Good afternoon ladies and gentlemen, and thank you for attending Pacific Basin’s 2012 Interim Results presentation.

I will shortly hand over to Mats Berglund, our new CEO, who will present our results and business activities with the help of Jan Rindbo, our COO and head of Drybulk and Andrew Broomhead, our CFO. At the end, you will be invited to ask questions.

Before I proceed, I would like to say [a few words about Mats joining the PB team...]

Thank you David.

Pacific Basin made a net loss of $196 million in the first half of 2012. We made an underlying profit of $3 million and generated a positive operating cash flow of $48 million.

Our balance sheet retains substantial buying power with an increased cash position of $657 million, which more than covers our commitments in respect of 14 dry bulk ships we currently have on order.

The largest impact on our results was a significant $190 million non-cash impairment of our RoRo investment, which we announced on 18 June, reflecting the severe weakness in the RoRo sector.

Our core dry bulk shipping business made only a modest profit, but again delivered a respectable performance in the context of the on-going poor market. Our average Handysize and Handymax daily earnings continue to outperform both the market and larger ships.

Towage profits are increasing, and in fact, accounted for the largest contribution to Group results during the half year.

In view of these results and the weak dry bulk and RoRo market conditions, the Board has not declared an interim dividend. However, for the full year, a payout will be considered based on the Group’s full-year performance and available cash resources and commitments at that time.

Our COO and Head of Dry Bulk, Jan Rindbo, is with us today and I will now hand over to Jan who will take you through our dry bulk business.
Thank you Mats.

Our dry bulk division made a net profit of US$7.5 million and an operating cash flow of $38 million.

Our Handysize daily rates decreased 23% year on year leading to a squeeze in our operating margins, but they still outperformed the weaker spot market by 38%.

Our Handymax results were disappointing due mainly to our reliance on ships we chartered into our fleet in better times last year for which we did not have adequate cover, thus leaving us more exposed to the weaker market this year.

We look forward to taking delivery of the first of our new, owned Handymax ships which start to join our fleet at the end of this year and which we expect to improve our margins.

On other developments:

Our recently expanded office network covering 6 continents has generated new customers, new long-term cargo contracts and new project cargo business to supplement our traditional bulk-based activity.

Our new maritime operating system provides us with a strong platform for future growth. So far, it has enabled us to operate the highest number of ships in Pacific Basin’s history during the first half of 2012 without expanding the size of our dry bulk organisation.

We operated an average of 148 dry bulk ships in the first half of 2012 – up from 116 in the first half of last year – and right now we have 160 on the water. Growth is primarily driven by operating more short term chartered ships as a result of leveraging our market penetration and customer relationships whereby we profitably combine tonnage and cargo opportunities in the marketplace as an added value to operating our core fleet.

As at 23 July, we had covered 85% of our 33,060 Handysize revenue days in 2012 at $10,910 per day.

We had also covered 19% of our 22,490 Handysize revenue days in 2013 at $12,370 per day.

As always, we manage very carefully our degree of forward cargo cover – all the more so in these more volatile market conditions and as we expand our fleet size.
An initial sharp decline in freight rates in January was attributable to a surge of newbuilding deliveries after the new year, compounded by seasonal weather-related cargo disruptions in influential trade areas and an early Lunar New Year holiday in China.

Fortunately for us, Handysize and Handymax rates have gradually recovered since early February due to the revival in minor bulk cargo flows.

Handysize and Handymax market rates averaged $7,600 and $9,400 per day net respectively – both down roughly 30% year-on-year.

Rates for the much larger Capesize ships remained more severely depressed over the period and were recently earning over 50% less than Handysize ships.

Freight market weakness has again translated into lower secondhand ship prices. Clarksons estimate the value of their benchmark five year old Handysize at US$16 million, which is now down to the levels last seen before the dry bulk boom started in 2003.

R.S. Platou estimate dry bulk transportation demand to have increased by 6.5% year on year in the first quarter. (Unfortunately they have not yet published data for the half year.)

This reflects a degree of resilience in international commodity demand and domestic Chinese coastal trade despite weak global economic conditions, the Eurozone crisis and slowing Chinese economic growth.

China continued to dominate dry bulk demand developments, most notably importing:

- 10% more iron ore year on year;
- 82% more coal;

And more importantly for our smaller ships:

- 20% more minor bulks, when looking at a basket of 7 important minor bulks [which together represent about one third of the cargo volumes we carried during the period]

That’s all indicative of relatively healthy activity which was, however, overshadowed by even more significant supply growth.
The global fleet of 25–40,000 tonne Handysize ships in which we specialise expanded by 2% net during the half year, benefitting from a relatively favourable global fleet age profile and deliveries.

By contrast, the overall dry bulk fleet expanded by 6% during the period – or 15% year on year – driven by the influx of 56 million tonnes of new capacity.

Scraping accelerated to 16 million tonnes in the first half – that’s 5% of the existing fleet on an annualised basis – but was still insufficient to offset the heavy influx of newbuilding deliveries.

The Handysize segment continues to be advantaged by an old fleet age profile with 28% of capacity more than 25 years old, which is expected to result in the earlier removal of capacity through scrapping.

The market turmoil and severe funding shortage have led to a further 60% drop in new ship ordering activity year on year. Combined with the heavy influx of new ships, this has resulted in a significant reduction in dry bulk capacity on order.

The orderbook for Handysize vessels fell from 34% a year ago to 23% as at 1 July. The orderbook for dry bulk vessels overall has fallen more dramatically from 44% a year ago to 25%.

Newbuilding prices remain under pressure as a result of reduced ordering coupled with weak freight market conditions. Clarksons estimate the value of a 35,000 dwt newbuilding to be US$22.0 million, which is the lowest level since the end of 2004 (Nov: US$22.7m)

We expect the Handysize and Handymax spot markets to remain weak over the second half of the year.

Possible threats include reduced US grain exports if the current drought in the US Midwest persists, and further slowing of Chinese demand.

There also remains scope for seasonal demand improvements to lift freight rates temporarily around the end of the third quarter.

We still expect dry bulk freight rates will be weaker overall in 2012 than in 2011. 2012 will be a tough year for our dry bulk business.

Strategically, we remain committed to directing new investment towards the further expansion of our dry bulk fleet.
We believe we are now closer to seeing those opportunities, as the protracted dry bulk market weakness and contraction in funding continue to challenge ship owners, many of whom face severely impacted corporate earnings, negative cash flows and potential insolvency.
Our Towage division generated a net profit of US$14.1 million and an operating cash flow of US$18.9 million. This reflects our increasingly competitive position in the improving offshore support and harbour towage markets in Australasia.

Notably, we now have two additional chartered-in vessels and one additional owned vessel committed to the Gorgon offshore LNG project, bringing to twelve the number of our tugs we have supporting marine logistics in Western Australia.

PB Towage operated 42 vessels on average during the period, with 99% utilization of our tugs and 86% utilization of our barges.

We expect Australian towage market activity to be maintained over the rest of the year, and to improve further in the medium term.

PB Towage is well placed to participate in that improvement, and has recently secured additional business commencing in the second half this year, relating to the Australia Pacific LNG project in Gladstone and expanded requirements of the Gorgon LNG Project.

Strategically, we plan to grow our towage division through carefully considered investments in both the project and harbour sectors – as specific projects materialise.

PB Towage has delivered increasingly profitable results since we diversified into this business, and is expected to continue to be an important contributor to the Group’s results in the years ahead.

Our PB RoRo division generated a net loss of US$8.5 million in the first half, and an operating cash flow of negative US$0.8 million.

This poor result reflects the increasingly severe weakness in the Euro-centric RoRo sector and its impact on the earnings performance of our RoRo fleet.
We achieved average daily charter rates of US$19,450 on utilisation of 55%. Note though that the US$19,450 average is due to fixtures done three years ago that expire soon and that today market TC rates are around 11,000-12,000 USD, if you can get one!

Demand-side weakness in RoRo is compounded by the influx of newbuildings delivering into the already over-supplied large RoRo sector, as evidenced by the growing number of idle vessels globally.

Three of our 6 RoRos are currently laid up or idle – for which we are actively seeking employment – and the charters for the remaining three ships expire later this year or early next. Our employment cover for 2013 is only 4% demonstrating the difficulty of being a tonnage provider in the RoRo segment.

As announced on 18 June, a reassessment of prospects for our RoRo business resulted in a significant $190 million non-cash impairment of our RoRo investment.

Slide 13 – RoRo – Outlook

We do not have our own route network to fall back on for employment of our RoRos and we are therefore fully exposed to the current period of severe weakness in this sector.

We have downgraded our earnings outlook for our RoRo fleet and business, and we expect PB RoRo will make larger losses this year as employment prospects for our ships coming off charter look increasingly difficult.

We intend to manage our way out of RoRo and exit the sector in an economically rational manner that realises the maximum possible value for our shareholders.

In view of the dysfunctional conditions in the sale and purchase market for RoRo vessels, a full exit from this segment in the near term is unlikely.

In the meantime, securing employment for our RoRo fleet and implementing cost savings remain key objectives. We have to get closer to the line operators to find homes for our ships.

Slide 14 – RoRo Recent Developments

Our RoRo strategy has changed and we are taking immediate actions:
The fleet of our RoRo management joint-venture, Meridian, has shrunk in size and many of the managed ships are actively marketed for sale. The Meridian board therefore no longer considers Meridian commercially viable and has decided to dissolve the joint-venture.

We took over commercial management of our RoRo fleet from Meridian on 9 July and have recruited two experienced commercial and operational RoRo specialists who are well equipped to manage and achieve our revised RoRo strategy.

Technical management of the vessels will be outsourced to Northern Marine Management, a large, reputable and experienced third-party RoRo manager based in Scotland.
These structural and people changes afford us full control, and improved access to the RoRo line operators for various strategic employment and exit alternatives commercially, and expected savings in technical management costs due to economies of scale.

**Slide 15: 2012 Interim Financial Highlights**

- The Group reported segment net profit of **US$9.7m**. A deterioration of **US$19.1m** compared to the same period last year in the face of a weaker market for dry bulk vessels.
- Underlying profit was **US$3.2m**.
- And the largest impact on overall results was the **US$190.0m** impairment on our RoRo vessels.
- Giving a resultant Group net loss of **US$195.9m**.

**Slide 16: Pacific Basin Dry Bulk – Handysize**

- Looking at the main drivers of our dry bulk results.
- Our handysize revenue days increased **31%** to **19,210**, reflecting on average **25** additional vessels, compared to the same period last year, as we chartered short term ships from the market to service our growing customer base.
- TCE decreased **23%** to **US$10,540** per day, which was about **38%** above the benchmark rate for the period.
- The result was a **76%** decrease in Handysize net profit to **US$10.3m** and a return on net assets of **3%**.

**Slide 17: Daily Vessel Costs – Handysize**

- Handysize blended operating costs decreased **7%** to **US$9,890** per day.
- This was due to a **20%** decrease in charterhire payments to **US$9,880** per day.
- Owned vessel costs at **US$9,250** per day increased **6%** mainly due to increased crew wages and higher maintenance costs.
- The proportion of owned to chartered vessels decreased to **39% to 61%** mainly because of our continued use of short term chartered in ships.
Slide 18: Daily Earnings and Vessel Costs - RoRo

- The revenue performance and outlook for the Roros remains challenging as you have heard.
- Looking at the daily costs, you will see that these reduced in the first half
  - primarily as a result of a depreciation reduction arising from the US$80 million impairment in mid-2011 and
  - the allocated finance cost being spread over the full fleet of 6 vessels following the last two deliveries around the end of 2011.
- Going forward, the US$190 million impairment announced in June 2012 will further reduce depreciation by around US$3,000 per day.
- We also anticipate bringing down the daily opex although this will in part depend on employment prospects.

Slide 19: Balance Sheet

- Dry bulk represents US$969m of vessel book value.
- Our 42 delivered Handysize vessels have an average age of 8.1 years and average book value of US$16.9m.
- The US$657m of Group cash and deposits are managed by Treasury.
- And at the end of June we had a net borrowings position of US$196m, giving gearing of 14%.

Slide 20: Capex and Combined Vessel Value

- If we take the vessel capital commitments of US$262m 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$1.62 billion.
- The Dry bulk vessels represent 76% of the Group’s combined vessel book value.
- Tugs and barges represent 13% of combined value, and
- The RoRo vessels, post impairment, the remaining is 11%
- In 2012 we are looking to invest further cash resources in our dry bulk division.
Slide 21: Borrowing and Capex

- We have summarised the payment profile of the Group’s **US$853m** of borrowings and included the **US$262m** of capex.

- We expect all these payments to be comfortably met by the Group’s existing **US$657m** of cash, and future operating cashflows.

Slide 22: Cash Flow

- The Group generated operating cashflows of **US$48m** for the period.

- Coupled with existing cash and **US$80m** from increased borrowings.

- This funded:

  - Vessel payments of **US$73m**, including 1 handymax and 1 RoRo vessel, all delivered during the period, and instalments for another 6 dry bulk vessels.

  - Leaving PB with cash of **US$657m** at the period end.

  - *and now I would like to hand back to Mats*

Slide 23 – Our Position, Outlook, and Strategy

Having had a few months to get to know the company as the new CEO, I’d like to summarize the position, outlook and strategy for each of our three segments:

I see a very strong cargo and customer focused industrial dry cargo business model that really shows its strength in weak markets like today. Talented commercial people, robust cargo contracts and a large interchangeable fleet of primarily Handysize ships is an excellent combination. In the first six months you have just heard that our Handysize ships averaged US$10,500 per day while as a comparison, average market rates for Capesize ships (five times the size) averaged only US$ 6,200. We expect a continued weak market with 2012 rates averaging lower than 2011. But this weak market combined with severe funding shortage for many other owners and shipyards will eventually lead to fleet expansion opportunities for cash rich companies like ourselves. We will be working internally with a plan this fall re how we can best invest further in our core dry-cargo segment but you should not expect a major change in our dry cargo strategy and this is where most of our investments will take place.

We are happy with our position in the Towage segment and expect further improvement in the medium term primarily due to continued growth in our services to the Australian LNG projects. We will look to grow our towage division further through carefully considered investments both in the project and harbour sectors, as specific projects materialise.
As regards RoRo, it is enormously difficult to be a tonnage provider in this narrow and European centric business. There are too many large RoRos around, volumes have been shrinking and we must get closer to the operators of the lines to find homes for the ships. A full exit from this segment may well take some time but you already see us taking actions to get this done. We want to shift our RoRo investment to Dry Bulk where we control cargo and see more upside.

We will also consider opportunities for exiting the other non-core investments that we have. You can expect focus – not diversification ahead.

In closing, we are confident that we can weather the continued market turmoil and that we will emerge from the weak market larger and more competitive, delivering world-class service to our customers and value to our shareholders over the long term.

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Disclaimer

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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.