SKA – Preliminary Results 2000

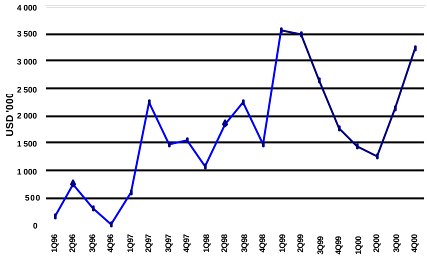
I.M. Skaugen ASA (IMS) reported a result before tax of MUSD 1.3 for 2000 (minus MUSD 6.2 for all '99 and minus MUSD 13.8 for all '98) and a result before tax for the group of minus MUSD 0.7 for 4Q00 (minus MUSD 2.4 for 4Q99 and minus MUSD 6.6 for 4Q98). The EBITDA result for the Group was MUSD 24.2 for 2000 (MUSD 14.9 for 1999 and MUSD 10 for 1998) and MUSD 6.4 for 4Q00 (MUSD 3 for 4Q99 and MUSD 1.4 for 4Q98). The 4Q00 results compared to 3Q00 has been marked by somewhat improved SPT earnings and somewhat lower freight rates and corresponding idle time for NGC. Fuel cost remained high due to the high oil price levels.

The year 2000 was a year with improved profitability and a profit for the Company. Our EBITDA result was about 60% above the year before, and the outlook for 2001 is considered satisfactory despite of some turbulence on the near horizon regarding the world-wide economy. NGC experienced improved trading conditions with higher freight rates while achieving a further reduction of its operating cost levels. SPT rode off a volatile Aframax market and experienced another satisfactory year. Our activities in China were instrumental in securing lower cost of operations in addition to fleet renewal for NGC.

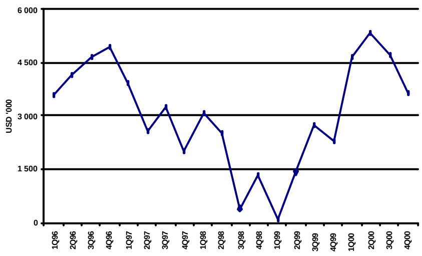
The last five years have been marked by very difficult trading conditions in our business segment and this combined with declining asset values mostly due to the replacement cost of vessels with reduced newbuilding prices of about 35%. Nevertheless, we have still during these 5 years managed to repay MUSD 70 of our debt and MUSD 40 to our shareholders - a total of MUSD 110. We are hopeful that the overall conditions are improving for our type of business, and that we, in addition to repaying debt and paying out to shareholders by dividend and purchase of own shares, can generate funds to further renew and refocus our business.

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 Oslo, Houston, Singapore, Shanghai, Wuhan/ Jingzhou, and Gent. We also have our own training programme for our seagoing personnel in Wuhan, China and St.Petersburg, Russia. The Group currently operates 35 units consisting of 14 gas carriers in NGC, 2 chemical carriers in Princess Carriers, 1 LPG carrier and 4 barges for the river transport of gas and 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 4 ethylene gas carriers to be employed with NGC and with delivery 2002-3 and with an option for 6 more with delivery 2003-4.

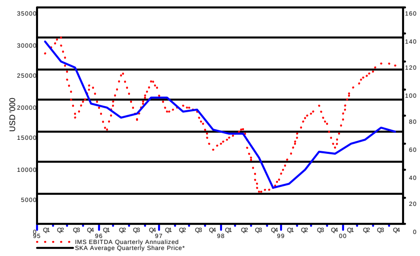
2000 Highlights



Quarterly EBITDA for SPT 1Q96 through 4Q00



Quarterly EBITDA for NGC 1Q96 through 4Q00



SKA Shareprice (NOK) and IMS Quarterly Annualised EBITDA (USD) 1Q95 – 4Q00

- Improved EBITDA contribution from NGC results in a pre-tax profit of MUSD 1.3 from a loss of MUSD 6.2 for the Group.
- Despite a volatile Aframax market, SPT delivered its second best year ever with an EBIDTA-result of MUSD 8. Margins and our market position were maintained during this challenging year.
- Contract for 4 new 8,400 cbm ethylene carriers with an option for six more vessels in cooperation with GATX Capital. Delivery 2002-3. The order is key to renewing the NGC fleet as well as strengthening NGC's position as a major ethylene transporter.
- NGC «EBIT break-even» level at USD 236,000 per vessel/month for 2000.
- NGC offhire levels at 3.9% which is still too high. This was mainly due to extensive dry-dockings of certain vessels and our policy of drydockings.
- Three NGC vessels with Chinese crew and our training center in China (WUT-STC) had 75% external students and posted positive earnings throughout the year.
- Investments made for establishing and utilising future e-business solutions.
- Share price up 20% since 1 January 00. The historic correlation between the development in EBITDA earnings and the share price is lagging.

Segment information

	Consolidated**				Gas ***			
USD '000	*4Q00*	*4Q99*	*2000 Accum*	*1999 Accum*	*4Q00*	*4Q99*	*2000 Accum*	*1999 Accum*
Freight revenue on t/c basis	31 216	20 320	114 439	96 539	8 552	7 754	40 297	30 296
Vessels' operating cost and t/c hire	-24 120	-16 286	-87 123	-77 636	-4 523	-5 249	-20 712	-22 418
Unallocated administration costs	-685	-879	-3 038	-3 983	-374	-515	-1 244	-1 385
EBITDA*	6 411	3 155	24 278	14 920	3 655	1 990	18 341	6 493

	Lightering				China Activities			
USD '000	*4Q00*	*4Q99*	*2000 Accum*	*1999 Accum*	*4Q00*	*4Q99*	*2000 Accum*	*1999 Accum*
Freight revenue on t/c basis	21 924	11 965	71 667	63 352	740	601	2 475	2 891
Vessels' operating cost and t/c hire	-18 706	-10 239	-63 630	-51 941	-891	-798	-2 781	-3 277
Unallocated administration costs	-	-	-	-	-	-71	-	-549
EBITDA*	3 218	1 726	8 037	11 411	-151	-268	-306	-935

* 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.

NGC: Improved result and margins

- **Increased EBITDA earnings and margins**
- **4 new vessels in 2002-3**
- **Improved EBITDA result at MUSD 18.3**
- **Offhire level still too high at 3.9%**
- **EBIT B/E* down to USD 236'- and according to our plan**
- **Average t/c earnings at USD 233,000 for 4Q00 and USD 283,000 for the year**
- **Longer term a continued favourable market outlook**

NGC is the Group's largest business area and represents 64% of the total assets, 34% of revenues and 76% of the EBITDA result. NGC operates 14 vessels ranging from 6,000 to 9,000 cbm and a total of about 100,000 cbm of capacity. 13 of the vessels have ethylene capacity. Currently 6 units are employed in Asia and 8 units in the Atlantic segment.
Combined with our continued efficiency gains, this business unit increased the margins and the EBITDA earnings compared to last year and also relatively compared to similar historical freight rate levels.

The initial consolidation of the semi-refrigerated gas carrier segment (below 22,000 cbm size of vessels) that took place in late 4Q99 improved the trading conditions also for NGC and made it possible to achieve more reasonable earnings from the market.

In 2002-3, the four newbuildings from the Zhonghua yard in China will join the NGC fleet and further improve our service level and our cost position by a reduced EBIT break even level for NGC. The project is key to renewing the NGC fleet as well as strengthening NGC's position as a major ethylene transport provider. This is our aim for the future, and we will position ourselves as the second largest operator in the world in this segment.

The EBITDA result for NGC was MUSD 3.6 in 4Q00 (MUSD 2 in 4Q99 and MUSD 1.3 in 4Q98) and MUSD 18.3 for all 2000 (MUSD 6.5 in 1999 and MUSD 7.2 in 1998). The quarterly result was affected by a decrease in the freight rates, more idle time and continued high fuel cost. The offhire this year was logged at 3.9%, which is lower than last year but still considered too high. This will be an area of focus also in 2001 to ensure we reach our longer term goal of an average of 3% for all unplanned and planned offhire. 4 vessels were drydocked in 2000, and 8 drydockings are planned for 2001.

In June, Norgas Discoverer was hit by the oil tanker "Greek Fighter" in the Straits of Malacca and needed extensive repairs. By appropriate and timely measures, we managed to reduce the negative impact to the environment and to our customers. No personnel were injured. The P&L effects were all charged in 2q00.

The EBIT B/E* level for NGC was reduced according to plan from USD 250,000 per vessel per month in 1999 to USD 236,000 in 2000. The goal for 2001 is to further decrease this figure to USD 226,000.

Average earnings on a time charter basis for 4Q00 was USD 233,000 month/vessel (USD 243,000 for 4Q99 and USD 257,000 for 4Q98) which gave average t/c earnings for the year of USD 283,000 per month/vessel (USD 228,000 for 1999 and USD 258,000 for 1998) (before deductions for lost time in connection with technical offhire for maintenance/docking, but inclusive of any idle time for commercial reasons). The reduced earnings in 4Q00 were due to reduced demand for transportation in Asia and a lapse in the exports from Asia that created long haul trade from Asia to Europe and which assisted to keep earnings higher over the summer as well as to the mild winter in Europe/USA in 4Q00.

With the current short term outlook for a reduced growth in the industrial production and reduced GDP growth world wide, we expect business prospects to be more soft in 1H 2001 as we did experience this slowdown in 4Q00. A possible scenario of reduced oil prices will make bunker (fuel) available at lower prices than the very high levels we have had in 2000. This combined with anticipated lower interest rates in USD will further enhance trade opportunities that have been limited due to higher raw material prices for our customers.

- **Reduced oil price is positive**

The long term market outlook for NGC is considered positive, and this view is supported by the market analysis we have commissioned from third parties. The fundamental, underlying conditions point to a gradual recovery for this business and our customers in the petrochemical industry.

- **Net growth of the fleet at about 7% in 2000 – and 1.4% expected growth in 2001.**

This year has seen some growth in the fleet of new vessels for the semi-refrigerated gas carrier segment (below 22,000 cbm size of vessels), but not so much contracting. The fleet grew with 12 vessels, equal to 8.2% of capacity, in 2000, and 4 vessels, equal to about 1% of capacity, were retired. Scrapping is expected to remain at this low level.
The order book now stands at 10%, with an expected 1.4% increase in 2001, 4.3% in 2002, 2.9% in 2003 and 1.4% in 2004.

We expect newbuilding or replacement cost of vessels to be stable or rise moderately and thus halting the reductions of the recent past that have affected the trading conditions adversely for our type of business.

We will continue the efforts to achieve better profitability through efficiencies in the market by further gas industry consolidation. Further, we will study the possible cooperation or alliances of NGC with other marine service providers to enable the enlarged entity to provide a broader transportation service concept.

EBIT Break-even: The earnings we need per vessel/month to cover all costs incl. depreciation, but excluding interest and taxes.

EBITDA: Earnings before interest, taxes, depreciation and allocations.

GRS: Seeking partner

Gas Recovery Systems (GRS), which is owned 50% by NGC, is now fully tested and has been used in commercial operations with success. We will seek to enable GRS to cooperate with other companies more suitable for a global marketing of these services as they are intended, in order to better utilise the commercial possibilities for this project.

SPT: A strong year despite volatile Aframax market

- **Market leader in lightering**

SPT is the market leader for the lightering of crude oil in the US Gulf with a market share of about 40% among the independent operators, and the company currently handles more than 10% of the crude oil imported to the USA by sea. In 2000 the company handled an average of 930,000 barrels of crude oil per day (990,000 barrels per day in 1999). SPT represents 62% of the total turnover, 10% of the total assets and 33% of our EBITDA result. SPT operated 652 tanker days in 4Q00, and a total of 2682 days in all 2000 (2750 in 1999 and 2271 in 1998) - an average of 8 Aframax tankers. The capacity utilisation for the SPT fleet is still high, the operational regularity is good and the level of service is high.

- **Strong EBITDA result at MUSD 8**
- **Activity level remains high**

SPT reported an EBITDA result for 4Q00 at MUSD 3.2 (MUSD 1.7 in 4Q99 and MUSD 1.5 in 4Q98) which brings the EBITDA result for the year to MUSD 8 (MUSD 11.7 in 1999 and MUSD 6.6 for 1998). The increase in earnings for 4Q00 is mainly due to higher activity. The year was marked by a volatile Aframax market which presented a challenge in cost control and in pricing the services. Despite this, the result for SPT is the second best in the history of this company. The activity level continues to be high. For 2001, the Board assumes high import activity for SPT customers resulting in high utilisation and, thus, another busy year for SPT.

- **SPT received awards from US Coast Guard**

SPT has also this year received prestigious awards from the US Coast

Guard for their safety and environmental efforts.

- **Opportunities for growth**

The Board believes that growth opportunities for SPT exist in a situation where there is more outsourcing of services from the integrated oil companies and changing import patterns of crude oil into USA. Considering this year's volatile Aframax market, SPT will seek to secure a more steady supply of tonnage in order to render an improved service to our customers. A core fleet of five ships is secured for 2001.

- **Higher barriers of entry**

The lightering business is marked by reasonably high barriers of entry due to the focus on safety and the infrastructure needed. There are three independent operators that serve this market niche in addition to one oil company that serves its own needs. This combined capacity is sufficient to serve the customers, and we do not anticipate any new competing modes of logistics to replace the lightering trade in the near future. Lightering offers relatively low cost and flexible solutions with an outstanding safety record between the current operators.

China activities: The strategy is now creating results for the group

Our activities in China consist of our joint venture for gas transport on the Yangtze river, TNGC, organic chemical transportation by Princess Carriers as well as "AFSC" (Asian Fleet Service Centre) which is under development for crewing, training and fleet management services. The AFSC includes the recruitment and training of Chinese seafarers in the WUT-STC (Wuhan University of Technology – Skaugen Training Centre). The activities in China represent 8% of the tied-up capital, 3% of turnover and have an EBITDA contribution of -1%.

- **Team in China is key to success in fleet renewal project and further reduction of our EBIT B/E level in NGC**

Although the China activities isolated contribute insignificantly to the Group's result, the Board considers this business unit to have potential and offers a competitive advantage of strategic importance. The development of the infrastructure in the inland areas served by TNGC is slower than expected, and the very high LPG prices due to the high oil prices have slowed down the imports of LPG to China. 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.

The contract for four new ethylene carriers could not have been achieved without our presence and experience in China, and our activities in China are an investment towards further reductions in the NGC EBIT B/E. We consider the TNGC operations as the final leg of a possible future integrated waterborne logistic chain to be offered. For 2001, we will work further to utilise the TNGC fleet as well as commercialise the crewing and training services. TNGC completed its newbuilding program with the delivery of two work boats and three barges in 1H00.

One of TNGC's barges was involved in a collision on the Yangtze river in May 2000. The incident happened at night time and was without any casualties and no damage to our vessel, but serious damage to the other unit. The case is closed, and all costs involved are absorbed in the results or covered by insurance policy.

We have decided to write down the value of our two Princess Carriers vessels with MUSD 1.3 in 4Q00 due to market conditions for such vessels. The EBITDA result was minus USD 151' for 4Q00 (minus USD 268' in 4Q99) and minus USD 306' for all 2000 (minus USD 935' in 1999).

Key statistics

	4Q00	4Q99	2000	1999	1998
NGC Idle time	13%	3%	5%	7%	5%
NGC Offhire days	0%	8%	3.9%	7%	5%
NGC Drydockings	0	0	4	5	8
NGC On-time performance	100%	86%	99%	90%	92%
SPT No. of Full Service Lightering operations	119	120	541	551	432
SPT No. of Support Lighterings	33	38	132	182	150
SPT Tanker Operating days	652	569	2682	2750	2271
SPT Daily lightering volume (bbls/d)	845,333	840,161	930,000	990,000	817,000
SPT Share of US Seaborne Crude Imports	10.8%	10.3%	10.5%	11.8%	9.7%
IMS Share price (end of each quarter/year - NOK)	65	54	65	54	24
Average of daily share price	67.5	52	64.9	44	51.9

Capital and value assessment

- **Satisfactory liquidity and unchanged key figures**

Key financial balance sheet ratios unchanged

The mortgage debt to our banks has been repaid during the year in accordance with the agreed repayment profile for the Group's main loan facility, and the operating cash flow makes a positive contribution to our liquidity throughout the year. Debt falling due during the next 12 months represents 9% of the total debt. The changes in the periodic estimated broker values for the IMS vessels correspond to our depreciation levels this year and the year end evaluations of all vessels support the recorded values on our books.

- **Newbuilding project requires only minor cash injections before delivery**

The newbuilding program for NGC

During 3Q00, IMS finalised the contract with Zhonghua Shipyard, Shanghai, for construction of four new 8,400 cbm ethylene carriers. The contract includes an option for six more vessels. The total delivered cost of the four firm vessels will be about MUSD 22 per vessel incl of all predelivery costs. We have teamed up with GATX Capital Corporation of USA to own these four vessels on a 50/50 basis. GATX is a well-known and highly reputed specialised finance company that amongst others specialises in equipment for logistic services.

- **The options have a benefit for us to explore**

The financing for the four new ethylene vessels will not require IMS to issue any further equity or take on more risk capital. We have developed a fully financed newbuilding project that will only require cash injection of relative minor amounts of equity during the construction period. At delivery, the available financing is for about 85% of the newbuilding price. The options in the contract with the yard give IMS full flexibility. We can alter vessel size at the same basic terms, bypass and sell any option. The first option will have to be declared no later than August 2001.

- **Focus on E-business in 2001**

IT as a competitive advantage

In IMS, we have sought to utilise IT as a more competitive tool for new E-business solutions. In 2000, we have thus made the necessary investments for implementing new systems at both NGC and at SPT at a cost of about USD 700,000. We expect to see an improved service level and further efficiency gains as a result. We have also made a USD 600,000 investment in a ”dot.com venture” during the year and invested in a new freight futures venture.

Key financial balance sheet ratios

	2000	1999	1998
Debt paid MUSD	8.8	8.8	12
Net debt MUSD	63	70	68
Interest-bearing debt MUSD	86	92.7	101.5
Debt ratio %	57%	58%	58%
Current ratio %	253%	251%	297%
Total liquidity MUSD	18	24	34
Total liquidity %	18%	22%	28%
Book equity MUSD	76.6	77.4	85.8
Book equity per share USD	12.96	12.49	12.95
Book equity per share NOK	114	100	98
Book equity / total assets %	43%	42%	42%

The IMS share

The share capital was written down with the amount of NOK 37,233,660, from NOK 397,830,300 to NOK 360,596,640 and effective as of June 28th, and by redemption of 620,651 own shares with par value NOK 60, equivalent to the company's treasury shares. The shares were acquired at an average cost of NOK 46 per share or MNOK 28.5 in total. New share capital is NOK 360,596,640 distributed on 6,009,944 shares.

IMS has at year end a holding of 97,647 own shares or 1.6% at a cost of MNOK 5.9 or NOK 61 per share. The Board has authority to purchase up to 10% of the company's shares.

- **Price of shares in IMS has increased 20% since 1 January 2000**

The price of IMS shares has increased 20% during 2000 and closed at NOK 65 (NOK 54 at year end 1999). During this same period the Oslo Stock Exchange's (OSE) total index has fallen 1.7% and the shipping index has fallen 0.4%.

- **Share price lagging EBITDA development**

We are pleased about the improvement in the share price during the year 2000. The historical and empirical correlation of EBITDA result improvement and the share price has, however, not been carried out during this year.

- **EBITDA at MUSD 24.2 and Net Debt at MUSD 63**

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 the current net debt of MUSD 63. Today most analysts estimate this multiple should be between 6 and 8 which deducting for the net debt gives a value of MUSD 82 or MUSD 131 which equals USD 13.6 or USD 21.8 per share (NOK 121 or NOK 193).

An alternative approach to such a valuation of the company is to review the independent evaluations of our vessel assets compared to our book value and thus the equity per share. Many Sale and Purchase brokers have evaluated all our vessels over the last months. All these evaluations have stated an average value of MUSD 121.8 for all of our vessels on 100% ownership basis, and this is MUSD 6.3 below the value of these assets on our books. The 14 NGC vessels have by six different brokers been evaluated at MUSD 102.5 to MUSD 112.4 with an average of MUSD 105. This type of valuation do not allocate any value to the EBITDA earning capability of SPT that is much higher than the value of its assets as per the book value. As such the recorded equity on our books of USD 12.96 per share or MUSD 76.6 in total is one statement of the valuation of the company and also this is above the OSE pricing of the shares.

The Board has not yet reviewed and approved the final figures for 2000 including any charges for possible taxes, year-end adjustments and payment of dividend. The final accounts and year-end adjustments will be reviewed by the Board on 15 February, and we plan to hold our annual general meeting on 8 March.

Oslo, 15 January 2001
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

	2000 1.1-31.12	1999 1.1-31.12	2000 1.9-31.12	1999 1.9-31.12
Gross freight revenue	155 408	133 424	41 275	29 527
Voyage-related expenses	(43 484)	(38 679)	(10 595)	(9 696)
Net revenue on T/C-basis	111 924	94 745	30 680	19 831
T/C-hire	(56 959)	(43 372)	(16 972)	(8 261)
Other operating expenses	(28 750)	(32 746)	(6 682)	(7 684)
Group administration expenses	(2 941)	(3 893)	(593)	(829)
Operating result before depreciation	23 274	14 734	6 433	3 057
Depreciation of capitalized drydockings etc.	(4 714)	(4 314)	(1 690)	(1 259)
Depreciation of vessels	(9 414)	(9 387)	(1 770)	(2 373)
Writedown of vessels	(1 300)	0	(1 300)	0
Operating result	7 846	1 033	1 673	(575)
Net result from associated companies	248	(993)	122	(340)
Financial income	879	1 387	310	799
Financial expenses	(7 687)	(7 643)	(2 832)	(2 351)
Result before taxes	**1 286**	**(6 216)**	**(727)**	**(2 467)**
Earnings per share (USD)	*0,21*	*(0,98)*	*(0,12)*	*(0,37)*

Balance sheets

USD '000

	31.12.00	31.12.99
Deferred tax assets		
Vessels and other fixed assets	140 029	147 053
Other current assets	19 266	14 492
Cash and bank deposits	18 160	23 955
Total assets	**177 455**	**185 500**
Shareholders' equity	76 613	77 403
Long term liabilities	86 034	92 776
Other current liabilities, not interest bearing	14 808	15 321
Total shareholders' equity and liabilities	**177 455**	**185 500**