

“Be willing to do what’s hard. If you’re only willing to do what’s easy, life will be hard. But if you’re willing to do what’s hard, life will be easy.”

T. Harv Ecker

THE RESULTS, audited by Ernst & Young, show you the latest financial position of the Company. The earnings per day per ship during Q4 came in at USD 8,409, taking the annual figure to USD 7,508 which is marginally higher than our forecast for this year of USD 7,500. 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 4,629, which has taken the annual costs to USD 4,535 per day per ship, or slightly higher than our target of USD 4,500. The EBITDA (excluding Gain on Novation/Cancellation of Newbuilding Contracts) was USD 10.33 million during Q4 2013 and USD 28.48 million for the year. In Q4 we made a net profit of 2.17 million. The earnings per share (eps) in Thai Baht stood at Baht 0.07 for this quarter and Baht 0.51 for the year. To put our annual profit for 2013 of USD 17.49 million into perspective, please keep in mind that the average BDI for this year at 1,206 was the 9th lowest in BDI history. We have listed below, some of the companies that are financially stressed, as a comparison.

THE HARD FACTS	2013	2012	Q4 2013	Q4 2012
Highest Earnings per day per ship in USD	19,265	17,221	19,265	14,000
Average Earnings per day per ship in USD	7,508	8,221	8,409	7,599
Operating cost per day per ship in USD	4,535	4,481	4,629	4,586
EBITDA in million USD	28.48	30.83	10.33	6.90
Net Profit/(Loss) in million USD before Income Tax	17.74	4.59	2.33	(1.62)
Net Profit/(Loss) in million USD	17.49	4.45	2.17	(1.64)
Earnings Per Share in Thai Baht	0.51	0.14	0.07	(0.04)

AWARDS AND ACCOLADES: The Stock Exchange of Thailand gave PSL the Best Investor Relations award in the 15 to 20 billion Baht market cap sector at their annual SET Awards 2013! As if to validate this award from the SET we were in the South East Asia Top 100 ranking in this year’s IR Magazine’s investor perception survey. We were finalists for the IBJ Awards 2013 for the Bulk Ship Operator of the Year. We were also finalists for the Lloyd's List Asia Awards 2013 in the Ship-manager of the Year category. All in all a good year from an awards and accolades point of view.

PROSPECTS: China (1) The China Metallurgical Industry Planning and Research Institute, an industry group that provides consultancy for government policies, stated that China's iron ore imports are expected to rise 6.3% to a record of 850 MMT and China’s Steel output to increase 3.8% to a fresh record of 810 MMT in 2014.

(2) The State Council, China's cabinet, has set a target to cut 80 million tons of steel production within five years. Hebei, the largest steel production area in the country at 200 million tons annually and one of the most polluted provinces, will cut 60 million tons of

steel capacity by the end of 2017. Hebei eliminated 4.56 million metric tons of iron-making capacity and 6.8 million tons of steel-making capacity in three cities in the last week of November 2013.

(3) From Deutsche Bank end-of-the-year economic research “In China, we see growth picking up to 8.6% with five major drivers: 1) reduced overcapacity; 2) deregulation in sectors with massive under-capacity; 3) effectiveness of the government’s efforts to “reactivate money stock”; 4) rising external demand; and 5) a pro-cyclical fiscal policy.”

(4) Hartland Shipping Services stated in their recent Points of View “China’s demand for raw materials steadily increases. The process of urbanisation rolls on, as does investment in infrastructure and social housing. But the real dynamic at play is the price and quality of imported versus domestically produced iron ore and coal. The ferrous content of China’s iron ore is low and falling while the sulphur content of its coal is high and rising, a poor combination, leading to inefficient steelmaking and airborne pollution. The upshot is a necessary increase in iron ore and coal imports that is supporting freight rates for bulk carriers, as evidenced by the BDI. The Chinese authorities have announced tough new restrictions on the coal mining sector aimed at improving quality, reducing over-capacity, supporting coal prices and cutting pollution that is fast becoming a source of public anger. These latest measures propose to ban the mining of coal near residential or tourist areas and mandate the installation of dust abatement technology. Mines falling short of safety targets will be shut, any mine with output of less than 90,000 tons per annum will be phased out and approval of new mines with less than 300,000 tpa capacity will be halted. The latest plans also aim to reduce imports of low calorific value and high sulphur content coals from, for example, nearby Indonesia by substituting these with better quality imports from more distant sources in Australia, South Africa and Mozambique. This will be ton-mile positive.”

(5) China's coal consumption is expected to hit 4.8 BMT by 2020 forecasted the China National Coal Association.

(6) From a recent report by Credit Suisse: “Grain carriage is the third largest dry bulk trade in the world, behind iron ore and coal, accounting for around 10% of all demand for dry bulk tonnage. However, its rate of growth should eclipse the two larger trades in 2014. We are looking for grain shipment tonnage to rise 13% and more in terms of tonne miles given Brazil's rising export importance and China's significant import demands – especially for soybeans.”

(7) RS Platou Markets, in their yearend report stated “For dry bulk the wild card is whether Chinese inventory buildups will continue and how much new iron ore production will come to market. Fleet growth will continue to moderate next year and should underpin the recovery in rates we have seen so far, but volatility will increase. The year that went past answered two important questions for the global shipping markets: Overcapacity is not as bad as feared and the world economy is finally gaining some real momentum. With fleet capacity growth now slowing, this augurs well for a stronger 2014 although absolute freight rate levels are unlikely to be spectacular.”

The US Coal Exports to end 2013 are projected at 118 MMT, down 6.3% from record exports of 126 MMT in 2012, according to the Energy Information Administration's final Short Term Energy Outlook of the year. The report said continued economic weakness, increasing coal output from other coal-exporting countries and falling international prices are expected to keep US export demand in 2014 to 107 MMT.

Brazil's Iron Ore Exports for the full year are expected to be around 320 MMT, only marginally behind 2012's figure of 325 MMT. Australia iron ore exports by comparison were 491 MMT in 2012 and are expected to top 550 MMT in 2013. Despite this reduction in ton-mile impact, the cape size sector was the one that shone the brightest in the second half of 2013. It would therefore seem that supply/demand balance is close to or has already been reached in the dry bulk sector especially in the cape sizes. This will lead to all the other sectors catching up and the cyclical upturn should show strong traction latest by the end of the first half of 2014.

Analysts at Morgan Stanley stated the following in a recent report "With global GDP on the mend and shipping capacity muted, we see improved fundamentals across most shipping segments. Pockets of weakness exist, but on balance, we see upside in rates and values, led by Dry Bulk and LPG segments. We expect dry bulk to outperform other shipping segments as demand is set to surpass fleet supply growth in 2014 for the first time since 2008."

From Deutsche Bank end-of-the-year economic research "In India, the economy has troughed, and 2014 would likely bring about an investment recovery, further gains in exports, and some strength in domestic consumption, especially in the rural area. Inflation would stabilize and then decline from mid-year onward, while BOP stress would ease due to an improving current account and stronger capital flows."

Scrapping has slowed down with just 21.39 MDWT being scrapped as dry bulk freight rates have increased towards the second half of this year. 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 2014 the world fleet had grown by 42.45 MDWT or 6.13%, during 2013, to 735.19 MDWT. If we apply a 35% slippage factor to the expected deliveries over the next two years (it was 38% for 2013) and 20 MDWT for annual scrapping (it was 21.39 MDWT for 2013), this number would increase to 763.83 MDWT (+3.90%) and 790.62 MDWT (+3.51%) at the start of 2015 and 2016 respectively. The double digit net increase in supply, characteristic of the 2009-2012 years, has mercifully come to an end!

Some challenges still remain and has led to some well known and public names struggling to survive. Just to name a few that have been in the shipping press recently:

A German research firm published a grim report on the status of the KG market and they estimate that over 360 ship funds (out of 622) are and in need of financial support, that

could end up costing German investors over \$10 billion in potential KG losses. The investors have some \$6.5 billion locked up in the funds and the banks have about \$4.3 billion of exposure to these endangered funds. After five years of the crisis, it appears that neither banks nor investors are able (or willing) to provide the money to refinance the vessels. Since 2010, 271 funds with 353 ships have been sold with investor losses pegged at about \$5.28 billion, depending on sale price and remaining liabilities. The report estimates roughly 134 fund-owned ships have been sold so far in 2013 and recently at least six funds have filed for insolvency.

CSC Phoenix has received a notice from Wuhan Intermediate People's Court that the court has decided to accept the case that two creditors of CSC Phoenix requested to liquidate CSC Phoenix. CSC Phoenix said it would delist from Shenzhen Stock Exchange if the court orders it to liquidate the company.

LONG TERM VERSUS SHORT TERM CHARTERS: The long term charters already booked as of 31st December 2013 are shown in the chart below.

Year	2013	2014	2015	2016	2017
Total Available Days	14,211	15,900	17,742	20,503	20,805
Fixed T/C Days	5,392	2,729	2,555	2,562	2,555
%age Fixed T/C Days	38%	17%	14%	12%	12%
Av. T/C Rate/Day in USD	9,425	12,258	13,713	13,713	13,713
Contract value in USD m	50.83	33.45	35.04	35.13	35.04

As can be seen, our forward four year (2014 to 2017) rolling book is currently at 13.75% of capacity with a visible revenue stream of USD 138.66 million. As the BDI has finally started 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 (2014-2015).

Market Segmentation: During Q4, the Baltic Handy Size Index (BHSI 28,000 DWT) averaged 705 points derived from the average Time Charter (TC) rate of USD 10,015. Compared to that, our Handies (27,427 DWT, 2.1% smaller than the index ship) earned USD 8,072 underperforming the BHSI TC rate by 19.4%. During Q4, the Baltic Supramax Index (BSI) averaged 1,341 points derived from the average TC rate of USD 14,022. Compared to that, our Supramaxes earned USD 9,570 underperforming the BSI TC rate by 31.75%.

The Fleet Rejuvenation Plan of replacing the aging ships from our fleet with younger, better geared, economical and larger units began firstly with the sale of older ships in 2007. The replacement program has progressed well with the purchase of 7 second hand ships (average 5 years old when purchased) in the 30/34K range, 2 brand new 34K re-sales, and 6 brand new 57K re-sales during 2010/2012. Three brand new 34K ships from ABG have also joined our fleet. 2 second hand (average 2 years old when purchased) and one brand new 53K ships were also added to our fleet. Additionally we are building 4X20K Cement ships for delivery during 2014 in China and, at that same yard, we have contracted another

2X38K ships for delivery in the second half of 2015. We have further contracted 2X64K re-sales at a different Chinese yard for delivery in Q3 2014 and a further 8 (4X64K + 4X39K) new builds at another Chinese yard for delivery between second half of 2015 and first half 2016. That would take our fleet to 39 ships in the water with another 16 ships being built at 3 separate yards in China.

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 820.3 MMT in 2013 or about 10% higher than the 745.5 MMT in 2012! According to various reports, China is expected to import between 850 and 900 MMT of Iron Ore in 2014. This import figure is contingent on import pricing parity versus domestic production and transportation costs where the 'magic' arbitrage numbers are USD 135 to 140 PMT landed cost into China. Provisional Chinese steel production for 2013 reached a staggering figure of about 774.57 MMT or about 8.1% higher than the already phenomenal figure of 716.5 MMT in 2012. According to various reports, China is expected to produce 810+ MMT of Steel in 2014. 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 and a phenomenal record busting 322.01 MMT in 2013 maintaining its title as the largest importer in the world 3 years in a row! Coal imports are expected to grow steadily but 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.

The next SET Opportunity Day where PSL will be presenting will be held at the SET building at 0910 hours on Monday the 17th February 2014. We hope that many of you will attend this event where the Company will get a chance to thoroughly discuss the 2013 results and the prospects for 2014. 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 21.39 MDWT of ships being removed during 2013 across all sectors in the dry bulk market as compared to 35.97 MDWT in 2012. In our sector (10 – 30K DWT) 167 ships were removed and 185 ships were added resulting in a net increase of 18 ships in the world fleet during 2013. This has resulted in a net increase of 0.65% from 2,752 ships to 2,770 ships at the start of 2014 in our sector. With the existing age profile of this sector coupled with the volatile levels of the freight markets, we expect the world fleet in our sector to shrink in the next few years. This will help redress the imbalance between supply and demand.

Sincerely,

Khalid Hashim