



## Contract to order new ethylene carriers - Fleet renewal

I.M. Skaugen ASA, Oslo (IMS) has entered into preliminary agreement with the Zhonghua Shipyard in Shanghai, China for an order of up to 10 vessels of 8,400 cbm size ethylene gas carriers. It is the first time we are seeing that new buildings are becoming not only a viable but also an attractive alternative for our company. The order will be firm for 4 vessels and with an option for 6 more. The agreement is subject to miscellaneous customary issues regarding design details and building specification as well as financing issues.

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- **Strengthens NGC's position as 2nd largest ethylene carrier** "This project to build the 4 carriers is in line with the IMS strategy to strengthen NGC's position as the second largest ethylene carrier in the world as well as our long term objective to renew the NGC gas carrying fleet," CEO Morits Skaugen jr. said. The vessels will all be part of the NGC fleet which currently consists of 14 gas carriers (13 with ethylene capacity) and with about 100,000 cbm capacity.
  - **Contract reduces avg. age of NGC fleet with 5 years** IMS will own 50% of a new company, which will be the buyer of the 4 new carriers. The total delivered cost of all 10 vessels (incl. of the option vessels) will be about USD 220 mill. There is no need to issue new equity in the stock market as a result of this order by IMS to build the first 4 vessels. IMS has discussed the project with several financial partners and will work in the coming few weeks to finalise all the related financing issues and the yard contract with its detailed building specification.
  - **NGC EBIT B/E will be further reduced** 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 NGC's EBIT B/E\* level from this years goal of USD 236' per vessel per month mainly due to the low acquisition cost and improved utilisation of our shore side resources. All key earnings figures on a per share basis for IMS will improve under both the internal "Base case" and our "Low case" earnings forecast with this project. The first 4 vessels will be delivered during year 2002. Our strategy of being both the cost and service leaders of the trade is strengthened by this order to build in China.
  - **Increased earnings capacity compared to the Norgas Average vessel** On the basis of our own strategy for our China Activities and our experience from China, we have determined that certain Chinese yards are very competitive in the world - on both price and quality of construction for such gas carriers. "IMS experience and local expertise in China have been important advantages in securing the project. The yard was chosen by us due to its "on time" and "on specification" delivery performance record and the fact that the well reputed Shanghai Edwards Shipyard, which has long experience in building such gas carriers, is now a part of this yard," Skaugen said.
  - **4 vessels with an option for 6 more** "IMS has over the last years negotiated and explored several acquisition possibilities in the second-hand market without finding the ideal candidates at the right price and terms for such vessels," Skaugen explained. "We then started, and have spent the last several months, investigating various newbuilding alternatives and developing state of the art designs." Newbuilding prices for such vessels have over the last 5 years declined about 35%, and it is believed that this declining trend has now stopped and that such prices may increase somewhat again. The newbuilding orderbook in this segment (semi refrigerated LPG fleet from 4,000 up to 22,000 cbm) stands currently at 17 units incl 4 options, which amounts to 9.3% of present fleet. This corresponds to about 5% increase in the fleet for delivery in 2000, 1.9% for 2001, 1.7% for 2002 and 0.4% for 2003 - all these figures excluding the 10 IMS newbuildings.
  - **Part of China Activities and our presence in China made us capable of securing the best terms**
  - **Newbuilding prices have declined about 35% and more attractive than most second hand alternatives available**

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

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