"All our dreams can come true - if we have the courage to pursue them"
Walt Disney

THE RESULTS reviewed by Ernst & Young, show you the latest financial position of the Company. The net profit before tax and minority interest for Q1, 2013 was USD 9.35 million which compares with a net loss of USD 1.29 million in Q1 2012. The average earnings per day per ship during Q1 2013 were USD 7,030 and compared with the USD 8,314 in Q1 2012, it showed a decline of about 15%. The average operating expenses per day per ship were USD 4,318 in Q1 2013 which is just below our prediction of USD 4,400. When compared to USD 4,390 in Q1 2012 (including depreciation/amortisation of the Drydocking/Special Survey expenses in both periods) it shows a drop of about 2% in operating costs. The earnings per share (eps) in Thai Baht for Q1 2013 amounted to Baht 0.27 versus a loss of Baht 0.04 per share in Q1 2012.

THE HARD FACTS	Q1, 2013	Q1, 2012
Highest Earnings per day per ship in USD	15,317	15,423
Average Earnings per day per ship in USD (Handy Size)	6,588	8,116
Average Earnings per day per ship in USD (Supramax)	9,023	10,757
Operating cost per day per ship in USD	4,318	4,390
EBITDA in million USD	5.83	6.87
Net Profit/(Loss) in million USD (before tax and minority interest)	9.35	(1.29)
Net Profit/(Loss) in million USD	9.33	(1.33)
Earnings Per Share in Thai Baht	0.27	(0.04)

PROSPECTS over the next 12 months can be better understood if one were to examine the macro environment.

Brazil is poised to knock the US out of its historical position as the world's largest corn exporter. Brazilian farmers responded to elevated corn prices by expanding planted area in 2011/12 which resulted in a record crop last season. The current crop is also expected to be a bumper harvest. Over the past 4 months, Brazil has exported nearly 14 MMT. In ton-mile terms Brazilian exports are preferable to US, besides they result in massive congestion which further soaks up tonnage.

The IMF expects the US to grow 1.9% in 2013 and 3% in 2014, the Euro Zone to contract 0.3% in 2013 and grow only 1.1% in 2014, and China to achieve 8% growth in 2013 and 8.2% in 2014.

After averaging about 49 MMT/year during 2000-09, US coal exports surged to 112 MMT in 2012, according to the US Energy Information Agency's February 2013 report. The glut of cheap natural gas caused by the "shale gas revolution" in the United States has more American power plants moving away from thermal coal in

favour of less expensive natural gas. Once again, in ton-mile terms, US Coal exports are very good for ship owners.

Coal imports to India rose 35% in February from a year ago. Importers brought in 12.6 MMT of coal up from 9.34 MMT in the same period a year ago.

Fresh development projects recently pledged by China's New Leaders include 10 new airports, 100 port berths above 10,000 DWT, some 5,200km of new railway and 80,000km of highway along with minimum 7.5% GDP growth in 2013. China's import demand for Coal is expected to strongly increase in 2013, following the recent government announcement of the closure of 5,000 coal mines in a bid to reduce mining accidents. For those who think the real estate market in China is dead, you had better think again. A real estate project on Beijing's North Fifth Ring Road increased its sale price by almost 4,000 Yuan ($644) per square meter to find that there were more than 1,300 potential customers seeking just 184 units! China, as always, seems to come to the rescue of, and offer recovery hope, for the dry-cargo markets.

Gordon Orr, a McKinsey director based in Shanghai, writes that "China has the world's largest network of toll roads and high-speed trains, as well as six of the ten busiest container ports. Yet the high cost of logistics is just one indicator that China needs to build a much more extensive transport infrastructure. Many in government not only recognize this reality but also believe profoundly that it is better to build sooner rather than later. China lags furthest in the number of airports with just 452, compared with Brazil at 713 and the United States at 5,194. Forty-four Chinese cities with more than a million people still have no mass-transit system other than buses. Most significantly, much of the urban population in all but the top-tier cities lacks modern accommodations, and the re-housing of China's existing urban residents is considerably less than half complete. The scale of the construction task is all the greater, since many of the residential buildings China put up in the 1980s were of relatively poor quality and will reach the end of their useful lives much sooner than might have been expected at the time. Infrastructure spending will continue to drive economic growth in 2013, and the vast majority of it will be put to good use."

At a recent DNB Markets Shipping Conference, the Dry Bulk panelists agreed that China remains the largest swing factor for dry bulk shipping; demand is dependent on domestic dry bulk production in China being replaced by imports. Supply through yard capacity seems to be tapering off and 10–25% of the order book is "rubbish" and is never going to be delivered. The consensus in the conference was that the market tipping point would be in H2 2013.

Chinese Iron Ore imports in Q1 totaled 186.51 MMT for an annualized 746 MMT or almost identical to the figure for 2012. Steel Production in China in Q1 reached 191.9 MMT for an annualized total of 765 MMT or about 7% above the 2012 figure! Chinese Coal imports in Q1 2013 reached 80.00 MMT for an annualized total of 320

MMT or about 11% above the figure for 2012! All this massive growth in dry bulk demand in China has taken place against the backdrop of a slowing Chinese economy with GDP growth at 7.7% in Q1, and the BDI average for Q1 being about the lowest on record.

Supply Side developments in the bulker fleet are finally starting to make interesting reading. We started 2013 with 692.74 MDWT and have increased to 704.63 MDWT by the end of Q1 for a 1.72% net fleet growth. A further 10.44% (72.34 MDWT) is scheduled for delivery in the balance of 2013 and another 5.32% (36.90 MDWT) scheduled for delivery in 2014. If we were to apply a slippage factor of 30% (2012 was 29%) to these scheduled deliveries and further assume that scrapping reaches 35 MDWT per annum (2012 was 36 MDWT) we would be left with a net fleet growth of 5.33% (36.89 MDWT) in 2013 and another 0.83% (6.02 MDWT) in 2014 with the new deliveries tailing off in 2015 and beyond.

The 2003-built Panamax bulk carrier Taskent, barely 10 years old, has been sold for demolition in China in January 2013, making her the youngest dry bulk ship scrapped in more than 25 years! Her sister ship, Alma Ata, built in 1999, was also sold for scrapping in India. Bulkers tend to be demolished at 20 years of age or older, although the current tonnage overhang has seen some vessels heading for break-up at 15 years of age. Taskent's fate was sealed due to her high fuel consumption compared to a modern fuel-efficient Panamax, making her uneconomical to operate in the current pathetic freight markets.

In April 2008, a three year old Panamax bulk carrier "Ikan Belanak" (75,776 DWT/Built 2005 at Sanoyas Shipyard in Japan) sold for USD 83m compared with the five year old Kamsarmax "Torm Saltholm" (83,685 DWT/Built 2008 at Sanoyas in Japan) which sold in early February 2013 for USD 19.6m. How's that for volatility!

A symptom of the above challenges is that some well known and public names are currently struggling.

- **Cosco has accumulated a loss of USD 3.2 billion over the past 2 years. The dry bulk division in 2012 recorded a larger loss than in 2011, at CNY7.77 billion (USD 1.25 billion) compared to CNY5.42 billion (USD 873 million) in 2011. Analysts have also questioned whether Cosco's rising pile of debt is sustainable. Interest payments in 2012 rose 45.9% to CNY2.4 billion (USD 386.6 million).**
- **Mitsui OSK Line (MOL), a 26.9% stakeholder in Daiichi, has pledged to buy preferred shares worth JPY 16.4 billion (USD 173.8 million). Earlier in February this year, Daiichi issued JPY15 billion (USD 159 million) worth of preferred shares to MOL.**
- **Korea Line Corp (KLC) has managed to convert $173.2 million of debt into shares for the purpose of a debt to equity swap avoiding a potential delisting. The debt to equity swap has increased KLC's assets by KRW456.7**

billion (USD 408.8m) and reduced its liabilities by KRW456.6 billion (USD 408.7 million). As of April 1 2013, KLC's total assets stood at Won1.4 trillion (USD 1.25 billion) and total liabilities at Won1.1 trillion (USD 978 million), maintaining a positive equity level.

- **It was reported that CSC Phoenix of China (part of the Sinotrans & CSC group and owner of 30+ bulkers) posted a loss of over USD 300m for 2012 compared to a loss of about USD 140+m in 2011. They are projecting a first quarter 2013 loss of another USD 32+m and they reported that their creditor banks may freeze or seize their assets due to non-payment of debt.**

LONG TERM VERSUS SHORT TERM CHARTERS: As can be seen, our current and forward four year (2013 to 2017) rolling book as at the end of Q1 2013 is at the 15.2% level with a visible revenue stream of USD 168 million. When freight rates move in an upward direction, we effectively lock in earnings by putting away the spot ships for longer term charters at healthy rates.

Year	2013	2014	2015	2016	2017
Total Available Days	15,533	17,726	18,250	18,300	18,250
Fixed T/C Days	3,452	2,113	2,562	2,562	2,555
%age Fixed T/C Days	22%	12%	14%	14%	14%
Av. T/C Rate/Day in USD	10,115	13,180	13,713	13,713	13,713
Contract value in USD	$35m	$28m	$35m	$35m	$35m

As the BDI remains at fairly low levels we will have to wait out the current low period before reemploying this strategy in the future when the BDI starts to move in an upward direction.

Market Segmentation: During Q1, the Baltic Handy Size Index (BHSI) averaged 462 points derived from the average Time Charter (TC) rate of USD 6,878. Compared to that, our Handies earned USD 6,588 and were below the BHSI TC rate by 4.2%. During Q1, the Baltic Supramax Index (BSI) averaged 773 points derived from the average Time Charter (TC) rate of USD 8,084. Compared to that, our Supramaxes earned USD 9,023 and so beat the BSI TC rate by 11.6%. Our target has been to outperform both the indexes by at least 10%.

The Fleet Rejuvenation Plan of replacing the aging ships from our fleet with younger, better geared, economical and larger units began with the sale of 35 older ships. The replacement program has progressed well with the purchase of 7 second hand ships (average 5 years old) in the 30/34K range, 2 brand new 34K re-sales, 7 brand new 53-57K re-sales, and 2 second hand 53K (average 3 years old) during 2010/2013. Three brand new 34K ships from ABG have also joined our fleet during the same period taking the fleet strength to 40 ships (including one ship to be delivered in May 2013). This is the opportunity that we had been patiently waiting for, and which, if implemented successfully, would ensure the long term profitability of the Company.

ABG Shipyard, as we have previously intimated, was late for certain Vessels beyond the cancellation dates of the ship building Contracts, which were then novated by us to New Buyers. We have received 3X34K DWT ships to date from them. We had completed the Novation of three ship building Contracts in 2011 with a one-time gain of about USD 10.5 million. 6 ship building Contracts were novated in December 2011 and 2012 out of which, 2 novations were completed in 2012 with a onetime gain of USD 9.77 million. In Q1 2013, we also cancelled one ship building contract of a Cement Carrier and completed further 3 Novations out of the 6 signed in December 2011 and 2012 with a onetime gain of USD 13.92 million. We now hope to complete the sole remaining Novation in Q2, 2013. That still leaves 6 more ship building contracts with ABG that need to be sorted out. Though we are not pleased with this outcome of having to novate these ship building contracts, it is the best possible outcome under the existing circumstances. Besides, we are able to replace these ABG ship building Contracts with similar, but much cheaper, second-hand vessel purchases from the market.

Dividends have been paid out on a quarterly basis since the start of 2007. For 2012 we paid out approximately 3 times our net profit as quarterly dividends to shareholders as there was no pressing need for these funds. Cash flows and profitability permitting, we hope to maintain the same tempo in the years to come in line with the earnings that we generate. Our Board of Directors has declared Baht 0.10 as dividends for Q1 making it the 25th quarterly uninterrupted dividend.

The next SET Opportunity Day will be held at the SET building at 0900 hours on the 13th May 2013 where we will be presenting our Q1 results. 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 we will 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 is continuing this year as strongly as it did in 2012. In Q1 2013, 56 ships in our sector (10 – 30,000 DWT) were removed whilst a total of 39 ships were added, resulting in the fleet shrinking from 2,752 ships at the beginning of the year to 2,735 by the end of Q1 or a net decrease of about 0.60% in the world fleet in our sector in this quarter. If the freight markets continue at their current levels, we expect the world fleet in our sector to continue to shrink by 3 to 5% per annum. This is the best piece of news for ship-owners faced with low rates due to the excessive over ordering of ships in the recent past.

Sincerely,

Khalid Hashim