

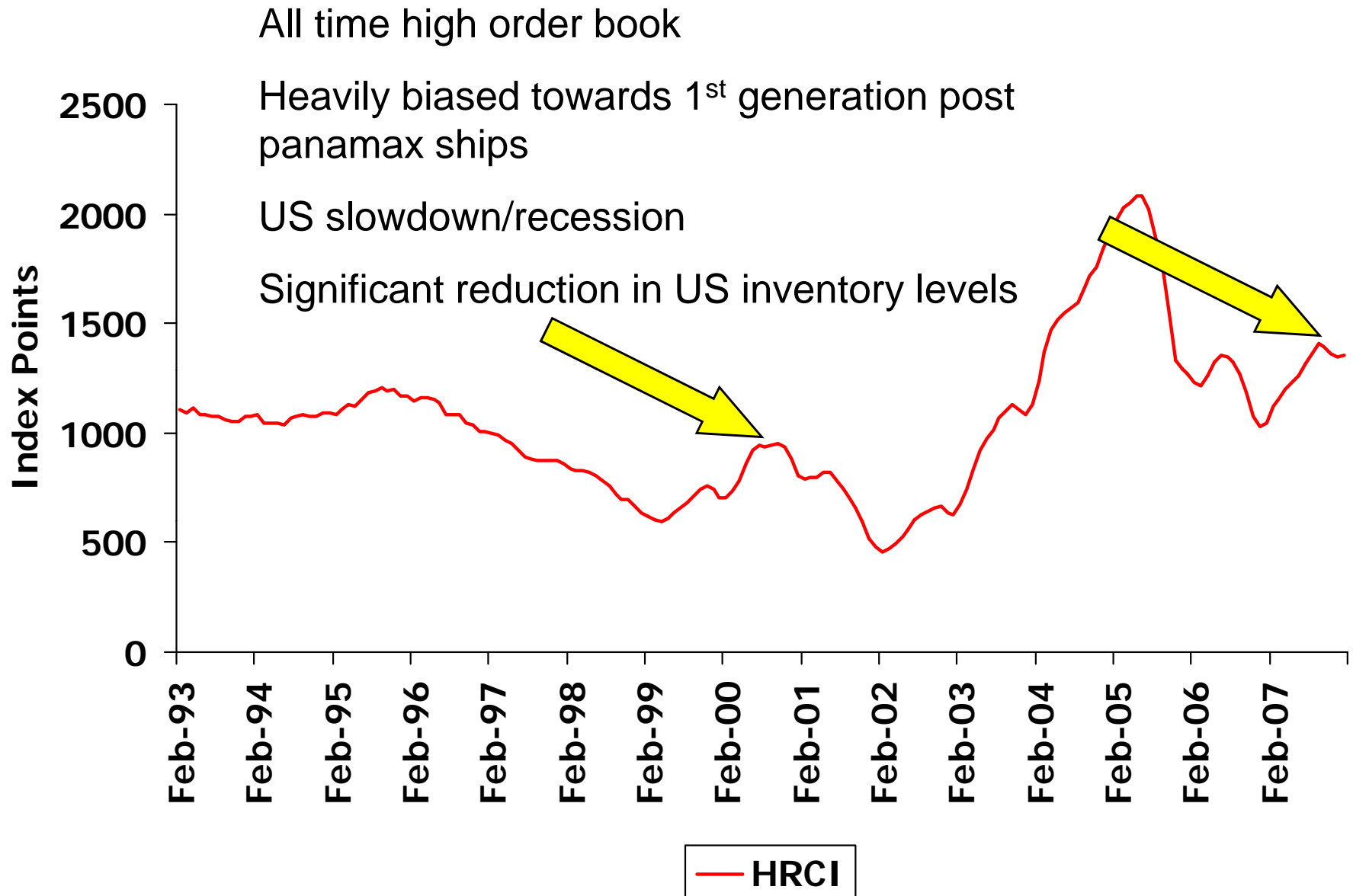
The Containership Market

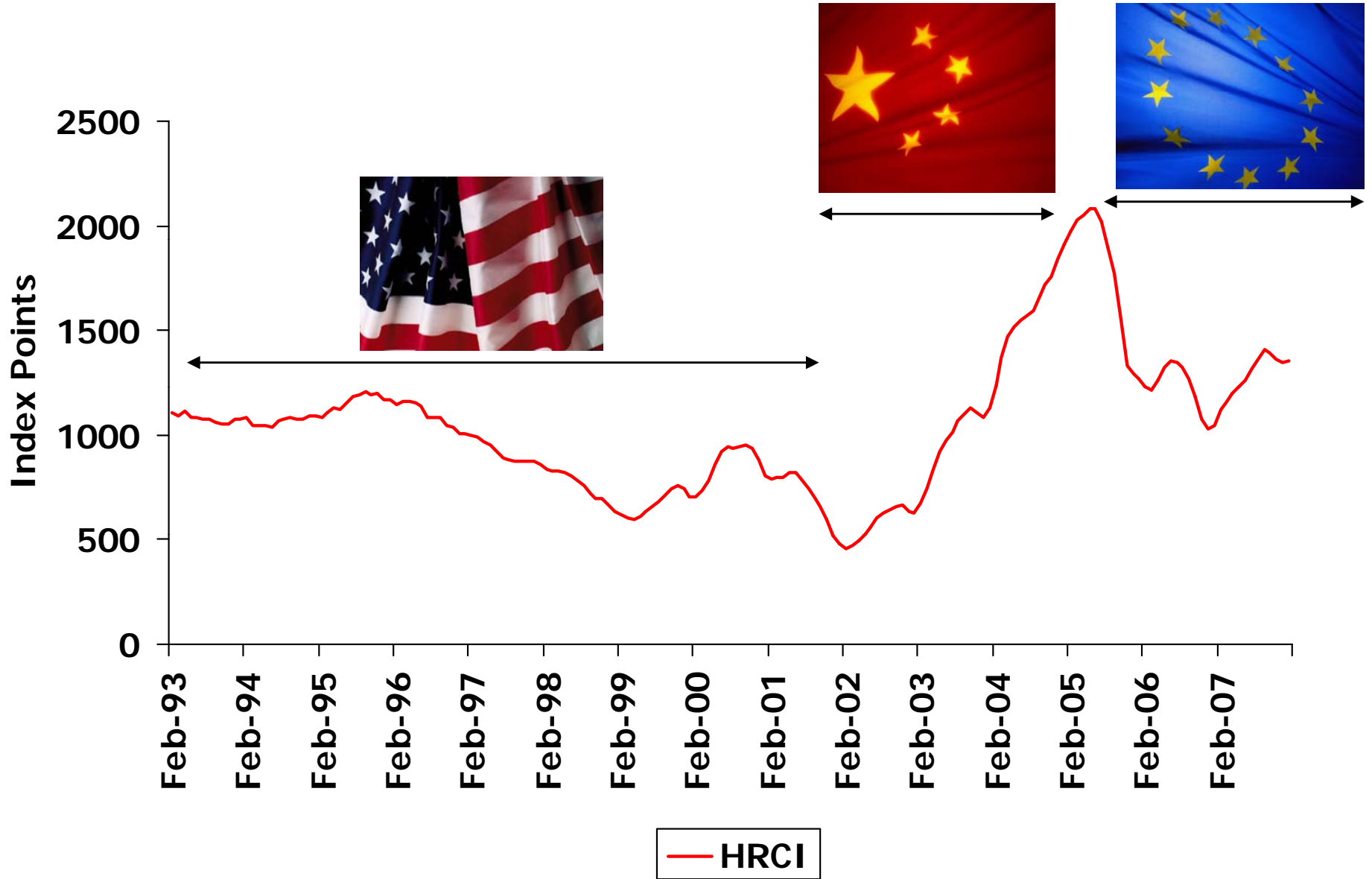
February 2008

Déjà vu?

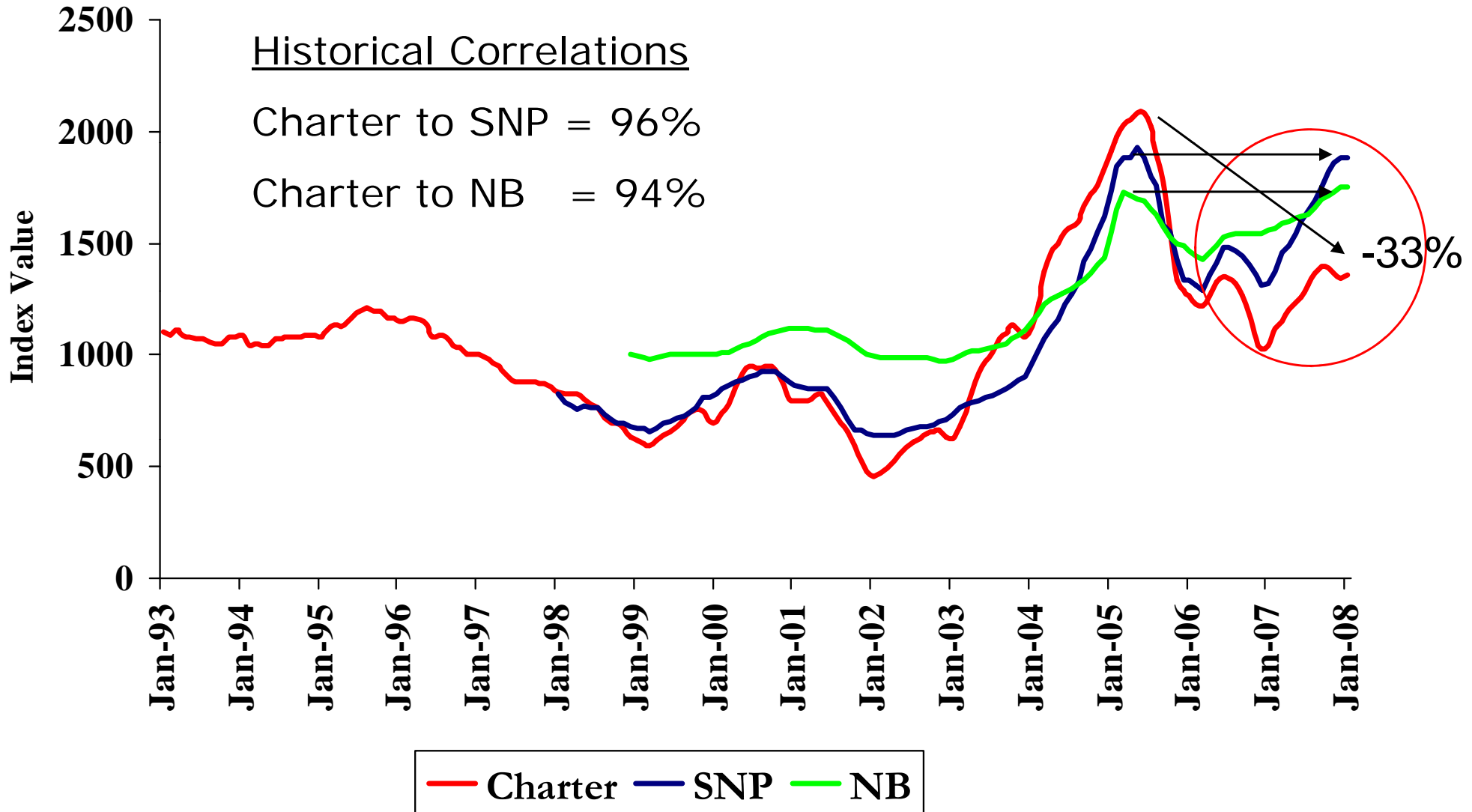
- Who is ordering?
- Where will demand come from?
- How big will ships get?
- Nobody!
- Europe!
- As big as the biggest one built!

Howe Robinson Containership Charter Index

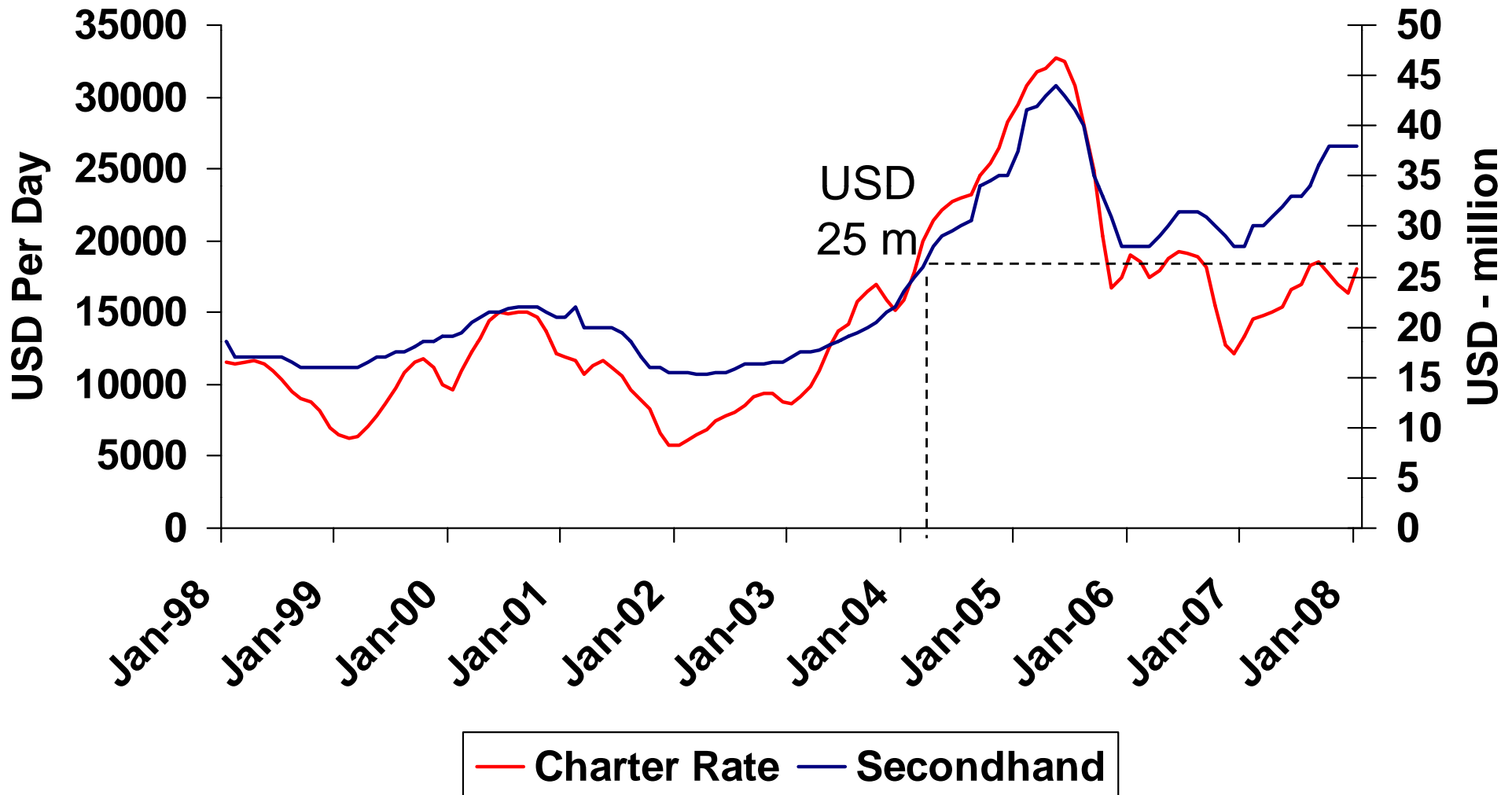




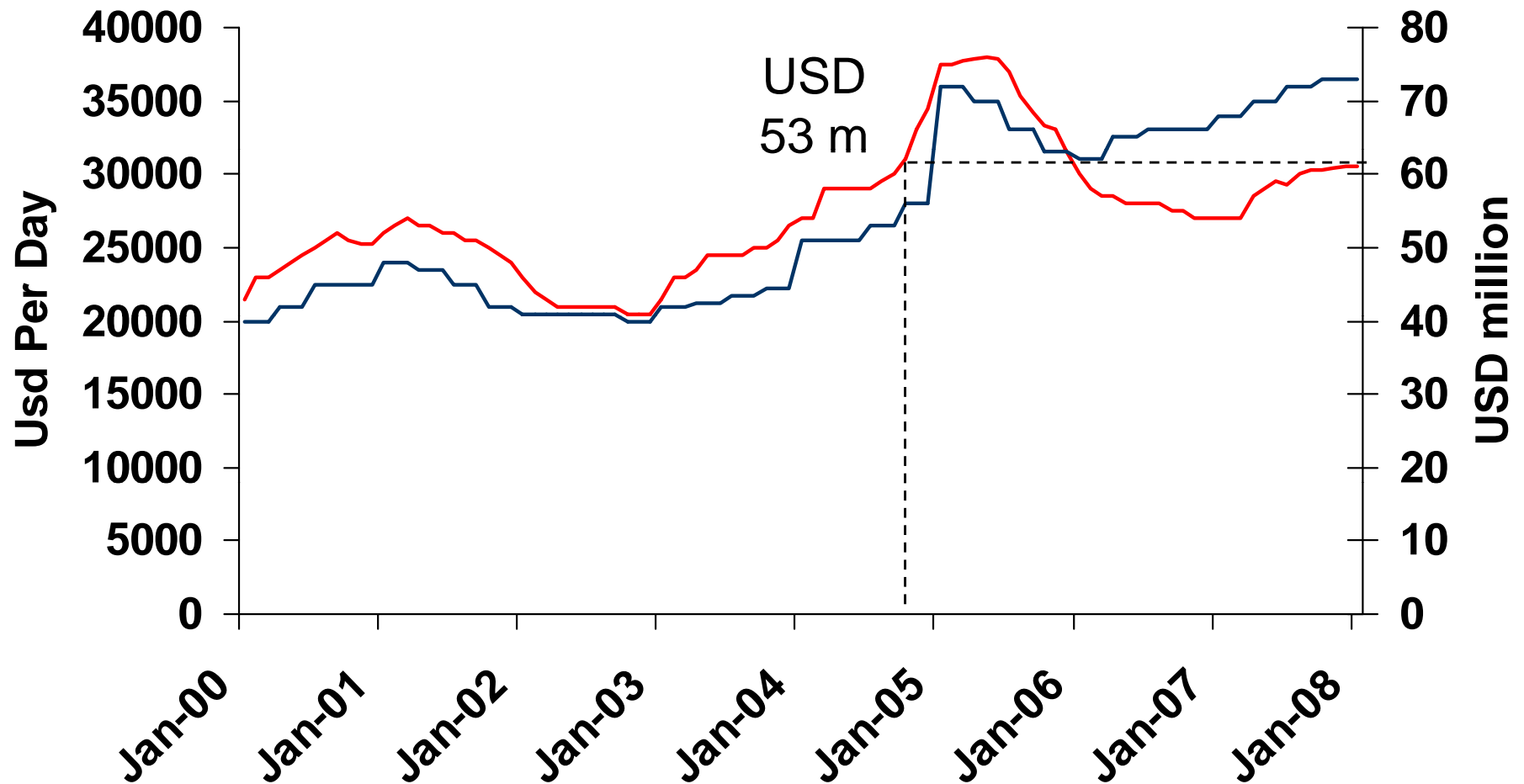
Howe Robinson's Containership Indices



Geared 1700 teu 5 year



Panamax illustration (5 year tc rate fixing 2007/8)



February 2007 v 2008

	Charter Rates	
	Feb 07	Feb 08
1700 teu	14000	18500
3000 teu	20250	28000

	Second hand	
5 YEARS	Feb 07	Feb 08
1700 teu	29 m	37 m
3000 teu	39 m	52 m

	Contract	
	Feb 07	Feb 08
1700 teu	33 m	38 m
3000 teu	47 m	54 m

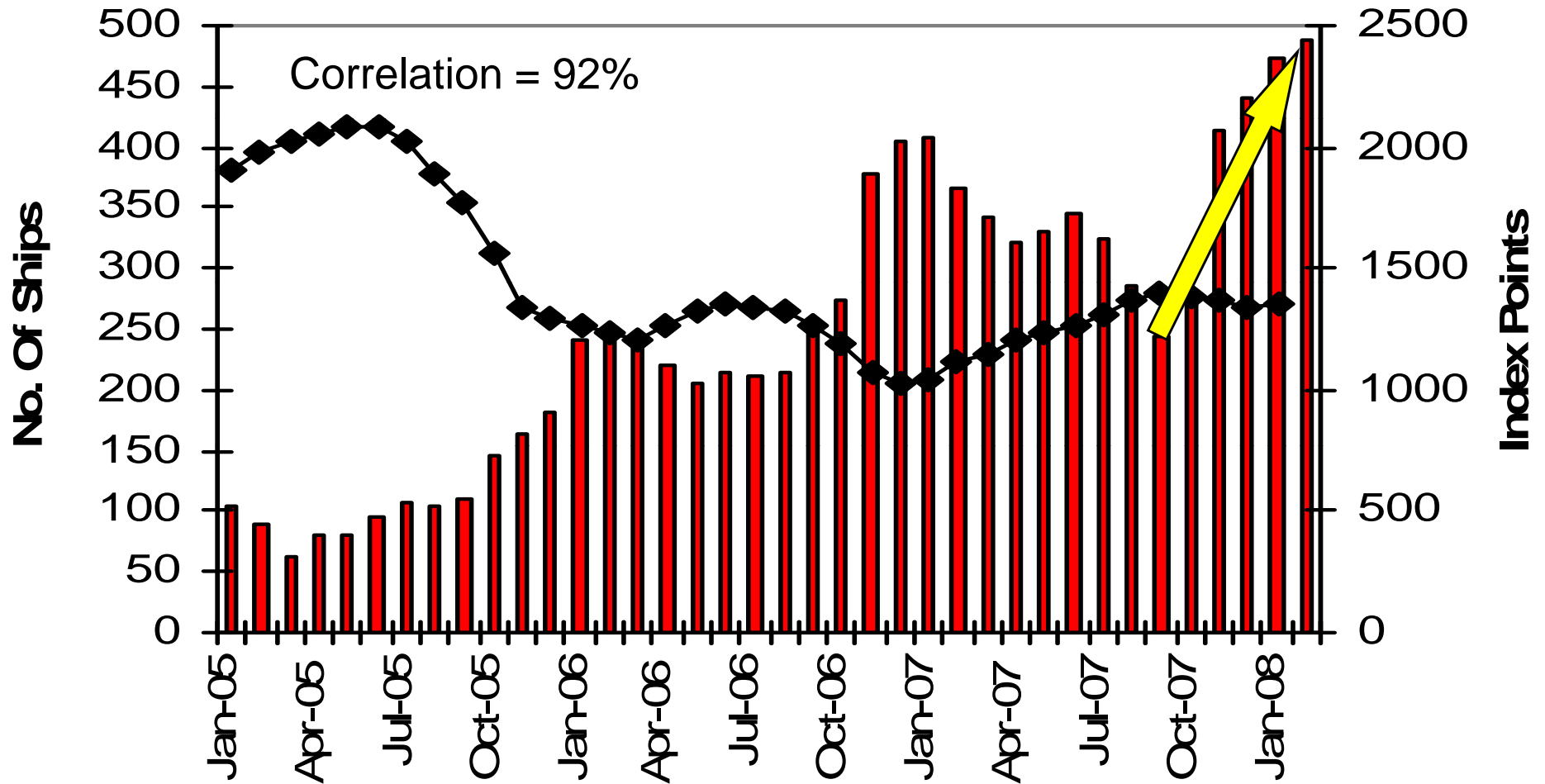
First Conclusion

- Prices and earnings remain disconnected
 - New playing field with lower returns to investors
 - An unfailing belief in the future

So what may the future hold?

Availability (700+ teu)

Open Ships With Positions Six Months Forward



Open Big Ships

	Panamax (3800-5100)	Post Panamax (5100+)
2008	5 ships (1 nb)	4 ships (0 nb)
2009	30 ships (21 nb)	25 ships (17 nb)
2010	53 ships (24 nb)	38 ships (34 nb)

Second Conclusion

- There is a build up in availability under 4000 teu
 - Short term shot market vulnerability
 - Long term period rates insulated from any downward pressure

Head Haul Demand

- **2007**

- Asia to Europe +20%
- Asia to US + 5%
- Europe to US +1%
- North/South +10%
- Regional +10.5%

Organic Growth

- **2008**

- Asia to Europe +18%
- Asia to US + 3%
- Europe to US +1%
- North/South +10%
- Regional +10%

Globalisation

Conversion

Organic Growth/ World Economic Performance

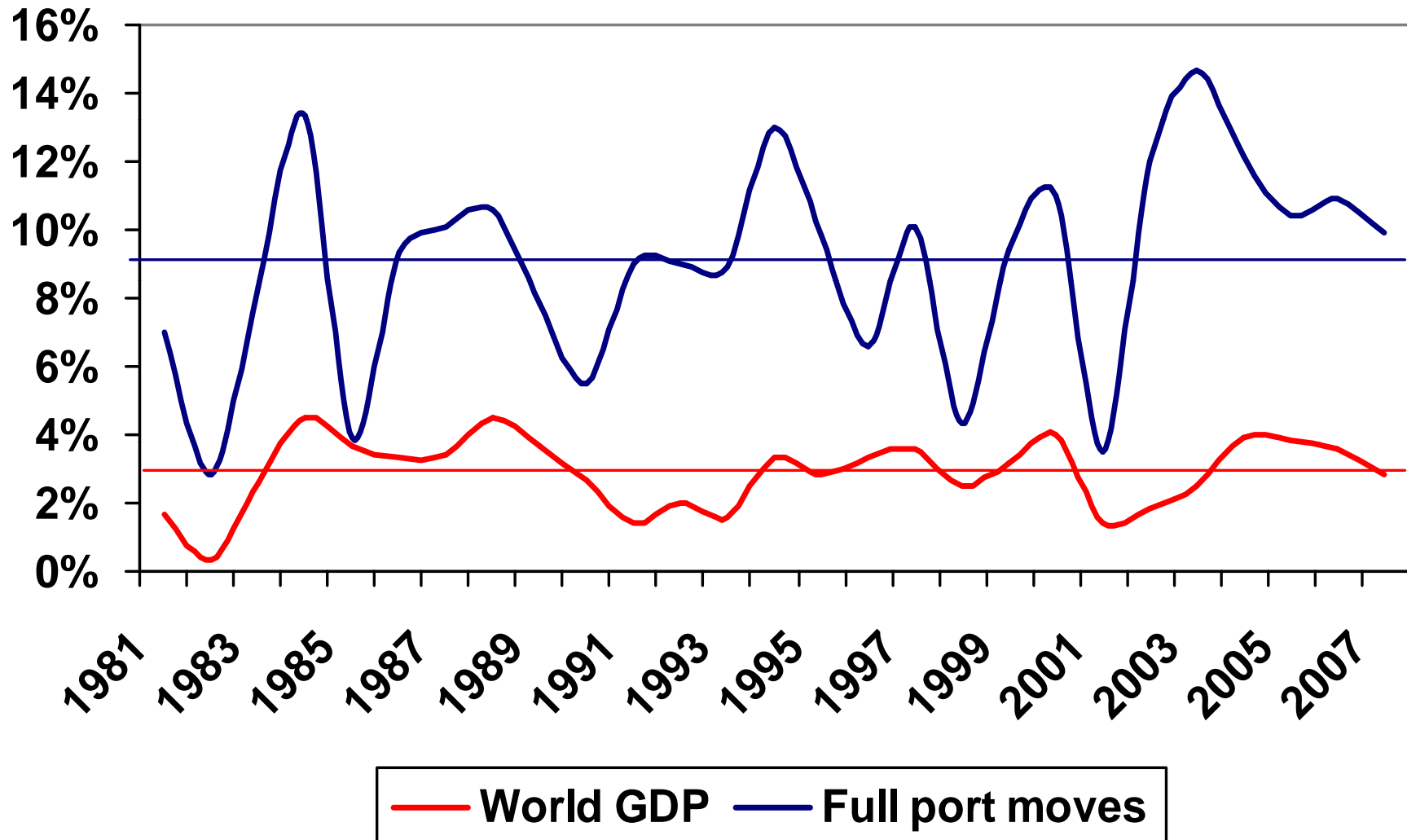
- **Positives**

- Developing Asia is looking strong
- N. European demand remaining firm, but vulnerable
- Strong demand from Eastern Europe

- **Negatives**

- US at risk of recession
- Japan slowing
- Sub prime implications
- Weaken housing markets
- Falling stock prices

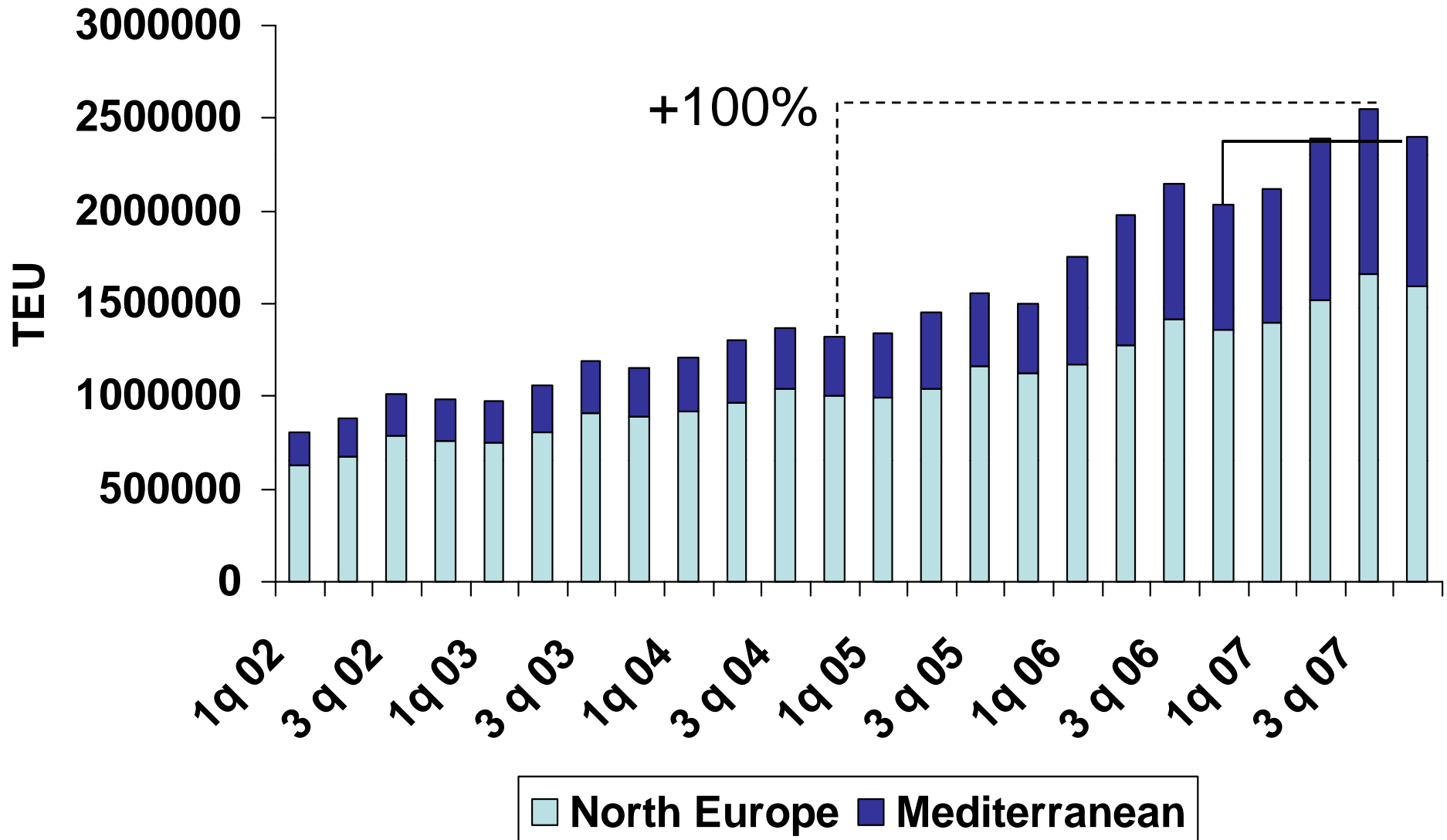
Growth in constant price GDP and Container Demand



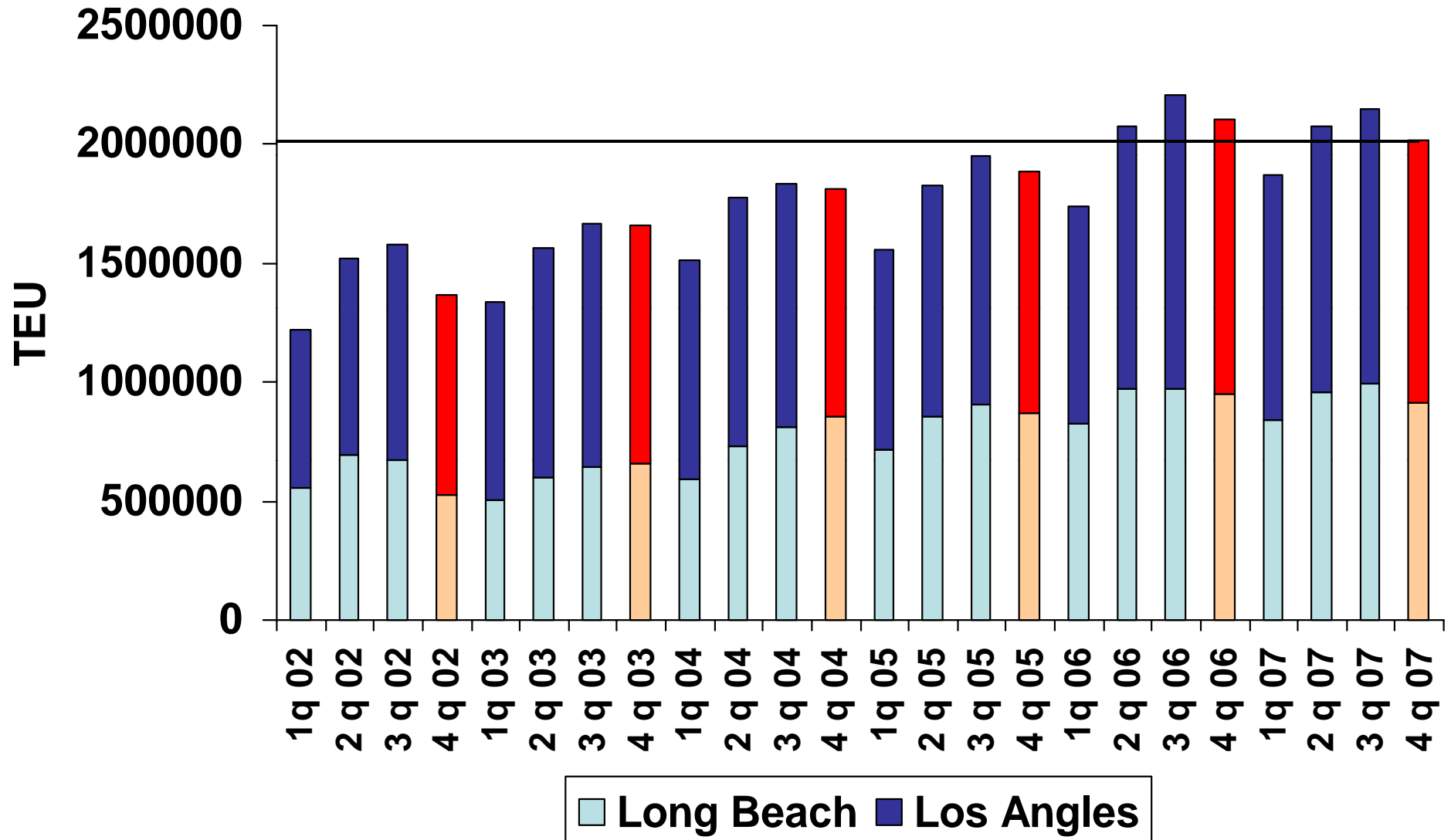
Globalisation / Liberalisation

- China's entry to WTO
- Increased sourcing of production to Asia
- Various conference bodies claiming still plenty of potential
- Depreciation of the RMB v. Euro
- Appreciation of the RMB v. USD

FEFC Westbound Volumes



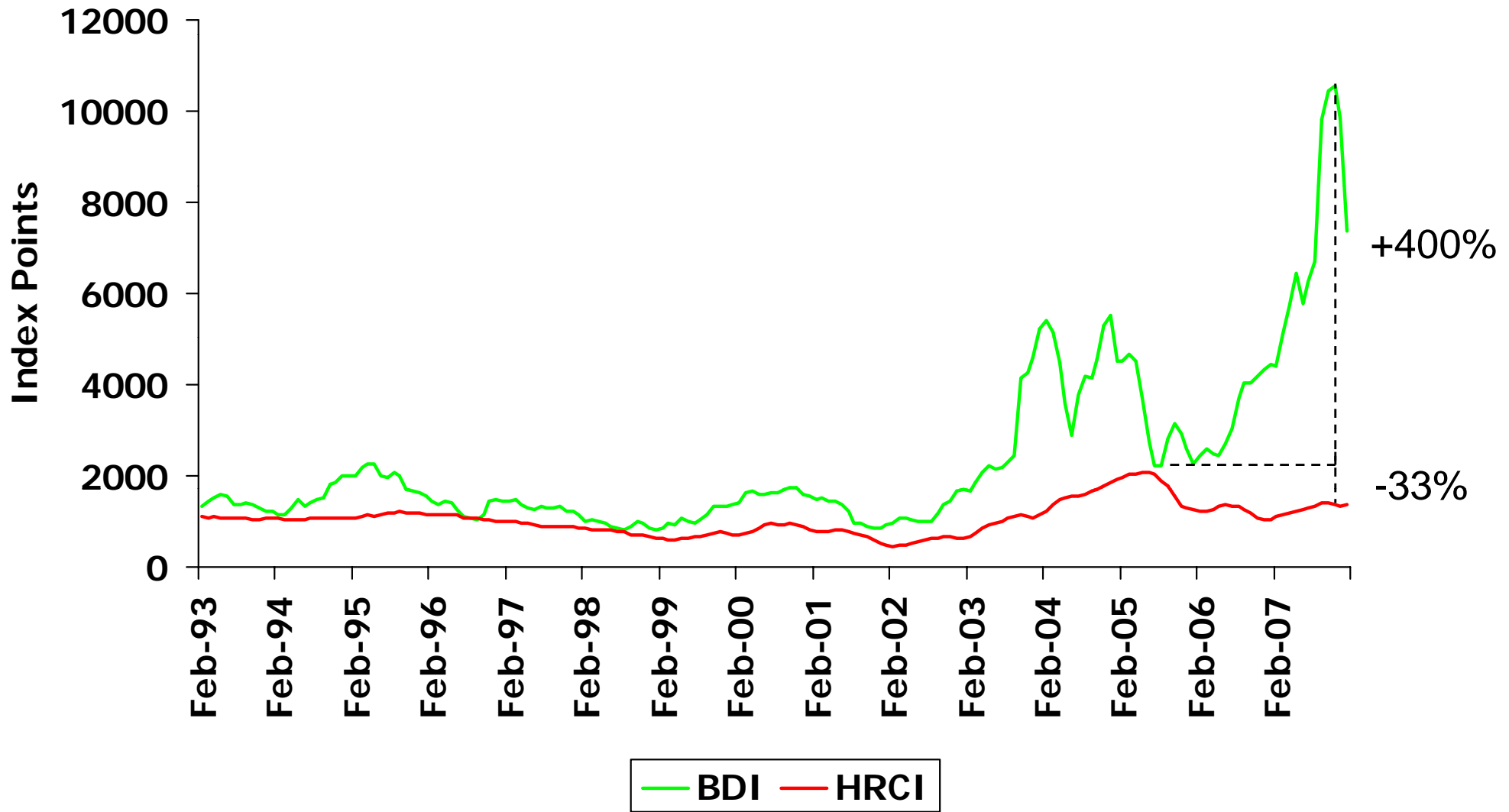
Long Beach/Los Angeles Eastbound



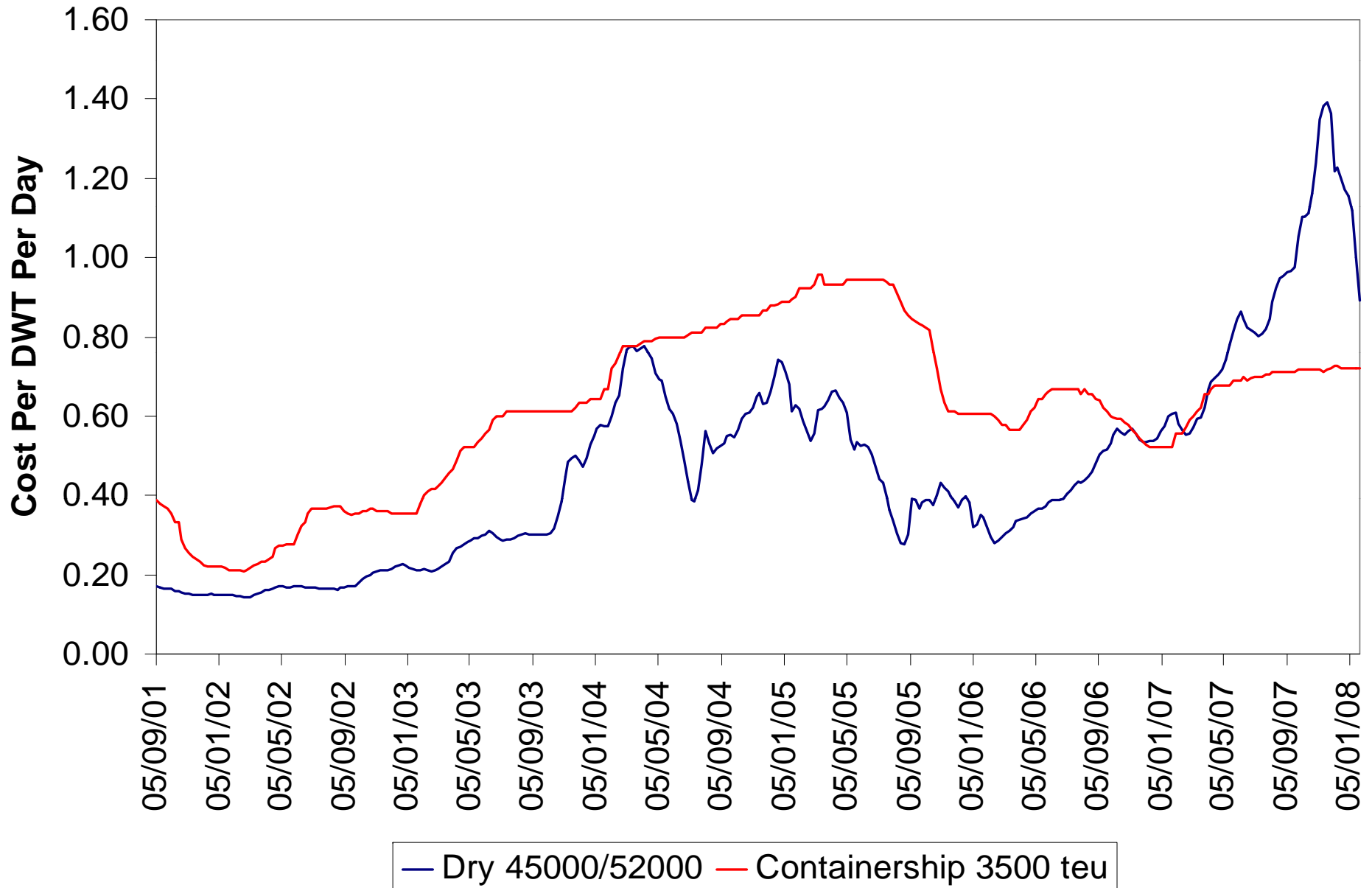
Conversion

- Aging tween/handy fleet
- Economies of scales associated with larger ships
- Cheaper port and distribution cost
- Container have traditionally been able to compete on bulk front haul/ container back haul trades
- Super charged nature of dry sector means can compete of container front haul trades
- Once containerised many goods do not move back
 - Sugar, reefer, grains, timber, stone, nickel

The Dry Cargo Market



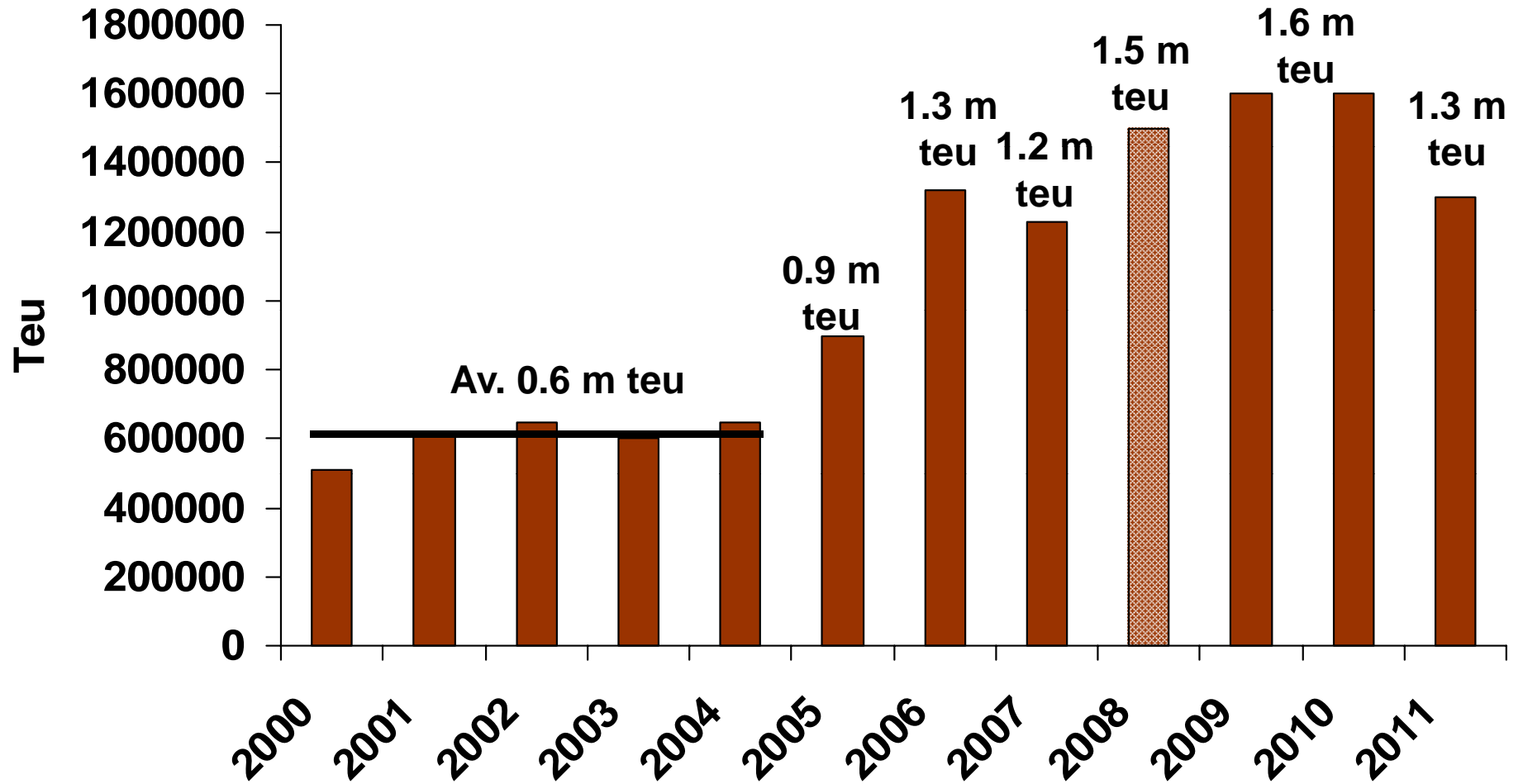
Cost Per Tonne Bulk/ Container Ships



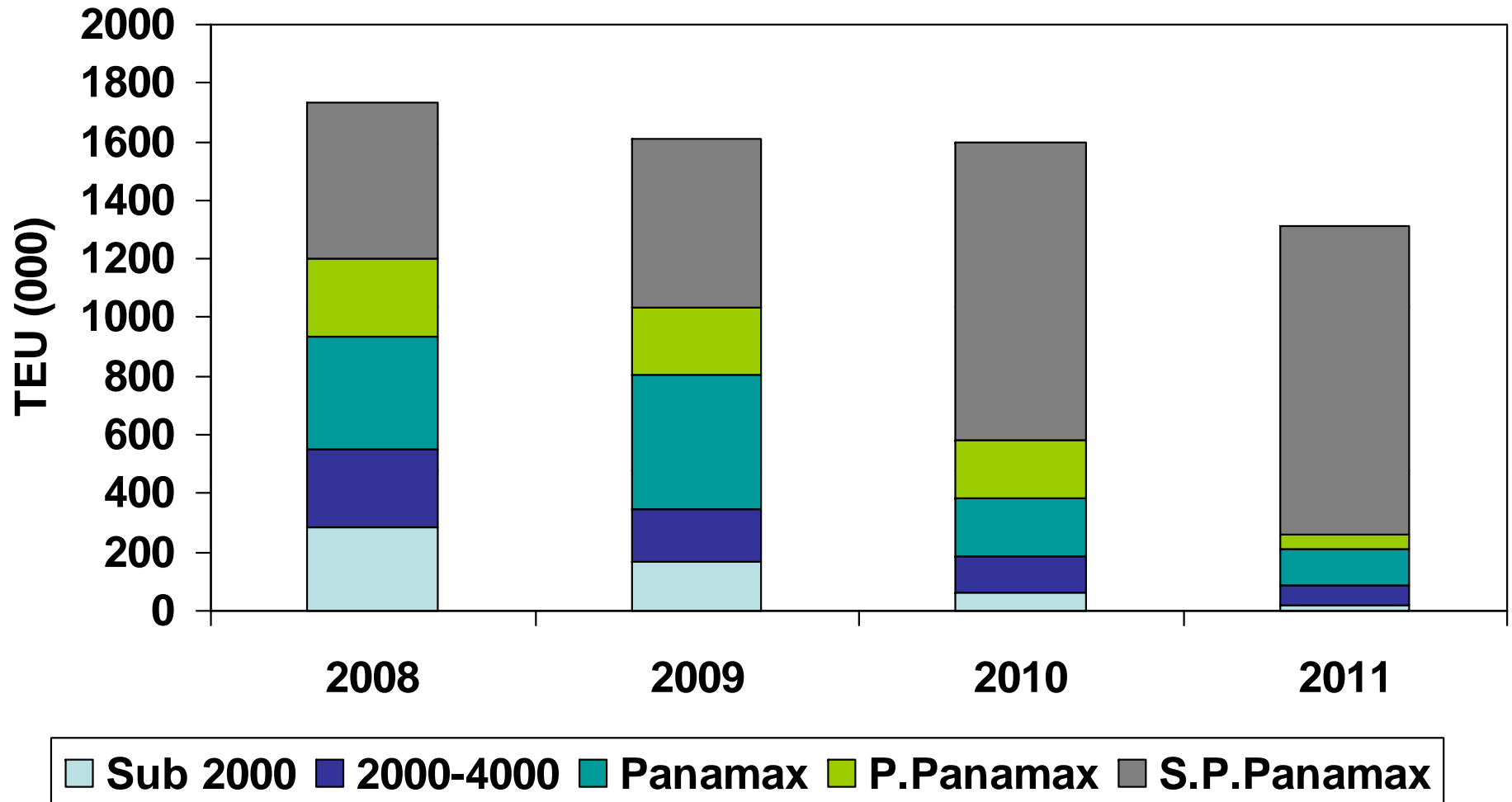
Third Conclusion

- Demand should be broadly supportive
 - Entirely reliant on Europe
 - US a smaller cog in a growing wheel

Capacity Entering Service 2000-2010



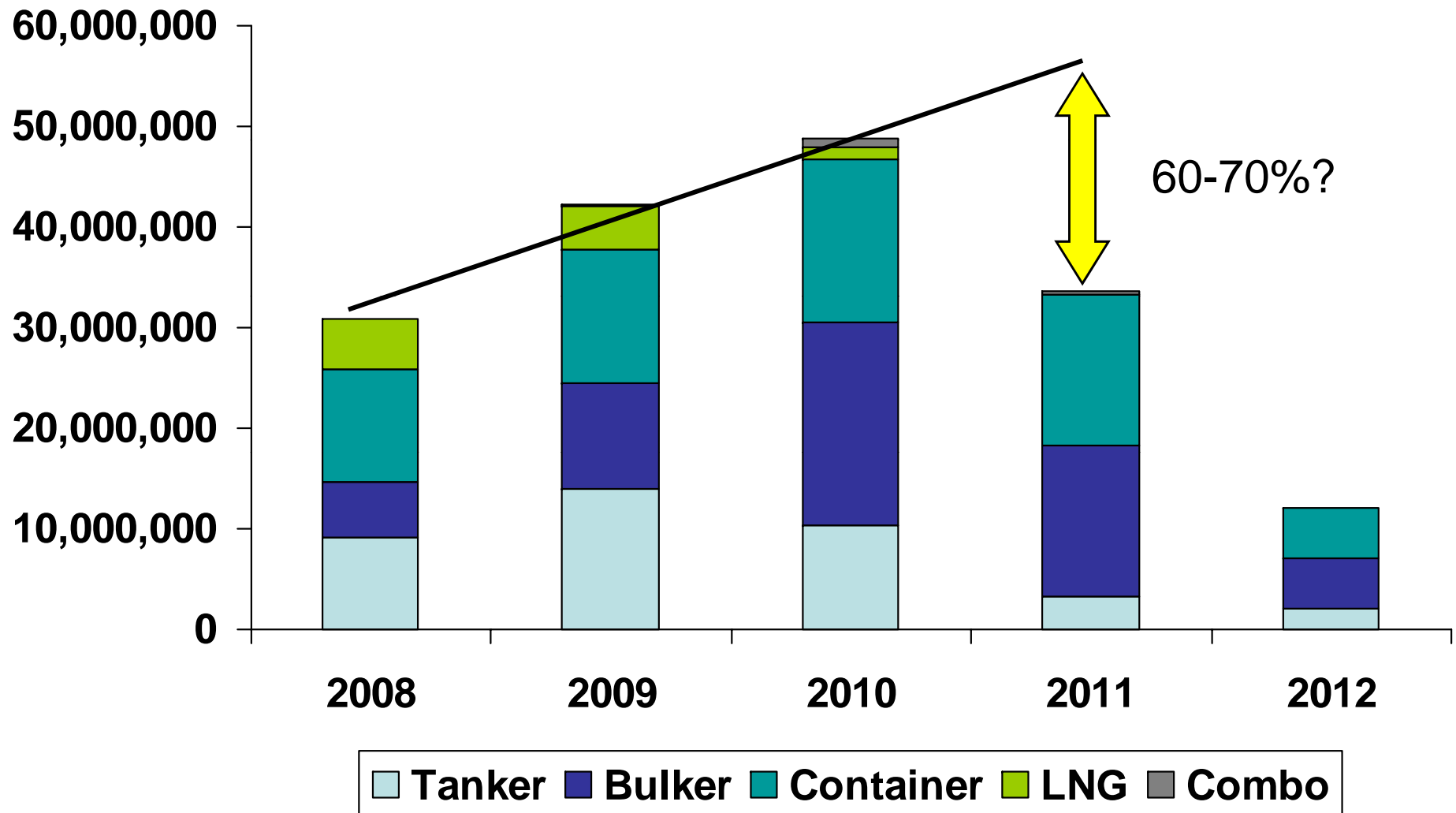
Orderbook 2008-2011



Large Ship Capacity

- Dry Bulk
>120,000 dwt
- Tankers
>120,000 dwt
- Containerships
>250M loa
- LNG
>50,000 dwt and >245m loa

World wide GT by vessel type



Fourth Conclusion

- There is an on going supply side challenge
 - Heavily biased towards mega ships that are likely to be deployed Asia to Europe
 - There is still large ship capacity available in 2011
 - Don't believe a lack of available capital will limit ship investment for a prolonged period
 - 500,000 teu contracted 4th q 2007

Supply/Demand 2008

Trade	East/ West	North/ South	Other	Total
Dom Trade 2007	31,800,000	25,300,000	70,300,000	127,400,000
Demand Growth	9.4%	10.0%	10.0%	9.9%
Additional Moves	3,000,000	2,500,000	7,000,000	12,500,000
Av. Voyage Time	49	43	15	
Voy. Per Year	7	8	24	
Utilisation	88%	75%	75%	
Capacity Req.	517,000	400,000	385,000	1,300,000
Deployment	900,000	325,00	275,000	1500000
Scrapping	10000	20000	20000	50,000
Oversupply	373,000	-95,000	-130,000	150,000

Oversupply = 1.5%

Inefficiencies

- Port Congestion
- Slow Steaming
- Heavier Boxes
 - Deadweight constraints
- High Cube Containers

Fifth Conclusion

- Supply/Demand is broadly balanced
 - Assuming 18% growth Asia to Europe
 - Markets should perform in a similar way to 2006 and 2007
 - Charter Index around average 1250 points for the year

Conclusion

- February 2007

- Economics supportive
- Demand upgraded
- Prices outperforming earnings

But

- Supply/demand finely balanced

- February 2008

- Economics less supportive
- Demand downgraded
- Prices outperforming earnings

But

- Supply/demand finely balanced

Thank you