Good afternoon ladies and gentlemen, and welcome to Pacific Basin’s 2017 Interim Results earnings call.

My name is Mats Berglund, CEO of the Company, and I am joined by our CFO Andrew Broomhead.

I will start with an overview of our results and business activities before Andrew talks you through the financials. We will then invite you to ask any questions you may have.

To kick off, please turn to slide 1 for our Interim Results highlights.

Demand outpaced supply in the first half of 2017, and market freight rates were significantly better than the historic lows of early last year.

In this improved but still challenging trading environment, we made a much reduced underlying loss of US$6.7 million compared to a US$61.6 million underlying loss in the first half of last year.

Our EBITDA improved to positive $56.6 million from negative US$5 million in the first half of last year.

During the half year, we completed our newbuilding programme with the delivery of seven newbuildings of the latest, efficient designs.

We recommenced secondhand acquisitions during the first half, using the still historically weak asset values to purchase a secondhand Supramax and sell an older, smaller Supramax, thereby trading up to a vessel of better design and longer life at an attractive price.

We also purchased two secondhand Handysize vessels and, by mid-year, we had expanded our owned fleet to 101 ships on the water out of about 250 ships that we operate overall.

With all the ships paid for and delivered, we had cash and deposits of US$248 million as of end June.

Early this year, we enhanced our network further by establishing a new commercial office in Rio de Janeiro which has generated valuable new business.

And in May, we relocated our headquarters about 15 minutes out of Hong Kong’s Central business district, and we now benefit from a better, more energised and collaborative office combined with a cost saving of about US$2 million per year going forward.

Importantly, we continued to achieve reductions in our vessel operating and G&A costs per day, thereby lowering our owned ships’ breakeven levels further.

Our Handysize and Supramax net daily TCE earnings of US$7,920 and US$8,920 outperformed the Baltic Handysize and Supramax spot market indices by 20% and 11% respectively.
As part of our business model, we charter-in vessels for short periods which we combine with cargoes to make a margin irrespective of whether the market is high or low.

If we exclude the vessel days attributable to these short-term ships and factor their positive margin into the TCE results of our core owned and long-term fleet (as many other companies do in their reporting), then our restated daily earnings would improve to US$8,010 for Handysize and US$9,890 for Supramax, although on fewer days.

As at 26 July, we had covered 57% of our Handysize days for the second half of 2017 at US$8,360 and 80% of our Supramax days at US$9,830 per day.

**Slide 3 – Handysize Freight Rates Development in 1H2017**

Overall demand for dry bulk shipping in the first quarter grew 4.9% year on year, outpacing supply growth of 3.4%. While we do not yet have Clarksons data for the second quarter, we expect that it will continue to show an improved supply/demand balance.

That helps to explain the improving freight market which so far in 2017 is tracking a similar pattern to the previous two years, but at significantly higher rate levels to the historic lows of last year. Note from the graph that the first half includes the typically weak period over Chinese New Year.

Key drivers of demand through the first half included improved North and South American grain exports, higher imports of coal into South East Asia, and a strong increase of Chinese imports with minor bulk imports outpacing iron ore and coal.

**Slide 4 - Supramax Rates Follow Same Pattern**

As you can see in the next slide, Supramax market freight rates in the year to date have followed a similar pattern to Handies, as they typically do, but at a higher level. And note the improved rate levels over the last 4-5 weeks in both segments.

**Slide 5 – Atlantic Rates Stronger than Pacific**

Market freight rates in the Atlantic were mostly stronger than the Pacific in the first half of 2017, as is often the case, partly due to strong Atlantic grain volumes, and partly due to the larger supply of ships in the Far East which is a major discharge area, and where a lot of newbuilding deliveries enter the market early in the year.

**Slide 6 – Estimated 3.9% Growth in Seaborne Dry Bulk Demand in Full Year 2017**

For the full year 2017, Clarksons Platou estimate that global dry bulk trade volumes will grow 3.5% year on year, and overall effective demand will grow by 3.9% reflecting longer average distances. As reported, growth has been higher than this level so far this year.

Note that Soybean and wheat and other grains are showing strong growth, driven primarily by increased demand for animal feed in Asia caused by the growing middle class eating more meat.

Steel exports from China are reducing, much due to very strong domestic demand.

**Slide 7 – Supply Factors: Orderbook Continues to Shrink**

Turning to the supply side, the dry bulk orderbook continues to shrink.

Dry bulk newbuilding deliveries in the first half have fallen short of scheduled deliveries by around 38% – or 49% looking just at Handysize deliveries – and we expect actual deliveries in the full year will be around 38 to 44 million deadweight tonnes.
This is equivalent to 5% of the existing fleet this year, down from 6% last year. But due to the better market conditions, scrapping has reduced from an annualised 4% last year to an annualised 2% this year pointing to an estimated net fleet growth of 3% for the full year 2017.

Positively, new ship ordering in our segments has been minimal in the last 18 months.

Shipowners have been, and will continue to be, discouraged from ordering new ships for a few reasons:

1) Secondhand values at today’s levels make them more attractive than ordering newbuildings;

2) New low sulphur and Ballast Water Treatment System rules cause uncertainty about ship designs; and

3) New accounting rules from 2019 will require the capitalisation of long-term time charters. Shipowners' balance sheets are already leveraged, and the lack of new timecharters will discourage new orders, since much of the ordering used to be financed against the long-term charters, especially in Japan.

This limited new ship ordering and the shrinking order book, combined with new environmental regulations penalising older and poor design ships, bodes well for the long term supply/demand balance.

Slide 8 – Secondhand Vessel Values Increased

Improved freight market conditions overall have supported sale and purchase activity and increased vessel values.

Clarksons currently value a benchmark five year old Handysize at US$14 million. While price levels are up from a year ago, they are still at historically low levels – below the 2013 bottom – and we see continued upside in values.

Newbuilding prices have increased 10% since the beginning of the year to US$21.5 million and, as I mentioned a moment ago, the gap between newbuilding and secondhand prices continues to discourage new ship ordering which is helpful to keep supply lower in the long term.

Slide 9 – Dry Bulk Supply & Demand

To recap, Slide 10 combines Clarksons Platou’s demand and supply growth levels in one chart.

We are back from the shrinking demand of 2015 and the graph shows demand recovering and outpacing supply in first quarter 2017, and data for the second quarter will likely also show an improved demand/supply balance.

For the full year, Clarksons estimate effective demand will be 3.9%, and we estimate net supply growth will be around 3%, so more demand than supply is forecast for the first time since 2013.

With limited new ship ordering and a shrinking order book, progressively fewer new ships will deliver from shipyards in 2018 and 2019, and this will be positive for market fundamentals in the future.

I will be back shortly with a wrap-up, but now hand you over to Andrew who will present the financials.

Speaker: Andrew Broomhead

Slide 10 – 2017 First Half Financial Highlights

The Group reported an underlying loss of US$6.7m which has reduced substantially from last year’s interim results due to the improved market conditions.
The loss attributable to shareholders was US$12.0 million, affected by:

- a US$2.6 million non-cash mark-to-market loss mainly on our bunker swaps (used to hedge our fuel exposure on forward cargo cover) – this will be balanced by a corresponding benefit in our fixed rate forward cargo contracts;
- US$1.4 million of one-off office relocation costs as we moved our headquarters in Hong Kong from Central to the southern part of the Hong Kong Island which will result in significant G&A cost savings over the coming 6 years;
- US$0.9 million impairment on the final two tugs, sales of which will complete in the second half of 2017; and
- a US$0.4 million book loss from the completed sales of 2 towage vessels and 1 Supramax.

Slide 11 – 1H17 By Vessel Segment

Our Handysize and Supramax revenue days increased by 11% and 22% respectively year on year. This is due to a bigger owned fleet but also our increased use of short-term chartered in vessels.

Both our Handysize and Supramax contributions returned to positive territory as we leveraged our business model to outperform in the improved but still challenging market.

Handysize TCE earnings increased by 30% to US$7,920 per day whilst blended daily costs increased by 3% compared to the first half last year. This resulted in Handysize contributing a profit of US$7.8 million which is a significant improvement compared to a loss of US$30 million in the same period last year.

Our Supramax TCE earnings increased by 51% to US$ 8,920 per day. The blended daily costs increased by 31% as we chartered in short-term vessels at higher market rates compared to the same period last year. The overall Supramax contribution was a profit of US$9.1 million compared to a loss US$6.8 million in the first half of 2016.

If we only look at the core fleet and exclude the operating short-term days, the total revenue days would reduce to 21,460 days for Handysize and 8,980 days for Supramax, and the daily TCE improves by US$90 per day for Handysize and US$970 per day for Supramax.

Slide 12 – Balance Sheet

Our owned fleet includes 79 delivered Handysize vessels with an average book value of US$15.6m and an average age of 9.4 years, and 21 delivered Supramax vessels with an average book value of US$22.8m and an average age of 6.3 years.

At the end of June, cash and deposits were at US$248 million, with a net borrowings position of US$704m, giving a net gearing of 40%, which was below our KPI of up to 50%. The increase from 34% at the end of last year is primarily due to the capex paid in relation to our 7 newbuildings delivered during the period, drawing down the associated export credit facilities, and using our cash for the purchases of secondhand vessels.

We remain in compliance with our loan covenants.

Slide 13 – 1H17 Daily Vessel Costs – Handysize

Handysize blended operating costs of US$7,550 per day increased 3% compared to full year 2016 which is mainly due to the higher cost for the chartered in fleet as the dry bulk market improved in the first half making short-term chartered in ships more expensive. However, this is partly offset by a lower cost for the owned fleet where opex further reduced by US$150 (or 4%) to US$3,820 per day, mainly due to scale benefits and procurement cost efficiencies.
The proportion of owned to chartered vessel days was maintained at 53%/47%.

The break out graph on the right shows the different daily chartered-in costs split between sub 1 year short-term, over 1 year long-term and index charters.

**Slide 14 – 1H17 Daily Vessel Costs – Supramax**

Supramax blended operating costs of US$8,360 per day increased 22% compared to full year 2016, which is mainly due to the higher costs for short-term chartered in vessels in the improved dry bulk market.

Similar to Handysize, our owned vessel cost for Supramax is lower by 4% and opex down by US$310 (or 8%) to US$3,770 per day.

The proportion of owned to chartered vessel days remained at about 20%/80%.

Overall, our overheads per Handysize and Supramax ship reduced from US$680 per day to US$590 per day.

The Group’s total G&A for the first half reduced to US$26.2 million from US$27.4 million, reflecting the continued benefit of a range of cost-saving initiatives.

**Slide 15 – Borrowing and Capex**

After taking delivery of our final 7 newbuildings, we had no vessel commitments at 30 June 2017.

At the end of June, we had US$836 million in secured borrowings which were secured by 96 vessels, leaving 5 unmortgaged dry bulk vessels, and we had drawn down all remaining loan facilities.

Our convertible bond with an outstanding principal of US$125 million has a maturity date in July 2021 with an investors’ put option in July 2019.

**Slide 16 – Cash Flow in 1H2017**

The Group generated operating cash inflows of US$48 million for the period, as compared with US$8 million in the first half 2016 and US$50 million in the full year 2016. In addition, we generated US$8 million in cash from the sale of 2 tugs and a Supramax vessel.

Capex of US$168 million during the period included 10 vessels delivered to our owned fleet, comprising
- 7 Newbuildings, of which 4 are Handysize and 3 are Supramax vessels; and
- 3 Secondhand vessels, comprising 2 Handysize and 1 Supramax.

Our net increase in borrowings of US$106 million reflects:
- Draw down of US$158 million, comprising US$140 million under the Japanese export credit facilities and US$18 million under other borrowings
- Net repayment of US$52 million of bank borrowings and revolving facilities

The overall result was that our cash and deposit balance stood at US$248 million at the period end.

And now I would like to hand back to Mats.

(Cont.)
I will wrap up with two slides starting with a brief recap of our business model and the factors that enable us to outperform index rates. This is a strong platform and worthwhile emphasising.

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.

Drawing on all these components of our business model, we typically achieve a laden versus ballast ratio of over 90%.

This is key to generating an average Handysize TCE premium of about US$2,000 per day over index rates in the past five years, and an average Supramax TCE premium of about US$1,350.

Looking ahead, we believe the worst of the current dry bulk market cycle is behind us.

Demand for agricultural products and construction material, our two largest cargo groups, is growing, and should continue to benefit from increasing grain volumes for animal feed and more infrastructure investment in China and the US.

The shrinking orderbook also bodes well for dry bulk shipping in the long term, but more time, scrapping and limited ordering are required for a more normal market balance to be sustained.

We will stay focused on our world-leading Handysize and Supramax business and continue to make the most of our global network, experienced staff and large fleet of substitutable ships. We will leverage the diversified geographical, cargo and customer profiles that characterise minor bulk shipping to maximise our fleet’s utilisation and TCE earnings.

We will continue to assess attractive ship acquisition opportunities to grow and renew our fleet with modern, high-quality secondhand ships or resales that can generate a reasonable payback and cash flow even in a challenging market, and that can reduce our average daily break-even levels further.

Our healthy cash and net gearing positions contribute to the strong corporate profile that sets us apart as a preferred, strong, reliable and safe partner for customers and other stakeholders. We are well positioned for a recovering market.

Thank you for listening and we open the floor now for any questions you may have.