

IMSK - LPG vessels for our China operations to be built

IM Skaugen ASA (IMS) has developed a framework for developing Chinese Marine Transportation Services and have an ambition to engage further into both the domestic transportation and the imports and exports of LPG as well as petrochemical gases and products in China. The drive to build the Chinese petrochemical industry into a "world-class" operation will require the marine transportation of many oil, LPG and petrochemical raw materials and related semi-finished products. The logistical solutions needs to be at an international standard and must soon be offered to this global and growing industry.

In 1999 we commenced domestic operations with the carriage of LPG on the Yangtze rivers through a J/V entity that last year carried over 100,000 tons of products. IMS will continue its expansion into the Chinese market, offering logistical solutions with international standard to the customers along the Chinese coasts and rivers.

For our own use IMS has thus now entered into an agreement to build two 3,200 cbm LPG carriers at a Chinese shipyard south east of Shanghai.

IMS has entered into a, for our Company, new type of arrangements in shipbuilding in which IMS is assuming a lot more of the responsibility for not only vessel design, but also for sourcing of steel and components for the vessel construction. To manage these additional risks we are developing further, and building on, our competence of doing business in China. We have prior experience from building complicated gas vessels at shipyards in China that have little experience in building such vessels and for export customers, but this cooperation creates more of an alliance to share the risks and rewards of an efficient design and construction process. By creating such an alliance with this shipyard we are both hoping to assist the shipyard in developing its business to service the export markets in the future while we at IMS get access to vessels that will enable us to improve not only our Cost Leaderships, but also our Service Leaderships in our business segments.

The vessels will be delivered within second half of 2006 and will be built with specifications and the rules to fly either Hong Kong or the PRC flag. The calculated delivered price for us is about USD 15 mill incl. of all pre-delivery expenses. The construction of these vessels will be financed by use of our own working capital.