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30 April 2012

To : The President of the Stock Exchange of Thailand

Subject : The 1st Quarter of 2012 Management Discussion and Analysis (MD&A)

THE RESULTS, reviewed by Ernst & Young, show you the latest financial position of the Company. The net loss before tax and minority interest for Q1, 2012 was USD 1.29 million which compares with the net profit of USD 3.68 million in Q1 2011. The earnings per day per ship during Q1 2012 were USD 8,314, higher than our estimates of USD 7,150 for the year. When compared with the USD 12,118 in Q1 2011 it showed a decline of about 31%. The average operating expenses per day per ship were USD 4,390 in Q1 2012 just below our estimates of USD 4,400. When compared to USD 4,896 in Q1 2011 (including depreciation/amortisation of the Drydocking/Special Survey expenses in both periods) it shows a drop of 10% in operating costs. The earnings per share (eps) in Thai Baht for this quarter amounted to a loss of Baht (0.04) per share.

KEY FIGURES	Q1, 2011	Q1, 2012
Highest Earnings per day per ship in USD	16,150	15,423
Average Earnings per day per ship in USD	12,118	8,314
Operating cost per day per ship in USD (Opex)	4,896	4,390
EBITDA in million USD	10.49	6.87
Net Profit/(Loss) in million USD (before tax and minority interest)	3.68	(1.29)
Net Profit/(Loss) in million USD	3.54	(1.33)
Earnings Per Share in Thai Baht	0.10	(0.04)

The Seatrade Asia Awards Ceremony was held in Singapore at the Shangri-La Hotel on the 23rd April when our Company's Managing Director (undersigned) was accorded "The Lifetime Achievement Award for 2012" in recognition of his outstanding contribution to the industry over many years, in Asia and beyond. The Company was also one of the three nominees for "The Dry Bulk Operator of the Year" award at the same function! Seatrade has for many years been involved in developing awards programs for the maritime industry, recognising excellence in a variety of different fields.

The original Seatrade Awards program was established in London in 1988, with the full support of the IMO, and the Secretary General remains the Chairman of the judging panel to this day. The Asia Awards program was launched in 2008 to raise the profile of maritime development across Asia and to underscore excellence in the fields of innovation; commitment to safety and quality; social and environmental responsibility; enterprise and achievement, as well as education and training.

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

Stephen Roach, ex Chairman of Morgan Stanley Asia and the firm's chief economist and currently a senior fellow at Yale University's Jackson Institute of Global Affairs and a senior lecturer at Yale's School of Management, recently wrote an article on China and concluded as follows "By addressing the interplay between economic and political risks to stability, the [Chinese] government is clearing the way for the next phase of China's extraordinary development. I would not advise betting against their commitment to achieving that goal."

From the McKinsey quarterly report entitled "What's in store for China in 2012?" Gordon Orr, a director in their Shanghai office, forecast growth this year. His predictions: 1. Government policies will spur consumption and investment and this will compensate for declining exports and a slumping housing market; 2. Real estate will stagnate, but Beijing will continue to prioritize the construction of affordable housing for the poor in an attempt to prevent a hard landing in the construction sector; 3. The automobile segment will probably grow by around 8 percent beating last year's 2.5 percent. In summary, despite food price inflation and a stagnant housing market, China should maintain a rapid rate of growth.

From the conclusion of the Howe Robinson Annual Review: "A warning: Our entire [2012] forecast is predicated on a fundamentally bullish approach to demand. It assumes the continuation of a benign cycle of growth in Asia generally and China in particular. It expects little of America and nothing of Europe, but it does not factor in the consequences of any catastrophic dislocation to either the economy or the financial system. If there is any demand shock at this stage in the game, the market will have no cushion and no hiding place. And some hope: If there is no sudden rush to the yards to place newbuilding orders which would kill a recovery, and if the current demand cycle stays intact, there is indeed reason to hope that by later in 2013 the dry bulk cycle will turn. The fleet will have been renewed and modernized, and there is every reason to look forward, not to another boom, but to balanced markets and reasonable rewards."

Brazil's Q1'12 iron ore exports plunged 27% q-o-q to the lowest level since June 2009 as rains in January delayed production. Vale sells about 45% of its production to China and Brazilian iron ore is much more ton-mile intensive than iron ore exports from Australia, and to an extent, helps explain the abysmal Cape size market in Q1'12. Vale, however, expects an improved economic outlook in 2012 led by a pickup in manufacturing and credit loosening in emerging markets. Despite the economic uncertainty in Europe, Vale expects demand growth in China.

India is now the world's 4th largest steel producer, after having been 10th-largest as recently as 1995. India has large reserves of relatively high-quality iron ore and is likely to be able to feed its growing steel industry without any need for imports. But its coking coal reserves are quite small and tend to be of low quality, needing to be blended with higher-grade imported coal. India is now the third-largest importer of coking coal and has become the second-most important destination for Australian coking coal behind Japan.

Chinese Iron Ore imports in Q1 totaled 187.17 MMT for an annualized 749 MMT year! Despite widespread concern **Steel Production in China** in Q1 reached 174.2 MMT for an annualized total of 697 MMT! The increase in steel production has been linked to rising steel prices which bottomed out in China in November 2011 and have been recovering ever since. **Chinese Coal imports** in Q1 2012 reached 61.73 MMT for an annualized total of 247 MMT! All this massive growth in dry bulk demand in China has taken place against the backdrop of a slowing Chinese economy with GDP at 8.1% in Q1, the BDI average for Q1 being about the lowest on record and with the Chinese Government forecasting an annual GDP growth of just 7.5% for 2012.

Supply Side developments in the bulker fleet are depressing. We started 2012 with 622 MDWT and had increased to 637 MDWT by the end of Q1 for a 2.43% net fleet growth. A further 18.5% (118 MDWT) is scheduled for delivery in the balance of 2012 and another 9.4% (60 MDWT) scheduled for delivery in 2013. If we were to apply a slippage factor of 30% (2011 was 28%) to these scheduled deliveries and further assume that scrapping reaches 35 MDWT per annum (2011 was 33.3 MDWT) we would still be left with a net fleet growth of 10% (64 MDWT) in 2012 and another 4% (30 MDWT) in 2013 with the new deliveries tailing off in 2014 and beyond. However, the intense financial stress in the balance sheet of most owners due to the extremely low earnings in the freight market in end 2011 and early 2012, has resulted in many public, and even more privately held, owners being on the verge of collapse. This has had a domino effect on a number of Shipping Banks that are themselves adversely impacted by the Euro Zone crisis. If this intense financial pain in the Owners’ and their Bankers’ balance sheets continue, we feel that the supply side could then see a 50% slippage and an increase in scrapping to 50 MDWT per annum in 2012 and 2013. In such a case the net supply growth in 2012 would be constrained to just 3.3% (20 MDWT) and in 2013 to a mere 1.6% (10 MDWT). A symptom of this situation is that some well known and public shipping names are currently struggling.

LONG TERM VERSUS SHORT TERM CHARTERS: As can be seen, our current and forward four year (2013 to 2016) rolling book as at the end of Q1 2012 is at the 15% level with a visible revenue stream of USD 152 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. This policy was very successfully employed over the last few years and allowed us to ride out the volatile nature of the spot market with relative ease.

Year	2012	2013	2014	2015	2016
Total Available Days	11,189	15,342	16,425	16,425	16,470
Fixed T/C Days	2,994	2,243	2,153	1,825	1,830
%age Fixed T/C Days	27%	15%	13%	11%	11%
Av. T/C Rate/Day in USD	12,238	14,134	14,411	14,098	14,098
Contract value in USD	$37m	$32m	$31m	$26m	$26m

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.

As contracted new building vessels join the fleet and second hand ship purchases take place in the future, the 'total available days' row will keep increasing in the above table. The Cement ships have been pre-committed for minimum 15 to maximum 25 year time charter contracts to an existing client at, what we think, are extremely attractive rates for our client as well as for us.

The Fleet Rejuvenation Plan in terms of Vessels acquired by us in the current cycle is shown in the table that follows.

Vessel Name	Built	Place Built	DWT	Delivery Date	Price $m
Rojarek Naree	2005	Shikoku, Japan	29,870	22-Dec-09	22.15
Nalinee Naree	2005	Mitsubishi, Japan	31,699	12-Apr-10	23.75
Ananya Naree	2011	ABG Shipyard, India	33,857	14-Jun-11	28.88
Kanchana Naree	2011	Taizhou Sanfu, China	56,920	28-Oct-11	26.50
Kirana Naree	2011	Taizhou Sanfu, China	56,823	14-Nov-11	26.50
Chamchuri Naree	2005	Shin Kurushima, Japan	33,733	14-Dec-11	19.50
Charana Naree	2005	Shin Kurushima, Japan	33,720	12-Jan-12	19.50
Mookda Naree	2009	Hindustan S.Y, India	30,162	15-Feb-12	17.70
Mayuree Naree	2008	Hindustan S.Y, India	30,193	19-Mar-12	16.70

Benjamas Naree	2012	ABG Shipyard, India	33,780	26-Mar-12	28.53
Mallika Naree	2008	Hindustan S.Y, India	30,193	02-Apr-12	16.60
		Total	**400,950**		**246.31**

Current values of second hand ships are in a state of flux with the most recent sales at levels that were prevailing prior to 2003. We think that these are very attractive levels and will result in our exploring such options from the second hand market in the next few quarters. We will report the progress that is being made in this matter in due course of time.

Market Segmentation: During Q1, the Baltic Handy Size Index (BHSI) averaged 464 points derived from the average Time Charter (TC) rate of USD 6,925. Compared to that, our Handies earned USD 8,116 and beat the BHSI TC rate by 17%. During Q1, the Baltic Supramax Index (BSI) averaged 830 points derived from the average Time Charter (TC) rate of USD 8,679. Compared to that, our Supramaxes earned USD 10,757 and so beat the BSI TC rate by 24%.

ABG Shipyard, as we have previously intimated, is late for certain Vessels beyond the cancellation dates for building ships contracted with them, the ship building Contracts of which have been novated by us. We have received 2X34K DWT ships to date from them. We had novated three ship building Contracts in 2011 with a one-time gain of about USD 10.5 million. A further two ship building Contracts have been similarly novated with the proceeds expected around the middle of 2012. Though we are not pleased with this outcome of having to novate these ship building contracts, it is the best possible solution 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 2011 we paid out 80% of 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, but always in line with the earnings that we generate.

The next SET Opportunity Day will be held at the SET building at 10:45 hours on the 8th May 2012 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 2011. In Q1 2012, 41 ships in our sector (10 – 30,000 DWT) were removed whilst a total of 13 ships were added resulting in the fleet shrinking from 2,916 ships at the beginning of the year to 2,888 by the end of Q1 or a net decrease of just over 1% 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.

Yours Sincerely,

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED

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KHALID HASHIM
MANAGING DIRECTOR