

Ref : 2007-033

3rd August 2007

To : Director and Manager of the Stock Exchange of Thailand

Subject : 2nd Quarter of 2007 Management Discussion and Analysis (MD&A)

THE RESULTS in Thai Baht, reviewed by Ernst & Young, as well as US Dollars, certified by Baker Tilly, show you the latest financial position of the Company. The net profit for Q2 2007 was USD 25.79 million. The earnings per day per ship during Q2 came in at USD 12,342. In this quarter, daily operating costs were USD 3,782 and this figure is expected to average around USD 3,700 per day per ship for this year. The EBITDA of USD 28.59 million has decreased by 6.9% during the period under comparison despite the drop of almost 18.5% in the number of available ship days this year. This is a result of the sale of the 10 oldest ships in our fleet executed between Q1 and Q2 of this year. The earnings per share (eps) in Thai Baht stood at 0.8 Baht per share for this quarter.

THE HARD FACTS	Q2, 2007	Q2, 2006
Highest Earnings per day per ship in USD	19,000	16,965
Average Earnings per day per ship in USD	12,342	10,519
Operating cost per day per ship in USD	3,782	3,613
EBITDA in million USD	28.59	30.72
Net Profit/(Loss) in million USD (including exchange Gain (loss)) before Extraordinary items	25.79	19.32
Net Profit/(Loss) in million USD	25.79	19.32
Earnings Per Share in Thai Baht	0.80	0.75

PROSPECTS over the next 12 months look really good compared to long term historical averages and may start matching what we have seen over the exceptional years of 2004 and 2005. In the current freight cycle, the low point in daily earnings on our ships was reached in Q2 2002 at USD 5,497. The high point was achieved in Q1 2005 at USD 15,928 per day per ship. To place these numbers in perspective, we must remember that the average for 2003, which was our best year ever before 2004 and 2005, was just USD 7,870 per day per ship.

LONG TERM VERSUS SHORT TERM CHARTERS: The long term charters already booked as of 30th June 2007 comprise about 86.12% of our existing capacity at a healthy average rate just in excess of USD 12,250 per day per ship. When freight rates are moving in an upward direction, as the BDI has been recently, we can and have employed this strategy to effectively lock in rates by putting away the spot ships for longer terms. This policy was very successfully employed in 2004 and 2005 and allowed us to ride out the volatile nature of the spot market with relative ease during those years.

THE CHINA FACTOR continues to roll along having a disproportionate impact on the dry bulk markets. According to the Fairplay Weekly Issue dated 02 August 2007, 'raw steel manufacture in China is predicted to reach half a billion tonnes this year if the June production figures are annualised. This compares with 425M tonnes in 2006.' Besides the China factor, the rest of the world is also chugging along at a good pace. The IMF has raised its projections for world GDP growth for both 2007 and 2008. The global economy is forecast to expand by 5.2% both this year and next, which in both cases represents an increase of 0.3 of a percentage point from the IMF's April forecasts. China's economy is now forecast to expand by 11.2% this year and 10.5% next, compared with April projections of 10.0% and 9.5% respectively. The outlook for Japan has also improved: GDP growth for 2007 is expected to be 2.6% (April prediction: 2.3%), although growth is forecast to slow next year to 2.0%. US economic growth this year is forecast at 2.0% (April projection: 2.2%), however, the IMF expects the US economy to accelerate next year with 2.8% growth.

The Marine Money issue for June 2007 ranked PSL as the 7th best shipping company in the whole world including giants like Frontline, Teekay etc! 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.

SHIP SCRAPPING that had picked up the pace has, once again, started to slow down as a result of the strength of the freight market. In Q2 2007, 8 ships were removed whilst a total of 19 ships were added resulting in the fleet increasing from 3,089 ships at the beginning of the quarter to 3,100 by the end of Q2 in the world fleet in our sector. If the freight markets continue at their current, but volatile, levels we expect the world fleet in our sector to grow very slowly at the current pace of about 0.5 to 0.75% per annum.

Sincerely,

Khalid Hashim
Managing Director