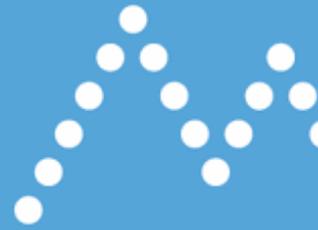


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Cycle Drivers In The Shipping Markets

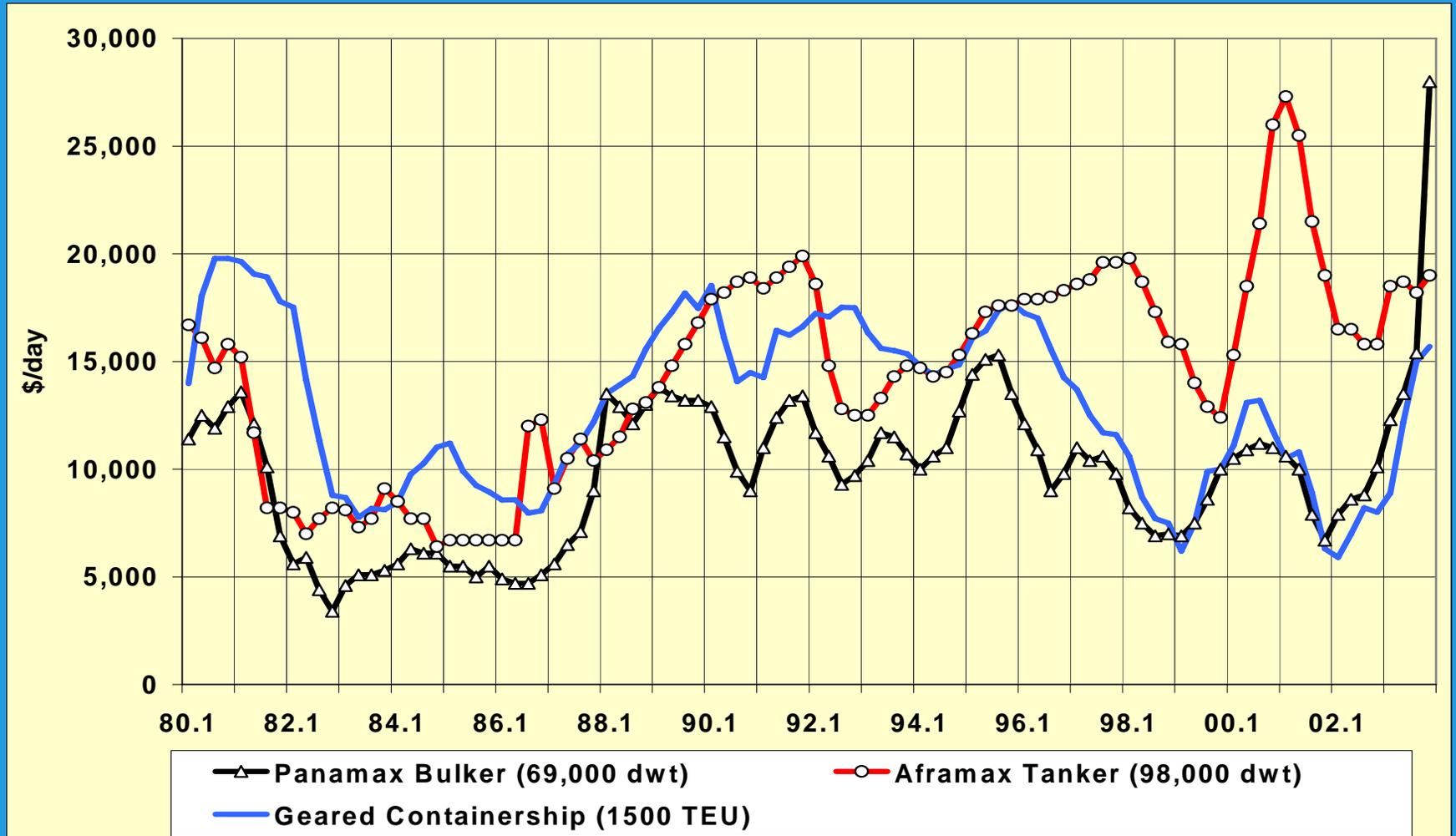
Autumn 2003

Agenda

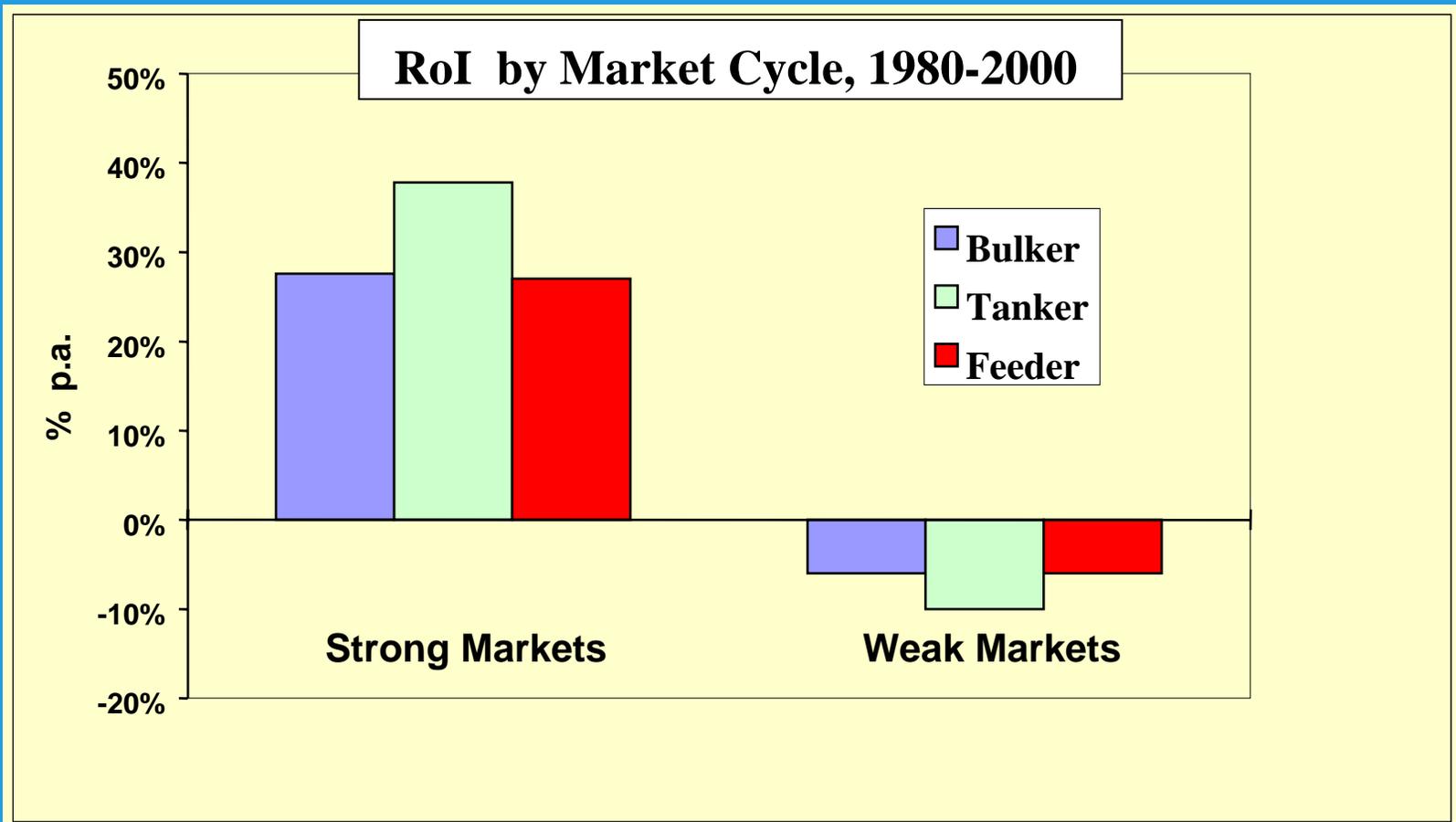


- Historical Overview
- Analysis by Market
- Summary

Cycles Across Market Sectors (1 Year TC Rates)



Performance Over Cycles

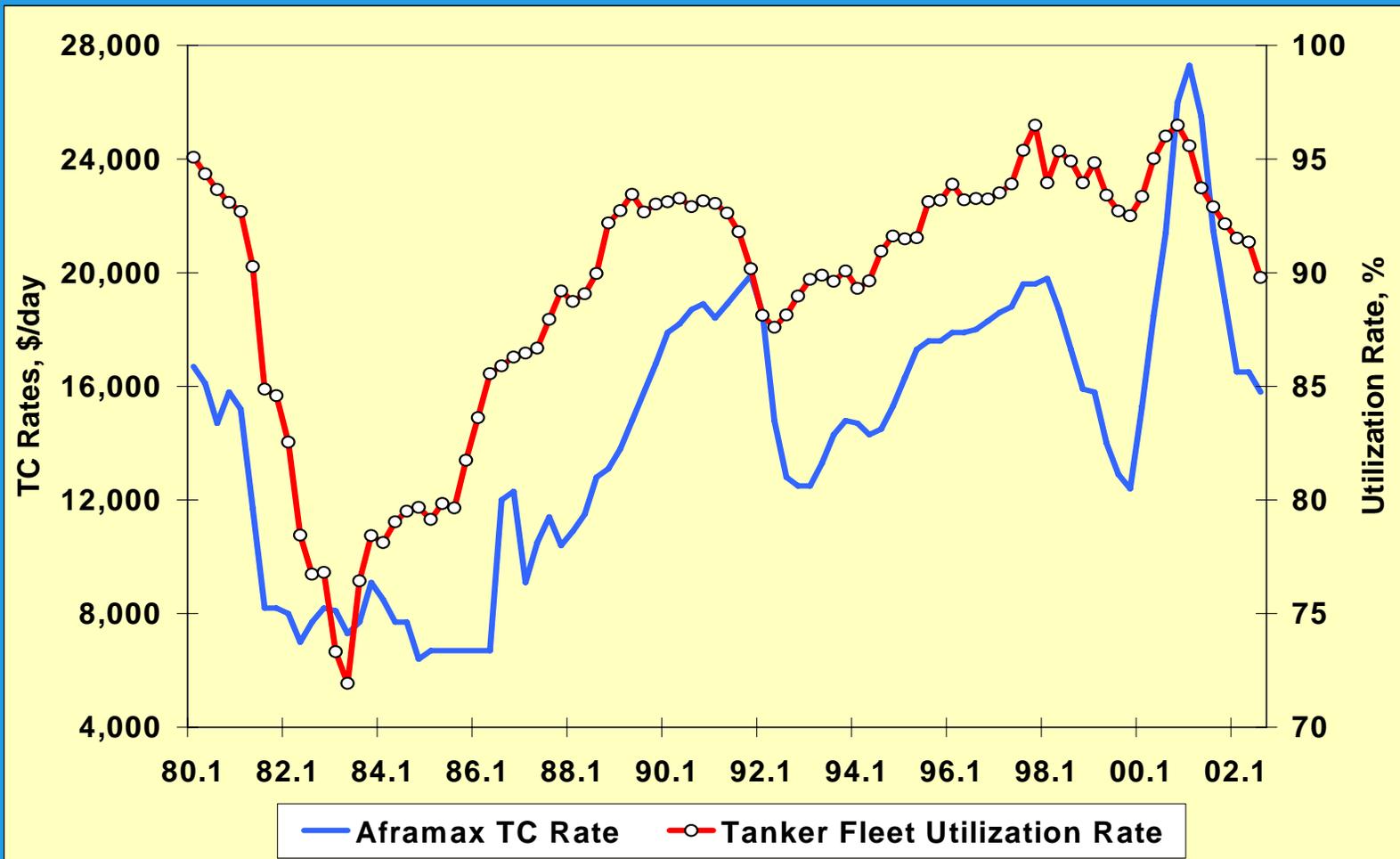


What Drives The Cycle?

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- Fleet Utilization Rate Is Key
- $\text{Fleet Utilization Rate} = \text{Dwt Demand} / \text{Fleet Size}$
- Fleet Size Easy To Measure
- Dwt Demand More Difficult
 - Closely Related To Tonne-Mile Demand
 - Fleet Productivity Also Plays A Role

Tanker Rates vs. Fleet Utilization



Key Cycle Drivers, Part 1

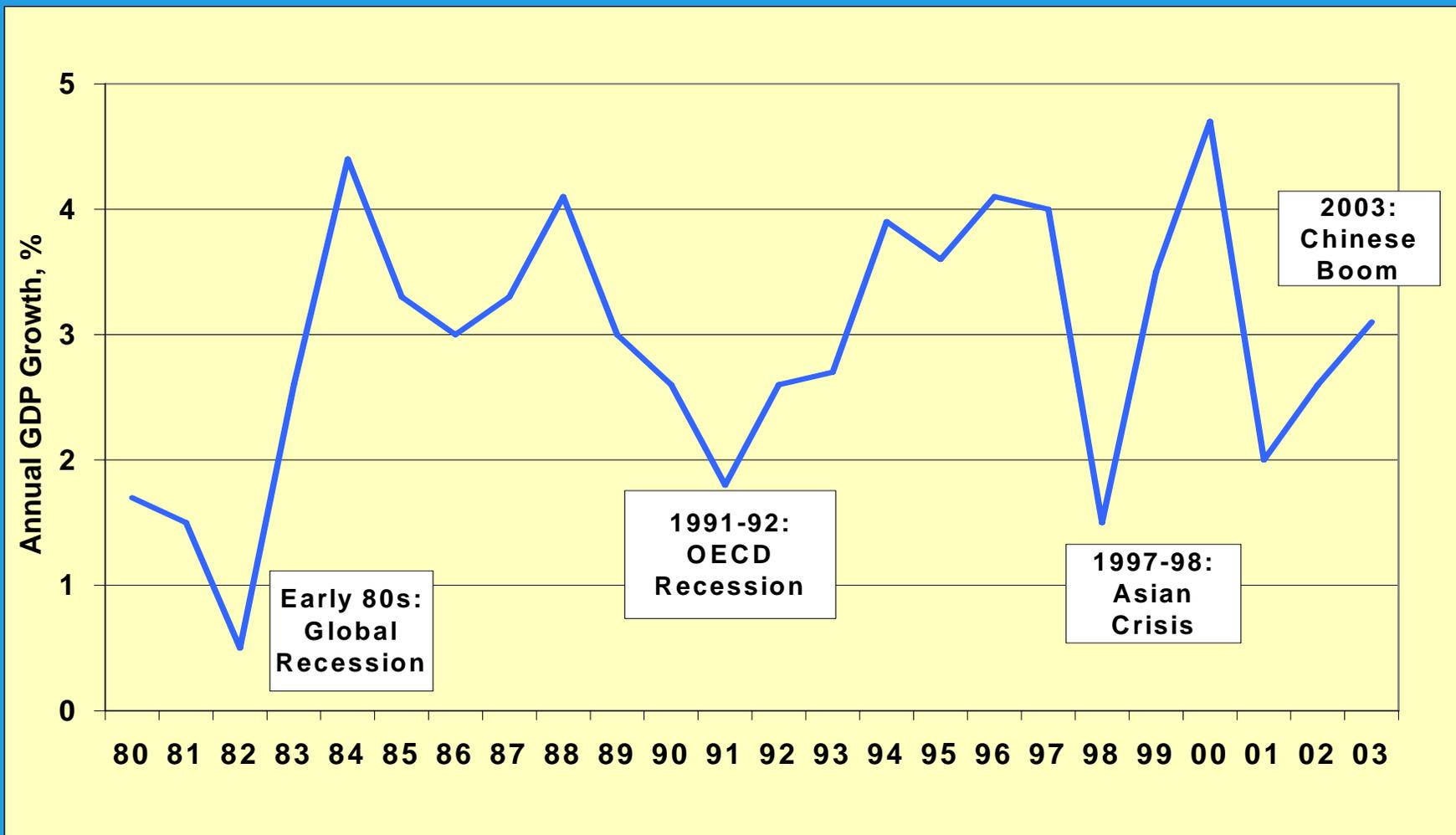
- Trade Demand
 - Linked To Economic Activity
 - Booms Often Followed By Busts
 - Other Exogenous Factors
 - OPEC Policies In The Early 1980s
 - Japanese Nuclear Power Problems In 2002
 - Emergence Of China As Manufacturing Hub In 2003
 - Shift From Long-Haul Middle East Oil To Short-Haul Russian Supplies Likely In 2004

Key Cycle Drivers, Part 2

- Fleet Developments
 - Over-Ordering A Perpetual Problem
 - Delivery Lag Of 2-3 Years Results In Delayed Feedback
 - Scrapping Helps Balance Market
 - Low Freight Rates Lead To Increased Activity
 - Regulations Also Have Impact

World Economic Growth

Marsoft



Global GDP/Trade Link

Annual Growth 1990-2002 2003 (Thru Sept)

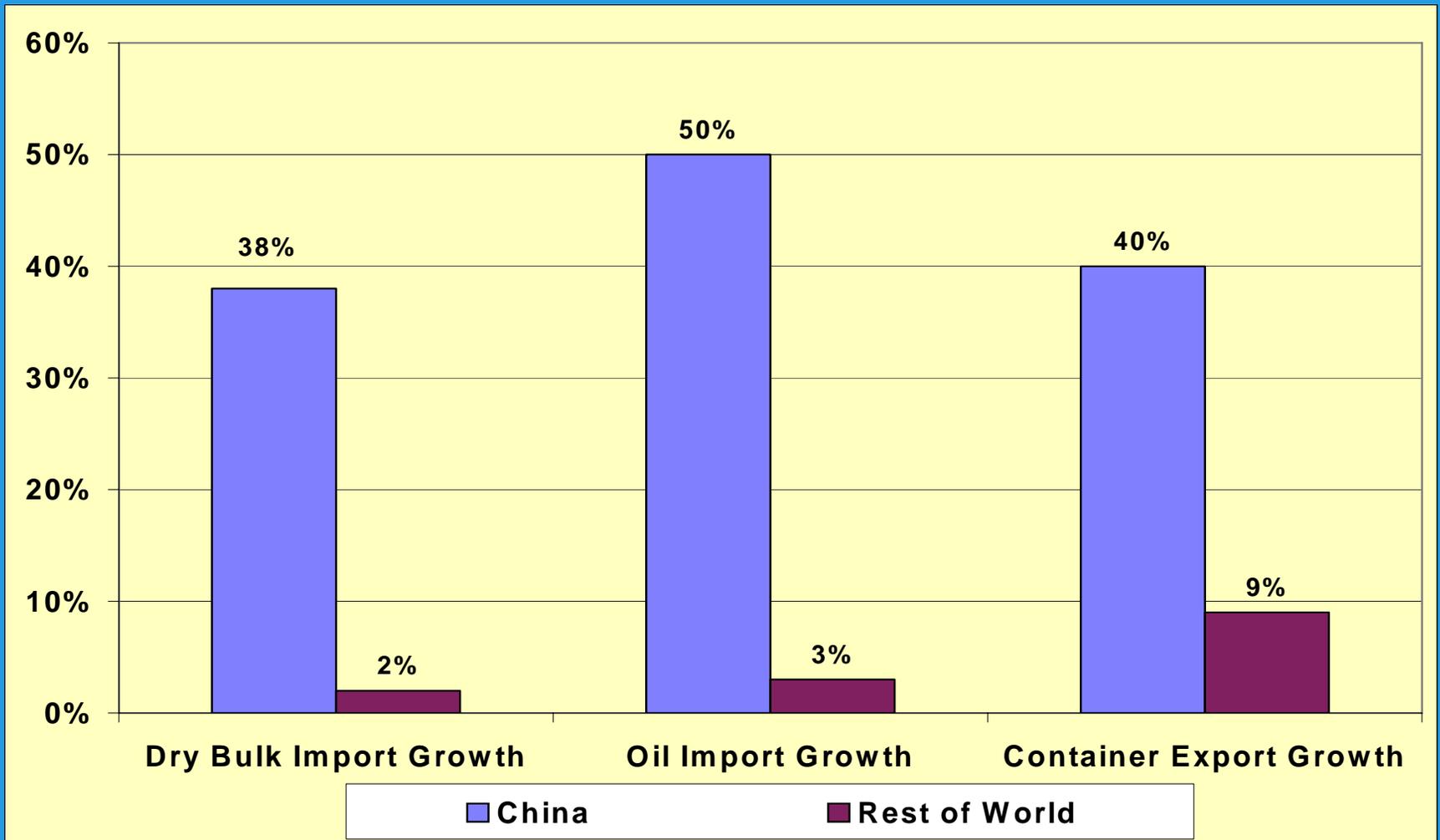
Economic Growth	3.1%	3.1%
Oil Trade	2.8%	4.1%
Dry Bulk Trade	2.7%	5.1%
Container Trade	6.5%	10.5%

China Becomes Global Manufacturing Hub

Marsoft

- Takes In Large Amounts Of Raw Materials
 - Oil, Iron Ore, Steel Imports Soar
- Adds Cheap Labor
- Churns Out Huge Volume Of Finished Goods
 - Exports Up 34% In First Half Of 2003 (In \$)
- Shipping Demand Skyrockets
 - Bulkers & Tankers Boosted By Import Activity
 - Containership Market Driven By Exports

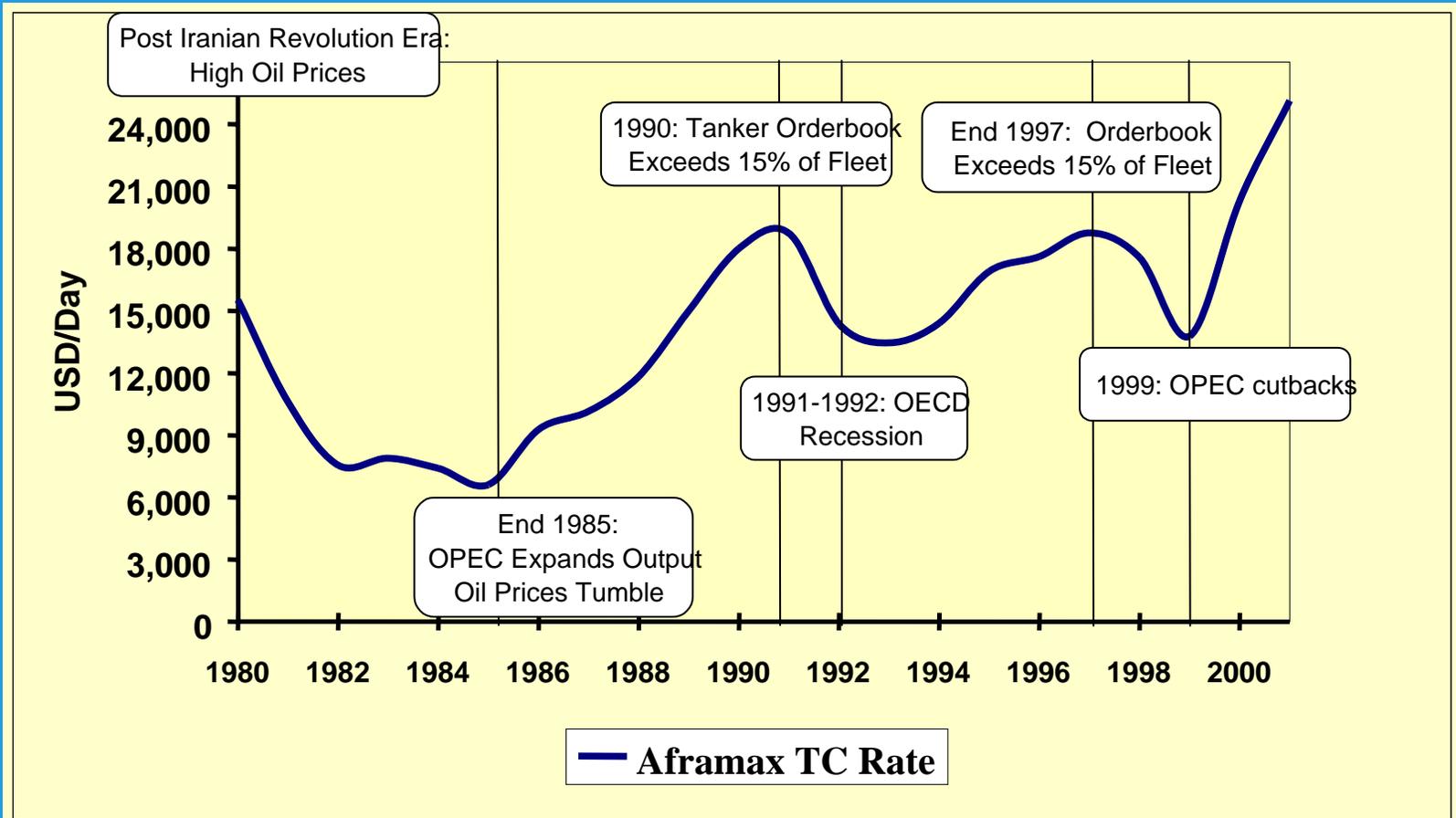
China Spurs Shipping Boom: Growth From 02Q1-03Q1



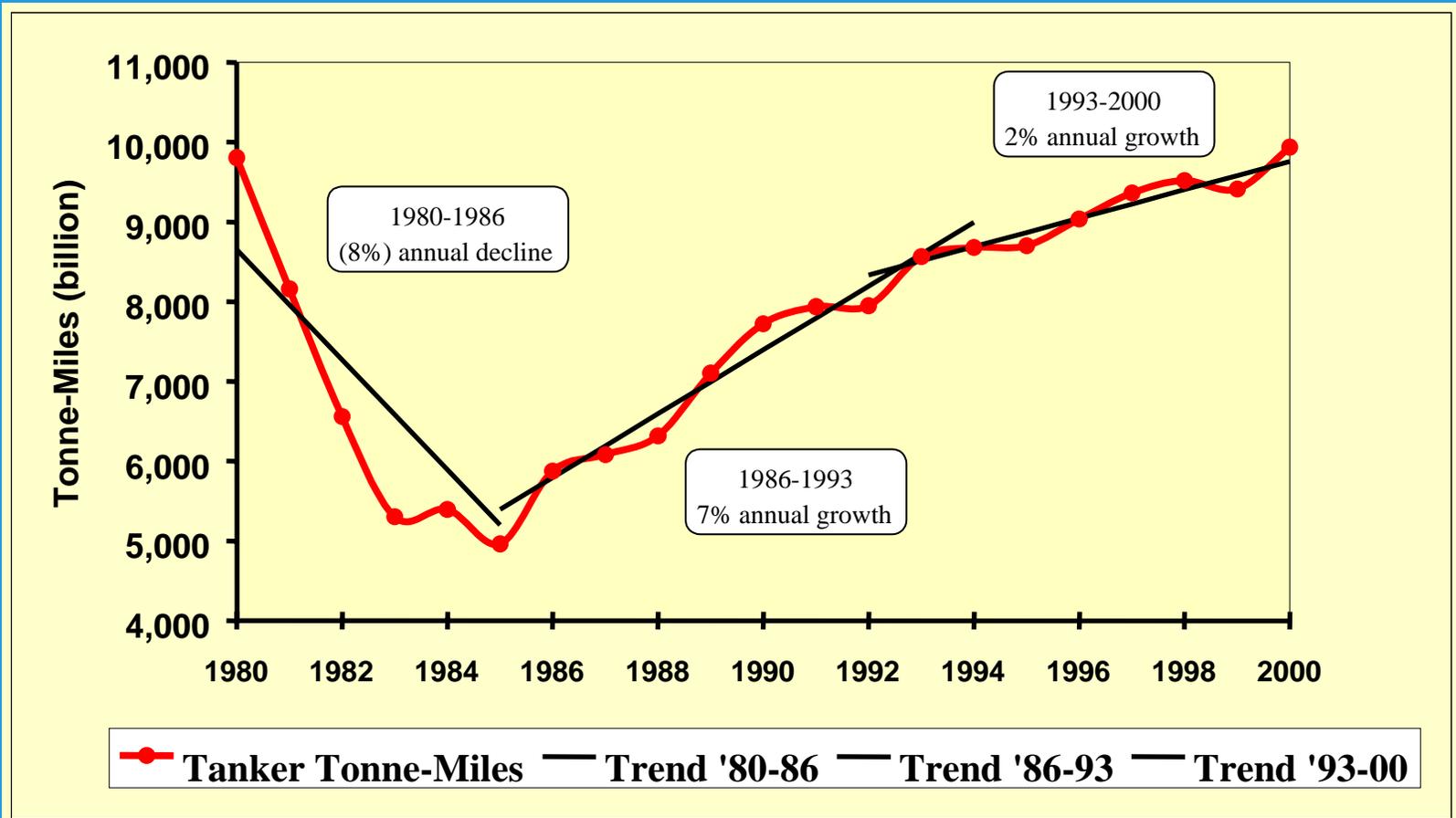
Agenda

- Historical Overview
- Analysis by Market
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 - Bulker
 - Containership
- Summary

Tanker Market Cycles

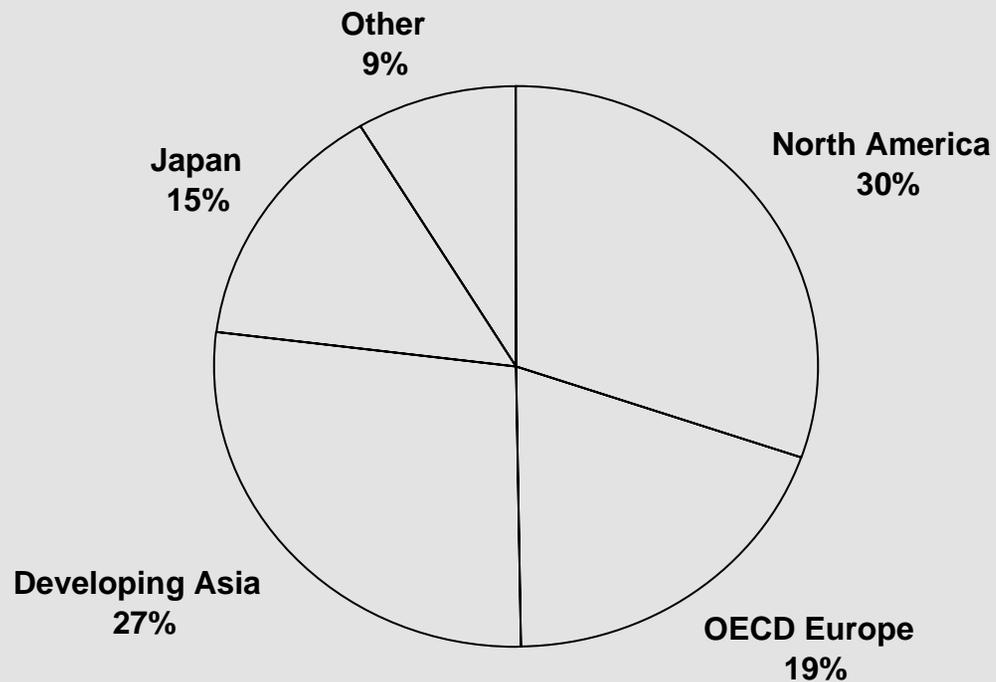


Tanker Demand



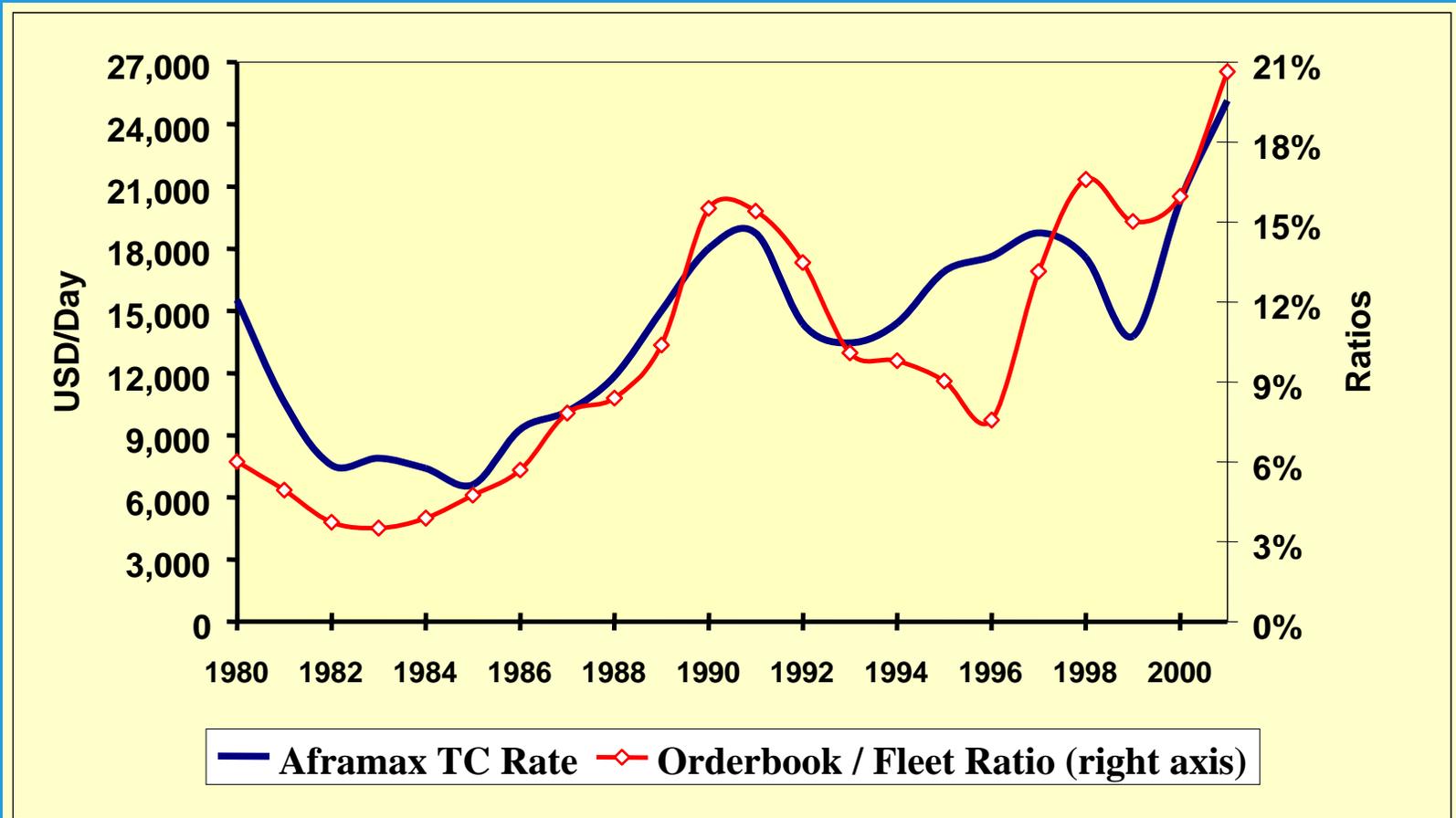
Tanker Demand By Importing Region

Marsoft



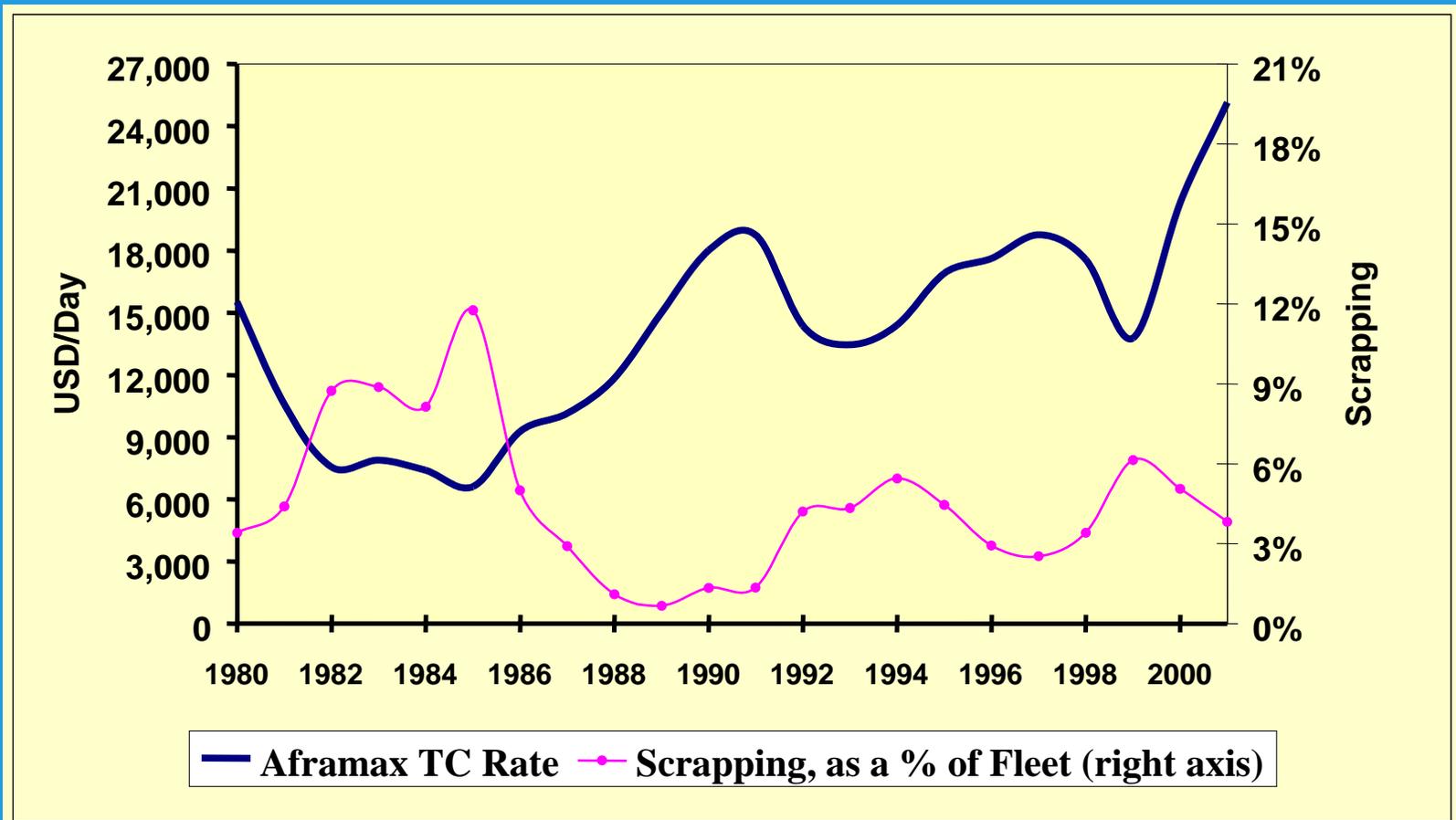
Rates and Orderbook

Marsoft



Scrapping Adjusts To Rates

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Summary: Tanker Cycles

- Structural Changes Instrumental in Shaping the Cycles:
 - Single Commodity Increases Potential For Volatility
 - OPEC/non-OPEC Split An Important Factor
- Orderbook Provides Early Warning Signals
- Scrapping as an Adjustment Mechanism
 - Regulatory Changes Also Affect Scrapping

Tanker Market Outlook

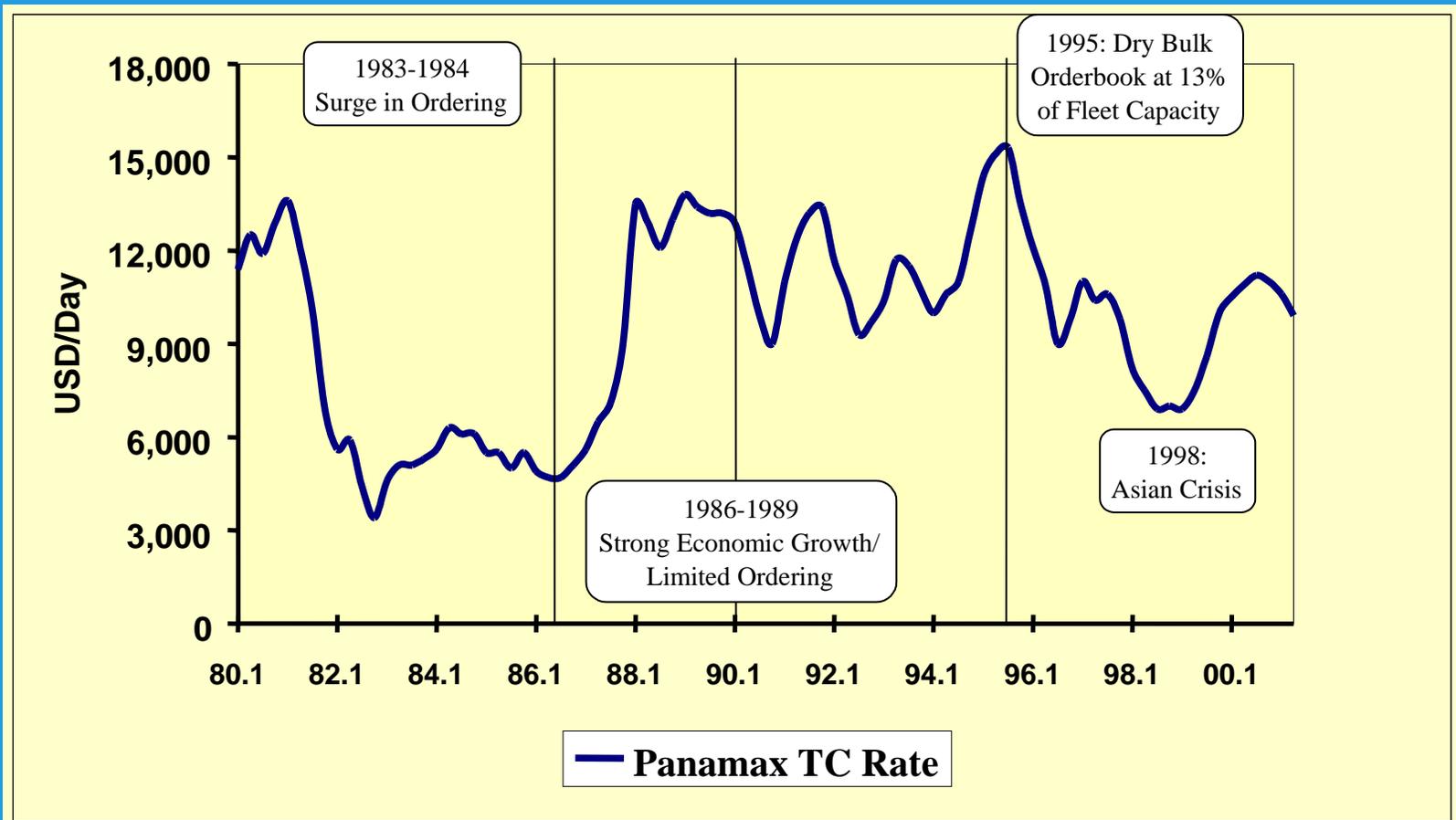
Marsoft

- Orderbook Currently at 24% of the Fleet
 - Deliveries Likely to Be Very High Thru 2006
- Europe Accelerates Ban On Single-Hulls
 - IMO Likely To Follow Suit
 - High Scrapping As A Result
- Fleet Likely to Grow by 2.5%/Year thru '05
- Can Demand Match this Pace?
 - Not Likely, Due To Rising Short-Haul Supplies
 - But China Is A Wild Card

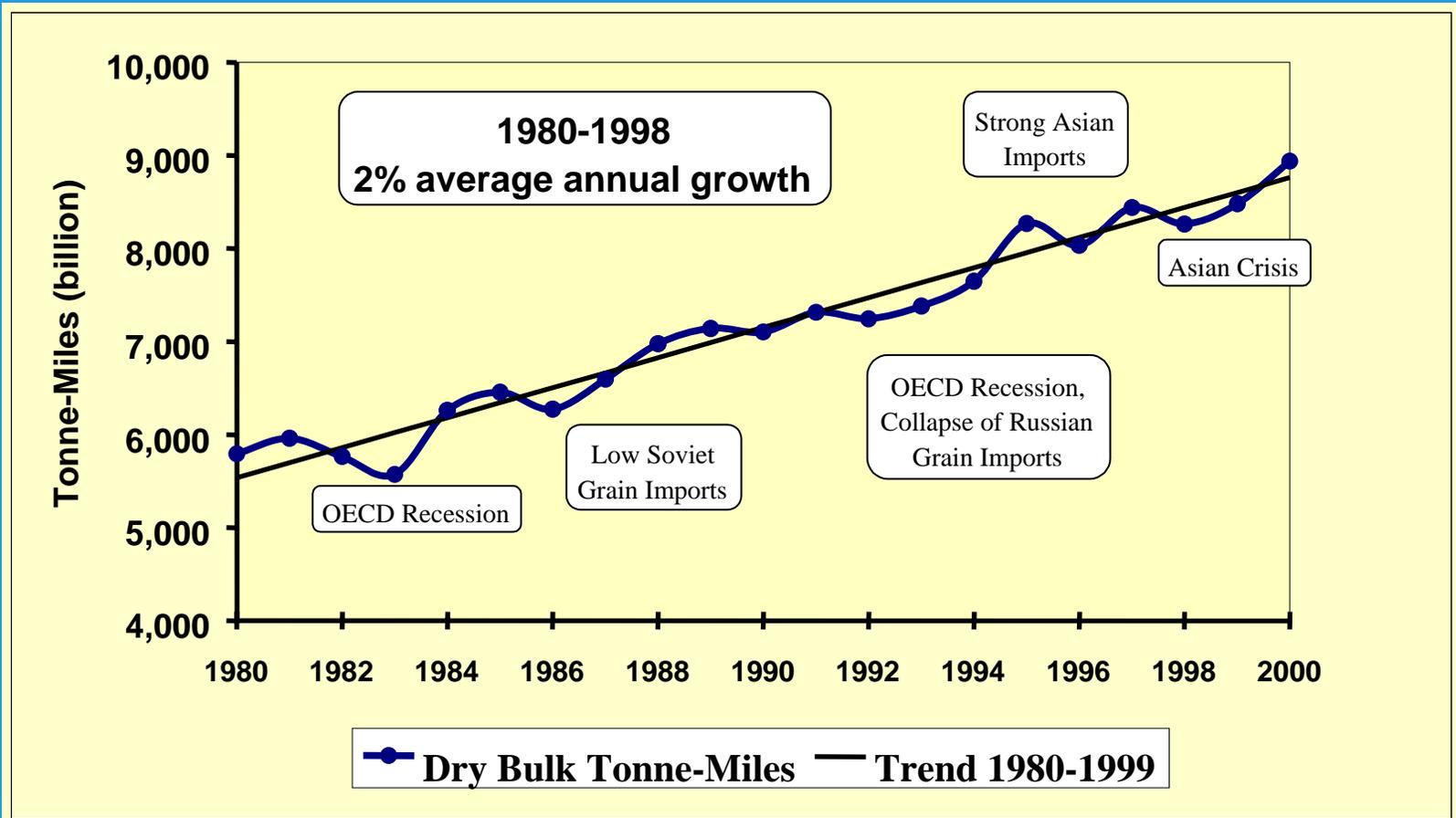
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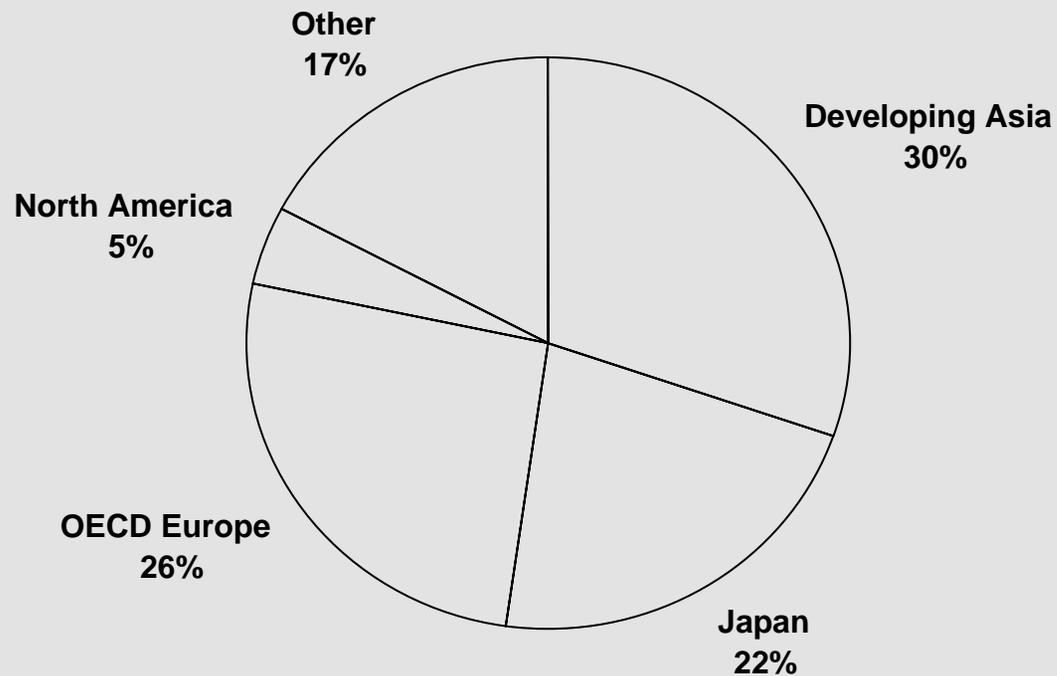
Dry Bulk Market Cycles



Dry Bulk Trade

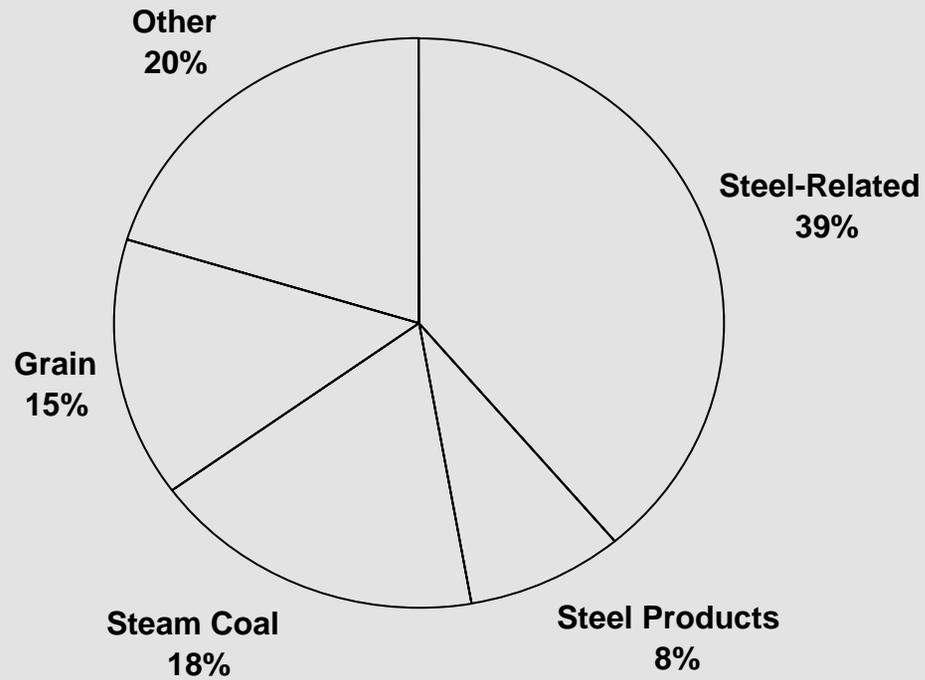


Dry Bulk Demand By Importing Region

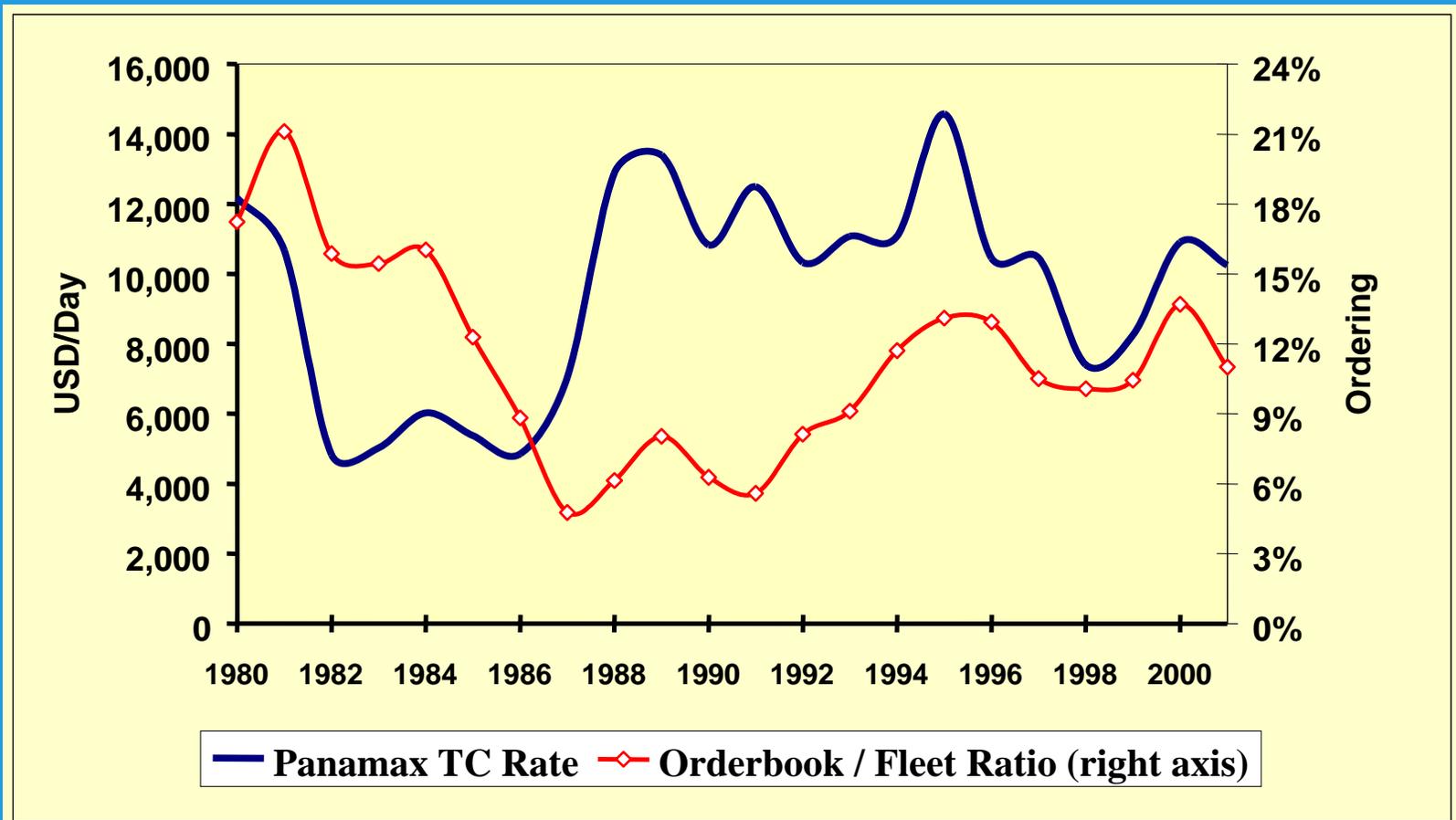


Dry Bulk Demand By Commodity

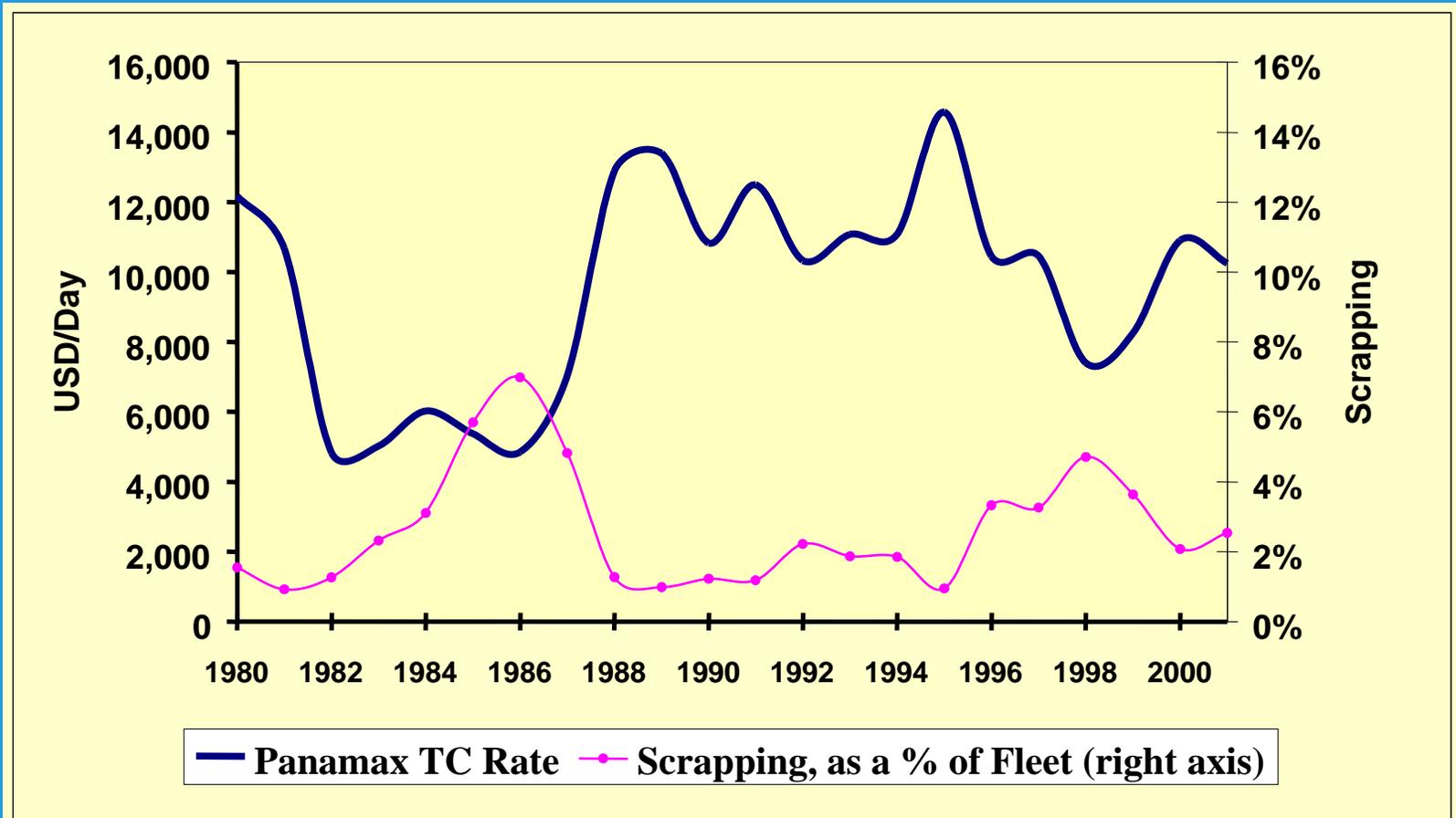
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Ordering Behavior



Scrapping Adjustments



Summary: Dry Bulk Cycles

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- Demand Forecasts Challenging Despite Steady Long-Term Trend:
 - Industrial Commodities (Steel Generates ~50% Of Demand)
 - Energy Related Commodities (Steam Coal)
 - Grains and Foods
- Ordering Instrumental in Shaping the Cycles:
 - Ordering Anticipates Demand Growth

Dry Bulk Market Outlook

Marsoft

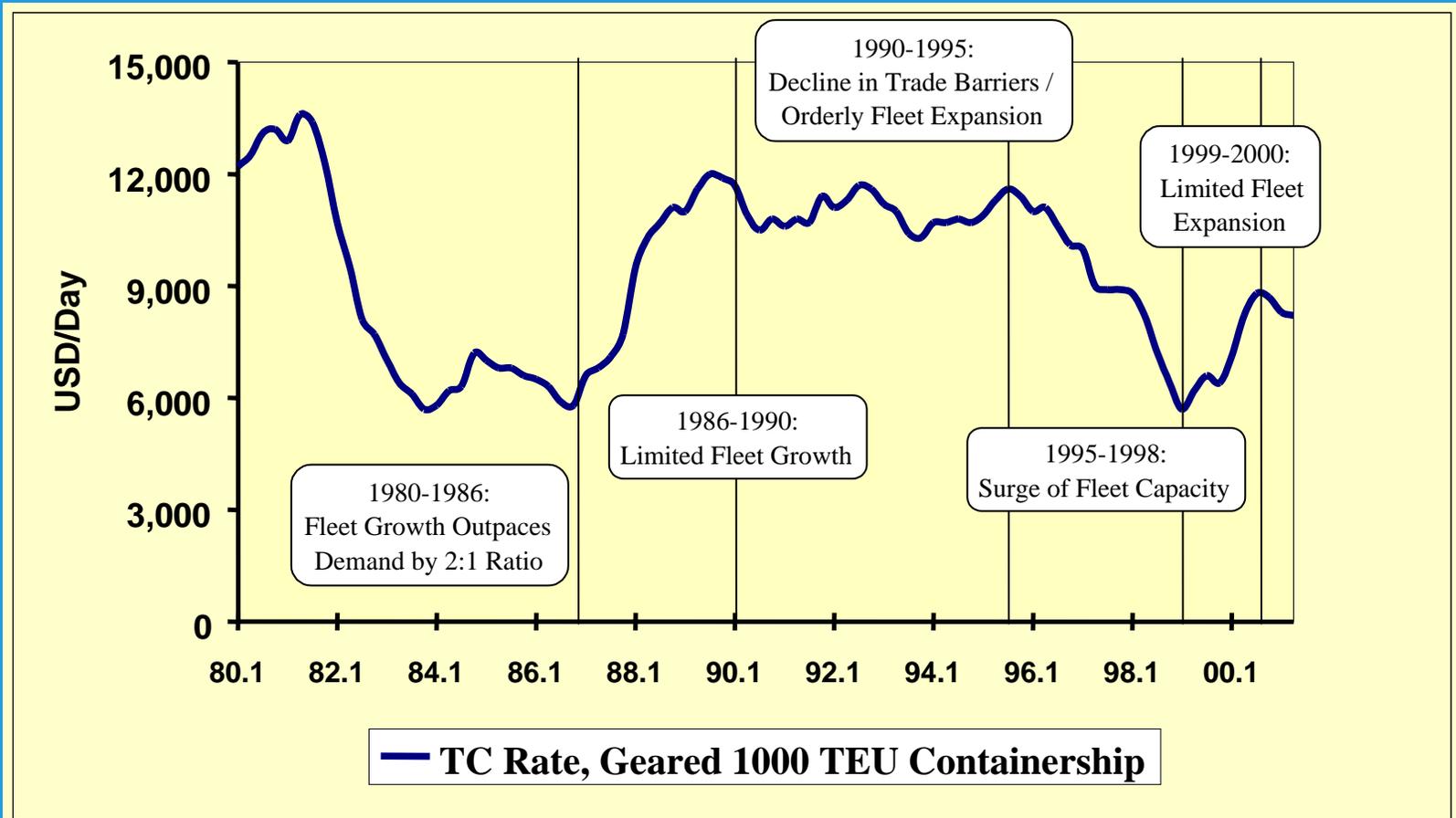
- Orderbook Currently At 14% Of Fleet Size
- Fleet Growth Projected to Average 3%/Year thru 2005
- Trade Demand Projected To Grow More Slowly
- China Is The Key
 - Slower Growth In Steel Production Expected
 - But Lots Of Upside Potential

Agenda



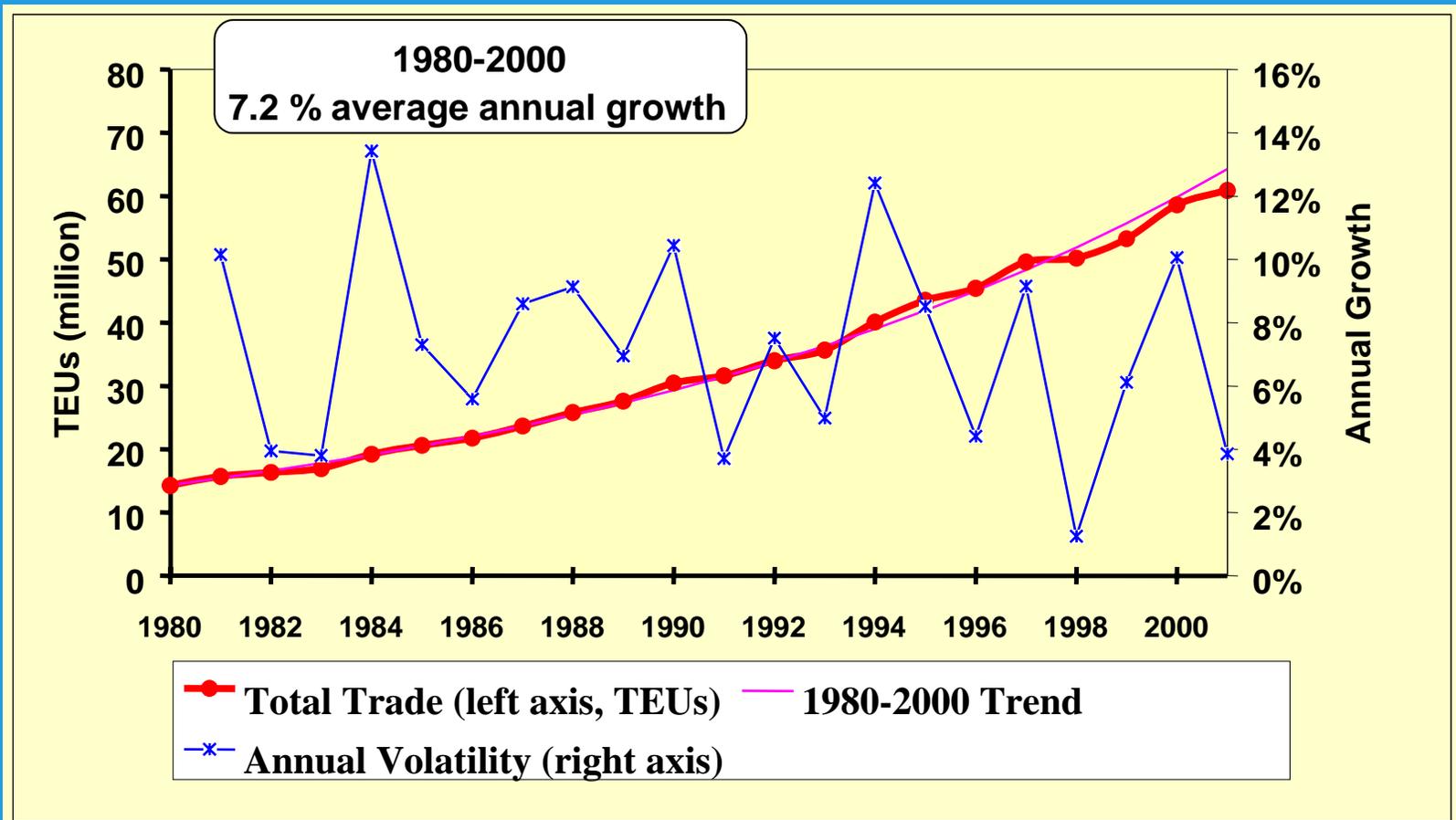
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Containership Market Cycles

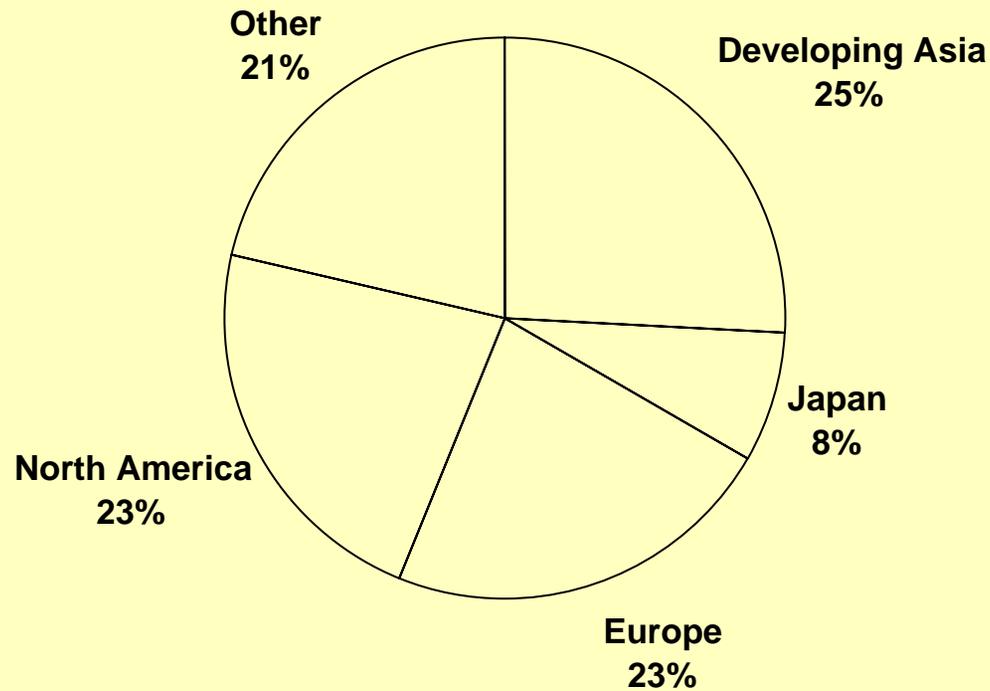


Containership Trade (TEUs)

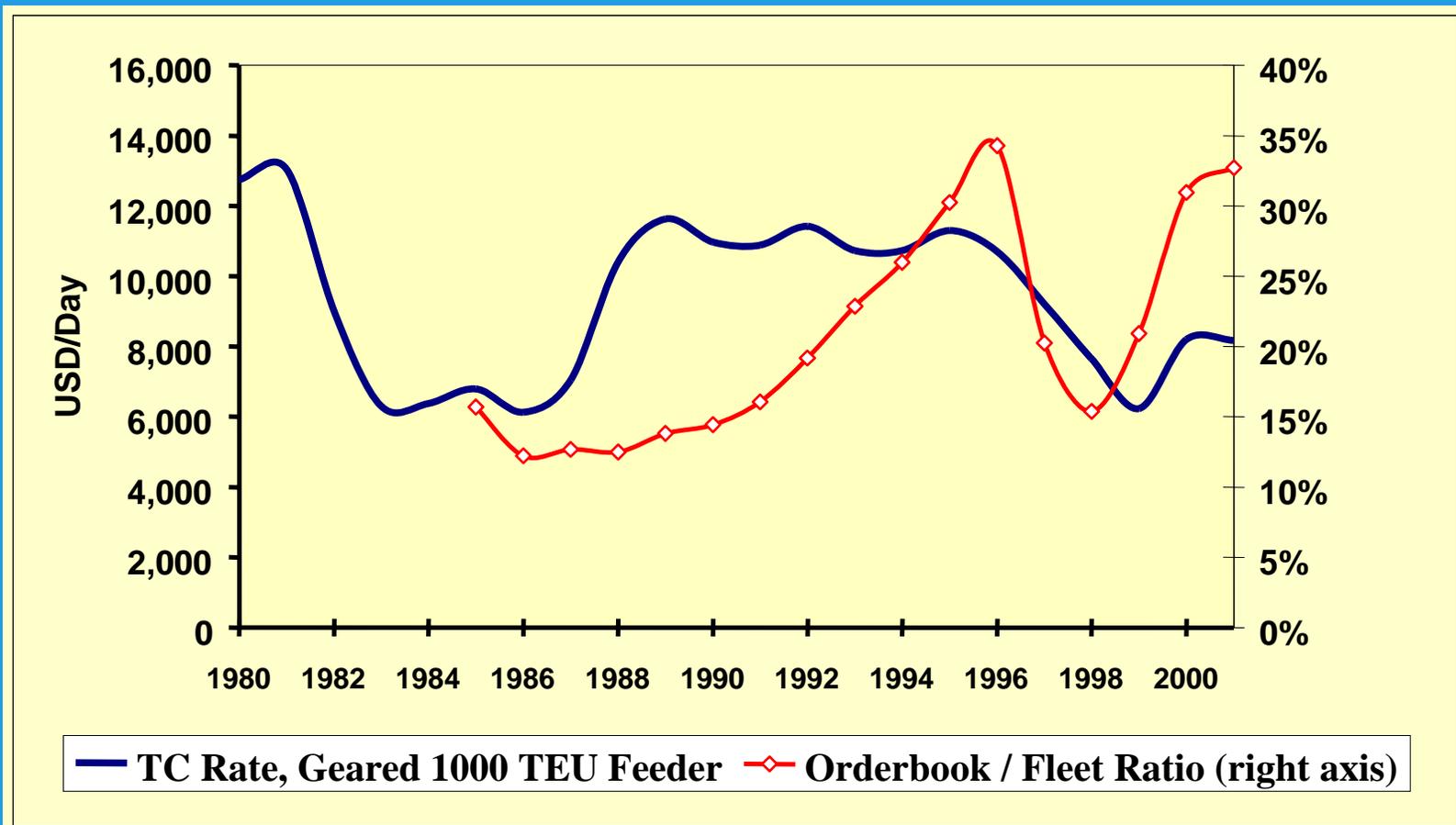
Marsoft



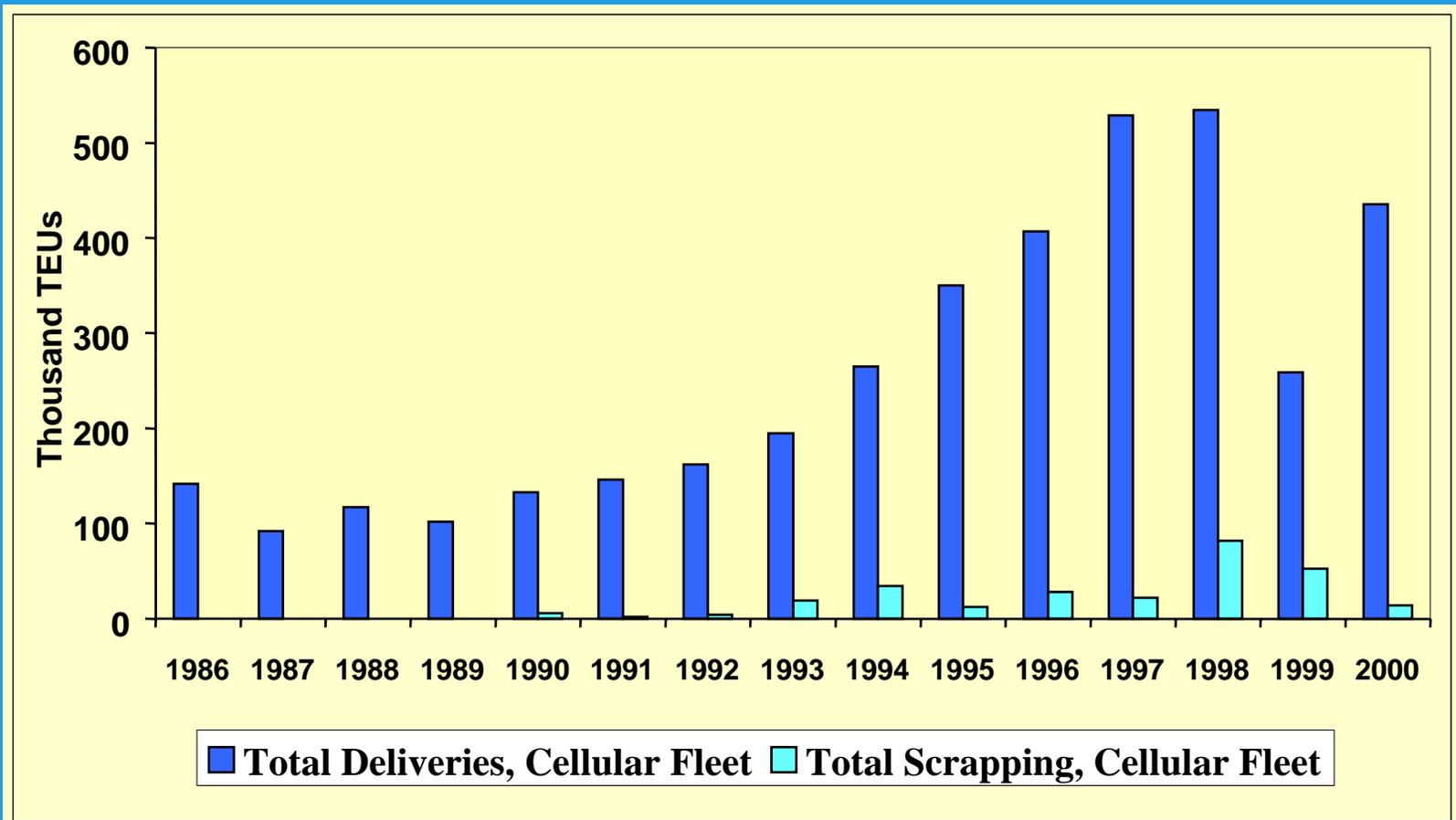
Container Demand By Region



Ordering Behavior



Scrapping remains Insignificant



Containership Cycles: Summary

- Structural Changes Play Key Role:
 - Trade Deregulation and Globalization
 - Technology (Information Systems, Large Ships, Terminals, Infrastructure)
 - Reshaping of Liner Industry (Deregulation/OSRA)
- Ordering Instrumental in Shaping the Cycles
- Scrapping Has Had Very Limited Impact

Containership Charter Market Outlook

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- Orderbook Has Risen To 30% Of Fleet Size
- Fleet Growth Projected to Average 9%/Year during next 2 Years
- Demand Projected To Grow By Only 7.5%/Year

Agenda



- Historical Overview
- Analysis by Market
- Summary

Summary: Key Factors To Watch

Marsoft

- Global Economic Growth
 - Is Chinese Economy Overheating?
- Structural Changes
 - Will Protectionism Reverse Trade Gains?
 - OPEC vs. Russian Oil
- Always Pay Attention To Orderbook
 - Quite High Right Now
 - Scrapping Will Respond To Rates/Regulations

Looking Ahead: Marsoft Outlook As Of 03Q4

