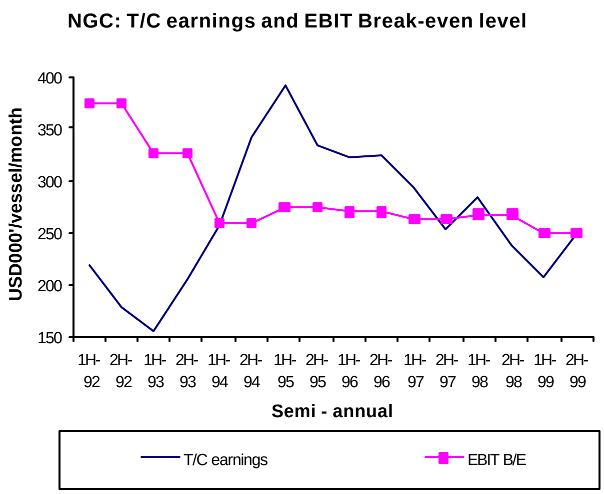
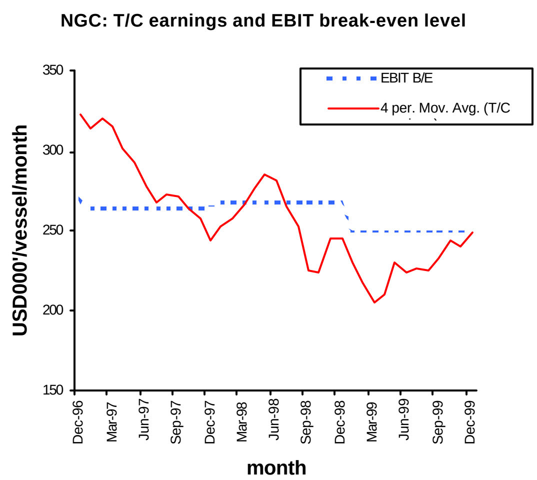
SKA – 1999 Preliminary Results

**I.M. Skaugen ASA (IMS) reported a loss for the group of USD 2.4 mill for 4Q99 (minus USD 6.6 mill for 4Q98) and a loss of USD 6.2 mill for all '99 (minus USD 13.8 mill for all '98 and positive USD 12.7 mill for 1997). The EBITDA result for the Group was USD 3 mill for 4Q99 (USD 1.4 mill for 4Q98) and USD 14.8 mill for all '99 (USD 10 mill for 1998 and USD 16.4 for all of 1997).
The 4Q99 result compared to 3Q99 has been marked by somewhat lower SPT earnings and somewhat lower freight rates for NGC. One NGC vessel was offhire in 4Q resulting in loss of revenue.**

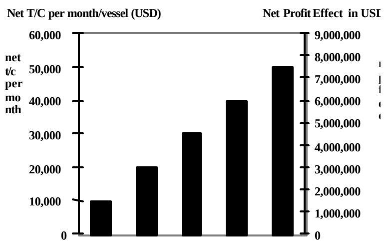
**We have reached a key financial goal for the group; to operate through this low cycle for our industry, and specially for NGC, with our key financial balance sheet ratios unchanged with the cash flow contribution from operations. Despite the much weaker market for NGC during the year, IMS achieved an improved bottom line and EBITDA result compared with 1998.
This dramatic improvement compared to the last low cycle (1992/93) in our business segments is attributed to the strategy of the group becoming the "Cost and Service" leaders of the business. This has resulted in much lower operating cost levels for the business units and their improved operating performance as well as reduced Group overhead costs. The improvements at NGC are specially evident on the marketing policy implemented and operating costs, and this will yield NGC better margins when a recovery is made in the market.**



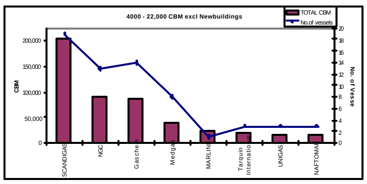


NGC: A Cyclical recovery in the making; Market rebound and Consolidation

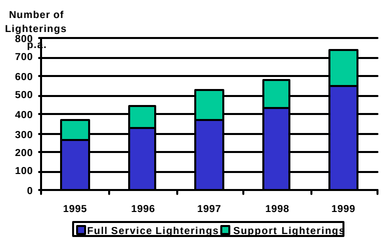
1999 Highlights



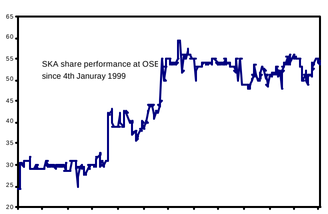
NGC: High operational gearing



Consolidation: NGC is the second largest ethylene operator



SPT: Growth comes from increased activity



SKA on OSE in 1999

- IMS maintained a positive operating cash flow through this low cycle for the shipping industry in general and specially for the petchem-gas transportation. We strove for a positive bottom line, but we have not managed that in this low cycle. This is still the financial goal of the company: a profit in the low cycle.
- The analysis of the two years 1998/1999 seems to indicate that the low point in this petchem cycle was in 1H99. Last time we had a low point was in 1H93.
- The much improved results of the Group from the last low point (1992/93) in the shipping industry cycle is due to the reduced operating expenses in NGC and improved returns from the prevailing freight market for NGC due to the marketing strategy initiated. Finally and most important; the increased contribution due to the changed strategy and improved performance of SPT as well as the reduced corporate overheads have contributed significantly.
- A break through in consolidation in the 4Q99 in the gas carrier segment of NGC is positive for IMS.
- The change in our crewing policy is successful; Chinese crew now on two NGC carriers and Baltic/Russian crew on all Atlantic fleet gas carriers. These and other measures have contributed to the reduced EBIT* break even level for NGC - now being USD 250' per month per vessel as an average and being further reduced during 2000.
- The "offhire" level for NGC in 1999 was higher than our target of 3% mainly due to an engine room fire on Norgas Pilot and a main engine gear breakdown on Norgas Trader. The high offhire level is also due to extensive upgrading of Norgas Sailor and Norgas Traveller. We maintain our goal of 3% offhire annually as a realistic goal for NGC.
- TNGC becoming operational with its first units, and all the units operating at good regularity and at acceptable cost levels.
- SPT had a good year with a high level of activity and satisfactory profit development with an EBIT margin* of 12%. This should therefore give the IMS shareholders extra value.
- IMS group headcount down by 20% from the beginning of the year; mainly due to IT related efficiency gains and mostly related to NGC.
- Shares in I.M. Skaugen up 125% in the year and closed at NOK 54 per share. Book value is NOK 100 per share.

*EBIT in per cent of gross freight revenue.
EBIT – result before net finance and taxes.

Segment information

	Consolidated**					Gas ***				
USD '000	**4Q99**	**4Q98**	**1999 Accum**	**1998 Accum**	**1997 Accum**	**4Q99**	**4Q98**	**1999 Accum**	**1998 Accum**	**1997 Accum**
Freight revenue on t/c basis	20,660	24,934	96,879	97,499	97,449	7,869	8,667	30,411	35,651	43,298
Vessels' operating cost and t/c hire	-16,303	-21,994	-77,653	-82,920	-76,732	-5,463	-6,400	-22,632	-25,965	-28,942
Unallocated administration costs	-1,302	-1,466	-4,406	-4,501	-4,271	-253	-933	-1,394	-2,384	-2,696
EBITDA*	3,055	1,474	14,820	10,078	16,446	2,153	1,334	6,385	7,302	11,660

	Lightering					China Activities				
USD '000	**4Q99**	**4Q98**	**1999 Accum**	**1998 Accum**	**1997 Accum**	**4Q99**	**4Q98**	**1999 Accum**	**1998 Accum**	**1997 Accum**
Freight revenue on t/c basis	12,128	15,200	63,515	58,532	50,057	663	1,067	2,953	3,316	3,648
Vessels' operating cost and t/c hire	-10,113	-13,734	-51,815	-51,918	-44,162	-727	-1,467	-3,206	-4,244	-4,373
Unallocated administration costs	-	-	-	-	-	-177	-	-655	-	-
EBITDA*	2,015	1,466	11,700	6,614	5,895	-241	-400	-908	-928	-725

* EBITDA: Earnings before interest, tax, depreciation and allocations.
** The above segment information does not add up into Group consolidated figures, as activities other than those of the main segments are not shown separately as immaterial activities.
*** Including also parts in limited partnership owning gas vessels.

NGC: A Cyclical recovery in the making; Market rebound and Consolidation

- **NGC T/C earnings at USD 245,000 in 4Q99, USD 228,000 for the year**

NGC posted average earnings on a time charter basis in 4Q99 of USD 245,000 per month/vessel (USD 257' in 4Q98) (before deductions for lost time in connection with technical offhire for maintenance/docking). The average for the year was USD 228,000 per month/vessel vrs USD 258,000 for 1998 and USD 274,000 in 1997.

- **Extensive offhire**

The NGC EBITDA earnings in 1999 were affected by extensive offhire periods on certain vessels. We have had a minor fire in the engine room on Norgas Pilot as well as significant upgrading work on Norgas Sailor to improve the vessel cooling capacity; this to reflect present technology and demands. We also had a main engine gear breakdown on Norgas Trader and some of the components needed were not in stock. The offhire periods equal loss of revenue of USD 2.5 mill. Our overall performance on safety and quality is doing very well and related statistics on insurance claims for Hull and Machinery as well as P&I, (crew and cargo claim performance) compare very well to the gas carrier industry. We plan to drydock four NGC vessels in 2000 vrs five in 1999.

EBITDA result and our "EBIT B/E level" for the NGC vessels

- **NGC EBITDA at USD 2.1 mill for 4Q99, USD 6.3 mill for the year**
- **Further reductions in EBIT B/E expected. 2000(E) at 236', 1999 at 250', 1998 at 268' and 1997 at 290'**

The NGC segment's earnings on an EBITDA basis were USD 2.1 mill for 4Q99 (USD 1.3mill for 4Q98 and USD 1.9 mill in 4Q97) and USD 6.3 mill for all '99 (USD 7.3 mill for 1998 and 11.6 mill in 1997). The cost level for the total operating and administrative expenses have been reduced and kept at a steady pace throughout the year. The most important target figure for us in 1999 was an "EBIT" break even level of USD 250,000 per vessel per month (USD 268,000 in '98 and USD 290,000 in 1997). The reduction from 1992 is from USD 375,000 per vessel per month, which gives an annual reduction of USD 19.3 mill per annum compared to 1999 levels.
The developments give us reason to expect that we can achieve a continued reduction in our EBIT break-even level during 2000; in which we expect to reach a target level of USD 236,000 as an average per vessel per month.

EBIT basis: Earnings after depreciation for the NGC vessels, but before interest and taxes.
EBITDA: Earnings before interest, taxes, depreciation and allocations.

Market outlook

- **Fundamentals positive and indicating improved margins**

The fundamental conditions and signs that indicated an improvement in the market for NGC, which we have experienced during 2H99, are still showing a positive trend. Economic growth and industrial production are increasing in all regions of the world. The margins for our customers are improving, and the decrease in the growth of cracker capacity is promising for the future. The transportation of chemical gasses is a cyclical activity, and it is assumed that a cycle lasts from 6 to 7 years on the average. The last bottom year was in 1H93, and the last peak year was in 1995.

Supply side: Rate of tonnage capacity growth is declining

- **Better balance in supply / demand ratio now**

The supply of tonnage in recent years has been much greater than the increase in the demand, but this situation may improve throughout 2000 and 2001, as the current order book is more modest, and there appears to be renewed growth in demand that will take us back to the long term trend line growth.

- **Growth in tonnage at 5.6% for 1999 and 6.3% for 2000**

Year	Delivered units/cbm	% of fleet	fleet size	no of units scrapped
1999	13 units/123529 cbm	5.6 pct	total 198 units	2 scrapped
2000	7 units/108900 cbm	6.3 pct	total 205 units	no estimate for scrapping
2001	4 units/42200 cbm	2.3 pct	total 209 units	no estimate for scrapping
2002	5 units/38800 cbm	2.1 pct	total 214 units	no estimate for scrapping
2003	1 units/8200 cbm	0.4 pct	total 215 units	no estimate for scrapping

In 4Q99 we have not seen any new contracts for new buildings in this gas segment which is promising for a more balanced supply of tonnage compared to the demand for transport of petchem gases.

- **The total orderbook incl. of all options is at present 17 units, totalling 270,000 cbm or approx. 10% of the fleet.**

The fleet in the segment focusing on the transport of petrochemical gases (which is now defined as the semi-refrigerated vessels smaller than 22,000 cbm) has increased the last 10 years at an average pace of about 4% - which is also the longer term trend line. The increase in the year 1999 was 5.6% and year 2000 is estimated at 6.3% and 2001 and 2002 at 2.1% and 2.1%. The total orderbook incl. of all options is at present 17 units, totalling 270,000 cbm or approx. 10% of the fleet. The growth in supply of ethylene tonnage (not including the 5 large Navigator vessels) are 5.8% in 1999 and estimate for 2000, 2001 and 2002 is 1.4%, 3.8% and 7.0%. The longer term trend line growth for ethylene tonnage has been about 6%. It is expected that all the vessels will have a minimum economic life of 30 years if they are maintained.

At this point in the cycle we also have experienced lower newbuilding prices for these types of gas vessels. The actual cost for newbuildings has declined about 1/3 during the last 5 years. This affects greatly the valuation of second hand prices for this type of vessels. Most well maintained vessels seem to be sold for a price that is adjusted for age, but related to the corresponding replacement costs of vessels, but these valuations are also affected somewhat by the prevailing freight market.

- **Annual need for tonnage renewal seems to be approx. 4-5%**

The long term trend line growth in the demand for cargo services (LPG and petrochemical gases) has historically been around 4-6%, but growth has been much lower in recent years due to the structural conditions. Over time this growth has given an annual estimated need for the renewal of tonnage for transportation of petchem gasses (assuming an expected economic life for the vessels of 30 years) of approximately 4-5%.

SPT: Seasonal factors result in a somewhat weaker quarter

Increased volumes

- **77% better than for ’98**
- **US Oil imports on the rise and OPEC quotas has created more growth for long haul imports.**
- **Opportunities for further growth**

SPT reported an EBITDA result of USD 2 mill in 4Q99. EBITDA result for the year came in at USD 11.7 mill, which is 77% better than for 1998. US crude imports have declined somewhat during the 2H99, but still with an increase on a year to year basis, and is expected to keep increasing through 2000 due to the strong US economy. The 4Q99 quarter also saw much less oil exports from Iraq, which had a negative, marginal effect on SPT. The somewhat lower volumes and weaker result in the fourth quarter is as such mostly due to US crude oil stock depletions and seasonal variations with corresponding lower US oil imports, despite of increased consumption, and thus it may not be permanent. In the 2H99 we have also increased our share of the market. SPT has successfully increased its overall activities the last several years based on service and focusing on safety. SPT enjoys its results due to its focused efforts, and the Board believes that growth opportunities for SPT still exist in a situation where there is more outsourcing of services from the integrated oil companies.

Higher barriers to entry

The barriers to entry to the lightering business are high due to the stringent competence and safety requirements, and thus there is an inherent ability to operate without accidents. SPT has used its focus on safety in the organisational structure and culture to its advantage, and this has become a competitive advantage for us.

The policy to charter in tonnage secures more steady margins

- **SPT core fleet renewed at rates reflecting the current period market**

The current weak Aframax market has provided SPT with somewhat better margins, since SPT charters its tonnage according to its planned needs. We are in the process of renegotiating most of the contracts for tonnage, and it is expected that this will reduce the costs further. SPT has agreed to time charter one aframax sized tanker for three years with our option for two further annual periods charter. The vessel is presently under construction at Samsung in South Korea and will be especially equipped for the SPT lightering trade. Special features include fender davits and increased de-ballasting capacity. The vessel is expected delivered to SPT in 2Q00. The above mentioned lightering gear will enhance the productivity and the safety of the ship.

SPT has also recently chartered the 1990 built, double sided aframax "Minerva Helen" for a six months time charter. We have also chartered the 1987 built Nissos Amorgos on a 12 month time charter at a rate which reflects the current market. This market has dropped some 20-30% since the beginning of the year, due to massive deliveries of newbuildings and less buoyant demand following the OPEC production cuts.

- **SPT handles 990,000 bbls. per day or 10% of US oil imports**

It is our policy to pass some of the savings on to our customers through lower prices, and this puts a downward pressure on the lightering rates. SPT operated 2750 tanker days on the average during 1999 (2271 in ’98 and 1945 in ’97), and this equals 7.5 tankers as an average during the year. The capacity utilisation for the SPT fleet is still high, the operational regularity is good and the level of service is high. All important freight contracts were renewed last six months at rates reflecting the developments described here.

China activities: The strategy is successful

- **All Asia vessels with Chinese crew during 2000**
- **280 million potential users of LPG**
- **Hubei Province, where TNGC operates, reported GDP growth of above 10% in '98**

China strategy

IMS's strategy in China is to develop the market potential for gas transport in a logistically demanding market through the joint venture company TNGC and to establish an organisation that will contribute to even more cost-effective fleet operations in Asia. We now have two NGC vessels with full Chinese crews as well as two Princess Carriers vessels. The NGC crews have been recruited and trained through our cooperation with Wuhan Transportation University in the Hubei Province – at the Skaugen Training Centre. During 2000, the plan calls for all Asia fleet carriers to operate with Chinese crew.

A potential large new market for LPG

There is a substantial market potential for the domestic distribution of LPG for energy purposes in China. We are involved in the transport of gas on the Yangtze River, which covers an area encompassing five provinces. Over 280 million people live in this area and are potential consumers of LPG for auto, heating, cooking and lighting. Moreover, there are significant industrial activities in the area. Today the most important energy carrier in the area is brown coal and wood. There is a great need for development of the infrastructure in the area so that it can be easier for individual consumers to change over from brown coal to the far cleaner and more environmentally friendly gas alternative. The Hubei Province, where TNGC operates from, had the 5^{th} highest GDP growth in China in 1998 of above 10%. The other provinces that are also important to TNGC all had an assumed GDP growth of around 9%.

Results

The activities in China encompass very high initial costs for the training centres for our sailing personnel and technical support functions for NGC as well as start up cost for TNGC. The EBITDA result in 4Q99 was minus USD 236' and minus USD 0,9 mill for all '99. (minus USD 0,9 mill in 1998 and minus USD 0.7 mill in 1997). Princess Carriers (PC) reported an EBITDA result for its two units of USD 0 in 4Q99 (minus USD 274' 4Q98) and USD 547' for all '99 vrs minus USD 362' for 1998. TNGC reported an EBITDA result in 4Q99 of minus USD 20' and USD 31' for all '99. TNGC's new building programme still includes two work boats and three LPG barges. These units are expected to be delivered during 1Q00. TNGC does not currently have any other investment plans. One of the Princess Carriers vessels is planned drydocked in 2000.

Key statistics

	Act4Q99	Act4Q98	Act99	Act98	Act 97
NGC Idle time	3%	6%	7%	5%	8%
NGC Offhire days	8%	8%	7%	5%	2%
NGC Drydockings	0	3	5	8	2
NGC On-time performance	86%	n/a	90%	92%	n/a
NGC Estimated Fleet Broker Value (USD mill – 100% basis)	116	147	116	147 (31.12.)	165
SPT No. of Full Service Lightering operations	120	162	551	432	372
SPT No. of Support Lighterings	38	30	182	150	159
SPT Tanker Operating days	569	881	2750	2271	1945
SPT Daily lightering volume (bbls/d)	840,161	760,665	990,000	817,000	677,000
SPT Share of US Seaborne Crude Imports	10.3%	8.9%	11.8%	9.7%	8.6%
SPT Contract coverage Full Service Lighterings (COA/Total)	78%	73%	76%	73%	88%
IMS Share price (end of each quarter - NOK)	54	24	45*	51*	87*

*average of daily share price

Capital and value assessment: Shares in IMS are underpriced

- **Satisfactory liquidity and unchanged key figures throughout year**
- **Debt ratio of 58% and current ratio of 267%**
- **Book equity is USD 77.2 mill or NOK 100 per share**
- **Equity ratio at 41%**
- **EBITDA/Net financial items is 2.3**

Capital

The mortgage debt has been repaid during the quarter in accordance with the agreed repayment profile for the Group's main loan facility and has been reduced by USD 8.8 mill in the year (USD 8.8 mill per end of ’98). The operative cash flow makes a positive contribution to our liquidity throughout the year. The net debt was at USD 67 mill and the Interest-bearing debt at the end of 1999 totalled USD 92.4 mill. The debt ratio is 58%, the ratio between current assets and current liabilities is 2.67, and the current ratio is 267%. All of these have remained unchanged throughout the year. Debt falling due during the next 12 months represents 9.5% of the total debt. Total liquidity as of the balance sheet date was 23.5 mill (22%) and this is regarded as sufficient. The book equity totalled USD 77.2 mill or USD 12.4/NOK 100 per share at the end of 1999. The book equity represents 41% of the total assets.

At the end of 1999 the ratio between the EBITDA result and the net financial expenses was 2.3 (2.64 for 1H99 and 1.33 for all of 1998).

Value assessment

- **Independent financial institutions estimate the value of the IMS share between NOK 113 and NOK 165**

During 1999 the company had an EBITDA result of USD 14,9 mill (USD 10 mill for 1998, USD 16.4 for 1997). We regard this earning level as reflecting the particularly weak cycle for the NGC segment. A normalised earning level, based on the NGC vessels’ historic earnings with today’s cost structure, is significantly higher.

Based on the company’s industrial strategy and focus on creating values for the shareholders through being a leading company with regard to its costs and service, we have carried out different types of assessments. We believe that an estimated earnings model is the correct model to use for our type of company and thus a model based on the EBITDA earnings of the company multiplied by an assessed factor and deducting net debt of USD 67 mill. Today most analysts estimate this multiple to be about 7 or 8 for the time being.

Value assessments by two independent financial institutions; Handelsbanken Markets and DnB Markets, during the summer of 1999 concluded that the estimated value of shares in IMS is between NOK 113 and NOK 165. These value assessments as well as more detailed information on the company’s value assessment is available upon inquiry.

SPT gives the IMS shareholders added value

- **The SPT activities alone give a value of NOK 48 per share**

SPT’s average annual earnings on an EBITDA basis has been around USD 8 mill the last three years (1999 at USD 11,7 mill). Even with a gradual decline to this level from the current earnings level, we can substantiate that the SPT activities alone represent a value of more than USD 40 mill, or approx. NOK 48 per SKA share, to the IMS shareholders. This implies an EBITDA multiple of approximately 5 for this activity only.

Vessel Broker estimates for our owned vessels only

- **Broker estimates declined by 1.9% in 4Q99 and 20% for all’99**

Three independent broker estimates per 12.31.99 showed that the value of the vessels in NGC declined a total of 1.9% or USD 2 mill.in 4Q. The decline has been 20% or USD 28 mill for all ‘99. The decline does not reflect any sale of these types of vessels or the fact that the market is somewhat better. The value of the vessels declined 12% or USD 17 mill in all of 1998 and 4% or USD 6.7 mill in 1997. Based on these estimated values for the hypothetical purchase and sale of individual vessels, we find that the assets in IMS far exceed the book value of these assets of USD 125 mill; since we attribute a possible significant surplus value to the SPT activities.

Other items

The IMS share and Purchase of own shares

- **IMS owns 6.52% of its own share**

IMS purchased 82,403 of its own shares in 4Q99 at an average price of NOK 51.26. We now own 432,151 of our own shares, which corresponds to 6.52% of the company's shares. The book value of these shares is NOK 17.2 mill (USD 2.2 mill) or NOK 39.88 per share. The shares have been charged against the equity capital on the balance sheet.
The Board has decided to recommend to the ordinary annual general meeting in March 2000 to amortise or write down these shares in order to free up capacity to buy more such shares at values that is deemed beneficial to the shareholders. Total number of shares outstanding is 6,198,354 excluding these treasury shares.

- **Deferred tax**

The IMS Group has, as a consequence of the new Norwegian accounting legislation, entered a deferred tax asset into fixed assets in the balance sheet with a corresponding increase of shareholders equity as of January 1, 1999. The comparable figures from 1998 and 1997 have been restated. The deferred tax asset has not changed during the year. The deferred tax asset as of 31.12.1999 amounts to USD 11.9 million.

- **Price of shares in IMS has increased 125% since 1 January 1999**

The price of IMS shares has increased 125% since 1 January 1999. During this same period the Oslo Stock Exchange’s total index has risen 46% and the shipping index has risen 48%. Only one other shipping stock had a higher percentage gain during last year.

The Board has not yet reviewed the final figures for 1999 and the year-end adjustments. A dividend proposal is, however, not expected, as we will be using any available liquidity to purchase the company's own shares as result of the low price for the company's shares on the Oslo Stock Exchange. The final accounts and year-end adjustments will be reviewed by the Board on 14 February, and we plan to hold our annual general meeting on 7 March.

Oslo, 17 January 1999
Board of Directors, I.M. Skaugen ASA

If you have any questions, please contact Beate Lofseik on telephone +47 23 12 04 00 or by e-mail: beate.lofseik@ngc.no. This press release is also available on the Internet at our website: http://www.skaugen.com.

IMS Consolidated

Statements of Income

USD '000

	1999 1.1-31.12	1998 1.1-31.12	1997 1.1-31.12	1999 1.10-31.12	1998 1.10-31.12
Gross freight revenue	133,482	126,492	130,750	29,585	31,481
Voyage-related expenses/marketing expenses	(38,423)	(31,313)	(36,190)	(9,445)	(7,544)
Net revenue on T/C-basis	95,059	95,179	94,560	20,140	23,937
Gain sale of vessels	0	0	20,531	0	0
Operating income	95,059	95,179	115,091	20,140	23,937
T/C-hire	(43,246)	(42,115)	(37,288)	(8,135)	(10,982)
Other operating expenses (vessels/shoreside)	(32,802)	(39,200)	(38,941)	(7,810)	(10,481)
Group administration expenses	(4,306)	(4,501)	(4,237)	(1,202)	(1,457)
Operating result before depreciation	14,705	9,363	34,625	2,993	1,017
Depreciation of capitalized drydockings etc.	(3,549)	(4,101)	(4,158)	(945)	(822)
Depreciation of vessels	(10,016)	(10,026)	(11,411)	(2,568)	(3,050)
Operating result before writedowns etc.	1,140	(4,764)	19,056	(520)	(2,855)
Writedown of vessels	0	(4,310)	0	0	(4,310)
Operating result	1,140	(9,074)	19,056	(520)	(7,165)
Net result from associated companies	(934)	(334)	67	(251)	(26)
Financial income	669	1,692	3,220	81	120
Financial expenses	(6,992)	(8,739)	(9,562)	(1,775)	(2,191)
Net result on foreign exchange	(87)	(502)	0	0	(502)
Result before taxes	**(6,204)**	**(16,957)**	**12,781**	**(2,465)**	**(9,764)**
Taxes	0	3,151	(3,065)	0	3,151
Result	**(6,204)**	**(13,806)**	**9,716**	**(2,465)**	**(6,613)**
Earnings per share (USD)	*(0.98)*	*(2.08)*	*1.47*	*(0.40)*	*(1.00)*

Balance sheets

USD '000

	12/31/99	12/31/98	12/31/97
Deferred tax assets	11,937	11,937	8,786
Vessels and other fixed assets	132,713	141,919	150,176
Other current assets	16,408	16,618	21,146
Cash and bank deposits	23,557	33,136	46,561
Total assets	**184,615**	**203,610**	**226,669**
Shareholders' equity	77,232	85,679	99,496
Long term liabilities	92,400	101,200	114,290
Current liabilities, interest bearing	-	1,000	-
Other current liabilities, not interest bearing	14,983	15,731	12,883
Total shareholders' equity and liabilities	**184,615**	**203,610**	**226,669**

I.M. Skaugen ASA (IMS) is engaged in the maritime transport of petrochemical gases, LPG and organic chemicals, in addition to the lightering of crude oil. Our customers are major international players in the oil and petrochemical industry who work on a global basis. In order to serve our customers in the best possible manner we have our own representation in Oslo, Singapore, Shanghai, Wuhan/Jingzhou, Houston and Gent. We also have our own training programme for our sailing personnel in Wuhan, China and St.Petersburg, Russia.

The Group currently operates 31 units consisting of 14 gas carriers in NGC, 2 chemical carriers in Princess Carriers, 1 LPG vessel, 1 lighter for the transport of gas and 1 working boat in TNGC, 8 Aframax tankers and 4 working boats in SPT. 5 units are being built for TNGC

Focus: Market Outlook NGC

Demand

- **Increased GDP growth in all regions**

Global economies are performing better than expected. Over the course of this year, the Goldman Sachs (GS) Economic Research Group and other such analysts have consistently revised upward real GDP growth forecasts for the major economies of the world. Forecasts for real GDP growth in the United States are up since January 1999 but down slightly since spiking in May 1999. For the first time in nearly a decade, the industrialized economies of the world seem to be experiencing a coincident upswing in growth. Currently, GS real GDP growth forecasts stand at 3.0% growth for 1999 and 3.5% growth for 2000.
The GS Economic Research Group has been revising its OECD industrial production growth figures upward during 1999, after the major declines experienced from late 1997 and into late 1998. We see this strengthening of the global industrial economy as a key positive driving earnings and stock performance in 2000. Higher global industrial production growth should propel higher top line and earnings growth in 2000 than in 1999

Supply

- **Capacity cycle coming to an end**

The capacity cycle spurred by the last profitability peak of 1995 is coming to an end. GS data indicates that the peak of capacity additions is behind us. More important, analysis indicates that there is little visible capacity growth beyond 2001. This will ensure that increases in demand are reflected in higher operating rates and thus higher profitability.

- **Cracker projects delayed**

A number of what had seemed to be imminent cracker projects appear to be delayed for some time – specially in Asia. In Europe, capacity growth over the past few years has been moderate. However, in 2000, a number of ethylene capacity debottleneckings will lead to above-trend growth. In addition, a number of Middle Eastern new crackers are scheduled to start up in 2000. This could potentially put pressure on the ethylene chain in the near term, but the outlook for 2001 and 2002 should improve. Nevertheless the export capaility of these new crackers seem assured and this should lead to increased need for ocean transportation.

Many Asian companies responsible for previous capacity expansions are now either constrained or changed. While it is debatable how much actual capacity has been delayed by the Asian crisis, one result is that many of the participants that were aggressive capacity builders before the crisis are no longer so. Companies are restructuring their debt, focusing on repairing balance sheets, restructuring via mergers and acquisitions or pursuing growth in non-commodity businesses.

GS believes that Japan will positively impact the petrochemicals sector, particularly in Asia, via both supply and demand changes. Depending on the chemical, Japanese capacity represents anywhere between 5% and 10% of global capacity and 20% and 30% of Asian capacity. As such, any reduction in Japanese capacity would have a meaningful impact on global balances.

Prices and Margins

- **Chemical prices set to rise**

After the margin squeeze caused by the rapid climb in oil prices, chemical prices are set to rise and have been rising for many chemicals in 2000. For the most part, chemical companies have been able to pass through raw material cost increases to their customers. This is a positive sign. Though as usual there was a lag, during which time margins were squeezed.

PVC has showed steadily rising prices and margins after bottoming out in late 1998. GS expects ethylene margins to fall in 2000 due to major capacity additions, but these additions should taper off by late 2000. In fact, spot prices for ethylene have backed off lately despite even higher crude oil prices. Likewise, polyethylene prices are under pressure in the US, Asia, and in spot markets. Since ethylene margins are starting off 2000 from a higher base than anticipated earlier in 1999, overall 2000 results could still be better than expected. GS currently expects 2000 margins to fall to 3.5 cents/Ib, from 5.6 cents/Ib in 1999.

The Major Cycles

In terms of the dynamics of supply and demand, GS sees the stage set for chemicals stocks to perform well in the first half of 2000. The GS Economic Research Group's forecasts for global demand growth have seen significant upward revisions over the past year and suggest that next year should see relatively healthy growth in the global economy. As ever, the supply picture is more mixed, with capacity growth patterns varying significantly among the chemical commodities, as discussed elsewhere in this note. However, even for the ethylene chain, which they expect to see renewed capacity-induced weakness next year, we should be in favorable territory to see support for quoted shares ahead of the potential for a 2001/2002 upturn.

Source: Goldman Sachs Research reports, December 1999.