



Malaysian Bulk Carriers Berhad



**28th Annual
General Meeting**

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15 May 2017**

MALAYSIAN BULK CARRIERS BERHAD

(Company No:175953-W)



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AGENDA

1. Year in Review & Highlights
2. Market & Economic Outlook
3. Strategy
4. Fleet Profile
5. Financial Highlights



YEAR IN REVIEW - 2016

Stable performance despite most challenging year on record

- Baltic Dry Index improved in 2H 2016 ending the year at 961 points after a historically low start in 2016.
- Overall market remained significantly lower than 2015 levels.
- Overall losses narrowed to RM 497 million (2015: RM 1.2 billion) due to lower impairments.
- Rebalancing of core fleet. Older & less economical vessels were disposed.
- A long term coal contract commenced as scheduled during Q3 2016
- Continued decline in MR Tanker spot rates & also market value of tankers continue to soften.



HIGHLIGHTS & CURRENT FOCUS

- The MV Alam Permai was deployed from Sept 2016 as the bridge vessel to perform a 15 years CVC coal shipping contract into Malaysia. Vessel will be substituted upon the delivery of a new building 84,000 dwt bulk carrier in Q2 2019 & the contract will provide stable long term returns & employment.
- Successfully negotiated the deferment of charter rate for MBC's Long Term Chartered-in fleet which will help improve the immediate cash flow position.
- Succeeded to negotiate for delayed delivery of our new buildings to a more favorable delivery position in Q3 2018 onwards..
- Took steps to strengthen our balance sheet and continue to make the necessary cost saving adjustments during these difficult market conditions.



DRY CARGO MARKET OVERVIEW

- Dry bulk market continues to suffer from tonnage overcapacity but gradual improvement in Demand-Supply fundamentals would suggest the beginning of a market recovery.
- Greater optimism with BDI improving to 1,109 points presently as compared to 710 points as of 28th April 2016. Year to date averages as of 28th April 2017 (as compared to the same period in 2016) are as follow:-
 - Baltic Panamax Index - USD 9,007 (YTD 28/4/2016: USD 3,638)
 - Baltic Supramax Index - USD 8,497 (YTD 28/4/2016: USD 4,138)
 - Baltic Handysize Index - USD 6,978 (YTD 28/4/2016: USD 3,690)
- Chinese import of Iron Ore is set to continue to be a key driver for the demand growth in 2017 for the Dry Bulk sector as total seaborne Iron Ore import volumes in Calendar 2016 exceeded 1 Billion MT for the 1st time (a growth of 7.5%).
- Escalating new building contracts, reduced scrapping levels, slowdown in Chinese coal imports and increased Chinese domestic ore production are all risk factors



DRY CARGO MARKET OVERVIEW

- Continued Volatility in Commodities - Iron Ore slumped to a low of U\$38 in December 2015 then steadily rebounded to reached a peak of just under U\$95 in February 2017 before retreating back to around U\$65 per ton currently.
- Dry Bulk asset values continue to recover and strengthen from earlier historical lows after bottoming in 2016 and have risen over 25% since the start of this year.
- Net growth in dry bulk fleet in Q1 2017 was 13.4 M dwt reflecting a combination of increased newbuilding deliveries (18.0 M dwt) and limited deletions (4.6 M dwt) with the Supramax sector recording the fastest percentage growth.



WORLD ECONOMIC OUTLOOK – Gaining Momentum

- With buoyant financial markets and a long awaited cyclical recovery in manufacturing and trade underway world growth is projected to rise from 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018 slightly above the World economic outlook (WEO) forecast. *(Source - IMF WEO – April 17)*
- Improving global economic outlook raises optimism for a new growth cycle.
- Following may however derail the positive development ; (a) An inward shift in policies including protectionism, Reduced trade and a cut back in cross-border investment flows which will set back global growth. (b) Non economic factors including geopolitical tensions and security concerns. (c) If investors start ordering again before market can absorb excess capacity.



BUSINESS STRATEGY - Positioning for the upturn

- Flexible high specification fleet to meet our customers needs and compliance with regulatory requirements.
- Emerging Markets remain the Focus – Increased focus on emerging coal importers in South east Asia notably Malaysia, Vietnam and Philippines as they ramp up their coal fired generation.



Navigating stormy seas ahead

- 2017 remains challenging but higher scrapping, reduced order book and more layups should eventually ease overcapacity situation

- Focus on immediate challenges by:
 - Selectively monetising assets to improve liquidity
 - Arranging long term banking facilities
 - Rescheduling new-buildings deliveries
 - Rescheduling charter hire payment on long term charters
 - Seeking long term contract of affreightments
 - Driving cost saving initiatives



FLEET OVERVIEW - Modern diversified fleet of 18 vessels

- Modern, versatile fleet of sister vessels that deliver operational efficiencies
- Balanced fleet profile in the Post-Panamax, Supramax and Handysize segments serving the varying needs of our clients.
- Mix of Owned & Chartered in vessels.



Post-Pmax/Panamax



Supramax



Handysize



MR Tanker

Existing Fleet
(as of 05/17)

4

7

8*

1*

On Order

3

-

-

-

Total

7

7

7

-

**1 vessel each has been sold for further trading and will be delivered to buyers during Q2-Q3 2017*

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2016 GROUP FINANCIAL HIGHLIGHTS

| <u>RM'million</u> | 2016 | 2015 | Var |
|---------------------------------------|---------|-----------|---------|
| Revenue | 225.5 | 241.5 | (16.0) |
| Operating loss | | | |
| - The Group | (77.3) | (114.5) | 37.2 |
| - Associate | (53.7) | 14.2 | (67.9) |
| - Joint ventures | (8.7) | (8.2) | (0.5) |
| | (139.7) | (108.5) | (31.2) |
| <i>Less:</i> | | | |
| Onerous contracts (incl JVs) | - | (103.5) | 103.5 |
| Impairment loss: | | | |
| (i) Vessels | (50.4) | (295.2) | 244.8 |
| (ii) Investment in associate | (39.3) | (495.8) | 456.5 |
| (iii) Share of associate's impairment | (271.4) | (120.4) | (151.0) |
| (iv) Share of JVs' impairment | 4.5 | (72.9) | 77.4 |
| | (356.6) | (984.3) | 627.7 |
| Loss before tax | (496.3) | (1,196.3) | 700.0 |

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BALANCE SHEET

| | 2016 RM'million | 2015 RM'million |
|-------------------------------|--------------------|--------------------|
| Borrowings | 543.9 | 607.6 |
| Net Debt | 474.2 | 467.1 |
| Shareholders' Equity | 708.9 | 1,179.6 |
| Net Debt/Shareholders' Equity | 67% | 40% |



THANK YOU

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