**2010 Interim Results Presentation**

**Slide 1 – Cover**
**Spoken by: David Turnbull**

Good afternoon ladies and gentlemen, and thank you very much for attending Pacific Basin's 2010 half year results presentation.

I will start with a brief overview of Pacific Basin and our results for the period then hand over to Jan Rindbo, our Chief Operating Officer, who will present our dry bulk performance and market outlook.

Our CEO Klaus Nyborg will take you through the results and outlook of our Energy and Infrastructure division and our RoRo division.

Andrew Broomhead, our CFO, will provide an overview of our financials.

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

**Slide 2 – Pacific Basin Overview**
**Spoken by: David Turnbull**

As you know, we are predominantly a dry bulk shipping company with presence in energy and infrastructure services and RoRo shipping. We will go through each division in detail later on.

**Slide 3 – 2010 Interim Results Highlights**
**Spoken by: David Turnbull**

Pacific Basin made a net profit of US$52 million in the first half of 2010.

While 31% lower than our first half 2009 results, we did not enjoy the same benefits we had last year in terms of unrealised non-cash derivative income, provision write-backs and the relatively much stronger book of forward cargo cover we had secured before the financial crisis.

On the contrary, this half year's results were negatively impacted by a significant unrealised non-cash derivative expense, before which our underlying profit was US$66 million - or 16% up year on year. We generated strong operating cash flow of US$83 million which is 36% more than in the first half of 2009.

This improved underlying performance was mainly driven by a much better six months for handysize and handymax bulk carriers than the preceding two half-year periods, which is as we expected.

In the context of a much improved freight market and potential recovery in ship values, we restarted our fleet expansion programme in December 2009 since which time we have purchased

9 dry bulk ships and long-term chartered another 5. Despite the recent – and we believe temporary - market weakness, these vessels remain significantly in the money.

As you will hear from Jan Rindbo, we again take a neutral view of the dry bulk freight market for the remainder of the year.

*I will now hand over to Jan who will present the Group's dry bulk performance.*

**Slide 4 – Dry Bulk Market Information**
**Spoken by: Jan Rindbo**

Good afternoon.

These graphs chart the performance of the dry bulk market both in aggregate and by segment.

The graph on the bottom left shows how the dry bulk freight market as a whole has been quite volatile in the wake of the financial crisis, with the Baltic Dry Index moving generally within the 2,000 to 4,000 point range. An upward trend continued in the first half of 2010 despite the onset of a significant mid-year fall.

The graph on the top shows how the handysize and handymax segments outperformed larger bulk carriers over the half year relative to the preceding half year. For instance, handysize earnings were on average 39% stronger throughout the first half of 2010 than in the previous half year, whilst capesize earnings were on average 28% less than in the previous half year.

This is due to different supply and demand factors between the ship types and, though they still move in tandem, there have been some decoupling in the last year between performances across the sizes, with smaller bulk carriers proving to be more resilient to the challenges of the market post-2008.

The graph on the right shows how, on the back of generally sustained freight market strength in 2009, ship values started a more palpable recovery in early 2010 supporting increased asset values for our existing fleet including our recent acquisitions.

**Slide 5 – Chinese Dry Bulk Trade**
**Spoken By: Jan Rindbo**

Looking at the demand side, it's clear that China is still the key market driver. About 29% of the world's dry bulk cargoes are carried into or out of China, so changes in the Chinese market will significantly influence the global bulk market.

China's demand for imported iron ore and coal are all important and, looking for instance at coal, you can see that Chinese net imports have increased dramatically from 2008 to 2009 and 2010, fuelling China's continued growth when much of the rest of the world slowed down.

This has drawn a huge proportion of the global dry bulk fleet to China, which has resulted in an imbalance and inefficient utilisation of the fleet, as ships ballast further afield to load their next cargo.

[As a side note, at present China only imports about 4% of the coal it needs annually, but this import volume represents 16% of global seaborne coal trade, so small changes in China's imported versus domestic coal mix has significant impact on the market.]

**Slide 6 – Dry Bulk Demand**
**Spoken By: Jan Rindbo**

Turning to the overall dry bulk demand picture, we see that, year on year, Q1 and Q2 demand was very significantly improved over the same period last year which should come as no surprise given the dysfunctional market in the beginning of 2009.

Despite generally renewed demand strength, we expect year-on-year demand growth to reduce in the second half of 2010 given the return to normalised demand levels in the comparative periods in 2009.

Drivers of this growth are, as previously mentioned, very much related to China and the East-West trade imbalance.

**Slide 7 - Dry Bulk Orderbook**
**Spoken By: Jan Rindbo**

The dry bulk orderbook has decreased slightly since last year, though remains troubling at 61% of the current fleet, and with 18% of that orderbook still scheduled to deliver in 2010.

Our cornerstone handysize segment has more favourable characteristics than the larger ship segments, which helps explain the better relative performance of the handysize segment over the past year. The handysize orderbook stands at only 38% while almost 30% of the global handysize fleet is over 25 years old.

While handysize has a more favourable supply-side outlook than other segments, we are mindful of the risk and challenge that the aggregate dry bulk orderbook poses to the whole sector.

**Slide 8 – Dry Bulk Fleet Changes**
**Spoken By: Jan Rindbo**

In the first half of this year, 6.8% of tonnage on the water delivered driving considerable net fleet expansion of 14% year on year.

Nevertheless, these deliveries represented a 44% shortfall against what had been scheduled to deliver during the half year, due primarily to cancellations, slippage and some orders being noneffective. For the full year, brokers predict the shortfall to range from 35 to 40%, which is in line with our own view.

When we look at this by segment, we take more comfort that our cornerstone handysize segment has only experienced 5% net fleet growth year on year. Considering the orderbook and fleet age profile, we expect handies to fare better than other larger vessels.

**Slide 9 – Pacific Basin Dry Bulk**
**Spoken by: Jan Rindbo**

Looking at our own performance, Pacific Basin Dry Bulk net profit for the first half of 2010 was $78.5 million with our handysize division generating $69.7 million and our handymax division generating $8.8 million.

Our fleet currently comprises 125 dry bulk vessels including newbuilds on order, several of which were acquired since December 2009. The ships on the water are employed in a mix of contract and spot cargoes, primarily carrying logs, copper concentrates and grain products.

We continue to have high earnings visibility for 2010 with 86% of our handysize revenue days covered at US$16,260 per day net, and 96% of our handymax revenue days covered at US$23,520 per day net. We have also covered 33% of our combined handy and handymax revenue days in 2011.

Our strategy remains to secure a high level of forward cargo cover – mainly for 2011 – to secure future earnings, and to grow our core fleet while maintaining a competitive breakeven cost so that we can service our customers' contract and spot market needs at rates which are profitable for our ships.

**Slide 10 – Dry Bulk Outlook**
**Spoken By: Jan Rindbo**

We have outlined a number of positive and negative factors that we think will be the market's key drivers in the remainder of the year. They include seasonal activity fluctuations, newbuilding delivery slippage, domestic vs. international commodity sourcing in China, and initiatives to cool down the Chinese economy.

We take a neutral view of the dry bulk market in the balance of the year. We expect recent market weakness since June to affect the third quarter generally, and to give way to a recovery later in the year. We should see a half-year period that is on balance somewhat weaker than the first half of 2010 but still generating profitable rates for our dry bulk ships.

*Our CEO, Klaus Nyborg, will now talk about our Energy and Infrastructure Services and RoRo divisions*.

**Slide 11 – PB Energy & Infrastructure Services**
**Spoken By: Klaus Nyborg**

Thank you.

Since the end of last year, we have categorised our PB Towage, Fujairah Bulk Shipping and PacMarine businesses under a new division called "PB Energy & Infrastructure Services" to better reflect the mandate they have to provide services to governments, energy groups and construction companies for large infrastructure projects.

PB Towage is engaged in two main areas: offshore support services for construction and energy projects; and harbour towage.

In the first half of 2010, "PB Energy & Infrastructure Services" generated a segment net profit of US$4.0 million, which we consider less than satisfactory due to a poor result from our towage sub-division.

The towage and infrastructure markets in Australia and the Middle East remained weaker than we had expected. This impacted the utilisation of our offshore towage fleet, particularly in the Middle East which saw reduced construction activity in the wake of the Dubai debt crisis. Our harbour towage business in Australia continues to be affected by rationalisation in containership operations resulting in fewer port calls and therefore lower tug utilisation.

It's not all bad news though:

We have entered into new services under a long term exclusive license at 3 bulk ports with good returns.

Our Fujairah Bulk Shipping joint venture has adjusted the pace of production on the 54 million tonne Fujairah Northern Land Reclamation project to complete approximately three months ahead of schedule, and is focused on securing new contracts for 2011 and beyond.

Our marine surveying and consultancy business, PacMarine, expanded its network and now operates from 16 locations around the world.

**Slide 12 – Energy and Infrastructure - Outlook**
**Spoken By: Klaus Nyborg**

We expect a challenging second half outlook for PB Energy & Infrastructure Services. Global economic recovery, resumption of infrastructure projects, and continued strong service and perseverance all bode well for the future prospects of the division despite the challenges of reduced demand and some supply side pressure in the medium term.

**Slide 13 – PB RoRo**
**Spoken By: Klaus Nyborg**

Moving on to the third of our core business areas, PB RoRo's one delivered vessel - "Humber Viking" – is operating satisfactorily under its 3 year charter to Norfolk Line, generating the division's small first half net profit of half a million dollars.

We still have five newbuilding vessels on order with two scheduled to deliver late this year and 3 postponed to 2011. This means that RoRo performance will have only a minimal impact on our group results this year. We are actively seeking employment for these new vessels in a number of potential trades within and outside of the European markets.

The RoRo market was hit hard by the financial crisis and continues to be depressed.

We have recently expanded our RoRo ship management joint venture to include a substantial new commercial management capability, which will assist with our RoRo marketing efforts and enhance the service we can offer charterers. Our aim is to become a supplier of high-quality RoRo tonnage to major European freight service operators while still exploring employment opportunities globally.

**Slide 14 – RoRo - Outlook**
**Spoken By: Klaus Nyborg**

We expect a continued difficult RoRo market in the short and medium term but remain positive for the more distant future due to an overaged fleet, high scrapping, and no new orders being made. Strong demand recovery for the balance of this year and into the next does not appear likely due to sluggish trade in Europe and flatter than expected recovery in the developed countries. As demand returns and supply growth flattens over the long term, we see very good prospects for the sector.

*I will now pass you over to Andrew Broomhead, our Chief Financial Officer, who will present Pacific Basin's financial performance in the first half of the year.*

**Slides 15 – 2010 Financial Highlights**
**Speaker: Andrew Broomhead**

- The Group reported segment net profit of US$81.1m, which included
    - Dry Bulk making US$78.5m,
    - Energy & Infrastructure Services making US$4.0m, and
    - RoRo making US$0.5m.

- Underlying profit of US$65.7m improved 16% compare to the same period last year,

- However, US$13.8m of net unrealised derivative non cash expenses, mainly arising from the reduction in bunker prices,

- resulted in a net profit of US$51.9 million.

**Slides 16 – Pacific Basin Dry Bulk - Handysize**
**Speaker: Andrew Broomhead**

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

- Our handysize revenue days increased 12% to 13,940, reflecting on average 8 additional vessels, compared to the same period last year.

- TCE and blended daily costs both increased around 24% resulting in an expanded margin.

- The result was a 34% increase in segment net profit from Handysize vessels to US$69.7m

- and a return on net assets of 26%.

- Please note this excludes the US$6.2m of unrealised non cash net derivative expenses.

**Slides 17 – Daily Vessel Costs - Handysize**
**Speaker: Andrew Broomhead**

- Handysize blended daily costs including direct overheads were US$11,750, an increase of 21% over 2009 full year, primarily due to the average daily charter hire payments increasing 40% to US$13,870.

- Owned vessel costs in aggregate decreased around 2%, reflecting lower vessel repair and insurance expenses.

- It is worth noting that the number of our contracted charter in days in 2011 and 2012 is only about 30% of the forecast 2010 total. This underpins our wish to expand our fleet of vessels.

**Slides 18 – Balance Sheet**
**Speaker: Andrew Broomhead**

- Our balance sheet is analysed into the Group's business segments.

- Most capital is employed in the dry bulk segment with US$725m of vessel book value including US$173m for 13 sold and chartered back vessels under finance leases.

- The RoRo book value relates to 1 delivered vessel at US$77m, the balance being progress payments.

- Through our treasury activities we have US$873m of borrowings, part of which are allocated to the specific business segments.
- At the end of June we had a net cash position of US$96 million.

**Slides 19 – Cashflow**
**Speaker: Andrew Broomhead**

- During first half of 2010, the Group generated operating cashflows of US$83m, a 36% increase over last year.
- Our investing activities included vessel payments of US$187m, mainly for 5 handysize, 1 handymax and 8 tugs, all delivered during the period, and instalments for another 4 vessels (1HS, 1HM, 1PP, 1RR).
- In April 2010, the Group issued US$230m 1.75% per annum coupon convertible bonds, expiring in 2016. They are convertible into ordinary shares under certain conditions at a current conversion price of HK$7.79
- US$194m of the proceeds have been used to repurchase part of the previous convertible bond issue expiring in 2013 and which are redeemable by bondholders in February 2011.
- I would now like to hand back to Klaus

**Slide 20 – Outlook**
**Spoken By: Klaus Nyborg**

In closing, I'd like to summarise as follows.

We continue to focus on our three core businesses: PB Dry Bulk, PB Energy and Infrastructure Services, and PB RoRo. Capital expenditures will predominantly be directed towards our cornerstone dry bulk activity until we see stronger signs of recovery in our other segments.

Our view remains neutral for dry bulk in the remainder of the year. We believe that resumed Chinese demand and a seasonal rebound later in the year will support a market in the second half of the year that is somewhat weaker than the first half, though still generating profitable rates for our ships.

Financially, we are well positioned with US$970 million in cash in US$96 million net cash and strong operating cash flows.

Our strategy for the remainder of the year remains unchanged:

- We look to further grow our dry bulk fleet and business;
- We look to further develop our energy and infrastructure services operations; and

- We look to secure profitable employment for our remaining five RoRo vessels.

We have a great team and business model, a modern flexible fleet, and a good balance sheet to help support the continued growth and performance of our business.

I would like to thank you again for attending today and we would be happy to take your questions.

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# Disclaimer

*This transcript 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.*

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