

ANNUAL REPORT 1997



UNITOR





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KEY RATIOS

		1997	1996	1995	1994	1993	Def.*
Result							
Operating revenues	NOK mill.	2,496.8	2,689.7	2,845.7	2,514.9	1,631.7	
Ordinary operating result**	NOK mill.	236.1	135.0	141.1	226.8	197.2	
Result before taxes	NOK mill.	128.2	(5.1)	125.2	211.1	162.4	
Tax rate	%	30.0	-	31.8	31.2	29.9	
Profitability							
Gross operating margin	%	13.5	8.8	8.4	13.1	16.7	1
Net operating margin	%	9.5	5.0	5.0	9.0	12.1	2
Gross profit margin	%	5.1	(0.2)	4.4	8.4	10.0	3
Net profit margin	%	3.6	(2.4)	3.0	5.8	6.9	4
Return on capital employed	%	15.4	9.1	9.5	16.3	18.2	5
Return on equity	%	10.2	(6.9)	8.8	15.6	13.6	6
Capital							
Market value	NOK mill.	1,759.5	1,585.9	1,678.2	2,179.1	2,209.4	7
Equity	NOK mill.	905.0	867.3	995.2	952.6	870.8	
Equity ratio	%	43.9	42.3	46.2	47.4	55.0	8
Net interest bearing debt	NOK mill.	437	380	245	239	140	
Liquidity							
Current ratio		2.8	2.0	2.0	1.8	2.2	9
Cashflow from operations	NOK mill.	16	84	50	162	190	
Shares							
Earnings per share	kr	4.61	(3.31)	4.43	7.60	6.51	10
Cashflow per share	kr	10.40	2.38	10.01	13.40	11.01	11
Book equity per share	kr	46.28	44.84	51.59	49.83	50.06	12
Dividends	kr	3.50	3.00	3.00	3.00	2.60	13
Payout ratio	%	75.9	-	67.7	39.5	39.9	14
Share price 31.12	kr	90.00	82.00	87.00	114.00	127.00	
Price/earnings ratio		19.52	-	19.62	15.00	19.50	15
Number of shares 31.12	x 1.000	19,550	19,340	19,290	19,115	17,397	
Average number of shares	x 1.000	19,542	19,307	19,261	19,078	17,354	
Personnel							
Number of employees 31.12		1,666	1,886***	2,301	2,076	1,226	

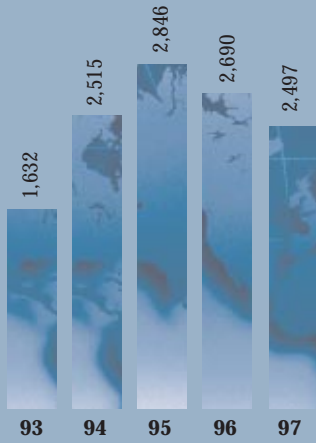
Note: Figures for 1993 do not include Ticon Isolering, merged with Unitor ASA per 01.01.94.

* Definitions of Key ratios on page 69.

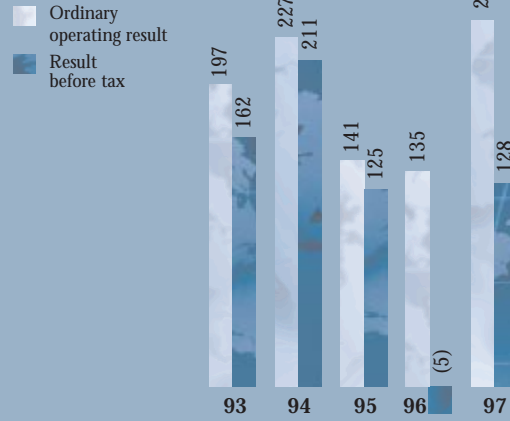
** Ordinary operating result is operating result corrected for accruals and write downs from restructuring and discontinued activity.

*** Includes 106 persons that left as a result of the restructuring.

Operating Revenues
(1993-1997)
NOK Mill.



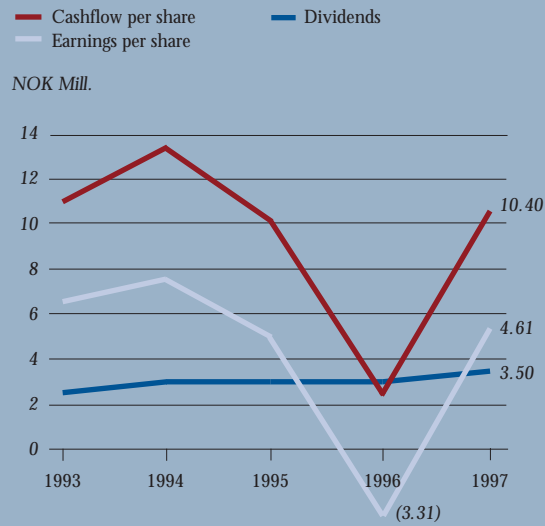
Result (1993-1997)
NOK Mill.



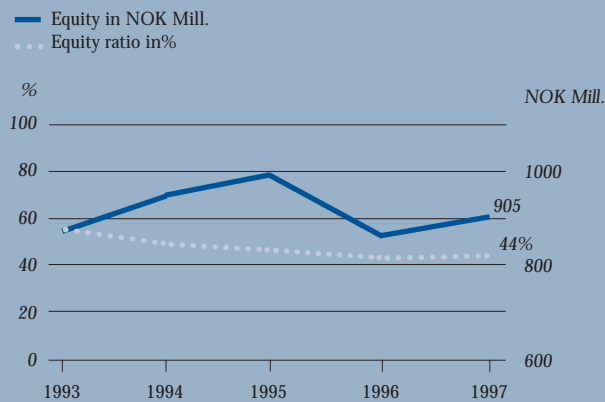
Profitability (1993-1997)



Key Figures Shares (1993-1997)



Equity (1993-1997)



1997

THIS IS UNITOR

Unitor is an international group which supplies products and service to the international merchant fleet and shipbuilding industry.

Its products are distributed via a worldwide network. It includes 84 of the company's own offices and 173 agents, operating in a total of over 80 countries. Through this network 202,000 deliveries were made all over the world in 1997.

Unitor's leading competitive advantage is its unique international network combined with competence within the areas of information technology and logistics.

The basic business philosophy is to work with products which can be standardised and purchased in large volume directly from the manufacturers for distribution through the company's own network, thereby shortening the distribution chain and ensuring the customers products of known quality and at a competitive and known price.

This philosophy has been the basis for more than a quadrupling of the turnover of products and service and systems during the decade from 1987 to 1997, from NOK 513 million to 2,160 million. The increase is the result of both internal growth and the purchasing of operations within strategic areas.

Unitor's international profile is also reflected in its owners. At the end of the year the company's NOK 19.5 million shares were spread on 2,141 owners, with 41.2% of the shares owned by Norwegians, 18.2% by Americans and 17.7% by British owners, while the owners of the remaining 22.9% were from a number of countries, primarily European.



BUSINESS AREAS

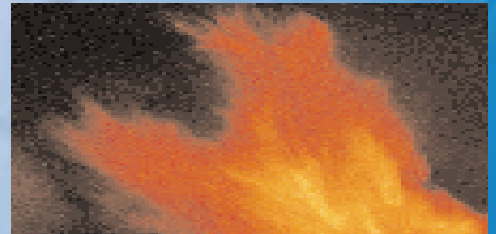
MAINTENANCE AND REPAIR

Good maintenance is good economy. Unitor offers a comprehensive range of products for maintaining and repairing a vessel, including all types of welding gases, welding equipment and consumables, high pressure cleaning equipment, paint spraying equipment, portable pumps and a complete range of hand tools.



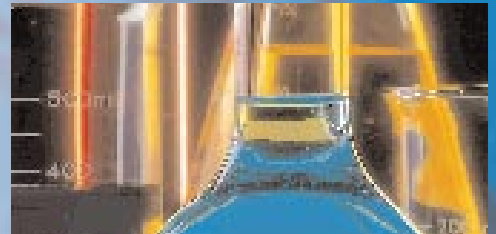
FIRE AND SAFETY

Unitor offers a comprehensive product range which is always in compliance with requirements. The product range includes portable fire extinguishers, firehoses and fittings, breathing apparatus, breathing air compressors, escape apparatus, firemans outfits, immersion suits, pyrotechnical equipment, life jackets, rescue craft, emergency rations and life buoys.



MARINE CHEMICALS

Unitor offers chemicals for cleaning and maintenance, water treatment and fuel oil treatment, together with specialised equipment and services. The company has been a forerunner in the development of environmentally friendly chemicals.



REFRIGERATION

Unitor's refrigeration concept includes refrigerant gases delivered in cylinders; refrigeration service with preventive maintenance; emergency repair; commissioning of new systems and retrofit of existing systems to bring them up to current environmental standards. A fully developed heating, ventilation and air conditioning (HVAC) concept had its first full year of activity in 1997.



MARINE CONTRACTING

The insulation system is a very important part of a liquified gas vessel, since it limits evaporation and loss of valuable cargo. Unitor's patented Spiral Generation system is based on the insulation being spun onto the large LNG spherical tanks and has proven to be very effective and competitive.



More detailed information on pages 38-50



COMPANY HISTORY

Unitor was founded on May 26, 1936 by Mr. Einar Torbjørnsen, who believed that the merchant fleet needed a supplier of welding equipment and oxygen / acetylene gases.

Mr. Torbjørnsen was convinced that if the chief engineer had welding equipment onboard, he could deal with a lot of repairs while the ship was in operation.

If a vessel were to have welding equipment onboard, the crew should be trained in welding and supplied with handbooks and literature on the subject. In addition, the shipowners would need secure supplies of welding gases and the possibility to swap empty cylinders for full units. In its first year of business, Unitor was already heavily involved with the logistics of stockpoints, port statistics, freight costs, insurance and customs duties. By 1939, vessels could purchase welding gases from Unitor at 18 ports worldwide.

To begin with, Unitor focused on introducing gas welding to the merchant fleet, but electric welding became increasingly prevalent during the 1950s. By the mid-nineties, the number of seamen trained at Unitor's welding schools in Manila, Piraeus and Oslo numbered in the thousands.

Unitor opened its first branch office in Rotterdam in 1964. In the same year, the first non-welding products were introduced. By 1968, there were 80 agents, plus branch offices in New York, London, Liverpool and Rotterdam. In 1968, Unitor Ships Service A/S became the company's official name.

In 1968, there were 57 employees, and Unitor had a turnover of NOK 12.9 mill.

The company grew by an average of 30% per year, reaching NOK 511 mill. in 1981. The product line had expanded to include refrigerants, fire fighting equipment, rescue equipment and more. From 1971 to 1980, the company increased from 13 to 50 branch offices.

160 agents served ports where Unitor did not have its own branch office.

In 1987, Unitor had 520 employees, 55 branch offices and 160 agents. After 1985, a combination of substantial scrapping, lower oil prices and improved international cooperation over the world economy provided a basis for a more balanced and stable market. About this time, Unitor began to achieve success in fire fighting systems for new vessels.

The decade of the 1990s has been somewhat turbulent for Unitor. Unitor's main business, providing products and service to the international marine industry, has grown in spite of low rates in 1991-1992 and 1996-1997. Within the core business, a number of strategic acquisitions were made. These companies have been integrated with Unitor's existing operations and have made positive contributions. Acquisitions of non-core business activities in the years 1994 and 1995, proved to be difficult and time consuming to integrate. This led to reduced focus on the core business. In 1996 it was therefore decided to sell or withdraw from these markets. This has been done. Those non-core activities remaining in Unitor have very limited effect on the company's core business. The importance of monitoring new technology is constant. To exploit the latest advances in IT for the benefit of the company's development, a major business re-engineering process was initiated in 1997. New IT systems will be operative in 1999.

IMPORTANT EVENTS

1997

- In January 1997 the Board decided to continue the restructuring process which was begun in the autumn of 1996, and that a number of enterprises and activities should be either reduced, wound up or sold in order to be able to focus on marine activities.
- The industrial-oriented section of the fire-fighting enterprise Ginge-Kerr in Denmark, with an annual turnover of approx. NOK 100 million was sold on February 13 to Williams Holding plc.
- The Coldstore Contracting division, which was taken over from Ticon in 1994 was established as an independent limited company as of 1 January 1997. This company was sold to a group comprised of the company directors, with support from financial investors, 23 April 1997. The sold company had activities in Norway, Sweden and Denmark, 160 employees and an annual turnover of approx. NOK 250 million.
- After the first quarter the results showed that restructuring up until that time had given the expected results, and that the amounts set aside in this connection appeared to be sufficient. The results later in the year confirmed this.
- After 11 1/2 years as President of the group, Karsten Houm stepped down as of 30 April 1997.
- The Board of Directors appointed Executive Vice President Per Terje Norheim President as of 1 May 1997, and until a new President took over.
- In May a major improvement project was launched under the name Navigator. In the first stage the project is directed at sales, logistics and IT processes, and involves a large number of employees around the world.
- Despite the fact that the market for Unitor's products and service must be described as flat and to some extent difficult throughout the entire year, Unitor's core activities underwent a positive development.
- The two fully-owned subsidiaries, Kjemi-Service AS and Svenska Skum AB, together with the business area Marine Contracting (primarily insulating of LNG vessels in Japan and Korea) achieved good results.
- On 4 October 1997 the Board of Directors engaged Frode Berg as new President, to commence duties 1 January 1998.
- In November Unitor was awarded a new contract for the insulation of two LNG tankers for Hyundai Heavy Industries in Korea to be carried out in 1999 and 2000. The value of the contract is USD 11.8 million.
- The troubles in Southeast Asia at the end of the year led to a minor decrease in turnover in the area in November, this did not continue into December.
- The shareholder structure changed during the course of 1997, from 27% Norwegian ownership at the beginning of the year to over 40% Norwegian ownership at year end, the first time this has been the case since Hafslund sold out in 1988.



UNITORS MANAGEMENT



Frode Berg, President



*Per Terje Norheim,
Executive Vice President*



Morten Tarøy, Vice President



Øyvind Udness, Vice President



Lasse D. Nergaard, Vice President



Steinar H. Johnsen, Vice President



David J. Tandy, Vice President



Anders Fransson, Vice President



The management at head office consists of eight people:

Frode Berg (age 41) President, responsible for the operations, development and strategy of the Unitor Group. Employed from January 1, 1998.

Per Terje Norheim (age 56) Executive Vice President. (Acting President from 30 April to 31 December 1997). Responsible for staff and support functions and investor relations, as well as Marine Contracting and the subsidiaries Kjemi-Service AS and Svenska Skum AB. Employed from 1994.

Anders Fransson (age 40) Vice President. Responsible for the development and operation of Unitors IT activities. Employed from 1988.

Steinar H. Johnsen (age 42) Vice President. Responsible for sales and network operations in North America, Asia and South East Europe. Employed from 1987.

Lasse D. Nergaard (age 39) Vice President. Responsible for the company's purchasing and logistic functions, as well as building activities. Employed from 1989.

David J. Tandy (age 45) Vice President. Responsible for marketing functions. Employed from 1989.

Morten Tarøy (age 46) Vice President. Responsible for organisational development, personnel functions and Quality Assurance. Employed from 1998, previously worked for the company 1992-96.

Øyvind Udness (age 51) Vice President. Responsible for sales and network operations in West Europe, South Africa and South America. Employed from 1970.

In addition to the central management at Maritime, the following five Area Vice Presidents are members of Unitor's top management:

Paal Berg (age 53) heads the area North America from Los Angeles. Employed from 1967.

Lars Bergaust (age 57) heads the area South East Asia from Singapore. Employed from 1993.

Terje Nygaard (age 53) heads the area Middle East from Dubai. Employed from 1990.

Andreas P. Poulakis (age 51) heads the area South East Europe from Piraeus. Employed from 1980.

Tor Øiseth (age 43) heads the area Japan/Korea from Yokohama. Employed from 1988.



THE DIRECTORS REPORT

The Board of Directors regard Unitors network as the operation's most important resource. The strategy for 1997 has been to improve this activity by reducing costs and improving the logistics function. In addition, Unitor has wound up activities which do not naturally belong to its operations. The objective was to arrive at a more competitive organisation which focuses on the core areas of business, sales of products and service to the international merchant fleet.

The Coldstore Contracting activities, i.e. production, supply and construction of cold storage facilities, primarily in Scandinavia, was established as a limited company of its own as of 1 January 1997. In keeping with the decision to focus on Unitors core activities, it was decided to sell this company. The transfer took place in April 1997, with accounting effect as of 1 January. Purchasers were a group consisting of the company management with support from two financial investors.

The industrial section of Ginge-Kerr, which manufactured and sold fire-fighting systems with legal entities both in Denmark and England, was for the same reason sold to Williams Holding plc in February 1997.

With the completion of work on vessel No. 2 at Kværner Masa-Yard in July, a contract which was taken over with the purchase of GF Marine in 1995, Unitor ended its involvement in HVAC (Heating, Ventilation and Air Conditioning) for cruise ships, an involvement which had extensive negative effects on the results for 1995 and 1996.

The Enviroteam operation, selling oil bags, oil booms, etc., which sells mainly to various authorities and not to the merchant fleet, was transferred to employees in December, while Unitor retained the right to sell oil bags to merchant vessels.





Jens Ullveit-Moe, Chairman



Eivind Astrup, Deputy Chairman



Christian Falck-Pedersen, Director



John Hatleskog, Director



Jarle Roth, Director



*Arne Bernt Haugdal, Director
(Employees representative)*



*Jane Bordal, Director
(Employees representative)*



*Hans Petter Rollheim, Director
(Employees representative)*

*Morits Skaugen jr., Director
(not present for photo)*



Operating income and results

The total turnover for the Unitor Group in 1997 amounted to NOK 2,497 million, as compared with NOK 2,690 million in 1996. The 1996 turnover includes NOK 356 million in activities which were sold in 1997, Ginge-Kerr's industrial fire-fighting activities and Coldstore Contracting AS.

Growth within Unitor's traditional activities was 2%, after adjusting for price and currency changes.

The turnover is broken down by Products and Service, which accounted for NOK 1,931 million (NOK 1,761 million in 1996), and Systems, Contracting and Production, with NOK 584 million (NOK 929 million in 1996, including NOK 346 million from entities which have been disposed of).

The operating result before accruals was NOK 236 million, as compared with NOK 135 in 1996. The amounts set aside in the 4th quarter of 1996, to cover the costs of the corporate restructuring, NOK 26 million, proved to be sufficient. Restructuring did not effect the 1997 result.

Net interest costs amounted to NOK 47 million, as compared with NOK 38 million in 1996. The result of currency futures contracts, which were concluded to secure the expected positive cash flow in USD for 1997, and Unitor's other exchange positions, was a loss of NOK 58 million as compared with a loss of NOK 11 million in 1996.

Net financing costs thus amounted to NOK 105 million as compared with NOK 49 million in 1996.

Result before taxes for the Unitor Group was a profit of NOK 128 million, compared with a loss of NOK 5 million in 1996.

Earnings per share are NOK 4.61, as compared with negative earnings of NOK 3.31 per share in 1996.



The Board of Directors proposes that a dividend of NOK 3.50 per share be paid, which is an increase of NOK 0.50 as compared with 1994, 1995 and 1996.

Foreign exchange situation

Just over 60 % of Unitor's network operating revenues are based on USD, while only one-third of costs are in the same currency. This exposure causes substantial fluctuations in the result in the case of major changes in exchange rates. Unitor has, for a number of years, followed a policy of hedging, whereby the expected net positive cash flow in USD for the next 12 months on a rolling basis is sold forward or secured by other means. Regular evaluations of acceptable exchange rate levels are carried out and measures are taken on the basis of these evaluations.

Thus, as of 31 December 1997, USD 100 million, which is the expected exposure level for 1998, was hedged at an average forward rate of NOK 7.17.

Capital situation

Investments of the Unitor Group in 1997 totalled NOK 142 million (NOK 131 million in 1996). Of this total, investments in buildings/land comprised NOK 44 million (NOK 24 million in 1996) and in gas cylinders NOK 36 million (NOK 54 million in 1996). The Group's total capital increased from NOK 2,045 million in 1996 to NOK 2,063 million in 1997. Net interest-bearing debt increased from NOK 380 million in 1996 to NOK 437 million in 1997. The increase is the result of a combination of currency investment level and payment of dividends. Net interest-bearing debt comprises 20.9% of the Unitor Group's total capital as of 31 December 1997, as compared to 20.0% at year-end 1996. Equity as of 31 December 1997 was NOK 905 million, corresponding to an equity percentage of 43.9%. The Board regards the equity as very satisfactory and higher than necessary to maintain and strengthen Unitor's role within the Group's strategic areas of business. It is thus proposed, in view of the expectations of positive results in 1998, that dividends be increased compared with previous years, to amount to 76% of profits after taxes. The Unitor Group's cash flow from operations was NOK 16 million in 1997 (NOK 84 million in 1996).



Unitor's liquidity reserves, including unused, established credit lines, at year-end 1997 amounted to NOK 532 million (NOK 562 in 1996). Of these reserves, 53 % were in USD, 17 % in NOK and 30 % in other currencies.

Personnel and environment

Safety and the working environment have been subjects of great international interest during the past decade. Many new international and national regulations have come into force and thus reduced the possibility of accidents and negative consequences from the use of "hazardous products" and unsafe working conditions.

Unitor's day-to-day operations are characterised by the transportation, storage and supply of explosive welding gas, CO₂ for fire-fighting systems, chemicals and liquid refrigerants. It is thus natural to have safety and environmental issues high on the priority list. Our goal is to comply at all times with national and international requirements and we have, therefore, during the past ten-year period, dedicated substantial resources to the upgrading of office standards and storage facilities in our worldwide network.

During the last few years all of the Group's production companies/units, Kjemi-Service AS, Petrocon SA and Svenska Skum AB, have undergone quality assurance procedures and been ISO 9000 certified. The same applies to Unitor's Distribution Centre in Rotterdam. Long before the ban on production of liquid refrigerants having the most harmful effects on the world's ozone layer was introduced, Unitor spent substantial resources on providing information on, and marketing environmentally friendly alternatives and concepts for preventive maintenance to reduce unnecessary leakage. This contribution has strengthened our market position as the leading supplier of liquid refrigerants and refrigeration service in the marine market.



Efforts to develop and market environmentally friendly alternatives within the fields of refrigeration, fire protection, gas and chemicals have resulted in Unitor being included in the portfolio of individual "green" investment funds.

It is the Board of Directors opinion that none of Unitor's operations pollute the natural environment. Remuneration to, and shares owned by, the Board of Directors, the President and the Auditor are described in note 25 and in the section about information to shareholders.

The Market

The global economy was relatively strong during 1997. GDP grew by 4.1%, which was a slight increase on 1996. Ocean-going transport grew by approx. 4.5%. The global fleet grew by 2%, which was in line with the previous year, and most players in the market enjoyed a good year. The tanker market experienced a significant improvement in rates, while bulk operators only enjoyed a moderate improvement. The increase in tanker rates was followed by a significant increase in orders for newbuildings to a level not seen since the early 1970's. Confidence in future income and good financing opportunities have also contributed to this boom in orders. Many analysts do, however, remain doubtful about the extent to which future economic growth will be strong enough to receive and employ the tonnage that will be coming onto the market during the next two years.

If one takes into account the financial crisis in Asia, growth will have to be around 4% to absorb the new tonnage. While China and India, which represent approx. 70% of the Asian market, are not currently expected to be significantly affected, it is assumed that Japan, Korea, Indonesia and Thailand will generate approximately zero growth. The uncertainty in Asia seems to have reduced an otherwise favourable forecast for the shipping market in 1998.

In terms of the market, a milestone will be reached on 1 July 1998, when the International Safety Management code (ISM code) comes into force. This code originates from the IMO (International Maritime Organisation), and defines strict standards that effectively cover all aspects of shipping operations, from safety equipment and maintenance to training of crews. As the date approaches it is becoming evident that a significant proportion of the fleet has not achieved the necessary certification. This could result in a number of ships being transferred to operators who do have certification just before and after 1 July 1998.



Unitor's products satisfy many of the requirements of the ISM code, and as Unitor supplies most of the larger players who have certification, their growth could generate increased turnover for Unitor.

Strategy and Future Prospects

Unitor's strategy is aimed at sales of standardised products and service through its unique network. The products are bought direct from the manufacturer, eliminating several steps in the distribution chain. This enables Unitor to offer competitive prices.

Our development during 1997 shows that this is a correct strategy, and in the future Unitor wants to operate along the same lines. New products within core areas will be launched in stages. 1997 saw the appearance of hand tools, during Spring 1998 ball bearings and roller bearings will be launched, and later in the year packings and seals, all for marine use, will be launched. Other products will be added later.

Both the expansion of the product range and the emphasis placed by Unitor on improved efficiency are processes that are already well under way within the framework of an efficiency project (The Navigator Project) aimed at benefiting our customers. This includes, for example, a radical upgrading of our IT systems. This will also take into account the requirements associated with the turn of the millenium.

Unitor's market share is developing in a positive trend.



Despite the uncertainty in Asia, low rates for many of our customer segments and a generally turbulent market, the Board of Directors considers that Unitor is well equipped to face the future with its strong position in the market, the effects of the ISM code, continued focus on core areas, increased efficiency and cost control.

The Board of Directors would like to take this opportunity to thank all employees for their good work and loyalty during 1997, which have contributed towards ensuring that Unitor is once more a company moving in the right direction.

The board proposes the following appropriation of the annual profit and equity allocations in Unitor ASA:

Provision for dividend	68,423,779
Group contribution paid	39,810,252
Provision for statutory reserves	15,264,790
Allocated from free reserves	63,338,179
<hr/>	
Total	60,160,642

Oslo 6 March 1998



Jens Ulltveit-Moe
Chairman of the Board



Eivind Astrup



Christian Falck-Pedersen



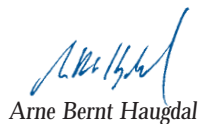
Morits Skaugen jr.



John Hætteskog



Jarle Roth



Arne Bernt Haugdal



Jane Bodal



Hans Petter Rolfheim



Frode Berg
President



PROFIT AND LOSS STATEMENT 01.01–31.12

	<i>NOK mill.</i>	1997	1996	1995	Notes
Operating revenues		2,497	2,690	2,846	2
Cost of goods sold		1,215	1,467	1,690	2, 3
Wages and social benefits		509	524	480	16
Other operating expenses		435	463	438	8
Accruals and write downs from restructuring and discontinued activity		3	91	10	4
Ordinary depreciation		102	101	97	10, 11
Total operating expenses		2,264	2,646	2,715	
Operating result		233	44	131	
Interest income		4	5	8	
Interest expenses		45	37	32	
Other financial expenses		64	17	(18)	5
Net financial expenses		105	49	6	
Result before taxes		128	(5)	125	
Taxes		38	59	40	6
Net profit/(loss)		90	(64)	85	
Earnings per share (kr)		4.61	(3.31)	4.43	

BALANCE SHEET PER 31.12

	NOK mill.	1997	1996	1995	Notes
Assets					
Cash and deposits		185	158	196	7
Accounts receivable		640	656	714	8
Inventories		493	443	455	9
Other short term receivables		94	69	86	
Total current assets		1,412	1,326	1,451	
Long term receivables		23	59	45	
Goodwill		150	186	209	11, 12
Fixed assets		478	474	448	10, 12
Total long term assets		651	719	702	
Total assets		2,063	2,045	2,153	
Liabilities and equity					
Short term interest bearing liabilities		4	60	34	13
Accounts payable		192	198	280	
Other short term liabilities		313	412	396	14
Total current liabilities		509	670	710	
Long term interest bearing liabilities		618	478	407	15
Net pension liabilities		22	21	23	16
Deferred tax		0	0	11	17
Other long term liabilities		9	9	7	
Total long term liabilities		649	508	448	
Share capital		244	242	241	
Other equity		661	625	754	
Total equity		905	867	995	18
Total liabilities and equity		2,063	2,045	2,153	
Guarantees		0	21	1	36
Mortgages		11	20	15	21

ANALYSIS OF CASHFLOW*

	<i>NOK mill.</i>	1997	1996	1995
Result before taxes		128	(5)	125
Ordinary depreciation		102	134	97
Taxes paid		(60)	(66)	(73)
Funds from operations		170	63	149
Net change in accounts receivable		(12)	69	(110)
Net change in inventories		(82)	12	(46)
Net change in other working capital items		(60)	(60)	57
Net change in cash from operations		16	84	50
Net change in cash from purchase and sale of activity		26	(44)	(24)
Investments in fixed assets		(142)	(131)	(155)
Disposal of fixed assets		47	16	237
Net change in cash from investments		(69)	(159)	58
Net change in financial investments		9	3	6
New long term liabilities		122	200	441
Downpayments of long term liabilities		(15)	(104)	(419)
Net change in short term interest bearing liabilities		7	(8)	(58)
Share issues, incl. premium		16	4	15
Dividends paid		(59)	(58)	(58)
Net change in cash from financing		80	37	(73)
Net change in cash position		27	(38)	35
Cash position – 01.01.		158	196	161
Cash position – 31.12.		185	158	196

*Note 19

ACCOUNTING PRINCIPLES

GENERAL

The Financial Statements are presented in accordance with the Joint Stock Companies Act and Norwegian Generally Accepted Accounting Principles. Valuation and Classification principles below apply both to Unitor ASA and the Group accounts.

CONSOLIDATION

Group companies

The consolidated accounts include companies where Unitor ASA has a direct or indirect ownership of more than 50 % of the voting shares, or otherwise has direct control. Companies acquired during the year are consolidated from the time of the acquisition. Companies sold during the period are de-consolidated at the time of the divestiture. Accumulated equity in subsidiaries after acquisition is classified as Group reserve. Reference is made to note 30 for subsidiaries consolidated in the Group accounts.

Inter-company receivables and liabilities and all material transactions between Group companies, as well as internal profit in inventories, have been eliminated.

Unitor ASA's shares in subsidiaries are eliminated against the equity at the time of acquisition of the subsidiary (the purchase method). Excess values in connection with acquisitions are allocated to the assets to which they are related and subsequently depreciated. Excess values which cannot be allocated to any specific item are classified as goodwill. In accordance with regulations in the Joint Stock Companies Act, depreciation is performed on a straight line basis over the estimated economic life of the goodwill, limited to a maximum of 20 years.

For purposes of consolidation, the Profit and Loss statements of non-Norwegian subsidiaries are converted to Norwegian kroner at the annual average exchange rate. Assets defined as monetary items and liabilities are converted at the year end exchange rate. Other assets are converted at the original exchange rate. All non-Norwegian subsidiaries are considered to be integrated entities with the parent company, and exchange differences arising from consolidation are presented as part of other financial expenses in the Profit and Loss statements.

Gain or loss from sales of shares in subsidiaries is calculated as the difference between the sales price and the equity at the time of divestiture, reduced with the book value of any excess values included in the consolidation.

EVALUATION AND CLASSIFICATION PRINCIPLES

Operating revenues

Sales of goods and services are reported as operating revenues at time of delivery. Long term contracts are recorded as income based on the Percentage of Completion method. In compliance with the prudence concept, a relative share of the total contract amount and expenses, equal to the projects completion at the time of closing the accounts, is included in the Profit and Loss statements. Total expected losses are accrued for projects that, at the time of evaluation, are expected to be reported with a negative contribution.

Cost of goods sold

Cost of goods sold includes, in addition to cost of goods for resale, also direct and indirect operating expenses related to the Contracting and Production activity.

Cash and deposits

Cash and deposits includes both restricted and unrestricted cash and bank deposits.

Accounts receivable

Accounts receivable include gross invoiced accounts receivable less provision for potential loss on receivables. Accounts receivable also include accrued revenues from applying the Percentage of Completion method less corresponding pre-payments.

Inventories

Inventories are stated at the lowest of cost, based on the FIFO principle, and the market value. Purchased goods are priced at historical cost. Cost price for work in progress and manufactured goods is direct cost plus a proportion of indirect cost of production.

Inventories are reduced for estimated obsolescence.

Fixed assets

Fixed assets are stated at the original cost price reduced with accumulated ordinary depreciation. Ordinary depreciations are recorded on a straight line basis over the estimated economic life of the assets. Gains or losses from sale of fixed assets are recorded as operating revenues and other operating expenses respectively.

Taxes

Tax expenses and liabilities are presented in the accounts by using the liability method for calculation of deferred tax. The Profit and Loss statements include the annual change in deferred tax in addition to current tax expenses. The deferred tax liability in the balance sheet is based on positive and negative timing differences between values for accounting purposes and taxation purposes respectively. Temporary differences which are, or may be reversed, in the same accounting period are presented as a net liability. A net deferred tax benefit cannot be reported as an asset in the Balance Sheet.

Receivables and liabilities in foreign currencies

Short term receivables and liabilities are converted into Norwegian kroner at the year-end exchange rates. Realised and unrealised gains and losses are recorded in the Profit and Loss statements.

Long term receivables and liabilities are converted at the lower and higher of the historical and year-end exchange rates respectively. Unrealised exchange losses are recorded in the Profit and Loss statements except loss on long term receivables or long term liabilities that may be offset against unrealised gain in the same currency.

Pension liabilities

The Group's Norwegian subsidiaries operate with defined benefit pension plans, giving the employees right to an agreed upon future pension benefit. The benefit is based on years of service

and salary level at retirement. Actuarial computed pension liabilities less the market value of any plan assets are included in the accounts. Estimated pension expenses and net pension liabilities are based on assumptions as regards interest rates, expected future growth in wages and pension regulations and return on plan assets.

The Group's non-Norwegian subsidiaries mainly have defined contribution plans, where the employers obligation is to contribute a specific amount, percentage of wages, etc. to the individual employee's pension plan. The employer does not undertake any obligations regarding changes in the return on plan assets, growth in salaries, etc. Total pension expenses in the Profit and Loss statements are thus normally limited to the actual contribution and no assets or liabilities are recorded in the Balance Sheet.

The accrual for early retirement pension expenses is based on the net present value of agreed pension compensation, including expected adjustments until retirement. Expenses related to compensation for a lower contribution from the National Insurance and for continued membership in the defined benefit pension plans are equally accrued for.

Research and development costs

Expenses related to product development and research are recorded directly in the Profit and Loss statements.

Financial instruments

Forward contracts

Forward sale of a conservative estimate of the next year's expected net cash inflow in USD is considered as a hedging transaction for accounting purposes. Any unrealised profit/loss from such contracts is recorded together with the underlying net currency inflow. Unrealised loss from hedging of other expected inflow of foreign currency is charged directly. Unrealised gains are recorded at realisation. Unrealised gains/losses on forward contracts are valued at the closing exchange rate at year end.

Options

Options, in the same way as forward contracts, are sold/bought to hedge the exchange rate related to next year's net inflow of USD and these two instruments are treated similarly in the Financial Statements. The option premium paid at time of the agreement is recorded at expiration of the underlying contracts.

Forward rate agreements

Forward rate agreements are valued at market price at year end. Net gains/losses are recorded as financial income/expenses over the term of the contracts.

Segment information

Operating revenues are distributed on the Group's major geographical areas, business units and activities; Products and Service, and Systems, Contracting and Production. As most subsidiaries have revenue within all activities and business areas without full allocation of expenses, operating results per business areas have little relevance and are therefore not reported.

PROFIT AND LOSS STATEMENT 01.01-31.12

	NOK mill.	1997	1996	Notes
Operating revenues		1,456	1,616	
Cost of goods sold		856	1,016	
Wages and social benefits		139	166	25, 35
Other operating expenses		266	312	26, 28
Accruals and writedowns from restructuring and discontinued activity		0	43	
Ordinary depreciation		39	42	31
Operating expenses		1,300	1,579	
Operating result		156	37	
Interest income		19	18	
Interest expenses		42	31	
Other financial expenses		66	2	
Net financial expenses		89	15	
Result before taxes		67	22	
Taxes		7	8	33
Net profit		60	14	
The Board's proposal for appro. of net profit and equ. transfers				
Dividends		68	59	
Legal reserve		15	3	
Rev. temp. restricted funds		0	(8)	
Group contribution		40	12	
Retained earnings		(63)	(52)	
Total		60	14	

BALANCE SHEET AS PER. 31.12

	NOK mill.	1997	1996	Notes
Assets				
Cash and bank deposits		100	69	27
Accounts receivable		567	565	28
Inventories		196	179	
Other short term receivables		113	193	29
Total current assets		976	1,006	
Shares in subsidiaries		381	386	30
Other long term receivables		351	363	29
Goodwill		15	24	31, 32
Fixed assets		131	128	31, 32
Total long term assets		878	901	
Total assets		1,854	1,907	
Liabilities and equity				
Bank overdraft		0	0	
Taxes payable		12	36	33
Dividends		69	59	
Accounts payable		39	24	
Other short term liabilities		328	451	29
Total current liabilities		448	570	
Interest bearing liabilities		576	457	34
Net pension liabilities		23	22	35
Deferred tax liabilities		0	0	33
Other long term liabilities		27	46	
Total long term liabilities		626	525	
Share capital		244	242	
Legal reserve		362	334	
Temporary restricted funds		174	236	
Total equity		780	812	18
Total liabilities and equity		1,854	1,907	
Guarantees		110	174	36
Mortgages		0	0	

ANALYSIS OF CASH FLOW

	NOK mill.	1997	1996
Net change in cash from operations		27	19
Net change in cash from investments		(16)	(36)
Net change in cash from financing		20	19
Net change in cash position		31	2
Cash position - 01.01		69	67
Cash position - 31.12		100	69

AUDITOR'S REPORT FOR 1997 TO THE ANNUAL GENERAL MEETING OF UNITOR ASA

We have audited the annual accounts of Unitor ASA for 1997, showing net profit of NOK 60 mill. for the Company and net profit of NOK 90 mill. for the Group. The annual accounts, which consist of the Directors' report, profit and loss statement, balance sheet, analysis of cashflow, accounting principles, notes and the corresponding consolidated financial statements, are the responsibility of the Board of Directors and the President.

Our responsibility is to examine the Company's annual accounts, its accounting records and the conduct of its affairs.

We have conducted our audit in accordance with applicable laws, regulations and generally accepted auditing standards. We have performed the auditing procedures we considered necessary to determine that the annual accounts are free of material errors or omissions. We have examined, on a test basis, the accounting material supporting the financial statements, the appropriateness of the accounting principles applied, the accounting estimates made by the management and the overall presentation of the annual accounts. To the extent required by generally accepted auditing standards, we have also evaluated the Company's asset management and internal controls.

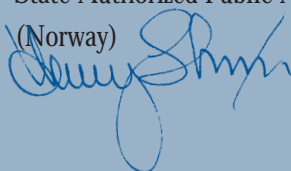
The appropriation of net profit and equity transfers complies with the requirements of the Joint Stock Companies Act.

In our opinion, the annual accounts have been presented in conformity with the Joint Stock Companies Act and present fairly the Company's and the Group's financial position as of 31 December 1997 and the result of the operations for the fiscal year in accordance with generally accepted accounting principles.

Oslo 6 March 1998
Arthur Andersen & Co.

Henning Strøm
State Authorized Public Accountant

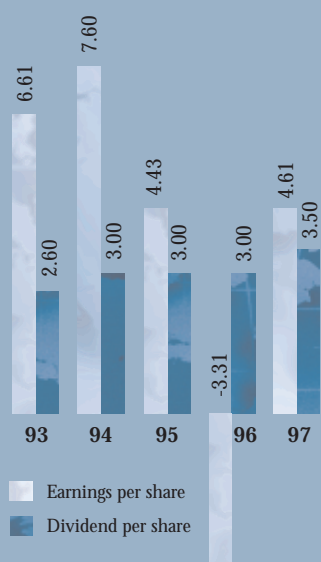
(Norway)



INVESTOR INFORMATION

Unitor regularly issues information to shareholders, brokers and others on the development of the company, the company's activities, significant events, etc. By following this policy, we seek to ensure that the share price reflects the underlying value of the company and the expected future development of profits. In addition to the annual report, information is distributed through the Internet, presentations, comprehensive interim reports and frequent press releases. In view of the ownership structure in Unitor, several presentations are held abroad.

Earnings / Dividend per share

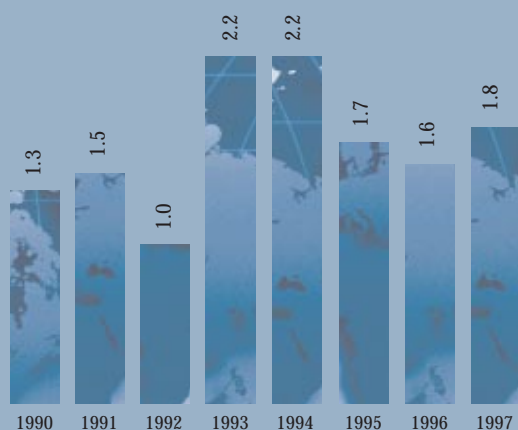


DIVIDEND POLICY

It is Unitor's objective to provide shareholders with a satisfactory return on invested capital. Return on capital is generated by development of the share price and payment of dividends. A solid equity ratio and the Board of Directors belief in the company's potential have contributed to relatively high dividends the last years, even in years with lower profits. The payout ratio has increased from 40% in 1994 to 76% in 1997. During the same period the equity ratio has been reduced from 52.5% in 1994 to 43.9% in 1997, which is still a relatively high level compared to the Unitor policy.

The Board of Directors wish to indicate that this attitude and opinion still is valid by proposing dividends for 1997 of NOK 3.50 per share, an increase of NOK 0.50 from the three preceding years.

Market value (Bill. NOK)



EVALUATING UNITOR

At the end of 1997 the market price for Unitor shares was NOK 90.00 and the number of shares totalled 19.5 million. Corresponding figures at 31 December 1996 were NOK 82.00 and 19.3 million. Total market value was thus about NOK 1.8 billion and NOK 1.6 billion respectively.

Apart from market values based on share price, no valuations of the company are presented. However, different brokers regularly issue analysis and valuations. In addition to currency issues which are separately commented below, the following factors are of importance in an evaluation of the Unitor Group.

Worldwide network

Unitor has more than 80 offices and 180 agents in about 80 different countries. It is this worldwide integrated network which makes the company unique. This organisation has been built up over a period of 30 years, and today a workforce of approximately 1,400 employees serves the world's ocean-going merchant fleet using a unified invoicing and logistics system. Quality assurance and training procedures have also been implemented, assuring that our customers in principle receive the same delivery and the same service independent of where the products or service are purchased.

Unitor also owns a stock of about 350,000 welding gas cylinders which are rented out to customers and which can be exchanged in any port where we are represented.

An organisation of this type is work-intensive and requires a large staff. This means that maintaining and developing this business will necessarily result in relatively high operating expenses. Future growth in profits based on the implementation of new business within the Unitor network therefore requires large volumes with equivalent relatively high gross margins. When introducing new products, the network can relatively quickly generate a considerable sales volume.

Market conditions

Unitor's activities are influenced by market conditions in shipping. The level of activity, freight rates, the attitude towards maintenance and age of vessels are all important elements in the evaluation. The Group's growth within the newbuilding market in recent years has to a certain extent contributed towards maintaining profits long term even when the average age per vessel is decreasing, and also the need for maintenance products. The ISM code has been made more stringent from 1 July 1998, which strengthens expectations of growth in the consumption of maintenance products.

For a more thorough evaluation of the market conditions for 1998 and future years, refer to the Director's report page 17.

Project activity

During the years 1994–96, Unitor had a relatively high portion of project activity. This came from the acquired companies. The sales from the areas of insulation of pipelines and LNG ships, construction of coldstores and HVAC systems on cruise ships amounted to about NOK 540–670 mill. for the first two years. In 1996 this sales amounted to NOK 380 mill. Subsequent to a comprehensive process of discontinuation and sale of activity, today only insulation of LNG ships in Japan and Korea remains. Therefore, in 1997 the project activity only represents about 5% of the total operating revenues in Unitor.

Profit and Loss per Quarter

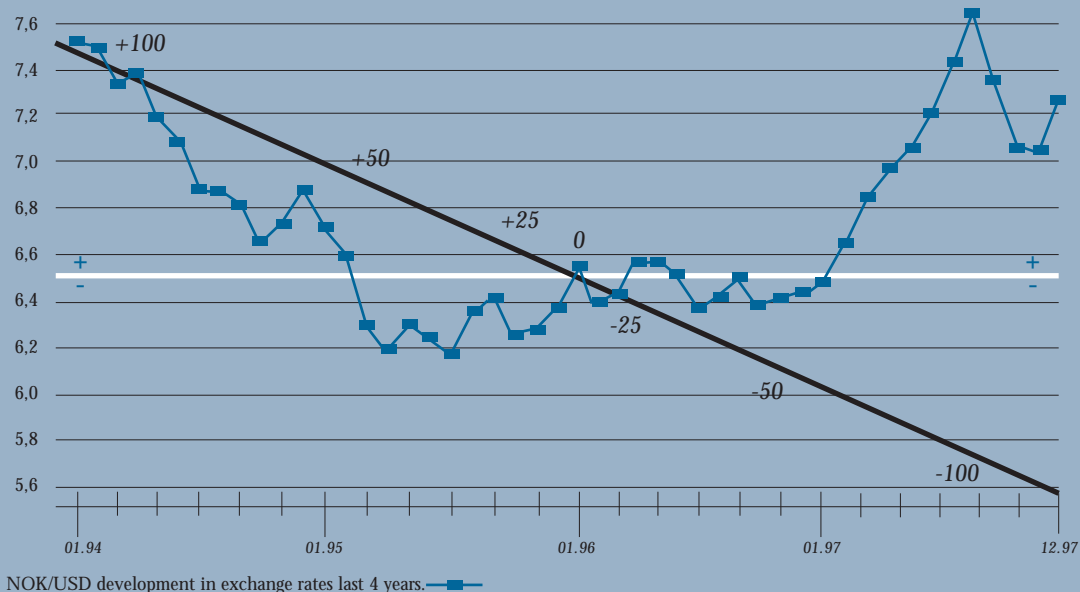
	1997 NOK Mill.	1997 1.10.-31.12.	1997 1.7.-30.9.	1997 1.4.-30.6.	1997 1.1.-31.3.	1996 1.10.-31.12.	1996 1.7.-30.9.	1996 1.4.-30.6.	1996 1.1.-31.3.
Operating reven. Products and Service	465	506	493	449	416	440	461	444	
Operating revenues Systems, Contracting and Production	170	145	135	134	130	223	266	310	
Operating revenues	635	651	628	583	546	663	727	754	
Cost of goods Products and Service	198	224	220	205	196	211	214	210	
Cost of goods Systems Contracting and Production	110	89	83	86	65	160	184	227	
Cost of goods sold	308	313	303	291	261	371	398	437	
Other operating costs	247	242	263	219	252	245	250	240	
Ordinary depreciation	29	24	24	25	29	25	24	23	
Accruals and writedowns from restructuring and discontinued operations	0	0	0	3	101	0	0	(10)	
Operating result	51	72	65	45	(97)	22	55	64	
Net financial expenses	27	34	30	14	20	12	9	8	
Result before taxes	24	38	35	31	(117)	10	46	56	
Taxes	4	13	11	10	23	3	15	18	
Net profit	20	25	24	21	(140)	7	31	38	

CURRENCY

Sensitivity analysis

More than 60% of the Unitor Group's operating revenues are in USD, and about one third of operating expenses are in the same currency. This results in a net positive cash flow of USD in Unitor. There has been a high degree of fluctuation in the exchange rates in recent years, and development of profits are influenced by this. The diagram below illustrates sensitivity to fluctuations in the exchange rate for the USD in relation to Group results based on an expected net positive cash flow of USD 100 mill.

Effects on profit from USD-fluctuations



As presented, the pre-tax profit will increase by approx. NOK 70 million on the basis of a NOK/USD exchange rate of 7.20 compared with 6.50. Similarly, pre-tax profits will reduce with approx. NOK 70 million at a NOK/USD exchange rate of 5.80 compared with 6.50.

In order to further illustrate the effect of the USD exchange rate on Unitor's results, we have adjusted the Profit and Loss Statements for the years 1993 to 1997 on the basis of a fixed NOK/USD exchange rate of 6.50.

Unitors profit and loss statement the last 5 years at fixed exchange rate NOK / USD = 6,50

	1993	1994	1995	1996	1997
Operating revenues	2,247	2,487	2,856	2,692	2,442
Gross margin	997	1,164	1,166	1,225	1,227
Gross margin in %	44,4%	46,8%	40,8%	45,5%	50,2%
Operating result	205	199	141	46	178
Net financial expenses	(3)	(23)	(32)	(50)	(47)
Result before taxes - adjusted	202	176	109	(4)	131
Result before taxes - official	195	211	125	(5)	128
Average forward rate NOK/USD	6.38	7.22	6.73	6.47	6.48

Hedging policy

Unitor has for many years maintained a hedging policy whereby the expected net positive cash flow in USD is sold through forward contracts or otherwise secured. Continuous evaluations of acceptable exchange rate levels are made, and hedging contracts are concluded on the basis of these evaluations. As of 31 December 1997, USD 100 million, corresponding to the total excess cash flow for 1997, has been sold through forward contracts at an average exchange rate of NOK/USD 7.17.

SHARES AND SHARE CAPITAL

Development of share capital last 5 years

Date	Type of expansion	Change in no. of shares	No. of shares	Share capital
01.01.93			17,175,669	214,695,860
1993	Employee issue	201,070	17,376,739	217,209,230
1993	Management issue	20,000	17,396,739	217,459,230
1994	Employee issue	200,000	17,596,739	219,959,230
1994	Merger Ticon Isolering	1,508,560	19,105,299	238,816,230
1994	Management issue	10,000	19,115,299	238,941,230
1995	Employee issue	174,352	19,289,651	241,120,630
1996	Management issue	50,000	19,339,651	241,745,630
1997	Management issue	210,000	19,549,651	244,370,630
Changes	1993 - 1997	2,373,982		29,674,770

Major shareholders in Unitor ASA per 31.12.97

	No. of shares	% of total share capital
Morgan Guaranty Trust Co. of N.Y.	3,152,004	16.3
Ulltveit-Moe A/S	2,373,250	12.3
The Chase Manhattan Bank, Clients Treaty Account	2,079,960	10.8
Boston Safe Dep. & Trust	1,216,230	6.3
Folketrygdfondet	1,110,000	5.7
State Street Bank & Client Omnibus	774,834	4.0
Vital Forsikring ASA	760,800	3.9
Conti AS	362,954	1.9
The Northern Trust Co.	354,160	1.8
Bank of New York	295,000	1.5
Total 10 largest shareholders	12,479,192	64.5

Distribution of shares in Unitor ASA as per 31.12.97 per geographical areas

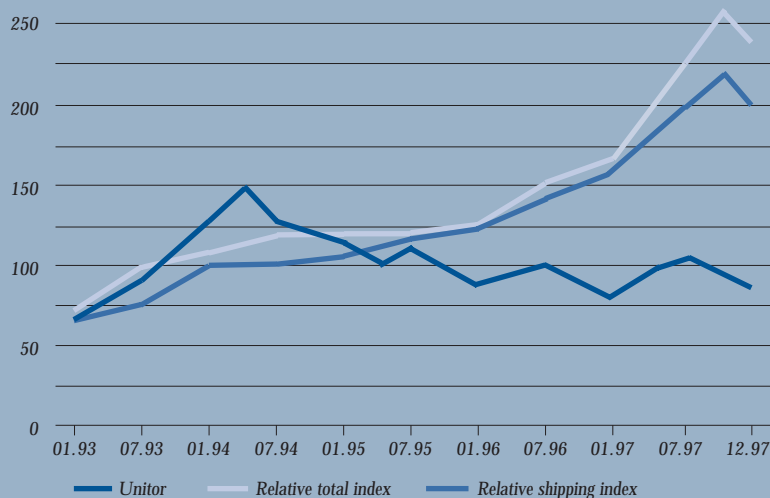
Area	No. of shareholders	% of shareholders	% of share capital
Norway	1,729	80.8	41.2
U.S.A.	94	4.4	18.1
United Kingdom	73	3.4	17.7
Belgium	9	0.4	16.2
Luxembourg	12	0.6	2.3
Canada	6	0.3	1.1
Switzerland	7	0.3	0.9
Other countries	211	9.9	2.5
Total	2,141	100.0	100.0

Distribution of shares in Unitor ASA as per 31.12.97 per shareholder group

No. shares per shareholder	No. of shareholders	% of shareholders	% of share capital
1-100	927	43.3	0.2
101-1,000	843	39.4	1.8
1,001-10,000	258	12.1	4.5
10,001-100,000	88	4.1	15.6
Over 100,000	25	1.2	78.0
Total	2,141	100.0	100.0
Foreign holdings	412	19.2	58.8

Development of Market Price

	1997	1996	1995	1994	1993
Highest price	118	111	113	150	127
Lowest price	72	66	76	102	62
Share price 31.12	90	82	87	114	127

Share price development on Oslo Stock Exchange (1993-1997)

TRADE OF UNITOR SHARES

Unitor has been listed on the Oslo Stock Exchange since 1968. In 1997 46,824,955 shares were traded, giving a liquidity ratio of 240%. The corresponding figures for 1996 were 46,284,794 shares and a liquidity ratio of 239%. In May 1991, Unitor launched an ADR programme (American Depository Receipts) in New York. As at 31.12.97 a total of 101,244 ADRs have been issued. Each ADR represents an underlying share in Unitor. The objective of the ADR programme is to increase the liquidity of the Unitor share in the American market.

TAX ADJUSTMENT OF PURCHASE PRICE CHANGES IN TAXED EQUITY

These regulations apply to Norwegian shareholders only, and the tax adjustment takes place as at 1 January. Shareholders registered at this date are entitled to an adjustment of purchase price for tax purposes by amount of taxed equity.

Adjustment amount per share for the years 1993–1997 (in NOK):

1.01.94	01.01.95	01.01.96	01.01.97	01.01.98*
1.01	4.71	1.82	2.17	1.59

* Estimated

INCENTIVE SHARES TO EMPLOYEES

At the Annual General Meeting held on 19 May 1994, the Board was authorised to increase the share capital by NOK 10 mill. through the issue of up to 800,000 new shares over a four-year period as a private issue to Group employees. A similar resolution was passed in 1990 covering the period 1991 to 1994. The objective of this programme is to encourage interest among the employees in the business and profits of Unitor. Due to the situation around the turn of the year 1996/1997 the Board of Directors and the management did not wish to further dilute the share capital, they therefore decided not to carry out a share issue to the employees for 1997. The share capital has only increased by NOK 1.7 mill. as a consequence of this scheme. As of 31 December 1996, Unitor employees had an insignificant shareholding.

SHARES OWNED BY MEMBERS OF THE BOARD, PRESIDENT AND AUDITOR

Name:	No. of shares:
Jens Ulltveit-Moe*	2,373,250
Eivind Astrup*	25,000
Christian Falck-Pedersen*	362,954
John Hatleskog*	0
Jarle Roth*	0
Morits Skaugen jr.*	0
Jane Bordal**	0
Arne Bernt Haugdal**	0
Hans Petter Rolfheim**	0
President: Frode Berg	40,000
Auditor: Arthur Andersen & Co.s Partners and employees	0

* Includes shares, owned by companies controlled by the Board member or his/hers closest family.

** Representatives for the employees.

AUTHORISATION TO INCREASE SHARE CAPITAL

At the Annual General meeting held on 19 May 1994, a resolution was passed to grant the Board authority to increase the share capital by up to NOK 5 mill. by the issue of up to 400,000 shares. The capital extension is to be employed in whole or part as payment in connection with possible future acquisitions. This authority, which has not yet been applied, is valid until the Annual General Meeting in 1999.

GENERAL INFORMATION

The Annual General Meeting in Unitor ASA for 1997 will be held in Oslo on 14 May 1998. Unitor issues interim reports every quarter. For 1998 the interim results are expected to be published on 30 April, 31 July, and 30 October, respectively.



Per Terje Norheim
President from 30 April to 31 December 1997



Frode Berg
President from 1 January 1998

UNITOR PREPARED TO MEET THE CHALLENGES OF THE FUTURE

“As a supplier of essential products and service to vessels all over the world we strive to be a reliable and trustworthy partner for our customers. We do this by setting clear targets for where to go and what to achieve together with our skilled staff and customers worldwide. We want to develop Unitors employees to undertake a higher degree of responsibility for their own work, give them freedom to do things in a different way, and achieve increasingly better results for our shareholders”.

THE PRESIDENTS COMMENTS



After a period of strong growth within its traditional areas at the beginning of the 1990s, the years 1994-1995 were characterised by the purchasing of enterprises which lay partly outside of Unitor's strategic areas, and which proved to be very difficult to integrate into the network. This, together with negative market development within individual areas, led to the economic results returned by

the companies purchased being much poorer than anticipated. At the same time, a drop in rates in shipping led to reduced sales and thus a reduced result in traditional activities in 1996.

An altered structure, focusing on the traditional activities, the delivery of products and service via our worldwide network, and extensive reduction in costs compared to the then-existing level, was decided upon in November of 1996. As a result, 1997 became a year which was characterised by restructuring and consolidation.

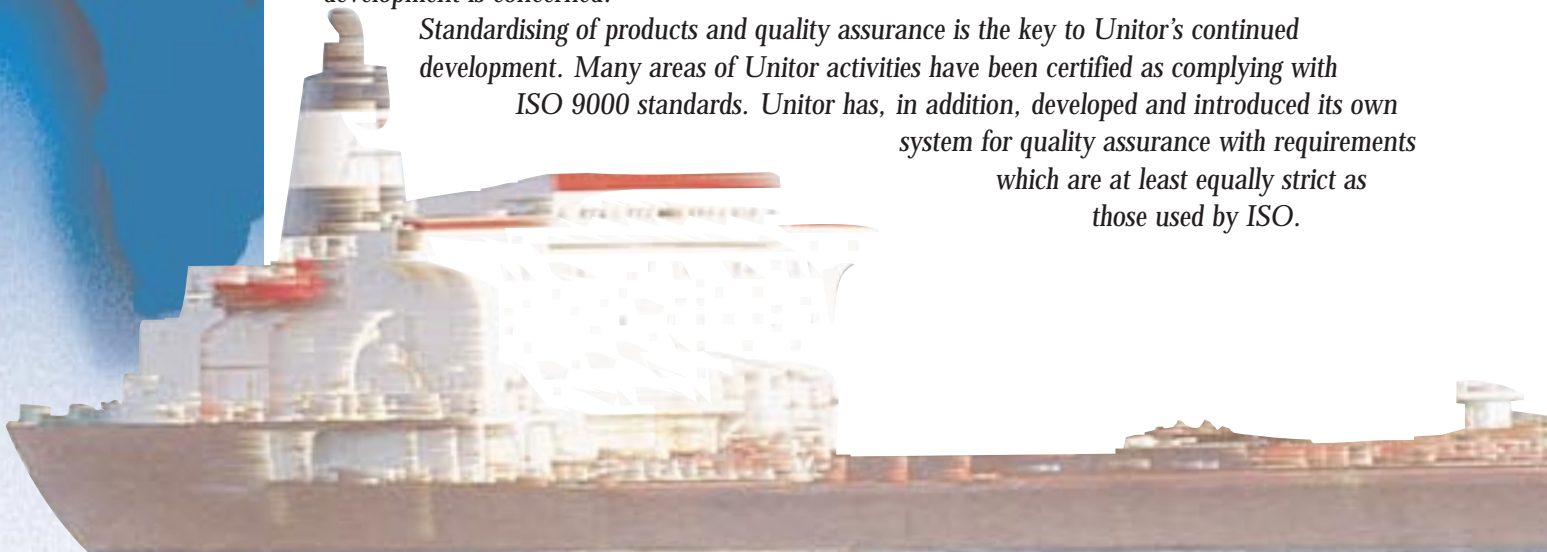
As early as in January, the Coldstore Contracting division, which had been taken over as a part of Ticon in 1994, was established as an independent limited company, Coldstore Contracting AS. In April 1997 it was sold to a group comprised of the company's management and two financial investors.

The industrial section of Ginge-Kerr, which had entities in Denmark and in Britain, was sold in February 1997. Its marine activities had already been integrated into Unitor's other activities.

It was decided to wind up the supply of HVAC systems for cruise ships, an activity assumed with the take-over of GF Marine in 1995. This was in practice achieved with the completion of a delivery in Finland in July.

Simultaneously with this work towards closing down or selling activities outside of the core areas, we launched hand tools as a new product group in April of 1997. The reception has been good, and has provided us with useful experience for adding other product groups in 1998 and later. In 1997 we set in motion a major improvement and efficiency project, Navigator, originally directed at our IT development and expanded to cover other important processes such as order handling, purchasing and logistics. A significant aspect of this will be the investment, in 1998 and 1999, in new IT systems which will aid us in continuing to be at the forefront where technical development is concerned.

Standardising of products and quality assurance is the key to Unitor's continued development. Many areas of Unitor activities have been certified as complying with ISO 9000 standards. Unitor has, in addition, developed and introduced its own system for quality assurance with requirements which are at least equally strict as those used by ISO.



The year 1997 returned, in most respects, the results we had planned and worked for and I now feel, as my period as acting President is over and the new President has taken over, that the Unitor ship is on the right course, and that all the opportunities for maintaining that course, and even increasing the speed, are at our hands.



Per Terje Norheim

Acting President from 30 April to 31 December 1997

As I assume the leadership of Unitor, at the beginning of 1998, the company is prepared to meet the challenges which await us ahead. Its structure and costs are better adapted to the activities we operate, and we are once more devoting our full attention to the service expected from us by our customers, the delivery of products and service of known quality and at a competitive and known price, everywhere in the world. We are in the process of further improving our IT and logistics systems, steps which will benefit our customers. We will become an even better supplier by offering our customers new products and service.

The common denominator of the products we will subsequently launch is that they can be standardised, that they are used by all types of vessels, that they do not decrease in value in storage, and that Unitor can find suppliers who can supply the proper quality at a competitive price.

We have already in 1997, within the new area we have chosen to call Technical Ships' Supplies, launched hand tools. During the first half of 1998 we will launch ball bearings and roller bearings from SKF for marine use, and later in the year we will introduce packings and seals of various types. New products will be added next year and the following years.

We have a unique, worldwide network, motivated and loyal employees, and professional and demanding customers. With this as its basis, Unitor will continue in the future to be one of the world's leading international suppliers of maintenance materials and systems to the merchant fleet.



Frode Berg,
President



BUSINESS AREAS

PRODUCTS AND SERVICE

The major part of the activities of the Unitor Group consists of sales of products and service to the international merchant fleet. The operating revenues are listed in our reports under the heading "Products and Service". In 1997 this amounted to NOK 1,913 mill., which was 77% of the total group operating revenues.

SYSTEMS

Under the heading of "Systems", Unitor delivers various types of equipment to shipbuilders for installation in newbuilding or refurbishing projects. This includes mainly fire fighting equipment, and fire detection equipment of various types, described in more detail later in this section.

In 1997 turnover in the Systems area was NOK 247 mill., or 10% of total operating revenues.

In addition to these two areas, which are often referred to under the common heading: Unitor's "core activities" or "traditional activities", the group has two additional areas of activity: "Production" and "Marine Contracting".

PRODUCTION

The Unitor group has two major production units, Kjemi-Service and Svenska Skum.

Kjemi-Service produces chemicals for cleaning and water treatment, fuel additives and car care products, and in 1997 its turnover was NOK 225 mill. Of this amount, 56% was sold to Unitor and is included in the product area Marine Chemicals.

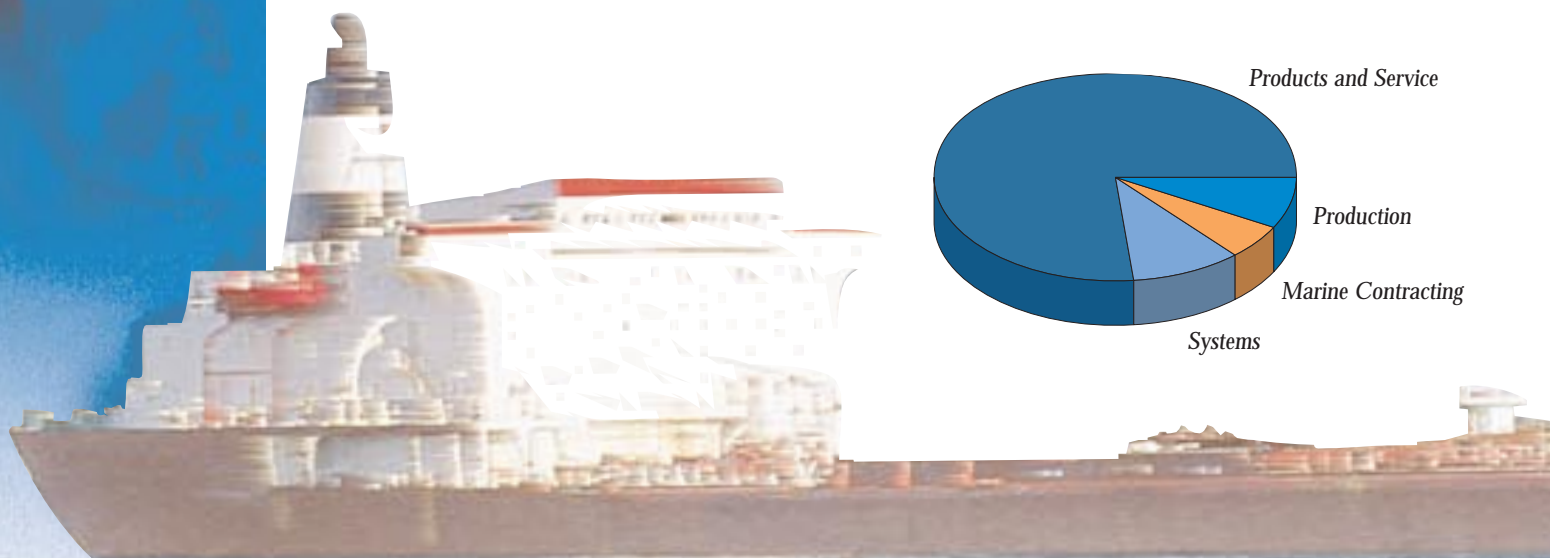
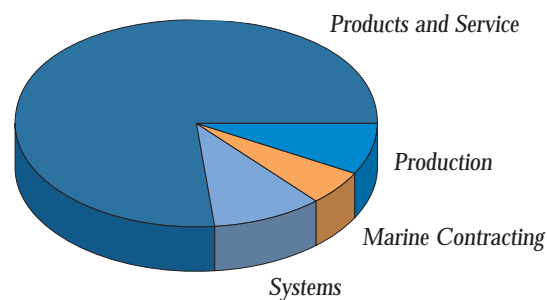
Svenska Skum, with a head office and plant in Sweden and a subsidiary in Holland, makes fire fighting equipment. Its turnover in 1997 was NOK 93 million, 16% of which was sold to Unitor and is included in the product area Fire and Safety.

The portions of these enterprises turnover which is not sold to Unitor, but externally, are combined and shown in our report as Production.

CONTRACTING

The area "Marine Contracting" is primarily insulation of LNG vessels built in Japan and Korea. In 1997 it comprised 5% of total turnover.

A breakdown according to the various business areas is given in the diagram.



MAINTENANCE AND REPAIR

Unitor's concept for welding equipment and gases for the merchant fleet was developed more than 60 years ago. The initial idea was to ensure availability of spare parts for welding equipment and standardised welding consumables, and also to make it possible to exchange empty gas cylinders for full ones without waiting and thus eliminate problems with cylinder size, threads, quality etc.

Unitor offers complete solutions for gas and electric welding, polymer repair, high pressure cleaning, paint spraying and pumps.

A new range of 1,100 quality hand tools was added in 1997. In April, 1998 Unitor introduced the "Technical Ships Supplies"-concept.



This concept encompasses all Unitor's welding and fluid handling equipment; approximately 1,900 hand tools; 380 bearings and bearing tools from SKF and about 60 sealing and jointing products from James Walker.

MAINTENANCE AND REPAIR

MAINTENANCE AND REPAIR



(NOK Mill.)



Maintenance and repair has developed from being repair-driven to being maintenance-driven. Many operators have established preventive maintenance programs, complete with a quality assurance system. Product standardisation is the backbone of these systems. The advantages are tangible: increased vessel lifetime, better safety onboard, less threat to the environment, more attractive to charterers and lower insurance costs.

Through its International Gas Filling Agreement with gas suppliers such as Air Liquide, BOC and AGA as well as the European Industrial Gas Association, Unitor continues to focus on achieving uniform quality worldwide.





The agreement meets Unitor's specifications for gas cylinders used in the marine environment and specifies standards for handling and transportation, inspection and service, refilling and testing. This ensures customers a safer, quality product at no extra cost.

A major concern is to increase awareness of the benefits of new product developments. Continuous electrode welding, for example, can increase productivity by up to 50% on larger steel welding jobs.

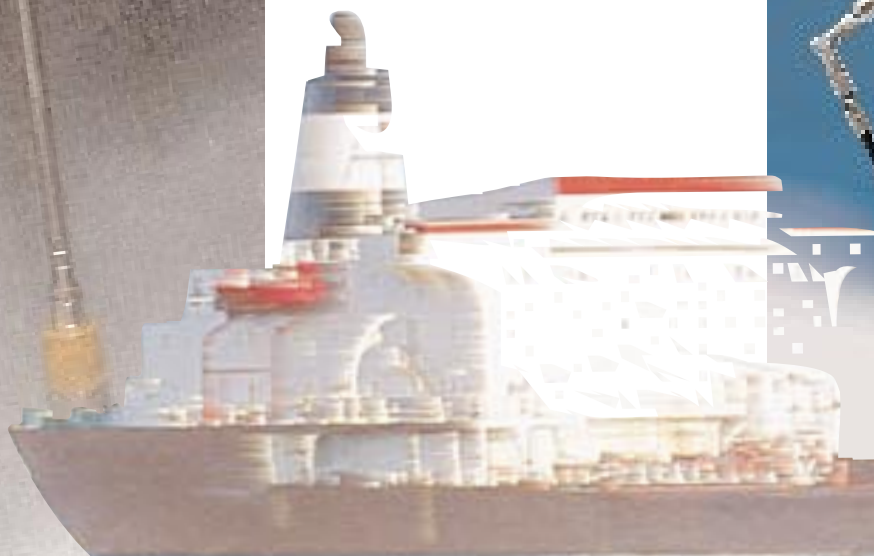
Two-component polymer repair as a supplement to traditional welding is another example. Sales in this area more than doubled in 1997.





Sales of maintenance and repair products have grown steadily, from NOK 160 mill. in 1987 to NOK. 646 mill. in 1997. By making high quality maintenance and repair solutions possible while the vessel is in operation, Unitor is in line with the customers' objectives: optimal sailing time and cost effective operation.

More and more operators see good maintenance as good economy. Combined with an increase in the number of operative ships and intensified ship control, these factors indicate that 1998 will be a year of continued growth in this area.



FIRE AND SAFETY

Fire, Rescue and Safety Equipment

As the leading service organisation in the market, Unitor has detailed knowledge of what types of equipment any given ship must have aboard. Unitor offers a comprehensive product range which is always in compliance with requirements. The product range includes portable fire extinguishers, firehoses and fittings, breathing apparatus, breathing air compressors, escape apparatus, firemans outfits, immersion suits, pyrotechnical equipment, life jackets, rescue craft, emergency rations and life buoys.

Fire Fighting Systems

In 1997 Unitor sold fire detection and fire extinguishing systems to more than 300 newbuildings.

Since Halon was banned on newbuildings, CO₂ gas has been nearly alone as the fire extinguishing medium for machinery spaces onboard newbuildings. The reason is that CO₂ has been considered the best alternative with respect to efficiency and the environment.



FIRE AND SAFETY

FIRE AND SAFETY

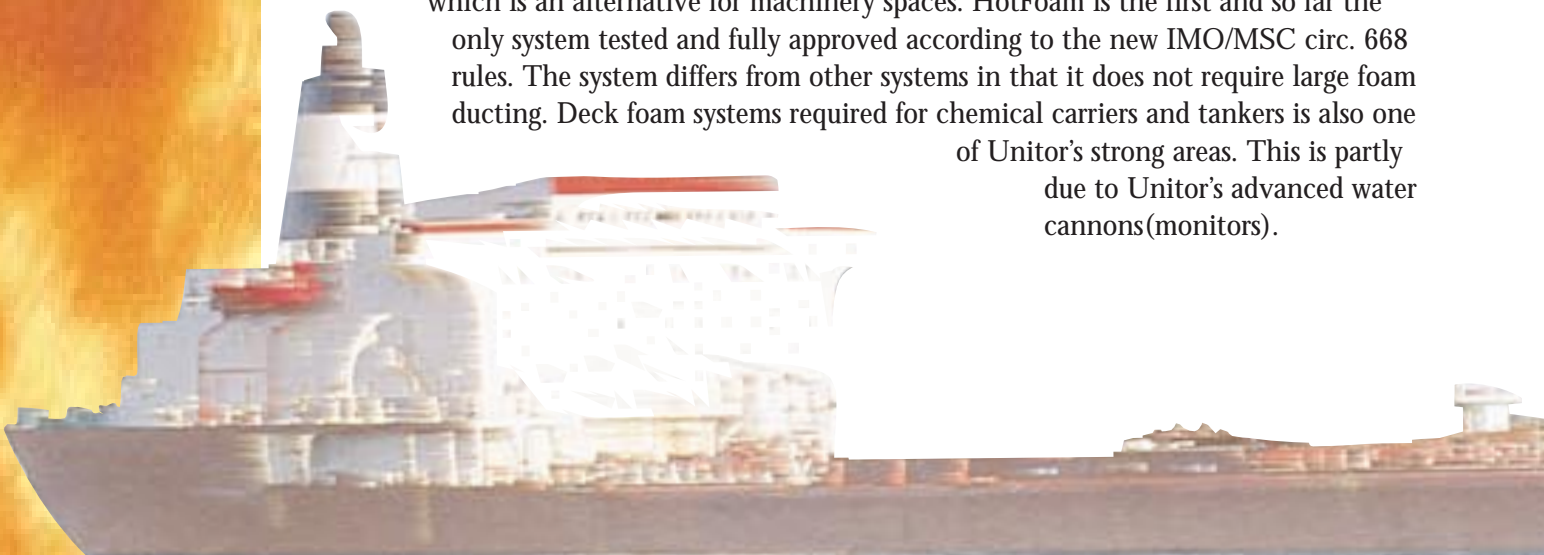
1997	392
1996	371
1995	351
1994	267
1993	237

Operating revenues for Products and Service (NOK Mill.)



In addition to its dominant position as the fire extinguishing medium for machinery spaces, CO₂ gas is also used to protect cargo spaces and other enclosed spaces. Unitor offers both high pressure systems, with CO₂ stored in cylinders and low pressure systems, with CO₂ stored in a refrigerated tank.

In 1997, Unitor's HotFoam made a breakthrough. This is a water/foam system which is an alternative for machinery spaces. HotFoam is the first and so far the only system tested and fully approved according to the new IMO/MSB circ. 668 rules. The system differs from other systems in that it does not require large foam ducting. Deck foam systems required for chemical carriers and tankers is also one of Unitor's strong areas. This is partly due to Unitor's advanced water cannons(monitors).

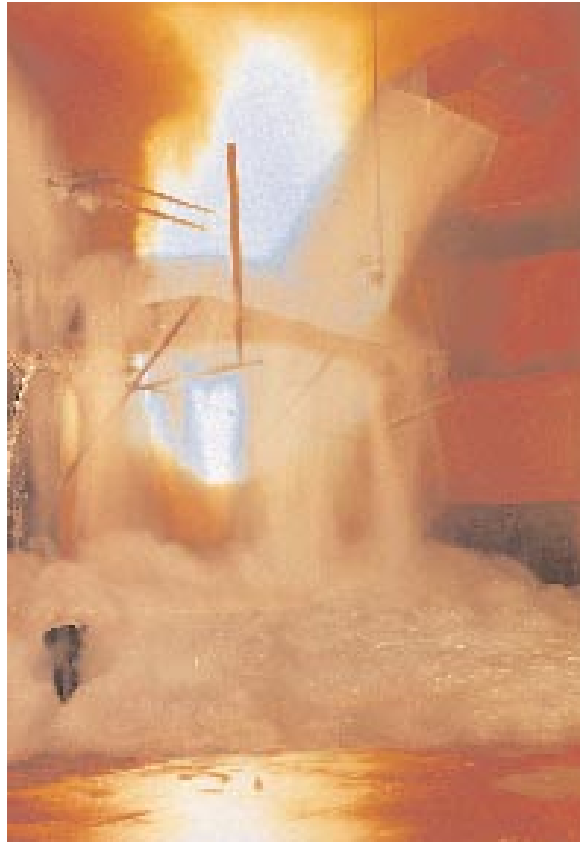


As is the case with HotFoam monitors, these are produced by Unitor's subsidiary company, Svenska Skum AB.

Unitor also offers dry chemical powder systems, which are required on gas carriers. Unitor's smoke sampling and fire detection systems also have leading positions in the market.

An important aspect of all fire fighting systems is the Approvals and the Engineering Documentation package. Unitor systems are built of standard components, put together to suit the needs of the individual vessel. The Engineering and Documentation package is thus specific for each vessel, contributing to easy installation, operation and maintenance.

Unitor's fire and safety systems are revised and updated continuously to comply with the latest rules and regulations and to evaluate new



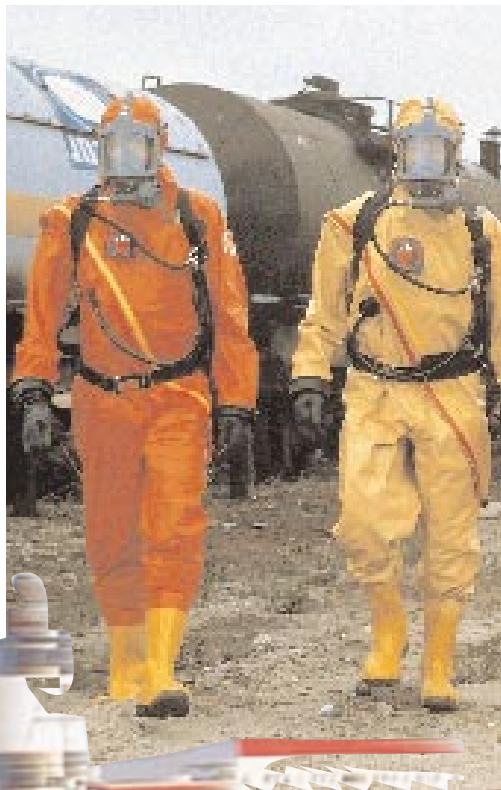
technology. It is Unitor's policy that its fire and safety systems are safe to use; are non-harmful to the environment and can be serviced and refilled if and when required.



Fire and Safety Service

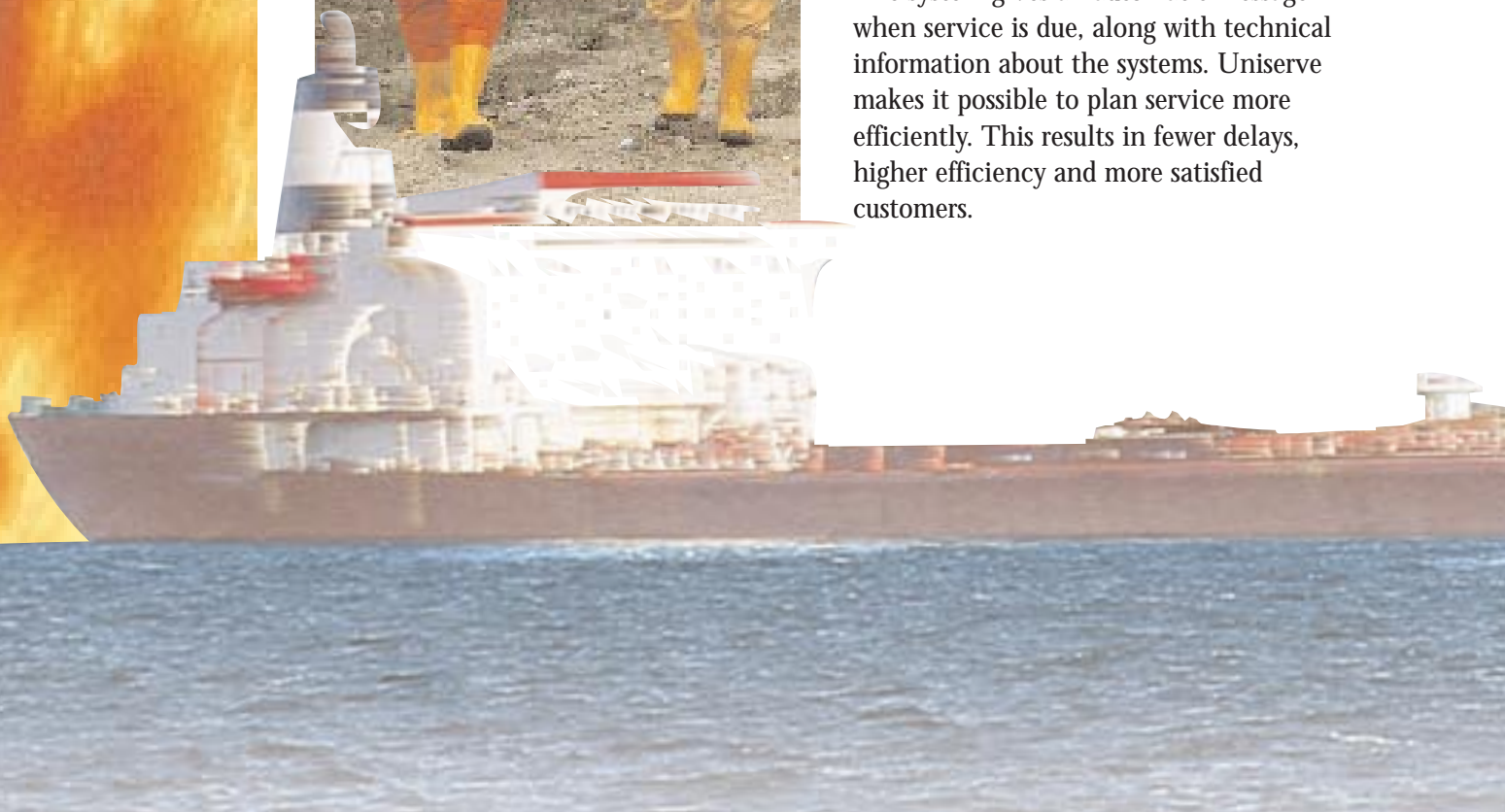
International regulations specify that all ships must have fire and safety service on a regular basis. The service intervals depend on type of equipment, classification society and nationality.

Unitor is authorised to carry out this service and issue the necessary safety certificates. Unitor has built up a network consisting of more than 70 service stations through organic growth and purchase of a number of smaller local competitors. At the same time, inspection



procedures have been standardised and documented. Unitor service is thus uniform in quality and depth, regardless of where or by whom it is done. Unitor performs around half of all fire and safety service done in the market.

To promote further growth in this area, the service program Uniserve was introduced. This is a software program which stores and processes information regarding a vessel's fire and safety systems. The system gives an automatic message when service is due, along with technical information about the systems. Uniserve makes it possible to plan service more efficiently. This results in fewer delays, higher efficiency and more satisfied customers.



MARINE CHEMICALS

Unitor offers chemicals for cleaning and maintenance, water treatment and fuel oil treatment, together with specialised equipment and services.

All product lines enjoyed sharp increases. Marine chemicals were supplied to 14,000 vessels in 1997; of these 1,400 vessels were registered as first-time customers.



Out of Unitor's total sales of chemicals in 1997, Marine Chemicals accounted for NOK 419 mill. The remainder were onshore sales of auto care and hygiene products by Unitor's chemical production subsidiary, Kjemi-Service.

(Not included in the diagram below.)

MARINE CHEMICALS

MARINE CHEMICALS



(NOK Mill.)



Unitor entered the marine chemicals market in the early 1980s and has become a leading supplier through organic growth and acquisitions of reputable companies like Perolin, Gamlen and Rochem. The best concepts and products from these companies made a good platform for further product development.

The company has been a forerunner in the development of environmentally friendly chemicals, particularly within

the cleaning and maintenance areas. As early as in 1989, Unitor won the prestigious international "Seatrade Award for Countering Marine Pollution" for the development of a water based cleaner, Enviroclean.

The trend away from solvent based chemicals continues, and today more than 70% of the Unitor's cleaning and maintenance chemicals are based on environmentally friendly formulas.



REFRIGERATION

REFRIGERATION

Unitor's refrigeration concept includes refrigerant gases delivered in cylinders; refrigeration service with preventive maintenance; emergency repair; commissioning of new systems and retrofit of existing systems to bring them up to current environmental standards. A fully developed heating, ventilation and air conditioning (HVAC) concept for merchant vessels had its first year of activity in 1997.

Refrigerants

Refrigerants comprise 63% of sales in the refrigeration group. The use of the CFC gases R-11 and R-12 have decreased over the past five years as a result of the Montreal Protocol's ban on their production in the western world.

The majority of refrigeration systems in the marine industry currently use HCFC-22, a refrigerant which is regulated under the Montreal Protocol and which will be gradually phased out toward the year 2020. Long term environmentally acceptable alternatives for both CFCs and HCFC-22 have been successfully tested and are included in Unitor's refrigerant product line. These are HFCs and can be delivered as single fluids or mixtures to match the existing CFCs and HCFCs in capacity and pressure. It is estimated that as the next century approaches, more and more new systems will be designed to use the new refrigerants.

Heating, Ventilation, Air Conditioning Systems

Merchant vessels require heating, ventilation, air conditioning (HVAC) systems and provision plants. Unitor's capability in this area spans construction, documentation, project management and commissioning. In late 1996, a modular, standardised HVAC system for merchant ships was made available in selected parts of the Unitor network.

After a soft launch in specific markets during 1997, Unitor's HVAC concept, consisting of standardised solutions for commercial vessels, has proven successful. The acceptance of these systems calls for increased sales efforts in 1998. In addition to sales of systems to newbuildings, owners have expressed interest in service agreements for these systems. This represents additional opportunities for sales of existing refrigeration products and consumables.

Nitrogen Generator Systems

Unitor's nitrogen generator system is based on hollow fibre membrane technology and produces very clean nitrogen which is used for protection of certain types of commodities while they are in transport, such as fresh fruit and vegetables as well as volatile liquid cargo. Each system is custom built for a specific vessel, based on a modular design.

REFRIGERATION



(NOK Mill.)

MARINE CONTRACTING

MARINE CONTRACTING

Liquid natural gas (LNG) carriers comprise the major part of this business. Liquefied natural gas is transported at -163°C in ships with a cargo capacity of up to 135,000 cubic meters. The insulation system is a very important part of the vessel, since it limits evaporation and loss of valuable cargo.

Unitor's patented Spiral Generation system is based on the insulation being spun onto the large LNG spherical tanks and has proven to be very effective and competitive.

In October, 1997 Unitor was awarded an LNG contract estimated at USD 12 mill. This brings the present order reserve up to four vessels, including one vessel in production from early Spring, 1998. The last of these vessels will be completed in the first quarter of 2000.

Also in October, a contract was won with Mitsui in Japan for thermal insulation on two 20,000 cubic meter LPG carriers. The first of these vessels will be produced during Spring and early Summer 1998 in parallel with the LNG work taking place at the same yard. This contract was the first of its kind for Unitor in the Far East region and will hopefully help to open this market in Korea and China also.



MARINE CONTRACTING

1997	137
1996	141
1995	66
1994	152

(NOK Mill.)



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NOTES
UNITOR GROUP 1997



Note 1

All figures in NOK mill.

ACQUISITIONS AND SALES OF ACTIVITIES

Acquisitions/Sales		Country	Included/ excluded as per	Sales amount	Purchase amount	Op.rev. in year of acq./sales
1997						
SPMI (industry)	Sale	France	30.09.97	2		7
Coldstore Contracting Group	Sale	Norway, Denm. Swed.	01.01.97	21		0*
Ginge-Kerr Industry	Sale	UK, Denm., Norway	01.01.97	19		0*
1996						
SPMI	Acquisition	France	01.01.96		3	11
Esperides	Acquisition	Greece	01.07.96		38	6
Industry & Offshore	Sale	Norway	01.01.96	32		0
1995						
GF Marine	Acquisition	Norway	01.09.95		1	12
Dansystem	Acquisition	Denmark	01.03.95		11	52
Sotec	Acquisition	U.S.A.	01.01.95		9	35
Corroless Industry	Sale	UK/Dubai	01.07.95	8		17

* Operating revenues 1996 amounted to NOK 239 mill. for Coldstore Contracting Group and NOK 98 mill. for Ginge-Kerr Industry.

Note 2

OPERATING REVENUES

Operating revenues distributed by geographical area:

	EU and EEA	America	Asia	Other	Total
1997					
Operating revenues	1,132	557	724	84	2,497
1996					
Operating revenues	1,437	460	714	79	2,690
1995					
Operating revenues	1,655	447	686	58	2,846

Operating revenues distributed by business area:

	1997	1996	1995
Operating revenues Products and Service	1,913	1,761	1,695
Operating revenues Systems, Contracting and Production	584	929	1,151
Operating revenues	2,497	2,690	2,846
Cost of goods sold Products and Service	847	831	814
Cost of goods sold Systems, Contracting and Production	368	636	876
Cost of goods sold	1,215	1,467	1,690

Operating revenues distributed by product group:

	1997	1996	1995
Repair and Maintenance	646	594	565
Marine Chemicals	419	351	337
Refrigeration	383	378	374
Fire and Safety	392	371	351
Miscellaneous	73	67	68
Products and Service	1,913	1,761	1,695
Systems	247	357	305
Contracting	137	380	665
Production	200	192	181
Systems, Contracting and Production	584	929	1,151
Total	2,497	2,690	2,846

Note 3

COST OF GOODS SOLD

Cost of goods sold includes wages and other direct production costs with respectively 39 and 8 for 1997, 150 and 49 for 1996 and 175 and 67 for 1995.

Note 4

ACCRUALS FOR RESTRUCTURING

Accruals for restructuring and discontinued activity are related to the following items:

	1997	1996	1995
Accruals personnel	0.0	18.0	10.0
Accruals and write downs buildings	0.0	8.0	0.0
Total restructuring expenses	0.0	26.0	10.0
Accruals for loss on projects and discount. of HVAC cruise activity	0.0	24.0	0.0
Accruals and write downs in conn. with discount. industrial activity	3.0	26.0	0.0
Total accruals and write downs in conn. with discount. activity	3.0	50.0	0.0
Gain from sale of Industry and Offshore activity	0.0	(10.0)	0.0
Write down of goodwill HVAC cruise	0.0	21.0	0.0
Write down of goodwill Corroless	0.0	4.0	0.0
Total write down of goodwill	0.0	25.0	0.0
Total accruals and write downs	3.0	91.0	10.0

Note 5

OTHER FINANCIAL EXPENSES

	1997	1996	1995
Net realised currency (gain)/loss	13.3	(8.3)	(17.9)
Net unrealised currency (gain)/loss	(14.2)	19.7	20.7
(Gain)/loss on hedging of positive cashflow in USD	58.5	(0.9)	(25.9)
Other expenses	5.9	6.0	5.1
Total financial expenses	63.5	16.5	(18.0)

Note 6

TAXES

	1997	1996	1995
Tax payable:			
Norway	11.4	44.2	46.1
Abroad	27.0	18.5	16.8
Total tax payable	38.4	62.7	62.9
Change in deferred tax:			
Norway	0.0	(28.1)	(28.6)
Abroad	0.0	24.7	5.4
Total changes in deferred tax	0.0	(3.4)	(23.2)
Taxes	38.4	59.3	39.7

Note 7

CASH AND BANK DEPOSITS

	1997	1996	1995
Cash and bank deposit – unrestricted	183.7	156.7	178.6
Cash and bank deposit – restricted	1.2	1.6	17.0
Total	184.9	158.3	195.6

Note 8

ACCOUNTS RECEIVABLE

	1997	1996	1995
Accounts receivable – invoiced	649.1	648.5	703.4
Accounts receivable – not invoiced	7.4	23.4	25.0
Provision for bad debt	(16.7)	(16.0)	(14.1)
Total accounts receivable	639.8	655.9	714.3
Redorded loss on accounts receivable	11.5	8.5	10.0

Note 9

INVENTORIES

	1997	1996	1995
Raw materials	26.0	24.8	52.4
Goods/projects in process	40.6	54.0	110.4
Finished goods	426.4	364.6	292.1
Total inventories	493.0	443.4	454.9

Note 10

FIXED ASSETS

	Machinery & equipment	Cylinders	Buildings and land	Ships	Total
Cost price 01.01.97	377.3	203.0	324.0	3.9	908.2
Investments	62.0	35.7	43.8	0.0	141.5
Disposals at cost price	(61.2)	(20.5)	(16.7)	0.0	(98.4)
Cost price 31.12.97	378.1	218.2	351.1	3.9	951.3
Acc. ord. depreciation 01.01.97	(232.5)	(133.3)	(66.6)	(1.4)	(433.8)
Ordinary depreciation	(45.5)	(15.0)	(12.4)	(0.3)	(73.2)
Disp. accumulated depreciation	28.0	0.0	5.7	0.0	33.7
Acc. ord. depreciation 31.12.97	(250.0)	(148.3)	(73.3)	(1.7)	(473.3)
Book value 31.12.97	128.1	69.9	277.8	2.2	478.0
Depreciation period	4-7 yrs.	10-14 yrs.	20-33 yrs.*	20 yrs.	

*Land is not depreciated.

Note 11

GOODWILL

	Accumulated cost price 01.01.	Accumulated depreciation 01.01.	Book value 01.01.	Investments/ divestments in 1997	Ordinary depreciation in 1997	Book value 31.12.97
GF Marine	37.7	26.0	11.7	0.0	1.9	9.8
Dansystem	10.0	1.8	8.2	(8.2)	0.0	0.0
Sotec	7.3	0.7	6.6	0.0	0.4	6.2
Ginge-Kerr	16.5	9.3	7.2	0.0	0.9	6.3
Svenska Skum	14.8	2.2	12.6	0.0	0.8	11.8
Rochem Pan-Hellas	39.0	27.1	11.9	0.0	7.8	4.1
Esperides	32.1	0.8	31.2	0.0	8.4	22.8
Dobsons	61.1	11.5	49.6	0.0	3.0	46.6
Rochem	76.2	38.2	38.0	0.0	3.5	34.5
Miscellaneous	59.7	50.5	9.2	1.0	2.0	8.2
Total	354.3	168.1	186.2	(7.2)	28.7	150.3

Depreciation period goodwill 5–20 years.

Note 12

INVESTMENTS AND SALES OF FIXED ASSETS AND GOODWILL THE LAST 5 YEARS

	Machinery & equipment	Cylinders	Buildings and land	Ships	Goodwill	Total
1997 Investm.	62.0	35.7	43.8	0.0	1.0	142.5
Sales	33.2	20.5	11.0	0.0	8.2	72.9
1996 Investm.	53.0	54.3	23.6	0.0	33.3	164.2
Sales	8.1	19.3	1.3	0.3	0.0	29.0
1995 Investm.	75.0	40.9	38.7	0.0	55.0	209.6
Sales	24.8	25.5	15.6	164.1	(3.0)	227.0
1994 Investm.	75.7	40.2	51.7	0.3	30.0	197.9
Sales	11.1	22.4	0.4	0.0	0.0	33.9
1993 Investm.	52.5	25.1	24.2	4.5	103.0	209.3
Sales	11.6	14.4	12.0	0.0	0.0	38.0

Note 13

SHORT TERM INTEREST BEARING LIABILITIES

	1997	1996	1995
Overdraft	4	26	26
Other short term interest bearing liabilities	0	0	8
Short term part of long term liabilities	0	34	0
Total short term interest bearing liabilities	4	60	34

Note 14

OTHER SHORT TERM LIABILITIES

	1997	1996	1995
Taxes	33.0	56.4	57.8
Dividends	68.4	58.6	57.9
Prepayments/customer bonus	43.6	78.1	59.9
Accrued public fees, taxes and holiday allowances	57.7	68.0	78.4
Accrued restructuring expenses	7.0	41.0	0.0
Other	102.8	109.9	141.8
Total other short term liabilities	312.5	412.0	395.8

Note 15

LONG TERM INTEREST BEARING LIABILITIES

Distribution of long term interest bearing liabilities by currency:

Currency	1997 Amount in NOK	1997 Weighted avg. interest %	1996	1995
NOK	100	4.35%	200	0
USD	476	6.22%	257	347
Other	42		55	60
Total	618		512	407
Amortisation	0		34	0
Total long term interest bearing liabilities	618		478	407

Amortisation plan for long term interest bearing liabilities distributed by type of loan:

Year	Mortgage loan	Other liabilities	Total
1998	0	0	0
1999	0	0	0
2000	0	0	0
2001	0	1	1
After 2001	6	611	617
Total	6	612	618

The Group's main debt financing is a term loan of USD 25 mill. and a revolving facility of USD 70 mill., out of which USD 40 mill. is drawn as of 31.12.97. The loan matures in 5 years. The term loan costs on average LIBOR +21 basis points, whereas the revolving facility costs LIBOR +25 basis points.

In addition NOK 100 mill. is outstanding as of 31.12.97 in the Commercial Paper market. CP funding is classified as long term debt, as it is considered in direct relation to the undrawn portion of the revolving credit facility.

Note 16

PENSIONS

The Unitor Group's defined benefit plans cover as per 31.12.97 a total of 322 employees. The pension plans vary to some extent, however all plans are coordinated with expected contribution from the National Insurance.

Most of the foreign subsidiaries have contribution plans. Total pension expenses in relation with these plans are 13.2 (13.5 for 1996).

In addition, the Group has some minor unfunded pension liabilities. The annual expenses from these plans are immaterial.

Provisions for early retirement have been calculated separately and are included in the liabilities with 7.4.

External actuaries have been used to estimate values of plan assets and liabilities incurred.

<i>Economical assumptions</i>	31.12.97	31.12.96	31.12.95
Interest rate	6.0%	6.0%	6.0%
Expected return on plan assets	7.0%	7.0%	7.0%
Regulation of wages	2.5%	2.5%	2.5%
Regulation of pensions	3.3%	3.3%	3.3%
<i>Specifications of current year pension expenses</i>	31.12.97	31.12.96	31.12.95
Net present value of this year pension expenses	6.7	6.0	4.7
Interest expenses of incurred pension liabilities	4.6	4.3	2.5
Expected return on plan assets	(5.4)	(4.8)	(2.9)
Charged social security tax	0.9	0.8	0.6
Net pension expenses	6.8	6.3	4.9
<i>Specification of net pension liabilities</i>	31.12.97	31.12.96	31.12.95
Estimated value of incurred liabilities	104.6	95.9	65.7
Estimated value of plan assets	86.1	78.5	45.8
Estimated net pension liabilities	18.5	17.4	19.9
Estimated social security tax	3.7	3.4	3.2
Net pension liabilities	22.2	20.8	23.1

Note 17

DEFERRED TAX LIABILITIES

Timing differences:	1997	1996	1995
Short term items	(59.7)	(52.1)	(44.4)
Long term items	28.5	1.5	39.5
Other items	15.5	14.7	68.1
Net timing differences	(15.7)	(35.9)	63.2
Loss carry forward	(10.8)	(13.8)	(31.6)
Basis for deferred taxes	(26.5)	(49.7)	31.6
Deferred tax receivable	0.0	0.0	(7.3)
Deferred tax liabilities	0.0	0.0	10.7

Note 18

EQUITY

	Share- capital	Restr. funds in Unitor ASA	Ret. earnings Unitor ASA	Group Reserve	Total
Equity per 31.12.94	239.0	313.6	298.6	101.4	952.6
Net profit		11.7	59.5	14.1	85.3
Dividends (NOK 3.00 per share)			(57.9)		(57.9)
Merger Ginge-Kerr AS		8.1		(8.1)	0.0
Share issue empl. incl. premium	2.1	13.1			15.2
Group contribution			(17.0)	17.0	0.0
Rev. temporary restricted funds		(11.2)	11.2		0.0
Equity per 31.12.95	241.1	335.3	294.4	124.4	995.2
Net profit		3.2	11.0	(78.2)	(64.0)
Dividends (NOK 3.00 per share)			(58.6)		(58.6)
Share issue empl., incl. premium	0.6	3.3			3.9
Corr. of pension liability			(7.2)	(2.0)	(9.2)
Group contribution			(11.6)	11.6	0.0
Rev. temporary restricted funds		(8.2)	8.2		0.0
Equity per 31.12.96	241.7	233.6	236.2	55.8	867.3
Net profit		14.6	45.6	29.5	89.7
Dividends (NOK 3.50 per share)			(68.4)		(68.4)
Share issue empl., incl. premium	2.6	13.8			16.4
Group contribution			(39.8)	39.8	0.0
Equity per 31.12.97	244.3	362.0	173.6	125.1	905.0

Note 19

SOURCES AND APPLICATIONS OF FUNDS

The liquidity effect from purchase and sale of activities refers to the sale of Ginge-Kerr Industry and Unitor Coldstore Contracting AS in the first quarter. The Unitor balance sheet has a high portion of USD items, which has contributed to the increase in several balance sheet items that affect the cash flow analysis. On debtors and inventories there is an increase of NOK 55 mill. from 31.12.96.

Note 20

MAJOR EXCHANGE RATES IN 1996 AND 1997

Valuta	1997 Average rate	1997 Closing rate	1996 Average rate	1996 Closing rate
USD	7.0839	7.3267	6.4671	6.4535
DEM	4.0847	4.0970	4.2972	4.1481
GBP	11.6032	12.1440	10.0998	10.9270
FRF	1.2159	1.2270	1.2663	1.2324
JPY	5.8705	5.6413	5.9530	5.5554

Note 21

MORTGAGE LIABILITIES

	1997	1996	1995
Mortgage loans	6	22	30
Book value mortgaged assets:			
Buildings	8	8	12
Land	3	12	3
Total book value mortgaged assets	11	20	15

Note 22

FINANCIAL INSTRUMENTS

Forward exchange contracts per 31.12.97:

	Bought/Sold	Amount in currency (mill.)	Against	Average term (months)	Unrealised gain/(loss)
USD	Sold	135	NOK	7	(19.7)
GBP	Sold	6	NOK	7	0.1
DEM	Sold	22	NOK	7	(0.3)
FRF	Sold	15	NOK	5	(0.1)
JPY	Sold	868	NOK	6	2.2
SEK	Sold	54	NOK	8	(0.2)
DKK	Sold	43	NOK	5	(0.2)
BEC	Sold	10	NOK	8	0.0
SGD	Sold	12	NOK	3	1.6
KRW	Sold	2,000	NOK	6	3.9
GRD	Sold	3,092	NOK	2	(2.7)
ESP	Sold	400	NOK	5	(0.2)
PTE	Sold	300	NOK	8	(0.2)
FIM	Sold	5	NOK	8	0.0
ITL	Sold	2,000	NOK	5	(0.2)
HKD	Sold	5	NOK	2	(0.1)
ZAR	Sold	5	NOK	5	(0.2)
Total					(16.2)

Forward interest rate agreement per 31.12.97:

Interest rate swaption:	Amount	Av. int. rate % (fixed)	Average term (years)	Gain/(loss)
USD 16.12.97–16.06.98 (swap)	15	5.62%	0.5	0.0
USD 16.06.98–16.12.98 (swap)	15	5.62%	0.5	0.0
USD 16.12.98–16.12.99 (option)	15	5.62%	1.0	0.0
Total				0.0

The contract hedge the USD 15 mill. drawdown on the long term facility. The parts that are put up as Forward Interest Rate Swaps are fixed semi-annually; first part have been realised, while the second part had a zero result as per 31.12.97. The Forward Interest Option was set up to cover some of the swap premium, it has a floor of 5.62%, i.e. the interest rate is fixed if the market rate is below the floor on the fixing date, if the market rate is above 5.62%, the rate is floating.

Note 23

ORDER RESERVE PER BUSINESS AREA

<i>Order reserve per 31.12.:</i>	1997	1996	1995
Marine Contracting	220	239	268
Projects in Unitor's Network	325	273	293
Total order reserve	545	512	561

The figures for the Industry and Offshore activity (sold 02.01.96), Ginge-Kerr Industry (sold 12.02.97), the Coldstore Contracting Group (sold 31.03.97) and other discontinued activities are excluded also for 1995 and 1996.

Note 24

SUBSEQUENT EVENTS

After year end closing 1997, Unitor has hedged USD 55, the equivalent of total expected cash flow of USD for the first half 1999, at an average forward rate of NOK/USD 7.48.

NOTES
UNITOR GROUP 1997

Note 25

REMUNERATION TO THE BOARD OF DIRECTORS, PRESIDENT AND AUDITOR

Remuneration to the Board of Directors, President and Auditor amounts to NOK 545,888, NOK 1,364,157 and NOK 608,000. In addition, the Statutory Accountant has received NOK 507,380 for other assistance to the company. A remuneration to the past President according to his employee contract has been charged with NOK 3,885,000. The present President will, upon resignation receive ordinary salary until he takes another position, limited to 18 months from the time of resignation. The President has 40,000 shares in Unitor with a put option limited to 3 years of NOK 110 per share to Ulltveit-Moe gruppen AS.

Note 26

OTHER OPERATING EXPENSES

Commision to subsidiaries and agents selling products on behalf of Unitor ASA amounts to 111.8 and 25.5 in 1997 compared to 107.4 and 25.4 in 1996.

Note 27

CASH AND BANK DEPOSIT

Restricted bank deposits amounted to NOK 0 in 1997 as in 1996.
The company's employees tax liability is now secured by a bank guarantee.

Note 28

ACCOUNTS RECEIVABLE

Accounts receivable includes a provision for bad debts of 13.0 (13.0 in 1996).
Profit and Loss statement has been charged with NOK 6.4 mill. (8.2 in 1996).

Note 29

RECEIVABLES AND LIABILITIES RELATED TO SUBSIDIARIES

Receivables and liabilities related to subsidiaries are incl. in the following items:	1997	1996
Other short term receivables	70.1	169.3
Other short term liabilities	209.5	242.7
Other long term receivables	338.1	318.8
Other long term liabilities	25.5	0.0

Note 30

SHARES IN SUBSIDIARIES

	Country of registration	Companies share capital	Ownership	Book value 31.12.97 NOK 1,000
Subsidiary:				
Unitor Pty. Ltd.	South-Africa	ZAR 910	100 %	1,656
Corroless Anti-Corrosive Pty. Ltd.	South-Africa	ZAR 100	100 %	261
Unitor Ships Service Equipam. Maritimos Ltda.	Brazil	BRR 275	100 %	974
Unitor Ships Service Ltd. Canada	Canada	CAD 1	100 %	5
Unitor Ships Service NV	Netherl. Ant.	ANG 10	100 %	43
Unitor Panama SA	Panama	USD 25	100 %	148
Unitor Holding Inc.	U.S.A.	USD 1,759	100 %	10,800
Corroless International (SEA) Ltd.	Hong Kong	GBP 5	100 %	0
Unitor Ships Service Ltd.	Hong Kong	HKD 0	100 %	1
Unitor Ships Service Co. Ltd.	Japan	JPY 200,000	100 %	11,883
Unitor Korea Ltd.	Korea	KRW 290,000	100 %	2,831
Unitor Trading (Malaysia) SDN BHD	Malaysia	MYR 50	100 %	127
Unitor Ships Service Pte. Ltd.	Singapore	SGD 100	100 %	220
Unitor Ships Service Ltd.	Arab. Emirat.	AED 200	49 %	166
Unitor Ships Service NV	Belgium	BEF 2,500	100 %	5,327
Unitor Denmark AS	Denmark	DKK 2,000	100 %	18,019
Marine Fireprotection Danmark AS	Denmark	DKK 1,000	100 %	1,091
Unitor Ships Service OY AB	Finland	FIM 50	100 %	81
Unitor Ships Service SA	France	FRF 250	100 %	232
Unitor Trading France SA	France	FRF 250	100 %	313
Uniref SA	Greece	GRD 184,000	100 %	5,006
Unitor Hellas SA	Greece	GRD 600,000	100 %	16,508
Esperides-Petrocon SA	Greece	GRD 510,000	100 %	47,887
Unitor Trading SRL	Italy	ITL 205,000	100 %	1,145
Unitor Cyprus Ltd.	Cyprus	CYP 10	100 %	146
Perolin Holdings BV	Netherland	NLG 6,743	100 %	23,876
Unitor Distribution Centre BV	Netherland	NLG 40	100 %	137
Unitor Ships Service BV	Netherland	NLG 40	100 %	119
Kjemi-Service AS	Norway	NOK 250	100 %	21,050
Ticon Isolering AS	Norway	NOK 100	100 %	0
GF Marine AS	Norway	NOK 700	100 %	1,000
Unitor Polzka SP z.o.o.	Poland	PLZ 328	100 %	1,246
Unitor Equipamentos Maritimos Ltda.	Portugal	PTE 500	100 %	30
Unitor de Portugal-Equip. Navais e Ind. Ltda	Portugal	PTE 400	100 %	256
Unitor Servicios Navales Uniper SA	Spain	ESP 80,000	100 %	4,274
Hexol Ltd.	U.K.	GBP 0	100 %	0
Ticon Insulation UK Ltd.	U.K.	GBP 1	100 %	11
Unitor UK Holding Ltd.	U.K.	GBP 6,250	100 %	64,822
Rochem Holding AG	Switzerland	CHF 2,000	100 %	89,395
Unitor Ships Service AB	Sweden	SEK 100	100 %	62
Svenska Skum International AB	Sweden	SEK 240	100 %	26,953
Unitor Ships Service GmbH	Germany	DEM 5,400	100 %	23,507
Total shares in subsidiaries				381.466

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Note 30

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SHARES IN SUBSIDIARIES WITH INDIRECT OWNERSHIP

Subsidiary	Country of registration	Group share
Applied Refrigeration Inc.	Canada	100 %
Unitor de Mexico SA de CV	Mexico	100 %
Unitor Ships Service Inc.	U.S.A.	100 %
Sotec Inc.	U.S.A.	100 %
Unitor Trading BV	Netherland	100 %
Svenska Skum BV	Netherland	100 %
Scandinavian Chemicals AS	Norway	100 %
Unitor Ships Service Ltd.	U.K.	100 %
Perolin Co. Ltd.	U.K.	100 %
Unitor Development Ltd.	U.K.	100 %
Unitor UK Ltd.	U.K.	100 %
Unitor Development II Ltd.	U.K.	100 %
Rochem Trading AG	Switzerland	100 %
Svenska Skumsläcknings AB	Sweden	100 %

Note 31

FIXED ASSETS AND GOODWILL

	Machinery and equipm.	Cylinders	Buildings and land	Goodwill	Total
Cost price 01.01.97	127.7	203.0	10.4	81.5	422.6
Investments	26.3	35.7	6.8	0.0	68.8
Disposals at cost price	(16.5)	(20.5)	(10.3)	0.0	(47.3)
Cost price 31.12.97	137.5	218.2	6.9	81.5	444.1
Accumulated depreciation 01.01.97	(77.6)	(133.3)	(1.8)	(57.5)	(270.2)
Ordinary depreciation	(13.9)	(15.0)	(1.6)	(8.9)	(39.4)
Disposal accum. depreciation	8.2	0.0	3.0	0.0	11.2
Accumulated depreciation 31.12.97	(83.3)	(148.3)	(0.4)	(66.4)	(298.4)
Book value 31.12.97	54.2	69.9	6.5	15.1	145.7
Depreciation period	4-7 yrs.	10-14 yrs.	20 yrs.*	5-10 yrs.	

*Land is not depreciated.

Note 32

INVESTMENT AND SALE OF FIXED ASSETS AND GOODWILL THE LAST 5 YEARS

	Machinery and equipm.	Cylinders	Buildings and land	Goodwill	Total
1997 Investm.	26.3	35.7	6.8	0.0	68.8
Sale	8.3	20.5	7.3	0.0	36.1
1996 Investm.	14.5	54.3	2.2	0.0	71.0
Sale	6.7	19.3	9.1	0.0	35.1
1995 Investm.	25.5	40.9	3.8	9.6	79.8
Sale	3.2	25.5	16.2	1.6	46.5
1994 Investm.	25.1	40.2	3.0	0.2	68.5
Sale	3.9	22.4	0.1	0.0	26.4
1993 Investm.	15.1	25.1	0.2	40.6	81.0
Sale	4.4	14.4	10.9	0.0	29.7

Note 33

TAXES

<i>Basis for taxation:</i>	1997	1996
Result before taxes	67.2	22.4
Permanent differences	(32.5)	(6.3)
Change in timing differences	(5.1)	116.0
Basis for taxation current year	29.6	132.1
<i>Taxes:</i>		
Taxes payable	7.0	36.1
Change in deferred taxes	0.0	(27.9)
Taxes	7.0	8.2
<i>Timing differences:</i>		
Short term items	(18.0)	(23.6)
Long term items	(1.9)	(7.3)
Other items	14.1	14.7
Net timing differences	(5.8)	(16.2)
Basis for deferred tax	(5.8)	(16.2)
Deferred tax receivable	0.0	0.0
Deferred tax liabilities	0.0	0.0

Note 34

LONG TERM INTEREST BEARING LIABILITIES

Distribution of long term interest bearing liabilities by currencies:

Currency	Amount in NOK	Weighted avg. interest %
NOK	100	4.35%
USD	476	6,22%
Total	576	
Amortisation	0	
Total long term interest bearing liabilities	576	

Note 35

PENSIONS

Unitor ASA's defined benefit plans cover as per 31.12.97 a total of 243 employees. The plans are coordinated with expected contribution from the National Insurance. Provisions for early retirement have been calculated separately and are included in the liabilities with 7.4.

In addition, the company has some minor unfunded pension liabilities. The annual expenses from these plans are immaterial.

External actuaries have been used to estimate values of plan assets and liabilities incurred.

<i>Economical assumptions</i>	31.12.97	31.12.96
Interest rate	6.0%	6.0%
Expected return on plan assets	7.0%	7.0%
Regulation of wages	2.5%	2.5%
Regulation of pension	3.3%	3.3%
<i>Specification of current year pension expenses</i>	31.12.97	31.12.96
Net present value of this year's pension earnings	5.4	4.5
Interest expenses of incurred pension liabilities	3.9	3.6
Expected return on plan assets	(4.5)	(4.0)
Charged social security tax	0.7	0.6
Net pension expenses	5.5	4.7
<i>Spesification of net pension liabilities</i>	31.12.97	31.12.96
Estimated value of incurred liabilities	90.7	83.5
Estimated value of plan assets	71.2	65.1
Estimated net pension liabilities	19.5	18.4
Estimated social security tax	3.6	3.3
Net pension liabilities	23.1	21.7

Note 36

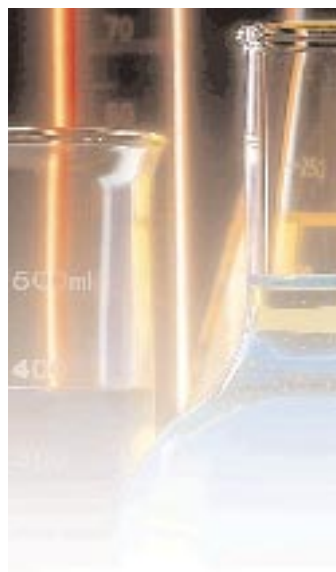
GUARANTEES

	1997	1995
Guarantee liabilities to Group companies	110	153
Guarantee liabilities others	0	21
Total guarantee liabilities	110	174

DEFINITIONS OF KEY RATIOS

1. Gross operating margin:	$\frac{\text{Ordinary operating result before ordinary depreciation}}{\text{Operating revenues}}$
2. Net operating margin:	$\frac{\text{Ordinary operating result}}{\text{Operating revenues}}$
3. Gross profit margin:	$\frac{\text{Result before taxes}}{\text{Operating revenues}}$
4. Net profit margin:	$\frac{\text{Result after taxes}}{\text{Operating revenues}}$
5. Return on capital employed:	$\frac{\text{Ordinary operating result}}{\text{Average capital employed (total assets} \\ \text{- non interest bearing liabilities + accrued dividends)}}$
6. Return on equity:	$\frac{\text{Result after taxes}}{\text{Average equity}}$
7. Market value:	Share price 31.12.* total outstanding shares
8. Equity ratio:	$\frac{\text{Equity}}{\text{Total assets}}$
9. Current ratio:	$\frac{\text{Current assets}}{\text{Short term liabilities}}$
10. Earnings per share:	$\frac{\text{Result after taxes}}{\text{Average number of shares (adjusted)}}$
11. Cashflow per share:	$\frac{\text{Result after taxes + depreciation} \\ \text{+ loss on accounts receivable}}{\text{Average number of shares (adjusted)}}$
12. Book equity per share:	$\frac{\text{Equity}}{\text{Total outstanding shares}}$
13. Dividends:	Dividends are adjusted for share issues and share split
14. Payout ratio:	Dividends in percent of Earnings per share
15. Price/earnings ratio:	$\frac{\text{Share price 31.12.}}{\text{Earnings per share}}$





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Unitor

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