Ref: 2011-021

28 July 2011

To : The President of the Stock Exchange of Thailand

Subject : The 2nd Quarter of 2011 Management Discussion and Analysis (MD&A)

THE RESULTS in Thai Baht as well as US Dollars, reviewed by Ernst & Young, show you the latest financial position of the Company. The net profit for Q2 2011 was USD 13.23 million. The earnings per day per ship during Q2 came in at USD 12,782 compared with our estimate of USD 11,500 for the year. In this quarter, daily operating costs were USD 4,545 and this figure is expected to average around USD 4,600 per day per ship for this year and in line with our forecasts. The EBITDA for the quarter came in at USD 12.73 million. The earnings in Thai Baht stood at Baht 0.39 per share for this quarter.

THE HARD FACTS	Q2, 2010	Q2, 2011
Highest Earnings per day per ship in USD	16,247	23,411
Average Earnings per day per ship in USD	11,949	12,782
Operating cost per day per ship in USD	4,824	4,545
EBITDA in million USD	10.96*	12.73
Net Profit/(Loss) in million USD (before Tax)	8.56*	13.24
Net Profit/(Loss) in million USD	6.82*	13.23
Earnings Per Share in Thai Baht	0.21*	0.39

*from restated Income Statement

PROSPECTS: Dry bulk ships scrapped in the first half of this year consist of 52 Capesizes, 32 Panamaxes, 19 Supramaxes, 22 Handymaxes and 86 Handysizes equivalent to 14 MDWT as opposed to 2.7 MDWT during the same period last year. As more and more new ships hit the water from the various ship yards around the world, they will load and discharge their cargoes from the same ports. Unless there is an increase in the capacity of these ports or new port capacity is added, congestion will continue and increase with the increase in demand for raw materials. Congestion has accounted for 10.25% of the existing dry bulk capacity as an average for the first half of this year with July running at close to 11% which must rank as a new record. These high levels of congestion will, to a certain degree, help to absorb the tremendous increase that is taking place in the supply side with brand new ships hitting the water every day.

Chinese Iron Ore imports for 2010 were 619 MMT. If we were to annualize Iron Ore imports in the first six months (334.53 MMT) then it looks like we are heading for a 670 MMT year for 2011 or a growth rate of 8%. But before you get too excited, please keep in mind that power constraints, as well as the Chinese Government's desire to shut down the smaller and less efficient steel mills will reduce this total. The other factor that will have a significant bearing on quantum of imports is Iron Ore prices and credit availability in China. The way current import prices have been behaving, steel mills are encouraging the local mining industry to step up to the plate and increase production which will have an adverse impact on Iron Ore imports. Tighter liquidity in China continues to dent demand. Some Chinese steel mills are opting to buy from domestic mines because the ore is cheaper and financing terms are easier. Muted steel demand is also hurting their appetite for iron ore as steel mills are not seeing robust demand for their products. Stockpiles of imported iron ore at major Chinese ports reached a record high of 95+ MMT. The Chinese Government however is pressing ahead with constructing '36 million affordable houses' before the end of 2015. This should help to underpin Iron Ore imports to some extent.

Chinese Coal imports are set to rise to meet the expected peak in electricity consumption this summer. They also need to alleviate power shortages emanating from their hydro power generating sector due to the drought conditions prevailing along their rivers. To put this in perspective, reports suggest that power shortages in China this summer could reach around 35 Gigawatts which is more than the entire generating capacity of Argentina! However, if we were to annualize the total Coal imports into China based on the first 6 months we would get just 142 MMT which is about 14% *less* than the 165 MMT for last year.

Steel production in China, on the other hand, has been racing ahead in 2011. The annualized total based on the production figures for the first 6 months would be 706 MMT or 13% higher than the 626 MMT for last year.

Looking at how the bulker fleet has developed is depressing. We started 2011 with 554 MDWT. In H01 2011 the fleet grew by 6% to 587 MDWT with a further 15% (89 MDWT) scheduled for delivery in the balance of 2011 and another 19% (110 MDWT) scheduled for delivery in 2012. Even if we were to apply a slippage factor of 40% to these scheduled delivery numbers and further assume that scrapping reaches as high as 4% (22 MDWT of which 14 MDWT has already been accounted in the H01'11 numbers leaving a balance of 8 MDWT for H02'11) per annum we would still be left with a fleet of 632 MDWT or a net growth of 14% (78 MDWT) in 2011 and another 10% net growth (65 MDWT) in 2012 with more to come in 2013! To absorb that increase in supply will be the real challenge, and that is something that we do not believe the demand side will be able to achieve despite the news in the previous paragraphs.

LONG TERM VERSUS SHORT TERM CHARTERS: The long term charters already booked as of 30th June 2011 comprise about 58% of our existing capacity for the year 2011 at an average rate of USD 12,438 per day per ship. The breakup is shown in the table below.

Year	2011	2012	2013	2014	2015
Total Available Days	7,692	11,138	14,626	15,695	15,695
Fixed T/C Days	4,618	3,108	2,889	2,883	2,555
%age Fixed T/C Days	58%	28%	20%	18%	16%
Av. T/C Rate/Day in USD	12,438	13,858	14,658	14,759	14,580
Contract value in USD	$57m	$43m	$42m	$43m	$37m

It is our intention to continue to charter out our ships on long term period contracts. This policy was very successfully employed in the past few years and allowed us to ride out the volatile nature of the spot market with relative ease. We hope to utilize the same policy to tide over any upheavals in the current and future markets.

The Fleet Rejuvenation Plan is slowly but surely being realized. We took delivery of our first 34K DWT new building from ABG in the middle of June. We still have another 14 bulkers and 3 Cement ships from ABG to be delivered over the next three years. We also have four 57K DWT ships to be delivered during 2012 from China. Add to that the approximately 20 ships that we plan to buy from the secondhand market and that would complete our rejuvenation plan when we should have a total of about 65 ships with an average age in single digits and an average size close to 30K DWT.

Dividends were paid out for each of the four quarters of 2007, 2008, 2009 and 2010. Cash flows and profitability permitting, we hope to maintain the same tempo in the years to come. We have already paid out a dividend for Q1, 2011 in line with, and in support of, this trend.

The Marine Money June/July 2011 'worldwide ranking' issue had PSL as the 45th best shipping company in the whole world based on results for 2010. 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. As our fleet rejuvenation plan is realized we will hopefully be back in, and stay in, the top 10 ranks in the years to come. However, we were also ranked number 10 in the Financial Strength ranking which indicates that we continue to remain financially strong and well poised to implement our fleet rejuvenation plan successfully without undue risks or strain on our financial position. Attached is the letter from Marine Money and the relevant pages from the Ranking issue for your perusal.

The next SET Opportunity Day where PSL will be presenting will be held at the SET building at 0900 hours on the 8th August 2011. This event is normally very well attended with between 70 and 100 participants from the analysts, fund management and investor communities. We hope that many of you will attend this event where the Company will get a chance to thoroughly discuss the current results. For those of you who cannot attend physically, the SET Live Opportunity Day Webcast, giving you a chance to be present via the web.

SHIP SCRAPPING has continued to accelerate. In Q2 2011, 55 ships were removed whilst a total of 38 ships were added resulting in the fleet decreasing from 3,116 ships at the beginning of the quarter to 3,099 by the end of Q2 in the world fleet in our sector. If the freight market, as represented by the BDI, falls towards the 1,000 point level, we expect scrapping rates to further accelerate with 7 to 10% of the existing ships being scrapped per annum in our sector. That will be the best possible news to bring supply and demand back into some semblance of order.

Yours Sincerely,
Precious Shipping Public Company Limited

Mr.Khalid Hashim
Managing Director

MARINE
MONEY
INTERNATIONAL
HAMBURG ◆ SINGAPORE ◆ LONDON ◆ NEW YORK ◆ OSLO ◆ PIRAEUS

July 12, 2011

Mr. Khalid M. Hashim
Managing Director
Precious Shipping Public Company Ltd.
GPO Box 915
Bangkok, TH-10501
Thailand

Dear Khalid:

On behalf of the Editors of Marine Money Magazine, I would like to congratulate you on the financial results you delivered your shareholders in 2010. Marine Money Magazine Ranks the top publicly quoted shipping companies each year based upon an average of measures including Total Return to Shareholders, RoE, RoA, Price/Book and Total Assets Turnover.

A complimentary copy of our June/July Rankings issue of Marine Money magazine is enclosed for your reference.

Your inclusion in the list reflects an enormous amount of hard work throughout your organization from senior management to the important men and women at sea, and while performance may be cyclical, simply standing and being counted among the top companies in the world warrants our respect.

Sincerely,

James R. Lawrence
Chairman
Marine Money International

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SECOND FIDDLE NO MORE

By George Weltman

Looking at the results of the performance rankings, it is clear that there is a direct correlation with the results of the credit strength rankings. After all, four of the top ten finishers (U-Ming, OOIL, Kirby and Knightsbridge) also finished in the top ten in the credit strength rankings. The remainder, with the exception of Malaysian Bulk Carriers, have also made regular historical appearances at the top of those rankings as well. These include Courage Marine, D/S Norden, Diana Shipping, U-Sea Bulk Shipping and Precious Shipping.

Each has a different strategy which accounts for their high finish. D/S Norden and U-Sea Bulk utilize an asset light model while Courage just runs old assets with no debt. Diana and Precious tend to be debt adverse and have built up liquidity for the next opportunity.

Earlier this year, we received an email from Kushroo Wadia of Precious Shipping, which has historically been a top performing company in both the performance and credit strength rankings. While somewhat self-interested given Precious' historical performance, Mr. Wadia questioned why we separated the two rankings, although he does concede that both rankings "... result in a very fair, appropriate and comparable rankings table across the worldwide population of Shipping Companies." In response we unearthed this explanation provided by the developer of the model, Sean Huang:

"After careful research as well as communicating with many professionals in the maritime industry and investment banks, we have adjusted our financial ratios this year in order to better measure companies' performance. We define financial performance as companies' ability to improve operating efficiency and to create shareholder value. Based on this understanding, we distinguish between performance ratios and financial strength ratios. The performance ratios focus on evaluating the operating efficiency and the ability to create value; while the financial strength ratios emphasize companies' financial safety and health. As we do not believe that financial strength necessarily has direct impact on or is a direct indicator of companies' performance levels, it does provide a good benchmark from creditor's standpoint and ensures companies' sustainable operations, and we believe it is a metric very worth calculating and considering, but also one that should be separated from overall financial performance."

This is from June 2005 and we have been consistent in our approach since then.

However, we find ourselves in partial agreement with Mr. Wadia with respect to this issue. Our problem is of course that the two of us view performance as being consistent and long-term, while our model ranks on a single year. A good market tolerates leverage, which boosts returns, but will crush a company in the downturn. And perhaps most importantly in these times financial strength gives you access to capital and hence growth. Look at the number of moribund public companies, as well as private companies, that can't fund themselves.

On the other hand, we have to, in a sense, acknowledge Sean's approach. There are no long-term investors anymore. Your shares are a medium to trade on company and macro news. Seizing pennies off the street is the approach today (in reality return not shareholder value). Recall when DryShips served as a proxy for the BDI. As a trade, nothing matters but that the shares rise and performance is the driver. Financial strength is unfortunately irrelevant in this respect. But we both know how important financial strength is for the longevity of the company, the employees and to provide the necessary services, which is what the business is all about.

Mr. Wadia concludes with an interesting perspective suggesting that "...perhaps then it would be fair to conclude that the Companies which appear in both the lists are those that did not sacrifice financial strength (or put the Company to risk?) in their drive for performance (profitability or returns) AND those that maintained financial strength (or did not take undue risks?) did not lose sight of the fact that they also have to perform in terms of profitability or returns."

The legal doctrine of separate but equal will continue to apply to the rankings.

Overall Performance Rankings *continued*

Company	TRS Rank	Turnover Rank	Profit Rank	ROE Rank	ROA Rank	Price/ Book Rank	2010 Overall Rank
Precious Shipping	42	78	25	41	48	33	45
Jinhui Shipping&Transportation	77	45	19	25	24	80	46
Seaspan Corporation	19	88	7	74	41	51	47
Mitsui OSK Lines	25	19	77	57	68	35	48
DryShips Inc.	54	77	18	40	34	66	49
Navios Maritime Holdings Inc.	61	59	42	17	45	71	50
STX Pan Ocean Co., Ltd.	45	7	83	52	64	45	51
Thoresen Thai	55	31	54	54	52	52	52
Exmar NV	50	55	48	51	63	32	53
Ultrapetrol Bahamas Limited	21	41	51	66	60	60	53
Teekay Corp.	13	56	41	73	55	61	53
Concordia Maritime	24	73	34	45	54	69	53
Finnlines Plc	34	33	62	58	65	50	57
Aegean Marine Petroleum Network	85	3	85	44	49	37	58
Samudera Shipping Line Ltd	38	13	76	47	56	79	59
Chemoil Energy Limited	65	2	86	68	70	20	60
International Shipholding	66	26	67	39	51	65	61
U-SEA Bulk Shipping A/S	80	1	87	69	76	3	62
Odfjell ASA	41	29	64	75	69	43	63
Goldenport Holdings	36	63	32	61	71	63	64
Nordic American Tanker Shipping Ltd	57	80	30	62	73	26	65
Euronav	69	67	31	56	58	49	66
Paragon Shipping	73	74	24	43	46	78	67
Star Bulk	44	65	12	63	74	82	68
IM Skaugen ASA	60	34	84	78	80	8	69
Danaos Corporation	68	83	17	81	59	38	70
Nippon Yusen Kaisha	63	15	80	67	78	44	71
Kawasaki Kisen Kaisha, Ltd.	30	14	88	79	83	54	72
Camillo Eitzen & Co ASA	62	86	43	87	72	1	73
First Ship Lease	75	82	3	65	62	68	74
OceanFreight Inc.	51	60	35	80	50	84	75
Trailer Bridge Inc	81	10	68	88	27	88	76
Eitzen Chemical	52	43	78	83	82	31	77
d'Amico International Shipping	64	30	74	70	75	64	78
Tsakos Energy Navigation (TEN)	78	70	38	55	61	76	79
Seanergy Maritime Holdings Corp.	86	71	28	60	53	81	80
Rickmers Maritime	35	81	46	72	67	83	81
Overseas Shipholding Group	67	47	70	71	79	67	82
General Maritime Corp	83	49	59	85	85	48	83
Freeseas	82	57	33	77	84	87	84
K-SEA Transportation Partners LP	87	35	53	82	86	77	84
D/S Torm	74	46	72	76	81	72	86
TBS International Limited	84	28	52	84	88	85	86
Nordic Tankers	88	44	79	86	87	46	88

Financial Strength Rankings

Company	Current Result Rank	Debt/Capitalization Rank	Coverage Rank	2010 Credit Rank
Courage Marine Group	4	1	3	1
D/S Norden A/S	12	5	2	2
Diana Shipping Inc.	1	14	5	3
Malaysian Bulk Carriers	11	7	7	4
U-Ming Marine Transport	16	11	6	5
Orient Overseas International Limited	7	22	4	5
Kirby Corporation	18	9	9	7
Knightsbridge Tankers Limited	5	20	15	8
U-SEA Bulk Shipping A/S	42	1	1	9
Precious Shipping	3	13	43	10
China Shipping Container Lines	36	17	8	11
Seacor Holdings Inc.	24	18	19	11
Jinhui Shipping&Transportation	21	35	11	13
Neptune Orient Lines	38	21	10	14
Pacific Basin Shipping Limited	15	23	38	15
Golden Ocean Group	10	51	22	16
Nordic American Tanker Shipping Ltd	2	8	73	16
Thoresen Thai	22	19	45	18
Hellenic Carriers	17	39	32	19
Grindrod Limited	48	12	28	19
Samudera Shipping Line Ltd	27	36	29	21
CMB	29	38	27	22
AP Moller - Maersk Group	57	26	13	23
Globus Maritime	31	41	25	24
Navios Maritime Partners	51	32	18	25
COSCO Holdings	25	55	24	26
Mercator Lines Singapore	61	29	21	27
Eagle Bulk Shipping Inc.	6	71	35	28
Wilh. Wilhelmsen Holding Group	34	48	30	28
Safe Bulkers Inc.	28	73	12	30
Algoma Central Corporation	76	6	31	30
Teekay Tankers	40	52	26	32
Paragon Shipping	50	30	39	33
Concordia Maritime	26	49	46	34
Alexander & Baldwin	73	15	33	34
China Shipping Development	78	28	17	36
Genco Shipping & Trading Ltd.	20	61	42	36
DHT Holdings, Inc.	8	60	55	36
Aegean Marine Petroleum Network	41	43	41	39
DryShips Inc.	59	31	36	40
DFDS A/S	53	34	40	41
Excel Maritime Carriers Ltd	80	33	23	42
Yang Ming Marine Transport	64	57	16	43
STX Pan Ocean Co., Ltd.	33	50	56	44