

April 23rd 1996

## **PRESS RELEASE**

### **Summary**

*I.M. Skaugen's profit for the 1st Quarter of 1996 was NOK 15 mill while the corresponding figure for the same period of 1995 was NOK 22 mill. The operating profit was NOK 1 mill. compared to NOK 30 mill. for the same period in 1995.*

*The company's consolidated cash flow before unrealised foreign currency gains/losses was NOK 29 mill compared to NOK 44 mill. for the same period in 1995. Compared, however, to the last quarter of 1995, the achieved results indicate an improvement of the market conditions from the turn of the year. The utilization of our vessels has not been satisfactory during this period, and a substantial amount of freight seeking days, especially in Europe, gives a weaker result than we could have wished.*

*I.M. Skaugen is a transporter of petrochemical gases and LPG through its wholly owned subsidiary Norwegian Gas Carriers. The company operates 16 vessels and with this fleet handles almost every third ethylene cargo world wide and every fifth propylene cargo. Europe and Asia are considered the company's target areas for business, and there are representative offices both in Singapore, Shanghai and Houston in addition to the headquarter in Oslo. The activity in Europe, representing about 30%, has been weak since the fall in 1995, while Asia, representing about 60%, still shows a satisfactory growth. I.M. Skaugen has during the last years significantly improved its marketing and operation efficiency and through this changed the company's structure and improved its earning capacity. An example of this is that the income from activity in Asia today accounts for 60% compared to less than 20% only 4 years ago.*

### **I.M. SKAUGEN ASA**

#### **Report as per 1st Quarter of 1996**

I.M. Skaugen is a transporter of petrochemical gases and LPG and serves, through its wholly owned subsidiary Norwegian Gas Carriers (NGC), the world's leading companies in the petrochemical industry. The company operates 15 wholly or partly owned gas carriers and one vessel on time charter. The company is among the world's leading operators in its segment.

### **The Result**

I.M. Skaugen's profit for the 1st Quarter of 1996 was NOK 15 mill. This represents a decrease of NOK 17 mill. compared to the same period of 1995. As a consequence of the refinancing of the company's long term debt, a currency gain of NOK 31 mill has been realised in the period, but NOK 10 mill. is expensed to terminate the former loans. The refinancing at improved rates will provide the company with continued savings in financial expenses. The company's earnings and debt are mainly in USD. The operating profit was NOK 1 mill. The comparable operating profit for 1st Quarter of 1995 was NOK 30 mill. The

company's cash flow before unrealised currency gains/losses was positive with NOK 29 mill. The corresponding figure for the same period of 1995 was NOK 44 mill.

### **Capital**

The consolidated current ratio for the company was 1.4 and book equity ratio 47%. As per 31 March, the company has NOK 177 mill. in liquid assets. Independent brokers in Norway and abroad assess the market value of the fleet to NOK 257 mill. above book value. The company's equity based on book value is NOK 554 mill. The company enjoys as such satisfactory capital resources for further development as a leading transporter of petrochemical gases. The company will focus on a careful renewal of the fleet in the second hand market and at the same time keep a financial gearing ensuring financial flexibility. During the first quarter, the company's debt was reduced with USD 25.9 mill. or NOK 166 mill. through downpayment of mortgage debt, and a drawing right of USD 30 mill. is ensured.

### **Operations**

With a market share of about 25% within the segment of ethylene transport and a somewhat smaller share for the transport of propylene, butadiene and VCM, the company has a solid position in the market.

The results for the 1st Quarter reflect less activity in the petrochemical market in Europe the same way as for the 4th Quarter of 1995. This again leads to the fact that the freight seeking days totally amounts to about 13% of total days which is somewhat higher than 4th Quarter of 1995(11%) and significantly higher than for the 1st Quarter of 1995(1%). Idle days in Europe has totalled about 2/3 of all idle days, and the spot rates in Europe have shown a falling tendency throughout the period.

A pronounced increase in the price of the petrochemical products in Asia since December 1995 has also lead to tightening of the freight market in this area. The company expects this to result in a price and activity increase in Europe within a few months. The average earnings on time charter basis per vessel per month was USD 326,000 against USD 344,000 for 4th quarter of 1995 and USD 382,000 for 1st Quarter 1995. However, the number of freight seeking days and technical off-hire in connection with planned dry-dockings are significantly above the level in first half of 1995. The contract coverage for 1996 constitutes about 50% of the total capacity. All Contracts of Affreightment and time charters are renewed at the same or better rates than for the corresponding period in 1995.

The last time charter contract concluded by the company has been on USD 415,000 for a 12 months period which is an unchanged level for the vessel from the previous contract closure.

A continued positive growth in the economy in Asia will in spite of a more moderate growth in USA and slow growth in Europe provide a positive development for the petrochemical industry and result in an increasing demand for our type of tonnage. The supply of tonnage is still somewhat modest except for smaller fully pressurised vessels for LPG trading in Asia (primarily China and India). To further focus on the company's marketing in the Asian

geographic segment, it has now been decided to open a representative office in Singapore in addition to the offices in Houston and Shanghai.

### **Operating conditions**

The vessel operations have been without any major problems also in this period. Three planned dry-dockings have been completed of which one major dry-docking resulting in extending the expected life of the vessels. The total operating costs are kept within the planned level, and the quality of the vessels are developing to our satisfaction. A further three dry-dockings will be completed in the 2nd Quarter of this year.

The company has increased its strong focus on the use of Information Technology with the customers in order to analyse in detail and improve the efficiency and the quality of the execution of the cargo shipments and the docking operations. The figures relating to personnel injuries and damage to equipment and cargo continue the positive trend with very few incidents and damages.

For questions or comments, please contact Executive Vice President Hans-Jørgen Blomseth on telephone +47 22 83 30 60.

# I M Skaugen Consolidated

## Statement of Income

NOK million (Exchange rate NOK/USD 6,43 Average 1st Quarter '96)

	1996	1995	1995
	1st Quarter	1st Quarter	1.Jan-31.Dec
Gross freight revenue	100	134	484
<u>Voyage-related expenses</u>	<u>(17)</u>	<u>(26)</u>	<u>(79)</u>
<b>Net revenue on T/C-basis</b>	<b>83</b>	<b>108</b>	<b>405</b>
T/C-hire	(10)	(7)	(36)
Other operating expenses	(54)	(56)	(223)
<u>Depreciation</u>	<u>(18)</u>	<u>(15)</u>	<u>(79)</u>
<b>Operating profit before disposal of vessels</b>	<b>1</b>	<b>30</b>	<b>67</b>
<u>Result from disposal of vessels</u>	<u>0</u>	<u>5</u>	<u>5</u>
<b>Operating profit</b>	<b>1</b>	<b>35</b>	<b>72</b>
Financial income	4	3	17
Financial expenses	(25)	(20)	(74)
Net result on foreign exchange - realized	31	12	29
<u>Net result on foreign exchange - unrealized</u>	<u>4</u>	<u>(7)</u>	<u>7</u>
<b>Net financial items</b>	<b>14</b>	<b>(12)</b>	<b>(21)</b>
Extraordinary Income/minorities	0	(1)	13
<b>Profit</b>	<b>15</b>	<b>22</b>	<b>64</b>

## Balance sheet

NOK million (Exchange rate NOK/USD 6,42 as per 31.03.96)

	31.03.96	31.03.95	31.12.95
Cash and bank deposits	177	314	339
Other current assets	55	57	61
Vessels and other fixed assets	944	969	944
<b>Total assets</b>	<b>1.176</b>	<b>1.340</b>	<b>1.344</b>
Current liabilities	168	111	184
Long term debt	410	694	577
Subordinated unsecured loan/Convertible loan	44	44	44
<u>Shareholders' equity</u>	<u>554</u>	<u>491</u>	<u>539</u>
<b>Total liabilities and shareholders' equity</b>	<b>1.176</b>	<b>1.340</b>	<b>1.344</b>