"When you get in a tight place and everything goes against you, till it seems as though you could not hold on a minute longer, never give up then, for that is just the place and time that the tide will turn." -- *Harriet Beecher Stowe*

THE RESULTS in Thai Baht as well as US Dollars, reviewed by EY Office Limited (Ernst & Young), show you the latest financial position of the Company. The net loss for Q2 2014 was USD 1.62 million or a net profit of USD 0.68 million after excluding the one-time write-off of USD 2.30 million of the upfront fees paid earlier on Credit Facilities obtained by the Company to finance second hand vessels, which facilities are no longer required and therefore cancelled. This net profit of USD 0.68 million should be seen against a backdrop of the average of the BDI for Q2 being just 982 points or the 6th lowest in BDI history. The earnings per day per ship during Q2 came in at USD 8,687. In this quarter, daily operating costs were USD 4,769 about 6% higher than our target for this year of about USD 4,500 per day per ship. The EBITDA for the quarter came in at USD 11.21 million. The loss in Thai Baht stood at Baht 0.05 per share or a profit of Baht 0.02 per share (excluding the onetime write-off of deferred fees) for this quarter.

THE HARD FACTS	Q2, 2014	Q2, 2013
Highest Earnings per day per ship in USD	16,207	14,384
Average Earnings per day per ship in USD	8,687	7,507
Operating cost per day per ship in USD	4,769	4,555
EBITDA in million USD (excluding Novation Gains)	11.21	6.57
Net Profit/(Loss) in million USD (excluding onetime write-off of deferred fees and one-off gains on novation/cancellation of shipbuilding contracts)	0.68	(3.29)
Net Profit/(Loss) in million USD	(1.62)	5.34
Earnings Per Share in Thai Baht	(0.05)	0.15

PROSPECTS: The two questions on everyone's lips - why did the Q4 2013 BDI high not sustain itself into the FH of 2014? And why is the BDI expected to move significantly higher by Q4 2014? To answer both these questions we need to examine the differences between the SH of 2013 and the FH of 2014.

1. The Indonesian ban on export of Nickel ore and Alumina on 12th January 2014 led the Chinese to stock up on as much of inventory as they could lay their hands on for both these commodities. That resulted in the big increase in rates during Q4 2013.

Now that the above inventory is running out, China still has to find Nickel Ore and Alumina from other sources. This will add ton-miles to the demand side of the equation and will arrive just when seasonally the freight market goes into overdrive in Q4 2014.

2. Q1 is characterized by very wet weather in Brazil and as a result less iron ore is shipped from Brazil. The statistics so far show that China has imported more iron ore in the first 6

months of this year than last year BUT the majority of that increase has come from Australia which is much lower in ton-miles than Brazil.

Last year's SH 2013 big rally was a result of the second half iron ore shipments from Brazil drastically outperforming the first half shipments to China and thereby adding a huge increase in ton-mile terms as compared to the Australian iron ore. We expect the same situation this year aided by some additional new iron ore mining capacity coming on stream in Brazil in the SH of 2014.

3. The Chinese government has been trying their best to deflate the real estate bubble over the last few years with little success. As a result they used the sledge hammer approach this year (2014) by instructing the banks to simply slowdown credit. This had the desired effect of getting the real estate market to cool down BUT it had the unintended consequence of slowing credit to other sectors of the economy and steel mills and other large importers were unable to 'binge' buy cargoes when prices fell as they simply did not have access to the unlimited credit that was available in SH 2013. This inability to 'binge' buy has removed the 'seasonality' from the BDI where we would have expected iron ore restocking to have pushed the BDI higher from March till about June. The other unintended consequence was that the Chinese PMI has been in contraction territory since the start of this policy and it has resulted in the Chinese economy slowing down much more rapidly than the leaders had wanted or intended.

The Chinese leadership realizing these unintended consequences have since June instructed the banks that there is no further need to tighten credit and as a result, we expect the Chinese 'binge' buying pattern to re-emerge in SH/Q4 2014.

4. Traditionally the South American grain season kicks off at the start of the New Year and generally has run its course by the month of June. This year there were big delays in the South American grain export season. In Brazil it was the rains that delayed the start of their export season and in Argentina it was the Farmers wanting to hold onto their grain as long as they could as money in the bank was losing value rapidly whilst grain in the silos was gaining value due to the country's inflationary conditions and weakening currency.

Fortunately, grain is a perishable commodity and there is only that much of storage space in silos. As a result, we expect the South American grain season to build strength in June/July and possibly into August, giving the freight market a breather during the traditionally 'slow' seasonal down turn that is characteristic of the BDI between July and September.

5. The 'January impact' of ship owners NOT wanting ships to be delivered towards the end of any year, especially when markets are not looking too good, results in more ships being delivered in January and consequently in Q1 than in Q4 of the previous year.

We can look forward to a similar lower number of ship deliveries in Q4 2014 and this should, once again, arrive just when the market (BDI) is at its seasonal high point.

Chinese Iron Ore imports for the first six months was 457.38 MMT, suggesting an annual figure of 914.75 MMT for 2014 or a growth rate of 11.51% over the 820.3 MMT imported in 2013! The main factor that will have a significant bearing on quantum of imports is international iron ore prices as compared to domestic production costs in China. Chinese Coal imports have not grown. If we were to annualize the total Coal imports into China for 2014 based on the first 6 months we would get a figure of 320.38 MMT, which is about the same as the phenomenal 322.01 MMT for 2013 consolidating China's position as the No.1 coal importer in the world! Chinese Steel production has continued to expand. The annualized total for 2014 based on the production figures for the first 6 months would be 819.22 MMT or 5.76% higher than the 774.57 MMT for last year! All this massive growth in dry bulk demand has taken place against the backdrop of a slowing Chinese economy with GDP growth rates of 7.4% in Q1 increasing to 7.5% in Q2. The Chinese Government has maintained an annual GDP growth forecast of about 7.5% for 2014.

Citigroup analyst Ivan Szpakowski says that between 20% and 30% of the iron ore mines in China have already closed down, with an iron ore mine being shuttered every day, with closures seen in all main producing regions. (Bloomberg)

China has raised its target for the elimination of outdated steelmaking production capacity to 28.7 million tons in 2014, higher than the 27 MMT set in Mar. And another 19 MMT of iron-making production capacity must also be shut down this year. In addition, China also pledged to shut down 12 MMT of outdated coking coal production capacity. (COSCO China News Letter)

China plans to shut down over 2,000 small-scale coal mines by 2015 in an effort to eliminate outdated capacity and improve work safety, according to the State Administration of Work Safety. (COSCO China News Letter)

Since 2008, China has expanded its iron ore imports at an average rate of 12.8% per annum to 794.9 MMT in 2013 with a forecast 12.9% growth rate to 897.4 MMT in 2014. All this growth is despite slowing steel demand, a clampdown on the use of iron ore as finance collateral and current high port stocks of 113 MMT. Much of this is high-priced that can only be sold at a loss, meaning that imports should stay strong. And, as prices stay below the breakeven threshold for many Chinese miners, more import substitution is likely. (Hartland)

Surging supply of iron ore from Brazil and Australia has resulted in a slump in iron ore prices, forcing some of the higher cost Chinese mines to close or to cut output. In view of this, Chinese iron ore imports will probably set new records later this year, with the share of imported iron ore in Chinese steel production rising further. (Howe Robinson Research)

Chinese manufacturing PMI rose from 49.4 in May to a seven-month high of 50.8 in June. An index above 50 signals growth in the economy. The improvement lifts hope that the GDP will meet the growth target of 7.5 percent for 2014. (Maersk Broker)

A potential El Nino weather phenomenon, which could wreak havoc on global crops, is set to disrupt shipping patterns and raise freight costs, leaving suppliers and importers to cover their food needs from longer-haul destinations. Weather forecasters are increasingly predicting it will return in 2014 for the first time in five years. During previous El Nino patterns, the main sea freight index at London's Baltic Exchange has risen significantly. In February 2009 when El Nino appeared, the BDI was at 1,099 and it reached 2,998 in March 2010 before the phenomenon abated. From March 2006 to February 2007, it went from 2,708 to 4,765. (Reuters)

A look at EC South American grain port congestion provides a useful insight into one of the contributory factors for market conditions [in the FH of 2014] being quite different to last year. Paranagua alone shows that this time [3rd week of June] last year there were nearly a hundred extra vessels waiting outside the port! As many of those vessels were Panamax, effective supply in that sector of the fleet has disproportionately increased, so despite record soyabean shipments from Brazil, much reduced congestion has acted as a drag on rates. An overview of the last 20 years illustrates just how significant Chinese grain imports have now become; soyabeans dominate total imports (in 2013 soyabeans accounted for 69mt out of a total grain import of 75mt). In the first five months 2014 grain imports are up 9.6mt, a 40% increase on the same period last year! Soyabeans have advanced 7mt whilst wheat imports have doubled to 2.4mt, Barley has nearly tripled to 2.1mt whilst corn has slightly increased. These strong shipment figures have had little impact on the freight market as dramatically reduced congestion at grain ports (especially in South Brazil) has nullified the potential impact of increased cargo movement. (Howe Robinson Research)

India imports are the bright spot of the Asian coal market, in 2013 imports grew 21% to 152 MMT and could increase to 170 MMT this year. (Banchero Costa)

Nearly half of India's coal-fired power plants [in early July 2014] have enough stocks to last only a week or less, a shortage that could become critical and drive up thermal coal imports by 14% as weak monsoon rains are expected to cut output from hydropower. (Reuters)

Narendra Modi's BJP swept to a landslide election victory in India, gaining the first single-party majority in the lower house in 30 years. The former chief minister of Gujarat state brings, with his elevation to the role of prime minister, high expectations of transparency and reform that will touch the whole nation, not just the privileged. His pro-growth business model in Gujarat, and close links to powerful business dynasties - such as the Ambani, Adani and Mehta families - has created the hope that he will roll out pro-business, free-market policies across the entire nation. This would contrast with the bureaucratic blockages, corruption, costly subsidies and erratic tax and economic policies that characterised the displaced Gandhi-dominated Congress party. There is a new air of optimism that the Gujarat success story will be more widely replicated, improving people's lives and putting greater emphasis on building out infrastructure in power, transport, utilities, manufacturing and agriculture. This will be positive for raw material imports, while the opportunity to expand the domestic manufacturing base, in response to rising costs and declining competitiveness in China, will generate value-added exports. (Hartland)

If the supply side presents challenges, it is nothing compared to the difficulty of estimating future demand. Demand assumptions are made on a linear basis but, in practice, they are increasingly event-driven, seasonal and volatile. For example, logic would suggest that slower, less commodity-intensive growth in China should equate to lower coal and iron ore imports. Reality dictates that China needs to import low sulphur thermal coal from wherever it is available as it tackles chronic air pollution, despite producing itself nearly 4 BMT of coal a year. Excess iron ore production by the big three is driving down prices, knocking out vast swathes of expensive and low quality Chinese domestic product and thereby raising seaborne import requirements. The Indonesian ban on the export of unprocessed minerals caused China to ramp up imports of Indonesian nickel ore and bauxite in 2H13, providing a boost to the bulk carrier sector, only to move to zero Indonesian imports of these commodities since the January ban. Soon China should have exhausted its stocks, so can we expect a surge in bulk carrier activity as it buys up available supplies from all corners of the globe in 2H14? No-one anticipated the re-emergence of bird flu in China this year and its devastating impact on the long-haul soya bean import trade from the Americas. These are but a few of the events that help shape outcomes in the dry cargo market. (Hartland)

The global economy will gain traction over the coming quarters. US growth should trend above 3% for the remainder of the year, the Eurozone economy is expected to strengthen on the back of a recovering periphery, while China growth looks to have bottomed-out in Q1, moving forward with an export-led recovery. (Deutsche Bank)

Supply analysis: Dry bulk ships scrapped in the first half of this year consisted of 17 Capesizes, 21 Panamaxes, 21 Supramaxes, 23 Handymaxes and 56 Handysizes, equivalent to 7.24 MDWT as opposed to 13.09 MDWT during the same period last year. Scrapping has definitely slowed down in 2014 as compared to 2013. In FH'14 the fleet grew by 3.02% from 735.19 MDWT to 757.40 MDWT with a further 5.61% (41.27 MDWT) scheduled for delivery in the balance of 2014 and another 8.94% (65.72 MDWT) scheduled for delivery in 2015. If we were to apply a slippage factor of 35% to these scheduled delivery numbers and further assume that scrapping reaches just 20 MDWT (7.24 MDWT has already been accounted in FH'14 leaving a balance of 12.76 MDWT for SH'14) we would be left with a fleet of 771.47 MDWT or a net growth of 4.93% (36.28 MDWT) in 2014. Based on these assumptions (20 MDWT scrapped and 35% slippage) we would have another 4.16% net growth (32.10 MDWT) in 2015 to reach a fleet size of 803.59 MDWT. To absorb the accumulated increase in supply from 2009 onwards will be the real challenge which should hopefully be overcome by the end of this year.

A symptom of the above challenge is that some well known and public names are currently struggling. The following information has been gleaned from publicly available news sources.

- **South Korean diversified shipping operator Hyundai Merchant Marine has posted a net loss of Won715.3bn ($672.4m) for 2013, a deep loss that is nevertheless an improvement on the Won988.6bn loss it posted in 2012. (Lloyd's List)**

- **Hanjin Shipping Co posted an annual loss of Won680.2bn ($631.4m) for 2013, wider than the year-ago loss of Won638bn. The carrier has been profitable in only three out of the 19 quarters since 2009 and needed to increase borrowings to keep afloat. Its debt ratio was at a dangerously high level of 987% at end-September 2013. (Lloyd's List)**
- **South Korean yard Daehan Shipbuilding, which has a huge bulker and products-tanker orderbook, has filed for court receivership in early July. Daehan Shipbuilding ran into financial difficulties in 2008 when the global market collapsed. It was bailed out by KDB, which appointed DSME in 2011 to manage the yard until the end of 2015. (TradeWinds)**
- **Daiichi Chuo has cut its annual loss in the year to 31 March 2014 to JPY 15.42bn ($150.5m), from JPY 31.98bn in 2013. (TradeWinds)**
- **Nanjing Tanker booked an annual loss of CNY 5.9bn ($952m) for 2013 versus a loss of CNY 1.24bn the previous year. (TradeWinds)**
- **China Cosco has recorded a CNY 1.88bn ($300.55m) reversal in the first quarter of 2014. If sales gains of CNY 6.6bn are stripped away, Cosco would have lost CNY 6.2bn ($1.1bn) in 2013.**
- **A Chinese court has agreed on 23rd May 2014 that STX Dalian Group can enter receivership but there is a strong chance of it being liquidated. (TradeWinds)**
- **JES International, the China-based, Singapore-listed shipbuilder, plagued by delays in construction, recorded net losses of Yuan122.3m for 2012, Yuan522.2m for 2013 and Yuan29.5m for the first quarter of this year. (Lloyd's List)**
- **Nautilus Holdings and several affiliates filed for Chapter 11 bankruptcy protection for a fleet of 16 containerships in the US on 24th June 2014 and is understood to have USD 770m in outstanding loans against established shipping lenders such as HSH Nordbank, DVB and Citibank. (TradeWinds)**
- **Windsor Petroleum Transport Corp has filed for Chapter 11 bankruptcy protection in Delaware on 15th July 2014. (TradeWinds)**

LONG TERM VERSUS SHORT TERM CHARTERS: The long term charters already booked as of 30th June for 2014 and the next 4 years to 2018 are shown in the table below.

Year	2014	2015	2016	2017	2018
Total Available Days	15,507	18,795	25,007	25,550	25,550
Fixed T/C Days	5,508	2,697	2,562	2,555	2,240
%age Fixed T/C Days	36%	14%	10%	10%	9%
Av. T/C Rate/Day in USD	10,938	13,523	13,713	13,713	13,849
Contract value in USD	60.25m	36.46m	35.13m	35.04m	31.02m

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 501 points derived from the average Time Charter (TC) rate of USD 7,445. Compared to that, our Handies earned USD 8,054, higher than the BHSI TC rate by 8.18%! During Q2, the Baltic Supramax Index (BSI) averaged 859 points derived from the average TC rate of USD 8,982. Compared to that, our Supramaxes earned USD 10,882 higher than the BSI TC rate by 21.15%!

The Fleet Rejuvenation Plan has progressed well with 43 ships in the water. Another 2 brand new ships are due during 2014 (2X21K Cement ships); 17 more brand new ships in 2015 (4X38K + 13X64K); and 7 more brand new ships in 2016 (2X38K + 5X64K). We also plan to dispose of the older ships in our fleet once the asset values have gone up sufficiently enough. 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.

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, 2014 in line with, and in support of, this trend.

The Marine Money June/July 2014 'worldwide ranking' issue had PSL as the 52nd best shipping company in the whole world based on results for 2013. 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. Marine Money also listed the top 10 performers over the last 8 years and PSL was ranked 6th in the world over that period of time!

The next SET Opportunity Day where PSL will be presenting will be held at the SET building at 0900 hours on the 4th August. 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 slowed down from the hectic pace established in the last few years. In FH 2014, 21 ships were removed whilst a total of 32 ships were added resulting in the fleet increasing from 2,770 ships at the beginning of the year to 2,781 by the end of Q2 in the world fleet in our (10 to 30K) sector. As the BDI falls/stays below the 1,000 point mark, we expect scrapping rates to accelerate once again 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.

Sincerely,

Khalid Hashim