

OMI Corporation



MareForum Presentation



Factors Influencing Public Tanker Company Valuations

Old Chestnuts:

- Enthusiasm for Energy Sector
- Net Asset Valuations
- Investment banker and Analyst Agendas
- Confidence in Management
- Dividend and Capital allocation



Factors Influencing Public Tanker Company Valuations

Skeletons in the Closet:

- Predictability of future tanker rates
- Expectations of future tanker rates
- Conviction of those expectations.



Thesis

Public Tanker Company Valuations would be better if,

“Investors could have a method to accurately and consistently predict forward tanker rates”.

Therefore “Is it possible to accurately predict tanker rates?” and “What methods can be used to predict them?”

Please raise your hand if you predicted ANY of the following:

1. Asian Currency Crisis, 1999
2. Cuts in Venezuelan oil exports, 2003
3. Hurricane RITA, 2005





Please raise your hand if you can accurately predict ANY of the following:

1. Average US temperature, Jan-Feb 2007
2. Chinese oil imports, 2007
3. Iraq oil production, 2007



Conclusion

We are not very good (or we are being modest) at predicting:

- Events (Natural or Geo-Political)
- Demand for Oil Shipped
- Supply of Oil to be Shipped

Therefore how is it possible to accurately predict future rates?



Methods For Predicting Tanker Rates or where can we go for help?



Methods For Predicting Tanker Rates

1. Wall Street Analysts

<u>Date</u>	<u>Period</u>	<u>Expectations</u>
Nov 2003	2004	Rates will decline
Nov 2004	2005	Rates will REALLY decline this time
Nov 2005	2006	Rates are REALLY, REALLY going to fall (and so will ship values as well).
Nov 2006	2007	Rates are REALLY, REALLY, REALLY going to fall (but not as much as thought for 2006, and little mention of ship values).

Overall Success Rate 10 – 20%



Methods For Predicting Tanker Rates

Why?

- New ships being delivered
- Little scrapping
- World oil demand not enough

What did they ignore/misunderstand?

- Tonne Miles
- Demand for inventory building
- Fleet supply inefficiencies
- Overestimated Crude Supply by including Product Tankers



Methods For Predicting Tanker Rates

Commonly held analysts beliefs:

- The weather service, it will be warm this winter
- OPEC, that they will or will need to cut
- Crude inventories are high
- Santa Clause and the Tooth Fairy



Methods For Predicting Tanker Rates

2. Take the opposite view of the analysts

- Generally correct.
- Little user efforts required.
- However the unexpected event can make analysts lucky.

Overall Success Rate 80 – 90%



Methods For Predicting Tanker Rates

3. The “Forward Curve” e.g. IMAREX

- Sum of all Hopes and Fears

“We do not rely on hope and we can not afford fear”



Methods For Predicting Tanker Rates

4. Regression Analysis

- Basis – Future rates will fall or rise to the historical mean.
- Favorite Question – What is the suezmax mid-cycle rate?
- Baggage of Experience

Imagine if all pricing for commodities services reacted this way



Methods For Predicting Tanker Rates

5. The Easy Way

- Employ a service e.g. Marsoft.
- Flip a coin
 - Slightly more active, great for office participation!
 - Can be fun
 - Do you feel lucky?
- Follow Successful Shipowner
 - Method : Buy/Sell when they do
 - Drawback: Cannot do as well as they do



Methods For Predicting Tanker Rates

6. The Most Fun Method: Lunch/ Dinner with a shipbroker / Cheap and Cheerful!

- Benefits:
 - Good food, good wine
 - Agreeable company
 - Agreeable conversation
 - Both happy agreeing rate above operating exp.++++ Generally broker pays!!!
- Drawbacks:
 - Not good for Investor or Board of Directors Presentations
 - Problem with memory re-call



Conclusion

- None of the Traditional Methods are able to accurately and consistently predict tanker rates.
- All however is not lost.

OMI is pleased to reveal to you, for the first public showing our new Forward Tanker Rate Model.



OMI's New Forward Tanker Rate Model

Codenamed:

“T.R.A.S.H.”

- In operation for the last 12 months
- 99.999% Accurate in predicting forward Tanker Rates.
- Daily, Weekly, Monthly, Quarterly, Annually Applicable



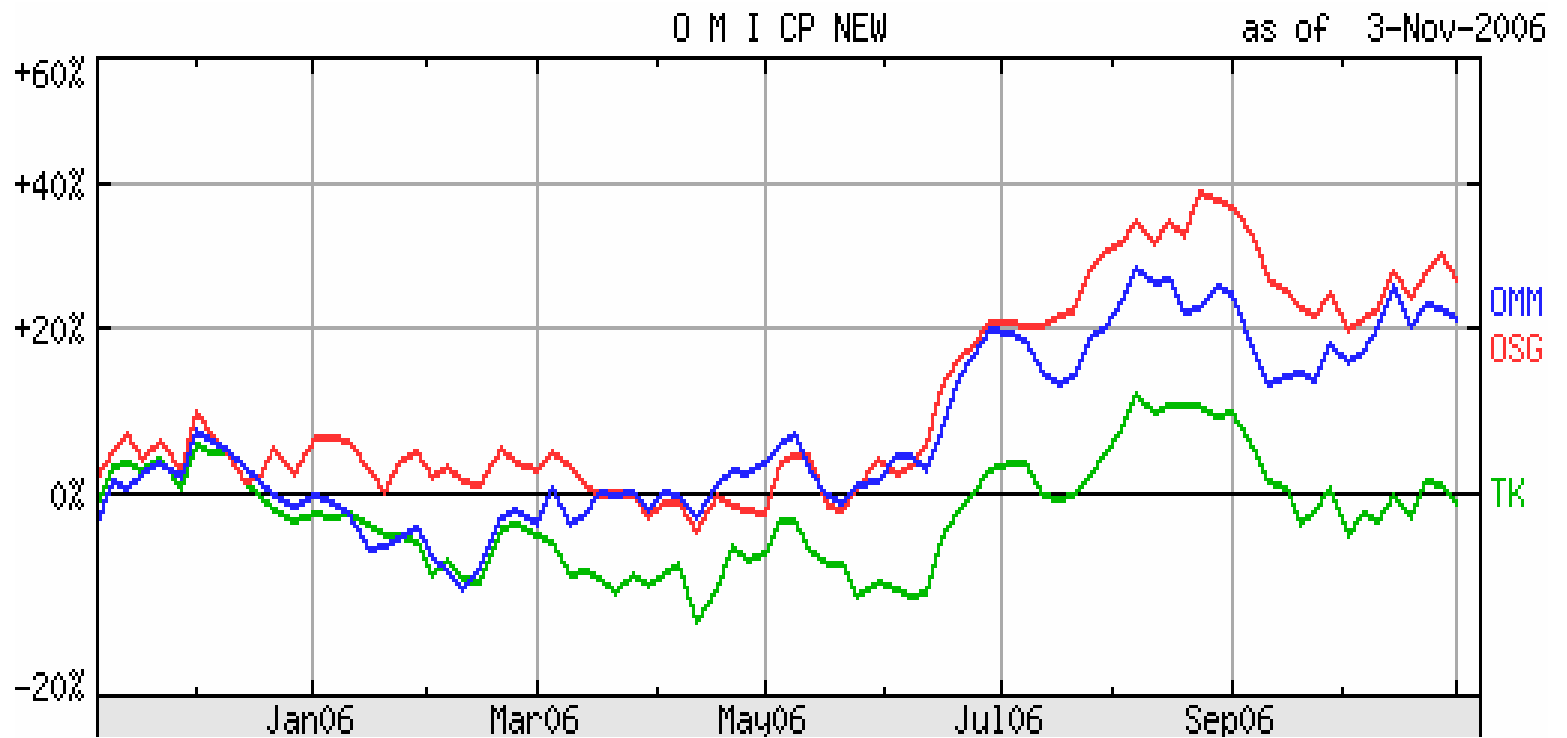
It is so good we can
read tomorrow's headlines:

OMI has the Answer!

- “A Crystal ball”, FT
- “An Omniscient Creation”, Economist
- “The Perfect Predictor”, Tradewinds
- “The window to the future”, Marine Money
- “How can we compete? OMI knows the outcome of the horse race before it has been run!” Morten Arntzen – OSG
- “I knew we should have bought them!” Peter Evensen - TK



OMI vs OSG / TK





T.R.A.S.H. (Freakonomics)

T.R.A.S.H. (Freakonomics)

Consider the following:

- “What is the importance of synchronized swimming and gymnastics to 2007 tanker rates?”
- “Jules Rimet and Samuel Ryder versus OPEC and Bloomberg news”
- “Kobiyashi’s Hot Dog Eating record more relevant than Clarkson’s VLCC’s available index”





T.R.A.S.H.

Tanker Rates & American Sport Humility

Predicts USA expectations and actual results of USA Teams in world sport championships thereby predicting tanker rates based on following correlation:

- Tanker rates increase, if USA teams are expected to win and/or if they win.
- Tanker rates decrease, if USA teams are expected to lose and/or they lose.



T.R.A.S.H.

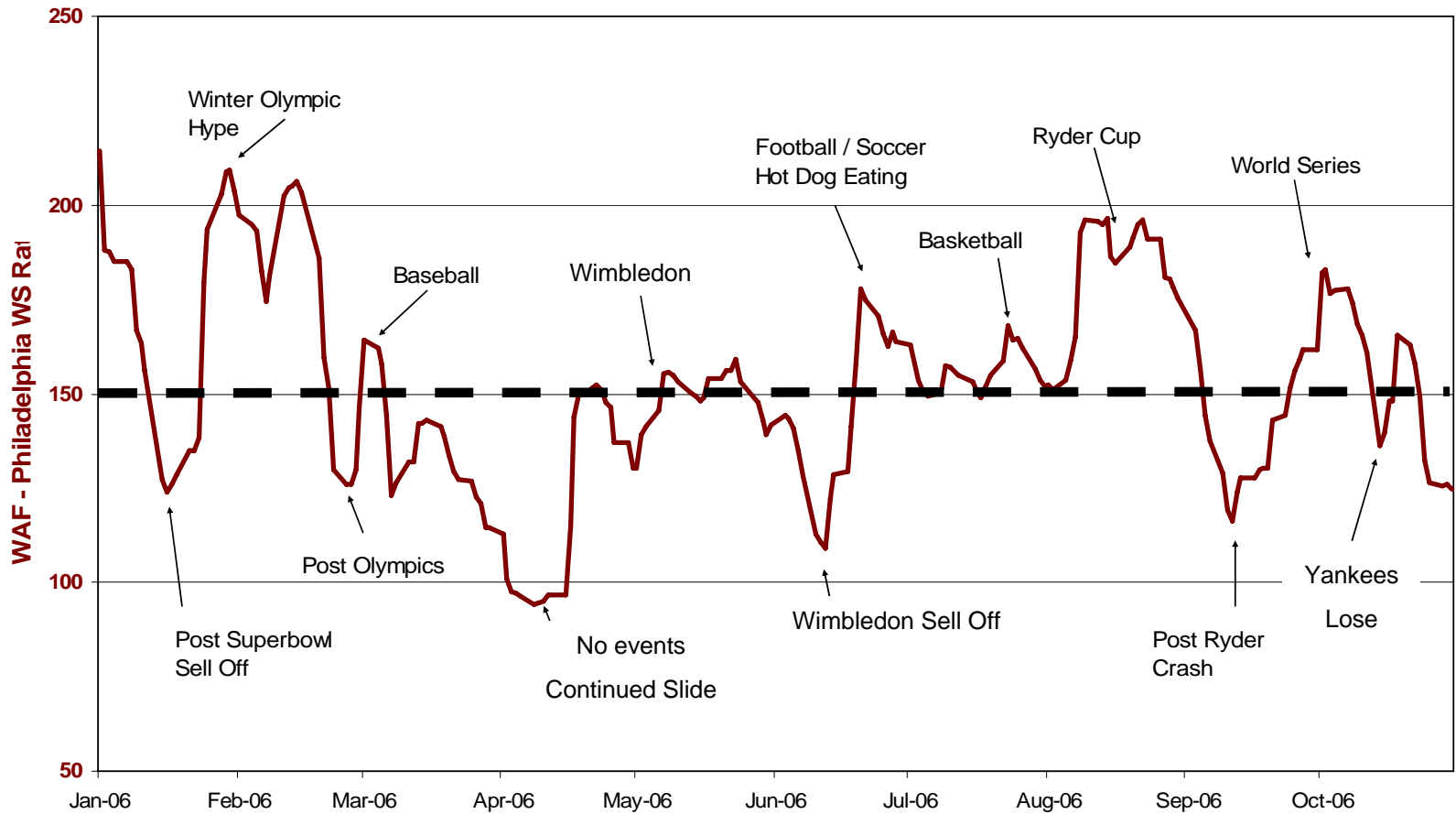
How it Works

<u>Sport Events</u>	<u>US Exp Success</u>	<u>US Act Success</u>	<u>Tanker Rates</u>
A	YES	YES	UP, UP
B	NO	NO	DOWN
C	NO	YES	FLAT, UP
D	YES	NO	UP, DOWN

NB: Despite Title IX women's events have less public interest, therefore tanker rates depend less on women events than mens.



T.R.A.S.H. Predictions / Results Tanker Rates 2006





2007 and 2008

Tanker Rate Guidance

- OMI as a policy does not give 12 month rate guidance.
- We shall point you to a few key factors influencing rates for 2007.
- We shall give guidance for 2008, because most of you will have forgotten what we predicted by then anyway.



Key Factors Influencing 2007 Tanker Rates

<u>Period</u>	<u>Men</u>	<u>Mixed</u>	<u>Women</u>
1Q	Superbowl Cricket		Figure Skating
2Q		Table Tennis	Wimbledon (mostly women)
3Q	Hot Dog Eating		Synchronized Swimming Gymnastics Solheim Cup
4Q	World Series Rugby (real men) Superbowl		



T.R.A.S.H. Tanker Rates 2008

Will see very strong markets through mid-September followed by a sharp steep down movement.

Why?

- 1) Olympics
 - US television will only cover the sports that US have a chance to win. Therefore expectation very high.
 - US Television has forced Olympic Organization Committee to stage these events on US time.
Therefore actual chance of success improved.
- 1) The Ryder Cup – No explanation required



In Conclusion...

GO USA!!!