



I.M. SKAUGEN

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IMSK - 4 advanced LPG/Ethylene gas carriers confirmed to be built as part of a series of 10 new gas carriers.

This basic design is revolutionary for our Company and also fits our type of shipbuilding philosophy in China. IMS has also agreed to invest in the yard infrastructure to enable it to complete the IMS program. The agreement to build the first 4 of these ships and invest in the yard has customary conditions precedent that will be satisfied within short. The total calculated delivered building price is about USD 25 mill per ship or USD 250 mill for all 10 ships exclusive of relevant pre-delivery expenses.

I.M. Skaugen ASA (IMSK) has entered into another agreement with a Chinese shipyard to build up to 10 specialized combination gas carriers capable of handling both LPG/Ethylene and certain other gases. Each of these ships will have a cargo-tank capacity of about 10,000 cbm for gases in two tanks. Max draft is 7.30m and corresponding to deadweight of about 8,200 tons. This design is revolutionary for our Company and also fits our new type of shipbuilding philosophy in China. IMS is in an alliance with this Chinese domestic shipbuilder in which we are assuming more of the responsibility for not only the ship design and construction, but also for sourcing of steel, major components and more importantly the key cargo handling systems and components.

The total calculated delivered building price is about \$250 mill for all 10 ships – or \$25 mill per ship exclusive of relevant pre-delivery expenses such as finance and commissioning cost.

In order to complete our series of up to 10 gas ships at the highest standards, we will also invest in this yard's infrastructure with about USD 4.4 mill. This will allow this yard to build these larger ships that are designed to support Norgas future needs. The agreement to build the first 4 of these ships and invest in the yard has customary conditions precedent that will be satisfied within short.

The first of these new 10,000 cbm ships will be delivered in 4Q2007 and the balance with about 7 months intervals. These ships will be built to specifications satisfying Germanischer Lloyds (GL) class rules and the requirements of both Singapore and Hong Kong flag authorities.

IMS has for some time developed a framework for our renewal program of our Norgas fleet of gas carriers. The Norgas Carriers Pte Ltd (100% owned subsidiary) is a global market leader in the global transportation of petrochemical gases and chief amongst these is Ethylene. Norgas operates a fleet of 18 ships and have 5 new gas ships on order. Over the next several years, we will retire about 4 of our ships and we

need to renew and expand our fleet to stay competitive. The plan to build up to 10 new ships to renew our fleet under a comprehensive program will also allow us to expand the fleet.

IMS has substantial experience in China of building complicated ships.

To manage these additional challenges, we are developing even further our competence and experience gained of undertaking such business in China. IMS has substantial experience from building complicated gas ships at shipyards in China, yards that have limited experience in building such ships, and especially for export customers. This cooperation creates more of a partnership to manage the risks and share the rewards of an efficient design and construction process. By creating such an alliance with this shipbuilder, IMS' aim is to assist this shipyard in developing its business to service also the future export markets while IMS gets ships enabling us to improve not only our Cost Leaderships, but also to strengthen our Service Leaderships in our business segments. By this contract for these additional ships, IMS plans to occupy the total capacity of this shipyard for some years to come.

In 2000, IMS commenced production of advanced gas ships in China and completed in 2003 the "Somargas" design ships. These six (6) "Somargas ships" have proven to be the best gas ships in the global gas fleet with a high operational efficiency. These new ships now ordered are a repeat of this basic design, but with even higher operational efficiency and more flexibility when it comes to the types of gasses it can carry. The cost of the "Somargas" ships were considered quite competitive at the time with the low cost achieved for the ships; they were delivered at an "ex-yard cost" of about \$21 mill per ship for the 10,000 cbm design. These new gas ships will come at a marginal additional cost, but we feel it is quite comparable with an "ex-yard cost" of about \$25 mill a ship. The additional cost also reflects the use of new technology developed by IMS that will give better performance and flexibility.

IMS has a current newbuilding program in China at the same yard that consists of five (5) ships and at an "ex-yard cost" of about \$70 mill. In 1Q05, IMS commenced the construction process of two 3,200 cbm LPG carriers at this shipyard. These ships are contemplated for our operations in China and could accordingly fly the PRC flag. The estimated "ex-yard cost" for these two ships is about \$7.5 mill each. We are in JV for domestic transportation in China of LPG on the Yangtze river and last year we carried over 100,000 tons of products on the rivers in China. IMS has ambitions in China to offer logistical solutions meeting international standard to all customers along the Chinese coasts and rivers and for products going in and out of China. In 2Q05, we decided to build three (3) specialized combination ships capable of handling both LPG/Ethylene and organic chemicals. Each of these ships will have a tank capacity of about 5,800 cbm for LPG and petrochemical gasses in four stainless tanks or about 9,700 cbm of organic chemicals space in 11 tanks of which 7 are zinc coated (3,900 cum) and 4 are of stainless steel (5,800 cum). Max draft is 8.0 m and corresponding to deadweight of 10,200 tons. These ships have an "ex-yard cost" of about \$18 mill each.

If you have any questions, please contact:

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Listed on the Oslo Stock Exchange, I.M. Skaugen ASA (IMSK) is a marine transportation service company engaged in the safe transport of petrochemical gases and LPG, and the ship-to-ship transfer of crude oil. Our customers are major, international companies in the oil and petrochemical industry, whom we serve worldwide from our operations in Dubai, Freeport Tx, Houston Tx, Nanjing, Oslo, Shanghai, Singapore and Wuhan. I.M. Skaugen operates recruitment and training programmes in St. Petersburg, Russia and Wuhan, China for the crewing of its vessels.

The Group employs about 750 people and currently operates 42 vessels worldwide. The fleet comprises petrochemical gas and LPG carriers, Aframax tankers, vessels and barges for the transportation of gases on the Yangtze River and a small number of workboats for Skaugen PetroTrans. Six new, purpose designed and built "Aframax sized tankers" are on order for delivery to SPT on a long term Bareboat charter and commencing during 2007; two LPG vessel of 3200 cbm are on order for delivery to IMS China Activities in 2006 as well as three purpose designed combination carriers with LPG/Ethylene/VCM and Organic chemicals (IMO2) carrying capability.