

Ref. : 2006-022

7<sup>th</sup> November 2006

To : Director and Manager of The Stock Exchange of Thailand

Subject : Submitting the Interim Consolidated Financial Statements for the three months and nine months period ended 30 September 2006 and 2005

We hereby report the Interim Consolidated Financial Statements of Precious Shipping Public Company Limited and Subsidiaries for the three months and nine months period ended 30 September 2006 and 2005 together with the summarized operating results (Form 45-3). The reasons for changes in the operating results are explained below.

For the three months period ended 30 September 2006, the Company and subsidiaries ("the Company") have earned a consolidated net income of Baht 1,064.68 million as compared to net income of Baht 1,387.54 million earned during the same period in 2005. The main reasons for changes are as follows:

1. The Net Vessel Operating Income (net of voyage disbursements and bunker consumption) for the third quarter of 2006 has decreased by about 15 percent over the Net Vessel Operating Income for the same period of 2005. Moreover, it may be noted that the average US Dollar/Thai Baht exchange rate during the third quarter of 2006 is lower than the same period of 2005 under comparison. The average earnings per day per Vessel were USD 12,261 in the third quarter of 2006 as compared to USD 13,406 in the same period of 2005. This represents a decrease of about 9 percent which is the main reason for the lower net income in the third quarter of 2006 as against that of the same period of 2005. The average earnings per day per Vessel are lower mainly because the Company could not book long term charters at high rates in late 2005/early 2006 as was done in the previous year, when the Company had booked long term charters at higher levels in end 2004/early 2005 when the freight markets had reached record levels. The freight markets did not reach similar levels in early 2006 and in fact started declining from early 2006 until May 2006 which industry experts attributed mainly to the increase in supply of new ships in the dry bulk market and the reduced demand for iron ore from China. However, since June 2006, the freight markets have witnessed a considerable upturn due to the renewed demand from China, which is also reflected directly in the Company's earnings of this quarter as compared to the first two quarters of this year.
2. For the third quarter of 2006, the absolute Vessel running expenses are lower by 1 percent as compared to the same period of 2005. This is mainly due to lower average US Dollar/Thai Baht exchange rate during the third quarter of 2006 compared to the same

period of 2005. The average Vessel operating expenses per day per Vessel are USD 3,586 in the third quarter of 2006 as compared to USD 3,029 in the same period of 2005 (including depreciation/amortisation of the Drydocking/Special Survey expenses in both years.) This increase of 18 percent can be attributed mainly to the higher costs of drydocking/special survey expenses in respect of the older vessels in the fleet.

3. The depreciation for the third quarter of 2006 is higher by Baht 43.34 million due to higher cost of drydocking/special survey as compared to the same period of 2005.
4. The interest and financial costs for the third quarter of 2006 have decreased by Baht 110.52 million as compared to the same period of 2005 due to the decrease in amount of loans.

For the nine months period ended 30 September 2006, the Company has earned a consolidated net income of Baht 2,722.77 million as compared to net income of Baht 4,790.69 million incurred during the same period in 2005. The main reasons for changes are as follows:

1. The Net Vessel Operating Income (net of voyage disbursements and bunker consumption) for the nine months of 2006 has decreased by about 26 percent over the Net Vessel Operating Income for the same period of 2005. Moreover, it may be noted that the average US Dollar/Thai Baht exchange rate during the nine months of 2006 is lower than the same period of 2005 under comparison. The average earnings per day per Vessel were USD 11,045 for the nine months of 2006 as compared to USD 14,936 in the same period of 2005. This represents a decrease of 26 percent which is the main reason for the lower net income for the nine months of 2006 as against that of the same period of 2005. The reasons for this decline are similar to that explained for the decline during the quarter against that of the previous year, in 1 hereinabove.
2. For the nine months of 2006, the absolute Vessel running expenses are higher by 9 percent as compared to the same period of 2005 mainly due to higher consumption of spares and crew wages. The average Vessel operating expenses per day per Vessel are USD 3,562 for the nine months of 2006 as compared to USD 2,992 in the same period of 2005 (including depreciation/amortisation of the Drydocking/Special Survey expenses in both years.) This increase of 19 percent can be attributed mainly to the higher costs of drydocking/special survey expenses in respect of the older vessels in the fleet.
3. The Company recorded exchange gain of Baht 150.11 million for the nine months of 2006 as against exchange loss of Baht 161.39 million for the same period of 2005. This is due to the appreciation of the Thai Baht against the US Dollar. The exchange gain is

mainly realized exchange gain from the repayment of the US Dollar denominated liabilities.

4. The depreciation for the nine months of 2006 is higher by Baht 198.86 million due to the higher cost of drydocking/special survey as compared to the same period of 2005.
5. In the first half of 2005, the Company disposed of its investments in joint venture companies for which, the Company had previously set up provision for loss on sale, and had accordingly recorded Baht 146.12 million as reversal of allowance for loss on these investments. The Company had also recorded net loss on sale on these investments of Baht 24.19 million.
6. The interest and financial costs for the nine months of 2006 have decreased by Baht 175.79 million as compared to the same period of 2005 due to the decrease in amount of loans.

We trust you will find the above in order.

Yours sincerely,  
**For : Precious Shipping Public Company Limited**

**(Khalid Moinuddin Hashim)**  
**Managing Director**

**(Khushroo Kali Wadia)**  
**Director**