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30 July 2012

To : The President of the Stock Exchange of Thailand

Subject : The 2nd Quarter of 2012 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 2012 was USD 0.42 million (after a one-time write-off of USD 0.63 million of deferred financial expenses due to the reduction of USD 50 million in a renewed undrawn credit facility). The earnings per day per ship during Q2 came in at USD 9,130 compared with our estimate of USD 7,150 for the year. In this quarter, daily operating costs were USD 4,575 and this figure is expected to average around USD 4,400 per day per ship for this year and in line with our forecasts. The EBITDA for the quarter came in at USD 9.57 million. The earnings in Thai Baht stood at Baht 0.01 per share for this quarter.

KEY FIGURES	Q2, 2012	Q2, 2011
Highest Earnings per day per ship in USD	17,242	23,411
Average Earnings per day per ship in USD	9,130	12,782
Operating cost per day per ship in USD	4,575	4,545
EBITDA in million USD	9.57	12.73
Net Profit/(Loss) in million USD (before Tax)	0.47	13.24
Net Profit/(Loss) in million USD	0.42	13.23
Earnings Per Share in Thai Baht	0.01	0.39

PROSPECTS: Dry bulk ships scrapped in the first half of this year consist of 36 Capesizes, 60 Panamaxes, 52 Supramaxes, 60 Handymaxes and 143 Handysizes, equivalent to 17.85 MDWT as opposed to 14 MDWT during the same period last year. The 172,900 DWT Shagang Sunrise built 1997 sold for scrap in July, when it was just 15 years old, is the youngest cape size bulker to meet such a fate in the last two and half decades. This reminds us of the mid 1980's, the last time when markets were so bad, that 15 year old ships were sent to the scrap yard.

Chinese Iron Ore imports for 2011 were 686 MMT. If we were to annualize Iron Ore imports in the first six months (367 MMT), then it looks like we are heading for a figure of 734+ MMT year for 2012 or a growth rate of 9.8%. The main factor that will have a significant bearing on quantum of imports is iron ore prices and credit availability in China. Muted steel demand has hurt the appetite for iron ore as steel mills are not seeing robust demand for their products. The Chinese Government however is pressing ahead with constructing '36 million affordable houses' before the end of 2015 as well as with other Rail and other Infrastructural projects. This should help to underpin Iron Ore imports to some extent. **Chinese Coal imports** have sizzled. If we were to annualize the total Coal imports into China for 2012 based on the first 6 months we would get a figure of 280 MMT, which is about 54% more than the phenomenal 182 MMT for 2011 which had bumped China into the No.1 importer spot displacing Japan, the title holder since 1975! **Chinese Steel production** has been progressing slowly but surely. The annualized total for 2012 based on the production figures for the first 6 months would be 712 MMT or 4% higher than the 686 MMT for last year. All this massive growth in dry bulk demand in China has taken place against the backdrop of a slowing Chinese economy with GDP at 8.1% in Q1, at 7.6% in Q2 with the Government forecasting an annual GDP growth of just 7.5% for 2012.

David Pilling, in a recent article in the Financial Times, states "Forget Grexit, it's time to fret about 'Chindown'." Pilling cites HSBC's Frederic Neumann for pointing out that a China slowdown need not be bad for everyone. A Chinese rebalancing will see hard commodities decline and soft commodities flourish. Argentinian farmers will prosper at the expense of Brazilian miners. In demand terms, smaller ships will benefit over their larger cousins. The bulk imports and steel production in China, however, do not seem to reflect any of this slowdown.

HSBC Global Research, in a paper entitled "China Inside Out – Easing, Time to get on with it" suggests that weaker GDP growth is putting pressure on Beijing to take more decisive action. Expectations are for a strong mix of monetary and fiscal easing. Bank Reserve Requirement Ratios will continue to be slashed increasing liquidity; funding for public housing and social welfare; steps to deregulate investment. These measures confirm that Growth stability is now Beijing's top priority and should assist dry bulk shipping demand via public housing construction, private investment in railway construction and rural and western China infrastructure projects. The Peoples Bank of China announced its first rate cut since 2008. It would seem that China is willing to do whatever it takes to support growth and to boost confidence. We believe Q2 will likely be the cyclical trough for China's GDP, and that a modest growth recovery will take growth back to over 8.5% in 2H once stimuli start filtering through. It would therefore appear that China will continue to be the strongest supporter of dry bulk shipping demand in the world.

HSBC Shipping Services in their recent Points of View point out the 5 areas of concern from a shipping perspective. (1) Sanko Steamship has filed for Chapter 15 in the US as it embarks on its second restructuring inside 30 years. Its ship sales have eroded values and now it will slash hire rates across its chartered-in fleet. (2) Finance or shortage of it was in focus with the planned exit of Commerzbank and others. This will increase the cost of borrowing and the foreclosure auction circus will cause further slippage in asset values. (3) The slowdown in China has already resulted in the second interest rate cut. (4) Over-expansion of shipbuilding capacity in the boom times is not yet leading to mothballing. This will upset efforts in managing down the orderbook ratios to more sensible levels. (5) New designs offering eco engines, lower harmful emissions, PSPC and BWT systems, all at historically attractive pricing, are gaining traction. A lack of bank finance will limit take-up, but these ships will become the price setters of the near future. Expect even some modern ships to become marginalised, and thus fall further in value, until such time as reinvigorated demand soaks up excess tonnage supply.

The volatility of shipping values was highlighted by the sale of the Capesize newbuilding 'Alberta Della Gatta' (175,125 DWT prompt delivery 2012 from New Times Shipyard in China) which was sold from the mortgagee bank (vessel was ex-Deiulemar) for a price of $38m. Compare today's price levels with December 2007 when a prompt resale Cape bulker was valued at $165m; a 10 year old Caper was valued at $110m; a 20 year old Cape at $64m; and in the middle of July a 15 year old Cape size bulker was sent to the recycling bin for just $8.8m - now that is volatility!

Supply analysis: In FH'12 the fleet grew by 6.91% from 622.27 MDWT to 665.27 MDWT with a further 11.84% (73.66 MDWT) scheduled for delivery in the balance of 2012 and another 10.04% (62.45 MDWT) scheduled for delivery in 2013**.** Even if we were to apply a slippage factor of 30% to these scheduled delivery numbers and further assume that scrapping reaches as high as 6% per annum (37.34 MDWT of which 17.85 MDWT has already been accounted in FH'12 leaving a balance of 19.49 MDWT for SH'12) we would still be left with a fleet of 697.34 MDWT or a net growth of 12.06% (75.07 MDWT) in 2012**.** Based on these assumptions (6% scrapping and 30% slippage) we would have another 2.49% net growth (17.35 MDWT) in 2013 to reach a fleet size of 714.69 MDWT. To absorb that increase in supply will be the real challenge despite the news in the previous paragraphs. A symptom of the above challenge is that some well known and public names are currently struggling.

LONG TERM VERSUS SHORT TERM CHARTERS: The long term charters already booked as of 30th June for 2012 and the next 4 years to 2016 are shown in the table below.

Year	2012	2013	2014	2015	2016
Total Available Days	11,254	14,796	16,061	16,425	16,470
Fixed T/C Days	3,180	1,920	1,825	2,190	2,196
%age Fixed T/C Days	28%	13%	11%	13%	13%
Av. T/C Rate/Day in USD	11,310	12,181	13,198	13,498	13,498
Contract value in USD	$36m	$23m	$24m	$30m	$30m

It is our intention to continue to charter out our ships on long term period contracts, whenever practical and possible, to reduce the impact of the volatile nature of the spot market.

Market Segmentation: During Q2, the Baltic Handy Size Index (BHSI) averaged 617 points derived from the average Time Charter (TC) rate of USD 9,188. Compared to that, our Handies earned USD 8,943, marginally lower than the BHSI TC rate by 2.7%. During Q2, the Baltic Supramax Index (BSI) averaged 1,068 points derived from the average TC rate of USD 11,170. Compared to that, our Supramaxes earned USD 11,750 and so beat the BSI TC rate by 5.2%.

The Fleet Rejuvenation Plan is slowly but surely being realized. We have taken delivery of two 34K DWT new built ships from ABG. We expect one more new built 34K DWT ship from ABG in Q1 2013 and have another 10 bulkers and 3 Cement ships from ABG to be delivered over the next two years. We also have four 57K DWT ships to be delivered during 2012 from China. Add to that the approximately 15/20 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 have been paid continuously on a quarterly basis from 2007. 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, 2012 in line with, and in support of, this trend.

The Marine Money June/July 2012 'worldwide ranking' issue had PSL as the 23rd best shipping company in the whole world based on results for 2011**.** 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 were ranked 5th in the Financial Strength ranking which indicates that we continue to remain financially strong. If you were to combine the Performance Ranking with the Financial Strength Ranking of the Top 25 Companies in both rankings, then you would see that PSL would have been ranked 9th best shipping company in the world on a Risk Adjusted basis!

The next SET Opportunity Day where PSL will be presenting will be held at the SET building at 0900 hours on the 6th August 2012**.** 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 webcasts the Opportunity Day presentation live, giving you a chance to be present via the web.

SHIP SCRAPPING has continued to accelerate. In FH 2012, 143 ships were removed whilst a total of 72 ships were added resulting in the fleet decreasing from 2,916 ships at the beginning of the quarter to 2,845 by the end of Q2 in the world fleet in our (10 to 30K) sector. If the freight market, as represented by the BDI, falls towards/below the 1,000 point mark, 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

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KHALID HASHIM
MANAGING DIRECTOR