Welcome ladies and gentlemen, and thank you for attending Pacific Basin’s 2015 Annual Results presentation, which this year takes the form of a joint conference call and live webcast from our headquarters in Hong Kong.

I am joined by our CEO Mats Berglund, our CFO Andrew Broomhead and our CTO Charlie Kocherla.

2015 was a horrid year for dry bulk shipping which has naturally impacted our results. However, we made a much smaller loss than in the previous year and an increased positive EBITDA.

Our performance is in line with our profit warning announcement on 26 November 2015, highlighting Pacific Basin’s resilience in this weak market and the value of our robust business model.

I will hand over to Mats who will present our results and business activities before Andrew talks you through the financials. I will then invite you to ask any questions you may have.

Good afternoon, and thank you for your interest in Pacific Basin.

We improved our EBITDA to a positive US$88 million in 2015, we halved our underlying loss to US$28 million and we significantly reduced our net loss to US$18.5 million.

This represents a strong outperformance in one of the weakest dry-bulk markets on record.

We turned around our Supramax segment to a positive contribution by focusing on key routes, growing our global parcelling activity, and significantly reducing our charter-in costs.

We generated positive results from our much reduced Towage business, and our exit from RoRo was fully finalised.

We intensified our efforts to reduce all categories of costs. Without compromising safety and customer service, we reduced our daily vessel operating expenses through scale benefits and good cost control. Despite growing our owned fleet, we reduced our overall G&A expenses by $19 million or 25% compared to 2014 and we continue to work hard on further cost savings and efficiencies.

We are redelivering all expiring medium and long term chartered-in ships to further reduce our charter costs while our growing high quality owned fleet enables greater control and service quality.

Our Handysize and Supramax daily TCE earnings of US$7,870 and US$9,170 outperformed the Handysize and Supramax spot market indices by over $2,500 per day or 54 and 39% respectively.
Going forward, we have continued to secure fixtures and cargo contracts that combine with our existing cargo systems to support continued premium vessel earnings.

As at 18 February, we had covered 44% of our Handysize days for 2016 at US$7,800 and 59% of our Supramax days at US$7,330 per day.

**Slide 4 – Our Ability to Outperform**

We are of course not happy with the state of the dry bulk market, but we like the structure of our company today and the focus on our Handysize and Supramax segments. In the Capesize and Panamax segments, operators primarily carry iron ore and coal in one direction and go back empty. They often have a small number of large customers, are heavily dependent on Chinese imports and find it very difficult to differentiate themselves.

Our segments on the other hand are much more diverse and operationally intense, and having skilled people and operational expertise really makes a difference. Our ships have their own cranes and can carry a wide variety of minor bulk cargoes, a much smaller proportion of minor bulk demand comes from China and, while we are very focused on our segments, we have 400 customers and a very global geographical exposure carrying more than 25 different minor bulk commodities.

Our business model has been built up and refined over many years and we now have a better fleet of high quality substitutable ships than we have ever had. Our people know how to find fronthaul and backhaul cargoes, and develop systems of complementary trades through spot and long-term cargo contracts.

And they know how to schedule and combine our fleet of substitutable ships with our cargo system to achieve a high laden-to-ballast ratio. You can’t execute this business model from one office and our global office network with people on the ground – close to customers – is a critical ingredient to win and operate key cargoes.

This is how we maximise our vessel utilisation, and it is how we generate our TCE premium which represents a significant earnings advantage when multiplied across our large fleet.

Our average Handysize TCE premium of US$2,760 per day in 2015 exceeded our five-year average premium of US$2,650.

And our average Supramax TCE premium of US$2,550 per day in 2015 exceeded our five-year average premium of US$1,780.

**Slide 5 – Our Balance Sheet & Liquidity**

Our cash position at December 31 was US$358 million and in addition, we had another US$101 million of liquidity with US$375 million of committed but undrawn credit facilities exceeding the remaining US$274 million two-year capex commitments on the 13 Japanese newbuildings that are not yet delivered. We also have US$14 million arriving in early 2016 for towage assets sold but not yet delivered and paid for at year end.

The sale of non-dry bulk assets contributed to reduced net gearing (based on book values) from 40 to 35%.

In the first half of 2015, we issued a new US$125 million convertible bond maturing in 2021. Our completed exit from RoRo and most of our towage business generated cash of US$140 million which we collected in 2015.

These actions were taken earlier last year preparing for the anticipated payment of $230 million of convertible bonds in 2016.


**Slide 6 - Dry Bulk Freight Market**

While global fleet growth has continued to slow down as expected, the market saw negative demand side surprises the last two years – most notably the effects of the unprocessed minerals export ban from Indonesia in 2014 and the larger than expected reduction in China’s coal imports in 2015. This has led to a bearish sentiment with freight rates and secondhand values falling to historical low levels.

This market weakness was compounded in second half 2014 and through 2015 by significantly lower fuel prices which support increased ship operating speeds when freight rates increase.

Case in point – Strong South American grain exports led to market tightness and increased freight rates in the third quarter of 2015. The fleet responded with higher speeds, thus increasing effective shipping supply which contributed to freight rates weakening again, and rates have been falling since September last year. Spot freight rates have increased since Chinese New Year, but levels remain below industry cash operating costs – a situation not sustainable in the long term. And I remind you that we are talking about market freight rates here, not Pacific Basin earnings.

**Slide 7 – Handysize Vessel Values**

Clarksons Platou now value a benchmark secondhand Handysize at US$9.5 million which is down 34% since a year ago. They rate a newbuilding at US$20.5 million, down 7%.

While there have been some forced sales, activity has been very limited and it is increasingly difficult to establish fair market values.

The gap between secondhand and newbuilding ship values is at an historic high, discouraging new ship ordering.

**Slide 8 – Dry Bulk Seaborne Trade**

Dry bulk demand was substantially flat in 2015. This reflects positive demand growth for bauxite, steel products and grain, but offset primarily by reduced coal trade and reduced nickel that has still not fully recovered from the Indonesian export ban. Overall, we saw the two major bulks iron ore and coal – combined – contract 1% and minor bulks increase 1%. (Note that this is measured in volume. If we measure demand in ton-miles, overall demand contracted by about 0.8% while minor bulk growth was slightly larger at between 2-3%)

**Slide 9 – Chinese Dry Bulk Imports**

Chinese dry bulk imports, representing about 30% of total demand, reduced by 2%. The reduction is explained almost exclusively by significantly lower coal imports due to slower economic growth, increasing use of hydroelectric power and actions to protect China’s domestic coal industry. The two major bulk commodities combined contracted 5% while the minor bulk commodities increased 2%.

Many of the minor bulk commodities including soybean and bauxite show good growth. In fact, minor bulk imports into China have grown steadily every month since March 2015. We believe that minor bulks and grain are better positioned for continued demand growth, both worldwide and into China. Minor Bulks tend to peak later in the economic cycle, driven also by consumer products. Urbanisation and changing eating habits continue, and China does not have enough water and land to grow enough crop for animal feed and we believe grain imports will continue to grow.

Also positive for our ships and our business is China’s exports of steel which grew 33%.
We realise there are a lot of numbers on these slides but we wanted to show you that world commodity trade has not stopped and minor bulk demand is growing both worldwide and into China albeit at a lower rate.

**Slide 10 – Self-Correcting Supply Factors**

The low spot market freight rates and negative sentiment is driving increased scrapping as well as cancellations and postponements of newbuildings, and very little new ordering.

The much reduced new ship ordering is further increasing pressure on mainly Chinese shipyards to exit a still over-crowded shipbuilding sector.

These positive supply-side reactions to the challenging market will lead to a stronger supply/demand balance and thus a healthier market – in time.

About 9% of the world dry bulk fleet is more than 20 years old, and 18% of the fleet is more than 15 years old. At today’s weak spot market rates, owners of ships of this age and ships of poor design and build will consider scrapping and lay-up to stop negative cash flow. This is evidenced by the high level of scrapping seen so far in 2016 which, if continued or increased, points to a potential shrinkage of the fleet in the full year 2016.

**Slide 11 – Dry Bulk Supply & Demand**

In slide 11 we show Clarkson Platou’s yearly demand and supply levels combined in one chart. They estimate dry bulk shipping demand in 2015 measured in ton-miles to have contracted by 0.8% year on year, representing the first reduction in demand since 2009 and only the second drop since Clarksons Platou’s data records began in 1991.

The overall dry bulk fleet grew 2.4% net representing the smallest growth since 2003 which is significantly less than 5-6% net fleet growth expectations of a year ago.

The global fleet of Handysize ships grew a similar 2.6% net during the year with new ship deliveries of 8.5% partly offset by scrapping at 6%.

We also show Clarkson Platou’s forecast predicting a recovery in demand over the coming years. Clarkson estimate a modest net fleet growth but as already mentioned, year-to-date scrapping points to a possible shrinkage of the global fleet in the full year 2016 and, in our view, we do not see the fleet growing in 2017.

I will revert with a wrap-up but now hand you over to Andrew who will present the financials.

**Speaker: Andrew Broomhead**

**Slide 12 – 2015 Financial Highlights**

The Group reported an underlying loss of US$27.8m in view of an extremely weak dry bulk market. The result was helped by a $6.2 million profit from our significantly contracted Towage operation, comprising $1.6m from existing operations and $4.6m from the final OMSA activities.

The loss attributable to shareholders of US$18.5 million was reduced by US$8.8m of non-cash mark-to-market income mainly on our bunker swaps (used to hedge our fuel exposure on forward cargo cover) which reverses part of the mark to market bunker losses recorded at 31 December 2014. However this figure reduced from an income of US$16.7m at interim, hence impacting our results negatively in the second half.

Our EBITDA was US$87.7m, increasing by 7% over last year.
Slide 13 – Pacific Basin Dry Bulk

Analysing our dry bulk results:

Our Handysize revenue days decreased 8% whilst our Supramax revenue days increased 4%.

The weak dry bulk market brought down our Handysize TCE earnings 16% to US$7,870 per day which outperformed the market by 54%. Blended daily costs improved by 9%. The result was a negative Handysize contribution.

However, the Supramax contribution turned to a positive US$22.6 million. This is mainly a result of a change in strategy to concentrate on key trades with a tighter geographic focus compared to last year resulting in better matching of cargoes and ships. In addition, our Supramax fleet’s larger proportion of cheap, short-term inward chartered ships and the expiry of higher cost charters reduced our Supramax blended daily costs, bringing them to a level just US$260 per day above our Handysize costs despite Supramaxes being much larger vessels.

Slide 14 – Daily Vessel Costs – Handysize

Handysize blended operating costs of US$7,930 per day decreased 9% compared to 2014 mainly due to the lower daily charter-hire cost for short-term and index-linked vessels.

Our owned vessel costs were maintained at below US$8,500 per day with the proportion of owned to chartered vessel days increasing to 47%.

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

We continue to make use of short-term and index-linked vessels which are able to make a good contribution to our service and our results even in the weak market.

Slide 15 – Daily Vessel Costs – Supramax

Supramax blended operating costs of US$8,190 per day decreased 26% compared to 2014 on the back of a 31% decrease in chartered-in vessel rates to US$8,090 per day, which decreased due to cheaper short-term inward chartered ships.

Our owned vessel opex decreased a significant 7% due to reduced repair and maintenance costs and increased procurement efficiencies by our technical management team across the Handysize and Supramax fleet, and reflecting the quality of the vessels.

Slide 16 – Balance Sheet

Our owned fleet includes 69 delivered Handysize vessels with an average book value of US$16.2m and an average age of 8.4 years, and 16 delivered Supramax vessels with an average book value of US$22.7m and an average age of 6.4 years.

Our vessel carrying values do not have any accounting impairment at the year end. These carrying values are above reference second hand vessel distressed sale prices, but as you are aware the accounting impairment calculations reflects the expected NPV of the vessels employment through its useful life. In PB’s case a component of the valuation is represented by our business model’s ability over the long term to produce TCE numbers above market rates.
At the end of December, cash and deposits stood at US$358m, with a net borrowings position of US$568m, giving a net gearing of 35%, reduced from 40% at the end of last year and the Group was in compliance with all loan covenants.

We maintain as a KPI that net gearing should remain below 50%.

**Slide 17 – Borrowing and Capex**

Turning to our borrowing and capex payment obligations.

We have US$274m of capex commitments spread over the coming two years. This will be funded by our undrawn US$375 million banking facilities.

This year will see the maturity of the US$106 million 2016 CB in April and the expected put in October of the US$124 million 2018 CB. With cash on the balance sheet from funding raised in 2015, we have planned for these payments.

**Slide 18 – Cash Flow**

The Group generated operating cash flows of US$99m for the year and in addition received US$140 million of cash proceeds from the Towage and RoRo sales.

Capex of US$146m during the year included vessel payments for 5 Handysize and 1 Supramax delivered during the year and instalments for another 4 Handysize and 1 Supramax newbuildings.

Our net decrease in borrowings of US$59m mainly reflects:
- loan repayments and maturities of $79m; and
- buying back at a discount some of the 2016 maturing CB with a face value of $104m; offset by
- the issue of a new 6 put 4 year US$125m CB with a maturity in 2021.

The overall result was our cash balances stood at US$358m at the year end.

And now I would like to hand back to Mats.

**Speaker: Mats Berglund**

**Slide 19 – Our Position, Outlook & Strategy**

To wrap up, current market rates are below industry operating cash costs, which is unsustainable. The situation is leading to increased scrapping, a shortfall in scheduled newbuildings and very little new ship ordering, which will contribute to a healthier market in time. Minor bulk demand is growing and low commodity prices, freight rates and fuel costs are also stimulating demand. This is not the end of dry bulk transportation for all time. The shipping markets have a track record of over-reacting in both directions. Current sentiment is very weak, and the timing of a recovery is difficult to predict and is usually triggered by unexpected market factors.

Meanwhile, we are managing our business for a continued weak market in the medium term and are prioritising safety and staying power.
While obviously not satisfied with our absolute financial results and the state of the dry bulk market overall, we are satisfied with the refocus on our strong Handysize and Supramax dry bulk business, the structure and organisation of the Company and our performance relative to the market.

Substantially all of our assets are now invested in our core world-leading Handy dry bulk business where we have a strong platform and a competitive edge. And we believe that our segments and exposure to minor bulk are better off from both a demand and supply standpoint than larger vessel sizes with a larger tonnage surplus and heavy exposure to Chinese iron ore and coal.

Our business model is consistently delivering an earnings premium over market rates. Our staff have great depth and experience managing a large portfolio of cargo contracts and direct relationships with more than 400 customers from 12 offices around the world.

We have a larger owned high-quality fleet of predominantly Japanese-built ships with superior reliability, longevity, value retention and fuel efficiency, designed and equipped to fit our trades for the long term. It’s a better fleet than we have ever had.

Our Hong Kong listing, transparent reporting and strong liquidity position means Pacific Basin is a preferred counterparty for our customers to do business with- and we are working hard to make the most of this.

Our cash position, TCE earnings, operating costs and G&A per day stand up well against the market and our peers. We remain well positioned to navigate this weak market and to benefit from a cyclical upturn when it comes.

Thank you for listening and I now hand you back to David for Q&A.