This document contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management’s current views with respect to certain future events and performance, including statements regarding tanker charter rates, and the balance of supply and demand in the crude tanker market. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: changes in production of or demand for oil and petroleum products, either generally or in particular regions; greater or less than anticipated levels of tanker newbuilding orders or greater or less than anticipated rates of tanker scrapping; changes in trading patterns significantly impacting overall tanker tonnage requirements; changes in the typical seasonal variations in tanker charter rates; changes in the offshore production of oil, and the possibility that past performance is not reflective of future performance.
Market Update

- 2003 – a story of two halves
- Outlook for 2004 – Very Strong Demand
- January TCE Averages (Clarkson)
  - VLCC – $92,000 per day
  - Suezmax – $106,000 per day
  - Aframax – $63,000 per day
Quarterly Average TCEs

US$ per Day

Source: CRS
2003 – A Story of Two Halves!

Tanker demand growth (4.3%) outweighs supply growth (3%)

- **1st Half – Short Termers**
  - Prestige
  - Severe winter
  - Disruption in Venezuela & Nigeria
  - Iraq War
  - Japan Nuclear Outage

- **2nd Half – Fundamentals**
  - Economic growth led oil demand growth – oil demand grew by 1.9% in 2003
  - China, US, India
  - Increasing long-haul trades
  - Dry bulk boom draws OBOs
  - Short termers: Iraq, Bosphorus
Tanker Demand 2004

■ Oil Demand
  – Strong global economic growth over 4% - led by China & US
  – High oil prices (Brent - $25-27 / barrel)
  – Global Oil Demand : +1.6%* in 2004 (potential for over 2.0%)
    • Strong growth in China – under estimated by IEA
    • Japanese nuclear plants returning but not 100% as yet (6 of 17)
    • India and rest of Asia

■ Potential for upside
  – Low oil stocks (especially US)
  – More Atlantic crude moves East
  – Seasonal factors – e.g. Bosphorus congestion
  – High refinery margins
  – High natural gas prices – switching to oil
  – Growth in refining capacity (China + India)

* Source: IEA
World GDP Growth

Source: IMF
Year on Year Change in World Oil Demand and Production

Source: IEA, Analyst Average
Annual Growth in Chinese Oil Demand

Source: IEA

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<td>2005</td>
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China Net Crude and Product Imports

Source : Chinese Customs
Tanker Demand 2004

- Oil Supply
  - Non-OPEC growth estimated at +1.5 mb/d in 2004 (0.9 mb/d in 2003 v IEA forecast of 1.4 mb/d). Increase from FSU, W.Africa, Lat Am & North Am.
  - OPEC keeps high price policy = loss of market share
  - Call on OPEC + stock change = 25.5 mb/d (-0.4 mb/d) on 2003
  - OPEC NGLs/other oils up 0.4 mb/d to 4.1 mb/d

- Other Factors
  - Referendum in Venezuela – another disruption?
    - Venezuelan production at 2.9 mb/d versus 3.4 mb/d pre-strike
  - CHINA – slowdown in economy
  - Iraq – Exports being routed from AG – over 100 sabotage incidents on pipeline to Ceyhan
    - Production can rise to 2.8 mb/d by end-2004 – but export capacity and under investment will limit rise from current levels of 2.0 mb/d
Fleet growth restrained in 2003 up 2.9%

- OBOs switched to dry cargo trades in 2003 due strong market – effective decrease of 1% of total fleet

- OBOs still switching to dry – expect another 1% move in 2004

- IMO regulations come into force April 5, 2005

- 36 million dwt in mandatory scrapping by end-2005

- Effect of “heavy oil on double hulls only” has not been quantified

- Our base case assumes that 45 million tonnes will be scrapped by end-2005

- Scraping ahead of mandatory schedule
Yards full for 2006
2007 capacity restricted as yards focus on other ship types
Strong demand from LNG sector that will occupy tanker berths (Aframax or VLCC)
Tanker Supply - Outlook

Source: Clarkson

Chart showing the number of Deliveries, Deletions, On Order, and Net Change for each year from 1990 to 2007.
Conclusion

- Strong tanker market fundamentals for 2004
- Demand
  - Several strong positives on demand side of equation
  - Other short term factors could provide further upside
- Supply
  - Fleet growth restricted by regulations & charterer discrimination
  - Scrapping ahead of mandatory phase out due to commercial obsolescence
- Other Factors
  - Geo-political events – Iraq / Venezuela / Terrorist / SARS
  - Slower than expected economic growth – especially CHINA
  - Another “Prestige” incident
Average Aframax Earnings

Source: SSY/Clarkson