



**Presentation, Pareto's
Oil and Offshoreseminar
August 28, 2003**



39 VLCCs incl. 8 J/Vs
Equals 34.9 vessels on a 100% basis
Cash B/E USD 20,500 p/d



19 Suezmaxes
Cash B/E USD 14,300 p/d

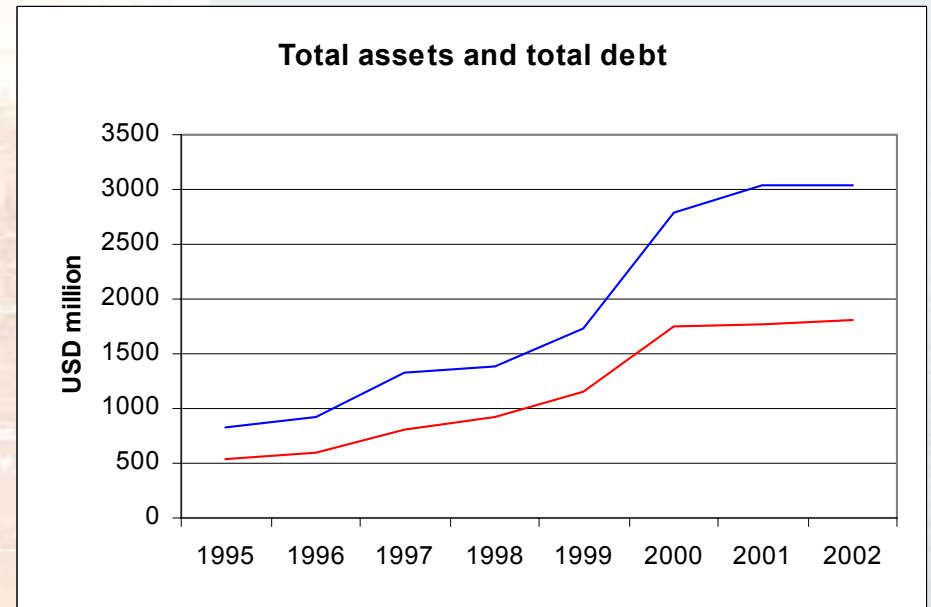
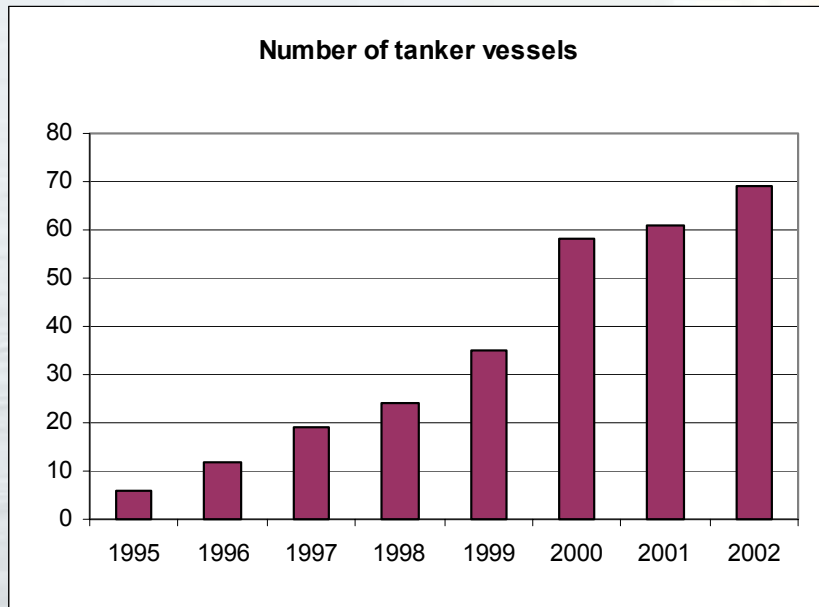
- Oldest ship from 1990
- Average age: 7.3 years
- Industry average 10.0 years
- Double hull tonnage: 71 %
- Industry average 57 %



8 Suezmax OBOs
Cash B/E USD 13,200 p/d

= 16.4 million dwt. or approximately 105 million barrels transport capacity.

Development 1996 - 2002



- Accumulated \$990 million in net income 1997-1H 2003
- Market cap 1,139 million / EV 2,572 million
- Accumulated dividend \$5.00 per share 2001-1H 2003

Reputation “too keen on risk”?

- Spot orientated – 15% of VLCCs fixed on 12 month plus, all other spot
- N/B programme
 - 1997-2000 \$722 million
 - 2000-2003 \$623 million
- Focus
 - Attractive Breakeven rates
 - focus on cost level
 - focus on operational efficiency
 - floating interest – a hedge

Balance sheet considerations

- Structured with no corporate debt / short term bullet loans
- Low Breakeven levels; P/L and cash B/E match
- Bank debt typically 12-17 years profile = prudent
- 11 KGs - 100% financing with “exit insurance”
- J/Vs even more conservative (P/L B/E 15,000 \$ p.d.) = no partner risk
- Loans with floating interest \$1.25 bn = hedge

Balance sheet conclusions

- The balance sheet is much more robust than most people seem to appreciate

- Releverage

- Minimum \$200 million in cash going into a downturn

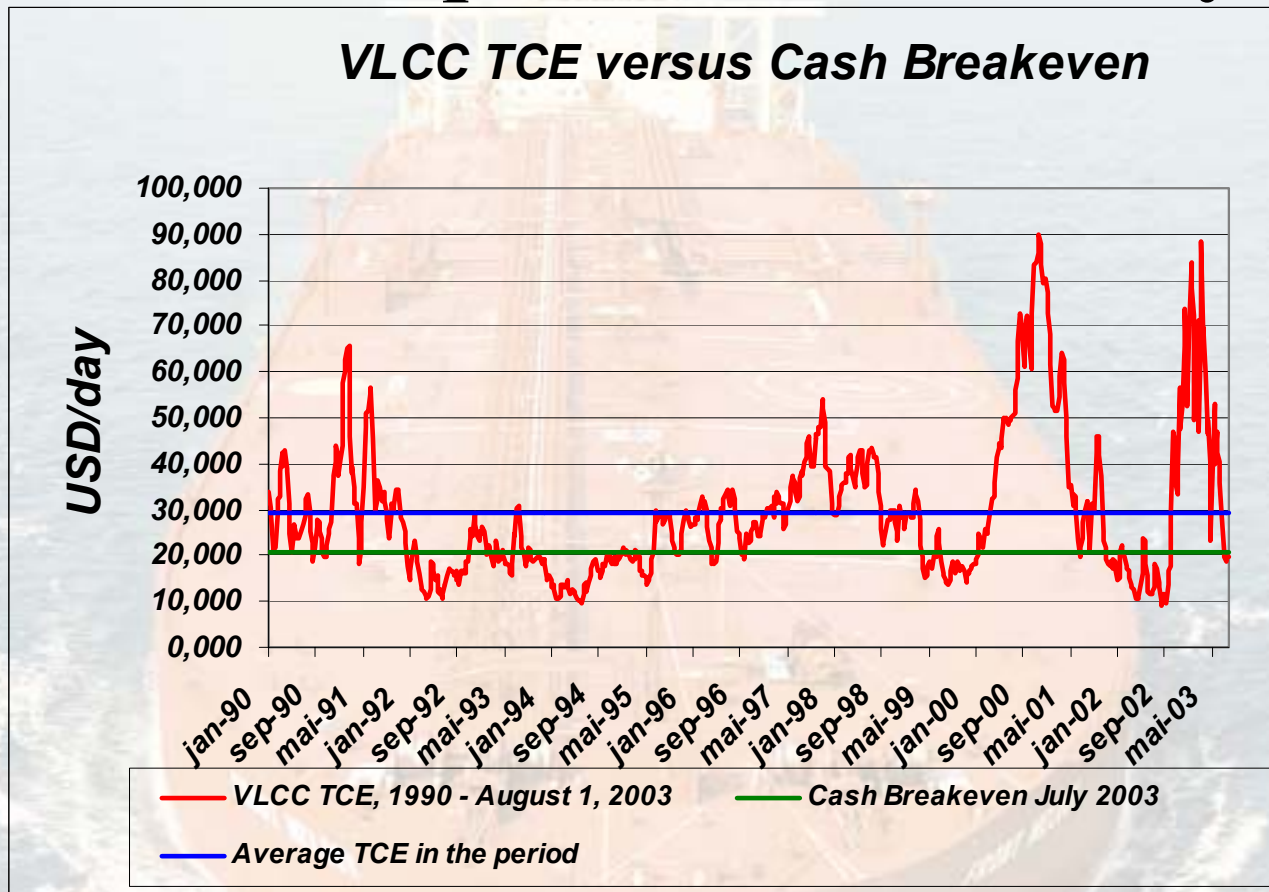
- Example:

sale of nine modern VLCCs to KGs + eight Suezmaxes
refinanced at 80%

-> New cash B/E: VLCC \$22,900 / Suezmax \$15,300

Additional cash raised \$332 million

Breakeven requirements are very low



Average TCE VLCC's in the period 1990 – August 1, 2003 is USD 29,400 per day, as compared to P&L B/E August 2003 of USD 19,600 per day and cash B/E of USD 20,500 per day.

Supply VLCC's / Suezmaxes

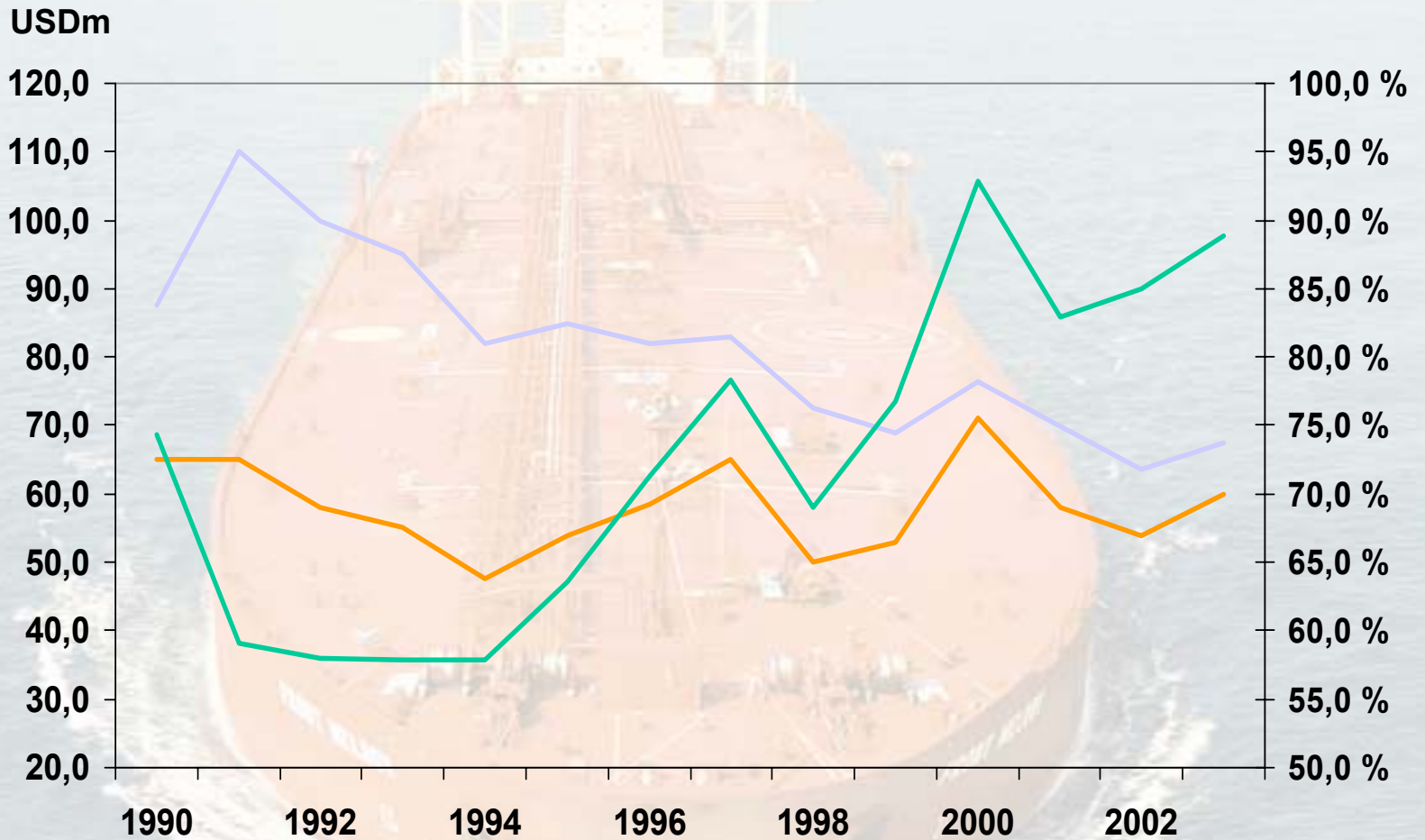
(No. of vessels)

<u>Building year</u>	VLCC's 200,000+ dwt	Of which	
		ULCC's*) 320,000 + dwt	Suezmaxes 120,000-200,000 dwt
1973 or earlier	0	0	0
1974-75	3	0	9
1976-77	10	3	14
1978-80	6	5	14
1981 or later	403	7	253
Fleet as at August 26, 2003	422	15	290
<u>On order</u>			
2003	9	0	19
2004	31		24
2005+	30		35
Total on order 2003-2006	70	0	78

*) Each ULCC representing an average of 400,000 Dwt

Source: P.F.Bassøe

Trends in tanker values



Source: P.F. Bassoe — — Newbuilding (I.S.) — 5 year old (I.S.) — SH/NB ratio (r.s.)

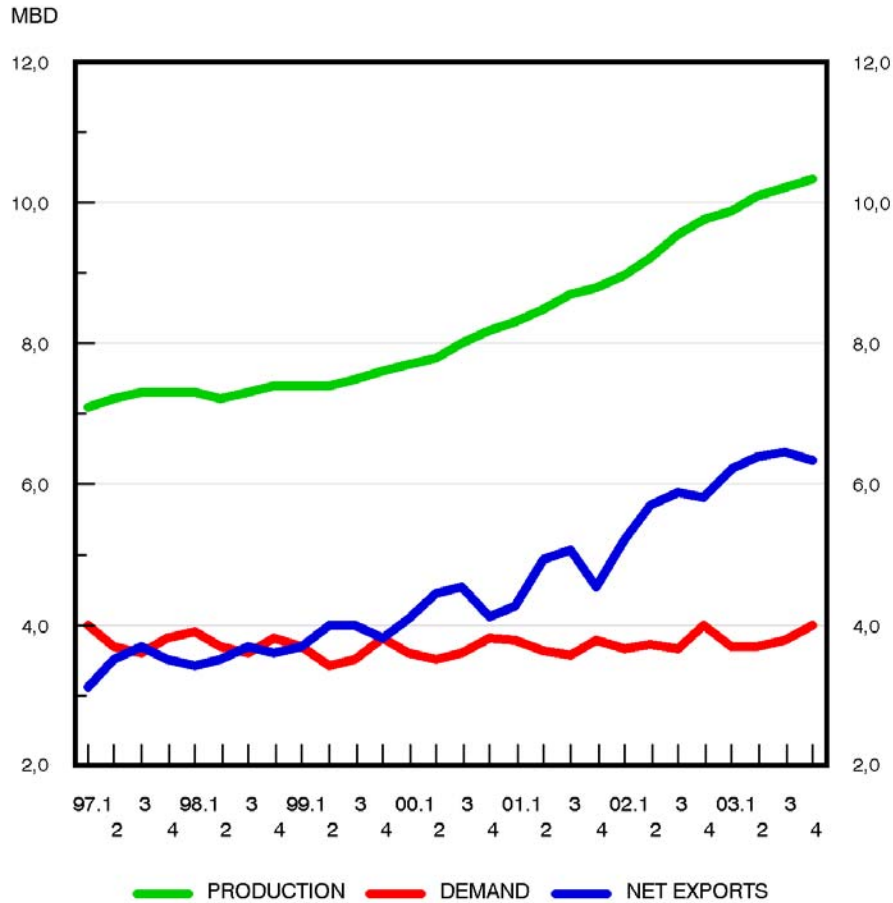
The macro trend

- > •FSU production increases putting pressure on OPEC / other non-OPEC production stable
- OPEC strategy since 1998: maximize fiscal income, forget marketshare
- Key facts winter 2003 / 2004:
 - Much lower inventories in OECD than last year
 - Strong growth in China,
 - SARS' negative impact gone (+0.5-0.7 mbpd?)
 - Natural Gas prices high and inventories low – switching?
 - Winter temperature
 - Japan nuclear power crisis
 - Bosporus – congestion again?
 - Iraq shouldn't have an impact?
 - Venezuela / Nigeria
 - Backwardation – no huge build-up of inventories
 - Refinery Margins – indicates strong underlying demand
- Key questions 2004-2006:
 - Will the growth in demand for crude exceed FSU increase?
 - Will the expected increase in demand for crude come before the newbuilding influx?

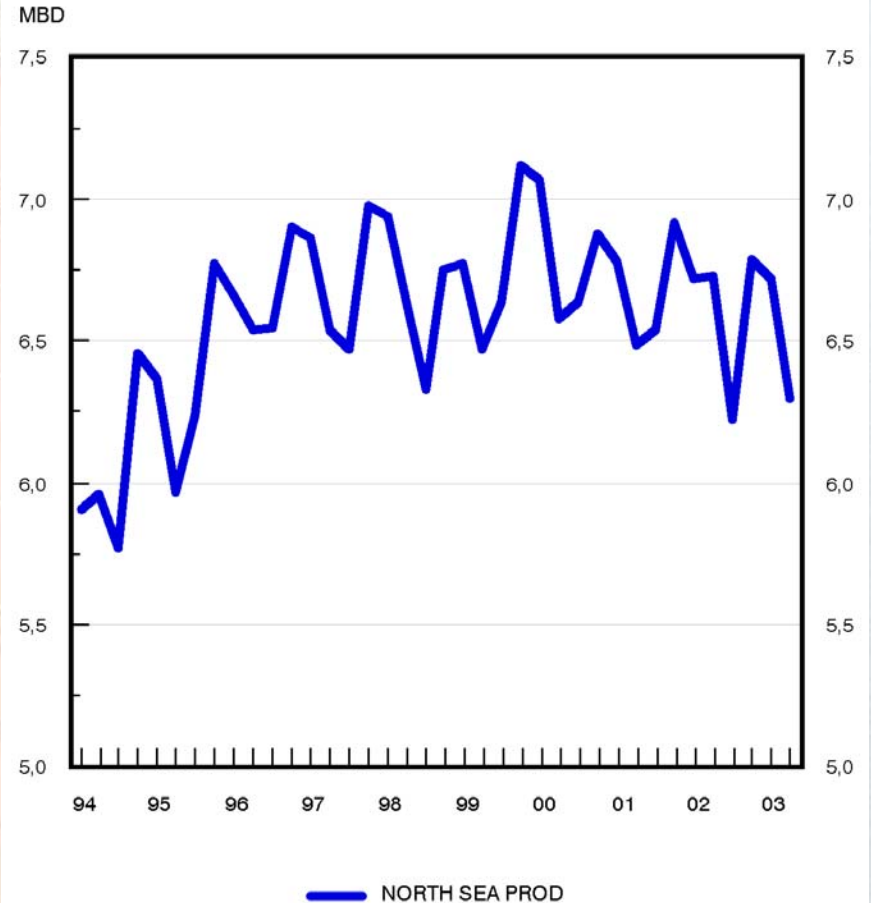
Oil production

	2000	2001	2002	2003	Change 2000 - 2003
Russia	6,54	7,05	7,65	8,19	1,65
Kazakhstan	0,75	0,83	0,95	1,04	0,29
Other FSU	0,75	0,77	0,79	0,81	
FSU	8,04	8,65	9,39	10,04	
OPEC NGL / Condensate		2,90	3,00	3,3	
Call on OPEC crude		26,80	26,00	26,3	
Stockbuild		0,40	-0,60	0,3	
OPEC crude		27,20	25,40	26,60	

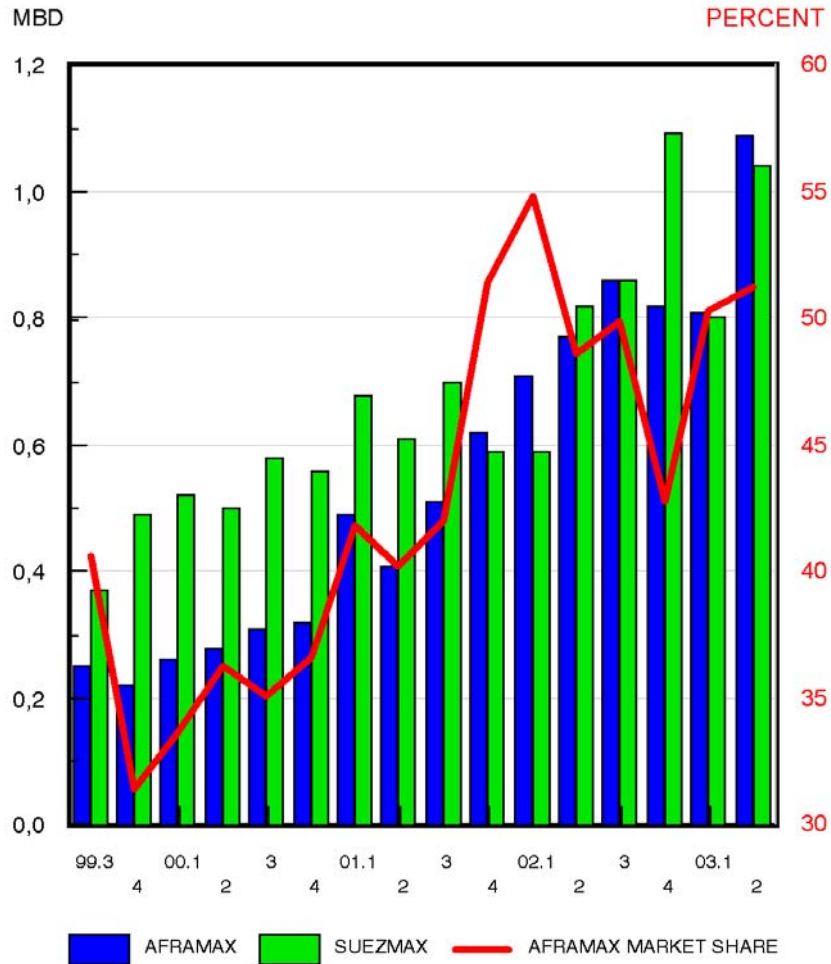
FSU OIL MARKET QUARTERLY 1997-2003 IEA FORECAST FOR 2003



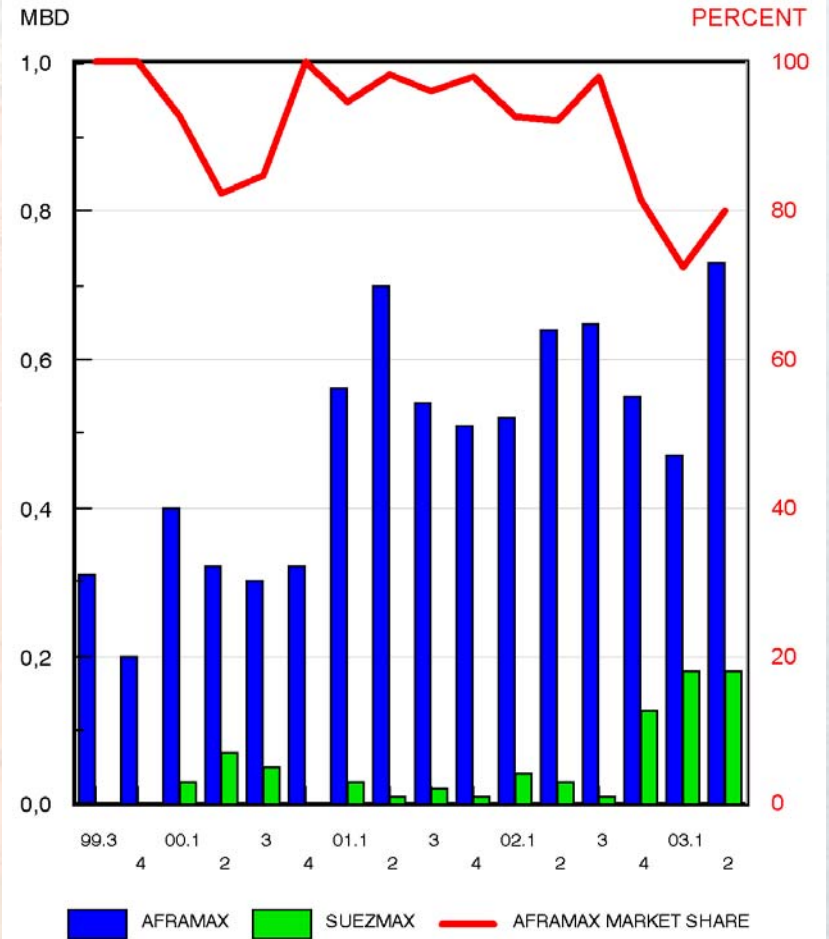
NORTH SEA OIL PRODUCTION QUARTERLY 1994-2003



SPOT MARKET VOLUMES OUT OF THE BLACK SEA QUARTERLY BY TANKER TYPE



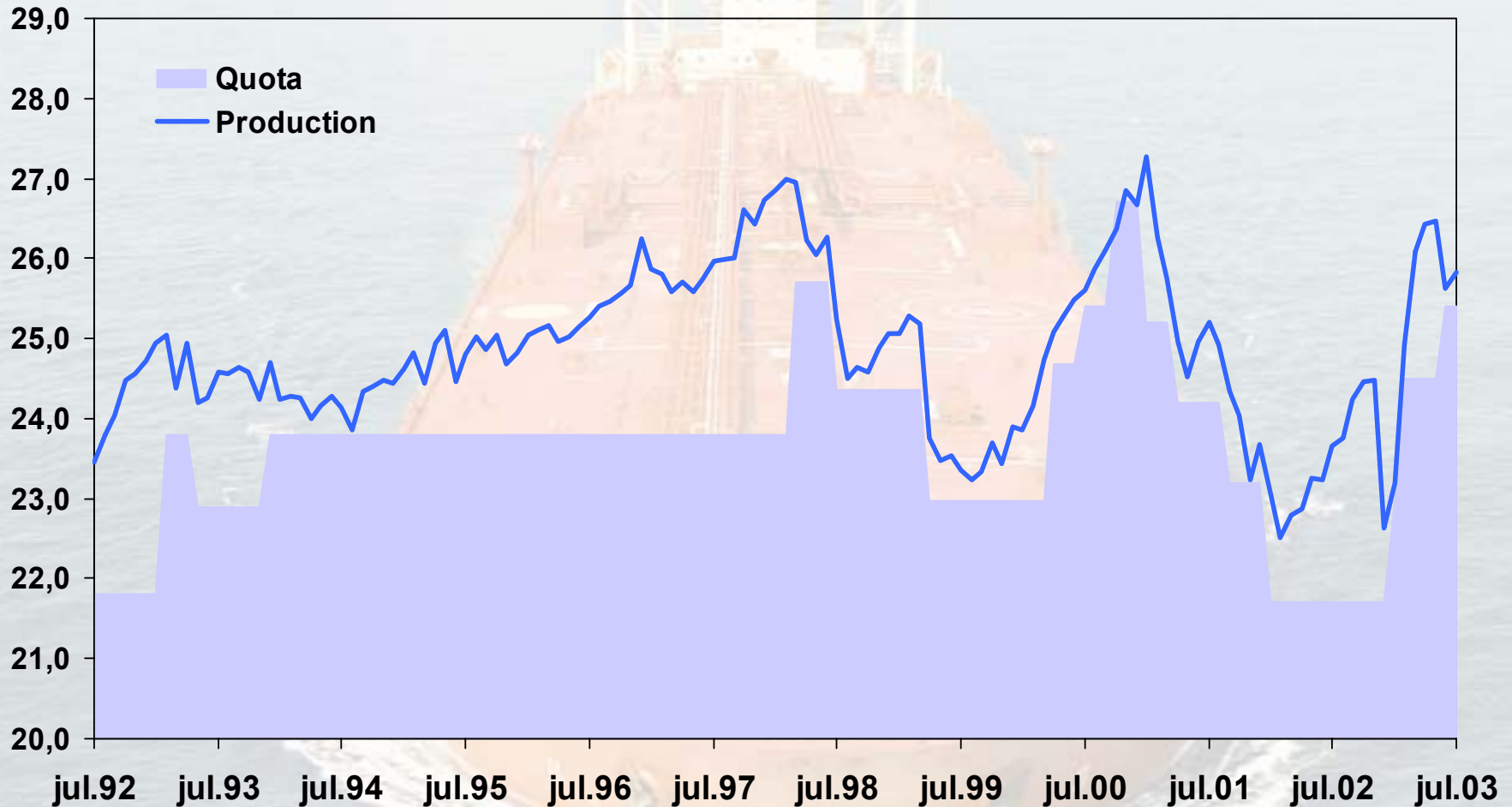
SPOT MARKET VOLUMES OUT OF BALTIC QUARTERLY BY TANKER TYPE



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OPEC-10: Production vs. quotas (mbd)

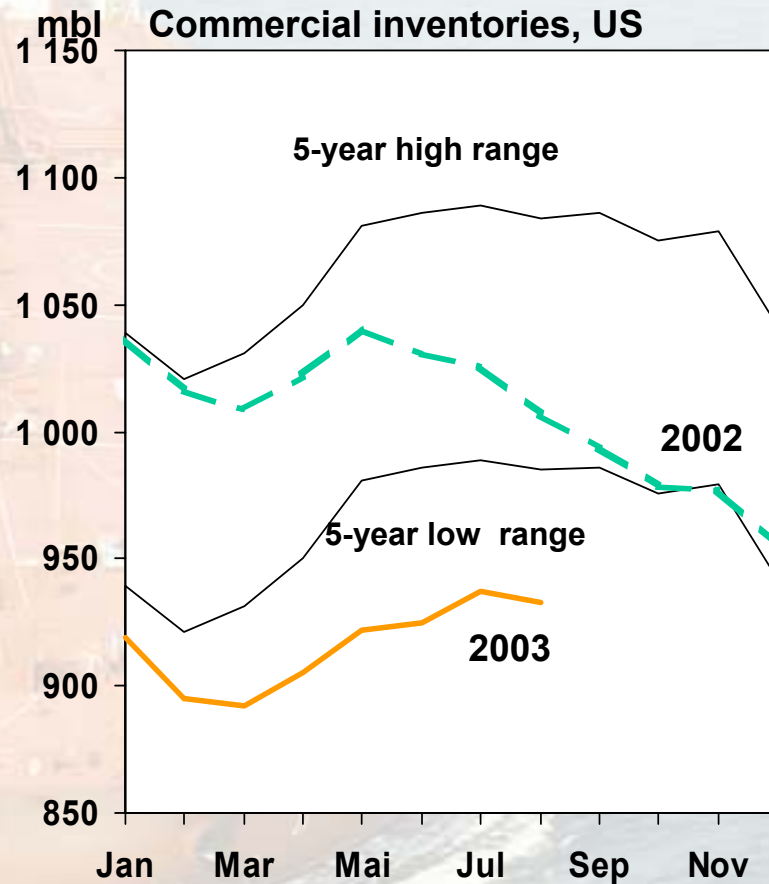
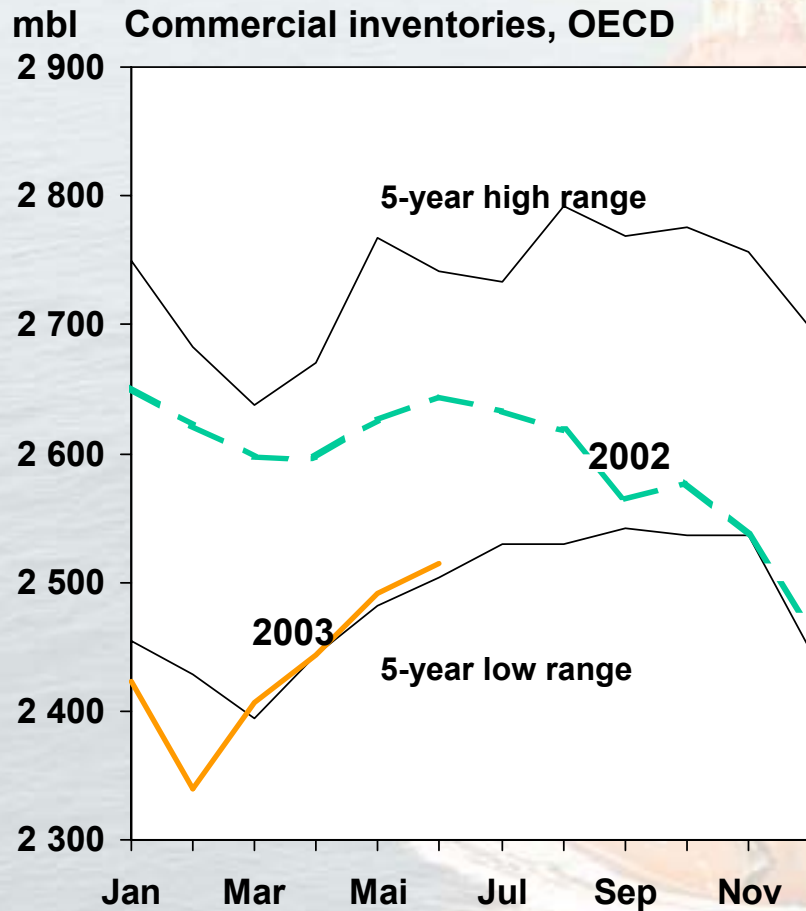


Source: P.F. Basssøe / IEA, August 26, 2003

The macro trend

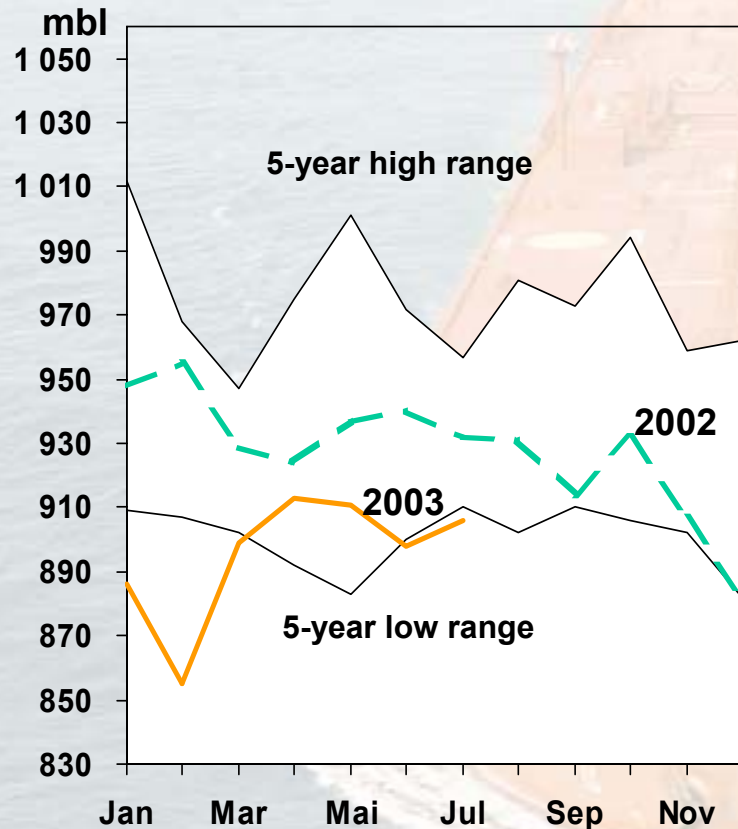
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Oil inventories, OECD and US

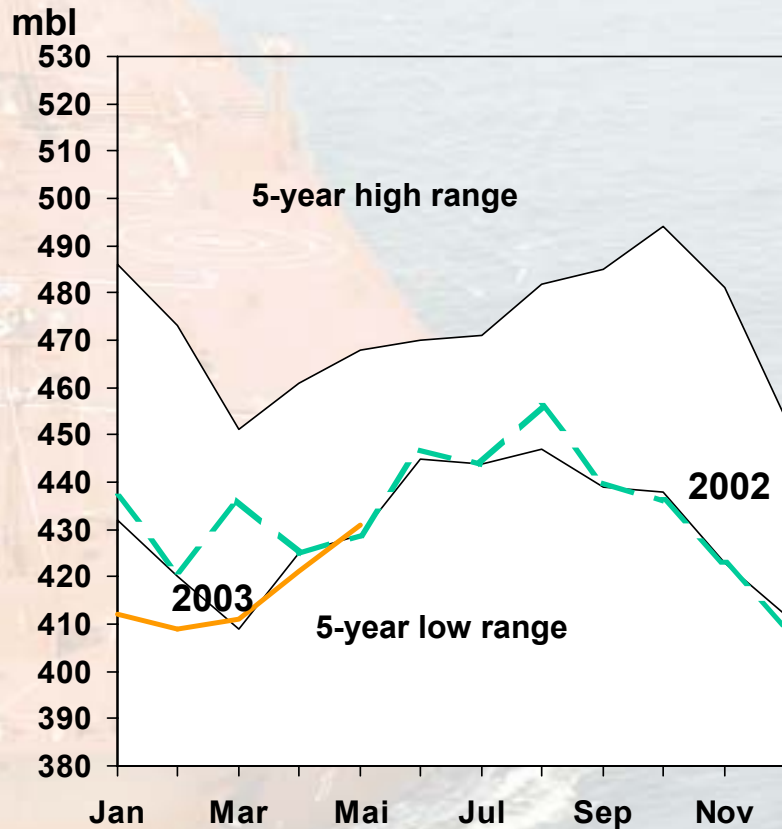


Oil inventories, Europe and Asia

Commercial inventories, OECD Europe

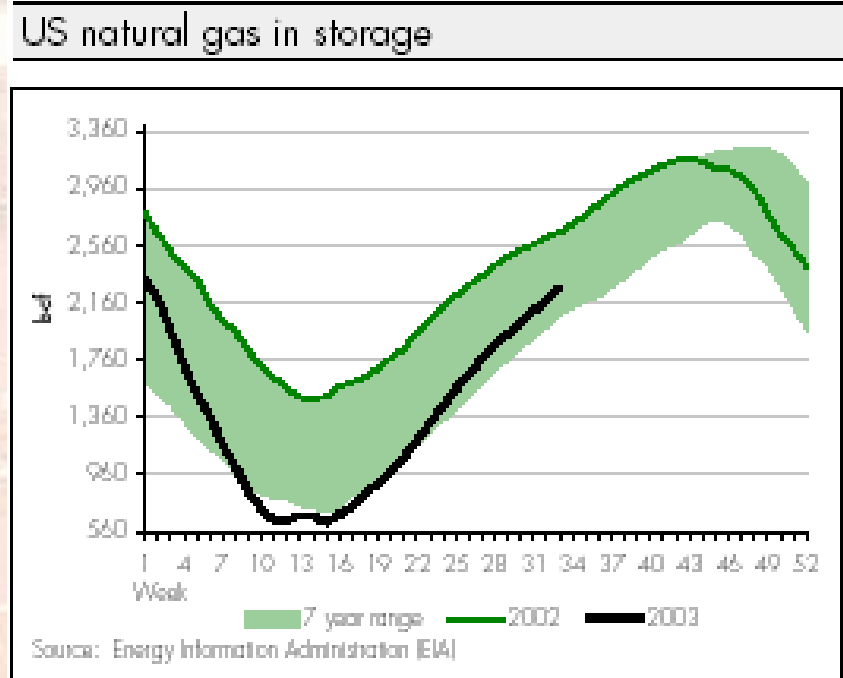
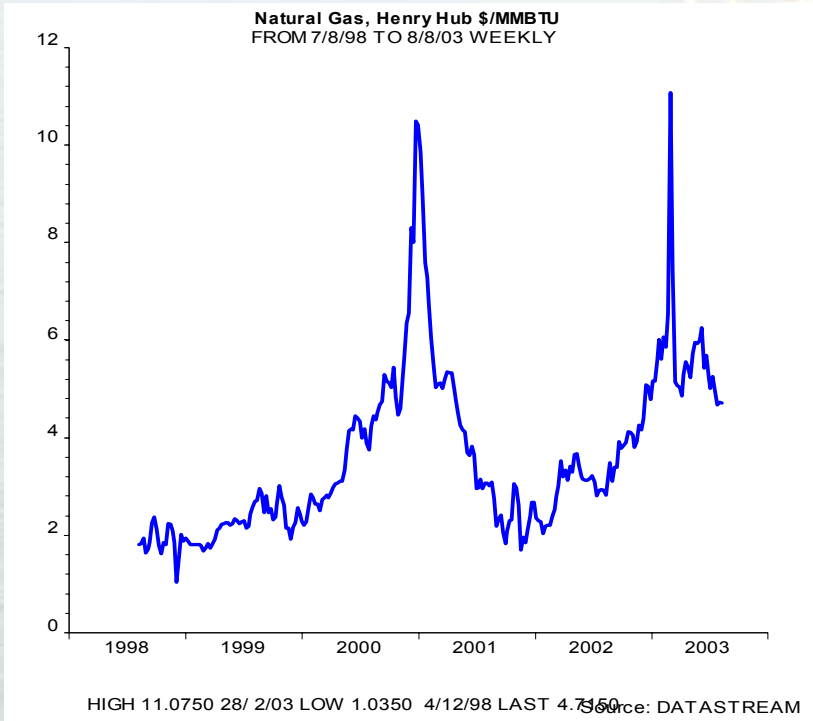


Commercial inventories, OECD Asia



The macro trend

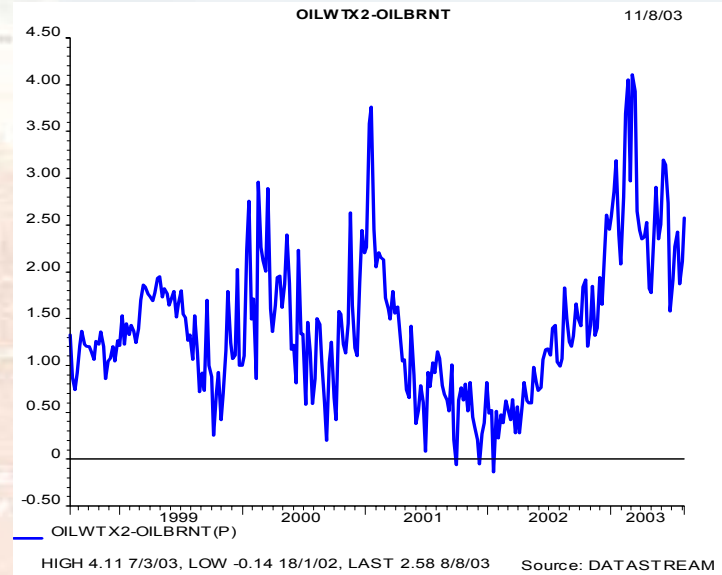
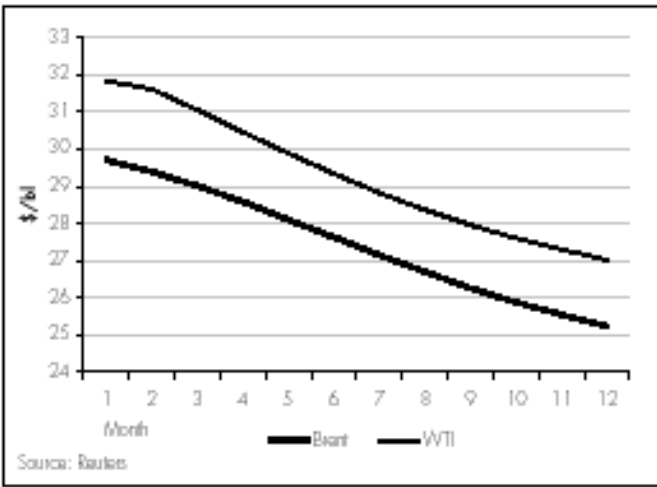
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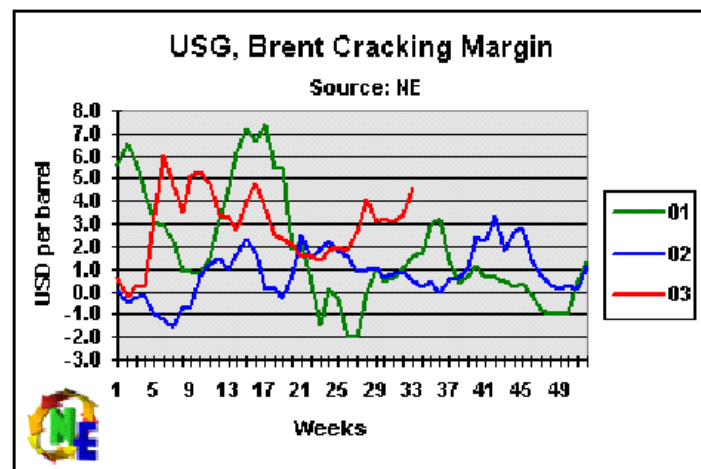
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Brent/WTI futures curves



US refinery utilisation



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Estimated call on OPEC 2003

	Avg.02	Q103	Q203	Q303	Q403	Avg. 03
IEA	25,9	27,4	24,6	24,9	26,2	25,8
US DOE	26,5	27,9	24,7	25,9	26,7	26,3
*						
JP Morgan	26,0	26,9	24,9	26,1	27,5	26,3
Stockbuild	-0,6	-0,1	1,7	0,2	-0,7	0,3
Opec crude	25,4	26,8	26,6	26,3	26,8	26,6

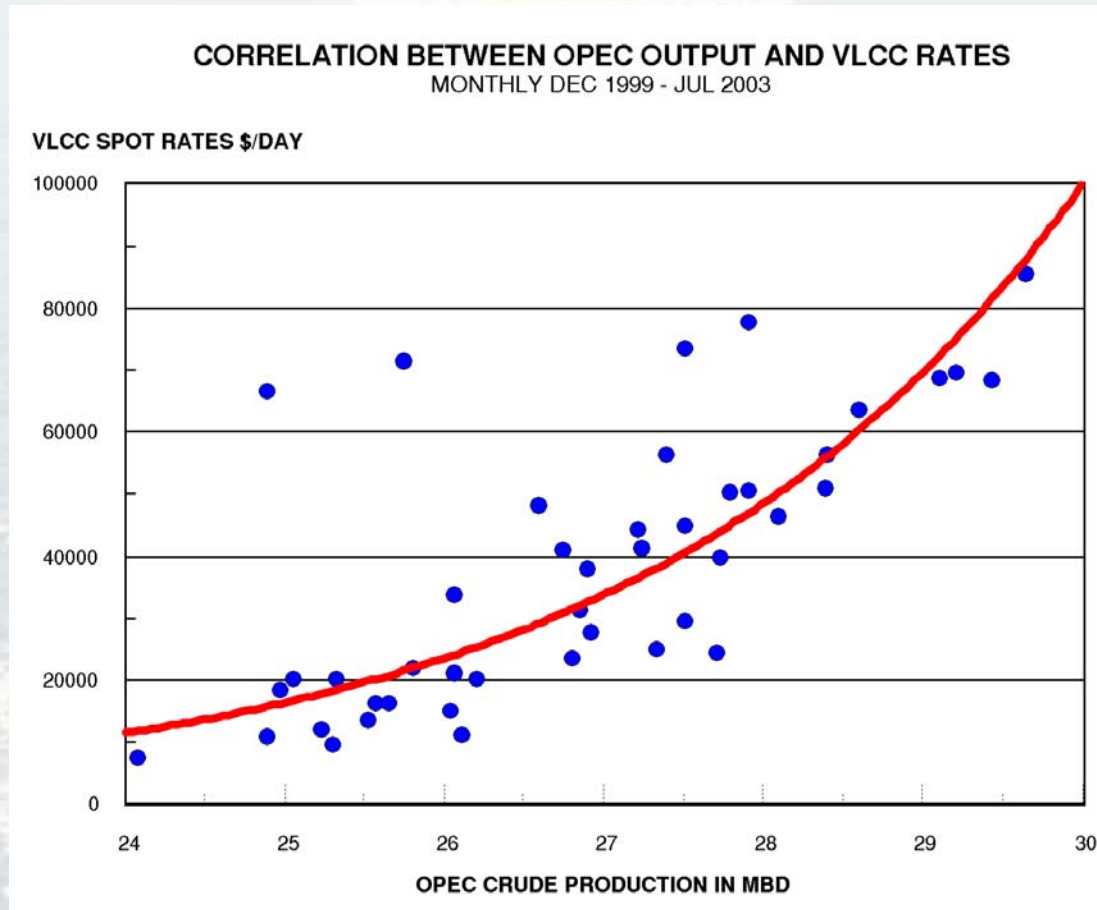
JP Morgan estimates as of July 16, 2003. IEA and DOE as of July 2003.

Estimated call on OPEC 2004

	Avg.03	Q104	Q204	Q304	Q404	Avg. 04
IEA	25,8	25,7	23,5	24,6	26,3	25,0
US DOE	26,3	27,4	25,2	25,9	26,7	26,4
*						
JP Morgan	26,3	26,0	24,9	26,5	27,9	26,3
Stockbuild	0,3	0,4	1,5	0,2	-0,9	0,3
Opec crude	26,6	26,4	26,5	26,8	27,0	26,6

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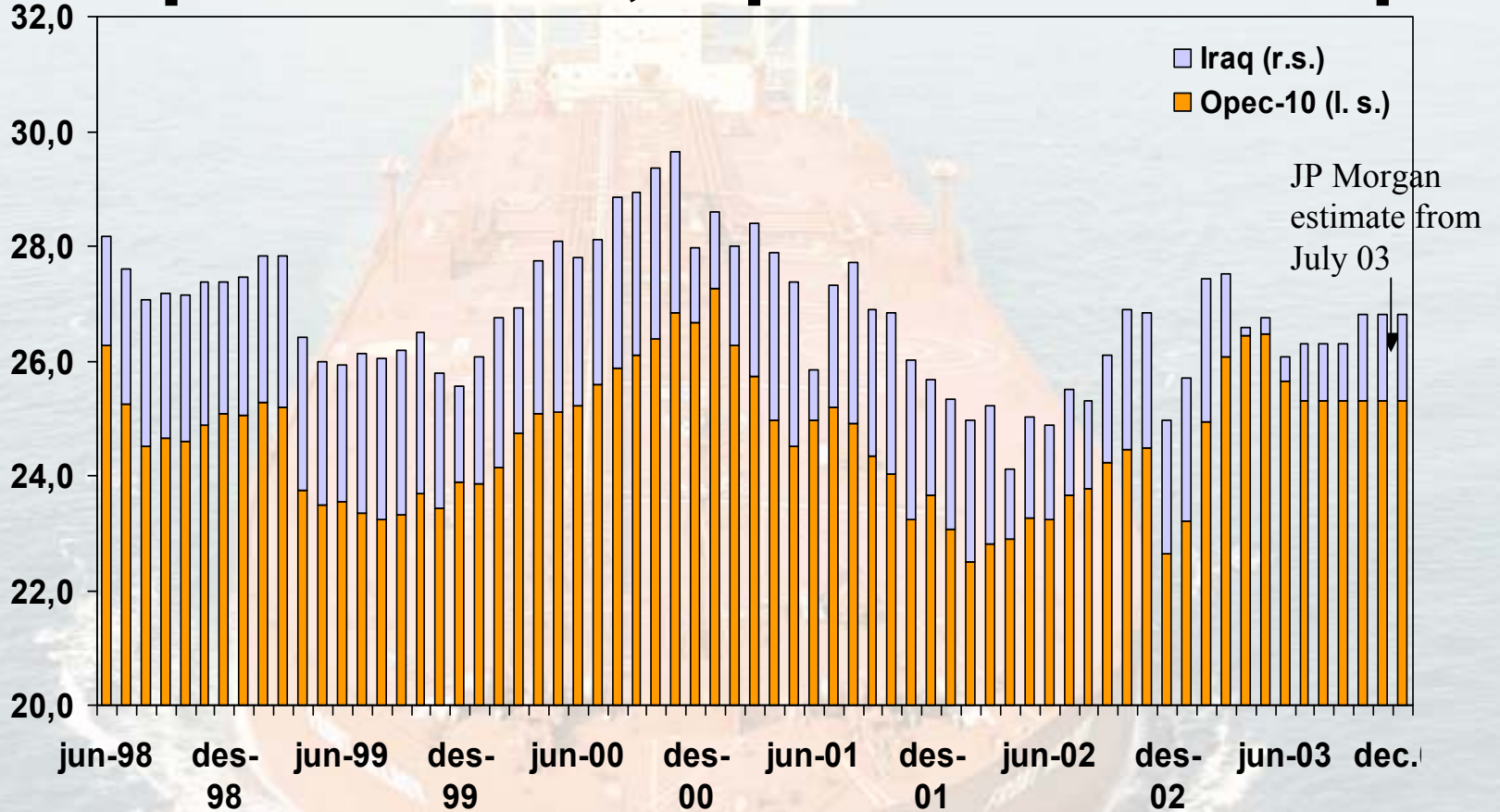
Correlation between Opec production and VLCC rates



Appendixes

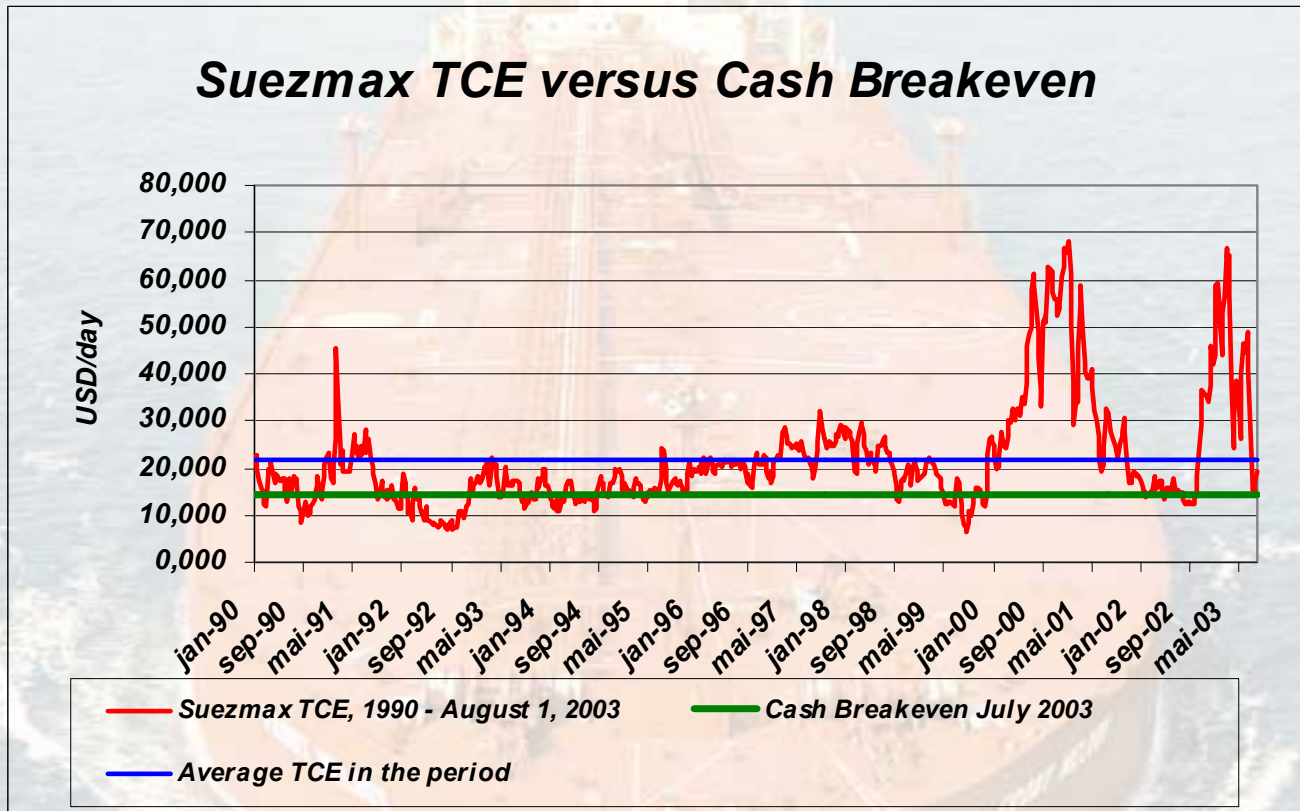
Oil production, Opec-10 and Iraq

mbbl



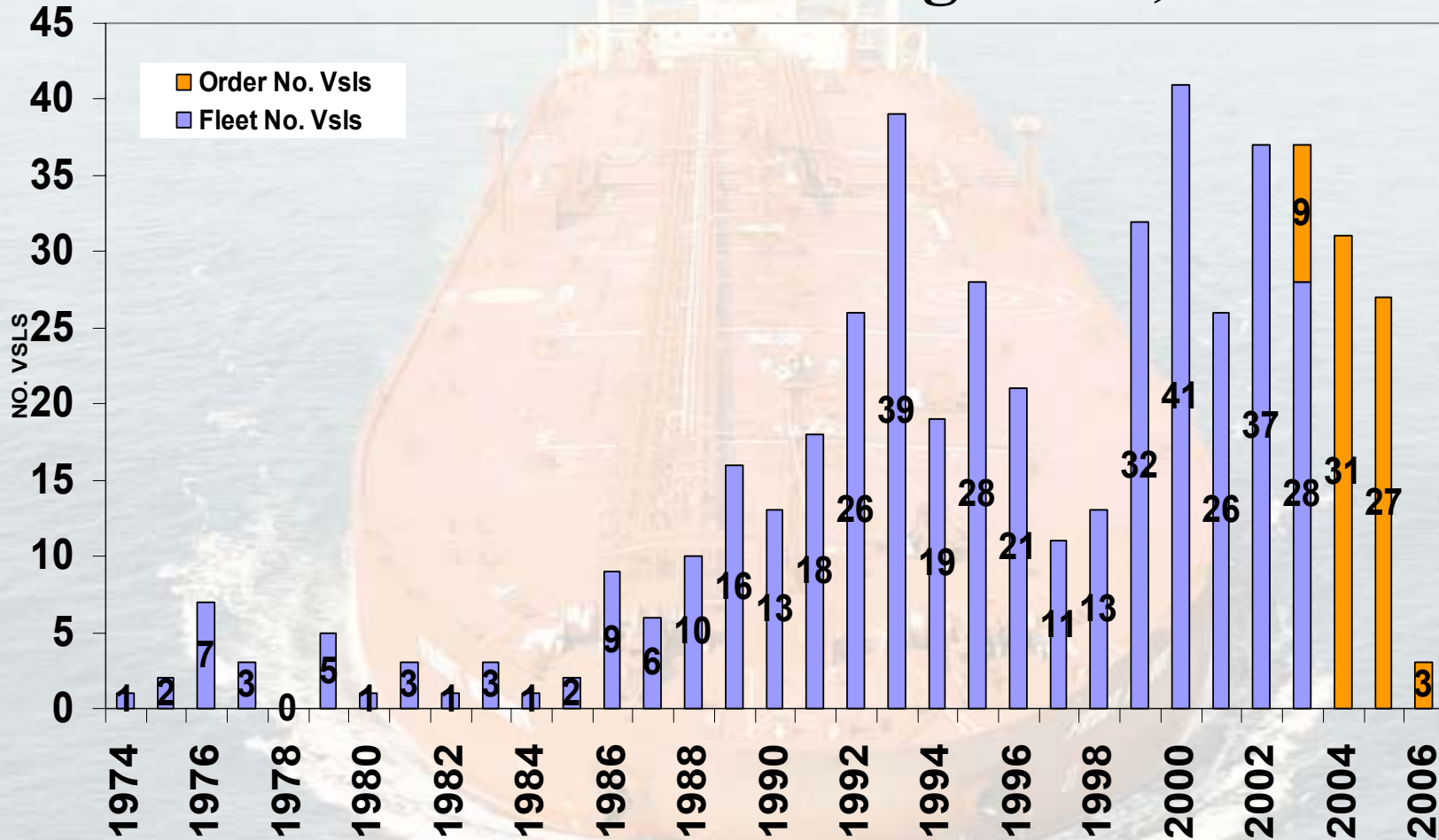
Source: P.F. Bassøe / IEA
 JPMorgan July/Aug. 2003

Breakeven requirements are very low



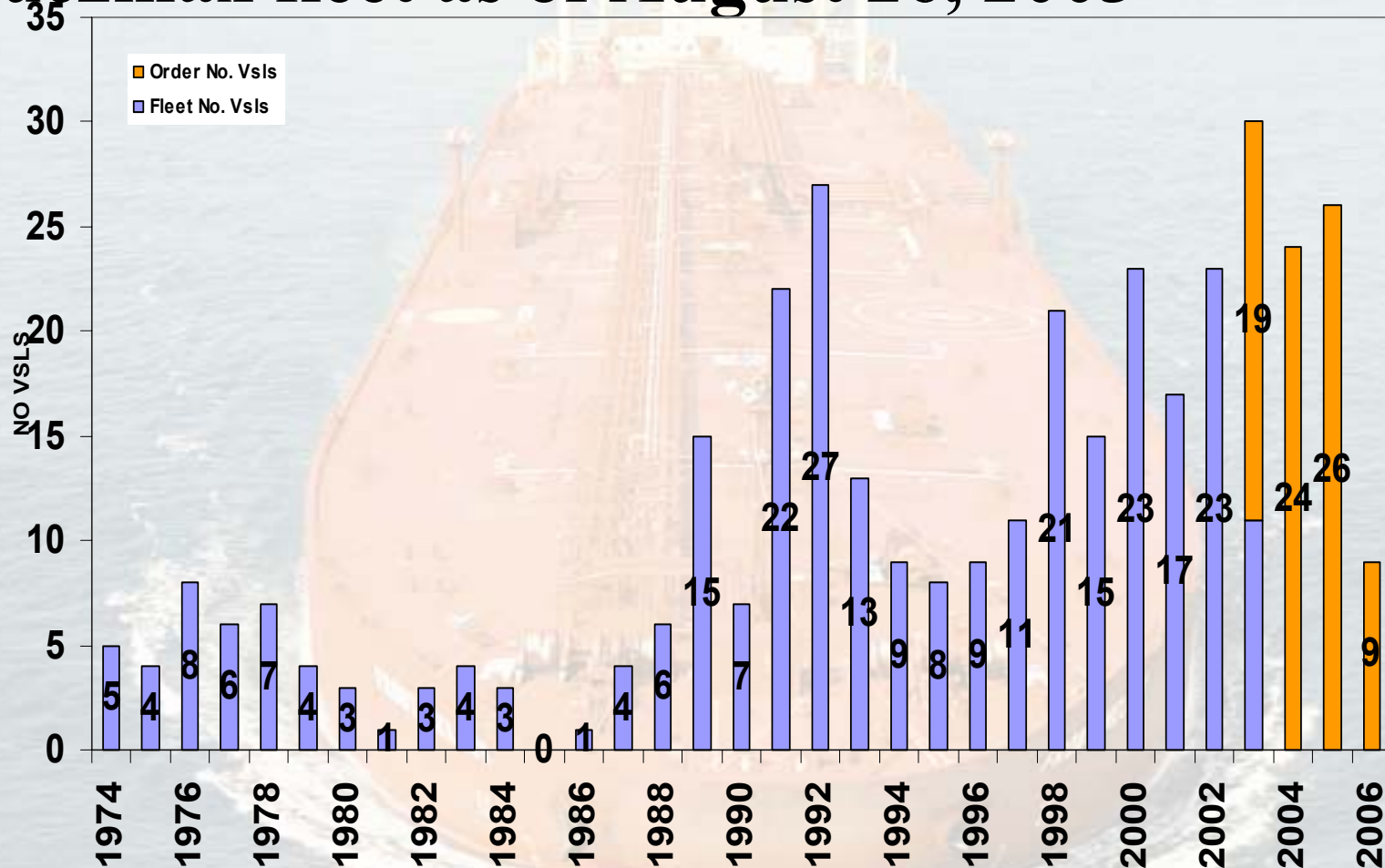
Average TCE Suezmax in the period 1990 – August 1, 2003 is USD 21,700 per day, as compared to P&L B/E August 2003 of USD 13,100 per day and cash B/E of USD 14,300 per day.

Newbuildings versus scrapping candidates VL/ULCC fleet as of August 26, 2003



Newbuildings versus scrapping candidates

Suezmax fleet as of August 26, 2003



Estimated oil demand/supply 2003

	Avg. 02	Q103	Q203	Q303	Q403	Avg. 03
Demand*	77,0	78,7	76,3	77,7	79,6	78,1
Supply*	76,4	78,6	78,0	78,0	79,0	78,4

***)Based on JP Morgan estimates as of July 16, 2003**

Oil production

	2000	2001	2002	2003	Change 2000 - 2003
Canada	2,68	2,74	2,87	2,96	0,28
Mexico	3,45	3,56	3,59	3,71	0,26
USA	8,11	8,05	8,04	8,03	
Argentina	0,82	0,82	0,80	0,78	
Brazil	1,50	1,58	1,71	1,78	0,28
Colombia	0,71	0,63	0,59	0,55	-0,16
Ecuador	0,41	0,42	0,39	0,39	
Denmark	0,37	0,35	0,37	0,37	
Norway	3,35	3,42	3,33	3,27	
UK	2,60	2,45	2,44	2,30	-0,30
Oman	0,96	0,96	0,90	0,85	-0,11
Syria	0,54	0,55	0,55	0,55	
Yemen	0,54	0,47	0,47	0,48	
Australia	0,82	0,73	0,73	0,68	-0,14
Brunei	0,20	0,20	0,21	0,20	
China	3,25	3,31	3,40	3,40	0,15
India	0,79	0,78	0,76	0,76	
Malaysia	0,81	0,79	0,80	0,82	
Vietnam	0,32	0,35	0,35	0,34	
Angola	0,75	0,73	0,90	0,89	0,14
Egypt	0,80	0,76	0,73	0,73	
Gabon	0,33	0,30	0,29	0,27	
Total	34,11	33,95	34,22	34,11	
Other / smaller prod		2,44	2,56	2,52	
Refinery proc gain		1,76	1,79	1,83	
Non OPEC supply ex FSU		38,15	38,57	38,46	