2008 Interim Results – 4 August 2008

Slide 1 – Cover
Spoken by: David Turnbull

Good afternoon ladies and gentlemen, and thank you very much for attending Pacific Basin’s 2008 half year results presentation.

I will start with a brief results overview.

I will then hand over to Richard Hext, our CEO who will talk about the market and our business development activities and the outlook.

Andrew Broomhead, our CFO, will be taking you through the financials

I will then invite you to ask any questions you may have.

Also joining us today is Mr C. L. Wang who is an Executive Director and heads our China business development.

Slide 2 – Pacific Basin Overview
Spoken by: David Turnbull

Pacific Basin is a leading provider of shipping services to blue chip international commodity groups around the world. We are headquartered in Hong Kong with a further 29 offices worldwide in every major time zone.

The global dry bulk market continues to grow, no more so than in China and the other developing Asian economies. Pacific Basin’s established base in Hong Kong positions the company well to benefit from this growth.

Slide 3 – 1H 08 Result Highlights
Spoken by: David Turnbull

Pacific Basin’s 2008 first half net profits were US$337.6 million, just over double the profits in the first half of 2007

Our return on equity was 68%. Our Board has proposed an all time high interim dividend of HK 76 cents per share, representing a 50% payout ratio.

Our average daily handysize and handymax charter rates have both risen substantially compared to the same period last year, increasing 64% and 67% respectively.

Slide 4 - Fleet Profile
Spoken by: David Turnbull
Pacific Basin’s fleet consists primarily of 93 core owned and long term chartered dry bulk ships with a further 21 ships on short term charter. Of the core fleet, 13 are dry bulk new buildings which will deliver to over the next three years.

In addition, we have invested in 6 roll on roll off newbuilding vessels which will deliver to us between 2011. We own 17 tugs of which 6 are on order and a further 3 barges, 2 of which are on order, taking the total Pacific Basin fleet to 140 ships.

Our growing fleet has meant that our handysize revenue days over the period were 20% higher than the same period in 2007 and our full year anticipated handysize revenue days are expected to increase by 13%.

**Slide 5 - Diversified Cargo**

Spoken by: David Turnbull

Our handysize dry bulk vessels carry a variety of what are termed ‘minor bulks’, commodities generally carried in smaller parcel sizes than the major bulks - coal, grain and iron ore - typically carried in larger dry bulk vessel types. As a result, we are less exposed to the more volatile freight rates and are able to enjoy more stable earnings. As you can see, the majority of the cargoes we carry are used in the steel making, construction, and agriculture industries.

These commodities have their own independent supply and demand drivers meaning a reduction in the demand for one cargo can often be substituted by loading a different cargo. Further flexibility is added by the scale of Pacific Basin’s fleet allowing the company to position ships to achieve high laden rates and avoid ballasting.

*I will now hand over to the Richard Hext who will take you through the dry bulk market review.*

**Slide 6 - Baltic Exchange Indices**

Spoken By: Richard Hext

The Baltic Dry Index tracks spot rates for all dry bulk vessel sizes, and is the leading freight market indicator.

The index averaged 8557 points for the first half of 2008, 61% above the same period last year. This however masks the significant volatility in trading that was experienced. In May the index reached an all time high of 11793 points which then sharply corrected in June, led predominantly by the Capesize sector. Market volatility is exacerbated by the high utilization rates seen in the dry bulk fleet, magnifying the rate fluctuations caused by even minor short term rises or falls in supply and demand.

In general, nevertheless, booming global coal and iron ore markets continued to support high freight rates. High oil prices have also played a role by supporting coal as a preferred source of energy in a market where supply is already tight. The continuing underlying strength in demand for iron ore was demonstrated by the Chinese steel mills who recently agreed to a 96.5% increase in the price for contract iron ore lump from Australia.
The Baltic Handysize Index has shown some volatility but to a lesser degree. The Index stood at US$36,330 per day on 28 July having reached an all time high of nearly US$47,000 per day in May from the period low of US$26,000 per day in early February.

**Slide 7 - Dry bulk - 1 year time-charter rate**  
**Spoken By: Richard Hext**

In addition to spot rates, the one year period time charter rates show that the prevailing longer term view on the shipping market is also sanguine.

**Slide 8 - High tonnage Demand**  
**Spoken By: Richard Hext**

Shipbrokers R.S.Platou have estimated that cargo demand has increased by an annualized 7.5% during 2008, made up of a 6% increase in internationally traded cargo volumes plus a factor of 1.5% to reflect increased average voyage distances, slightly decreased port congestion and greater volumes of Chinese coastal cargo.

Congestion remains high in areas such as Australia leading to an increase in the tonne-mile effect as importers are forced to source cargoes from further afield such as iron ore from Brazil. Tonne-miles are further increased as China looks likely to continue to increase its imports of international coal and restrict its exports, forcing Japan, Korea and Taiwan to import from sources further away.

**Slide 9 – Orderbook**  
**Spoken By: Richard Hext**

The dry bulk order book currently stands at around 64% and the handysize sector orderbook stands at around 40% of the trading fleet. While this threatens an excess of supply, it does not take into account scrapping or slippage.

The orderbook contains a number of new orders that have been placed with yards and by owners who are experiencing financing difficulties as a result of the global credit tightening. Many yards are also finding it difficult to source critical ship components. This combined with the fact that a considerable number of the yards taking orders are new and have little shipbuilding experience leads us to believe yard delays will indeed become an increasing issue.

Indeed, Clarkson data has shown that some 35% of ship deliveries which were scheduled to take place in the first half of 2008 have been postponed or cancelled compared to only 9% of anticipated deliveries failing in 2007.

**Slide 10 - Age Profile**  
**Spoken By: Richard Hext**

The age profile of the fleet further suggests that the supply pressure implied by the orderbook will ease. More than 35% of the existing fleet is over 25 years old, the customary age at which a dry bulk vessel is scrapped. This has been brought about by owners of older tonnage continuing to
employ their vessels in an exceptionally strong market. Therefore it is likely that as rates come
down, the scrapping levels will increase and the demand for dry bulk commodities will more easily
absorb the supply of tonnage entering the market in the coming years.

**Slide 11 - S&P Market**

**Spoken By: Richard Hext**

Dry bulk vessel values have continued to rise to new all time highs - Clarkson now value a five
year old, 28,000 dwt handysize vessel at US$54 million. Values had softened at the beginning of
the year however surging freight rates have pushed prices up by over 25% during the period.

During 2008 we capitalized on high prevailing asset values by selling and chartering back a
number of ships whilst retaining revenue days, booking a gain of US$38.6 million in the first half
of the year.

*I will now had you over to Andrew Broomhead for a review of our financial results.*

**Slide 12 - Financial Highlights**

**Spoken By: Andrew Broomhead**

For the first six months of 2008, the Group’s TCE earnings were split between US$421 million
from Handysize and US$147 million from Handymax.

Reported net profit was US$337.6 million, including gains of US$38.6 million from the 2 vessel
sales.

Excluding these disposal gains, the Group’s profit was US$299.0 million, a 165% increase over
the same period last year.

We have also agreed to 5 further vessel disposals, including 2 with charter backs. These will
complete in 2H08 resulting in further gains of about US$110 million.

**Slide 13 – Results – Handysize Freight & Charter-hire**

**Spoken By: Andrew Broomhead**

The main drivers of results are revenue days, TCE earnings and direct vessel costs.

Our handysize revenue days increased to 11,540, reflecting on average 15 additional chartered in
vessels, and 5 less owned vessel, compared to the same period last year.

Continued freight demand strength increased our TCE to US$32,460 per day and our blended
cost to US$12,840 per day.

The net effect was a contribution from Handysize vessels of US$226 million in the first six months
of 2008.
For the Handymax vessels it was a similar story.

Our Handymax revenue days increased to 2,900, reflecting on average 4 additional chartered in vessels compared the same period last year.

The average TCE was US$46,100 per day which was boosted by the strengthened charter rates in the first half of 2008 and was helped by the contribution from short term chartered in vessels by the IHX Pool.

Blended daily costs remain principally composed of chartered in vessels, these increased to US$32,940 per day due to their higher market cost.

The net effect was a contribution from handymax vessels of US$38 million.

Blended daily costs for our Handysize fleet were US$12,840, an increase of 25% over 2007, due to two factors:

Firstly the proportion of chartered in vessels increased to 51% from 38% last year. This reflects the sale and charter back of previously owned vessels.

Secondly the average daily operating lease payments increased 28% to US$15,600 for these chartered back vessels and new chartered in vessels.

These charter hire costs will increase slightly for the whole of 2008 but decrease thereafter.

Owned vessel costs in aggregate increased around 8%, reflecting higher staff and crew costs, vessel insurance and lubricants.

We use derivatives to manage our exposure to bunker costs, freight rates and interest rates.

The net gain of US$42.6 million in the period mainly results from a roughly 33% increase in the value of the bunker fuel price between January and June, resulting in an unrealised MTM gain of US$45 million.

The bunker contracts we enter into are to hedge the fuel costs of our long term freight contracts so that we are not exposed to fuel price movements when we come to cash settle future fuel bills.
Slide 17 – Balance Sheet  
Spoken By: Andrew Broomhead

Looking at the balance sheet:

Fixed assets stood at almost US$900 million book value. They include US$667 million for 35 delivered dry bulk vessels with an average age of 6.6 years.
The average carrying value of a handysize was US$18.6 million compared to an average insurable value of US$51 million.

At 30 June 2008, the insurable values of all 82 delivered newbuildings and vessels chartered with purchase options, was about US$3.7 billion.

With the expansion into owning other vessel types, this insurable value is split between 56 dry bulk $3bil, 6 RoRos $0.6bil and 20 tugs & barges $0.1bil.

Slide 18 – Capex and Combined Value by Vessel Types  
Spoken By: Andrew Broomhead

The Group had capital commitments of US$721 million of which 25% is due in second half of 2008 and 27% is due in 2009.

These commitments will be funded from the Group’s existing cash resources, unutilised bank facilities and additional long term borrowings to be arranged, as required.

If we add the commitments to the book value of our delivered vessels and vessels under construction, the combined value of the Group’s vessels would amount to US$1.6 billion.

Dry bulk vessels continue to dominate the Group’s assets with US$929 million of value, representing 57% of the combined value.

However, with the expansion into other vessel types, delivering from 2009 and 2010 onwards, the roll on roll off vessels’ proportion is 36% of the combined value and towage the remaining 7%.

We expect to continue to identify further investment opportunities in these areas.

Slide 19 – Cashflow  
Spoken By: Andrew Broomhead

In the first six months of 2008 the Group generated operating cashflows of US$284 million.

Our investing activities involved the payments of US$201 million mainly for 4 dry bulk vessels and 1 tug acquired and delivered during the period and instalments for another 16 vessels not delivered by June 2008.
The Group also sold and leased back 1 and sold 1 of its vessels, generating US$80.6 million cash.

During the period, we have established a long term relationship with Green Dragon Gas Limited, a listed energy company. The Group invested US$40 million in the company’s convertible bonds with the fair value of the investment amounting to US$56.4 million at period end.

The Group has also concluded investments in its joint ventures in the Nanjing terminal project and further invested in Fujairah Bulk Shipping in the Middle East.

During May 2008, we raised US$271.0 million through issuing 159 million new shares. This is being used for further expansion.

We paid US$153 million in dividends funded out of operating cashflows, leaving us US$804 million of cash at the end of June.

**Slide 20 – Dividend**
*Spoken By: Andrew Broomhead*

We have declared an interim dividend of 76 HK cents per share. This represents a payout ratio of 50%, and will be paid on 29 August after the ex dividend date of 18 August 2008.

The Board’s objective continues to be to pay a generous dividend to shareholders whilst reinvesting sufficiently in the Group’s businesses to ensure their development.

To that end, the Board has decided to continue the Company’s policy of paying out a minimum of 50% of profits attributable to shareholders but, in future, to exclude vessel disposal gains.

A would now like to hand back to Richard, who will cover our business development.

**Slide 21 - Business Development**
*Spoken By: Richard Hext*

In the first half of the year we placed orders to build 6 roll on roll off, or “RoRo” vessels, increased our economic interest in Fujairah Bulk Shipping Limited from 33% to 50%, continued to develop our port and port services business and established a new maritime services division.

**Slide 22 and 23 - RoRo Update**
*Spoken By: Richard Hext*

We have identified the RoRo sector as an attractive shipping sector and following the 4 orders we placed with Odense Steel Shipyards in February for a total cost of EUR 257.3 million, we recently agreed with the Grimaldi Group for 2 purchase option contracts for orders placed with Hyundai Mipo in Korea delivering between 2009 and 2011. If the options are exercised, as the company intends, it will cost a total of US$173.6 million.
These vessels are of a versatile design with good maneuverability, efficient loading and discharging configuration and efficient bunker consumption as a results of modern hull design.

We intend these vessels to be operated by blue chip operators in Europe, Asia Minor and, in the longer term, Asia.

With good demand prospects, an ageing world fleet in which 42% of vessels are aged 25 years or older, a small orderbook and a requirement for premium service levels the sector looks very attractive and has exciting prospects for Pacific Basin.

**Slide 24 - Ports and Port Services**
**Spoken By: Richard Hext**

We have continued to invest in our project in the Longtan Tianyu Terminal in Nanjing. We hold a 45% stake in the Joint Venture which commenced formal operations in February. The terminal handled over 600,000 tonnes of general cargo in the first half of the year.

We are also evaluating a number of other projects in China, Asia Pacific, the Middle East, and North America. We have taken a 33% share in the ownership and operating rights of the Gold River wharf in Canada.

PB Towage has continued to expand following the acquisition of Australia Maritime Service towards the end of last year. The towage activities are principally concentrated in Australia employed in harbour work for major shipping lines.

The tug fleet continues to grow and in addition to the 11 existing tugs, we have a further 6 on order to deliver to us within the next 2 years.

**Slide 25 – FBSL & Maritime Services**
**Spoken By: Richard Hext**

FujairahBulk Shipping Limited (FBSL) is a 50:50 Joint venture between Pacific Basin and the Government of Fujairah. The company specialises in the supply of rock and aggregates by tugs and barges and handysize ships. The business has performed well, delivering real profits, and the intended future expansion of operations in 2008 look very promising.

We established a new division earlier this year. PB Maritime Services is a third party ship management and associated management services division. The business builds upon our existing maritime management business, including PacMarine.

**Slide 26 - Earnings Coverage**
**Spoken By: Richard Hext**

We continue to have high earnings visibility for 2008 and enhanced our visibility on earnings for 2009.
83% of our 22,730 2008 anticipated revenue days are covered at an average rate of around US$31,000 per day net of commission. This represents an increase of 33% in earnings compared to the full year 2007 across a 13% increase in anticipated revenue days.

As a result of our reliable service and strong visible, balance sheet, a number of customers are seeking long term contracts and we have now covered 37% of our 2009 anticipated revenue days at an average of around US$24,200 per day net.

Due to the much higher proportion of short term tonnage used to cover our growing handymax cargo book, we expect revenue days for 2008 to increase as the year progresses and new short term vessels are chartered in.

Slide 27 – Outlook
Spoken By: Richard Hext

We have a positive outlook on the dry bulk market over the next twelve months punctuated by continued volatility in freight rates. We have locked in prudent levels of cover for both our handysize and handymax businesses for the remainder of 2008 and have secured profitable cover for 2009 and onwards.

We look forward to the development of our new businesses and the growing contribution they will make in the future.

Pacific Basin would like to thank you again for attending today and we look forward to the rest of 2008.

Disclaimer
This presentation contains certain forward looking statements with respect to the financial condition, results of operations and business of Pacific Basin and certain plans and objectives of the management of Pacific Basin.

Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of Pacific Basin to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Pacific Basin’s present and future business strategies and the political and economic environment in which Pacific Basin will operate in the future.