

Ref. : 2006-

17 February 2006

**To: Director and Manager of the Stock Exchange of Thailand**

**Subject: Management Discussion and Analysis (MD & A) for 4<sup>th</sup> Quarter of 2005**

**RESULTS:** The results in Thai Baht, audited 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 Q4 was USD 32.54 million for a mind boggling USD 154 million net profit for 2005 as a whole. The earnings per day per ship during Q4 were USD 13,087. In this quarter, operating costs were USD 3,230 per day per ship. The average daily operating costs for the year worked out to USD 3,055. We expect that the daily operating costs per day per ship for 2006 should not exceed USD 3,100. The earnings per share (eps) in Thai Baht stood at 2.74 Baht per share for this quarter and an all time high of 12.19 Baht per share for 2005.

| <b>THE HARD FACTS</b>  | <b>Q4, 2005</b> | <b>Q4, 2004</b> |
|--|-----------------|-----------------|
| Highest Earnings per day per ship in USD   | 18,261          | 22,700          |
| Average Earnings per day per ship in USD   | 13,087          | 14,282          |
| Operating cost per day per ship in USD   | 3,230           | 2,900           |
| EBITDA in million USD  | 44.95           | 50.03           |
| Net Profit/(Loss) in million USD (including exchange Gain (loss)) before Extraordinary items | 32.54           | 36.75           |
| Net Profit/(Loss) in million USD   | 32.54           | 36.75           |
| Earnings Per Share in Thai Baht  | 2.74            | 3.95            |

**PROSPECTS** over the next 12 months still look good. The fundamentals on the supply and demand side would suggest that this market could sustain itself for a while longer. We may not experience the highs of 2004 and 2005 but we will certainly see enough strength in this market for earnings to stay at levels that have not been seen in the years prior to 2004.

**Debt** continues to be pre-paid quite rapidly. We expect that we should be debt free by the end of April 2006 from the surplus cash-flows being generated from our expanded fleet. Considering that we are beginning 2006 with USD 80 million in outstanding debt due to KTB and cash equivalents of just over USD 18 million it will indeed be possible to achieve debt free status by end April 2006. This of course presumes that we do not expand our capacity any further by purchase of ships from the second-hand market.

**TIME CHARTER ANALYSIS:** The analysis of the long term charters already booked, as of 17th February 2006, comprise in excess of 23% of our theoretical maximum annual capacity for 2006 based on 54 ships at a healthy average rate just in excess of USD 12,000 per day per ship. Though we have faith that the freight markets are going to continue to remain fairly strong for the foreseeable future we continue to 'lock-in' some of these lucrative charter rates for a steady guaranteed source of income. This strategy would also allow us to lock in rates when ever the markets are at their high points by putting away the spot ships on to longer term, time charters, at healthy rates.

**THE CHINA FACTOR** continues to exert its influence on the freight markets. Despite all the 'slow down' talks over the last few months, the steel production for 2005 reached a staggering figure of about 349.4 million tons. This would be some 25% more than the already phenomenal figure of 280.5 million tons achieved during 2004. The current opinion from the analysts is that for 2006 China will produce a staggering 390 to 400 million tons of steel out of a total installed capacity of about 450 million tons.

**THE FLEET Renewal** program has been completed. We are now in a consolidation stage where we will focus all our energies on managing these 54 ships to the best of our abilities.

**INVESTOR RELATIONS:** The next SET Opportunity Day will be held at the SET building on the 1<sup>st</sup> March 2006. This event is normally very well attended with between 70 and 100 participants from the analysts, fund management and investor communities. We will also continue to go on road shows to meet existing and potential shareholders to keep them informed about the story at PSL. We hope to match the efforts made during 2005 with an equally robust program in 2006.

**SHIP SCRAPPING** is slowly picking up speed. During this quarter a total of 14 ships were delivered whilst a total of 9 ships were removed resulting in net positive growth of just 5 ships for this quarter and a total net increase of 26 ships or 0.85% to 3,075 ships for 2005. We expect that scrapping will continue at this modest pace and may even accelerate depending on the strength or weakness of the freight markets over the next few years.

Sincerely,

**Khalid Hashim**