Welcome ladies and gentlemen, and thank you for attending Pacific Basin’s 2016 Annual Results conference call and live webcast from our headquarters in Hong Kong.

My name is David Turnbull. I am the Chairman of Pacific Basin, and I am joined by our CEO Mats Berglund and our CFO Andrew Broomhead.

2016 was another very poor year for dry bulk shipping. Market conditions in the first half were at times as bad as the dire conditions of the early 1970s, and this understandably has undermined our 2016 results.

But there is also positive news.

That includes positive news about our outperformance over market earnings, our positive operating cash flows, and several initiatives that help better our position.

Dry bulk is not out of the woods yet, but there are some positive signs and we anticipate a better year this year than last.

Mats will now present our 2016 results and business initiatives.

After Mats, Andrew will talk you through the financials, and I will then invite you to ask any questions you may have.

Over to you Mats.

Good afternoon ladies and gentlemen.

2016 average market rates were even weaker than in 2015, dragged down in the first quarter by the lowest freight rates in 45 years which severely impacted our results.

We ended the year with a net loss of US$86.5 million.

Despite the challenging environment, we generated a positive operating cash flow of around US$50 million and an EBITDA of US$23 million.

We further reduced our G&A from US$57 million to US$53 million in spite of operating a larger fleet of owned ships, and we reduced our owned Handysize operating costs to under US$4,000 per day through scale benefits and careful cost control and without compromising safety and maintenance.

We pursued several important initiatives during the year including:

- completing a rights issue,
- issuing Pacific Basin shares to tonnage providers in return for a reduction in charter hire rates,
- committing to relocate to a more cost-efficient Hong Kong headquarters, and
- opening a new regional office in Brazil.
We generated cash proceeds of US$22 million from the ongoing sale of towage and other non-core assets last year.

Our remaining towage assets have a net book value of approximately US$3 million and our exit from the towage sector is substantially complete.

We have used the weak market to buy a 7-year old Supramax and sell a 12-year old smaller Supramax, thereby trading up to a ship of better design and longer life at an attractive price.

We will continue to look for opportunities to purchase quality secondhand vessels.

We repaid US$230 million of convertible bonds during the year and, as at 31 December 2016, we had cash and deposits of US$269 million and net gearing of 34%.

**Slide 3 – Our Performance in 2016 & Cover for 2017**

Our Handysize and Supramax net daily TCE earnings of US$6,630 and US$6,740 outperformed the Baltic Handysize and Supramax spot market indices by 34 and 14% respectively.

As part of our business model, we charter-in vessels for short periods for combination with cargoes with the aim of making a margin irrespective of whether the market is high or low.

In low markets as in 2016, these short-term positions generally lower our reported TCE earnings while in fact making a valuable positive contribution.

If we exclude the vessel days attributable to these short-term operated ships and factor their positive margin into the TCE results of our core owned and long-term fleet, then our restated 2016 Handysize and Supramax daily earnings would improve to US$6,720 and US$7,940 respectively, although on fewer days.

As at 23 February, we had covered 44% of our Handysize days for 2017 at about US$8,200 and 71% of our Supramax days at about US$8,700 per day respectively.

**Slide 4 - Freight Market Improves From Very Low Base**

You may remember that 2015 was a horrid year which closed even worse than it started.

2016 average Handysize and Supramax spot rates were even lower than in 2015, dragged down in the first quarter by rates not seen for 45 years. That was due to a general seasonal slowdown in demand – especially for coal – and lingering oversupply of dry bulk tonnage.

Freight earnings then improved over the remainder of 2016 (although from a very low base) benefitting from increased South American grain exports in the second quarter, stronger US grain exports in the second half, and growth in bulk trades such as cement, soybean and wheat & grains.

In China, industrial activity was significantly down at the start of the year, but improvements from March onwards drove a revival in imports of coal, iron ore, logs, copper concentrates and other key minor bulks.

The graphs on the right side also show that the Atlantic freight market was markedly stronger than the Pacific from the fourth quarter of 2016, owing primarily to strong Atlantic grain and coal volumes.

**Slide 5 - Market Freight Rates Development**

Slide 5 compares market rates over the calendar years 2015, 2016 and the start of 2017.

This serves to highlight the significant difference between the increasing freight rates in the fourth quarter 2016 compared to the steady decline in rates in the same period of 2015.
Seasonally strong US grain and soybean exports were key contributors to improved market conditions for our mid-sized vessels in the second half of 2016, driving Atlantic earnings to their highest levels since early 2014.

Dry bulk indices followed their typical seasonal decline in early 2017 but bottomed out during Chinese New Year at higher levels than in the last two years, and the freight market has since improved, especially in the Pacific.

**Slide 6 – Global Dry Bulk Demand**

Clarksons Platou estimate that global dry bulk cargo volumes in 2016 grew by 1.2% year on year, or 2% on a tonne-mile basis.

The main positive drivers of this modest but positive demand growth included a 4% increase in iron ore trade volumes mainly into China which continues to switch away from domestic iron ore sources.

Similarly, cuts in China’s domestic coal output resulted in a 21% increase in Chinese coal imports. This was fully offset by coal import reductions in other markets (principally the EU area), but still contributed to improving freight market conditions in the second half of the year.

Influential soybean and wheat/grain trade volumes both grew 4% during the year, and cement trades grew 6% and forest products (including logs) grew 2%.

However, these solid improvements were offset by reductions primarily in bauxite and nickel ore volumes which remain impacted by Indonesian and Filipino export controls, and overall minor bulk trade growth was flat in 2016.

**Slide 7 – Secondhand Vessel Values Recovering**

Declining dry bulk ship values stabilised at the end of the first quarter of 2016 and have since increased on improved freight market conditions. Sale activity has also returned.

Clarksons Platou now value a benchmark secondhand Handysize at US$13.5 million which is 42% up on a year ago. And secondhand Supramax values are up 25%.

Clarksons rate a newbuilding at US$19.5 million, down 5% on last year.

While the gap between secondhand and newbuilding ship values has reduced, it remains big enough to discourage new ship ordering which is helpful to keep future supply lower.

**Slide 8 – Self-Correcting Supply Factors**

All-time low freight earnings encouraged record scrapping in the first quarter of 2016.

However, scrapping activity reduced thereafter on improved freight market conditions resulting in the deletion of 3.6% of total dry bulk capacity and 3.1% of Handysize capacity in the year overall.

Going forward, the implementation of new Ballast Water Treatment rules will contribute to the scrapping of old and poorly designed ships.

The weak spot market in 2016 drove increased dry bulk newbuilding cancellations and postponements. A record 49% of scheduled new ship deliveries failed to materialise.

New orders in 2016 amounted to a record low 1.7% of existing capacity, or just 0.1% if you exclude 31 Valemax ore carriers that will be dedicated to Vale’s own iron ore trades.

The absence of new ordering and a continued orderbook delivery shortfall should result in reduced new ship deliveries in the coming years.
Scheduled deliveries for the year are 37% smaller than a year ago and, as less slippage is likely in 2017, we expect actual deliveries will comprise capacity of around 35 million deadweight tonnes.

**Slide 9 – Dry Bulk Supply & Demand**

In slide 9 we show Clarkson's Platou's yearly demand and supply levels combined in one chart. It is estimated that the global dry bulk fleet grew 2.3% net year on year – slightly more than the 2% growth in demand.

But at least demand has turned positive following a sharp decline over previous years into negative territory in 2015.

And for 2017, Clarkson estimate dry bulk demand growth of between 3-4%, much driven by increasing grain volumes.

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

**Speaker: Andrew Broomhead**

**Slide 10 – 2016 Financial Highlights**

The Group reported an underlying loss of US$87.7m in one of the weakest years for dry bulk shipping.

The loss attributable to shareholders of US$86.5 million was impacted by:

- US$23.6 million of non-cash mark-to-market derivative accounting gains mainly from completed prior year bunker swap contracts;
- US$4.9 million book loss from the sale of towage assets and the related US$2.8 million non-cash exchange charge; and
- US$15.2 million non-cash vessel impairments related to US$8 million from remaining towage vessels and US$7 million for one Supramax vessel that was sold after the year end.

**Slide 11 – Pacific Basin Dry Bulk**

Analysing our dry bulk results:

Our Handysize revenue days decreased 8% as we used fewer chartered in vessels, whilst our Supramax revenue days increased 27% with increased short term chartered in vessels.

The weak dry bulk market brought down our Handysize TCE earnings by 16% to US$6,630 per day which outperformed the market by 34%. Blended daily P&L costs decreased by 8%. The result was a negative Handysize contribution of US$37.1 million.

The Supramax segment was heavily affected by the weak dry bulk market lowering the TCE earnings by 26% to US$6,740 per day.

The blended daily P&L costs decreased by 17% as the Supramax segment benefitted from the larger proportion of cheap, short-term inward chartered ships and redelivery of high cost long-term chartered vessels.

This resulted in the Supramax segment generating a small loss of US$3.3 million.
Slide 12 – Daily Vessel Costs – Handysize

Handysize blended operating costs of US$7,320 per day decreased 8% compared to 2015 due to both the lower daily cost of our owned fleet as well as the lower daily charter-hire cost for short-term and index-linked vessels.

Our owned vessel costs reduced more than 7% to US$7,840 thanks to a reduction in our daily opex cost to under US$4,000 through scale benefits and our careful cost control.

The overall blended daily cash cost before overheads also decreased by 8% year on year to US$6,090.

The break out graph shows the chartered daily cost split between short-term, long-term and index inward 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 – Supramax

Supramax blended operating costs decreased 17% year on year to US$6,830 per day on the back of a 21% decrease in chartered-in vessel costs to US$6,380 per day due to cheaper short-term inward chartered ships.

The overall blended daily cash cost before overhead decreased by 17% compared to 2015 to US$6,390.

Our overall group overheads have reduced from continued cost control and, in 2016, were US$660 per Handysize and Supramax vessel day compared to US$710 in 2015.

Slide 14 – Balance Sheet

Our owned fleet at 31 December 2016 included 73 delivered Handysize vessels with an average book value of US$15.8m and an average age of 9.0 years, and 18 delivered Supramax vessels with an average book value of US$22.0m and an average age of 6.6 years.

At the end of December, cash and deposits stood at US$269m, with a net borrowings position of US$570m, giving a net gearing of 34%, slightly reduced from 35% at the end of 2015.

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

In June, we raised new capital of US$143m net via the rights issue, US$124 million of which were deployed for the repayment in October 2016 of Convertible Bonds put back to the Company.

The Group was in compliance with all loan covenants.

Slide 15 – Borrowing and Capex

We have US$119m of capex commitments all payable in the first half of 2017 relating to the last 7 newbuild deliveries from Japanese shipyards.

This will be funded by our US$140 million of Japanese export credit facilities which have a 12-year life and can be drawn down when the vessels deliver, contributing to our relatively smooth overall debt repayment profile.

Following the repayment of two CB’s in 2016, there remains just one CB due 2021 and with a put date in July 2019.
Slide 16 – Cash Flow

The Group generated operating cash flows of US$50m for the year. In addition, we raised US$143m net proceeds from our rights issue and received US$22 million of cash proceeds from the sale of towage and other non-core assets.

Capex of US$181m during the year included vessel payments for 4 Handysize and 2 Supramax delivered during the year and instalments for another 4 Handysize and 3 Supramax newbuildings.

Our net decrease in borrowings of US$94m mainly reflects:

- US$230 million repayment of two convertible bonds in 2016; and
- US$70 million net repayment of secured borrowings and revolving facilities; offset by
- US$205 million of drawdowns of new secured borrowings, including US$171 million under our Japanese export credit facilities

The overall result was that our cash balances stood at US$269m at the year end.

And now I would like to hand back to Mats.

Speaker: Mats Berglund

Slide 17 – Our Ability to Outperform

To wrap up, I have two more slides starting with a brief recap on slide 17 regarding our ability to outperform index rates.

Unlike the Capesize and Panamax segments, our Handysize and Supramax segments benefit from diverse cargoes, customers and trading geography.

These trades are operationally intense, and having skilled and experienced staff, a global office network and a large quality fleet of efficient interchangeable ships really makes a difference.

With our robust business model, we typically achieve a laden utilisation rate of over 90% which has helped us to generate an average Handysize and Supramax TCE premium of about US$2,300 and US$1,700 per day respectively over index rates in the past five years.

Slide 18 – Our Position, Outlook & Strategy

Looking forward, market conditions have been improving since the worst of the market in February last year. 2017 has started stronger than 2016, and sentiment in the industry is recovering.

We believe we have past the worst of the current market cycle.

Demand for agricultural products and construction material, our two largest cargo groups, is growing. Infrastructure investment is back on the agenda in China and the USA which bodes well for dry bulk shipping.

Increasing oil prices are a positive factor for the freight market, as higher fuel costs discourage shipowners from increasing vessel speeds when freight rates increase.

Positive as these developments are, dry bulk is not out of the woods yet. Both supply and demand factors remain uncertain – especially in view of recent and ongoing political developments in the US and Europe.

While the orderbook is shrinking, lingering oversupply remains a negative factor, and the global fleet is still growing. We expect continued uncertain markets in 2017, but anticipate a better year this year than last.
More patience, scrapping and lack of ordering is required for a more fundamental market balance to be sustained.

Meanwhile, we will make the most of our robust business model, experienced staff, quality fleet and strong balance sheet – enhanced by positive actions we have taken to stay strong, lean and competitive.

Through our cost-savings, fundraising and other initiatives, we have positioned ourselves well both for continued challenging market conditions and for a market recovery.

Thank you for joining us today, and thank you for your continued support.

**Speaker: David Turnbull**

Thank you Mats.

Ladies and gentlemen, that concludes the results presentation. I am happy to open the floor now for any questions you may have.