

Bassøe Friday Report

Week 50 – 16.12.2005

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Nr 50. Vol 28

Tanker chartering – Crude

Market comments

It's been another week of sub-par activity for VLCCs in the MEG. The December program is fizzling out while January activity has yet to begin in earnest. Rather than tumbling, as could be expected under such circumstances, rates are sliding lower, with neither owners nor charterers in a rush to make any commitments. The tonnage list for the next thirty days has lengthened considerably from last week, however, indicating that the pressure for owners to "do something" could soon become acute. Activity has been significantly higher in West Africa and rates are maintained from last week.. Suezmaxes, on the other hand, have not enjoyed the same activity level as VLs in the Atlantic and fell through the week. Rising delays in the Bosphorus have boosted rates even further there, however. Aframaxes have had an active lead-up to the holidays with rates rising all over.

| VLCC (DH) | | Current trend: Softer | | |
|-------------------|----------|------------------------------|---------|--|
| Route | WS today | Last week | USD/day | |
| 270' MEG – Korea | 167.5 | 185.0 | 105,990 | |
| 275' MEG – UKC | 120.0 | 130.0 | 87,899 | |
| 260' Bonny – LOOP | 170.0 | 170.0 | 108,726 | |

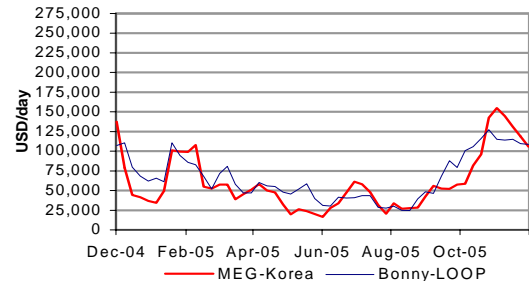
| Suezmax (DH) | | Current trend: Mixed | | |
|---------------------|----------|-----------------------------|---------|--|
| Route | WS today | Last week | USD/day | |
| 130' Bonny – Phila. | 232.5 | 252.5 | 72,726 | |
| 130' MAF – Ningpo | 280.0 | 280.0 | 89,518 | |
| 135' Novo – Augusta | 295.0 | 290.0 | 142,144 | |

| Aframax (DH) | | Current trend: Firm | | |
|---------------------|----------|----------------------------|---------|--|
| Route | WS today | Last week | USD/day | |
| 80' TEES – R.dam | 255.0 | 240.0 | 104,477 | |
| 70' PLC – Texas | 235.0 | 220.0 | 36,781 | |
| 80' MEG – Singapore | 370.0 | 360.0 | 71,824 | |

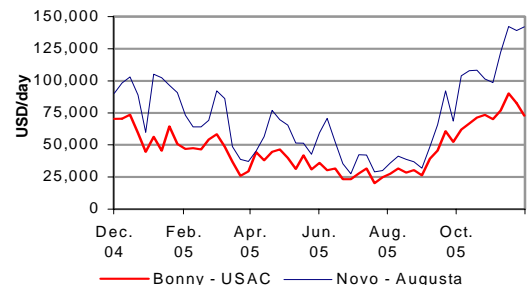
| VLCC availability in MEG (# vessels) | | |
|--------------------------------------|-------------|-------------|
| | Single hull | Double hull |
| Spot | 0 | 0 |
| Next 30 days | 53 | 30 |

| Bunkers (USD/mt) | | | |
|------------------|-----|-----------|-----|
| Fujairah | 275 | Rotterdam | 259 |

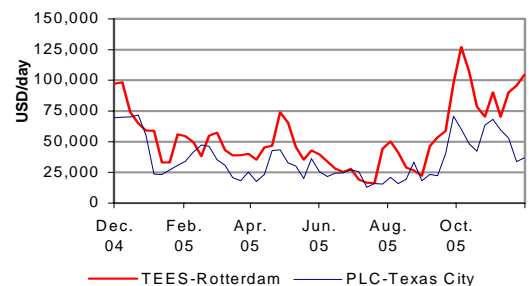
VLCC earnings



Suezmax earnings

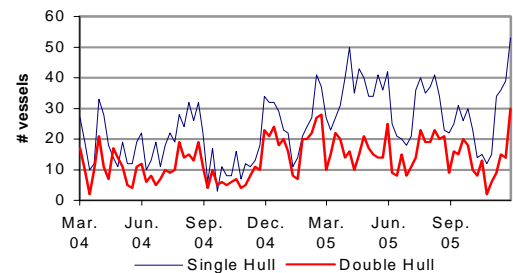


Aframax earnings



VLCC availability in MEG

vessels next 30 days ex. FRO and TI



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Tanker chartering – Clean

Market Comment

All main clean routes showed good improvements this week, apart from MR Singapore/Japan. They are all firm and seem to be moving into 2006 without resistance.

Market assessment – MR

| Route | WS today | Last week | USD/day |
|-------------------|----------|-----------|---------|
| 30' Spore - Japan | 355.0 | 360.0 | 22,271 |
| 37' Cont. - US | 345.0 | 285.0 | 30,858 |
| 38' Car. - USAC | 270.0 | 190.0 | 20,312 |

Market assessment – LR

| Route | WS today | Last week | USD/day |
|-----------------|----------|-----------|---------|
| 55' MEG – Japan | 325.0 | 305.0 | 40,847 |
| 75' MEG – Japan | 305.0 | 292.5 | 52,127 |

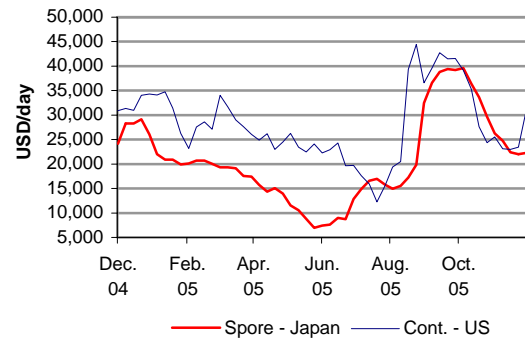
Freight derivatives

Clean trades steal the headline again. As indicated last week both Eastern and Western product markets are strong with paper leading the way. TD3 and TD5 have been slightly softening through the week – a touch of lower fixtures and the usual effect of few physical signals. The TD7 Dec contract came into play along with higher NSEA rates, while the more deferred contracts seem well offered.

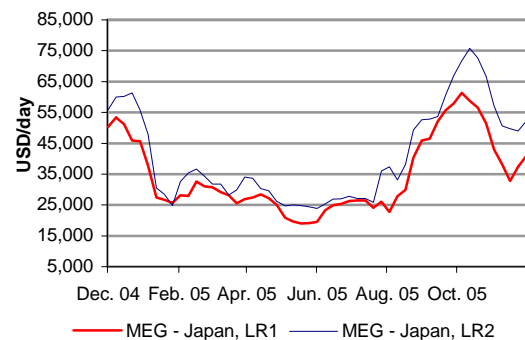
Weekly change in key FFA contracts

| Jan | Feb | Q1'06 | Q2'06 | Q3'06 | CAL06 |
|--|-------|-------|-------|-------|-------|
| TD3 MEG-Japan, 250' dwt | | | | | |
| 115.0 | 104.0 | 104.5 | 74.0 | 70.0 | 88.0 |
| -5.0 | - | -1.5 | 2.0 | 4.0 | 0.5 |
| TD 5 West Africa – USAC, 130' dwt | | | | | |
| 185.0 | 173.0 | 165.0 | 115.0 | 110.0 | 132.0 |
| 1.0 | - | 0.0 | -8.0 | 0.0 | 0.0 |
| TD 7, North Sea, UKC, 80' dwt | | | | | |
| 190.0 | 160.0 | 168.0 | 120.0 | 115.0 | 137.5 |
| 0.0 | - | -2.0 | 0.0 | 0.0 | -0.5 |
| TC 2 Cont-USAC, 37' dwt | | | | | |
| 345.0 | 335.0 | 330.0 | 255.0 | 230.0 | 270.0 |
| 25.0 | - | 22.5 | 5.0 | 7.5 | 10.0 |
| TC 5, MEG-Japan, 55' dwt | | | | | |
| 315.0 | 282.0 | 290.0 | 220.0 | 210.0 | 245.0 |
| 40.0 | - | 30.0 | 7.5 | 1.0 | 16.0 |

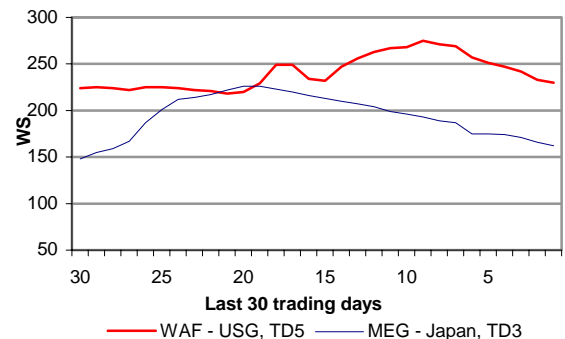
MR earnings



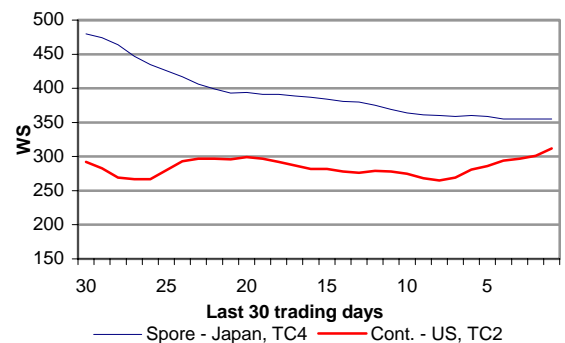
LR earnings



BITR rates, crude



BITR rates, clean



Sale and purchase

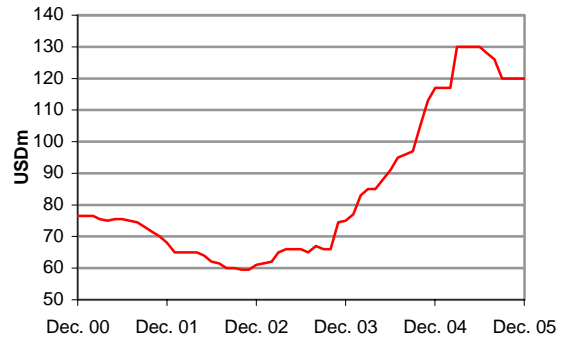
Market comment

VLCC resales continue to dominate the tanker news with rumors that additional 2007 resales may soon change hands at abt USD 118-120 mill. With yards quoting more or less same prices for 2008 (at best) newbuilding deliveries, this makes resales the name of the game. Many of the best-known Greek names have taken a renewed interest in the high-end of the tanker market.

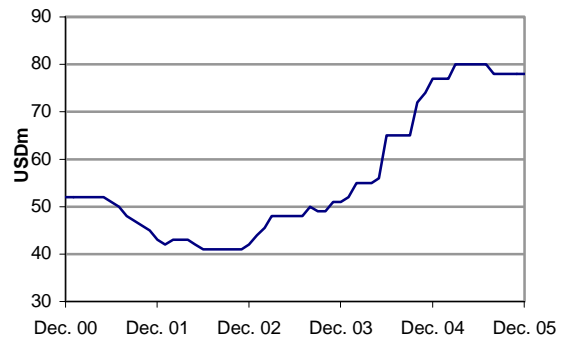
Second hand values

| Vessel /USDm | Latest | 1 mth | 2 mth | 3 mth | 12 mth |
|----------------|--------|-------|-------|-------|--------|
| 300' D/D 3 yrs | 120.0 | 120.0 | 120.0 | 120.0 | 117.0 |
| 300' D/D 10 | 90.0 | 90.0 | 90.0 | 90.0 | 86.0 |
| 280' S/S 1990 | 48.0 | 48.0 | 48.0 | 52.0 | 60.0 |
| 150' D/D 3 yrs | 78.0 | 78.0 | 78.0 | 78.0 | 77.0 |
| 150' D/D 10 | 62.0 | 62.0 | 62.0 | 62.0 | 63.0 |
| 140' S/S 1990 | 26.0 | 26.0 | 26.0 | 26.0 | 39.0 |
| 105' D/D 3 yrs | 64.0 | 64.0 | 64.0 | 64.0 | 63.0 |
| 95' D/D 10yrs | 46.0 | 46.0 | 46.0 | 46.0 | 46.0 |
| 95' S/S 1990 | 20.0 | 20.0 | 20.0 | 20.0 | 29.0 |
| 70' D/D 3 yrs | 50.0 | 50.0 | 50.0 | 50.0 | 45.0 |
| 47' D/D 3 yrs | 49.0 | 49.0 | 49.0 | 49.0 | 43.0 |
| 45' D/D 10 yrs | 37.0 | 37.0 | 37.0 | 37.0 | 30.0 |
| 40' S/S 1990 | 14.0 | 14.0 | 14.0 | 14.0 | 16.0 |

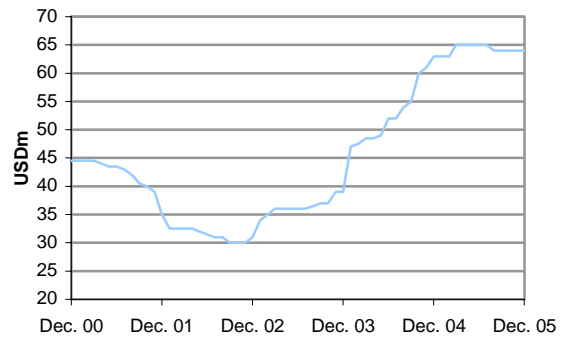
VLCC – 3 year old



Suezmax – 3 year old



Aframax – 3 year old



S&P Transactions

Tankers

M/T "RESALE NEWBUILDING" - 300,000 TDW, DELIVERY EX NACKS 02/2007 SOLD USD 110 MILL TO GULF NAVIGATION.

M/T "HEBEI EXPLORER" - 248,965 TDW, BUILT 1986 HITACHI NAGASU (SINGLE HULL) SOLD USD 22 MILL TO UNDISCLOSED BUYERS.

2 X M/T "RESALE NEWBUILDING" - 160,000 TDW, DELIVERY EX JAPAN 2007 SOLD USD 77.5 MILL EACH TO MINERVA, GREECE.

M/T "LADON" - 60,875 TDW, BUILT 1980 MITSUI CHIBA (DOUBLE BOTTOM) SOLD USD 6 MILL TO UNDISCLOSED BUYERS.

M/T "EAST FORTUNE" - 55,339 TDW, BUILT 1983 HORTEN VERFT SOLD USD 7.5 MILL TO CHINESE BUYERS.

M/T "VERA CRUZ A" - 48,574 TDW, BUILT 1982 KANASASHI ZOSEN SOLD USD 7.5 MILL TO UNDISCLOSED BUYERS.

M/T "BRALI" - 48,500 TDW, BUILT 1985 HYUNDAI HEAVY IND SOLD USD 18 MILL TO CHAMPION TANKERS.

M/T "FAIRCHEM MAVERICK" - 19,924 TDW, BUILT 2001 USUKI ZOSENSHO (DOUBLE HULL, COILED, IMO2/3) SOLD USD 35 MILL TO SAMHO SHIPPING.

M/T "STOLT ACCORD" - 12,467 TDW, BUILT 1982 SHIMODA (IMO2/3) SOLD USD 5.75 MILL TO UNDISCLOSED BUYERS.

Bulkers

M/S "WHITE DIAMOND" - 69,220 TDW, BUILT 1993 IMABARI MARUGAME SOLD USD 21 MILL TO GREEK BUYERS.

M/S "BERNADETTE T" - 64,236 TDW, BUILT 1981 HITACHI NAGASU (CR 4X25T) SOLD USD 7 MILL TO CHINESE BUYERS.

M/S "LAURINDA" - 52,466 TDW, BUILT 2005 TSUNEISHI HEAVY (CR 4X30T) SOLD USD 32.75 MILL TO UNDISCLOSED BUYERS.

M/S "OCEAN BULKER" - 28,492 TDW, BUILT 2001 IMABARI (CR 4X30.5T) SOLD USD 22 MILL TO FAR EAST BUYERS.

M/S "ECO CHASER" - 21,538 TDW, BUILT 1985 WATANABE ZOSEN HAKATA (CR 3X30.5T) SOLD USD 8.5 MILL TO ITALIAN BUYERS.

Demolition

Market comment

Seven cash buyers have decided to leave the Bangladeshi cartel, as they feel they can obtain tonnage cheaper outside of the cartel. We now see buyers offering higher prices, however no interesting sales to report due to the firm tanker markets.

| Demolition volume | | |
|-------------------|-----|----------|
| # vessels | YTD | Year ago |
| VLCC | 1 | 4 |
| Suezmax | 2 | 11 |
| Aframax | 19 | 22 |

| Demolition prices (tankers, USD/ldwt) | | | |
|---------------------------------------|-------|----------|------------|
| China | India | Pakistan | Bangladesh |
| 295 | 350 | 345 | 395 |

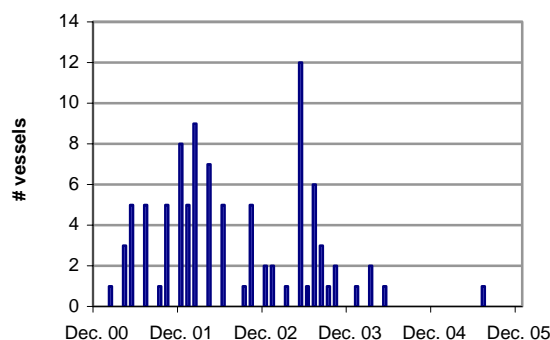
Transactions

No sales to report!

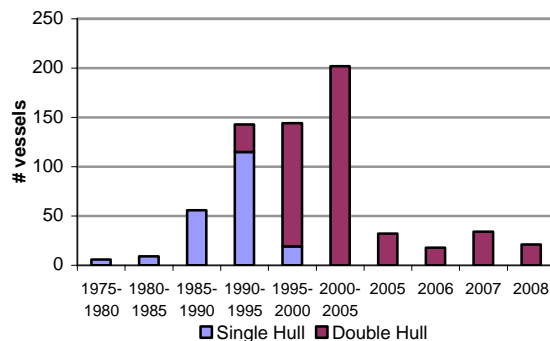
Demolition prices (VLCC, Bangladesh)



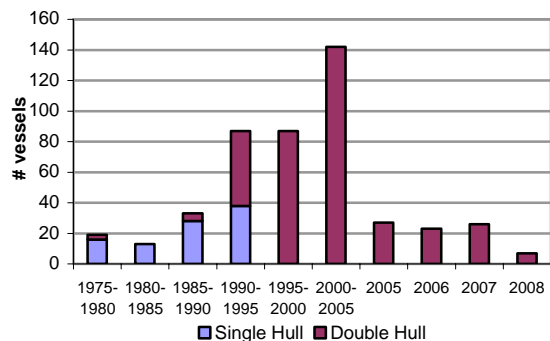
VLCCs sold for demolition



VLCC fleet – Age distribution



Suezmax fleet – Age distribution



Research

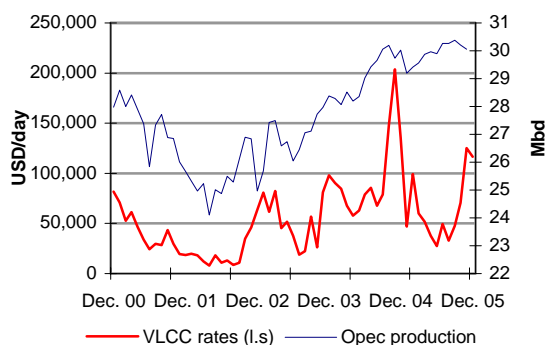
The unusual sluggishness of the VLCC chartering market has now lasted for four weeks and that begs the question of whether there are some macro messages in this pattern rather than the normal tug of war between owners and charterers. The most obvious driver is the sharp drop in Asian refining margins during the past month; Refiners in all regions have seen their super profits post-hurricanes evaporate, but in Asia they have yet to begin much of a recovery. This is of course limiting refiners' interest in chasing cargoes. Chasing is what they have to do, however, because by the looks of it Opec remains unwilling to force oil down its clients throats, as indicated by the noticeably lower discounts paid on MEG crudes compared to a year ago. This stand-off between buyers and sellers has thus accentuated the normal seasonal slow-down in chartering during December. While winter of course will be decisive in how quickly margins will recover, tanker owners can take some comfort from the fact that it is difficult to see how activity will not improve from here. Unless Opec already is preparing for a Q1 production cuts that is....

| Key market drivers | | | | |
|---------------------------|---------|--------|--------|--------|
| | 2003 | 2004 | 2005E | 2006E |
| World oil demand (%) | +2.3 % | +3.7 % | +1.4 % | +2.2 % |
| USA | +1.4 % | +3.5 % | +0.4 % | +1.7% |
| Europe | +1.6 % | +1.1 % | +0.0% | +0.1% |
| China | +11.0 % | +15.4% | +3.1% | +6.0% |
| Japan | +2.2 % | -2.7 % | +0.9 % | 0.1% |
| Opec production (mbd) | 27.1 | 29.1 | 29.9 | 30.5 |
| FSU production (mbd) | 10.3 | 11.2 | 11.6 | 12.1 |
| Fleet statistics | | | | |
| | Current | 2005P | 2006E | 2007E |
| VLCC fleet (# vessels) | 470 | | | |
| Orderbook | 94 | | | |
| Deliveries | | 31 | 18 | 34 |
| Suezmax fleet (# vessels) | 334 | | | |
| Orderbook | 65 | | | |
| Deliveries | | 27 | 23 | 27 |

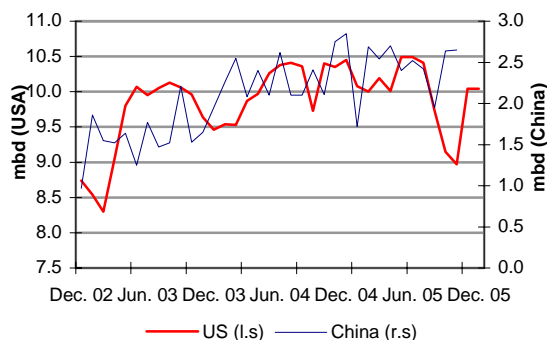
| Average earnings | 2003 | 2004 | 2005 YTD |
|-------------------------|--------|--------|----------|
| VLCC, MEG – Korea | 56,233 | 97,657 | 59,205 |
| Suezmax, Bonny – Phila. | 39,619 | 65,965 | 45,817 |
| Aframax, TEES – R.dam | 42,127 | 56,610 | 52,460 |

Source: IEA, DoE, Bassøe

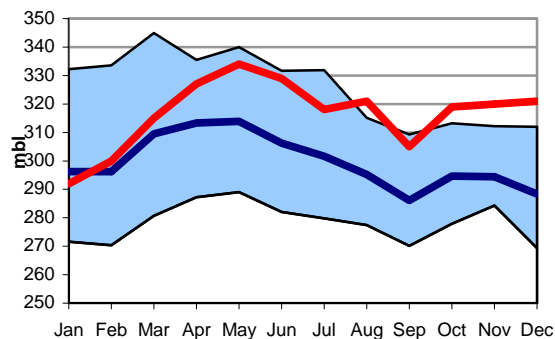
VLCC rates vs. Opec production



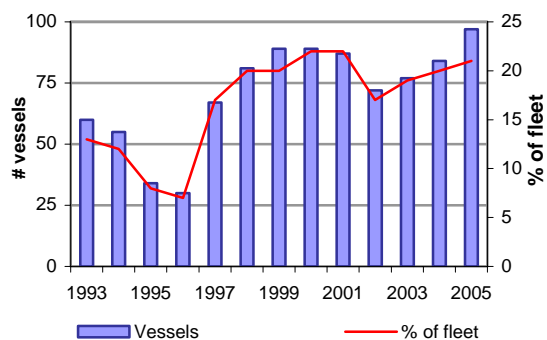
Crude oil imports



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 | |
| Petter A. Thorendahl | 22 44 63 83 | 90 12 33 06 |
| Nils W. Koren | 67 53 01 47 | 90 03 32 30 |
| Lars Kalbakken | 90 02 25 25 | 90 02 25 25 |
| | | |
| 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 |
| 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 | 90 02 25 25 | 90 02 25 25 |
| | | |
| | | |
| | | |

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