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11<sup>th</sup> August 2006**To : Director and Manager of the Stock Exchange of Thailand****Subject : 2<sup>nd</sup> Quarter of 2006 Management Discussion and Analysis (MD&A)**

**THE RESULTS** in Thai Baht, reviewed by Ernst & Young, as well as US Dollars, certified by Baker Tilly, show you the latest financial position of the Company. The net profit for Q2 2006 was a respectable USD 19.32 million. The results in Q2 were USD 1.0 million more than that in Q1 despite the BDI remaining virtually unchanged during the same period. The earnings per day per ship during Q2 came in at USD 10,519, on the higher side of our forecast for this year of between USD 9,000 and USD 11,000 per day per ship. In this quarter, daily operating costs were USD 3,613 but this figure is expected to average between USD 3,500 and USD 3,600 per day per ship for this year. The EBITDA has decreased by over 44% during the period under comparison. The earnings per share (eps) in Thai Baht stood at 1.51 Baht per share for this quarter. The eps for this quarter is close to the number for Q2 of 2004 of 1.72, when the current boom was already in full flow. To put our current Q2 2006 earnings in USD per day per ship in perspective, it must be remembered that it is about 33% higher than our best year ever in the past including and prior to the year 2003. This would be a more sensible method of comparison as we would then be ignoring the very exceptional years of 2004 and 2005 and be looking at really long term historical averages before coming to any sensible conclusion.

<b>THE HARD FACTS</b>	<b>Q2, 2006</b>	<b>Q2, 2005</b>
<b>Highest Earnings per day per ship in USD</b>	<b>16,965</b>	<b>29,236</b>
<b>Average Earnings per day per ship in USD</b>	<b>10,519</b>	<b>15,638</b>
<b>Operating cost per day per ship in USD</b>	<b>3,613</b>	<b>2,973</b>
<b>EBITDA in million USD</b>	<b>30.72</b>	<b>55.20</b>
<b>Net Profit/(Loss) in million USD (including exchange Gain (loss)) before Extraordinary items</b>	<b>19.32</b>	<b>43.92</b>
<b>Net Profit/(Loss) in million USD</b>	<b>19.32</b>	<b>43.92</b>
<b>Earnings Per Share in Thai Baht</b>	<b>1.51</b>	<b>3.12</b>

**PROSPECTS** over the next 12 months still look good compared to long term historical averages but no where near the levels that we have seen over the exceptional years of 2004 and 2005. In the current freight cycle, the low point in daily earnings on our ships was reached in Q2 2002 at USD 5,497. The high point was achieved in Q1 2005 at USD 15,928 per day per ship. To place these numbers in perspective, we must remember that the average for 2003, which was our best year ever before 2004 and 2005, was USD 7,870 per day per ship.

**LONG TERM VERSUS SHORT TERM CHARTERS:** The long term charters already booked as of 30<sup>th</sup> June 2006 comprise about 33.64% of our existing capacity based on 54 ships at a healthy average rate

just in excess of USD 11,900 per day per ship. When freight rates are moving in an upward direction, as the BDI has been indicating recently, we can and have employed this strategy to effectively lock in rates by putting away the spot ships for longer terms. This policy was very successfully employed in 2004 and 2005 and allowed us to ride out the volatile nature of the spot market with relative ease during those years.

**THE CHINA FACTOR** continues to roll along having a disproportionate impact on the dry bulk markets. Just to give you a flavour of what this means we quote from Clarksons Supramax FFA daily note dated 9<sup>th</sup> August 2006.

“So far 55 vessels have been delivered this year in the Supramax segment (40 to 60,000 DWT) and still the market is rising. Over the last 12 months this fleet has grown by 6%. These statistics show once more that dry freight prices are driven more by demand than by supply. And demand remains strong, world wide we see several tight spots, and if you are caught out, you have to pay up.”

**The Marine Money** issue for June 2006 ranked PSL as the 6<sup>th</sup> best shipping company in the whole world including giants like Frontline, Teekay etc. The methodology used by Marine Money for their rankings was a simple aggregate of 6 criteria: Total return to shareholders, Asset turnover, Profit margin, Return on Equity, Return on Assets and Price to book value. We got hurt in the Total return to shareholders criteria where we were ranked 62<sup>nd</sup>. Despite this poor showing on one out of the six categories we had an aggregate score of just 121 points as compared to the best company at 91 points. A copy of the Marine Money certificate is attached herewith.

**The ‘Perfect Orchestration’ SET Awards for 2006** saw PSL nominated for Best Performance and Best Corporate Governance Report awards for 2005. And we won in both categories. Attached is a copy of the certificates and the awards. Though we did not win the award for Best CEO of the Year, yours truly was just one of eight CEOs that were nominated for this award and the only foreigner to boot. The two awards and the one nomination are an acknowledgement of the great value that is stored in PSL. This event took place at the SET Building in Bangkok on the 26<sup>th</sup> July 2006.

**SHIP SCRAPPING** has slowly started to pick up the pace. In Q2 2006, 15 ships were removed whilst a total of just 13 ships were added resulting in the fleet reducing from 3,062 ships at the beginning of the quarter to 3,060 by the end of Q2 in the world fleet in our sector. If the freight markets continue at their current, but volatile, levels we expect the world fleet in our sector to remain at the same level i.e. 3,075 ships as when we started this year.

Sincerely,

**Khalid Hashim**