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30 January 2015

To : The President of the Stock Exchange of Thailand

Subject : The 4th Quarter of 2014 Management Discussion and Analysis (MD&A)

THE RESULTS, audited by EY Office Ltd., show you the latest financial position of the Company. The earnings per day per ship during Q4 came in at USD 8,032, taking the annual figure to USD 8,096. Please take a look at the Market Segmentation report that shows you the relative performance of the PSL fleet's earnings per day per ship compared to the Index ships. In this quarter, daily operating costs were USD 4,824, which has taken the annual costs to USD 4,695 per day per ship, or marginally higher than our target of USD 4,600. The EBITDA was USD 11.05 million during Q4 and USD 41.61 million for the year. In Q4 we made a net loss of USD 0.63 million. The earnings per share (eps) in Thai Baht stood at Baht (0.02) for this quarter and Baht (0.08) for the year. To put our annual loss for 2014 of USD 2.54 million into perspective, please keep in mind that the average BDI for this year at 1,105 was the 6th lowest in BDI history. We have listed below, some of the companies that are financially stressed, as a comparison.

THE HARD FACTS	2013	2014	Q4 2013	Q4 2014
Highest Earnings per day per ship in USD	19,265	19,702	19,265	15,000
Average Earnings per day per ship in USD	7,508	8,096	8,409	8,032
Operating cost per day per ship in USD	4,535	4,695	4,629	4,824
EBITDA in million USD	28.48	41.61	10.33	11.05
Net Profit/(Loss) in million USD before Income Tax	17.74	(2.47)	2.33	(0.46)
Net Profit/(Loss) in million USD	17.49	(2.54)	2.17	(0.63)
Earnings Per Share in Thai Baht	0.51	(0.08)	0.07	(0.02)

AWARDS AND ACCOLADES: The Stock Exchange of Thailand recognized PSL as one of the companies with a prominent CSR program. The Stock Exchange of Thailand also recognized PSL as one of the companies with the Best Investor Relations in 2014. As if to validate this recognition from the SET, we were chosen as 'the best in class' in Corporate Governance in Thailand, and ranked second best when compared with companies from 12 different countries, in a survey involving a total of 322 select analysts and investors voicing their opinions in the largest ever poll conducted by Asiamoney. We were finalists for the IBJ Awards 2014 for the Bulk Ship Operator of the Year. We were also finalists for the Lloyd's List Asia Awards 2014 in the Ship Operator of the Year category.

PROSPECTS: China (1) China is the largest importer of dry bulk commodities accounting for ~40-50% of demand for seaborne transport of dry bulk. Consequently, the recent signs of slow-down have caused serious concerns. Add to this a more pronounced shift to fight pollution through imposing a ban on polluting coal, import tariffs and finally Vale ordering more own tonnage to haul long-distance iron ore, the dry bulk shipping market has been hit, and we believe it will continue to remain so. (Pareto Research)

(2) China's sprint for growth is easing off and it is projected that imports will grow 5% this year. This is way below the 10-20% pa of the boom years. It happened to Japan and Europe in the 1960s and to South Korea in the 1980s and 1990s. So does that mean 'Aladdin's Cave' is empty? Such a big cave with so many dark corners, makes it hard to say, but it's a serious issue for investors. (Clarksons)

(3) China's iron ore imports in the first 9 months of 2014 reached 699.5mt, a huge increase of nearly 100mt on a y-o-y basis. However, the freight market impact of the growth has been muted by the fact that, in net terms, all this increase was supplied by Australia. Imports rose from 304mt to 405mt, underlying the longer term trend, which, in the last seven years has seen the broad parity between Australia and Brazil radically change. Instead of these giants sharing the market 40:40 respectively, the proportions are now closer to 60:20. The basket of minor suppliers has greatly diversified, although its % share has remained unchanged as the collapse in Indian exports has been made up by significant increases in exports from Iran, Sierra Leone, Ukraine, Malaysia and Canada. Here, the net ton-mile impact has been positive. (Howe Robinson Research)

(4) Persistent overcapacity in the Chinese steel industry, combined with extremely low steel prices driven and sustained by the sharp fall in raw material costs, has allowed Chinese exports of steel products to reach 73.9 MMT of steel in the first 10 months of 2014, a massive increase of 42.2% compared to the same period last year. (Banchero Costa Research)

(5) New bauxite mines have been opening up in Malaysia for shipping growing quantities to China thereby helping to replace the gap that the Indonesian ore exports ban has created. China requires approximately 130 MMT of bauxite each year of which it needs to import 36.8 MMT. There are forecasts that Malaysia may reach 10 MMT of bauxite exports to China in 2015 which would be a huge increase from 1.27 MMT exported in the first 9 months of 2014. China, in order to substitute the imports affected by the Indonesian ore ban has also increased the import of alumina a semi-processed form of bauxite from countries such as India. (Banchero Costa Research)

(6) China's top economic planning body, the National Development and Reform Commission (NDRC), approved 21 infrastructure investment projects between Oct. 16 and Nov. 5 with a total investment value of 693.3 billion Yuan (USD 113.24 billion), the official Xinhua news agency said, citing state radio. The projects included 16 railways

and five airports, with the aim of propping up a decline in real estate investment, Xinhua said. (Reuters)

(7) China is accelerating 300 infrastructure projects valued at 7 trillion Yuan (USD 1.1 trillion) this year [2015] as policy makers seek to shore up growth that's in danger of slipping below 7 percent. The projects will be funded by the central and local governments, state-owned firms, loans and the private sector. The investment will be in seven industries including oil and gas pipelines, health, clean energy, transportation and mining. (Bloomberg)

(8) China cut lending rates for the first time [24 November] in more than two years, in an acknowledgment that its piecemeal efforts to bolster its flagging growth have failed. The PBOC has turned on the money spigot, also to targeted areas. In September, it injected 500 billion Yuan into the commercial banking system and in October a further 269.5 billion Yuan using medium-term lending facilities. It also routed credit to the agriculture sector and smaller companies. (Dow Jones)

(9) The interest rate cut is set to become another major boon for the sluggish property market and, following the easing of mortgage rules on Sept 30, will fuel demand. These concurrent rate cuts, the first time since July 2012, are good for mortgage borrowers, UBS chief China economist Wang Tao said. (COSCO Newsletter)

As we enter the latter part of the year we expect to see clearer signs that the global economy has bottomed and is accelerating into 2015. The recovery has become increasingly dependent on the US, where recent data still suggests that growth is on a solid footing. While the Fed remains on track to hike rates, it is less likely to happen before mid-2015 as inflationary pressures remain contained. In Europe, inflation touched its lowest level since the midst of the crisis in 2009. Ultimately, we believe the region will avoid a prolonged Japan-style period of deflation and that economic conditions may force the ECB to do "whatever it takes", including sovereign bond purchases. In China, while some recent data has been weak, exports are showing traction and credit easing should facilitate the ongoing implementation of economic reforms. While it would be premature to call a market bottom, recent risk-aversion appears overblown and markets may be under-estimating positive fundamentals and the economic tailwinds implied by falling oil prices - a sustained decrease by USD10/bbl could imply a ~0.4% boost to global GDP. (Deutsche Bank)

The lowest oil price in four years will provide stimulus of as much as USD 1.1 trillion to global economies by lowering the cost of fuels and other commodities, according to Citigroup Inc. Savings will climb to USD 1.1 trillion annually as the slide cuts costs of other commodities, leaving consumers and companies with extra cash to spend and bolstering growth, according to Ed Morse, the bank's head of global commodities research in New York. (Bloomberg)

Asia will enter 2015 with multi-directional winds blowing in the global economic landscape. Our GDP forecasts, on aggregate, show the region growing only marginally higher (6.2%) than this [2014] year (6%) as a result. There will be tailwind to trade from the US growing by 3.5%, but anemic growth in the EU (0.8%), and slowing momentum in China (7%) will neutralize much of the upside. By and large, lower commodity prices will help support growth, lower inflation, and improve external accounts. (Deutsche Bank)

Vale reported record iron ore production for Q3 and is expected to produce and export much more iron ore in Q4. Anglo American is now also exporting iron ore from its Minas Rio mine in Brazil. (Commodore Research)

India sits on the world's fifth-largest reserves of coal, and the commodity generates three-fifths of India's power supply. But the demand for electricity far outstrips supply, and according to data compiled by the World Resources Institute in 2012, proposals have been made to set up 455 new coal-fired plants in the country. (Reuters)

Scrapping has slowed down with just 16.72 MDWT being removed from the world dry bulk fleet during 2014. But with a significant amount of the dry bulk fleet still over 20 years in the Cape, and over 25 years in the sub-Cape sector, average rates of scrapping may well remain high for at least the next two years.

Supply Growth: As of 1st January 2015 the world fleet had grown by 35.15 MDWT or 4.78%, during 2014, to 770.34 MDWT. If we apply a 35% slippage factor to the expected deliveries over the next two years (it was 35% for 2014) and 20 MDWT for annual scrapping (it was 16.72 MDWT for 2014), this number would increase to 805.84 MDWT (+4.61%) and 848.51 MDWT (+5.30%) at the start of 2016 and 2017 respectively. The double digit net increase in supply, characteristic of the 2009-2012 years, has mercifully come to an end!

Challenges still remain in our industry and have led to some well known and public names struggling.

PSL has a three pronged strategy for the current very challenging years. Firstly, to future proof our assets, via the purchase of brand new eco engine ships and the simultaneous sale of 21 older and non-eco engine ships, which should be completed by the early part of 2016. Secondly, we have a complete Succession Plan in place, not only for the next generation that will succeed those who will retire in the coming years, but also their replacements. Finally, we have set a target to, through the judicious sale of ships as well as our Chartering strategy, become debt free before the end of 2018/2019, well before the maturity of our long term loans.

LONG TERM VERSUS SHORT TERM CHARTERS: The long term charters already booked as of 31st December 2014 are shown in the chart below.

Year	2014	2015	2016	2017	2018
Total Available Days	15,507	18,795	25,007	25,550	25,550
Fixed T/C Days	5,796	2,673	2,562	2,555	2,240
%age Fixed T/C Days	37%	14%	10%	10%	9%
Av. T/C Rate/Day in USD	10,598	13,509	13,713	13,713	13,849
Contract value in USD m	61.43	36.10	35.13	35.04	31.02

As can be seen, our forward four year (2015 to 2018) rolling book is currently at 10.75% of capacity with a visible revenue stream of USD 137.29 million. Once the BDI starts to clearly move in an upward direction we will start exploring the possibility of fixing our ships out on longer term contracts during the course of the next two years (2015-2016).

Market Segmentation: During Q4, the Baltic Handy Size Index averaged 487 points derived from the average Time Charter (TC) rate of USD 7,119. Compared to that, our Handy sizes earned USD 8,017 outperforming the BHSI TC rate by 12.6%. During Q4, the Baltic Supramax Index (BSI) averaged 936 points derived from the average TC rate of USD 9,784. Compared to that, our Supras earned USD 8,259 underperforming the BSI TC rate by 15.6%.

The Fleet Rejuvenation Plan is being realized. As of the 6th of January 2015, we had 45 ships in the water including our 4th Cement Ship. During 2015 we plan to dispose of 21 older, and some younger but not so eco engine ships whilst taking delivery of 17 brand new eco engine ships. Another 7 brand new eco engine ships will be delivered during the early part of 2016 to take our fleet to 48 ships in the water with an average age of just 3.5 years and an average size close to 50,000 DWT!

THE CHINA FACTOR continues to have a disproportionate impact on the dry bulk markets. China's Iron Ore imports, according to preliminary Custom's data, was an astonishing 933.11 MMT in 2014 or about 13.75% higher than the 820.3 MMT in 2013! Volume of imported Iron Ore in China during 2015 is contingent on import pricing parity versus domestic production and transportation costs. Provisional Chinese steel production for 2014 reached a staggering figure of about 813.30 MMT or about 5.0% higher than the already phenomenal figure of 774.57 MMT in 2013. Coal represents about 80% of China's energy requirements. Historically, China was self-sufficient in coal, but that is no longer the case. China imported 126 MMT of coal in 2009; 164 MMT in 2010; 182 MMT in 2011; 290 MMT in 2012; a phenomenal record busting 322.01 MMT in 2013 and finally a cooler 291.63 MMT in 2014 maintaining its title as the largest importer in the world 4 years in a row! Coal imports are contingent on import pricing parity versus domestic coal production/transportation costs. In a country that currently produces and consumes some 4 BMT of Coal per annum, with the figure expected to grow to 4.8 BMT by 2020, even a small change in China's coal imports could have a significant impact on the Dry Bulk freight markets. Chinese steel exports have skyrocketed by 50.5% to 93.78 MMT all of which is carried by geared ships from the Handy to the Ultramax sectors.

The next SET Opportunity Day where PSL will be presenting will be held at the SET building at 1010 hours on Tuesday the 3rd March 2015. We hope that many of you will attend this event where the Company will get a chance to thoroughly discuss the 2014 results and the prospects for 2015. For those of you who cannot attend physically, the SET live web casts the presentation giving you a chance to be present via the web.

SHIP SCRAPPING has slowed down with a total of 16.72 MDWT of ships being removed during 2014 across all sectors in the dry bulk market as compared to 21.39 MDWT in 2013. With the existing age profile of the world dry bulk fleet coupled with the volatile levels of the freight markets, we expect the world dry bulk fleet to grow at a slower pace. This will help redress the imbalance between supply and demand.

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED

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