Good afternoon ladies and gentlemen, and thank you for attending Pacific Basin’s 2015 Interim Results presentation.

I am joined by our CEO Mats Berglund and our CFO Andrew Broomhead.

The downward trend in the dry bulk freight market in 2014 continued into 2015 resulting in a record low half year for bulk carrier earnings. That has naturally impacted our results, but our performance highlights Pacific Basin’s resilience in these weak market times.

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.

**Speaker: Mats Berglund**

**Slide 2 – Group Highlights**

Good afternoon, and thank you for joining us again and for your interest in our Company.

Pacific Basin made a net profit of US$5.8 million and a positive EBITDA of US$41.5 million in the first half of 2015.

Our results were impacted by a record low dry bulk market caused primarily by reduced Chinese demand and previous oversupply of mainly larger dry bulk ships not yet fully absorbed.

In this weak market, we are working very hard on making the most of our strong dry bulk business model and cargo system. We are pleased to report a turnaround in our Handymax performance, and Handysize & Handymax earnings that outperformed spot market rates by about $3,000 per day or 60 and 49% respectively.

We intensified our efforts to reduce all categories of costs and, despite today managing increased assets overall, our G&A going forward is about 25% or $20 million less than in 2012 when we took our first steps to get out of non-core and refocus on dry bulk where our strengths lie.

Our significantly reduced towage activities generated a profit of US$1.4 million. Following the sale of our Australian Harbour towage business in February and the sale of our 50% share in a bunker tanker in June with a profit of US$3.7m, our remaining towage assets have a net book value of US$39 million and are primarily operating in the Middle East. We received US$73 million of towage sale proceeds during the period.

Our exit from the RoRo sector remains on track following the collection of US$30 million for our fifth RoRo from Grimaldi in May. This leaves just one vessel due to transfer to Grimaldi scheduled for August generating another cash inflow of around US$31 million and no significant impact on our results.

Planning for known and potential Convertible bond repayments coming up next year, we have effectively extended the maturity of our US$124 million convertible bond repayable in 2018 (but that can be put to us in 2016) by issuing a new US$125 million convertible bond repayable in 2021.
With the new CB and the Towage and RoRo sale proceeds, our cash position increased to US$392 million at mid-year and net gearing reduced from 40 to 34%. In addition, we have almost US$500 million of committed but undrawn loan facilities which exceeds the US$353 million of remaining payments due on our 17 Japanese newbuildings still to deliver.

Slide 3 – Our Increased Focus on Dry Bulk

Since I joined Pacific Basin in 2012, we have transformed the Company from an organisation with four business units to a company whose capital and management are now fully focused on our core, world-leading Handy dry bulk business where our strengths lie.

In 2012, we had long-term assets of US$1.6 billion of which around US$600 million was invested in three non-dry bulk business areas – RoRo, towage and terminals – in which we were newcomers and minor players. We worked hard to exit these non-core segments. While this crystallised capital losses, it is generating useful cash for the Company to strengthen our position in our core dry bulk space. As mentioned, it has also contributed to our 25% G&A reduction over the past few years.

Our dry bulk business was already strong back in 2012, but we relied too much on chartered-in ships. Our owned ships comprised only about 25% of our fleet and represented about US$1 billion of long-term assets.

Today, substantially all our long-term assets (about US$2 billion including newbuilding commitments) are invested in our core Handy dry bulk business where we have a strong platform and a competitive edge. Over 40% of our fleet is now owned and we are going towards 50% with the delivery of our newbuildings.

We invested actively starting late 2012 ending late 2013/early 2014 purchasing 33 secondhand ships and ordering 18 newbuildings, and it is important to note a few points about these investments:

- The delivered ships have all contributed positively to our cash flows even in these weak markets;
- All of the ships are of high quality, designed and equipped to fit our trades for the long term; and
- All the ships but one are Japanese built with superior reliability, longevity, value retention and fuel efficiency.

The valuation gap has widened between high quality vessel designs from reputable yards and ships from less established yards, and we have bought the right ships. Operating more owned vessels facilitates greater control and quality of service delivery to our customers and relieves us of trading, redelivery and slow-steaming constraints which, together, contribute to our outperformance of market rates. We have never had a better fleet and the ships are performing really well.

Slide 4 – Pacific Basin Dry Bulk – 1H 2014 Performance

Excluding the towage profits and a positive MTM of our forward bunker hedges, our dry bulk business made a net loss of US$15.4 million but generated a positive EBITDA of US$39.3 million.

The effect of the very weak market was mitigated by positive factors which highlight a number of Pacific Basin advantages:

- Our Handysize and Handymax daily TCE earnings of US$7,940 and US$9,350 outperformed the Handysize and Handymax spot market indices by $3,000 per day.
- We achieved a significant turnaround in our Handymax performance by focusing on key routes to generate a positive US$10.4 million Handymax contribution (despite the much weaker market) from a US$10.7 million loss a year ago.
- We are redelivering expiring medium and long-term chartered vessels to gradually lower our charter-in costs, relying instead on our growing fleet of owned ships and on low-cost shorter-term and index-linked charters.

- Without compromising safety and customer service, we maintained good control of our owned vessels’ operating costs which averaged US$4,210 per day helped by our increased scale and procurement efficiencies.

**Slide 5 – Cargo System Business Model: Outperforming Market Rates**

Our premium over market rates is made possible by a combination of factors including:

- the depth and experienced of our staff and our global office network
- our large fleet of high-quality substitutable ships;
- our large portfolio of customer relationships and cargo contracts and our direct interaction with end users under spot and long-term cargo contracts and;
- the high laden-to-ballast ratio and therefore high utilisation we achieve.

Our business model has enabled us to outperform the market by US$2,400 per day on average over the past 5 years. Multiply this premium with the number of ships we operate and you can easily see that this premium is our company’s greatest value.

**Slide 6 – Pacific Basin Dry Bulk – Earnings Cover**

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 23 July, we had covered 58% of our Handysize days for the second half of the year at US$ 8,740 and 62% of our Handymax days at US$9,420 per day.

**Slide 7 - Dry Bulk Market**

As mentioned, the market is currently very weak and it is worth reflecting on how the market developed in the past few years to where it is now.

New ship deliveries from shipyards started to slow down in the summer of 2012 while cargo demand remained strong. From spring 2013 to spring 2014, cargo demand growth outstripped net fleet growth to drive slightly higher and more volatile freight rates. The oversupply of dry bulk ships started to be absorbed and optimistic sentiment fuelled by brokers and the influx of private equity into the dry bulk market led to increased secondhand values and newbuilding orders in late 2013 and early 2014.

While global fleet growth has continued to slow down as expected, the market has faced negative surprises on the demand side including reduced bauxite and nickel trades due to the Indonesian ban on the export of unprocessed minerals introduced in January 2014 (and still in force) and, of even greater negative influence, the larger than expected reduction in coal imports to China starting in the second half of 2014.

Combined, these factors led to a reversal of sentiment by the end of 2014, from positive to negative with freight rates and secondhand values falling to new lows. Chinese coal imports in the half year fell by 60 million tonnes or 38% year on year. Conversely, Indian thermal coal imports have been growing – by 22 million tonnes or 34% according to Macquarie – but not enough to offset the reductions in other coal trades. Dry bulk transportation demand overall in the first quarter of 2015 is estimated by Clarksons Platou to have reduced by 3.1% year on year.
Slide 8 – Dry Bulk Supply

The negative sentiment is leading to increased scrapping, cancellations, conversions and postponements of newbuildings and very little new ordering. There has been almost no net growth in the dry bulk fleet since the end of January – a phenomenon not seen since the late 1990s. We doubt however, that this level of scrapping is sustainable over the rest of the year, and we estimate about 2.5% net fleet growth in 2015 overall, still significantly less than the 5-6% net fleet growth previously expected.

Slide 9 – Dry Bulk Self-Correcting Factors

As per Clarkson, the number of Chinese shipyards delivering Handysize dry bulk ships reduced from 54 to 21 between 2012 and 2014. The much reduced new ship ordering in the year to date 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 eventually lead to a stronger supply/demand balance, but the inflection point is very difficult to forecast and will likely be triggered by unexpected demand side events. Bottoming out and potentially recovering commodity prices are positive factors for trade and will contribute to a switch from stock drawing to stock building.

Chinese minor bulk demand is down 7% in the first half year on year due to the still high imports in January and February 2014 before the full effect of the Indonesian export ban, but since March minor bulk imports have been growing year on year.

In this uncertain market, and having invested significantly during the previous downturn in 2013, we are managing our business for a continued weak market in the medium term and are prioritising safety and staying power over additional long-term charter commitments. However, the market weakness may present acquisition opportunities which we would carefully consider.

I will now hand you over to Andrew who will present the financials.

Speaker: Andrew Broomhead

Slide 10 – 2015 Interim Financial Highlights

The Group reported an underlying loss of US$14.6m due to an extremely weak first half dry bulk market but helped by a $1.4 million profit from our significantly contracted Towage operation.

The profit attributable to shareholders of US$5.8 million was impacted by:

• US$16.7m 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 when prices had fallen sharply and have subsequently increased as at 30 June; and

• US$3.7m of profit from the sale to our joint venture partner of our 50% interest in the bunker tanker located in New Zealand.

We generated an EBITDA of US$41.5m.
Analyzing our dry bulk results:

Our Handysize and Handymax revenue days decreased 2% and 12% respectively. The weak first half dry bulk market brought down the achieved TCE earnings of both our Handysize and Handymax vessels.

Our Handysize TCE earnings decreased 22% to US$7,940 per day and outperformed the market by 60%, whilst blended daily costs improved by 14%. The resulting Handysize contribution fell to slightly below breakeven.

However, the Handymax contribution turned to a positive US$10.4 million. This is mainly a result of our strategy to concentrate on key trades with a tighter geographic focus compared to last year with better matching of cargoes and ships. In addition, the expiry of higher cost charters improved our blended daily cost by 30% compared to the same period last year.

Slide 12 – Daily Vessel Costs – Handysize

Handysize blended operating costs of US$7,870 per day decreased 10% 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 approximately US$8,500 per day with the proportion of owned to chartered vessel days increased to 45% compared with 2014.

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 13 – Daily Vessel Costs – Handymax

Handymax blended operating costs of US$8,330 per day decreased 25% compared to 2014 on the back of a 29% decrease in chartered-in vessel rates to US$8,340 per day, which decreased due to not having the expensive inward chartered vessels that we had to use in early 2014. We will continue to match the scheduling of chartered ships with our tighter geographical operating focus.

Our owned vessel opex decreased 9% due to reduced repair and maintenance costs and increased procurement efficiencies by our technical management team and reflecting the quality of the vessels in the current fleet.

Slide 14 – Balance Sheet

Our owned fleet includes 67 delivered Handysize vessels with an average book value of US$15.7m and an average age of 9.5 years, and 16 delivered Handymax vessels with an average book value of US$23.3m and an average age of 6.4 years.

At the end of June, cash and deposits had increased to US$392m, with a net borrowings position of US$538m, giving a net gearing of 34%, reduced from 40% at the end of last year.

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 15 – Borrowing and Capex

Turning to our borrowing and capex payment obligations.

We have US$353m of capex commitments spread over the coming two years. This will be funded by our attractive undrawn US$350 million Japanese export credit facilities.

We also have a further US$148 million of undrawn committed bank facilities in addition to our existing cash resources and future operating cash flows which in aggregate are expected to meet our existing bank borrowings.

Slide 16 – Cash Flow

The Group generated operating cash flows of US$59m for the period and received US$103 million of cash proceeds from the Towage and RoRo sales.

Capex of US$45m during the period included vessel payments for 1 Handymax delivered during the period and instalments for another 4 Handymax newbuildings.

Our net decrease in borrowings of US$61m reflects:

- loan repayments and maturities of $217m;
- new loan facilities put in place from which $61m have been drawn;
- buying back some of the 2016 maturing CB with a face value of $28m; and
- the issue of a new 6 put 4 year US$125m CB with a maturity in 2021.

The overall result was an increase in our cash balances to US$392m at the period end.

And now I would like to hand back to Mats.

Speaker: Mats Berglund

Slide 17 – Our Position

To wrap up, we are satisfied with the refocus on our strong Handy dry bulk business, the structure and organisation of the Company and the performance relative to the market. We are of course not satisfied with our absolute financial results and the very weak state of the dry bulk market overall.

But we are substantially out of all non-core business and 98% of our US$2 billion long term assets (including newbuilding commitments) are invested where they should be, in our core world-leading Handy dry bulk business where we have a strong platform and a competitive edge.

Our business model is consistently delivering a vessels 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 throughout the six continents.

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.

Our Hong Kong listing and transparent reporting facilitates access to capital, the new CB being a recent example.

Our cash and balance sheet strength, TCE earnings, operating costs and G&A per day stand up well against the market and our peers. We are well positioned to navigate this very 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.