Bassøe Friday Report

Week 32 – 12.08.2005 www.pfbassoe.no Nr 32. Vol 28

Tanker chartering – Crude

Market comments

Despite a marked improvement in activity, VLCC rates have fallen further this week. With a long tonnage list charterers were able to bottom fish. The week is ending on a firmer note, however, as several late-August/early September cargoes have improved owners' sentiment. With the September program likely to get underway in earnest next week, there may be some hope for owners to at least get some bargaining power back. Suezmax activity has also strengthened and in this segment rates have shown some improvement after hitting multi-month lows last week. The star of the week award goes to North Sea Aframaxes, however, which have increased sharply and look likely to advance further based on scarce availability of tonnage.

VLCC (DH)	Current trend: Soft		
Route	**WS today**	**Last week**	**USD/day**
270' MEG – Korea	60.0	72.5	20,567
275' MEG – UKC	60.0	67.5	27,798
260' Bonny – LOOP	67.5	67.5	27,490

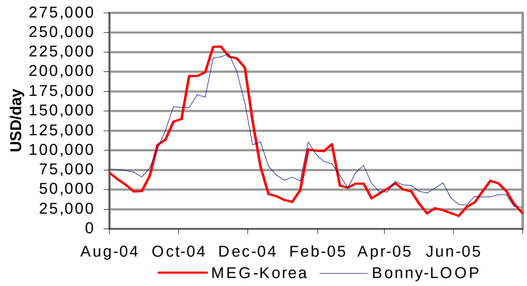
Suezmax	Current trend: Improving		
Route	**WS today**	**Last week**	**USD/day**
130' Bonny – Phila.	105.0	92.5	24,878
130' MAF – Ningpo	100.0	100.0	20,825
135' Novo – Augusta	100.0	97.5	29,988

Aframax	Current trend: Mixed		
Route	**WS today**	**Last week**	**USD/day**
80' TEES – R.dam	150.0	100.0	44,302
70' PLC – Texas	140.0	140.0	15,465
80' MEG – Singapore	165.0	160.0	26,164

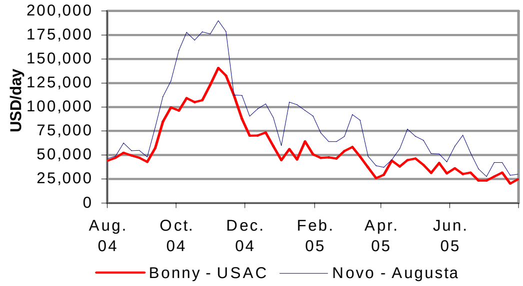
VLCC availability in MEG (# vessels)		
	Single hull	**Double hull**
Spot	1	0
Next 30 days	35	19

Bunkers (USD/mt)			
Fujairah	275	**Rotterdam**	268

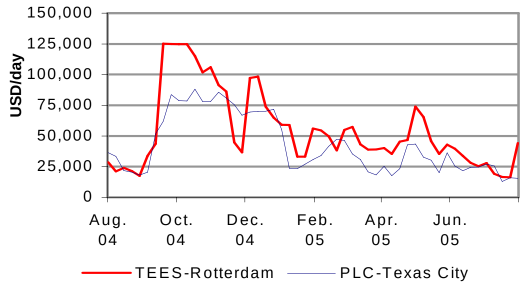
VLCC earnings



Suezmax earnings

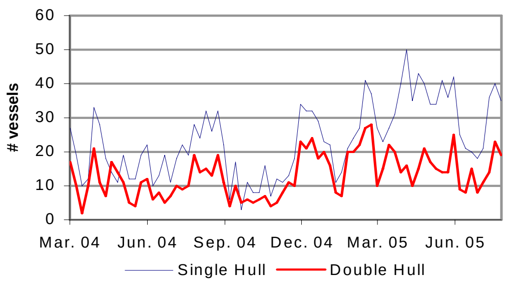


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

MR Cont/Us has reached WS 220, having been repeated three times, a sharp rise within just a few days that may have caught some players by surprise! Car-USAC has come up some 10 pts and is expected to improve further. Both LR routes are up this week.

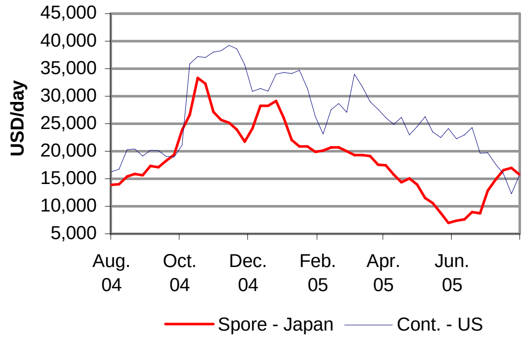
Market assessment – MR

Route	WS today	Last week	USD/day
30' Spore - Japan	287.5	290.0	15,819
37' Cont. - US	220.0	187.5	15,536
38' Car. - USAC	165.0	160.0	8,075

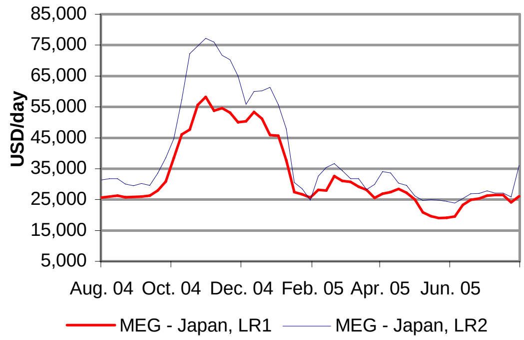
Market assessment – LR

Route	WS today	Last week	USD/day
55' MEG – Japan	230.0	215.0	26,039
75' MEG – Japan	230.0	180.0	36,033

MR earnings



LR earnings



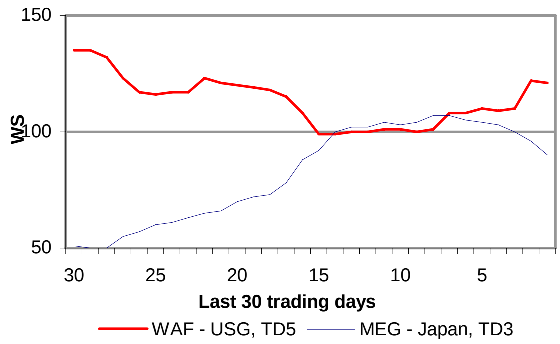
Freight derivatives

A more active and stronger TD3 this week is based purely on expectations of what's to come as the under-lying rates have actually fallen. The senti-ment has turned, however, which is quiet obvious looking at the forward curve. Both TD5 and TD7 have also traded up as a result of significantly stronger physical markets. TC2 is bouncing higher as well while TC5 is lagging behind.

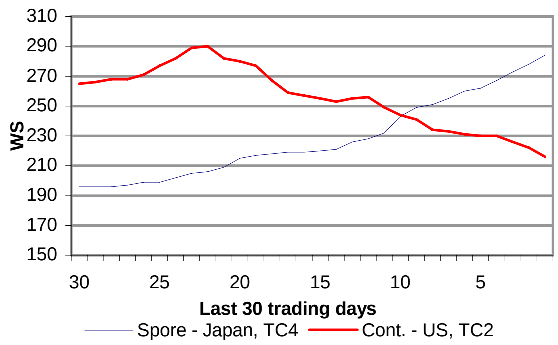
Weekly change in key FFA contracts

Aug	Sep	Q4	Q1'06	Q2'06	CAL06
TD3 MEG-Japan, 250' dwt					
72.0	89.0	115.0	102.0	88.0	90.0
7.0	16.0	15.0	13.0	7.0	7.0
TD 5 West Africa – USAC, 130'dwt					
110.0	125.0	162.5	152.5	127.5	137.5
14.0	10.0	12.5	4.5	7.5	7.5
TD 7, North Sea, UKC, 80'dwt					
132.5	147.5	177.5	165.0	135.0	143.0
21.5	20.0	15.0	10.0	6.0	2.0
TC 2 Cont-USAC, 37' dwt					
212.5	260.0	312.5	290.0	245.0	248.0
15.0	35.0	31.5	20.0	5.0	6.0
TC 5, MEG-Japan, 55' dwt					
222.5	230.0	260.0	252.5	220.0	220.0

BITR rates, crude



BITR rates, clean



5.0	17.5	0.0	0.0	0.0	0.0

Sale and purchase

Market comment
With both dry and wet freight markets being extremely volatile on top of the traditional holiday period, the S&P market can only be described as dull.

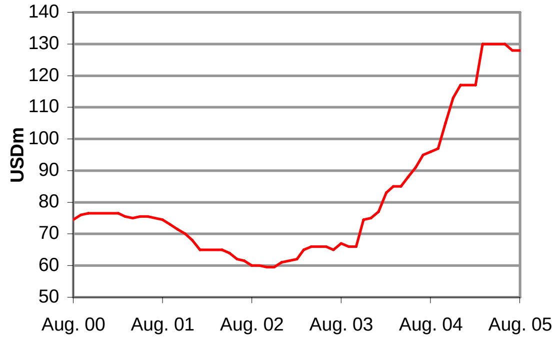
There are no significant sales to report in the wet sector.

In the dry sector we note MV "Geeview" abt 73,000 tdw built 2004 is reported sold for USD 43 mill. The intention is to convert the vessel. This shows that prices has come down some 10% since the top earlier this year.

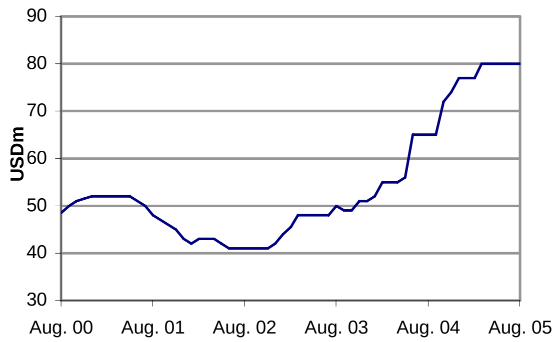
Second hand values

Vessel /USDm	Latest	1 mth	2 mth	3 mth	12 mth
300' D/D 3 yrs	128.0	128.0	130.0	130.0	96.0
300' D/D 10	98.0	98.0	100.0	100.0	68.0
280' S/S 1990	54.0	56.0	56.0	58.0	47.0
150' D/D 3 yrs	80.0	80.0	80.0	80.0	65.0
150' D/D 10	66.0	66.0	66.0	67.0	50.0
140' S/S 1990	27.0	28.0	28.0	29.0	23.0
105' D/D 3 yrs	65.0	65.0	65.0	65.0	54.0
95' D/D 10yrs	46.0	46.0	46.0	47.0	37.0
95' S/S 1990	20.0	21.0	21.0	23.0	21.0
70' D/D 3 yrs	48.0	48.0	48.0	48.0	40.0
47' D/D 3 yrs	45.0	45.0	45.0	45.0	37.5
45' D/D 10 yrs	33.0	33.0	33.0	33.0	24.0
40' S/S 1990	14.0	15.0	15.0	16.0	13.0

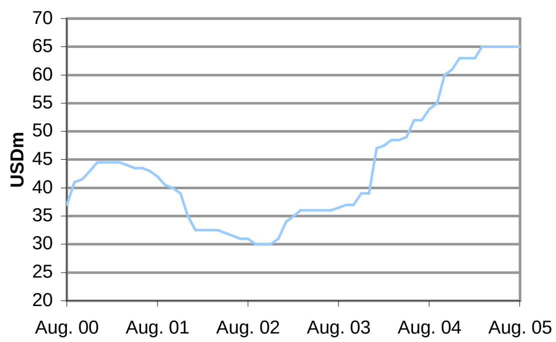
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



S&P Transactions

Tankers

No transactions this week.

Bulkers

M/S "MINERVA ISLAND" - 72,072 TDW, BUILT 1996 HITACHI MAIZURUVESSEL SOLD FOR USD 29 MILL TO UNNAMED BUYERS

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Demolition

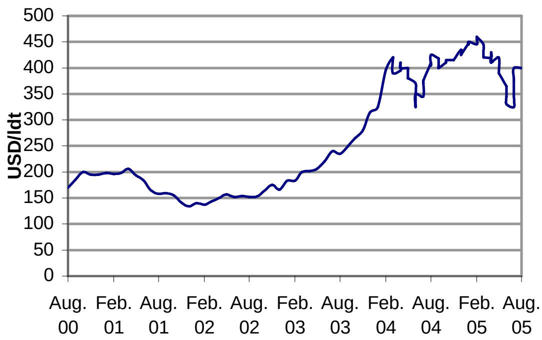
The scrapping market has gone back to sleeping mode. No sale of any size to report this week. Bangladesh remains well in front of other regions on the price front.

Demolition volume		
# vessels	YTD	Year ago
VLCC	1	4
Suezmax	2	9
Aframax	17	16

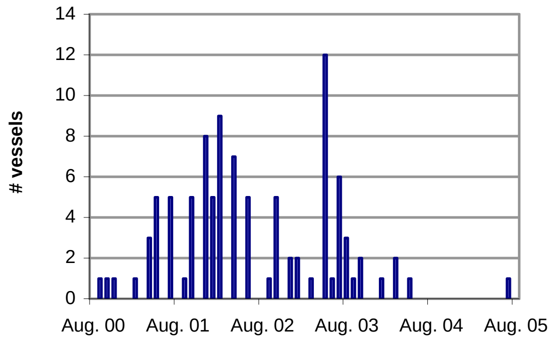
Demolition prices (tankers, USD/ldwt)			
China	India	Pakistan	Bangladesh
310	330	360	400

Transactions

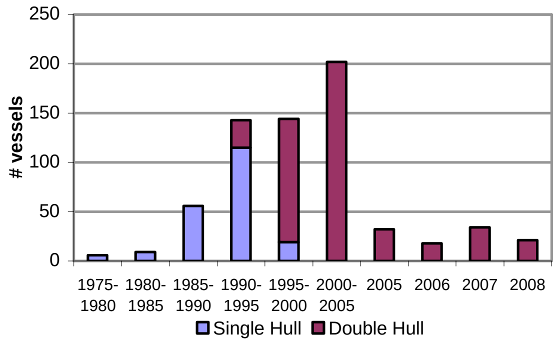
Demolition prices (VLCC, Bangladesh)



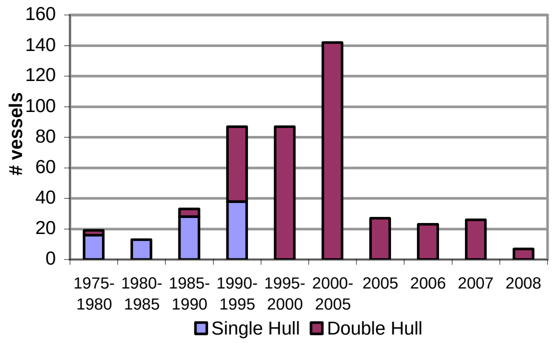
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

The decoupling between the oil and freight market is deepening. The oil train remains as much on track as ever, while in contrast, little is happening in the large tanker market. As strange as it may seem, this is actually not unusual, as the month of August often represents a pause from charterers between the summer driving season and winter preparations. On the other hand, the drop in VLCC chartering in recent weeks has been unusually severe. Combined with news that some Asian refiners have begun to cut "runs", ie reduce demand, this is at least an indication that very high oil prices may have begun to bite. While waiting for things to improve, owners may take comfort from reports of increasing Chinese fuel shortages, as well as continued lower than expected oil output outside the MEG. Both indicate that the standstill in the MEG should be comparatively short-lived.

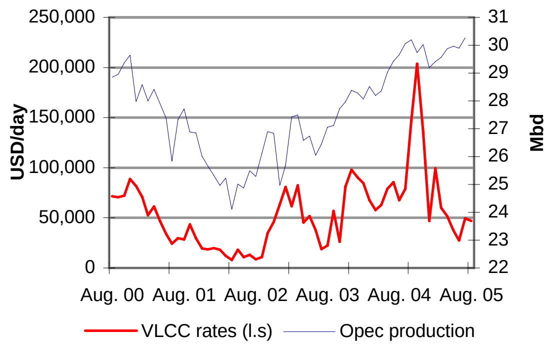
Key market drivers

	2003	2004	2004E	2005E
World oil demand (%	+2.3 %	+3.6 %	+2.1 %	+2.0 %
USA	+1.4 %	+3.5 %	+1.6 %	+1.2%
Europe	+1.6 %	+1.0 %	+0.2%	+0.1%
China	+11.0 %	+15.4%	+9.4%	+7.2%
Japan	+2.2 %	-2.7 %	+0.6 %	0.0%
Opec production (mbd)	27.1	29.1	29.9	30.5
FSU production (mbd)	10.3	11.2	11.6	11.7
Fleet statistics	**Current**	**2005P**	**2006E**	**2007E**
VLCC fleet (# vessels)	459			
Orderbook	94			
Deliveries		32	21	30
Suezmax fleet (# vessels)	316			
Orderbook	77			
Deliveries		30	23	25

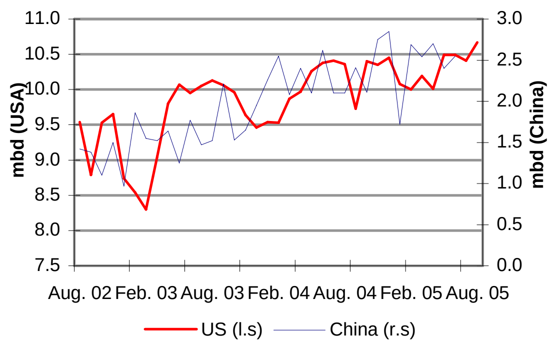
Average earnings	2003	2004	2005 YTD
VLCC, MEG – Korea	56,233	97,657	48,406
Suezmax, Bonny – Phila.	39,619	65,965	40,077
Aframax, TEES – R.dam	42,127	56,610	42,581

Source: IEA, DoE, Bassøe

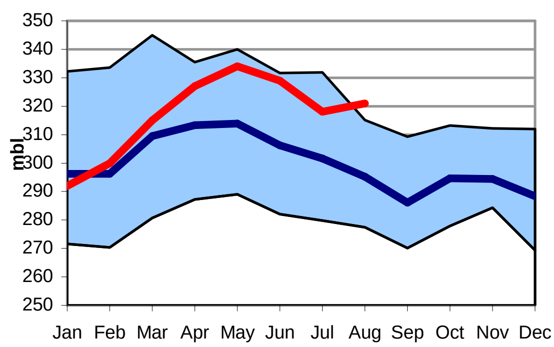
VLCC rates vs. Opec production



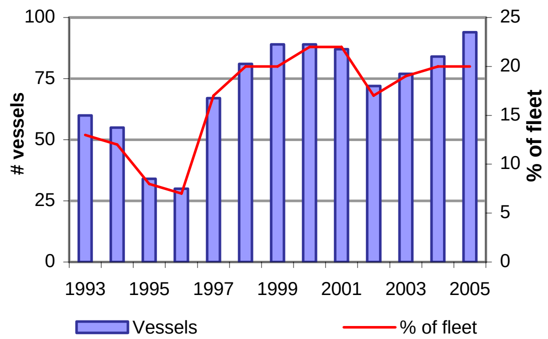
Crude oil imports



Crude oil inventories - USA



VLCC orderbook



BROKERS OF P. F. BASSØE AS

	AOH (+47)	Mobile (+47)
Gerhard N. Dahl - President	22 95 19 94	91 16 42 35
Ole-Rikard Hammer - Managing Director	66 90 49 91	97 54 06 82
SALE & PURCHASE / NEWBUILDING / PROJECT	**22 01 08 25**	
Herman Marcussen	22 49 59 90	91 34 00 97
Petter A. Thorendahl	22 44 63 83	90 12 33 06
FREIGHT DERIVATIVES	**22 01 08 50**	
Kristian Thunes	22 59 27 05	91 58 14 57
Fredrik Sagen Andersen	41 23 30 29	41 23 30 29
Nils Andreas Arnesen	22 43 05 25	90 18 46 49
Magnus Dehli	92 45 92 90	92 45 92 90
Alf Fjetland	92 63 44 95	92 63 44 95
TANKER CHARTERING	**22 01 08 20**	
Gerhard N. Dahl	22 95 19 94	91 16 42 35
Morten Austvold	64 86 78 11	91 70 50 31
Halvor Ellefsen	22 23 11 62	90 01 08 20
Vegard B. Eriksen	32 13 55 91	95 72 52 10
Lars Irgens	22 49 32 72	90 60 13 99
Bjørn-Erik Løkken	22 92 14 74	90 18 80 44
Morten Røine	67 59 11 11	90 61 44 72
Sebastian Venjar	98 62 41 50	98 62 41 50
CLEAN	**22 01 08 80**	
Tom Ranum	67 12 01 01	90 69 72 10
Knut Ebbesen	22 49 16 95	90 11 09 15
David Sand	66 82 01 05	90 14 34 31
Inge Wallentin	22 73 27 20	90 89 99 28
OPERATION	**22 01 08 30**	
Gustav Myreng	67 14 92 37	90 12 19 47
Åge Johnny Haug	69 88 56 80	90 03 55 40
Øystein Heggen	67 12 46 51	90 12 19 46
RESEARCH	**22 01 09 06**	
Ole-Rikard Hammer	66 90 49 91	97 54 06 82
Lars Kalbakken	67 12 42 12	90 02 25 25

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