

ULSTEIN TODAY

NEWSLETTER FROM ULSTEIN

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OLYMPIC SHIPPING PAGE 2-3

ULSTEIN ENTERS CHINA PAGE 4-5

SOLSTAD SHIPPING PAGE 6

FARSTAD SHIPPING PAGE 8



ULSTEIN®

TURNING VISIONS INTO REALITY

"ULSTEIN RIGHT ON TARGET WITH ULSTEIN A101"

"Already from the first jobs, the ULSTEIN A101 designs have earned a solid reputation. They have done very well in the market, so you could really say that Ulstein is right on target with this concept."

Ship broker Bruse Kverneland at Seabrokers Chartering AS in Stavanger, Norway, is praising Ulstein's large anchor-handling vessel designs. Seabrokers is one of the leading broker companies for offshore ships in the North Sea area, and has close contact with the shipping companies, offshore contractors and oil companies which utilise such ships.

Bruse Kverneland sees only one drawback with this Ulstein ship type: the lack of bulk capacity. As he points out, "For the majority of jobs this is of no consequence, but I do know that the ships have lost a few assignments because they couldn't handle sufficient bulk goods. However, this ship isn't intended to be a cargo ship."

A NEW GENERATION

The shipbroker reports that the smaller vessels from the 70s and 80s are now on the verge of being phased out in the North Sea, and he envisions there being two types of ships which employers will want in the future in terms of anchor handling.

"The large and most powerful designs such as the ULSTEIN A101 will certainly be more in demand, since increasing amounts of oil activities are taking place in deep waters and sub-sea, but there will also be a considerable demand for medium-sized ships."

"Do you believe that it's necessary to build more ULSTEIN A101 ships?"

"Yes, without a doubt. This is a ship design which has become popular and one I believe charterers will ask for in the future as well," says Bruse Kverneland.

SOLID REPUTATION

"The four ULSTEIN A101 ships which have been built, two for Solstad and two for Olympic, have performed well. Rumours spread quickly in the shipbuilding branch, and the charterers want ships which they know will get the job done well and in an efficient manner. If any of these ships are available, they would like to hire them," continues Kverneland.

"Are there special features that have made the ULSTEIN A101 so popular in the market?"

"The spooling gear is quite important for deep sea jobs where one utilises a considerable amount of wire or chain. Many anchor-handling ships do not have this, and in addition its size is appropriate for many of the heavier jobs. The Rolls-Royce UT 741 ship is even larger than the ULSTEIN A101, but it's perhaps a bit too large for many tasks."

FRONT PAGE:

"Olympic Pegasus" at sea trials.



"Olympic Hercules" was delivered from Ulstein Verft in January 2002 and was the first of the new ULSTEIN A101 design.

People seem small compared with the large rig anchors that "Olympic Hercules" handles.



"Olympic Hercules" towing a large jack-up drilling rig, "Santa Fe Monarch".



"OLYMPIC HERCULES" EARNED MONEY IN HER FIRST YEAR OF OPERATIONS

Despite a poor offshore market for parts of last year, Olympic Shipping AS reported a good result for the operation of its new anchor-handling vessel "Olympic Hercules" last year. The ship was taken over from Ulstein Verft on 18 January 2002 and was the first of Ulstein's new ULSTEIN A101 design.

"The ULSTEIN A101 design is a ship for the future," says Bjørn Kvalsund, managing director of Olympic Shipping AS.

"We completed 44 different jobs with "Olympic Hercules" last year. The high number of operations shows that the ship has been well received. The good financial result for the first year of operations is largely due to the high level of utilisation, despite the difficult market for parts of the year," says Bjørn Kvalsund, managing director of the shipping company based in Fosnavåg, Norway.

POPULAR

"Olympic Hercules" has, in almost a year and a half of operations, been used in a number of different tasks. The ship has been on the spot market in the North Sea, and has been popular among charterers. In December last year its sister ship, "Olympic Pegasus", was handed over by the shipyard, and by mid-May it was already on its 14th job.

"Statoil and Hydro are important customers for us regarding these large anchor-handling vessels, but we have also carried out work for other oil companies and offshore companies such as BP UK, PGS and Subsea 7," says Kvalsund.

DEEP WATER OPERATIONS

In particular he points to a job in Ireland last year, where "Olympic Hercules" moved and anchored the

oil rig "Jack Bates" at 1700 metres depth.

"This job went extremely well, and shows that the ship is suitable for deep-water operations. Well executed jobs such as these are important references for us," says the managing director.

The two ULSTEIN A101 vessels delivered to Olympic have also operated together on several jobs. In May last year they were on a 14 day contract for Subsea 7 to tow and lay a 7.5 kilometre long pipe line.

HIGH UTILISATION

"In January we had 100 per cent utilisation for "Olympic Pegasus", and approximately 85 per cent in February and March, despite a difficult market. "Olympic Hercules" and "Olympic Pegasus" have now been accepted by all the large customers. Once we have carried out a few good jobs, rumours spread quickly and companies ask if the ship is available."

Bjørn Kvalsund hopes to be able to use the two anchor-handling vessels for even more deep-water operations and, for example, for clearance work, which requires all of their 23,500 horse power. "Operational and capital costs for these two ships total well above NOK



100,000 per day, so it is important that they are assigned demanding jobs that are well paid," he says.

"What is it that makes the ULSTEIN A101 design a success?"

SAFE AND SECURE

"The size, breadth and the power are important. The vessels are very stable, and behave very calmly in the sea. The high freeboard means that we get little water on deck in heavy seas, thus making it safer for the crew working on deck. Under the design

and building phases we had a close collaboration with Ulstein, in order to indicate our requirements and wishes. Clearly, the close relationship, which we have between all areas of the industry here in Sunnmøre, is of value for creating good solutions."

"And are you now ready to repeat the success and order more newbuildings of the same type?"

"Time will tell," laughs Bjørn Kvalsund.



"By building offshore vessels in China in a wider range than we traditionally have built in Ulsteinvik, we will strengthen the entire shipbuilding environment in Ulsteinvik," says Vidar Eikrem, who will be setting up Ulstein's activities in the country.

BROADER INTERNATIONAL EMPHASIS WILL STRENGTHEN THE SHIPBUILDING ENVIRONMENT IN ULSTEINVIK

Ulstein is now starting up operations in China. Through a joint venture company with the Chinese shipyard Jiangsu

"Starting up outside of Norway will help to strengthen the environment and level of expertise that we have locally in Ulsteinvik. In China, we will build ships in a wider range than we traditionally have built in Ulsteinvik. Consequently, our new initiative will not compete directly with the shipyard in Ulsteinvik. On the contrary, we will achieve experience that will further strengthen design, engineering and project management environment in Norway."

LARGER MARKET

These statements come from Vidar Eikrem. He has been assigned the task of setting up Ulstein's operations in China, and is looking at this task with excitement and anticipation. "With this initiative, we will seek to increase the market shares within the offshore industry. Ulstein has demonstrated that we can develop designs that the global market demands in terms of efficiency, sea-keeping abilities and economical operation. By using our competence in a wider range within the offshore industry, we will reach a new and larger market than we do at present," he continues.

Yangzijiang Shipbuilding Co., Ulstein plans to build Ulstein designed offshore vessels in China.

THE NEW COMPANY

Ulstein Yangzijiang Shipbuilding is the name of the new company in China. In addition to Vidar Eikrem, the idea is to have a project management team consisting of two to four people from Ulstein on location in China when the first contracts are in place. "When it comes to traditional shipbuilding, China has solid traditions and expertise. Our objective is to transfer some of our strengths within project management and implementation, and in this way create a competitive concept for our customers," Eikrem points out.

CHALLENGING

The marketing of Ulstein's offshore ships has just begun in China, and hopefully it won't be long before the first contract can be signed. "It's exciting and challenging to be a part of this," says Vidar Eikrem, who will eventually be posted in Jiangyin, a city of 1.4 million inhabitants, just *slightly* more populous than Ulsteinvik, Norway.

THIS IS THE JIANGSU YANGZIJIANG SHIPBUILDING CO.

The Chinese shipyard which Ulstein will collaborate with, is located in a large shipbuilding area along the banks of the

Yangtze River, approximately 150 km north-west of the metropolis Shanghai.

The shipyard has 1000 permanent employees, and in addition approximately 800 contracted employees. Construction mainly consists of container ships and offshore ships. Shipbuilding carried out here employs traditional methods of sections built

on a slipway, and they manufacture four to five ships per year. The container ships comprise the principal activity, ranging in lengths from 100 to 190 metres. The shipyard maintains a high technical standard, and has several slipways along the banks of

the Yangtze River. The shipyard is located in the city of Jiangyin, which has 1.4 million inhabitants. This is a populous region of China, and there are a number of cities with populations exceeding one million not far away. Just 150 km to

the east, at the mouth of the Yangtze River is Shanghai, the sprawling metropolis with its 16 million inhabitants.

The Jiangsu Yangzijiang Shipbuilding Co. is located in the eastern part of China, not far from Shanghai.

The shipyard has a large container ship, 190 metres long, under construction.



The Chinese shipyard has a large painting and sandblasting hall.



A section being transported out to the slipway. The shipyard in China constructs ships in a traditional way.



A view of the large city of Jiangyin. One certainly can't complain about the standard of the roads.





"This is one of the best and most comfortable ships I have ever had the pleasure of sailing with," said Duncan Shearer from Marathon Oil (UK). He was onboard the "Normand Mermaid" on one of the first jobs the vessel had. The ship is a ULSTEIN P103 design.

WE KNEW WHAT WE WANTED

"Of course it's exciting to acquire ships that are completely new in terms of design. But this time we knew what we wanted. We were familiar with Ulstein's high standards regarding quality, and we took an active part in the whole development

process. They listened to our input, and we were also able to follow the testing which took place in a model tank at close hand," says Knut Lussland, operations manager in the shipping company.

Solstad Shipping AS in Skudeneshavn, Norway, has built three ships of Ulstein's new design at Ulstein Verft AS. Two of the ships are anchor-handling vessels, the ULSTEIN A101 type, whilst the third is a ULSTEIN P103 type, which is a multifunctional platform ship with special equipment for supporting subsea operations.

The first ship, the "Normand Mermaid", was delivered from the shipyard at Ulsteinvik in May 2002. The anchor-handling ship, the "Normand Mariner", was taken over by Solstad early in the autumn of 2002, whilst the last ship of the same design, the "Normand Master", was completed at the shipyard in March of this year. Solstad has consequently had satisfactory operational experience with the Ulstein design ships.

POSITIVE EXPERIENCES

"So far, our experience with all three ships has been positive," says operations manager Lussland. The ships have carried out operations in an excellent fashion, and we can only praise the work which was done

regarding the development of these design concepts. "What about the interruption of operations after a total of approximately 25 months for the three ships?"

"Basically we have only had one interruption. The "Normand Mermaid" had to be drydocked after an oil leak developed in a seal. The cause of this was probably due to some zinc block which loosened and damaged the seal. This accident has nothing to do with the design itself, nor an error in construction, so the ship has functioned very well," says Knut Lussland.

IN THE NORTH SEA AND THE MEDITERRANEAN

All three of the Solstad ships have been sailing on the spot market since their delivery from Ulstein. The "Normand Mariner" has just returned to the North Sea, following a job in the Mediterranean, where the ship assisted in the installation of an FPSO, a floating production vessel. Otherwise, both of the anchor-handling ships have mainly been used

in work moving and anchoring rigs. The "Normand Mermaid" has had most of its jobs as a mother ship for remotely operated underwater vehicles (ROVs), in connection with construction work on the oil fields.

"Do you perceive that the oil companies and the offshore contractors prefer new, modern ships when they hire ships from the shipping companies?"

"What counts most here, as in most areas, are finances and the daily hire rate they must pay, but we do see that they keep in mind previous experiences they have had with the shipping companies and particular ships," says the operations manager.

Several of the employers have had very good things to say about the ships. Duncan Shearer from Marathon Oil (UK) was onboard the "Normand Mermaid" on one of the first jobs the vessel had.

"This is one of the best and most comfortable ships I have ever had the

pleasure of sailing with," said Shearer, after the job was completed.

Managing director Lars Peder Solstad at Solstad Offshore is also quite happy with the large ULSTEIN A101 design anchor-handling ships which Solstad has built at Ulstein Verft.

"The "Normand Mariner" has functioned well in the months it has been in operation. "It looks as though this design is popular among charterers," Solstad said when the shipping company's second ULSTEIN A101 was delivered from the shipyard in March of this year. So far, Solstad has built 14 offshore vessels at Ulstein Verft.

HECTIC SUMMER SEASON

Activity in the North Sea is now entering its most hectic season, through four to five hectic summer months. During this time, there is a lot of construction and upgrading work on the oil and gas fields, and this means full employment for the three Ulstein designed ships which Solstad has acquired.

ULSTEIN AT A CROSSROADS

"Next year marks the fifth anniversary of our separation from what was previously the Ulstein group, so we stand at an important crossroads. From 2004 we can freely sell a broader range of specialised ships and ship systems to the global market, but in order to be successful we are dependent on an international focus as well as developing our ability to commercialise new products," says Gunvor Ulstein.

"With almost 90 years experience in shipbuilding, Ulstein has developed considerable expertise in the development, building and sale of vessels designed for demanding marine operations. Ulstein Verft acts as Ulstein's most important competence base for the building of specialised ships and carrying out projects. This must also continue in the future. Our ambition is to contribute new and improved specialised vessels for the global market through quality and flexibility both in design and implementation. In order to realise this we are turning from a labour-intensive to a more competence-intensive focus," concludes Gunvor Ulstein.

CHANGE OF MANAGEMENT AT ULSTEIN

Tore Ulstein will succeed Gunvor Ulstein in the position as president of Ulstein Verft AS (UVE). Gunvor will now concentrate on her role as CEO of Ulstein, focusing on business development, financing and shipping. The primary responsibility for the market rests with Ulstein Design AS.

Gunvor Ulstein will continue as president of Ulstein Mekaniske Verksted Holding ASA (UMVH), and Tore Ulstein as vice president of UMHV. Tore is also president of Ulstein Design AS.

At the right, you will find some members of the central sales management at Ulstein.

President:
Gunvor Ulstein



Vice President:
Tore Ulstein



Sales and Marketing Manager, Ulstein Verft AS: Harald P. Møller



Sales and Project Manager, Ulstein Design AS: Lars Ståle Skoge



General Manager, Ulstein-Yanzijiang Shipbuilding Corporation Limited (UYSC): Vidar Eikrem



ODDVAR STANGELAND OF DOF ASA:

"PURE BAD LUCK THAT WE HAVEN'T BUILT ANY SHIPS AT ULSTEIN VERFT"

"In the past, when we required new ships, Ulstein did not have the capacity to build them, and when Ulstein did have capacity, we didn't need new ships.

It is only bad luck, pure and simple, that we haven't built one single ship at Ulstein Verft."

These are the words of Oddvar Stangeland, managing director of DOF ASA (District Offshore). The offshore shipping company has its headquarters at Storebø in Hordaland County, Norway, and has seen strong growth in recent years. They now have 20 ships in operation, and two MT design platform ships are under construction.

IMPRESSED

"We have had a comprehensive presentation of Ulstein Verft and seen what it stands for, and we are

impressed by the shipyard and, not least, the new dock hall. We can see that they really deliver quality," says Stangeland.

"So you have not chosen other shipyards because they have better solutions and better quality?"

"No, not at all. We want to try Ulstein, but it simply hasn't been possible in terms of our requiring of new ships and the shipyard's capacity," says the managing director of DOF.

WOULD LIKE TO TRY

DOF is one of the shipping companies that uses the Marin Teknisk MT design, but they also have many UT designed ships from Rolls-Royce. "Have you considered any of Ulstein's own designs?"

"We have had a comprehensive presentation of the designs as well, and will see if an opportunity presents itself later where we can try both the shipyard and the design," says Stangeland.

CLOSE COOPERATION WITH THE SHIPYARD SECURED LONG-TERM CONTRACT

"When we received an enquiry from Peterson Supplylink BV concerning a long-term contract for a platform ship for the Dutch shelf, we considered how we could tender a competitive bid. A traditional UT 755 from Rolls-Royce

wasn't appropriate, we had to have something more modern and advanced. We studied Ulstein's new design and found that the ULSTEIN P106 platform ship design would be ideal for this job."

These are the words of Terje Andersen, managing director of Farstad Shipping ASA who explains why Farstad once again builds ships at the shipyard in Ulsteinvik, Norway.

"We began cooperating closely with Ulstein Verft, and went to the Netherlands together with Ulstein and presented the concept to Peterson. Our biggest competitor was a Dutch shipping company, which had a ship under construction in China. Our design was more expensive, but Peterson was impressed by the shipbuilding facilities and the solutions we presented, so they chose us for a five-year contract as well as options to build more ships."

BEAT THEM AT HOME

Construction of the ULSTEIN P106 was already started at Ulsteinvik at the time, and thus Farstad took over a contract from the Ulstein family.

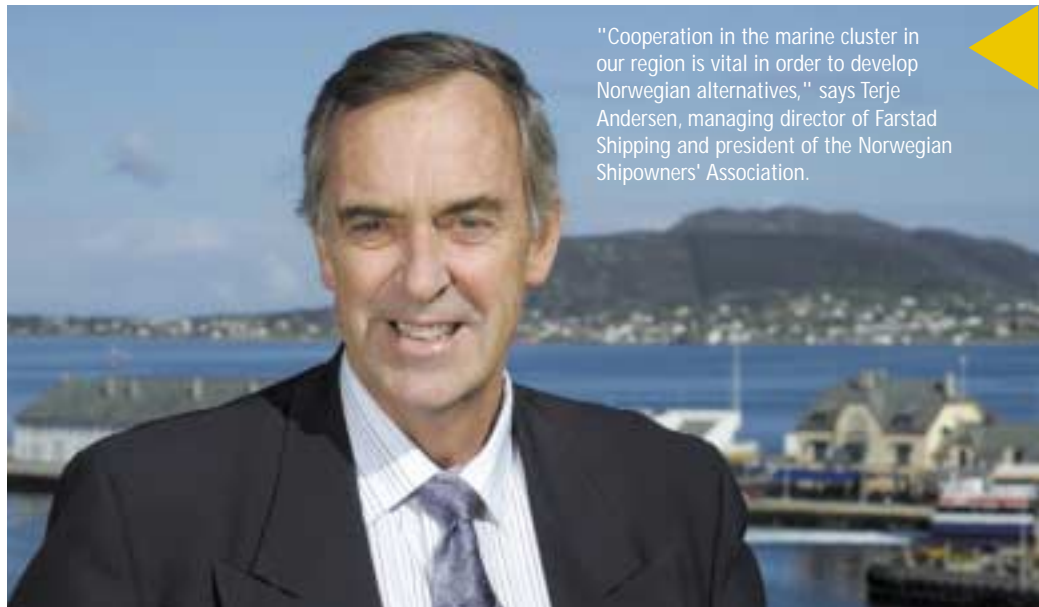
Terje Andersen says that it was amusing to beat the Dutch on their own turf with a Norwegian design concept. Despite that, he regretfully says that neither Farstad nor Ulstein deliver 100 per cent Norwegian solutions any longer.

"The majority of the ship's crew will most probably be foreign when it goes into service on the Dutch shelf, and the hull is built in Poland. But that is the reality in Norway since we have to compete internationally."

IMPORTANT COOPERATION

"How important was the cooperation between the shipyard and Farstad in securing this contract?"

"It was crucial," says the managing director of Farstad, who is also president of the Norwegian Shipowners' Association. "Our cooperation with Ulstein goes back many years, and we trust the yard and have received excellent vessels from them



"Cooperation in the marine cluster in our region is vital in order to develop Norwegian alternatives," says Terje Andersen, managing director of Farstad Shipping and president of the Norwegian Shipowners' Association.

before. Through the type of project we are talking about here, we can demonstrate the importance of the marine cluster in our region. Close relations between the shipowners, shipyards and equipment suppliers helps develop good solutions and is important in the creative process in order to achieve new and functional designs," he says.

But Farstad Shipping has yet another ship under construction at Ulstein Verft, an ULSTEIN P105 platform ship that is somewhat larger than the ship that will sail in Dutch waters. This is also a contract that had already commenced at the time they took the contract over from companies in the Ulstein group.

MOSTLY EMOTIONAL

"I met Idar Ulstein, who told me about the new design and the ship that was under construction. He explained the difficult contract situation, and the decision to take over the contract came more from the heart than from sound business reasoning," says Terje Andersen.

Both ships are to be delivered in December this year.

"We are optimistic, and believe we will see a more enduring improvement in the markets in 2004. Many offshore ships are being built at the moment, but we see that areas such as Brazil, Africa, the Mediterranean and the Far East are experiencing growth and can absorb the new capacity. Therefore, it's likely that there will be room for the new platform ship we will receive from Ulstein," says Andersen.