumes returned to positive growth in July and August

** The basket of six key minor bulks imported by China includes logs, fertilisers, bauxite, nickel ore, copper concentrates and manganese ore*

Source: Clarksons Research, as at Oct 2019

Supply Developments Favour Smaller Vessels



- New ship deliveries in the first 9 months were higher YOY while scrapping remained low
- New ship ordering in the first 9 months was less than a year ago and remained concentrated in the Panamax and Capesize segments
- Note the steadily reducing trend in combined Handysize and Supramax net fleet growth from 5.7% in 2015 to an estimated 1.8% next year

Source: Clarksons Research, as at Oct 2019

Better Supply Fundamentals for Handysize

	Scheduled Orderbook as % of Existing Fleet	Average Age	Over 20 Years	Over 15 Years	YTD Scrapping as % Existing Fleet as at 1 Oct 2019 (Annualised)
Handysize – 85m dwt (25,000-41,999 dwt)	✓ 5.2%	10	10%	18%	0.5%
Supramax – 203m dwt (42,000-64,999 dwt)	7.2%	9	7%	16%	0.3%
Panamax – 232m dwt (65,000-119,999 dwt)	10.2%	9	8%	18%	0.2%
Capesize and larger – 328m dwt (120,000+ dwt)	14.8%	9	5%	12%	1.7%
Total Dry Bulk – 869m dwt (>10,000 dwt)	10.6%	10	7%	16%	0.8%

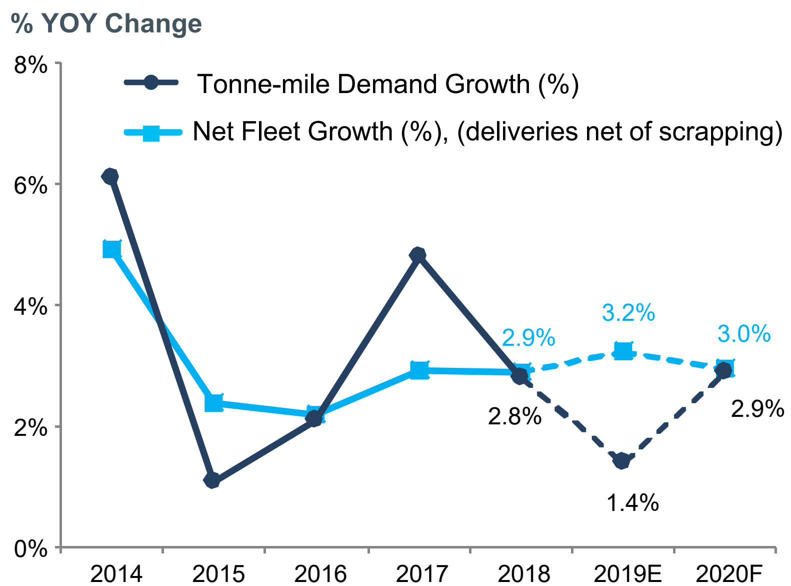
Lower orderbook

More older ships

Source: Clarksons Research, as at 1 Oct 2019

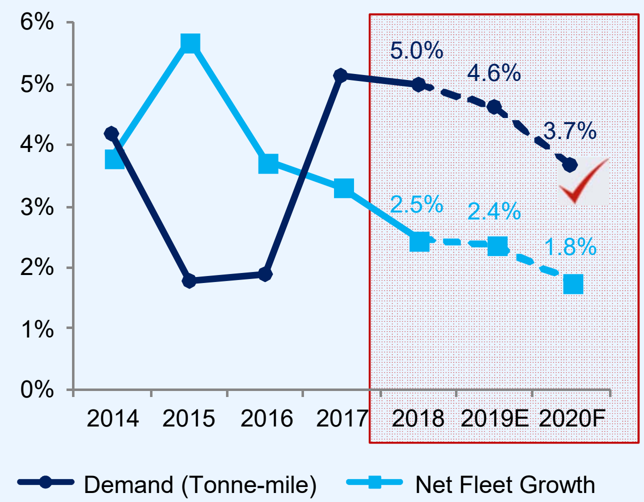
Favourable Minor Bulk Supply and Demand Outlook

Total Dry Bulk Supply and Demand

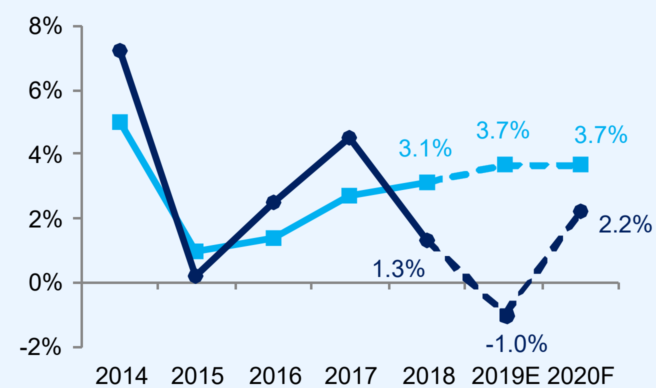


- Freight market strengthened significantly in 3Q across all dry bulk segments
- 1H19 was marked by cargo flow disruption in Australia and Brazil with a subsequent catch-up effect in 2H19
- Attractive supply fundamentals in our segments approaching IMO 2020
- Other factors than supply and demand can also drive rates: bunker prices and speed, off-hire, congestion, sentiment, etc.

Minor Bulk Demand and Handysize/Supramax Supply

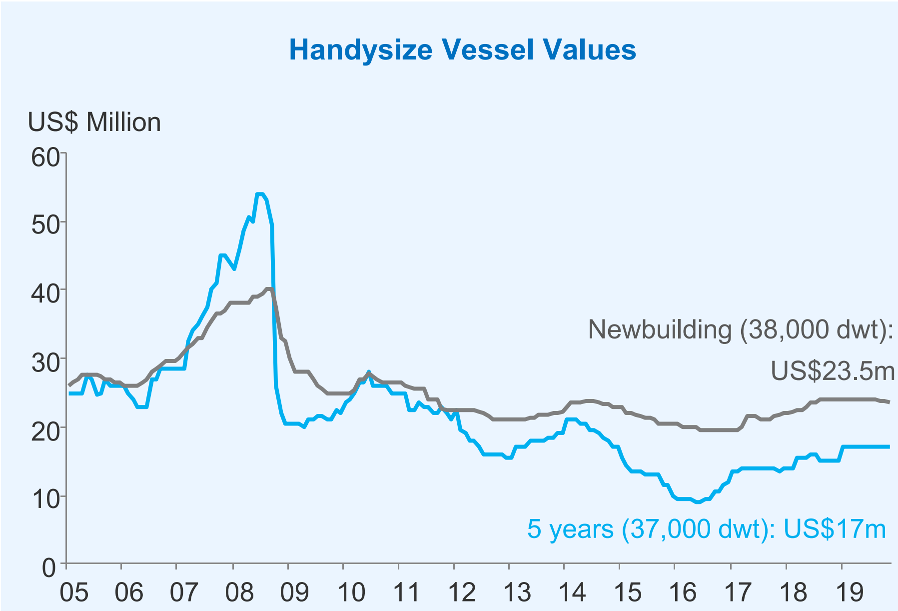


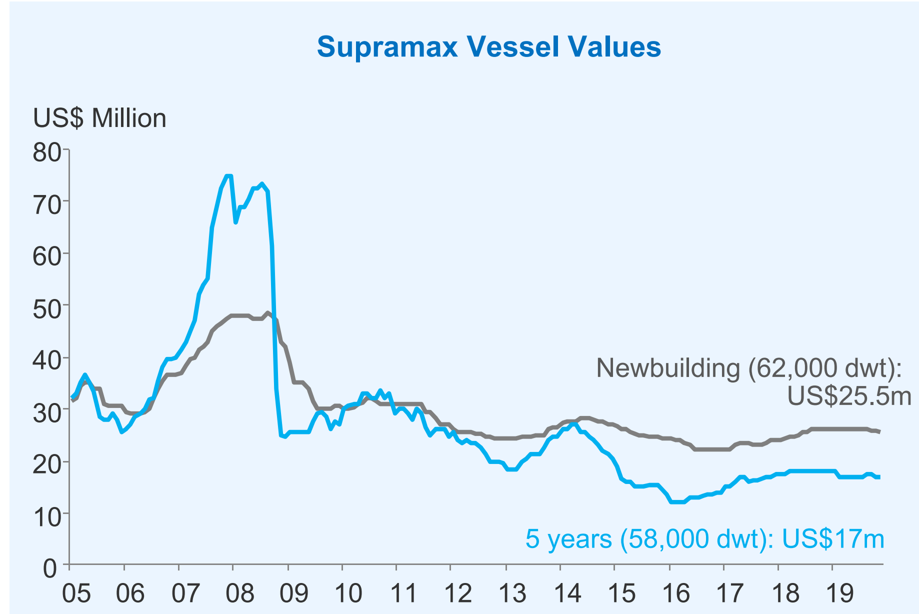
Major Bulk* Demand and Capesize/Panamax Supply



** Major Bulk includes iron ore, coal and grains*
Source: Clarksons Research

Secondhand Values Remain Attractive





- Large gap between newbuilding and secondhand prices and uncertainty over future ship designs discourage new ship ordering
- Restrained ordering in Handysize/Supramax segments should result in limited new ship deliveries in the coming years
- We see upside in secondhand vessel values and will continue to cautiously grow by looking opportunistically at good quality secondhand ship acquisitions of both modern Supramax and Handysize ships while trading out of some of our older and smaller vessels

Source: Clarksons Research, as at 1 Nov 2019

Outlook and Strategy

Our Strategic Direction and Priorities

- **Maintain and grow our cargo focus and scale**
- **Continue to be both a fully integrated owner and operator**
  – Not only owned ships, not only asset light
- **Maintain empowered local chartering and operations close to customers**
  – With best in class centralised support & systems
- **Keep building our brand**
  – Long term thinking, safety, care and quality in everything we do
- **Continue to grow our owned fleet with quality second hand acquisitions**
- **Opportunistically trading up smaller older ships to larger younger ships**
- **Avoid buying newbuildings**
  – due to high price, low return, and new regulations will change technology
- **Continue to reduce long term charters**
  – Replace with owned ships, and medium and short term chartered in ships
- **Thorough preparations for IMO 2020**
  – Fuel contracts, cleaning of tanks, installation and testing of scrubbers, new clauses
- **Keep our balance sheet strong**

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Well Positioned for the Future

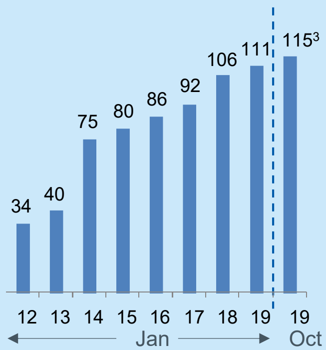
Our TCE Outperform Market

Average PB premium over market indices in last 5 years:

US$**1,970**/day
Handysize TCE

US$**1,440**/day
Supramax TCE

More Owned Vessels with Fixed Costs



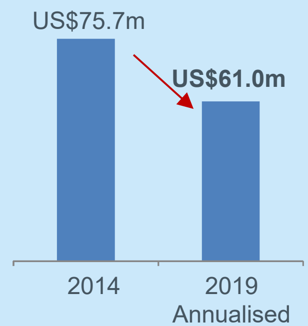
Owned Vessel Breakeven
Incl. G&A overheads

US$**8,530**/day
Handysize[1]

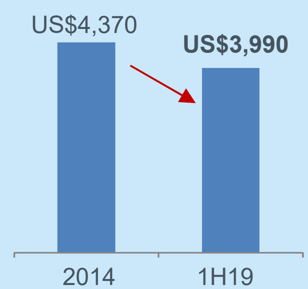
US$**9,160**/day
Supramax[2]

Efficient Cost Structure

Annual Group G&A Overheads



Daily Vessel Operating Expenses
(Combined Handysize and Supramax)



Sensitivity toward Market Rates*

Market Rate

+/-

US$1,000
daily TCE

Our Underlying Result

+/-

US$ 35-40m

When estimating our 2019 earnings, unlike in 2018, we don't benefit from US$16m utilisation of onerous contract provisions

[1] *1H19 PB owned Handysize $7,590/day + G&A overheads $940/day ≈ US$8,530/day*

[2] *1H19 PB owned Supramax $8,220/day + G&A overheads $940/day ≈ US$9,160/day*

[3] *We sold 2 older smaller Handysize vessels and committed to purchase an additional 4 vessels in Sep, following the delivery of these acquired and sold vessels between Oct 2019 and Apr 2020, our owned fleet will grow to 117 ships*

** Based on current fleet and commitments, and all other things equal*

Appendix

Appendix:
Fleet List – 30 Sep 2019

www.pacificbasin.com
Our Fleet

115 Vessels owned[1]

27 LT Chartered[2]

95 ST Chartered[3]

237 Total

	Vessels owned	LT Chartered	ST Chartered	Total
Handysize	82	20	34	136
Supramax	32	6	61	99
Post-Panamax	1	1	0	2

Average age of core fleet: 8.9 years old

[1] We sold 2 older smaller Handysize vessels and committed to purchase an additional 4 vessels in Sep, following the delivery of these acquired and sold vessels between Oct 2019 and Apr 2020, our owned fleet will grow to 117 ships
[2] Average number of LT ships operated in Sep 2019
[3] Average number of ST ships + index-linked vessels operated in Sep 2019

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Appendix:
Pacific Basin Dry Bulk – Diversified Cargo

Our Dry Bulk Cargo Volumes in 1Q-3Q 2019

Minerals

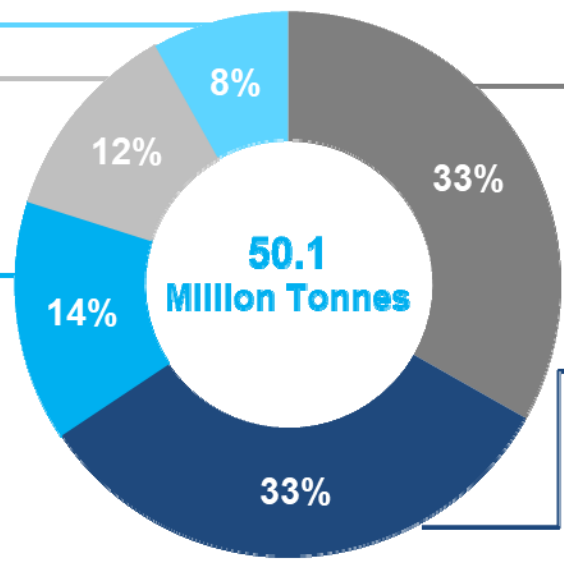
Salt	4%
Sand & Gypsum	3%
Soda Ash	1%

Energy

Coal	6%
Petcoke	4%
Wood Pellets	2%

Metals

Ores	6%
Concentrates	5%
Alumina	2%
Others	1%



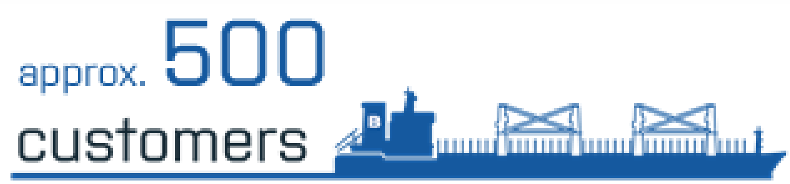
Construction Materials

Cement & Cement Clinkers	13%
Logs & Forest Products	11%
Steel & Scrap	9%

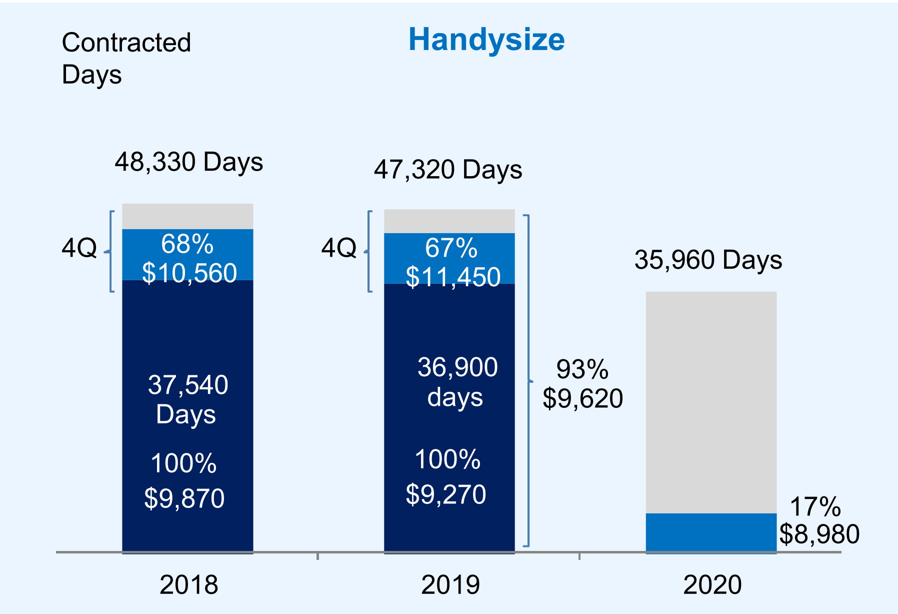
Agricultural Products & Related

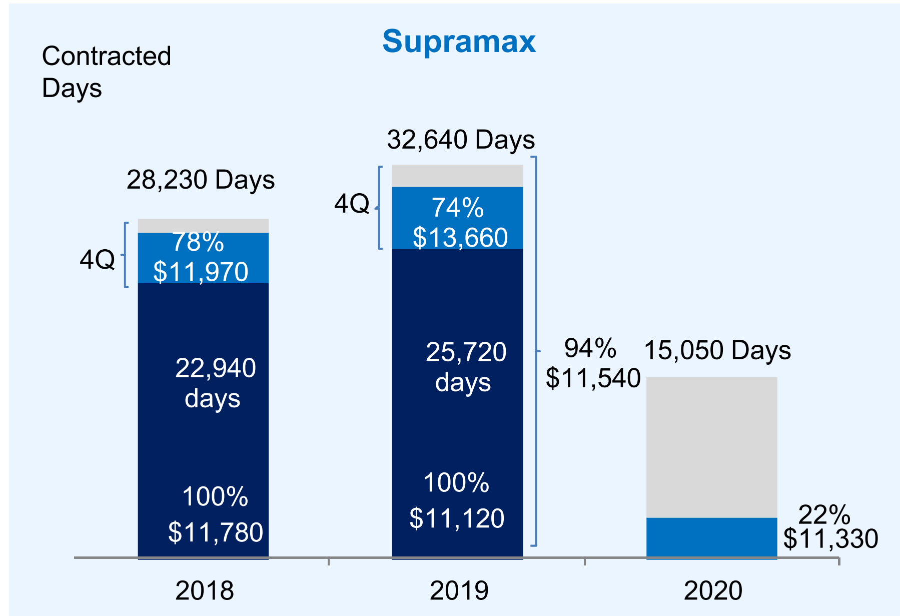
Grains & Agricultural Products	20%
Fertiliser	9%
Sugar	4%

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



Appendix:
2019 and 2020 Future Cover





■ 1Q-3Q Completed Revenue Days ■ Covered Vessel Days ■ Uncovered Vessel Days

Note that our 2020 forward cargo contract cover is backhaul heavy to minimize ballasting and to position our fleet for favourable fronthaul cargoes
Currency in US$, as at 11 Oct 2019
Cover as at mid-Oct, for comparison the graphs show the level of cover secured as at the same time in Oct in last year

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Appendix: Market Strengthened Significantly in 3Q19

	US$/day	Handysize	Supramax
3Q19	PB daily TCE net rate 3Q19	9,480	11,580
	Market (BHSI/BSI) index net rate 3Q19	7,990	11,890
	PB outperformance	19% / 1,490	-3% / -310[1]
1Q-3Q19	PB daily TCE net rate YTD	9,270	11,120
	Market (BHSI/BSI) index net rate YTD	6,520	9,200
	PB outperformance YTD	42% / 2,750	21% / 1,920
	Forward Cover for 4Q19 and 2020		
4Q19	PB daily TCE net rate 4Q19	11,450	13,660
	% of contracted days covered	67%	74%
2020	PB daily TCE net rate FY2020	8,980[2]	11,330[2]
	% of contracted days covered	17%	22%

Cover as at 11 Oct 2019

Our fleet development in 3Q19:

- In 3Q, we operated an average of 236 ships including chartered ships
- In Sep, we committed to purchase 4 modern vessels for US$73.8m to be 33% funded by new equity
- YTD, we sold 2 older smaller Handysize vessels
- Following the delivery of these acquired and sold vessels between Oct 2019 and Apr 2020, our owned fleet will grow to 117 ships

[1] Due to the rising market and the 1-3 months time lag between spot market fixtures and voyage execution

[2] Note that our 2020 forward cargo contract cover is backhaul heavy to minimise ballasting and to position our fleet for favourable fronthaul cargoes

** We have more scheduled off-hire than normal for dry-docking in 2019 for BWTS and preparation for IMO 2020*

Appendix:
2019 Interim Results Highlights

	US$m	1H19	1H18	Change
P&L	Net profit	**8.2**	30.8	-22.6
	Underlying (loss) / profit KPI	**(0.6)**	28.0	-28.6
	EBITDA	**101.1**[1]	99.3	
	Dividends KPI	**-**	HK2.5¢	
	US$m	**30 June 19**	31 Dec 18	
B/S	Cash	**313.8**[2]	341.8	-8%
	Net gearing KPI	**37%**	34%	+3%
Fleet	Owned fleet / Total fleet[4]	**113[3]/ 230**	111 / 222	

- Weaker market conditions in the early part of the year negatively affected our results – however, continued TCE outperformance and competitive cost structure enabled us to post a positive net profit
- We purchased three modern secondhand Supramaxes during 1H19. We took delivery of four vessels in 1H19 (including three we bought in 2018) and two more vessels in July, expanding our owned fleet to 115 ships
- We secured a revolving credit facility of US$115m at a competitive cost of Libor + 1.35% and we are repaying our US$125m convertible bonds
- Some of the negative demand disruptions in the early part of the year are easing and market rates in July have been increasing, especially in the Atlantic

[1] EBITDA adjusted for the adoption of HKFRS 16 "Leases" is US$78.9m, which is comparable to previous periods
[2] Our outstanding convertible bonds (US$125m) were redeemed in full after the period close
[3] An additional 2 Supramax vessels delivered in July 2019
[4] Average number of ships operated during the period

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Appendix: US$8.2m Net Profit in 1H19

Six months ended 30 June

US$m	2019	2018
Revenue	**767.1**	795.6
Voyage expenses	**(360.5)**	(360.6)
Time-charter equivalent ("TCE") earnings	**406.6**	435.0
Owned vessel costs	**(156.7)**	(144.7)
Charter costs	**(219.2)**	(233.4)
Operating performance before overheads	**30.7**	56.9
Total G&A overheads	**(30.5)**	(28.4)
Taxation & others	**(0.8)**	(0.5)
Underlying (loss) /profit KPI	**(0.6)**	28.0
Derivatives M2M and one-off items	**8.8**	2.8
Profit attributable to shareholders	**8.2**	30.8
EBITDA	**101.1***	99.3

Owned vessel costs

	2019	2018
Opex	**(80.1)**	(72.5)
Depreciation	**(60.1)**	(56.3)
Finance	**(16.5)**	(15.9)

Charter costs

	2019	2018
Non-capitalised charter costs	**(200.1)**	(233.4)
Capitalised charter costs	**(19.1)**	-

Derivatives M2M and one-off items

	2019	2018
Derivative M2M	**8.6**	4.4
Net write-back of disposal cost provision	**0.2**	-
Write-off of loan arrangement fee	**-**	(1.6)

- No interim dividend declared – but will consider a dividend of 50% of net profit for the full year

**EBITDA adjusted for the adoption of HKFRS 16 "Leases" is US$78.9m, which is comparable to previous periods*

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Appendix: Handysize and Supramax Contributions

Interim 2019

Six months ended 30 June

		2019	2018	Change
Handysize contribution	(US$m)	**21.2**	38.4	-45%
Revenue days	(days)	**24,450**	25,210	-3%
TCE earnings	(US$/day)	**9,170**	9,750	-6%
Owned + chartered costs	(US$/day)	**8,160**	8,150	0%
Supramax contribution	(US$m)	**7.4**	15.8	-53%
Revenue days	(days)	**16,470**	15,650	+5%
TCE earnings	(US$/day)	**10,860**	11,730	-7%
Owned + chartered costs	(US$/day)	**10,170**	10,690	-5%
Post-Panamax contribution	(US$m)	**2.1**	2.7	-22%
G&A overheads and tax	(US$m)	**(31.3)**	(28.9)	-8%
Underlying (loss) / profit	(US$m)	**(0.6)**	28.0	>-100%

+/- Note: Positive changes represent an improving result and negative changes represent a worsening result

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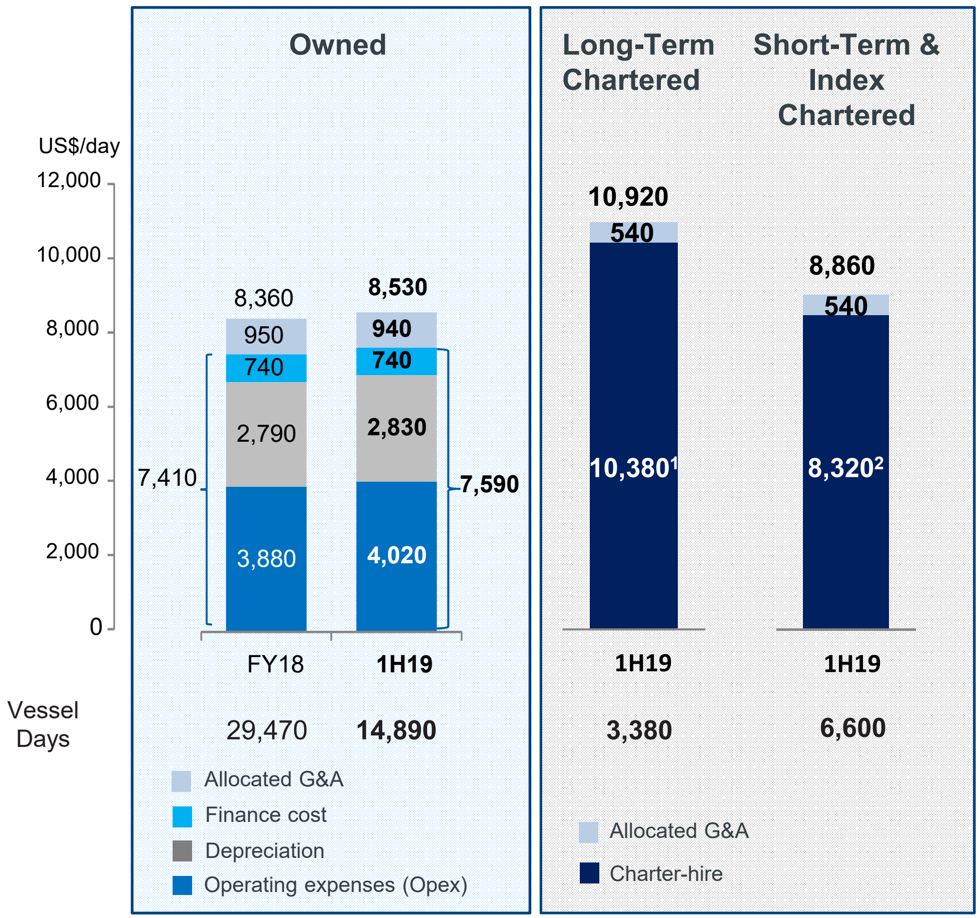
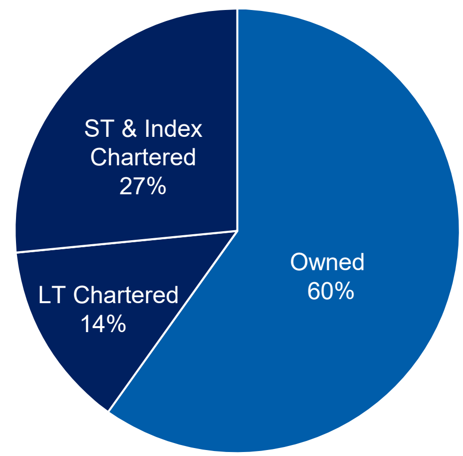
Appendix: Handysize Vessel Costs (P/L)

As at 30 Jun 2019

1H19 Daily Vessel Costs (US$/day)



1H19 Vessel Days Distribution



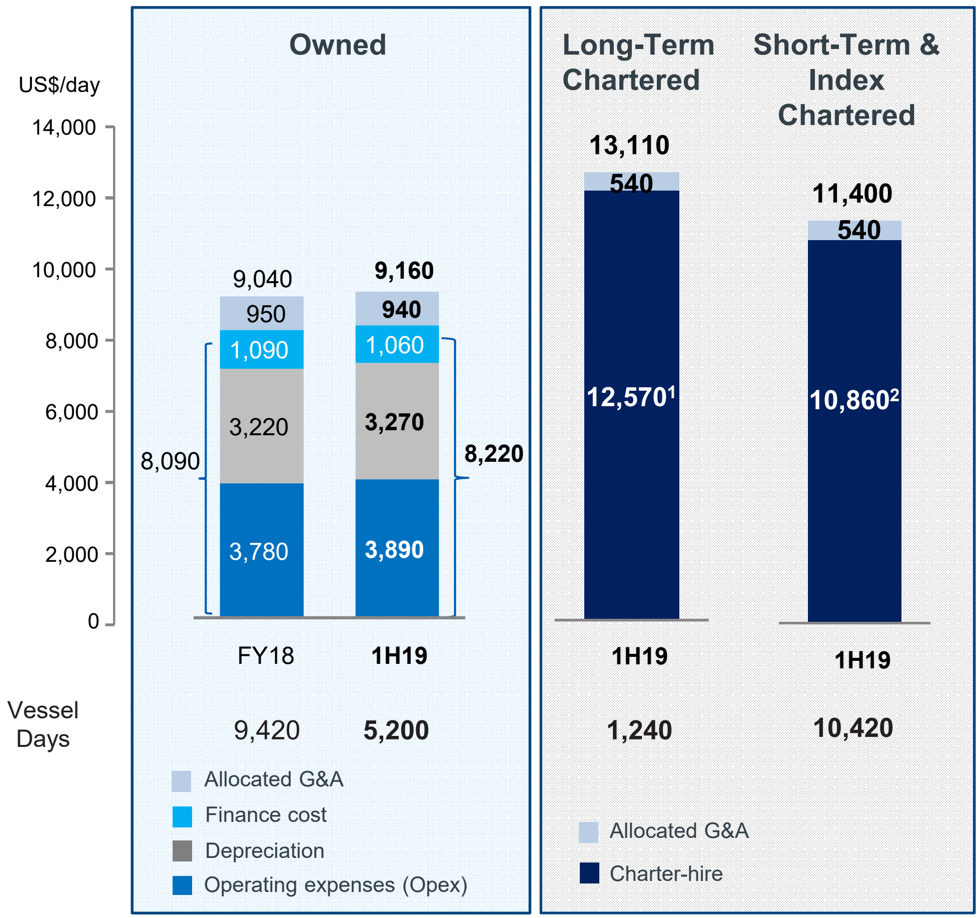
US$8,160/day
Blended Daily P/L Costs before G&A Overheads
(FY2018: US$8,260)

[1] Sum of:
a) Capitalised charter costs: depreciation of ROU assets + interest expenses on lease liabilities
b) Non-capitalised charter costs: technical management service costs
[2] Non-capitalised charter costs

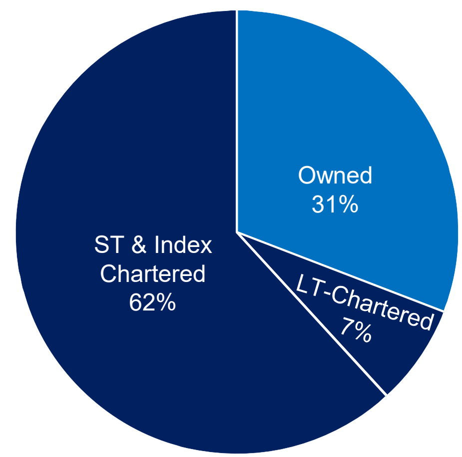
Appendix: Supramax Vessel Costs (P/L)

As at 30 Jun 2019

1H19 Daily Vessel Costs (US$/day)



1H19 Vessel Days Distribution



US$10,170/day
Blended Daily P/L Costs before G&A Overheads
(FY2018: US$10,740)

[1] Sum of:
a) Capitalised charter costs: depreciation of ROU assets + interest expenses on lease liabilities
b) Non-capitalised charter costs: technical management service costs
[2] Non-capitalised charter costs

Appendix: Significant Operational Leverage

		Handysize			Supramax			Sensitivity*
		1H19 avg. TCE (US$/d)	Vessel Days	Costs incl. G&A (US$/d)	1H19 avg. TCE (US$/d)	Vessel Days	Costs incl. G&A (US$/d)	
Largely Fixed Cost	Owned	9,170	14,890	8,530	10,860	5,200	9,160	+/- US$1,000 daily TCE US$35-40m
	LT Chartered		3,380	10,920		1,240	13,110	
Largely Variable Cost	ST Chartered and Index		6,600	8,860		10,420	11,400	Margin business, less sensitive to rates movement

Adjusted for ca. 20-25% typical long-term forward cargo cover at any point in time

* *Based on current fleet and commitments, and all other things equal*

As at 30 June 2019

Appendix:
Strong Balance Sheet and Liquidity

US$m	30 Jun 19	31 Dec 18
Vessels & other fixed assets	**1,848**	1,808
Total assets	**2,530**	2,366
Total borrowings	**1,001**	961
Total liabilities	**1,292**	1,135
Total Equity	**1,238**	1,231
Net borrowings (total cash US$314[1]m)	**687**	619
Net borrowings to net book value of owned vessels KPI	**37%**	34%

- Vessel average net book value: 82 Handysize (11 years): $14.5m/ship
  30 Supramax (7.5 years): $20.5m/ship

[1] Our outstanding convertible bonds (US$125m) were redeemed in full after the period close

Appendix: Explanation of New Lease Accounting Standard (HKFRS 16 "Leases")

What are the Changes?

Leases > 12 months

Balance Sheet:
1) Right-of-Use "ROU" assets
2) Lease liabilities

Income Statement:
Operating lease expenses replaced by a sum of:
1) Depreciation of ROU assets
2) Interest expenses on lease liabilities (lease portion)
3) Technical management service costs (non-lease portion)

Leases < 12 months

Balance Sheet: Nil

Income Statement: Nil, expensed on a straight-line basis over the lease term as before the adoption of HKFRS 16 "Leases"

US$m	1H19		
	Before	HKFRS 16	As reported
P&L			
Revenue	768.8	(1.7)	767.1
EBITDA	78.9	22.2	101.1
Net profit	6.1	2.1	8.2
B/S			
Assets	2,414.6	115.1	2,529.7
Liabilities	1,174.8	117.4	1,292.2
Equity	1,239.8	(2.3)	1,237.5
Cash Flow			
Operating	72.2	20.5	92.7
Investing	(83.7)	3.3	(80.4)
Financing	(4.0)	(23.8)	(27.8)
Net change	(15.5)	-	(15.5)
Interest cover	4.0X		4.5X

- ↑ EBITDA as the charter-hire costs are replaced by interest and depreciation
- Slight increase in net profit

- ↑ Total assets as ROU assets recognised
- ↑ Total liabilities as lease liabilities recognised

- ↑ Operating cash flow due to reduced charter-hire costs
- ↓ Financing cash flow due to increase in interest and repayments of lease liabilities
- No change in net cash flow

Appendix:
Proposed Convertible Bonds Due 2025 (Announcement 31 Oct 2019)

- Issue of 3% Convertible Bonds due 2025 in an aggregate principal amount of US$175 million
- Shareholders' approval will be needed at a Special General Meeting to approve the issue of the Convertible Bonds and the issue of new shares upon conversion
- BNP Paribas, HSBC and DNB are acting as Joint Lead Managers

Reasons for the issue:

- To support the organic expansion and renewal of our fleet while further enhancing the Group's balance sheet and liquidity position
- No immediate dilution of the existing shareholders
- The Convertible Bonds are unsecured and non-amortising, representing an attractive and alternative source of longer term financing for the Company
- Attractive cash cost of 3%

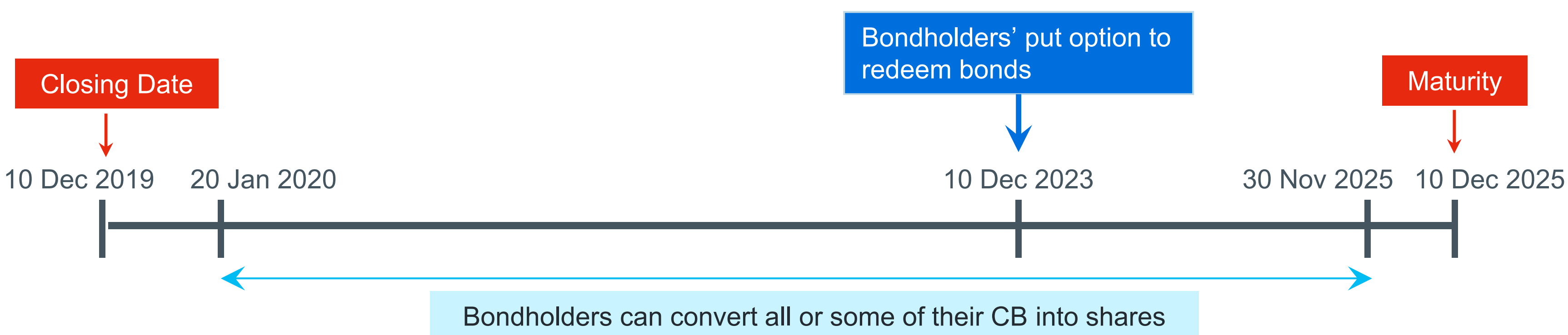
Use of proceeds:

- To fund the expansion and renewal of our fleet of Handysize and Supramax vessels and for general corporate purposes
- US$49.5m of the proceeds has been committed as cash consideration for our partly equity-funded acquisition of 4 modern secondhand vessels (announced in Sep 2019)

Appendix:
Terms and Expected Conversion/Redemption Timeline

Issue size	US$175 million
Maturity Date	10 Dec 2025 (approx. 6 years)
Investor Put Date and Price	10 Dec 2023 (approx. 4 years) at par
Coupon	3% p.a. payable semi-annually in arrear on 10 Jun and 10 Dec
Redemption Price	100%
Initial Conversion Price	HK$2.40
Intended Use of Proceeds	To support the organic expansion and renewal of our fleet while further enhancing the Group's balance sheet and liquidity position and general corporate purposes

Expected Conversion/Redemption Timeline



Appendix:
Dry Bulk Demand in 2019 and 2020 Forecast

2019E Dry Bulk Trade Volumes

	Million Tonnes	YOY
Iron Ore	1,455	-1.4%
Coal	1,278	1.2%
Major bulk total	2,733	-0.2%
PB Focus		
Nickel Ore	69	21%
Bauxite / Alumina	169	17%
Manganese Ore	46	12%
Copper Concentrates	35	6%
Fertiliser	183	4%
Others	289	4%
Cement	139	4%
Scrap Steel	101	3%
Agribulks	173	3%
Forest Products	385	2%
Salt	54	2%
Wheat / Grains	330	1%
Steel Products	391	0%
Soybean	146	-1%
Sugar	58	-3%
PB focus cargoes total	2,568	3.4%
2019E Total Dry Bulk	5,301	1.5%

(tonne-mile effect = 1.4%)

2020F Dry Bulk Trade Volumes

	Million Tonnes	YOY
Iron Ore	1,487	2.2%
Coal	1,296	1.4%
Major bulk total	2,783	1.8%
PB Focus		
Bauxite / Alumina	186	10%
Manganese ore	50	9%
Scrap Steel	106	5%
Others	300	4%
Salt	56	4%
Sugar	60	3%
Soybean	151	3%
Copper Concentrates	36	3%
Fertiliser	188	3%
Forest Products	394	2%
Agribulks	177	2%
Wheat / Grains	336	2%
Cement	141	1%
Steel Products	396	1%
Nickel Ore	55	-20%
PB focus cargoes total	2,632	2.5%
2020F Total Dry Bulk	5,415	2.2%

(tonne-mile effect = 2.9%)

Source: Clarksons Research, as at Sep 2019

Appendix: New Regulations Benefitting Stronger Companies

New Regulations	Content	Impact on the Industry	PB actions
IMO Ballast Water Treatment: Installation required at first dry-docking after 8 Sep 2019	▪ IMO and USCG requirement	▪ Capex for shipowners ▪ Increased scrapping	▪ 40 PB owned vessels fitted ▪ Retrofitting remaining owned Handysize and Supramax vessels with system based on filtration and electrocatalysis ▪ Completion in 2022 within relevant compliance deadlines
Sulphur Emissions Cap: 1 Jan 2020 Reduce capacity in short term	▪ IMO global 0.5% sulphur cap requires: i) low-sulphur fuel or; ii) exhaust gas cleaning systems ("scrubbers")	▪ Majority of global fleet (esp. Handysize) will comply using low-sulphur fuel **→slow-steaming and tighter supply** ▪ Larger vessels (incl. some Supramaxes) installing scrubbers **→docking ships for several weeks for scrubber retrofit**	▪ Thorough preparation including cleaning fuel tanks, securing good quality compliant fuel, and training crew to ensure seamless service ▪ We choose a balanced approach: ▪15 Supramaxes are now scrubber fitted and arrangements are in place to fit scrubbers on the majority of our Supramaxes ▪Expect 10-15% of our overall fleet will have scrubbers installed and no scrubbers on our Handysize ships
IMO greenhouse gas emissions reduction Reduce capacity in medium and long term	▪ Cut total greenhouse gas emissions from shipping by at least 50% by 2050 (compared to 2008), requiring efficiency improvements of at least 40% by 2030 and 70% by 2050	▪ Reducing speed ▪ Development of new fuels, engine technology and vessel designs ▪ Discouraging new ship ordering in short and medium term ▪ Increased scrapping	▪ No newbuild ordering ▪ Monitoring new technology and designs

Appendix:
Vessel Speed Optimisation Example

- Higher fuel oil prices allow freight rates to increase without increasing speed and hence supply

Optimal MCR / Speed Matrix on Typical Handysize Ship
(Japanese-built 32,000 dwt, all weather)

Bunker Cost / mt	TCE US$/day																	
US$	1,000	2,000	3,000	4,000	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000	13,000	14,000	15,000	16,000	17,000	18,000
100		50%																
150		34%	50%	69%														
200			38%	50%	65%													
250			31%	40%	50%	62%	69%											
300				34%	42%	50%	60%	69%	69%									
350				36%	43%	50%	58%	58%	67%	69%								
400				32%	38%	44%	50%	50%	57%	65%	69%							
450					34%	39%	44%	44%	50%	56%	62%	68%	69%					
500					31%	35%	40%	40%	45%	50%	56%	62%	68%	69%				
550						32%	36%	36%	41%	45%	50%	55%	61%	66%	69%			
600						30%	34%	34%	38%	42%	46%	50%	55%	60%	65%	69%	69%	

Minimium Practical about 30% MCR (around 9.2 knots)

Full Practical Speed about 85% MCR (around 13.2 knots)

30% MCR = 9.2knots
50% MCR = 11knots
70% MCR = 12knots
85% MCR = 13.2knots

Pacific Basin

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