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14 May 2015

To : The President of the Stock Exchange of Thailand

Subject : The 1st Quarter of 2015 Management Discussion and Analysis (MD&A)

THE RESULTS reviewed by EY Office Limited, show you the latest financial position of the Company. The net loss for Q1, 2015 was USD 10.31 million which compares with a net profit of USD 4.27 million in Q1 2014. The average earnings, per day per ship during Q1 2015, were USD 6,074 compared with the USD 9,268 in Q1 2014. The average operating expenses, per day per ship, were USD 4,634 in Q1 2015 which is marginally above our target of USD 4,600, compared to USD 4,636 in Q1 2014 (including depreciation/amortisation of the Drydocking/Special Survey expenses in both periods.) The loss per share (eps) in Thai Baht for Q1 2015 amounted to Baht 0.32 per share versus a profit of Baht 0.13 per share.

THE HARD FACTS	Q1, 2015	Q1, 2014
Highest Earnings per day per ship in USD	15,000	19,702
Average Earnings per day per ship in USD (Handy Size)	5,815	9,024
Average Earnings per day per ship in USD (Supramax)	7,380	10,086
Operating cost per day per ship in USD	4,634	4,636
EBITDA in million USD	2.69	13.65
Net Profit/(Loss) in million USD (excluding one-off gains on novation/cancellation of shipbuilding contracts)	(10.31)	4.11
Net Profit/(Loss) in million USD	(10.31)	4.27
Earnings(Loss) Per Share in Thai Baht (excluding one-off gains on novation/cancellation of shipbuilding contracts)	(0.32)	0.13
Earnings (Loss) Per Share in Thai Baht	(0.32)	0.13

PROSPECTS over the next 12 months can be better understood if one were to examine the macro environment. We have given you a selection of such information from various publicly available sources.

Concern over global growth momentum prevails. Weakness in the US has extended into Q2, raising worries that the soft patch may be deeper-rooted than initially expected. We view the slowdown as temporary, but it may prove enough to further lower growth expectations for the year. Weak data in China have also continued, and EM more broadly are struggling to gain traction. News is not all negative. China's policy easing should support short-term growth and provide upside to current forecasts, even if this marks a potential return to investment- and export-led growth which could have repercussions for the global economy. In Russia, the recent rise in oil prices coupled with the stabilisation of the Ukraine crisis should limit the depth of the recession. Lastly, the European recovery remains strong. We expect the Fed to leave the door open for hikes from June if data improve, though there remains a risk of a more dovish tone which could even raise doubts about any hikes this year. In Europe, the ECB has reiterated its commitment to the QE programme and we see no reason for it to change tack even as the recovery accelerates and if the euro falls below parity. (Deutsche Bank Research)

The current recession is in sharp contrast to when we began our career thirty years ago in the depths of what was perhaps the worst depression in shipping, a period when demand simply did not exist. Owners chartered ships for "bunkers only" in the hope that the discharge port would offer them a better opportunity. During those times, we met old time owners who could "smell" a market or perhaps they simply smelt fear and acted on it. These were the same owners who measured the company's performance by cash held in the bank, which, by the way, makes more sense to us than adjusted EBITDA. While things have changed, you can make book on the fact that no computer model can predict a market or the outcome of an investment, which is what makes shipping so interesting. (Marine Money)

IMF researchers say that global GDP could gain between 0.3-0.7% in 2015, compared with a scenario without the drop in oil prices. This would put economic growth at 4.1-4.5% this year, the highest since 2010 after the Financial Crisis. Prolonged lower oil prices could increase China's GDP growth rate by 0.7%, taking it to almost 8% in 2015, which would be the highest since 2011. "Global consumption should see a meaningful acceleration in the second half of this year and into 2016", BofA Merrill Lynch also added. Typically steel demand growth is strongly correlated with GDP growth so this should give added impetus to Chinese iron ore import demand this year. (Braemar ACM Research)

Thailand is once again the world's biggest rice exporter, with a record 10.9 MMT of rice exported in 2014 mainly to Nigeria and Benin in west Africa, a senior official with a major Thai rice trade body said. (Fairplay)

Once again, the huge logistical difficulties caused to the Brazilian iron ore shippers by the rainy season, combined with planned annual routine maintenance, have had a major impact on Capesize demand, contributing to the January blues. Any hope that the record export volume in December might provide at least some relief has been dashed. January

exports fell -31% from December to just 23.1 MMT in January a y-o-y fall of 6.5%. Instead of 152 Capesize shipments from Brazilian ports, there were just 115, helping to account for 37 of the ships struggling to find employment. Worse still, these voyages are, for the most part, the longest haul of all, and the impact of the seasonal decline was further exacerbated by a fall in the monthly average of vessels waiting to load. These declined from 39 in December to just 30 in January. (Howe Robinson Research)

Based on current trends, an estimated 381 MMT of iron ore will be exported from Brazil during 2015, 390 MMT during 2016, 447 MMT during 2017, 508 MMT during 2018 and 519 MMT during 2019. Long-haul iron ore exports from Brazil to China could help the market in terms of pushing up capesize ton-miles and rates. (Lloyd's List)

India coal imports reached in 2014 a total of 210.6 MMT an increase of 19 percent over 2013. India is the third biggest importer of coal globally; imports have grown as power generation capacity has been added in order to provide around the clock electricity. The decreased output of Coal India Ltd. has also required additional imports. The majority of coal imports, 163 MMT were thermal coal used for power generation. (Banchemo Costa Research)

Coal-fired power stations comprise around 60% of India's power output, and with domestic supply issues and favourable international coal prices, the country looks set to continue to rely on imports. In 2014, India's thermal coal imports increased 15% to an estimated 162 MMT. Indian thermal coal imports are thus projected to grow by a further 8% y-o-y to total 174 MMT in 2015. (Clarksons Research)

The infrastructure push provided by the finance minister of India in the Union Budget with the construction of another 100,000 km of roads and six million houses (by 2022) would definitely boost steel requirement. (Business Standard)

Japan is continuing to re-embrace coal to make up for its lack of nuclear energy, with plans for another power station released bringing the number of new coal-fired plants announced this year to seven. Utilities in Japan are eager to take advantage of coal's relative cheapness to give them a competitive edge at a time when other countries are seeking to reduce their greenhouse-gas emissions by moving away from a fuel source seen as dirty. (Wall Street Journal)

Strong domestic demand is driving growth in the United States, which, combined with dollar appreciation, is adding to demand in the rest of the world. The euro area should benefit from low oil prices, monetary stimulus and euro depreciation, which combine to offer the chance to escape from stagnation. In Japan, monetary and fiscal stimulus provides the impetus for faster near-term growth, but longer-term challenges remain. A gradual slowdown in China, towards the new official growth target, is expected to continue. India is expected to be the fastest-growing major economy over the coming two

years, while the outlook is likely to worsen for many commodity-exporting nations, with Brazil falling into recession. (OECD)

The Baltic Dry Index, an indicator of the health of the dry bulk industry as a whole, reached a historical low of 509 points on 18th February. This depressing figure overtook the previous record low registered in August 1986 of 554. Yet, adjusted for the change in operating costs (Opex), the BDI of 1986 was equivalent to 717 points today. (Braemar ACM Research)

The way the Baltic Dry Index is calculated has changed over time, meaning it's incorrect to compare the current level with prior years, Frode Moerkedal, an Oslo-based analyst at RS Platou Markets AS, wrote in a report e-mailed February 10. Using the current method, the 1986 full-year average would have been 433 points, according to Moerkedal's calculations. (Bloomberg)

As an indication of just how bad the freight market is, yet another 15-year-old Capesize was sold for scrap. Sea Star Ships Management's 2000-built Glory Claire was sold for USD 8,230,800 or USD400 per LDT. In March, 'K' Line sold the same-age Cape Flora for scrap. (Fairplay)

A continuation of rock-bottom dry bulk freight rates could trigger a record 50 million dwt of dry bulker demolition sales this year, enabling rates to recover in 2016-17, according to senior shipping analysts, Erik Nikolai Stavseth and Kurt Waldeland, at Arctic in Oslo. (Fairplay)

Not only is there enough capacity to break down all those unwanted ships, but there is virtually no limit of space as to how many vessels can be sent to oblivion on Asian beaches. A waterfront, people willing to do the job and the cash to buy the assets are all a breaker needs. What sets a limit for breakers is really availability of funds and demand from steel producers. With about 65% of India's steel production emanating from Electric Arc Furnaces, that feed on scrap metal, demand for scrap is directly dependent upon local steel demand and steel price. The World Steel Association expects Indian steel demand to grow by 6% in 2015, following a 3% expansion in 2014. Strong demand figures should support demand for scrap metal at the World's largest scrapper. (Braemar ACM)

The sorry state of the bulk-shipping industry says more about shipowners' incurable optimism than it does about the world economy. Owners are habitually more worried about missing out on an upturn than they are about getting caught by a downturn. This cheery disposition can do serious damage to their wealth. (Economist)

Indonesia government's advisory team has proposed the removal of the bauxite export ban implemented in Jan, 2014 to help miners raise funds to finance the construction of aluminum smelters ([source: Jakarta Post](#)). This could be a positive catalyst for the

Handysize operators such as Pacific Basin Shipping, Precious Shipping as minor bulks shipping demand have been hurt by Indonesia's bauxite exports ban. (JP Morgan)

Argentina's "bubble" in soybean inventories, which farmers have been building as a hedge against a depreciating peso, "will begin to break" in 2015-16, fuelling a rise in exports, Argentine growers had some 14.0 MMT of soybeans in store as of the end of Q1, up 25% year on year, according to the USDA bureau in Buenos Aires. Inventories have been lifted by, besides a strong harvest – the bureau estimated the 2014-15 crop at 57.0 MMT, 1.0 MMT above the official USDA estimate – hoarding by farmers using crops, and soybeans in particular, as a dollar-denominated hedge against a falling peso and inflation estimated at more than 40%. (Agrimony)

The situation is not as bad as it looks. Undoubtedly, China is still winded from a property market downturn, widespread productive overcapacity, enormous debt and weak internal and external demand. On the bright side, unlike in the OECD, China has plenty of room to deploy stimulus by cutting lending rates, increasing deposit rates and reducing bank reserve ratio requirements. The Renminbi is strong, helped by its peg to the dollar, driving more overseas investment to follow on from \$140bn in 2014. The BDI seems disconnected from all this. Surely, the only way is up? (Hartland Shipping Services)

Premier Li Keqiang has pledged to create at least 10 million jobs this year. China's economy created 13.22 million new jobs in its urban areas last year, but the growth rate in new jobs has been declining since 2010. Ensuring employment remains Beijing's top priority, and the premier stressed that the government will keep economic growth at a medium-to-high speed. Mr. Li, speaking at the global forum in Davos, Switzerland, said China wouldn't use a major stimulus program to boost growth but his latest remarks suggest that decision makers are willing to use limited growth-boosting policies to ensure sufficient employment. (Dow Jones)

Chinese imports of Bauxite from Indonesia fell from 27 MMT in H2 2013, to 9 MMT in H1 2014 and nothing in H2 2014. Australia was widely seen as the country that would fill the gap left by Indonesia's exit. From an average 2.0 MMT per quarter between Q1 10 and Q4 12, Australian bauxite exports to China – in essence its sole client – have jumped to an average of 3.8 MMT per quarter. 7.9 MMT of bauxite left Indian shores in 2014, compared with 4.3 MMT in 2013. As India continues gearing up, we expect about 9.0 MMT of the ore to be shipped out of the country in 2015, with about 90% of it heading for China. Once it became clear the Indonesian ban was not just a threat but was going to be implemented, Chinese refineries invested heavily in mining capacity as well as in infrastructures in Malaysia. The impact has been a firm growth of bauxite and alumina exports to China. From very little trading in 2013, Chinese imports of Malaysian bauxite grew to 2.0 MMT in Q4 14 alone. Conservatively, we expect Malaysia to be in a position to export 8.5 MMT in 2015, almost totally to China. (Braemar ACM)

China is reducing coal use for power generation faster than expected as the use of cleaner burning fuels and slowing economic growth drags thermal utilization rates to a potential record low, implying imports and prices will fall further. Beijing said it will go all out to curb its addiction to coal to reduce pollution, raising fresh doubts about demand from the world's top consumer of the fuel just after imports slumped a third in February from a year ago. (Reuters)

China has 192 unauthorized coal mines and plans to shut 200 million to 250 million tons of capacity this year, according to official estimates. (Bloomberg)

Coal continues to make up a smaller proportion of China's energy mix falling from 80% to 77% in 2014 and a further 12 hydroelectric dams with 50Bn m³ storage capacity are due to come online in 2015, plus an additional eight nuclear plants expected to enter service this year. (Braemar ACM)

China imported a record 933 MMT of iron ore in 2014, which was 13.8 percent more than in 2013. Almost all of this increase was from Australia, which managed to increase its shipments to China by 131 MMT, or 32 percent, to 548 MMT according to figures from Chinese Customs. On the other hand, shipments from Brazil, the second largest exporter, increased by only 16 MMT, or 10 percent, to 171 MMT. (Banchemo Costa Research)

China's iron ore imports are forecast to rise to a record 1 BMT this year, with main suppliers Australia and Brazil expanding their share in the world's top market for the raw material, justifying their plans to expand output. (Reuters)

Every year as the Chinese New Year nears, the dry bulk markets seem to deteriorate, before surging after Golden Week (the week that follows the New Year celebration). Fundamental market forces play a large part in this. A number of owners prefer to take delivery of their ships in January rather than December in order to benefit from a "younger" asset. In addition, with US soybeans exports coming to an end and iron ore shipments slowing, the January-February window tends to be seen as the low season. Between accelerating supply growth and lower demand, it is not surprising to see freight markets dwindle. This year, unfortunately for the dry bulk industry, we are approaching the Golden Week with a market that is at its lowest level ever. Freight rates for all sizes are extremely depressed and there is not much more erosion that can be accommodated. Similarly, after the Spring Festival, the scope for recovery will be limited. If the pattern of reflection is to be respected, we would see the Baltic Dry Index hover between 700 and 800 points by March 19, 20 days after the end of this year's Spring Festival. (Braemar ACM)

Lower freight supports jobs across the whole of China and now cheaper oil, iron ore, copper and coal are providing China a stimulus that gives it a competitive edge in international markets. It could achieve a lot more than the 2009 Rmb4tn stimulus that

forestalled disaster but created a housing bubble and overcapacity in so many industries, including steel and shipbuilding. Furthermore, the rising dollar is straining the RMB peg, so China may choose to widen the trading band or just devalue. This will further enhance its export prowess at a time when the collapse in energy and commodity prices has already significantly reduced its import and input bills. (Hartland Shipping Services)

China has a lot of room to manoeuvre its policy and boost its economy having avoided using strong, short-term stimulus in recent years, Premier Li Keqiang said, in a rare suggestion that authorities can do much more to stoke growth. (Reuters)

China's central bank cut benchmark interest rates for the second time in three months as disinflation gives room to step up support for the nation's sluggish economy. The one-year deposit rate will be lowered by 25 basis points to 2.5 percent and the one-year lending rate will drop 25 points to 5.35 percent on March 1, the Beijing-based People's Bank of China said on its website. (Bloomberg)

China has rolled out a series of tax cuts and lowered down payment requirements to boost its weakening housing market. The reforms are the latest stimulatory measures taken by the government to stimulate growth. The minimum down-payment on a second home has been cut to 40% from 60% previously while taxes on houses held for at least 2 years will be slashed to 0. (UBS Debt Capital Markets)

The chief economist at China's Ministry of Agriculture has said the government should try to limit grain imports to 11 MMT, 43% less than in 2014. Oversupply was resulting in stockpiles swelling with corn inventories now accounting for half a year's usage and the restriction would be aimed at reducing the overhang. Long term, China will be more reliant on imports as domestic production will be capped at 610 MMT/year for the next five years as demand continues to grow. (Braemar ACM)

China's exports surged in February, as the economy benefited from U.S. growth. Exports gained more than 48 percent from a year earlier, the customs administration said in Beijing on Sunday. (Bloomberg)

China's Ministry of Industry and Information Technology has said the country's steel capacity is likely to increase this year despite over supply and lower profitability for steel mills. China's iron ore imports should continue to grow strongly this year to meet capacity gains and as low ore prices force more local mines to shut. Exports of steel should also remain high as the excess production is sold overseas. (Braemar ACM)

The deteriorating prospects for the Chinese steel industry have led us to review our Chinese steel and iron ore demand outlook downwards. We now expect Chinese steel exports to fall significantly from the 93.8 MMT witnessed in 2014. This, together with softening consumption and environmental measures, we expect to pressure steel production down below the 800 MMT mark for the first time since 2012. While we

expected the fall in iron ore price to precipitate the substitution from domestic ore to import ore, this phenomenon has been slower than anticipated, and the prospects for growth of iron ore imports were significantly reduced by slowing steel production. We now expect 2015 Chinese iron ore imports to be on a par with last year, which has led to significant changes in the global demand and earnings forecasts in our quarterly report. (Braemar ACM)

China's coal imports in Q1 2015 reached 49.073 MMT, according to data from their customs authority, for an annualized total of 196.29 MMT compared to the 291.63 MMT in 2014, confirming the slowing trend that had started last year.

China's imports of iron ore marginally increased to a record 227.0 MMT in Q1 2015, according to data from China's customs authority. Annualized, the total would result in 908.28 MMT, marginally lower than the 933.11 MMT of iron ore imported in 2014 into China.

China's Steel production in Q1 2015 reached 200.01 MMT or an annualized total of 800.04 MMT compared to the 813.30 MMT in 2014, once again, confirming the slowing trend seen in their coal imports.

China's Steel exports in Q1 2015 reached 25.783 MMT or an annualized total of 103.13 MMT compared to the 93.79 MMT in 2014, confirming the slowing economic trend in China resulting in even larger exports of Steel.

Supply Side developments in the world bulker fleet are making interesting reading. We started 2015 with 770.34 MDWT and have increased to 775.04 MDWT by the end of Q1 for a 0.61% net fleet growth. A further 8.92% (68.72 MDWT) is scheduled for delivery in the balance of 2015 and another 7.6% (64.92 MDWT) scheduled for delivery in 2016. If we were to apply a slippage factor of 40% to these scheduled deliveries and further assume that scrapping reaches 36 MDWT per annum we would be left with a net fleet growth of 2.48% (789.47 MDWT) in 2015 and another 2.46% (808.92 MDWT) in 2016. Net fleet growth is increasing, but marginally, compared to the recent past.

SEA Asia 2015, Marina Bay Convention Centre, Singapore: At the opening round table discussion on the 21st April chaired by Todd Benjamin of CNN (panelists: Andreas Sohmen-Pao of BW Shipping, SS Teo of PIL Shipping, Tom Boardley of Lloyd's Register of Shipping, Claus Hemmingsen of Maersk Offshore, Christian Clausen CEO of Nordea Bank and Khalid M Hashim representing PSL) the following was expressed by the various panelists:

- All panelists were worried about the challenging conditions in the short term (2 years) but were very optimistic about the medium term (3 to 5 years.)
- Bank lending was going to get much more difficult and yet it represented the largest portion of the funds extended to ship owners.
- Reversal of QE with interest rate hikes represented the biggest fear for the economy BUT the even greater fear was that interest rates remain at near zero levels for another 5 years!
- Offshore and drilling were going to face a very torrid time and so they had to bring out maximum efficiency to survive the current crisis.
- Surplus capacity in Container shipping was here to stay and hence the need for product differentiation as well as the need for bringing costs down and increasing your fleet efficiency.
- Regulatory requirements would end up costing owners quite a lot of money and would keep getting even more stringent in the future.
- To survive the immediate short term, dry bulk ship owners had to raise funds from their equity/debt markets, sell older assets, liquidate non-core assets, improve efficiency and reduce costs.

In the long run, as Lord Keynes famously said, we would all be dead!

LONG TERM VERSUS SHORT TERM CHARTERS: As can be seen, our current and forward four year (2015 to 2019) rolling book as at the end of Q1 2015 is at the 10.4% level with a visible revenue stream of USD 167.36 million.

Year	2015	2016	2017	2018	2019
Total Available Days	18,272	24,641	25,185	25,185	25,185
Fixed T/C Days	2,641	2,562	2,555	2,240	2,190
%age Fixed T/C Days	14%	10%	10%	9%	9%
Av. T/C Rate/Day in USD	13,548	13,713	13,713	13,849	13,875
Contract value in USD	\$35.78	\$35.13	\$35.04	\$31.02	\$30.39

As the BDI currently is at fairly low levels we will have to wait out the current period before fixing ships on longer term charters once the BDI moves in an upward direction.

Market Segmentation: During Q1, the Baltic Handy Size Index (BHSI) averaged 359 points derived from the average Time Charter (TC) rate of USD 5,339. Compared to that, our Handies earned USD 5,815 and beat the BHSI TC rate by 9%. During Q1, the Baltic Supramax Index (BSI) averaged 615 points derived from the average Time Charter (TC) rate of USD 6,434. Compared to that, our Supramaxes earned USD 7,380 and so beat the BSI TC rate by 15%. Our target has been to outperform both the indexes.

The Fleet Rejuvenation Plan has progressed well with 46 ships in the water. Another 23 brand new ships are due during the next 12 months (22 X 64K Ultras and 1 X 38K Handy.) We also plan to dispose of the older ships in our fleet over this same time frame.

The next SET Opportunity Day will be held at the SET building at 0900 hours on the 25th May 2015 where we will be presenting our Q1 results. We hope that many of you will attend this event where we will thoroughly discuss the current results. For those of you who cannot attend physically, the SET [webcasts](#) the Opportunity Day presentation live, giving you a chance to be present via the web.

SHIP SCRAPPING is continuing this year as strongly as it did in 2012. In Q1 2015, 31 ships in the Handy sector (10 – 30,000 DWT) were removed whilst a total of 5 ships were added, resulting in the fleet shrinking from 2,757 ships at the beginning of the year to 2,731 by the end of Q1 or a net decrease of about 0.94% in the world fleet in this sector in this quarter. If the freight markets continue at their current levels, we expect the world fleet in the Handy sector to continue to shrink by 3 to 5% per annum. This is the best piece of news for ship-owners faced with low rates due to the excessive over ordering of ships in the recent past.

Yours Sincerely,

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED

KHALID HASHIM
MANAGING DIRECTOR