Good afternoon ladies and gentlemen, and thank you for attending Pacific Basin’s 2014 Interim Results presentation.

I am joined by our CEO Mats Berglund, our COO Jan Rindbo and our CFO Andrew Broomhead. I would also like to introduce you to our executive director Charlie Kocherla who has recently returned to Hong Kong to take up the new post of Chief Technical officer of the Company. He has been with Pacific Basin since 2000. He was “Director, Fleet” before being appointed Group Managing Director of PB Towage. And he is now where we need him the most at a time when our fleet of owned dry bulk ships on the water is growing so significantly. So Charlie can answer any questions you may have at the end on our ships’ daily running costs and our technical operations.

We will follow our usual format and, as such, I will hand over to our Mats who will present our results and business activities with the help of Jan who heads our dry bulk business, and Andrew, our CFO. I will then invite you to ask any questions you may have.

Good afternoon. Thanks again for joining us for your interest in our Company.

Pacific Basin produced net loss of US$90.7 million from an underlying loss of $21.5 million in the first half of 2013, and our EBITDA was positive $38.9 million.

These results are not satisfactory, and reflect a difficult half year characterised by a weak second quarter dry bulk market and an increasingly competitive landscape in the towage sector.

Specifically, our results include a $63.9 million substantially non-cash write-off and provision for our towage business following a downgraded outlook for the long-term earnings capability of PB Towage.

The drop in the dry bulk market from an unexpectedly strong end of 2013 to a surprisingly weak second quarter of 2014 impacted the performance of our Handymax activity.

I will leave Jan to talk you through the main drivers of our dry bulk results, but I would say that our effective business model again enabled our daily vessel earnings to outperform the Handysize and Handymax spot market indices by 23% and 13% respectively.

We expect the dry bulk freight market to show improvement in the fourth quarter of 2014, albeit from today’s low levels. The future fundamentals look favourable, especially for smaller bulk carriers of the type in which we specialise.

In that context, we are very happy with the 51 ships we have acquired in the past two years which more than doubled our owned fleet. Our counter-cyclical owned fleet expansion at historically attractive prices is reinforcing our dry bulk freight service platform to enhance customer satisfaction and position us to leverage the market recovery we expect.

Our RoRo exit transaction remains on track. The third of our RoRo vessels delivered into Grimaldi’s ownership in June as contracted, and the remaining three are all on bareboat charter to Grimaldi until they take ownership of at least one vessel in each six-month period until the end of 2015.

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.

I will now hand over to Jan, our Chief Operating Officer, who will talk you through our dry bulk performance.
Thank you Mats.

Our dry bulk division made a net loss of $6.5 million, but generated a marginally increased EBITDA of $53.4 million.

Our unsatisfactory segment result was driven by four main factors including:

1. losses on Handymax vessels which we chartered in on a short-term basis at higher cost during the unexpected regional US Gulf market spike at the end of 2013 to perform our US Gulf cargo commitments in the first quarter;
2. low-paying Handymax positioning voyages generating losses in the first quarter that could not be fully recovered due to the poor second quarter market;
3. the unexpectedly weak dry bulk market in the second quarter; and
4. the loss of earnings due to the routine dry-docking of an unusually high proportion of our fleet.

The effect of these factors was mitigated by good control of our owned vessel operating costs and our ability to beat the Handysize and Handymax spot market indices by 23% and 13% respectively. High fleet utilisation, fuel consumption optimisation, a strong customer focus and a high-quality fleet are key ingredients to achieving our superior vessel daily earnings.

Following our busiest ever year for dry bulk acquisitions in 2013, we committed to order one additional newbuilding and purchase three secondhand ships in the year to date.

37 newbuildings are now due to join our fleet over the next three years including 18 owned and 19 chartered ships – all from Japanese shipyards and all very well suited to our trades.

We operated an average of 211 dry bulk ships in June, which is up 15% on the same period in 2013.

As at 18 July, we had covered 59% of our Handysize and Handymax revenue days in the second half of 2014 at $9,400 and $9,925 per day net respectively.

Our uncovered capacity gives us exposure to the spot market which is weak now, but which we expect to strengthen in the fourth quarter.

Average Handysize and Handymax market spot rates in the first half were up 17% and 19% respectively on the same period in 2013. These year-on-year comparisons mask a weaker second quarter than expected and a significant drop in market rates in the year to date.

By mid-year, spot rates had fallen about 50% since peaking in December on the back of a strong US Gulf market, eradicating the improvement in rates made during 2013. Today, Handysize rates are down to around $5,100 levels last seen in February 2009 and February 2012.

Fundamentally we believe the market recovery remains fragile because growing demand has not yet fully absorbed the excessive dry bulk supply generated by the newbuilding delivery boom of 2010-2012.

In our view, the second quarter weakness was led by a collapse in Atlantic rates – unusually below Pacific rates – following the repositioning of more ships than usual into the Atlantic in response to an Indonesian export ban and in the expectation of the South American grain export season. This regional increase in supply was compounded by reduced South American port congestion.
Clarksons currently value their benchmark five year old Handysize at $19.5 million which is 7% down since the beginning of the year, but remains 26% above values at the start of 2013.

**Slide 6 – Dry Bulk Demand**

Dry bulk transportation demand is slowing, but, in the first quarter of 2014, is estimated by R.S. Platou to have increased by a still healthy 7.8% year on year. Platou have not yet published data for the second quarter.

The Indonesian export ban has significantly reduced Chinese imports of bauxite and nickel ore. The abrupt disappearance of Indonesian bauxite and nickel ore exports since February – while representing a small part of global demand – had a pronounced effect on supply/demand dynamics in the first half of 2014.

Chinese imports of other minor bulks not affected by the Indonesian ban showed solid growth of 21% year on year.

Chinese iron ore imports in the period also expanded by a healthy 19%, while coal import growth slowed to 4%. In Europe, a mild winter resulted in reduced coal imports.

**Slide 7 – Dry Bulk Fleet Development**

The global Handysize fleet registered 1.9% net capacity growth during the first half of the year, driven by 3.6% newbuilding deliveries and 1.7% scrapping.

That capacity growth corresponds to 2.5% net fleet expansion on a year-on-year basis.

The overall dry bulk fleet grew 2.7% net during the period - lower than the pace of expansion of the past few years.

Widespread slow steaming continues to curtail effective dry bulk shipping capacity.

Due to the weak second quarter freight market, the high level of new dry bulk ship ordering in late 2013 has given way to much reduced ship ordering today.

**Slide 8 – Dry Bulk Orderbook**

The published orderbook for dry bulk vessels overall now stands at 23% as compared to 18% a year ago.

Newbuilding deliveries in the first half fell short of the scheduled orderbook by 40% and we expect a significant shortfall also in the second half of the year.

In the short to medium term, we expect to see modest net supply growth in the Handysize segment, with growth in demand exceeding growth in supply.

**Slide 9 – Dry Bulk Outlook**

We expect the dry bulk freight market to improve in the fourth quarter, but from a low base given the current weak market.

The second half of the year typically sees fewer shipyard deliveries and greater dry bulk cargo volumes which combine to support a healthier balance of supply and demand.

Notwithstanding the unexpectedly weakness in the market in the year to date, the outlook for our own business is positive.

Our core business remains firmly focused on the Handysize and Handymax segments and we will continue to work hard on making our already strong dry bulk platform even stronger.

We are committed to our cargo focused business model and are working to further strengthen our cargo systems and customer relationships in order to optimise the utilisation of our fleet.

We continue to work closely with our customers on both spot and contract cargoes and, during the first six months of the year, we concluded several contracts of affreightment at reasonable long-term freight rates.

I now hand you back to Mats who will report on PB Towage.
Our Towage division generated a net loss of $9.2 million and an EBITDA of negative $3 million in the first half of 2014 in the face of an increasingly competitive landscape. The book value of our vessels in this segment is now $126 million, representing about 8% of our combined dry bulk and towage vessel net book value.

The year-on-year drop in results was mostly attributable to our offshore towage business. More on this in the next slide.

By mid-year, the PB Towage fleet stood at 47 vessels and this is likely to reduce a bit as we redeliver chartered-in vessels.

In the coal port of Newcastle where we commenced operations a year ago, our harbour towage volumes continue to expand steadily and in line with our expectations.

In Townsville where we hold an exclusive license, activity was impacted by reducing nickel ore imports due to the Indonesian export ban.

Volumes at our three liner ports remained static during the period, and competition for market share in the competitive Australian ports is fierce.

On the offshore towage side, the wind-down of the construction phase of Gorgon and other gas projects has resulted in the redelivery of some of our tugs from their completed projects and increasing competition for fewer employment opportunities which is impacting earnings and utilisation. In addition, four tugs are redelivering to us from the restructured Northern Territory trans-shipment project.

In the Middle East, we maintain good utilisation of our three tugs and three barges despite the competitive environment there. At some cost of repositioning, we are redeploying a number of offshore assets from Australia to the Middle East.

As announced on 25 June, our discussion with PSA Marine did not produce an offer for our harbour towage business due primarily to increased competition in recent months. We will therefore maintain our ownership of both our harbour and offshore towage businesses.

The change in the competitive landscape resulted in our downgraded outlook for the long-term earnings capability of PB Towage, necessitating non-cash impairment charges and a provision together amounting to US$63.9 million in our consolidated half-year results. Andrew will break this figure down for you shortly.

The impairment will not impact the operating cash flows or operations of the Group, which will continue to benefit from a robust balance sheet.

In harbour towage, we expect continued expansion of Australian seaborne trade to support growth in demand. Our harbour towage performance in the short term partly depends on the growth of our young Newcastle operation and, in the longer term, on our success in expanding our market share in our existing and new ports. Our focus is on tendering for licenses in new ports, continuing to grow our Newcastle business and providing first-class service to all our customers.

We expect our Australian offshore towage operations to be impacted by reduced demand and increased competition as Gorgon and other key projects complete their construction phase. We are taking extra cost-control measures to better weather the challenging environment. Our focus is on managing and restructuring our business in response to vessel redeliveries from existing contracts and on competing for tenders and repositioning vessels to find replacement employment both in Australia and the Middle East.

We remain committed to providing a secure and reliable service to both our harbour and offshore towage customers. We are committed to our towage businesses and are fully supporting the new business tenders in which we are engaged.

We’re re-energizing, refocusing and working hard with efforts to improve profitability.
I will now pass you to Andrew, our CFO, who will present the financial section.

Speaker: Andrew Broomhead

Slide 13 – 2014 Interim Financial Highlights

The Group reported a segment net loss on its Dry Bulk and Towage operations of US$16.1m and an Underlying loss of US$21.5m mainly due to higher Handymax short term inward charter costs, a weak second quarter dry bulk market and weak towage results.

The loss attributable to shareholders was impacted by a US$63.9m Towage impairment and provision to align vessel book values with market values. The impairment and provision comprised:

- a US$52m non-cash vessel impairment charge;
- a US$10m non-cash impairment against our interest in joint ventures; and
- US$2m of provisions for costs.

Slide 14 – Pacific Basin Dry Bulk

Our dry bulk segment’s overall result turned to a loss of US$6.5m.

The improved Handysize contribution was offset by a negative Handymax contribution.

Direct overheads increased mainly due to a 22% step increase in dry bulk headcount following our vessel expansion in 2013, and inflation increases in overhead costs. Due to the higher vessel days the aggregate overhead translated into a lower 13% increase in daily cost to US$620 per day, reverting to 2011 and 2012 levels.

Dry Bulk EBITDA improved 5% to US$53.4m due to the higher number of owned ships.

Slide 15 – Pacific Basin Dry Bulk

Analyzing our dry bulk results further,

Our Handysize and Handymax revenue days increased 15% and 29% respectively as our purchased and long-term chartered vessels continue to deliver.

Handysize TCE earnings increased 10% to $10,210 per day, whilst blended daily cost also increased by 10%. Coupled with the increase in revenue days, the result was a 17% increase in Handysize contribution to US$26.2m.

However, the Handymax contribution turned to a negative US$10.7 million as chartered in rate increases brought the blended daily cost up to US$790 per day above the level of our TCE earnings.

Slide 16 – Daily Vessel Costs – Handysize

Handysize blended operating costs of $9,120 per day increased 8% compared to full year 2013.

The increase was mainly due to a 10% increase in chartered in vessel rates to $9,590 per day, mainly on the higher first-quarter short term and index-linked costs.

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

For the second half of 2014 the existing short term chartered in costs are US$1,430 below the first half level. In addition we have 5,020 index-linked vessels whose charter rates depend on the market rate and vessel characteristics.

Our proportion of lower cost owned vessels stands at 42%, an increase of 6% due to the delivery of purchased vessels.
Slide 17 – Daily Vessel Costs – Handymax

Handymax blended operating costs of $11,890 per day increased 14% compared to full year 2013 on the back of a 19% increase in chartered in vessel rates to $12,860 per day.

At the end of 2013, we had chartered in a number of Handymax vessels on short-term basis at high cost during the unexpected regional US Gulf market spike to perform our US Gulf cargo commitments in the first quarter.

We have taken measures in the first half of 2014 to manage our costs. Our Handymax chartered-in days during the period decreased 5% when compared to those in the second half of 2013 due to a reduced level of short-term inward chartered vessels.

For the second half of 2014 the existing short term chartered in commitment costs reduce over US$3,000 to US$10,520 per day. In addition we have 1,080 index-linked vessel days.

Our proportion of lower cost owned vessels stands at 22%, a significant increase of 8% in the period.

Slide 18 – Balance Sheet

Our vessel net book value is almost all represented by Dry Bulk vessels which accounted for 92%.

Our 66 delivered Handysize vessels had an average book value of US$16.5m and an average age of 8.8 years, whilst our 15 delivered Handymax vessels had an average book value of US$24.2m and an average age of 5.9 years.

And at the end of June we had cash and deposits of US$320m, a net borrowings position of US$655m, giving a net gearing of 39%, a 5% increase over December, reflecting capex paid on vessels investments. We had US$372m of undrawn bank borrowing facilities for our future capex commitments.

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 19 – Borrowing and Capex

Turning to our borrowing and capex payment obligations.

Our capex commitments of US$410m are spread over the coming four years. We expect this will be mainly funded by our US$371 million of undrawn committed bank borrowing facilities coupled with operating cash flows.

US$20m of the US$230m 2016 convertible bonds have been put back to us on 12 April 2014. The remaining US$210m is now due in April 2016.

The combined US$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 cash flows and re-financing new borrowings.

Slide 20 – Cash Flow

The Group generated operating cashflows of $44m for the period.

Coupled with existing cash, this funded:

$149m of vessel payments, including 4 handysize and 2 handymax, all delivered during the period, and instalments for another 9 dry bulk vessels, leaving PB with cash of $320m at the period end.

And now I would like to hand back to Mats.
It has been a difficult half year with the weak second quarter dry bulk market and the challenges within towage.

However, we are encouraged by a couple of noteworthy points relating to our cornerstone dry bulk business:

1. A benefit of the weak market is that new ship ordering has substantially stopped.
2. Our dry bulk team has again generated daily earnings that outperform the spot market indices, demonstrating our effective business model.
3. Our dry bulk EBITDA of $53 million was up year on year, in spite of the Handymax losses this year.
4. The future fundamentals look better, especially for smaller bulk carriers of the type in which we specialise.
5. We are very happy with the 51 ships we have acquired in the past two years which more than doubled our owned fleet and are well suited to our trades.
6. Our newbuildings are all fully funded by attractive Japanese financing and we maintain a strong balance sheet and cash position.

Hence we remain positive about the prospects for our dry cargo activity.

We are firmly focused on our core dry bulk business and we will continue to work hard on making our already strong dry bulk platform even stronger.

We remain selectively open to the acquisition of Handysize and Handymax ships at appropriate prices but expect a much slower pace of acquisitions compared to 2013.

And finally, patience and staying power is still required, and we have both. We are confident that our counter-cyclical owned fleet expansion at historically attractive prices is reinforcing our dry bulk freight service platform. It is enhancing customer satisfaction and it positions us to leverage the market recovery we expect ahead, generating increased shareholder value, a competitive cost base, sustainable growth and attractive long-term returns.

Thank you.

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