

Review of the wet market

Trading & Shipping Division
November 2007



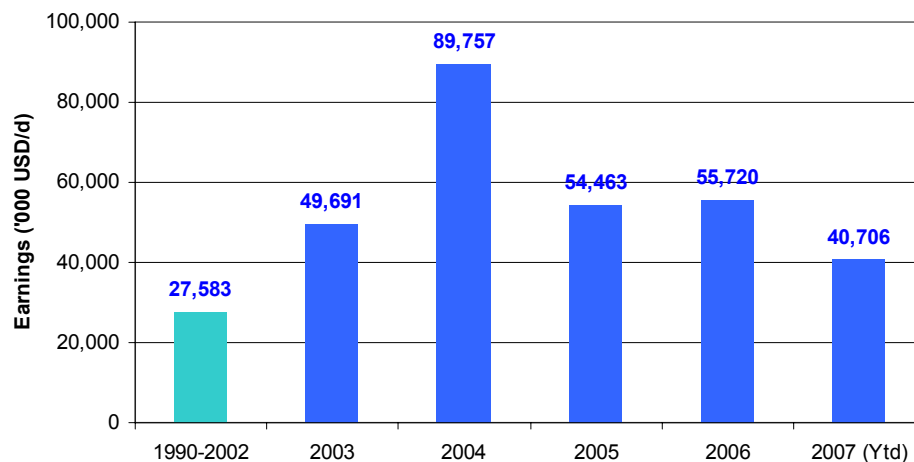
Recent developments on the wet market (1)

- Extremely favorable conditions in recent years for tanker owners on the freight market:
 - Very high ROE for owners despite high volatility on the spot market
 - T/C market also highly profitable, although less interesting for shipowners

Average Rates	1992-2002	2003-10/2007
VLCC Spot Earnings (\$/day)	27,583	58,067
3-Yrs VLCC T/C Rates (\$/day)	31,478	34,982

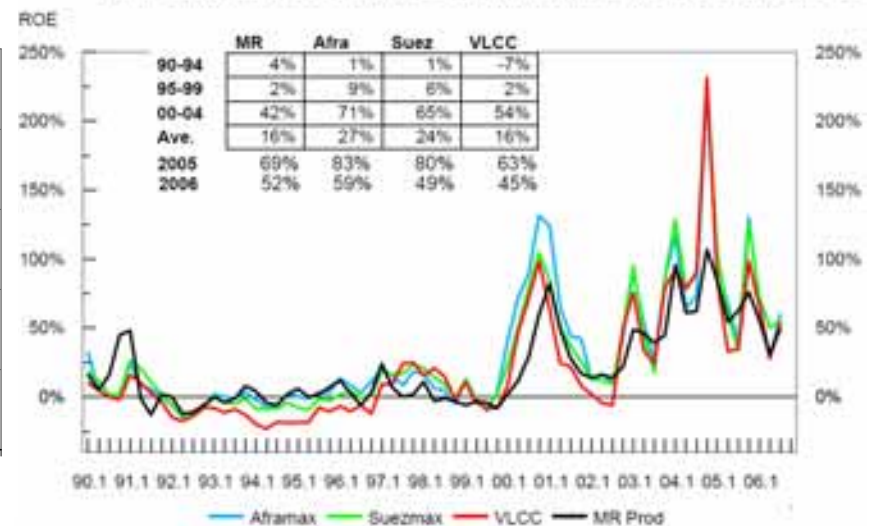
Source: Clarkson

VLCC Average Earnings (AG-Japan)



Source: Clarkson

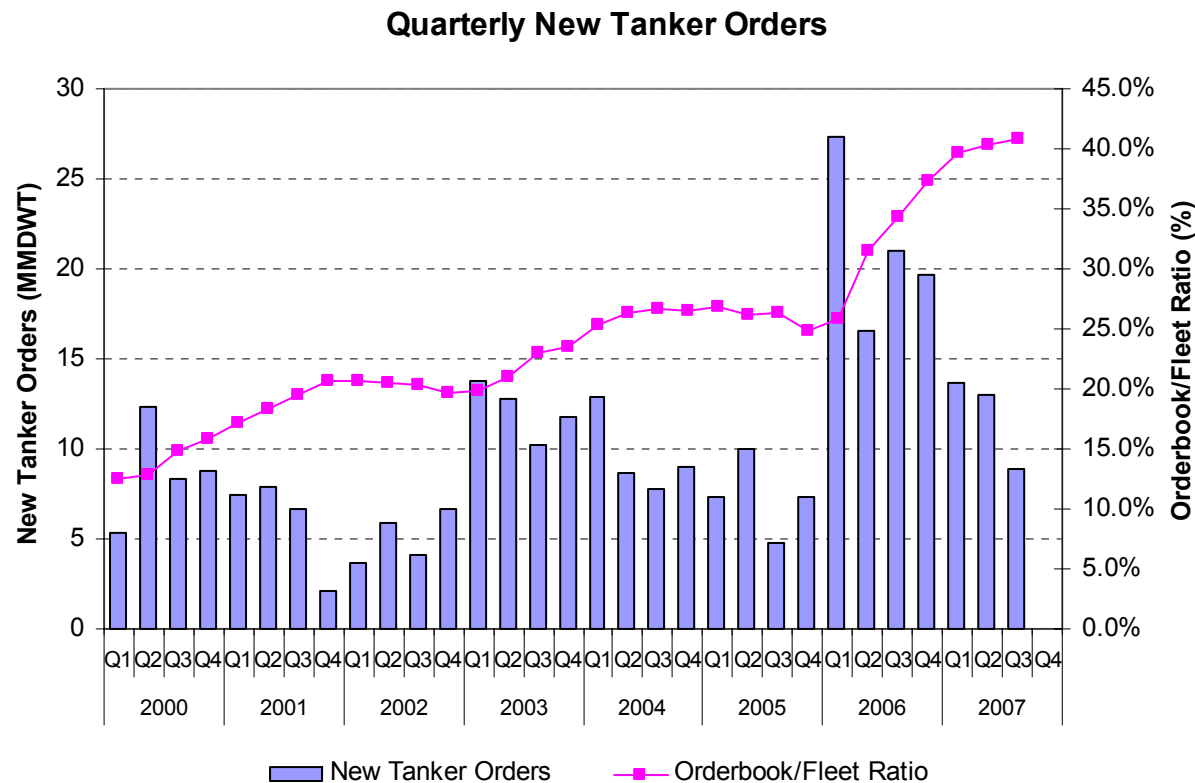
RETURN ON EQUITY FOR TANKERS NEWBUILDINGS



Source: Platou's Economic Research

Recent developments on the wet market (2)

- Record breaking tanker ordering, particularly in 2006, has been encouraged by:
 - High revenues from the freight market
 - Phasing-out of all non-D/H tonnage



Source: Studies & Projects / Shipping Department / T&S Division

Recent developments on the wet market (3)

- ▶ The tanker orderbook has now reached unprecedented levels, largely exceeding fleet renewal requirements generated by the phase-out of non-D/H tankers

(*)	Active fleet (nb)	Orderbook (nb)	% of Fleet	Non-D/H fleet (nb)
U-VLCC	505	170	34%	155
Suezmax	362	141	39%	62
Aframax	737	289	39%	129
10-80 MDWT Product	2854	1400	49%	819

(*) As of November 1st, 2007.

Source: Studies & Projects / Shipping Department / T&S Division

- ▶ The market is reacting and ordering is slowing down

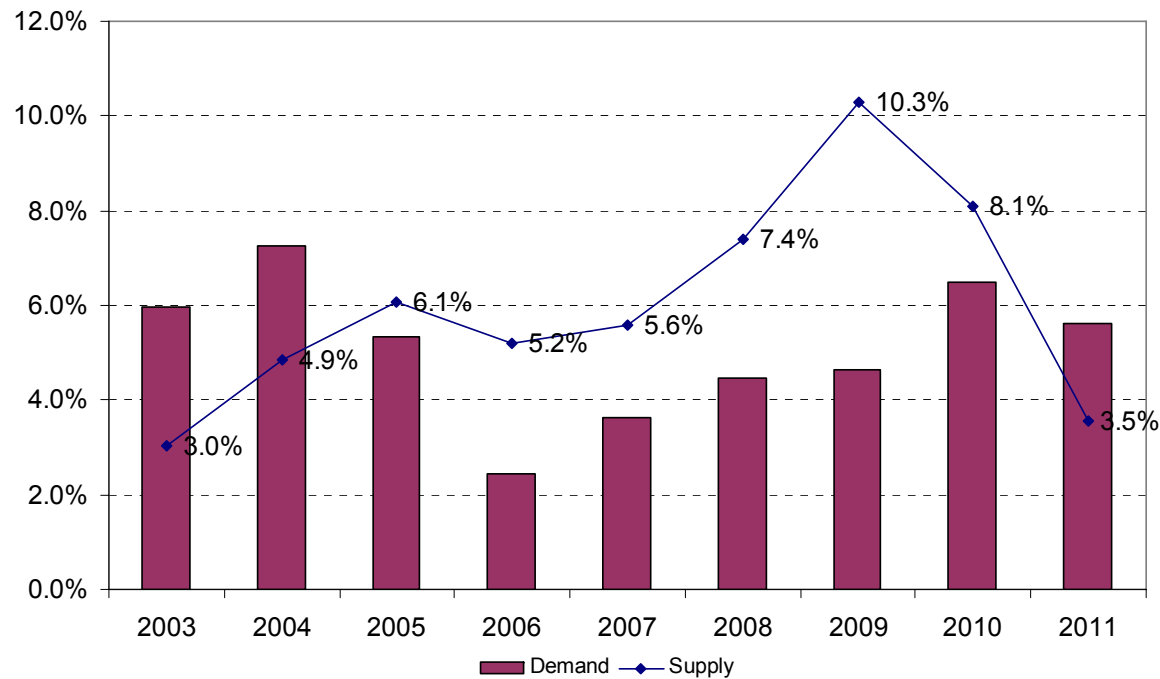
	2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
New Tanker Orders (MMDWT)	27.3	16.6	21.0	19.7	13.6	13.0	8.9	
YoY Change (%)					-50%	-22%	-58%	

Source: Studies & Projects / Shipping Department / T&S Division

Wet market forecasts (1)

- Freight markets are expected to weaken as a result of growing tonnage surplus
- This picture will not change until scrapping becomes significant enough to meet MARPOL phase-out obligations by the end of the decade

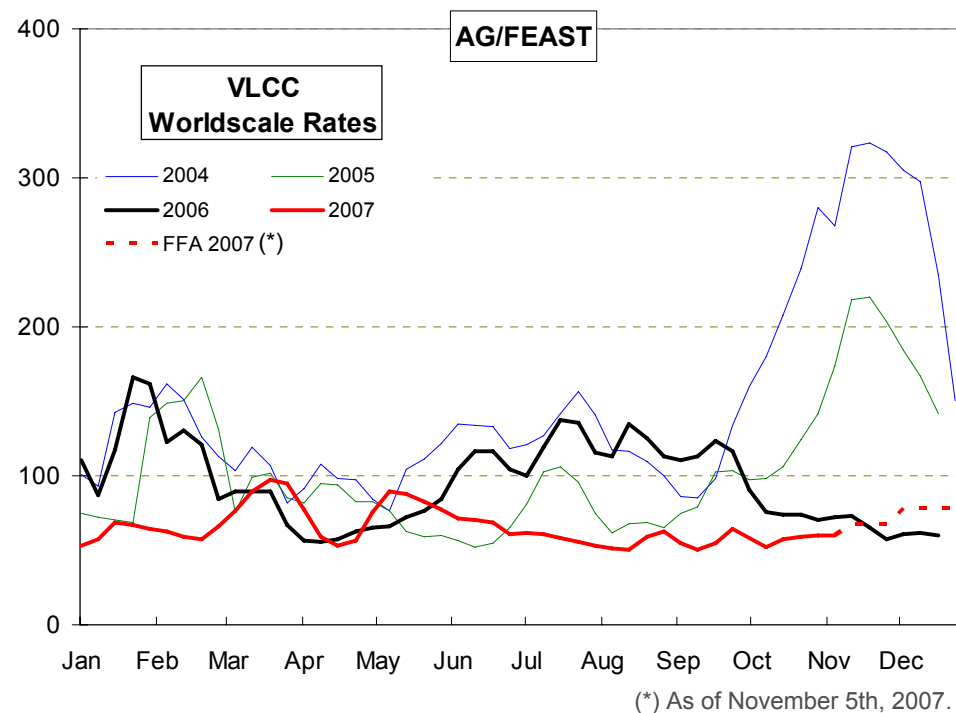
Tanker Supply/Demand Balance (% growth)



Source: Drewry

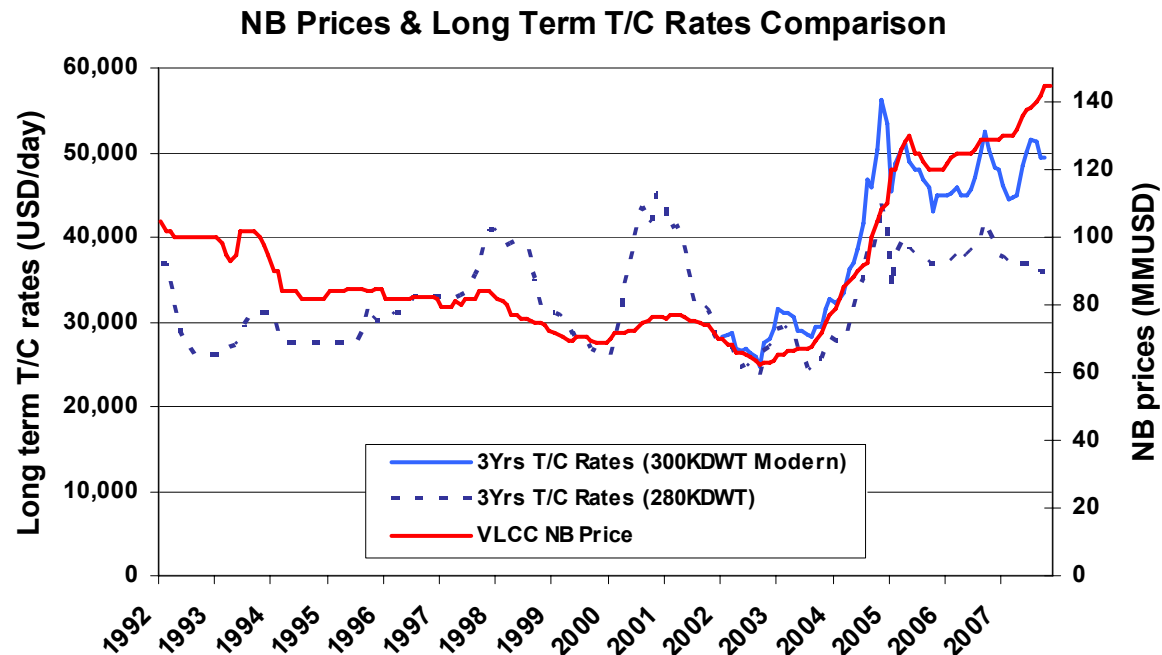
Wet market forecasts (2)

- ▶ We expect further spot rates softening until 2009/2010, despite some bullish factors such as tanker conversions



Wet market forecasts (3)

- ▶ Despite the weakening of spot rates, the long term T/C market remains strong due to the very high newbuilding prices
- ▶ However, we expect a downturn in rates as the downward pressure from the spot market increases



Source: Clarkson