2004 Annual Results – 1 March 2005

Slide 1 – Cover
Spoken by: Christopher Buttery

Welcome everyone to 2004 Results Briefing.

Particular welcome to Richard Hext - who will join our management team in April taking responsibility for all our operating and commercial activities.

Richard will also assume the position of Deputy Chairman & Mr. Simon Lee has kindly agreed to step down, after many years of valuable service to the group, although I am pleased to say that he remains as N.E.D. from early April.

Slide 2 – 2004 Highlights – Financial
Spoken by: Christopher Buttery

2004 was a very good year for Pacific Basin with revenues and profits both exceeding 4 times the 2003 numbers.

That gave an EPS of nearly 10 cents US or 75 cents HK.

Results were driven by both significant fleet growth and the substantially higher rates achieved. This lead to earnings well above the US$65 million profit forecast in our prospectus

And, in turn, allowed us to declare a final dividend of 16 HK cents, making total of 24 HK cents for the 7 month period to 31 December, a annualised yield of 16.5% on the issue price.

Slide 3 – 2005 Highlights – Growth Drivers
Spoken by: Christopher Buttery

The 2004 fleet expansion should carry growth into 2005 and beyond.

With a scheduled increase of 43% in revenue days to 14,200, 59% of which are already covered at 17,300 dollars per day.

With dry bulk markets starting the year very strongly, I am confident that 2005 will be another year of significant growth and healthy profits.

To tell you more:
- ATB on 2004 Results
- MMH on Business & 2005

Slide 5 - Profit & Loss - Highlights
Spoken by: Andrew Broomhead

In 2004, revenues were US$234.3m the most significant component being gross Freight and charterhire income amounting to 96% of revenue.

EBITDA was US$131.4m and our profit after tax was US$103.5m.

Pacific Basin was reorganized on 31 March 2004 as part of its listing, which brought into the group both management companies and additional vessel companies.

When looking at the comparative, please note that these acquisitions are not included. So let's look at the 2 main drivers behind this growth.

Slide 6 – Revenue
Spoken by: Andrew Broomhead

The first driver is time charter equivalent earnings which increased 82% to US$17,900 per day during 2004 compared to US$9,800 per day in 2003.

If we look at the 2004 TCE split, it was about $17,900 in 1H and about $17,800 in 2H, showing the stability of our earnings despite the volatility of BDI.

The second driver is ship revenue days which also increased by 82% to around 10,000 days through the delivery of new vessels and the acquisition of second hand vessels.

Mark will cover the fleet expansion in more detail shortly.

Slide 7 – Daily Vessel Costs
Spoken By: Andrew Broomhead

This slide show the daily costs of our owned and long term chartered in vessels. These costs depend on the age and condition of the vessel and are not directly related to revenue, this gives us operational leverage.

The lower section shows vessel days and that we had more than 3.6 times the number of owned to chartered in vessel days in 2004.

For our owned vessels our total daily cost was US$ 6900, representing our marginal breakeven rate. The step up over 2003 comes largely from 2 categories:

First time allocation of shore based overhead of $740 per day costs for the management companies acquired 31 March 2004, and therefore not in 2003, and

Dry docking costs increased as only 3 ships of a very young fleet in 2003 were drydocked compared to 12 in 2004.

Also, finance costs (in green) increased 24% mainly as a result of loan arrangement fees written off when we refinanced our loans at the time of the IPO to secure lower interest rate margins that will benefit the company going forward.

Depreciation (in yellow) increased 14% in line with the increase in the average cost of our vessels.

Looking at long term chartered in vessel costs on the right, charter-hire increased around 10% over 2003 and there is also a first-time allocation of shore based overheads following the acquisition of the management companies 31 March 2004.

I will discuss our commitments under chartered in vessels later.

Slide 8 – Balance Sheet - Highlights
Spoken By: Andrew Broomhead

The Group’s balance sheet has grown substantially with the acquisition of new ships, the listing and the healthy profits we have achieved.

There were 37 vessels recorded as fixed assets on 31 December with a net book value of US$544m and an average historic cost of US$17m per delivered vessel.

The insured value of delivered vessels is $845m, demonstrating the quality of assets held on our balance sheet.

Our net debt was US$323m and as a proportion of fixed assets at book value, stood at 59%. This ratio would be substantially lower based on fixed asset at the fair market value. [38% FYI]
We expect to continue to finance 60% of the fair market value of future vessel purchases through debt.

At the end of July we hedged US$182 million of our total debt and therefore a large part of our interest rate exposure through two structures, namely a cap until July 2007 and a knock out swap with cap until July 2009

Slide 9 – Owned Vessels Commitments
Spoken By: Andrew Broomhead

As of 31 December 2004, the Group had capital commitments of US$67m in 2005 and US$38.7m in 2006.

We have this year been taking advantage of the strong market as a financing tool to fund our fleet procurement. We have sold and chartered back a total of 4 vessels including our oldest HS, a HM and 1 NB. These sales have reduced our year end commitments by US$20.4m.

After adding one vessel purchase this year, our commitments of US$107.7m will be funded US$78.7m by debt, leaving US$28.4m to be funded from our internally generated resources.

The effect of the 4 sales and charter back is to generate US$18.9m of additional cash which can be used to fund the committed vessel purchases and so reduce the funding from 2005 operating cash flows to only US$4.2m. We will also look at other sale and charter back opportunities which would release further cash.

With a young fleet we do not need to reserve capital for fleet renewal. Consequently, that leaves us with most of 2005 cashflow for further vessel acquisitions and dividends.

Slide 10 – Chartered-in Vessels Commitments
Spoken By: Andrew Broomhead

At the end of December 2004 the company operated 7 long term chartered in vessels. I mentioned in the last slide that 4 owned vessels have now been sold and chartered back to the company. This does not effect the revenue days for 2005.

The bar chart shows for each of the vessels the charter period including any extension periods - which are at our option. You will see that 7 of the vessels have purchase options.

The lower table shows a breakdown of our chartered in commitments for the 12 vessels which amount to US$22.9m for 2005, or around US$8,200 per day.

Slide 11 – Dividends
Spoken By: Andrew Broomhead

As set out in our listing prospectus the dividend policy is to pay out not less than 50% of distributable profits each year.

These results cover a period partly before the IPO.

All retained earnings to 31 May 2004 were paid to pre IPO shareholders as part of the reorganisation of the Group.

This leaves US$69.7 million of profits attributable to the post IPO shareholders.

An interim dividend of 8HK cents per share was paid in January and a final dividend of 16 HK cents is proposed to be paid on 6 May, giving a total payout of 56% of the attributable profits.

Our decision to recommend a total dividend above the 50% payout level reflects the strength of the Company's performance and our optimism given the strong start to the current year.

Slide 13 – Strong Freight Market All Year
Spoken By: Andrew Broomhead

As CRB said in his intro 2004 been a good market for shipping, high level of demand for all major commodities and tight supply position le to high rates all year for all sectors of dry bulk.

Even when market dipped in summer still above the 2003 peak prior to the start of the Q4 run up.
BDI hit new peaks twice in 04 – 5,700 in March and 6,200 in early December when rates spiked.
Handysize rates also strong above $15,000/day nearly all year and above $20,000/day for significant periods during rate spikes. The rate spikes were the result of 3 factors combining traditional busy periods with grain movements, Southern Hemi in Q1then Northern in Q4. China increasing its month to month iron ore imports and both contributing to reduce supply by way of increased port congestion, particularly in Australia & Brazil.

Slide 14 – China's Iron Ore Imports

Spoken By: Andrew Broomhead

In 2006 we generated operating cashflows of US$148.2 million.

Our investing activities involved the payments of US$286.2 million for 10 vessels acquired and delivered during the period and instalments for another 10 vessels not delivered by December 2006.

In November we raised US$154.3 million through issuing 257 million new shares. This is being used for further expansion.

In order to help finance the acquisitions in 2006, we drew down US$33.6 million of bank borrowings.

After payments for the 2005 final dividend, 2006 interim dividend and other payments this left us with US$63.2 million of cash at the end of December.

Slide 13 – Dividends
Spoken By: Andrew Broomhead

We are committed to continue our dividend policy of paying out no less than 50% of attributable profit each year.

A policy we have consistently exceeded.

For 2006 a final proposed dividend of 22.5 HK cents per share together with the interim dividend of 20 HK cents, represents a payout ratio of 71%.

The distribution of an additional 21% of profits above the minimum payout reflects in part the strong outlook for the dry bulk sector in the coming year.

Slide 14 – The Baltic Exchange Indices
Spoken By: Klaus Nyborg

The Baltic Dry Index tracks spot rates for capes, panamax, handymax, and now handysize vessels, and is the leading freight market indicator.

2006 had a weak start compared with the highs of 2004 and 2005, however the dry bulk market strengthened from Q2, and has continued to show solid progress well into 2007.

Volatility has increased.

The handysize index launched officially at the start of 2007 after a trial period since May 2006. On 28 February the Baltic Handysize Spot Index stood at US$20447 per day net.

Slide 15 – Dry Bulk – 1 year Time-charter rate
Spoken By: Klaus Nyborg

Current Baltic 1-Year Time Charter rates are close to all time highs, signaling confidence in the forward freight market. A similar story is told by the 3-year time charter market.

This chart illustrates the relatively low volatility of the handysize and handymax sectors compared with larger vessel types.

Another interesting feature is the narrow trading gap between handymax and panamax rates during 2006.

Slide 16 – PB against the market
Spoken By: Klaus Nyborg

Central to Pacific Basin's model is the careful combination of complementary 'fronthaul' and 'backhaul' routes in order to minimize our vessels' empty – or 'ballast' – time, thereby earning a premium to base contract and market rates. We can do achieve this because of our fleet scale and our tight chartering operation.

During 2006, our IHC Pool achieved an average premium of around US$1800 or 14% to the Clarkson 1-Year Time Charter net rate. Since listing, the average premium has been US$2400 or 17%.

Slide 17 – Strong Growth in Dry-bulk trade
Spoken By: Klaus Nyborg

Strong freight markets are driven by unprecedented rate of global commodity demand, especially from China and other developing Asian nations.

Chinese imports of the major bulks, such as coal and iron ore was impressive, but we must not forget minor bulks, whose trade is more difficult to track but certainly played a great role in absorbing ship supply. Cement in particular was the surprise demand story of the year, absorbing almost all new deliveries of handymaxes.

Slide 18 – Tonne-miles: Distance Carried is a Crucial Factor
Spoken By: Klaus Nyborg

To get a truer picture of demand however, we must factor in distances traveled between load and discharge ports. This "tonne-mile" effect changes according to supply capacity, infrastructure constraints at load ports, and seasonal weather fluctuations. The higher the 'mile' effect, the more supply capacity is required.

China's need for raw materials is such that she must look further afield – for instance to South America as well as Australia.

We feel that the tonne-mile effect will continue to have a significant influence on the delicate supply/demand balance, albeit a seasonal one.

Slide 19 – Low Orderbook in Handysize
Spoken By: Klaus Nyborg

Turning now to the supply side…
The handysize sector in which we predominantly operate continues to show the strongest fundamentals of any dry bulk or other cargo shipping sector.

Yard orderbook is full, and smaller handysize vessels are less attractive to shipbuilders that larger, higher margin vessels.

Average handysize vessel age is approaching 18 years.

PB's average fleet age is just over 6 years old.

Slide 20 - Ageing World Fleet Points to Scrapping
Spoken By: Klaus Nyborg

We can see from this graph that the total vessel orderbook for the 25-35k sector is balanced by a high proportion of vessels at or approaching the traditional scrapping age of 27 years.

Thanks to the unprecedented market of the last few years, owners have deferred scrapping, but the time is fast approaching for many vessels, especially those over 30 years old, to head for the scrapyards.

Slide 21 – Dry Bulk Carrier Sale & Purchase Market
Spoken By: Klaus Nyborg

Second hand tonnage does not come cheap these days – in face it has never been more expensive.

PB invested in 8 second hand handysize vessels, most of them acquired before the S&P market really heated up in Q2.

We sold 2 older vessels as the market began to peak in the latter part of the year, with charterbacks at favourable prices, thereby maintaining low average fleet age and retaining revenue days.

Of course, the good news about high asset prices for owners is that fleet values have soared.

Slide 22 – Earnings Coverage
Spoken By: Richard Hext

We have high earnings visibility for 2007, with 58% of our 20,190 handysize revenue days already covered at around US$17,000 per day and 97% of our 5,040 handymax revenue days covered.

With the current Baltic Handysize spot rate at almost US$20,500 per day net, we can be optimistic about covering the remaining 42% of 2007 at favourable levels. Our cover rates include an approx. US$1,000 ‘uplift’ to the contract rate achieved through efficient voyage execution, utilising backhaul legs where possible.

Moving to handymax, because we made much more use of short term tonnage to cover our growing handymax cargo book, we expect revenue days for 2007 to increase as the year progresses.

We have already made good progress in securing forward cover for our handysize and handymax books in 2008.

Slide 23 – Conclusion and Outlook
Spoken By: Richard Hext

So, it has been another good year for Pacific Basin. We have expanded our fleet and we have continued to achieve a significant premium to market rates.

Based on vessel commitments to date alone, 2007 handysize revenue days are expected to grow 23% in 2007.

We already have 58% of our 2007 handysize days covered at favourable rates and have made a good start on 2008, locking in forward earnings.

We expect to see ‘more of the same’ in terms of commodities demand from China and other developing economies. There has certainly been no drop in iron ore and coal imports so far this year. This should continue to absorb new deliveries, which we expect to be steady this year, and balanced by an increase in scrapping.
I will quote a well-respected friend of mine as follow: “In the end this is a market not for detailed calculation. That only makes a fool of us all. It is instead, a market for the grand call. If China continues its industrialization at the pace of the last few years and is joined by India and some others, there will be no fundamental malaise until shipyard capacity expands sufficiently to meet, and eventually exceed demand.

In summary, with a healthy market outlook, good earnings visibility and a large fleet of young vessels, we have grounds to look forward to a good 2007 for Pacific Basin.

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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

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