

Long-term Chinese financing for four new-buildings

I.M. Skaugen ASA (IMS) is a marine transportation service company engaged in the transport of petrochemical gases and LPG in addition to the lightering of crude oil. Our customers are major, international companies in the oil and petrochemical industry whom we serve on a global basis from our representation in Shanghai, Wuhan /Jingzhou, Oslo, Houston and Singapore. We also have our own training program for our seagoing personnel in Wuhan, China, and St.Petersburg, Russia. The Group currently operates about 35 units consisting of 20 gas carriers in the Norgas fleet, 2 chemical carriers in Princess Carriers, 5 LPG carriers for transportation of gas on the Yangtze river, 2 work boats in Hubei Tian En Petroleum Gas Transportation Co. (TNGC), and 8 Aframax tankers and 4 work boats in Skaugen PetroTrans (SPT). IMS has ordered 6 ethylene gas carriers in China to be employed with the Norgas fleet with delivery 2002-3 and with an option for 4 more such vessels with a delivery in 2003/4.

I.M. Skaugen has on behalf of Somargas Ltd., signed a long term financing agreement with the Export Import Bank of China in Beijing (EXIMBANK) for a 10 year "Buyers Credit" facility on the first four vessels in our LPG/Ethylene new-building program at the Hudong-Zhonghua shipyard in Shanghai. The agreement totalling USD 62.5 million for four, of the so far six, specialized and unique ethylene carriers that are contracted.

It is the first time ever such an agreement has been entered into with any non Chinese customer for vessel for export, and EXIMBANK and I.M. Skaugen have worked together on this Buyers Credit transaction over the last 18 months. It also shows Chinese commitment to expand its shipbuilding for export and its presence in the world capital markets. The agreement allows for a fixed base interest rate of 4.95% in USD for 75% of the vessel contract price and for a 10-year period. A financing facility for the "stretch" of the repayment profile of the loans for these vessels are secured with Nordea in Oslo and NIB Capital Bank of Holland. These banks also provide a guarantee towards EXIMBANK for the export financing.

The build up of the Skaugen presence in China is a challenging process, but we are satisfied with what we have accomplished as of today and the Board continues to view China as a promising market for the transport of petrochemical gases and LPG as well as a source of affordable crewing, fleet management services and vessel construction and repairs in addition to vessel financing. Both the new-building program and the Buyers Credit transaction could not been achieved without our presence and experience in China over the last years as well as commitment to China. As part of this commitment and the EXIMBANK financing the new vessels will fly the Hong Kong flag. It also shows Chinese commitment to expand its shipbuilding for export and its presence in the world capital markets.

Somargas; with it's joint venture partners I..M.. Skaugen ASA and GATX Capital of San Francisco are going to build six LPG/E carriers that will all be part of the Norgas fleet, which currently consists of 14 gas carriers (13 with ethylene capacity) and with about 100.000-cbm capacity. We have further more options to build 4 more such vessels whereas the first option has to be declared prior to August 2002 and the second prior to February 2003. The total delivered cost of all 10 vessels (incl. of the 4 option vessels) will be about USD 220 mill. The new vessels will be larger and more efficient compared to the "Norgas Average" vessel (7,121 cbm), and should therefore have an increased earnings capacity. The project is expected to further reduce Norgas's EBIT break-even level from this year's goal of USD

226.000 per vessel per month mainly due to the low acquisition cost and improved utilisation of our shore side resources. The first six vessels will be delivered during year 2002-2003. The project is also in line with the IMS strategy to strengthen Norgas's position as the second largest ethylene carrier owner in the world as well as our long-term objective to renew the Norgas gas carrying fleet