Good afternoon ladies and gentlemen, and thank you for attending Pacific Basin’s 2013 Annual Results presentation.

[A personal introduction]

Our CEO Mats Berglund will present our results and business activities with the help of Jan Rindbo who heads our dry bulk business, and Andrew Broomhead, our CFO. I will then invite you to ask any questions you may have.

Speaker: Mats Berglund

Slide 2 – Group Highlights

In 2013, Pacific Basin produced an underlying profit of $16 million, EBITDA of $130 million and a net profit of $1.5 million.

Our results were impacted by a number of challenges, including:

(a) the weakest first half market for dry bulk shipping since 1986 and a volatile second half;
(b) one-off lease break costs for 10 purchase options; and
(c) a significantly reduced contribution from PB Towage in the second half.

In the context of the difficult market environment, we consider our underlying results to be respectable as they have been throughout the down-cycle of the past several years – proof again of the value of our cargo book and business model, which enabled our outperformance of the Handysize market by 22%.

Most notably in 2013, we fulfilled our goal of significantly expanding our dry bulk fleet with the acquisition of 43 high-quality Handysize and Handymax ships of excellent design at historically low prices. 26 of the ships acquired are secondhand ships and 17 are newbuildings from Japanese yards.

During the year we doubled the size of our owned fleet on the water to 73 dry bulk ships. We also expanded our chartered fleet and we currently operate approximately 240 dry-cargo ships compared to 166 at the start of last year.

So we actively put our cash to work – investing for the cyclical upturn to enhance our ability to deliver value to our shareholders and outstanding service to our customers, and to further underpin our strong competitive position in the Handy segments.

Our balance sheet remains healthy with a cash position of $486 million and net gearing of 34%, and we are in the documentation stage of negotiation on further Japanese export credit financing to partly fund our current vessel capex obligations of $525 million.

PB Towage had a mixed year. Our harbour towage activity continued to grow steadily, but the start-up investment in our new operation in Newcastle reduced our harbour towage business’ second-half contribution. The second-half contribution from our offshore towage business was more significantly reduced due to project wind-down and start-up costs and diminished activity following the completion of projects.

The PB RoRo wind-down that started in 2012 is progressing as planned. Two ships are paid for and our remaining four RoRos are all on charter until the buyer Grimaldi takes ownership of at least one vessel in each six-month period until the end of 2015.

In view of the Group’s operating results, the Board has recommended a final dividend of 5 HK cents per share for 2013.

I will now hand over to Jan Rindbo, Head of Pacific Basin Dry Bulk, who will talk you through our dry bulk performance.
Good afternoon.

Our dry bulk division made a reduced net profit of $26 million and generated an increased EBITDA of $115 million. Mats mentioned our growing owned fleet which is reflected in the increase in our EBITDA from $51 million in the first half of 2013 to $64 million in the second half.

This weaker net profit reflects the weak dry bulk market coming into 2013 and the expiry of higher paying cargo contracts secured in earlier stronger markets. These negatives were offset by our outperformance of the market, and by fuel-saving initiatives and the expansion of our owned and chartered-in fleet of lower cost ships.

Our Handysize business made a contribution of $52 million, and our growing fleet of low-cost, owned Handymax ships resulted in an improved – albeit still modest – Handymax contribution of $8.5 million.

Our Handysize and Handymax daily earnings reduced 9% and 7% year on year leading to a squeeze in our operating margins, although this was partly offset by 28% and 41% increases in our Handysize and Handymax revenue days.

Our Handysize and Handymax daily earnings outperformed their corresponding markets by 22% and 11% respectively, which again demonstrates the value of our industrial and customer-focused business model and cargo book.

We purchased 43 dry bulk ships in 2013 including:

- 26 secondhand ships at an average price of US$14.8 million; and
- 17 Japanese newbuildings at an average price of US$24.4 million.

We also signed long-term charters of three years or more for three secondhand ships and 15 newbuildings – some with purchase options.

We currently operate approximately 240 dry bulk ships and our current commitments will expand our owned fleet by a further 24 ships over the next four years.

We operated an average of 202 dry bulk ships in 2013 – up from 155 in 2012.

Growth was driven by our expanding owned fleet and continued use of chartered vessels in both Handysize and Handymax.

As at 24 February 2013, we had covered 53% of our 36,750 Handysize revenue days in 2014 at $10,090 per day. This is $700 more than our cover rate of a year ago reflecting the slightly stronger market. We had also covered 68% of our 12,520 Handymax revenue days in 2014 at $10,810 per day.

2013 started with the weakest half-year market for dry bulk shipping since 1986. By contrast, freight rates in the second half improved significantly with Handysize rates in the final quarter reaching levels last seen in 2011. However, this improvement was geographically skewed towards the Atlantic, with Pacific routes – where the majority of our ships and the global fleet trade – only seeing more modest gains.

In the year overall, Handysize and Handymax daily spot market rates averaged US$7,770 and US$9,760 net representing improvements of 7% and 9% year on year.

Improvement in the freight market and sentiment translated into increased secondhand and newbuilding ship prices. Benchmark five year old Handysize values are estimated by Clarksons to be US$21 million – up 35% from the start of 2013 when values bottomed out.
Handysize newbuilding prices have increased 12% over the past year to $23.5 million.

2014 has got off to a particularly weak start due to seasonal factors including the annual post-New Year surge of newbuilding deliveries, weather-related cargo disruptions in key trade areas and an early Lunar New Year holiday in China – compounded by a mineral export ban in Indonesia.

Slide 6 – Dry Bulk Demand

Platou estimate dry bulk transportation demand in 2013 to have increased by a healthy 9% year on year – up from 7% growth in 2012.

Despite it’s somewhat slower economic expansion, China was again a major influence on global demand with Chinese imports of coal and iron ore increasing 11% and 10% respectively.

More relevant for our smaller ships, China imported 24% more of a basket of 7 important minor bulks – commodities which make up over one third of the cargo volumes we carry on our ships.

Excluding Chinese Bauxite imports, which saw a 79% increase following an Indonesian ban in 2012, that basket of minor bulks still grew by 13% year on year.

Slide 7 – Dry Bulk Fleet Development

The global fleet of 25–40,000 tonne Handysize ships in which we specialise expanded by 1% net in 2013 as scrapping substantially offset reduced new ship deliveries.

The overall dry bulk fleet expanded by 6% which is lower than the rate of expansion of the past few years. New ship deliveries were noticeably down year on year to 62 million tonnes, and were partly offset by the scrapping of 22 million tonnes of capacity.

With demand growth outpacing supply growth in the second half of 2013, we have net surplus demand for the first time since 2007 supporting a cyclical recovery.

Slide 8 – Dry Bulk Orderbook

New ship ordering increased in 2013 after a very quiet year in 2012. This was driven partly by:

- a growing appetite for more fuel-efficient vessel designs – mainly in the Capesize and Handymax segments;
- shipyards’ efforts to fill their free yard space for 2015 and 2016; and
- historically low prices and expectations of a stronger market.

The overall dry bulk orderbook bottomed out in August at 18% and currently stands at 21%.

The orderbook for Handysize vessels has increased from 17% a year ago to 21% today.

New orders for quality Handysize vessels are now generally only possible for newbuildings delivering in 2017 onwards in Japan and 2016 onwards in China. In view of this limitation on new ship orders, and assuming a shortfall in scheduled deliveries and a reasonably healthy level of scrapping, we expect to see modest, if any, Handysize net fleet growth this year.
Slide 9 – Dry Bulk Outlook

We expect the dry bulk market in 2014 to be stronger overall than it was last year as a slow-down in newbuilding deliveries and continued healthy dry bulk trade combine to support a healthier balance of supply and demand.

Periodic and geographic tightening in the market is likely to result in volatile freight rates as we saw in 2013.

A particularly weak first two months of 2014 with Pacific rates bottoming out at lower levels than last year – exacerbated by an Indonesian minerals export ban which commenced in January – and usual seasonal fluctuations are expected to give rise to a weak first half and a stronger second half.

We expect the Handysize and Handymax spot markets to demonstrate gradual recovery in 2014, reflecting the healthy supply and demand balance that characterises the minor bulk segments.

The outlook for our own business is positive: we acquired our ships at attractive prices and rates, which means our fleet benefits from a competitive cost base and demonstrates good upside potential both in terms of values but – most importantly – in terms of contribution.

Our strategic priority for 2014 is to remain selectively open to the further acquisition of owned and long-term chartered Handysize and Handymax ships at appropriate prices and rates.

The pace of our ship acquisitions is likely to be slower due to increasing prices and the growing difficulty in finding good value buying opportunities, but we remain well positioned to access both on-market and off-market opportunities as our acquisitions record shows.

We aim to continue to grow our dry bulk customer and cargo portfolio in tandem with our core fleet expansion, drawing on our expanded commercial office network and working closely with our customers to develop long-term cargo contracts that will allow both parties to manage their respective market exposures at reasonable, long-term rates.

I now hand you back to Mats who will report on PB Towage.

Speaker: Mats Berglund

Slide 10 – PB Towage – 2013 Performance

Our towage division generated a net profit of US$10.5 million and an EBITDA of $24.2 million, reflecting a mixed year for PB Towage.

Our harbour towage business logged 14% more tug jobs partly due to our new operation in the port of Newcastle where, despite the financial impact of initial, one-off start-up costs in the second half of 2013, we expect to generate increasing market share and improved results going forward.

Our activity in Newcastle – where we are one of only two operators in the world’s largest coal port – represents the next phase of growth for our harbour towage business.

Our offshore towage business increased its shareholding in the OMSA joint venture to 50% early in the year. OMSA’s contract to supply marine logistics services to the Gorgon project was subsequently extended from April 2014 to December 2015, although we expect a decline in activity as the project approaches its production phase.

Our two smaller contracts for LNG projects in Gladstone were completed during the year and we are targeting – directly and through the OMSA joint venture – other opportunities in the LNG sector and elsewhere. In December, we redeployed four tugs to a project in Australia’s Northern Territory where start-up costs and unusually heavy rainfall affected our operations.

PB Towage operated an average of 45 vessels during the period, achieving a reduced 91% utilisation of our tugs and 58% utilisation of our barges. The return on our Towage net assets was 5%.
Slide 11 – PB Towage – Segment Operating Performance

PB Towage generated $29.5 million before overheads which is down 46% year on year. To recap:

- the start-up investment in our new operation in Newcastle impacted our harbour towage performance, and
- diminishing activity on the Gorgon project, and wind-down and start-up costs following the completion of other projects impacted our offshore towage performance – mainly in the second half of 2013.

Slide 12 – PB Towage – Outlook

Australian trade continues to support growing port volumes and harbour towage job numbers, and so we expect our harbour towage activities to provide more stable earnings while our offshore towage business weathers the volatility of the offshore logistics sector.

Our harbour towage performance in the short term will primarily depend on the rate of growth of our new operation in Newcastle.

We expect to generate weak short-term offshore towage results due to start-up costs in the Northern Territory, and future performance will be affected by the speed at which we secure new employment of assets following the wind-down of completed projects.

In 2014, PB Towage will continue to look for new projects and growth opportunities:

In the harbour sector, we will look to further grow our customer base and expand into ports where the economics are deemed to add value to our business and provide sustainable returns.

In the offshore towage sector, we will seek to increase our revenue book and vessel utilisation with stronger efforts directed toward securing contract renewal opportunities, new offshore construction support contracts (primarily in Australia), and project transportation contracts.

In 2013 we commenced a review of third-party acquisition interest in PB Towage to enable the Board to assess the value to our shareholders of a possible sale. This process is coming to a conclusion and we expect to reach our decision shortly.

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

Speaker: Andrew Broomhead

Slide 13 – 2013 Financial Highlights

The Group reported segment net profits on its Dry Bulk and Towage operations of $36.0m.

Underlying profit was $15.6m.

The RoRo exchange loss on the commencement of the 3 RoRo bareboat charters and the $15.3m expenses relating to exercising 10 purchase options under finance leases – both as previously announced -resulted in an overall Group net profit of $1.5m.

Slide 14 – Pacific Basin Dry Bulk

Looking at the main drivers of our dry bulk results

Our Handysize revenue days increased 28% to 52,550 with cyclically-low priced vessel purchases starting to deliver and the continued use of chartered in vessels.
Handysize TCE earnings decreased 9% to $9,520 per day, outperforming the benchmark rate for the period by 22%.

The result was a 16% decrease in Handysize contribution to $51.8m.

Handymax and Post Panamax turned in an important positive contribution with the Handymax increase driven by the delivery of purchased vessels into the owned Handymax fleet and chartering in lower cost, short term vessels.

Our dry bulk segment’s overall net profit decreased 34% to $26.1m giving a return on its net assets of 5%.

**Slide 15 – Daily Vessel Costs – Handysize**

Handysize blended operating costs of $8,480 per day decreased 5% compared to 2012. We believe that our blended break-even costs have now bottomed out.

The reduction in 2013 was mainly due to a 7% decrease in chartered in vessel payments down to $8,720 per day. However, our chartered-in vessel costs in the second half of 2013 increased over the first half, and we expected this to continue as dry bulk market conditions strengthen.

The break out graph now shows the chartered daily cost split between short term, long term and index charters.

For 2014 the existing 10,560 fixed rate chartered-in days are at an average cost of US$9,730.

In addition we have 10,850 index-linked vessels for 2014 whose charter rates depend on the vessel characteristics. The index-linked charters, in isolation, are expected to generate a small positive contribution to our core dry bulk activity and segment performance and leverage our business model and network.

Owned vessel costs reduced 7% to $8,050 per day, mainly due to lower maintenance and repair expenses. The vessel purchase activity of 2013 is expected to increase 2014 owned vessels to around 23,750 days with the associated effect on depreciation currently estimated to give a total figure of around US$3,000 per day.

Direct overheads for HS & HM vessels decreased 13% to $540 per day as the aggregate total overheads increased more slowly than the rate of expansion of our dry bulk fleet.

**Slide 16 – Daily Vessel Costs – Handymax**

Handymax blended operating costs have bottomed out at $10,440 per day, a decrease of 7% compared to 2012.

This was mainly due to chartered in vessel payments decreasing 5% down to $10,840 per day. As with handysize, our chartered-in vessel costs increased in the second half of 2013, and we also expected this to continue as dry bulk market conditions strengthen.

For 2014 the existing 3,990 fixed rate chartered-in days are at an average cost of US$12,960.

In addition we have 2,050 index-linked vessels for 2014 whose charter rates depend on the vessel characteristics, used with the same logic as handysize index lined vessels to leverage our business model.

Owned vessel costs at $8,010 per day reduced 6% mainly due to lower maintenance and repair expenses.

The vessel purchase activity of 2013 is expected to increase 2014 owned vessels to around 5,000 days and the associated effect on depreciation currently estimated to give a total figure of around US$3,600 per day.

**Slide 17 – Balance Sheet**
For Dry Bulk, our 62 delivered Handysize vessels had an average book value of $16.7m and an average age of 7.6 years, whilst our 13 delivered Handymax vessels had an average book value of $24.8m and an average age of 5.1 years.

And at the end of December we had cash and deposits of $486m, a net borrowings position of $551m, giving a net gearing of 34%, an increase over last year in view of our vessels investments during the bottom of the cycle.

We maintain as a KPI that net gearing should remain below 50%; a number that we believe is conservative in an asset intensive industry.

Slide 18 – Borrowing and Capex

This slide shows our annual borrowing and capex payment obligations.

The vessel purchase agreements have increased our capex commitments to $525 million, spread mainly over the coming three years. We expect this will be mainly funded by Japanese export credit financing.

As the holders of the US$230 million 2016 convertible bonds have the right to put back some or all of the bonds on 12 April 2014, such convertible bonds are classified under current liabilities in the balance sheet.

The combined $1 billion of borrowing maturities are managed so as to remain spread over the coming years and will be met from existing cash resources, future operating cashflows and new borrowing facilities.

Slide 19 – Cash Flow

The Group generated operating cashflows of $98m for the year.

Coupled with existing cash and net new borrowings of $100m, this funded:

$458m of vessel payments, including 18 handysize and 9 handymax, all delivered during the year, and instalments for another 12 dry bulk vessels, leaving PB with cash of $486m at the year end.

And now I would like to hand back to Mats.

Speaker: Mats Berglund

Slide 20 – Our Position, Outlook & Strategy

2013 was characterised by encouraging early signs of a cyclical upturn. However, it was a weak, volatile and challenging market overall which continued to test the financial health and performance of dry-cargo owners and operators globally. We again generated respectable results in this difficult environment as we have done throughout the down-cycle of the past several years.

I remain happy with the segments and position that we are in – We are the world's largest Handysize operator with a growing Handymax fleet.

And I remain very happy with the cargo contract business model that Jan and his team have built up over many years. This business model is not easy to copy, it takes a long time to build up and requires a very large fleet of similar design substitutable ships and a network of commercial offices over six continents building customer relationships and securing cargo contracts. In 2013, we served over 400 customers globally.

2013 was a pivotal year for us in terms of growth and creation of additional value. Our acquisition of 43 high-quality Handysize and Handymax ships will enhance our ability to deliver the best possible service to our customers and form the basis of an expanded low-cost, owned fleet that will generate increasingly attractive returns for our shareholders as market rates improve as we anticipate they will. These acquisitions position us well for the cyclical recovery.

Our fleet primarily consist of high quality Japanese built ships and our relationships with Japanese shipyards, trading houses and owners is another result of very hard work and a spotless track record as a financially strong counterpart during many years. In fact, all but one of the ships we acquired in 2013 are Japanese.
Global Handysize fleet growth is more moderate than the larger vessel sizes and chances are that demand for minor bulks, more commonly carried in the smaller size vessels, will grow faster than demand for iron ore and coal carried by the larger ships.

Finally, I am very pleased with the continued strength of our balance sheet, our cash position and the successful addition – arranged by Andrew and his team – of Japanese export credit to our financing sources last year. Japanese export credit terms are more attractive than traditional bank financing, it is a very rigorous process to go through and only the strongest companies qualify for it.

Last year we guided for continued weak rates during 2013, that it would take a while for rates to increase significantly, but that we believed things are getting better not worse. In fact we saw demand growth overtake growth in supply since mid-2013, and that resulted in the stronger market in the second half – albeit with significant regional differences in market strength.

We expect demand to continue to outstrip supply in 2014 and 2015 and that this will create a gradually stronger market.

A lot of earnings capacity has been added to our fleet, and is kicking in gradually.

Patience and staying power is still required, we have both, and a lot of people in our company have been - and are - working very hard to build our platform even stronger.

Thank you.

I'll now hand you back to David for the Q&A.