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

We will follow our usual format and, as such, I will hand over to our CEO Mats Berglund who 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.

Slide 2 – Group Highlights

Pacific Basin produced an underlying profit of $14 million and a net profit of $300,000 in the first half of 2013, and our EBITDA increased to $59 million.

These group results represent an improvement compared to the same period last year despite facing the weakest half-year market for dry bulk shipping since 1986, and despite one-off lease break costs and exchange rate losses.

That is proof again of the value of our cargo book and business model, which enabled our outperformance of the Handysize market by 32% and allowed our core dry bulk shipping business to generate an increased profit. It also reflects another solid contribution from PB Towage.

The most notable activity in the year to date was our purchase of 27 dry bulk ships and the long-term charter of another 9 so far this year. Along with deliveries of ships ordered in previous years, our acquisition commitments to date will expand our owned fleet on the water from 37 bulkers at the start of the year to 72 by year end – almost doubling the number of ships we own. The majority of the ships acquired are secondhand ships but, as secondhand values strengthened, the difference versus newbuilding prices narrowed and we have recently placed orders for six Japanese newbuildings.

We are actively putting our cash to work – expanding our owned fleet at attractive prices and positioning ourselves with a larger competitively-priced and high-quality fleet for a stronger market in the longer term. We are also expanding our chartered fleet and currently have a total of 224 dry-cargo ships on the water compared to 166 at the start of the year.

Our balance sheet remains healthy with a cash position of $442 million, and, with the drawing on financing facilities scheduled for the second half this year, we will ensure our cash position remains strong to take advantage of further opportunities.

Importantly, our RoRo exit transaction – the bareboat out with purchase obligation to Grimaldi – is on track and they are paying for one vessel every six months with the first ship having successfully changed ownership and been paid for in June.

In view of our results and the weak dry bulk market conditions, the Board has declared no dividend for the interim period. However, for the full year, a payout will be considered based on the Group’s full-year performance and its available cash resources and commitments at that time.

Slide 3 – Pacific Basin Dry Bulk – 1H 2013 Performance

Our dry bulk division increased its net profit by 51% to $11 million and generated an EBITDA of $51 million.

Our Handysize and Handymax daily rates averaged $9,290 and $10,570 for the first half and outperformed the weak spot market by 32% and 28% respectively.
Our improved net profit was driven by three main factors:

- an approximately 25% increase in our ship revenue days;
- lower Handymax daily vessel costs as expensive inward charters expired or were renewed at lower rates; and
- our increased number of lower-cost, owned Handymax ships to mirror our Handysize business model.

As stated above, we purchased 27 dry bulk ships so far this year. This brings to 31 the number of vessels we have purchased since we returned to the ship acquisitions market in September 2012.

High fleet utilisation, passion for customer service, fuel consumption optimisation and a high-quality fleet are key ingredients to achieving our superior “time charter equivalent” vessel daily earnings. Over the past five years we have consistently outperformed the market and met a key objective of remaining profitable in spite of the weak market conditions.

**Slide 4 – Pacific Basin Dry Bulk Earnings Cover**

We operated an average of 184 dry bulk ships in the first half of 2013 – up from 148 in the first half of last year.

Growth was driven by more owned and long-term chartered ships and also, significantly, by operating more short-term chartered ships as we leverage our market penetration and customer relationships to profitably combine tonnage and cargo opportunities in the marketplace to add value to our core fleet operations.

As at 22 July, we had covered 64% of our contracted 16,060 Handysize revenue days in the second half of 2013 at $9,350 per day net.

Since our First Quarter Trading Update, we have changed the way we talk about our cargo cover. We now specify the cover we currently have for the remainder of the year, which we consider to be more relevant than the level of cover secured for the full year – part of which is now history.

We continue to build our cargo portfolio in tandem with our fleet growth as part of our on-going effort to carefully manage the degree of our forward cargo cover – especially so in these challenging market conditions.

**Slide 5 - Dry Bulk Market Information**

Handysize and Handymax spot rates have shown moderate improvement over two consecutive quarters since the fourth quarter of 2012, but rates remain low. Handysize and Handymax average spot rates for the first half of 2013 were 7% and 12% down on the same period last year. After slight seasonal strengthening in the second quarter, rates have been easing since mid-year, but we see potential for a modest lift in the fourth quarter.

Handysize and Handymax market spot rates averaged $7,060 and $8,270 per day net respectively in the first half. They significantly outperformed much larger Capesize vessels which averaged only $5,830 in the period, underscoring the relatively better freight market support for smaller and more versatile ship types that currently benefit from more favourable supply side fundamentals.

Clarksons currently value their benchmark five year old Handysize at $18 million. This represents a 13% increase on the value indicated throughout most of the second half of 2012, due to increased buying interest at a time of tight supply of modern, high-quality ships.

This tighter secondhand market is causing more buyers to look to shipyards for new capacity. Newbuilding prices appear to have bottomed out at around $21 million and currently stand at around $22 million, which is the average for Japanese and Chinese newbuildings of 35,000 dwt.
Slide 6 – Dry Bulk Demand

R.S. Platou have not yet published data for the half year, but they estimate dry bulk transportation demand in the first quarter to have increased by 5% year on year.

This reflects the resilience in international commodity demand despite slower Chinese economic growth, as well as the reduced effect of China coastal cargo and congestion which showed substantially no change compared to the same period last year.

China continued to dominate dry bulk demand developments, most notably importing:
- 5% more iron ore year on year;
- 10% more coal; and, more importantly for our smaller ships…
- 13% more minor bulks

Such relatively healthy demand fundamentals, however, continue to be overshadowed by oversupply, primarily in the larger vessel segments.

Slide 7 – Dry Bulk Fleet Development

The global fleet of 25–40,000 tonne Handysize ships in which we specialise expanded by 1% net during the half year, as scrapping substantially offset deliveries.

The overall dry bulk fleet expanded by 3% net which is lower than the pace of expansion of the past few years. New ship deliveries were noticeably down year on year to 35 million tonnes in the first half of 2013, and were partly offset by the scrapping of a 13 million tonnes of capacity.

Slide 8 – Dry Bulk Orderbook

After a very quiet year for ship ordering in 2012, new orders mainly for large dry bulk vessels increased significantly in the year to date. This was driven partly by:

- a growing appetite for larger more fuel-efficient vessel designs;
- shipyards’ efforts to fill their free yard space for 2015 and 2016; and
- the lack of availability and the increasing price of high-quality, modern secondhand ships.

Even so, combined with the heavy influx of new ships which fell short of scheduled deliveries by 44% in the period, the orderbook for dry bulk vessels overall has shrunk from 25% a year ago to 18% as at 1 July.

The orderbook for Handysize vessels fell from 23% a year ago to 16%.

We anticipate significant shortfalls to impact the current scheduled orderbook for full year 2013 and 2014. With new orders now practically impossible for 2014, and assuming a reasonably healthy level of scrapping activity, we expect to see marginal if any net Handysize supply growth this year and next. With continued positive demand growth, we therefore anticipate improving fundamentals for Handysize over the next one and a half years.

Slide 9 – Dry Bulk Outlook

We expect the Handysize and Handymax spot markets to remain weak overall in the rest of the year.

While cargo demand is likely to remain relatively healthy and the worst of the influx of new capacity is now behind us, it will take some time for the market to absorb the oversupply of larger dry bulk ships and for a cyclical upturn and sustained recovery to take hold.
As mentioned, deliveries of new Handysize vessels will continue to decline in 2014 when we estimate demand for minor bulk cargoes will be greater than Handysize net fleet growth.

As you have heard, we have made significant acquisitions so far this year. Our strategic priority remains to expand our fleet of owned and long-term chartered Handysize and Handymax ships at attractive prices and rates.

However, recent increases in vessel prices and long-term charter rates will make it more challenging to find good acquisition and charter opportunities ahead, though we continue to be well positioned to access both on- and off-market opportunities.

In tandem with our fleet expansion strategy, we are also expanding our customer and cargo portfolio. We will continue to work 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.

**Slide 10 – PB Towage – Performance**

Our Towage division generated a net profit of $13 million and an EBITDA of $20 million.

We consider this to be a solid result despite being slightly down on the same period last year.

Our offshore construction support business remained active across various LNG developments and, having recently completed project work in Gladstone, we are now tendering for a number of LNG-related projects in Western Australia and the Northern Territories.

We are also working on new opportunities to fill gaps in the market for project cargo transportation services, and to potentially expand into nearby markets outside of Australia, leveraging on our construction support expertise.

PB Towage increased its shareholding in the OMSA joint venture to 50% reflecting our continued confidence in the prospects for the OMSA business in Australia’s offshore gas sector.

Our harbour towage business logged 6% more tug jobs in the first half compared to the same period last year and, importantly, we have just commenced a new harbour towage operation in Newcastle where we are one of only two operators in the world’s largest coal port.

Start-up costs will impact the financial performance in Newcastle in its first year, but we expect this operation to generate a strong return in the medium term and to represent the next phase of growth for our harbour towage business.

PB Towage operated an average of 44 vessels during the period, achieving 95% utilisation of our tugs and 57% utilisation of our barges.

**Slide 11 – PB Towage – Outlook**

The medium-term outlook for the towage market in Australia is positive.

Construction on several major offshore gas projects is ramping up while others are moving into the production phase, supporting demand for our offshore support vessels, and Australian seaborne trade continues to support growing port volumes and, in turn, harbour towage job numbers.

PB Towage has a good reputation and a strong customer base, and will continue to pursue opportunities in the offshore sector and to expand its harbour towage income base.

We will focus on current opportunities for offshore support in the Australian resources sector, both directly and through the OMSA joint venture, while continuing with longer-term initiatives to develop construction support and project cargo transportation solutions and potential expansion into neighbouring geographic and niche markets.
Our harbour towage business will focus in the medium term on competing for exclusive ports contracts as well as towage jobs in open competition ports where such activity adds value to our business and provides sustainable returns.

Slide 12 – 2013 Interim Financial Highlights

The Group reported segment net profits on its Dry Bulk and Towage operations of $25.8m, an increase compared to the same period last year mainly due to a stronger contribution from Handymax dry bulk vessels.

Underlying profit was $13.6m, benefiting from the reduced loss from the discontinued RoRo operations.

The RoRo exchange loss of $8.3m on the commencement of the 3 RoRo bareboat charters and the $6.1m expenses relating to exercising five purchase options under finance leases – both as previously announced – resulted in an overall Group net profit of $0.3m.

Slide 13 – Pacific Basin Dry Bulk

Looking at the main drivers of our dry bulk results

Our handysize revenue days increased 24% to 23,740, due to a growing fleet, including the increased use of index linked chartered in vessels to service our expanding customer base.

Handysize TCE earnings decreased 12% to $9,290 per day, which nevertheless still outperformed the benchmark rate for the period by 32%.

The result was a small decrease in Handysize contribution to $22.4m.

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

Our dry bulk segment’s overall net profit increased 51% to $11.3m giving an annualised return on its net assets of 3%.

Slide 14 – Daily Vessel Costs – Handysize

Handysize blended operating costs of $8,280 per day decreased 8% compared to 2012.

This was mainly due to an 11% decrease in chartered in vessel payments down to $8,340 per day.

Owned vessel costs at $8,170 per day were stable in the first half of 2013.

We estimate that our blended break-even costs have now bottomed out and you should not expect this reduction to continue. You can see that the existing contracted chartered-in days for the second half of 2013 are at a slightly higher cost than in the first half of the year.

Overall, direct overheads for HS & HM vessels were $550 per day – down from $620 per day in 2012 due to our larger fleet and increased efficiencies.
Slide 15 – Balance Sheet

For Dry Bulk, our 52 delivered Handysize vessels had an average book value of $16.7m and an average age of 8 years, whilst our 9 delivered Handymax vessels had an average book value of $24.8m and an average age of 5 years.

The Discontinued RoRo column includes the asset value of one RoRo vessel. As of its bareboat charter commencement date in 2014, it will be categorised as a trade receivable under the Treasury column where the value of the other 4 RoRo vessels is included.

And at the end of June we had cash and deposits of $442m, a net borrowings position of $415m, giving a net gearing of 29%.

Slide 16 – Borrowing and Capex

This slide shows our annual borrowing and capex payment obligations.

The vessel purchase agreements in the year to date have increased our capex commitments to $298 million, which mainly arise in 2013 and 2015.

The combined $857m of borrowing maturities are managed so as to remain comfortably spread over the coming 6 plus years and will be met from existing cash resources, future operating cashflows and new borrowing facilities.

Slide 17 – Cash Flow

The Group generated operating cashflows of $34.5m for the period.

Coupled with existing cash, this funded:

$76m of borrowing repayments and prepayments; and

$227m of vessel payments, including 8 handysize and 5 handymax, all delivered during the period, and instalments for another 12 dry bulk vessels, leaving PB with cash of $442m at the period end.

In the second half of the year, we plan to draw down from the $67 million unutilised portion of the 12-year Japanese export credit loan facility arranged in the first half of the year.

We will also secure new financing using some of our 50 unmortgaged vessels that had a net book value of $508 million.

Slide 18 – Our Outlook and Strategy

Having been with the company for just over a year now, I am very pleased with the increased focus and direction of our organization and capital towards our core dry-cargo segment.

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

Both the historical and future 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.
And within our chosen segments, I am very happy with the Cargo Contract business model that primarily Jan and his team have built up over so many years. We use all our ships ourselves, we do not time charter out anything, and the efficient utilization of the ships against in many cases complimentary cargo contracts is the key reason why we can outperform the average market rates.

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.

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 the ships that we have acquired during the last year are Japanese. And several are the result of other companies’ non-performance. The ships we are buying generally have at least 15 years of service in front of them.

The message that we are giving to you is that we see more upside than downside in our core dry-cargo segment going forward. We waited patiently while rates and values declined during 2011 and 2012 but called the market bottoming out and acted decisively primarily in the second hand market during the last nine months.

A lot of earning capacity has been added to our fleet. Secondhand prices have now moved up so it is harder today to find good value than it was six to nine months ago. But we continue to target buying good quality ships and thanks to outperforming the market rates, we can still generate a decent return on the ships we buy and add to our fleet at todays’ still historically low prices.

We are also benefiting from continued strong returns from our towage business. Our investment here is smaller, but the relative returns are very good and that is especially beneficial for us during the weaker dry-cargo years. We are trying to expand this business – most recently with the entry of our Harbour towage business into the port of Newcastle.

Finally, I am very pleased with the 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 during this 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.

We are guiding for continued weak rates in the shorter term and that it will take some time still for rates to increase significantly. But we believe things are getting better not worse. Patience and staying power is still required, we have both and a lot of people in our company are working very hard to build our platform even stronger.

Thank you.