

SKAUGEN PETROTRANS

ANNUAL REPORT
1994

KEY FIGURES

31.12.1994

31.12.1993

STATEMENT OF INCOME

Gross Freight Revenue	NOK million	385	501
Voyage Related Costs	NOK million	104	110
Net revenue on T/C-basis	NOK million	281	391
Operating result before depreciation and sale of vessels	NOK million	47	10
Result before taxes	NOK million	13	90
Result for the year	NOK million	12	69

USD/NOK exchange rate on average	NOK	7.09	7.10
USD/NOK exchange rate as of December 31,	NOK	6.76	7.52

BALANCE SHEET

Liquid Assets	NOK million	183	289
Current Assets	NOK million	216	337
Vessels and other Fixed Assets	NOK million	339	354
Total Assets	NOK million	555	691
Mortgage Debt	NOK million	116	151
Deferred tax	NOK million	22	21
Equity	NOK million	193	267

CAPITAL AND SHARE PARTICULARS

Share Capital	NOK million	20	20
Number of Shareholders		13,628	13,897
Equity per Share	NOK	1.75	2.42
Share Price as of December 31,	NOK	2.65	3.55
Dividend per Share - proposed	NOK	0.36	0.36
Extraordinary dividend - proposed	NOK	0.35	–

FINANCIAL RATIOS

Earnings per Share	NOK	0.12	0.82
Cash flow per Share	NOK	0.25	0.79
Price/Cash flow Ratio (P/C) as of December 31,		10.6	4.49

Return on Equity	Per cent	5.65	36.59
Return on Total Assets	Per cent	3.85	17.49

Current Liquidity ratio		1.42	2.48
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EMPLOYEES

Total number of employees		135	209
Shoreside		27	38
Aboard the vessels		108	171

DEFINITION OF FINANCIAL RATIOS:

Earnings per Share:	<i>Result before taxes divided by average number of shares issued</i>
Price/Cashflow ratio:	<i>Stock exchange price per share as of December 31 divided by cashflow per share</i>
Return on Equity:	<i>Result before taxes x 100 divided by average of equity</i>
Return on Total Assets:	<i>(Result before taxes + financial expenses) x 100 divided by average total assets</i>
Current Liquidity Ratio:	<i>Current assets divided by current liabilities</i>
Other definitions:	<i>Liquid assets: Bank deposits, other deposits, bonds and current shares</i>

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Annual General Meeting

The Annual General Meeting of Skaugen PetroTrans AS will take place on Tuesday March 21, 1995, at 14.30 hrs at Vika Atrium, "The Auditorium", Entrance B, Munkedamsveien 45, Oslo.

REPORT BY THE BOARD OF DIRECTORS

US CRUDE OIL IMPORT

The volume of crude oil import to USA during 1994 averaged about 7 million barrels per day. This is an increase of 3.7 per cent from 1993 and basically in line with the Company's expectations. US economic growth and relatively stable oil prices have led to an increase in demand for crude oil in the USA increasing the import volume with the domestic production decreasing. An exceptional depletion of US oil stocks with low import volume in the beginning of the year resulted in a substantial replenishment of the oil stocks during the second half of the year. The US domestic production of crude oil averaged 6.6 million barrels per day, a reduction of about 3 per cent from 1993.

Since 1986 the US production of crude oil has decreased by about 24 per cent while the US import of crude oil has increased by about 68 per cent to meet the total demand. The crude oil import volume level today at about 7 million barrels per day exceeds on a sustainable basis 50 per cent of the total demand for crude oil, which is reasonably constant at about 13,5 million barrels per day. (Source: OGJ, January 1995)

The *long haul* crude oil import volume to the US showed a decline during the year by about 6.4 per cent from 1993. This was more than the Company's forecast as well as the expectations of the industry, whose expected increase in long haul crude oil transportation has formed the basis for ordering many newbuildings of tankers and upgrading older VLCC's (Very Large Crude Carriers) and Suezmax tankers. Factors which have substantially affected the over supply of vessels that causes the existing general low freight market.

There are indications, however, that the strong increase in import of short haul crude oil over the last few years has subsided by the end of 1994, resulting again in a possible increase in import volume of long haul crude oil. This is believed to be a result of increased domestic demand in the *short haul* exporting countries and limited development of new sources of supplies. Following the efficiency increase of US refineries it is expected that the US import of petroleum products will continue at a modest level, despite of the increases over the last years.

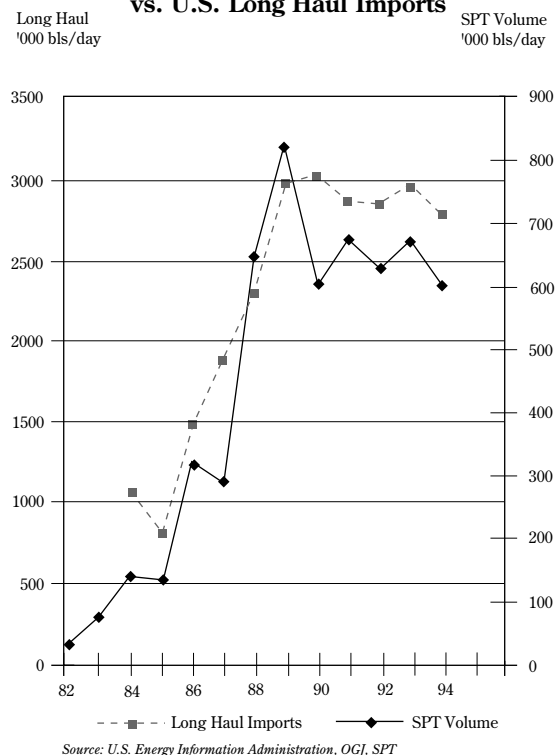
THE BUSINESS

About 60-70 per cent of US import of crude oil, whether it is short haul or long haul import, is taking place through the four US Gulf states: Alabama, Mississippi,

Louisiana and Texas, where the majority of the US refinery capacity is located. The US import of crude oil to this area is expected to continue to increase according to analysis made by the Energy Information Administration (EIA) in USA.

The difference between long haul and short haul crude oil import is that; while the short haul import of crude oil is transported on vessels that directly can call on the US ports, the long haul imported crude oil is transported in vessels that cannot make a direct US port call. For reason of economy of scale the long haul transportation is requiring use of large vessels that require deeper water than the water depth generally available at the tanker terminals in the US. The cargo of these vessels is either discharged via oil storage terminals at deep sea ports in the Caribbean for transshipment to the US, discharged at the purpose built Louisiana Offshore Oil Port (LOOP) or discharged via ship to ship transfer at sea (lightering) to tankers which can transport the cargo to the terminals and refineries in USA.

Skaugen PetroTrans Lightering Volumes vs. U.S. Long Haul Imports



The business concept of the Skaugen PetroTrans group of companies is mainly lightering and transportation to port of crude oil destined for USA.

Through its operating entity, PetroTrans Holdings Limited, the Skaugen PetroTrans Group is performing its lightering activities split between full service lightering and lightering support service.

While the full service lightering includes the transportation of lightered crude oil in Aframax tankers, 80-100,000 DWT, into US ports, lightering support service entails the organization of the actual ship-to-ship transfer operation including provision of mooring masters, fenders, hoses and other equipment.

Separated from the lightering activities of PetroTrans Holdings Limited is Skaugen PetroTrans AS' shipowning activities represented by investments in vessels through single purpose companies. For the time being the Company has full ownership of two Aframax tankers; has one vessel on bareboat charter and one vessel time chartered in on a financial lease. All employed in the Group's operating company for use in the core fleet of tankers operated by PetroTrans Holdings Limited and required for its general oil transport- and full service lightering activities.

The charter agreements between Group entities are all based on commercial "arms length" charter rates established by a broker panel for the agreed charter periods which are set to match the fleet period composition of the lightering contract terms.

Skaugen PetroTrans AS is also involved in financial asset management. The financial assets are overall, conservatively invested primarily in US dollars which due to the relatively low interest rate have yielded a low return. In addition to publicly traded bonds the Company has invested USD 4 million out of a total USD 15 million private placement of 7 years unsecured Variable Rate Notes (VRN) issued by Norwegian Gas Carriers Ltd, Bermuda. The issuer is an entity of I.M. Skaugen AS (IMS), Oslo, Norway, and a major transporter of petrochemical gases. The issuer controls 17 vessels in the range of 5-9,000 cum., and in alliance with the Unigas pool of vessels a total fleet of 23 vessels. Together, Norwegian Gas Carriers Ltd. and the Unigas pool represent a strong position in their market segment. A market which presently experiences a strong growth after several years of recession. The notes which carry a minimum rate of 9 per cent were yielding 12 per cent from date of investment to year end. By agreement in February, 1995 the VRN's have been exchanged for 6,160,000 shares in IMS. At the issue price of NOK 5.05 per share the annualized yield on this transaction in total was 40 percent p.a. The Company intends to distribute its total shareholding in IMS to its shareholders as extraordinary dividend payment for 1994. (See dividend payment)

THE SKAUGEN PETROTRANS FLEET

The fleet consists of two wholly owned 1983 built Aframax tankers MT Skaufjord and MT Skaubay. MT Skaunord, built 1992, is chartered in on bareboat basis until July 1997, and MT Rich Duchess, built 1986 is chartered in on time charter basis until October 1998 on a financial lease.

The Skaugen PetroTrans Group carries both the financial- and marine operating responsibility for MT Skaubay and MT Skaufjord, the marine responsibility of MT Skaunord and the financial responsibility of MT Rich Duchess. The marine operating responsibility for MT Rich Duchess remain with the Japanese headowners. The vessels, for which the Company has marine operating responsibility, are all manned by Norwegian senior officers and Filipino junior officers and ratings.

MT Skaubay and MT Skaufjord are expected to drydock first quarter 1995 according to vessels' normal plan of periodical docking and maintenance. The last drydocking took place during first quarter 1992. MT Skaunord is also scheduled for drydocking in 1995. This will be the first drydocking for this vessel since delivery from yard in July 1992.

All vessels, for which the Company has marine responsibility, operate continuously in lightering and have performed satisfactorily with good regularity in 1994 and only a total of 17 days offhire. This is an average of 5.6 days per vessel for the year. Vessels operating costs are considered to be at a competitive level for vessels of their age and size, and lower than all previous years under Skaugen PetroTrans' management and that of the Company's predecessors.

The technical quality of the fleet, which are under constant upgrading has resulted in less and lower value insurance claims at the same time the upgrading costs are continuing to show a favorable downward trend from the peak of 1992.

To improve the working environment on board the vessels, funds are invested continually in maintenance and upgrading for the purpose of safety of personnel, and to prevent accidents that can pollute the external environment. The continuity of the officers and the crew, both from Norway and the Philippines is good. The Board of Directors consider the working environment to be good.

Combined profit for the shipowning / chartering companies before depreciation and financial costs was USD 5.9 million (1993, USD 2.9 million), but the combined net result was a loss of USD 1.6 million (1993, loss of USD 5.7 million).

SAFETY / MILESTONE

During the year of 1994 the Company's operating entity achieved the milestone of having completed over 5,000 lightering operations and handled a total of 2 billion barrels of crude oil without any measurable oilspill and without canceling a single contracted lightering operations. In February 1995 one of the tankers operated by the Company collided with the vessel to be lightered upon approach for a lightering operation. There were no human injuries, but an underwater damage resulted in a minor oil spill from the bunker tanks of the vessel to be lightered without causing any significant environmental damage. The cause of the collision is not yet known. As a consequence of this accident the Company is again reviewing its routines, in particular as it concerns the approach to lightering operations.

"COFR" - CERTIFICATE OF FINANCIAL RESPONSIBILITY

In order to comply with the new US rules from December 28, 1994 for Certificate of Financial Responsibility (COFR), as introduced by the US Coast Guard as part of the US Oil Pollution Act of 1990 (OPA-90), the Company had to provide a guarantee as evidence of financial responsibility to the extent of about USD 85 million. The amount is a function of vessels' size, - Aframax tankers. The Company did not have sufficient financial resources to raise such guarantee on its own and the international group of P&I clubs were not willing to provide same under their P&I coverage as it claimed it violated their principle of "Paid to be Paid". It is expected that the P&I clubs will reconsider their positions as it appears quite unreasonable and costly to the shipowners who are also the owners of the P&I clubs. For the vessels operated by the Company the necessary guarantee was therefore raised on a non mutual basis through the intermediary of a reinsurance company at a fixed cost and with recourse to the Company's P&I insurance cover.

RESULTS/FINANCE

The consolidated revenue for 1994 of the Skaugen PetroTrans group of companies was NOK 385 million compared to NOK 501 million for 1993.

The year end result before tax was NOK 13 million or NOK 0.12 per share. For 1993 the result was NOK 90 million or NOK 0.81 per share, but this included a gain from sale of vessels of NOK 150 million and a provision for possible future loss on the charter costs of MT Skaunord, resulting in a net total gain of NOK 112 million equal to NOK 1.01 per share. No vessels were sold during 1994.

The result from vessel operation was a profit of NOK 80 million, the corresponding figure for 1993 was NOK 56 million.

Net consolidated operating result for 1994 was NOK 7 million (USD 1.1 million) after depreciations of NOK 40 million and administrative costs. For 1993 the result was a loss of NOK 39 million (USD 6 million) after depreciations of NOK 49 million and provision of NOK 38 million. The Group's consolidated liquidity is satisfactory and the bank financing of vessels owned secured with mortgages were reduced in 1994 by NOK 22 million (USD 3.2 million).

The net result from the Company's lightering operations was a profit of USD 1.2 million. The result for 1993 was USD 5.0 million, the reduction in profit being substantially caused by lower lightering rates, and an increase in the average charter hire of vessels chartered in of USD 1.5 million.

The Company's cash flow from operations over the period before dividend for 1994 was positive NOK 28 million net of unrealized foreign exchange gain of NOK 16 million and change in working capital over the period of NOK 8 million. For 1993 the equivalent cashflow from operation was positive, NOK 56 million.

After proposed dividend of about NOK 78 million for 1994 the shareholders equity decreased by NOK 74 million from year end 1993 to NOK 193 million as per 12/31/1994, equivalent to 35 per cent of the Company's total assets (1993, 38 per cent). Including considerations of "off balance sheet" commitments the Group's degree of leverage is considered satisfactory. By including estimated market values of all vessels the net asset value (NAV) amounts to 49 per cent of total assets.

Concerning the disputes relating to chartering of the vessels MT Crosby, MT Caribbean Star and MT Sulby, a settlement was reached by mutual agreement in May 1994 relating to the disputes of MT Caribbean Star and MT Sulby. This settlement was without effect on the Company's income statement. As it related to the dispute concerning MT Crosby from August 1992 and substantially described in the Annual Report for 1992, the documentation to be presented the arbitration panel in New York is still to be completed.

THE TANKERMARKET

For the third consecutive year, albeit with seasonal fluctuations, the general freight market was dominated by very low average earnings. A result, probably, of the industry's own creation, according to analysis made by the shipbrokerage firm Clarkson. A view the Company shares. The rates were improving in the years from 1986-91 substantially because of, what was considered, a low level of new building deliveries at an average of about 7.3 million DWT per annum. In the three years 1992-1994 the deliveries averaged 14 million DWT per annum resulting in a net total fleet increase of about 8 per cent

to 49 million DWT. This is believed, by Clarkson, substantially to be a result of the exceptional capital gains in vessel values made in the late 1980's which spread to the new building markets.

The deliveries of new buildings coincided with a downturn in the OECD countries economies. Indications are that the oil demand can be expected to grow in the coming years but with expected limited effect on the seaborne trade due to regional differences in the maturities of economical cycles.

It is expected that the Middle East producers will increase their crude oil production and long haul export of crude oil. The producers of North Sea Oil and from the Americas', generally requiring short haul transportation, are unlikely to increase their production to allow for an increase in short haul export to the extent experienced recently. This could increase the need for tanker tonnage in general. The development of FSU (Former Soviet Union) countries crude oil export may, however, change this. The increase in Asian demand for Middle East crude oil could also possibly force the US to source its crude oil import from short haul suppliers.

At the same time the countries importing crude oil appear to an increasing extent favoring "sweet" crude oil and seeking to source the import of crude oil generally from the nearest geographically located country, thus reducing the need for transportation.

The supply of tanker tonnage is believed to grow in 1995 by about net 2 per cent compared to the total fleet by the end of 1994 after estimated deliveries of 13.8 million DWT or 5 percent and scrapping of 8.3 million DWT, or 3 percent. The scrapping activity of about 10 million DWT per annum over the last three years is considered as a reflection of the relatively poor freight market and high average age of the tanker fleet. While scrapping of old tonnage is not inevitable but it is considered responsive to short term freight rates.

It is estimated, by Clarkson's, that the oil trade will grow marginally more than the tanker supply which should give a modest improvement in the tanker market, albeit by highly volatile rates. Any sustainable change in the market is expected to be dependent on change in the charterers attitude to the aging fleet of low grade vessels which seems not to be forthcoming.

The Aframax tanker fleet is presently estimated at 580 vessels and total about 49 million DWT, representing 22 per cent of the total tanker fleet.

Over the last few years the Aframax tanker fleet has experienced a net increase of tonnage after scrapping by about 9 per cent or 4 million DWT since 1991. The order book presently stands at about 44 vessels of total about 4

million DWT, 8 per cent of the fleet. The fleet's age profile shows that only 33 per cent of the fleet is over 15 years, and 11.5 per cent over 20 years. This is the youngest profile of any tanker sector. Vessels being scrapped are usually about 25 years old. Currently 17 per cent of the fleet is double hulled. (Source: Clarkson)

The value of second hand tankers have not seen much change and are believed to be closely linked to replacement costs. Clarkson's estimate that an Aframax tanker of five years with a value of about USD 32 million is presently providing no more than 5 per cent return on capital before depreciation which is estimated prudently to a minimum of USD 2 million per annum. The shipowners are under such scenario providing their capital for free to the benefit of the charterers, according to Clarkson.

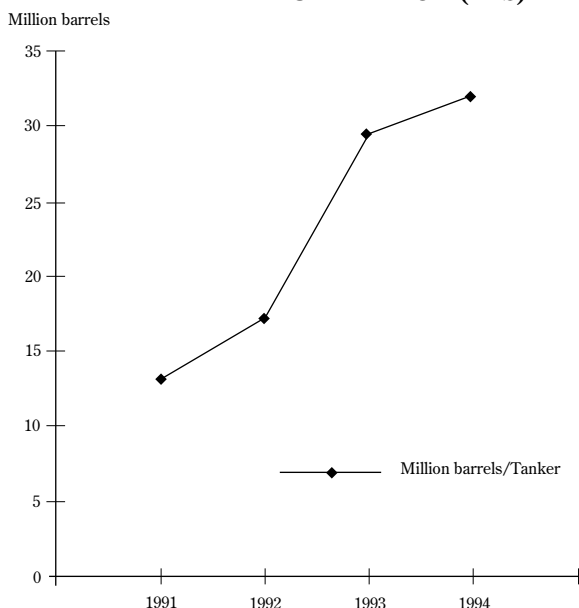
While the earnings for the Aframax tanker fleet in 1991 averaged about USD 17,700/day on time charter basis the average for the years 1992-1994 was USD 11,800/day. An increased presence of the larger vessels on traditional trades for Aframax tankers is causing a further downward pressure on the earnings than that solely created by oversupply of Aframax tankers. A new building at USD 40 million is roughly estimated to require a time charter rate covering the vessel operating costs in addition to the finance costs of USD 12-13,000/day (10 per cent interest) for 20 years.

It is the view of the Board of Directors that there is ample financing and yard capacity for new buildings. Under these circumstances, and despite of the oil companies reducing their tanker fleet; the fact that the oil companies are users of tonnage as well as owners the oil companies will ensure there will always be excess supply of tonnage. This will most likely prevent the general freight rates from increasing to provide the owners a reasonable return on their invested capital for a sustainable period. It is recognized, however, there will always exist regional and seasonal differences as well as fluctuations in the rates over shorter periods.

COMPANY REVIEW 1991 - 1994

Over the four years since Skaugen PetroTrans AS was demerged from I.M. Skaugen AS (August 1991) continuous efforts have been made to establish the ship to ship transfer business as a viable enterprise with efforts to control costs, as well as improve efficiency, reliability and safety of the operations.

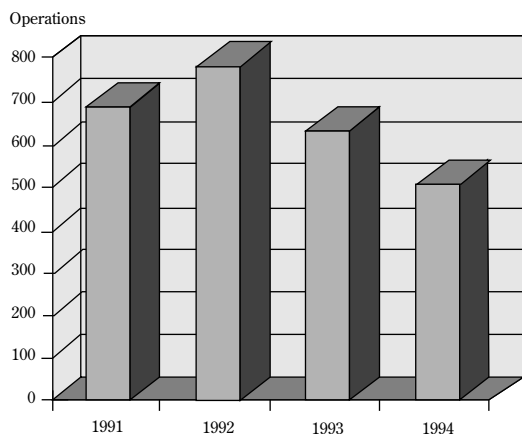
TANKER UTILIZATION (BLS)



By focusing on lightering in the US Gulf and on the US East Coast, reducing the number of vessels employed, both tankers and lightering support vessels, the fleet utilization measured in number of lightering operations undertaken per tanker, has doubled to 65 operations per year. For the lightering support vessels the utilization has increased by about 30 per cent to about 84 operations per vessel per year. Each tanker carried in 1994, as an average, about 32 million barrels of crude oil per annum, in connection with the lightering operations or almost 2.5 times the volume of 1991.

At the same time the Company has experienced a fall in full service lightering revenue of about 37 per cent per million barrels transported and almost 30 per cent per operation over the period 1991 to 1994.

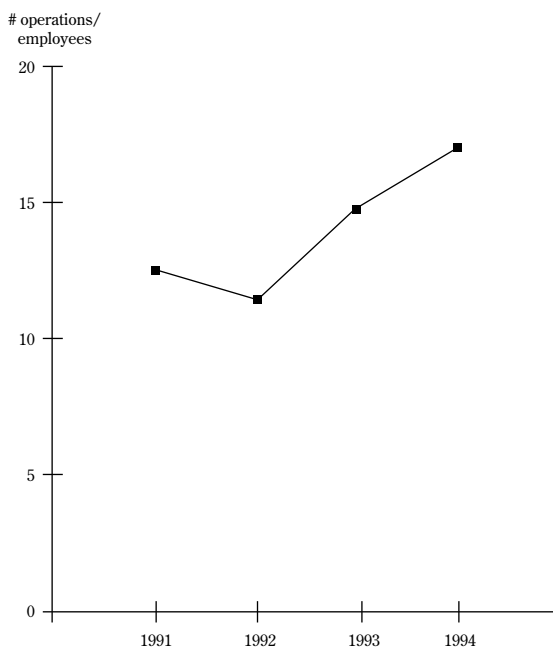
BREAK-EVEN #OPERATIONS



Since 1991 the break-even cost level per lightering operation (full service and support) is reduced by about 36 per cent, while the break-even level in terms of number of operations is reduced by about 35 per cent since 1992.

In the efforts of cost reduction the total administrative and legal costs are reduced by about 23 per cent from 1991 and almost 30 per cent from its peak in 1992/93. This is achieved from reorganization of routines of operation, reduction in staff and office space. The administrative and legal costs have been reasonably constant per lightering operation while there has been a small increase in costs measured per ship operating days as a result of reduction in the fleet.

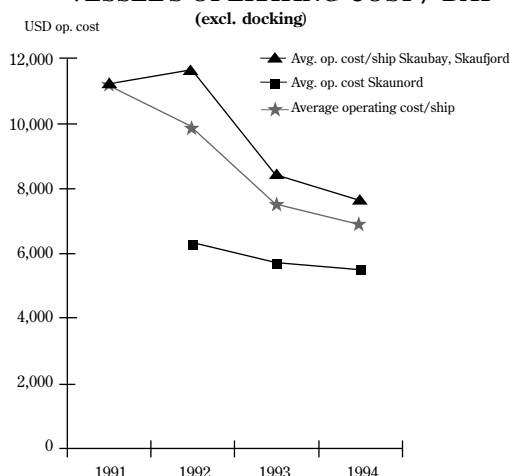
Operations / Shorebased employees



In terms of number of lightering operations per onshore employee (including mooring masters) there has been an increase in operation by about 35 per cent to over 17 lightering operations per person.

The average operating cost of the tankers, for which the Company has operating responsibility, are reduced by about 38 per cent over the period to below what is believed to be considered the industry standards for this type and age of vessels. At the same time the Hull and Machinery insurance costs for the vessels more than doubled from 1991 to 1992 and the Protection and Indemnity (P&I) costs have more than quadrupled. The vessels average number of days offhire per ship/year are reduced at the same time from 88 days in 1991 to 5.6 days in 1994. The claims statistics have improved from 11 insurance claims with a value at over 2.5 times the advance premium paid for P&I insurance to no claims. For Hull & Machinery insurance the statistics show an improvement from a peak of total insurance claims valued at USD 8.9 million in 1989, and a total number of 12 claims in 1991 to no claims.

VESSEL'S OPERATING COST / DAY



Physical inspections of the vessels, clearly show that continuous upgrading is taking place. The overall quality of the fleet is, however, meeting the demanding standards of acceptance set by the Company and all of its customers.

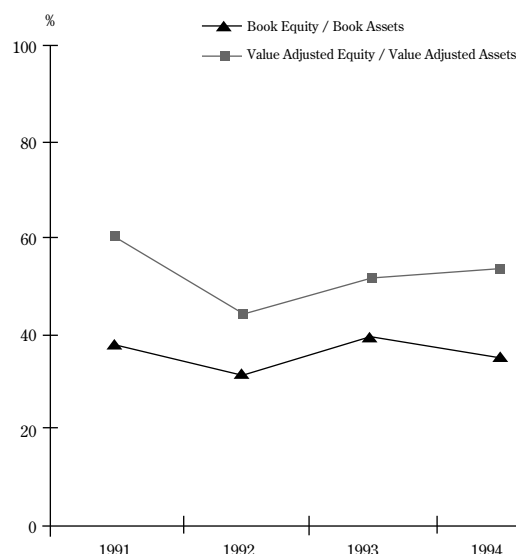
These achievements are all considered to be the result of a targeted overhaul of the business from the focused attention and change of corporate culture made possible, amongst others, by the demerger.

The efficiency gain have in its totality been transferred to the customers as a result of the increasing competitive environment of the lightering business.

The Board is convinced that the turnaround effort carried out have been necessary to uphold the business concept in lightering, but should have wished for the tanker market to show a somewhat more encouraging trend in order to yield satisfactory returns to the shareholders.

Skaugen PetroTrans has preserved the shareholders equity in the period 1991-1994, taking into account the drastic fall in the Company's vessels market values of 45 per cent, as assessed by independent shipbrokers, and payment of NOK 158 million in dividends. The Company's value adjusted equity by the end of 1994 is estimated at NOK 341 million after dividend. This includes an estimated market value of the Company tankers of NOK 108 million in excess of the book value. The establishment of the Company in August 1991 was based on the asset values as of January 1991. The value adjusted equity was at that time estimated to NOK 749 million with the Company's tankers estimated to have a market value of NOK 384 million in excess of the book value.

SHAREHOLDERS EQUITY



SKAUGEN PETROTRANS AS, THE PARENT COMPANY

Skaugen PetroTrans AS achieved a negative result after tax in 1994 of NOK 18 million. In line with the Company's previously stated strategy of distributing dividend, and the Company's good liquidity the Board of Directors proposes the following allocations and equity transfers;

Dividend	(NOK 78 million)
Increase in Statutory Reserves	(NOK 26 million)
Reduction of Reversal Fund	NOK 15 million
Reduction in Free Reserves	NOK 107 million
Total	NOK 18 million

The Dividend allocation includes a cash dividend of NOK 0,36 per share (NOK 40 million) and the Company's 7,158,500 shares in I.M. Skaugen (about NOK 38 million).

The Board proposes to distribute the Stock Exchange value of the Company's shares in I.M. Skaugen AS.

Each share of Skaugen PetroTrans AS will be entitled to an extraordinary dividend equal to the Stock Exchange value of 1/16 of one share in I.M. Skaugen AS at the date of the General Meeting of Skaugen PetroTrans AS, March 21, 1995.

The shareholders can choose between cash dividend payment and shares in I.M. Skaugen AS. Shareholders having chosen shares in I.M. Skaugen AS and whose shareholding in Skaugen PetroTrans AS is not a multiplier of 16 will receive the additional amount due in cash payment.

(The procedure is further described in the Notice about the General Meeting.)

Skaugen PetroTrans AS has 2 employees at year end 1994, while the Group employed 135 in total. (1993, 209 employees.)

SHAREHOLDERS

Skaugen PetroTrans AS' share capital is NOK 19,884,093.30 divided into 110,467,185 issued shares, at par value of NOK 0.18 per share.

The Company is listed on Oslo Stock Exchange.

A total of 89,205,407 shares were traded in 1994 (1993, 158,373,693 shares) which equals 80.8 per cent of total outstanding shares.

The shares are transferable without restrictions, and each share is entitled to one vote at the Company's General Meetings.

There are no limitations in the Company's Articles of Association restricting purchase of shares by non-Norwegian investors. Share transfer may, however, be restricted under Norwegian law of concession or maritime law.

Eikland AS, through its wholly owned subsidiary Kosmos AS, is the largest shareholder controlling 46.1 per cent of the outstanding share capital. At the end of the year 1994 the Company had 13,628 shareholders. A total of 11,478 shareholders representing 1.5 per cent of the share capital have less than 1,000 shares each, which is defined as a "trading unit" at Oslo Stock Exchange.

The Company recognizes the lack of liquidity this causes to the shareholders holding such share positions as well as the cost such investments represent to the Company and wish to address the issue positively for the shareholders within the Company's legal and financial constraints.

For information regarding the parent company, Board of Directors remuneration, Auditor's fee and salary to Managing Director, see Note 3 to 1994 Annual Accounts.

GROUP STRATEGY

The Skaugen PetroTrans Group has successfully managed to stem the decline in revenue from a reduction in rates by focusing its business, improving efficiency and reducing costs.

Despite of the low operating margins it is believed that the Group's lightering company can achieve reasonable returns as an oil service company. With the present competitive level of operating costs the Company is considered well prepared to meet a continued low freight market, as well as substantially benefit from any increases in the freight rates. The Company expects the existing low rate level to continue for some time, and that the earnings will continue to be affected by the general freight rates for Aframax tonnage in the Caribbean - US Gulf trade. This trade is depressed due to the surplus of tanker tonnage available, and the fact that certain participants in the lightering business adjust their committed tonnage capacity as the opportunities in the general freight market changes.

The Company is prepared to meet the tonnage demands of its customers and also renew the fleet of tankers as required. It is the opinion of the Board of Directors, however, that the renewal of the Company's fleet has to be done at the right relationship between vessel price and earnings capacity. Currently, second hand values for modern vessels do not yield satisfactory returns in the general freight market as "values have discounted" a future rise in this market. It is the Board's view of the general situation that it does not envision at present to commit substantial funds to investment in vessels over and above existing commitments, and as such are the views on Group strategy as expressed in the 1993 Annual Report unchanged.

Oslo, February 20, 1995

Morits Skaugen jr.
Chairman

Egil Abrahamsen

Gudmund Rønningen

Harald Schjoldager

Tore Steen

O.J. Diesen
Managing Director

STATEMENT OF INCOME

1.1 - 31.12

NOK MILLION

PARENT COMPANY			NOTES	GROUP	
1993	1994			1994	1993
		OPERATING INCOME			
68	60	Gross freight revenue	8	385	501
2	1	Voyage related costs		104	110
		NET REVENUE ON TIME CHARTER BASIS	2	281	391
		OPERATING COSTS			
48	37	Operating cost on time-charter basis		110	113
10	0	Time-charter hire		101	184
0	0	Provision for future loss on charters	13	(10)	38
8	22	RESULT FROM VESSELS' OPERATION		80	56
12	4	Administrative costs	3	33	46
22	21	Ordinary depreciation	4	40	49
0	15	Write-down of shares in subsidiaries		0	0
(26)	(18)	RESULT BEFORE SALE OF VESSELS		7	(39)
135	0	Gain from sale of vessels	5	0	150
109	(18)	OPERATING RESULT		7	111
14	14	Interest income		12	11
17	2	Other financial income		1	3
(14)	(4)	Interest cost		(11)	(25)
(1)	(5)	Other financial costs		(6)	(1)
7	(13)	Net currency gain (loss)		10	(9)
23	(6)	NET FINANCIAL ITEMS		6	(21)
132	(24)	RESULT BEFORE TAXES		13	90
(22)	6	Taxes	6	(1)	(21)
110	(18)	RESULT FOR THE YEAR		12	69

PROPOSED ALLOCATIONS AND EQUITY TRANSFERS:

(40)	(78)	Dividend
(45)	(26)	Increase of Statutory Reserve
15	15	Reduction of Reversal Fund
(40)	107	Reduction/(increase) of Free Reserves
<u>(110)</u>	<u>18</u>	TOTAL

BALANCE SHEET 31.12

NOK MILLION

PARENT COMPANY			NOTES	GROUP	
1993	1994			1994	1993
ASSETS					
213	146	Bank deposits and financial investments	7	183	289
2	0	Freight receivables	8	8	18
92	32	Intercompany receivables		0	0
8	9	Other receivables and bunkers	8	25	30
315	187	Total current assets		216	337
7	32	Long term receivables (interest bearing)	9	27	8
136	167	Shares in subsidiaries	10, 11	0	0
138	117	Vessels	4	284	316
0	0	Other fixed assets	4	28	30
281	316	Total fixed assets		339	354
596	503	TOTAL ASSETS		555	691
LIABILITIES AND SHAREHOLDERS' EQUITY					
16	17	Current liabilities		40	38
22	20	Long term debt repayable within 12 months	12	35	58
40	78	Dividend		78	40
78	115	Total current liabilities		153	136
117	86	Mortgage debt	12	93	127
4	7	Other long term debt	13, 14	94	140
22	16	Deferred tax	15	22	21
143	109	Total long term debt		209	288
SHAREHOLDERS' EQUITY					
RESTRICTED					
20	20	Share capital (110,467,185 shares of NOK 0,18)		20	20
84	110	Statutory Reserves		110	84
44	29	Reversal Fund		29	44
UNRESTRICTED					
227	120	Free Reserves		34	119
375	279	Total shareholders' equity	16	193	267
596	503	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		555	691

Off Balance Sheet Items

Mortgages and guarantees	17
Time-charter commitments	18

STATEMENT OF CASH FLOW

1.1 - 31.12

NOK MILLION

PARENT COMPANY			GROUP	
1993	1994		1994	1993
CASH FLOW FROM OPERATIONS				
132	(24)	Result before taxes	13	90
(40)	(78)	Proposed dividend	(78)	(40)
22	21	Ordinary depreciation	40	49
(135)	0	Gain from sale of vessel	0	(150)
11	(11)	Unrealized currency loss/(gain)	(16)	7
0	15	Write-down of shares in subsidiaries	0	0
0	0	Provision for future loss on charters	(17)	31
(13)	98	Change in receivables and current liabilities	32	60
(23)	21	NET CASH FLOW FROM OPERATION (A)	(26)	47
CASH FLOW FROM INVESTMENTS				
<i>Investments in:</i>				
0	0	Vessel	0	0
118	(25)	Long term receivables	(17)	1
(82)	(46)	Shares in subsidiaries	0	0
1	0	Other fixed assets	(7)	(5)
<i>Sale of:</i>				
148	0	Vessels and parts in vessel	0	161
0	0	Other fixed assets	0	4
185	(71)	NET CASH FLOW FROM INVESTMENTS (B)	(24)	161
CASH FLOW FROM FINANCING				
4	3	New borrowing	0	4
(145)	(20)	Loan repayment	(56)	(189)
0	0	Future loss on charters	0	19
(141)	(17)	NET CASH FLOW FROM FINANCING (C)	(56)	(166)
21	(67)	TOTAL NET CHANGE IN CASH AND SHORT TERM INVESTMENTS (A+B+C)	(106)	42
192	213	Cash and short-term investments 1.1	289	247
213	146	Cash and short-term investments 31.12.	183	289
21	(67)	NET CHANGE IN CASH AND SHORT TERM INVESTMENTS	(106)	42
SPECIFICATION OF CASH AND SHORT-TERM INVESTMENTS 31.12.				
209	124	Bank deposits	161	285
0	17	Bonds	17	0
4	5	Shares	5	4
213	146	TOTAL	183	289

NOTES

NOTE 1 - ACCOUNTING PRINCIPLES

The accounts are translated from Norwegian Statutory accounts and have been prepared in accordance with accounting principles generally accepted in Norway. The most important accounting principles followed by the company are described below. Note 19 shows net profit and equity reported under the principles of International Accounting Standards. All amounts are in NOK million if not otherwise stated.

Consolidation of Subsidiaries

In addition to the parent company, Skaugen PetroTrans AS, the consolidated accounts include the wholly owned subsidiaries specified in Note 11. The consolidated accounts show the financial position and result based on the companies being treated as one entity. The past equity method of accounting is employed in consolidating subsidiary companies. The past equity method implies that in connection with acquisition of subsidiaries, any difference between the cost price and the book value of the subsidiaries' assets (vessel) at the time of acquisition is assigned to the asset, and depreciated over the asset's remaining lifetime.

The balance sheet of foreign subsidiaries representing the chartering function, is translated to NOK using the year end rate of exchange (USD/NOK 6,76). The statement of income figures are translated at the average rate of exchange in 1994 (USD/NOK 7,09). The translation differences are charged directly to the consolidated equity.

Foreign subsidiaries which represents the shipowning function, are treated as an integrated part of the activity of the parent company. Current assets and current liabilities are translated to NOK using the year end rate of exchange (USD/NOK 6,76). Fixed assets are translated at historical rate, and long term liabilities are translated at the higher of historical rate and the rate as of December 31,1994. The statements of income are translated at the average rate of exchange in 1994 (USD/NOK 7,09), exempt from ordinary depreciation which is translated at historical rate. The translation differences are charged to the statement of income.

Participations in Limited Partnerships

Participations in limited partnerships are included in the accounts of the parent company using a pro rata consolidation. This means that the pro-rata shares of assets and liabilities, including income and expenses, are included under the respective items in the statement of income and balance sheet. For specification of participation in limited partnerships, see Note 10.

Participations in Unlimited Partnerships

Participations in unlimited partnerships are included in the accounts of the parent company at cost.

Foreign Exchange

Bank deposits, receivables and current liabilities in foreign currency are translated to NOK using the quoted exchange rate as of December 31, 1994 (USD/NOK 6,76). Long term debt is stated at the higher of historical rate and the rate as of December 31, 1994.

Treatment of Leased Equipment

The company distinguishes between financial and operating leases. Financial leases relate to financing of fixed assets and are included as assets on the balance sheet. Correspondingly, the lease commitments are entered as liabilities. Lease payments made under operating leases are accounted for as ordinary operating expenses. In the case where the company has an unfavourable, long term lease commitment classified as operating lease, future losses are provided for.

Depreciation

The ordinary depreciation is based on the assumption that the financial and technical lifetime of the vessels is 20 years. The depreciation in the accounts is based on the historical cost of vessels.

Vessels

The book value of the vessels is compared to the market value based on the portfolio principle and written down where the reduction in value is not regarded as temporary. The valuation of the vessels is based on assessments of the market value by independent ship brokers.

Docking and Classification Costs

These costs are expensed when incurred.

Revenue Recognition

Freight revenues and voyage related costs are accrued based on the number of days of a voyage/lightering operation before and after year end (percentage of completion).

Financial Investments

Short term investments are classified as current assets and valued at the lower of cost price or market value in accordance with the portfolio principle.

Receivables and Bunkers

These assets are accounted for at the lower of cost price and estimated market value.

Pensions and pension obligations under benefit plans

The net pension cost represents the service cost of the period, calculated to include estimated salary progression, interest on projected benefit obligation, return on the asset funds and adjustments for changes to the plan and estimates used.

The value of pension funds and pension obligation is based on estimates as of December 31. These estimates will be changed every year based on statements from UNI Storebrand regarding the pension funds and actuarial computations of the pension obligation.

The net effect of changes of estimates and differences between projected and actual return on asset funds are charged the statement of income over the average remaining service period (approx. 15 years) when the accumulated effect is above 10% of the higher of assets of the fund and the obligation.

Net pension costs is classified as a salary expense in the statement of income. In the balance sheet net pension obligation is classified as long term debt.

Taxes

Deferred tax liabilities are provided for on temporary differences between accounting values and tax values at year end. Tax rate applied is 28 per cent.

On a consolidated basis net temporary differences are accounted for, and include taxable income/loss from Norwegian controlled companies in low tax countries.

Negative temporary differences, as well as positive temporary differences that reverse within the same period, are assessed and accounted for on a net basis.

Classification of Extraordinary Items

An item of income or expense is classified as extraordinary when all the following three criteria are satisfied:

- 1) The item must be material to the Company's financial statements.
- 2) The item must be unusual and the result of transactions/occurrences to be outside the company's normal business activity.
- 3) Items of a similar nature must not be anticipated to occur frequently or regularly.

NOTE 2 - OPERATING INCOME

Consolidated net revenue on time-charter basis is defined as gross freight revenue less voyage related costs. Typical voyage related costs are bunkers, port charges and liability insurances in connection with calls on US ports.

NOTE 3 - REMUNERATIONS (Parent Company)

A provision of NOK 487,000 is made for the remuneration to The Board of Directors of Skaugen PetroTrans for 1994. Managing Director of Skaugen PetroTrans AS received NOK 513,000 in remuneration in 1994. Fees to the auditors of the parent company amounted to NOK 180,000 for auditing and NOK 10,000 for consultancy work.

The Chairman of the Board and the Managing Director are not entitled to separate remuneration upon retiring from their positions.

Remuneration to Eikland AS amounts to NOK 540,000, covering overhead costs and assistance in connection with improving the company operation and follow-up of various commercial matters.

The Groups wages and social expenses amounts to NOK 42 million, compared to NOK 46,7 million in 1993.

Directors' Shareholdings in Skaugen PetroTrans AS

Directors	Number of shares *)
Abrahamsen, Egil	60,573
Rønningen, Gudmund	0
Schjoldager, Harald	0
Skaugen jr., Morits	181,529
Steen, Tore	155,000
Gregusson, Nils, deputy member	143,530
Ole Jacob Diesen, Managing Director	15,000
Skaugen PetroTrans Inc.	
Trygve P. Munthe, President	0

No shares are owned by the company's auditor.

*) Including shares owned by close family and controlled companies.

NOTE 4 - FIXED ASSETS

Group	Vessels	Equipment	TOTAL
Cost as of 1.1.	435	66	501
+ Investments 1.1.-31.12.	0	7	7
- Disposals 1.1.-31.12.	0	(1)	(1)
Accumulated ordinary depreciation	(151)	(44)	(195)
Book value 31.12.94	284	28	312
Ordinary depreciation	32	8	40
Rate of depreciation	5-8%	20-33%	
Parent company			
Cost as of 1.1.	264	0	264
+ Investments 1.1.-31.12.	0	0	0
- Disposals 1.1.-31.12.	0	0	0
Accumulate ordinary depreciation	(147)	0	(147)
Book value 31.12.94	117	0	117
Ordinary depreciation	21		21
Rate of depreciation	5-8%	20-33%	

NOTE 5 - INVESTMENTS IN AND SALE OF FIXED ASSETS

	Parent company		Group	
	Investments	Sale	Investments	Sale
1991	0	115	12	1
1992	1	74	131	87
1993	0	148	5	165
1994	0	0	7	0

Gain from sale of vessels in 1993 relates to the sale of tankers and disposal of capitalized equipment related to the cancellation of the charter of three "Lightering Support Vessels". Based on an individual assessment, the market value of one of the vessels in the group is less than book value. The vessel is not written down as impairment is judged not to be permanent. On an overall basis the market value of the fleet is higher than the book value.

NOTE 6 - TAXES

Parent company			Group	
1993	1994		1994	1993
0	0	Taxes payable	0	0
(22)	6	Changes in deferred tax	(1)	(21)
(22)	6	TOTAL TAXES	(1)	(21)

NOTE 7 - BANK DEPOSITS AND FINANCIAL INVESTMENTS

Parent company			Group	
1993	1994		1994	1993
209	124	Bank deposits	161	285
0	17	Bonds	17	0
4	5	Shares	5	4
213	146	TOTAL BANK DEPOSITS AND FINANCIAL INVESTMENTS	183	289

Bank deposits

Restricted funds are total NOK 18 million (1993 NOK 57 million) for both the group and the parent company.

Bonds (NOK 000)

Company	Par value	Book value	Market value
Saga Petroleum	USD 2,500,000	17,365	17,365
TOTAL BONDS		17,365	17,365

Shares (NOK 000)

Company	Number of shares	Book value	Market value
I.M. Skaugen AS *)	998,500	5,492	5,492
TOTAL SHARES		5,492	5,492

*) See Note 9.

NOTE 8 - RECEIVABLES

The consolidated accounts carry bad debt provisions of NOK 2,7 million as of December 31, 1994 (NOK 4,5 million as of December 31, 1993).

NOTE 9 – LONG TERM RECEIVABLES

The company has invested USD 4 million in a private placement (total of USD 15 million) of 7 years unsecured variable rate notes issued by Norwegian Gas Carriers Ltd., Bermuda. The rate of interest is a fixed rate of 9 per cent per annum. In addition to fixed interest, "bonus interest" may also be paid. Subsequent to year end Skaugen PetroTrans AS has converted the variable rate notes to 6,160,000 shares in I.M. Skaugen AS.

NOTE 10 – PARTICIPATION IN LIMITED PARTNERSHIPS (NOK 000)

Limited partnerships		<i>Owned by parent company</i>		<i>Owned by subsidiaries</i>	
Company name	Vessel	Interest	Callable capital	Interest	Callable capital
SPT Skaugulf KS	N/A	90%	8,100	10%	900
SPT Skaustream KS	N/A	90%	6,300	10%	700
SPT Skaufjord KS	M/T Skaufjord	90%	9,000	10%	1,000
SPT Skaulake KS	N/A	90%	8,100	10%	900
SPT Skaubay KS	M/T Skaubay	90%	9,000	10%	1,000
TOTAL PARTICIPATION IN LIMITED PARTNERSHIPS			40,500		4,500
Unlimited partnerships					
Eikland Shipping ANS		0.658%			

The company's share of Eikland Shipping ANS' agreed capital in the shipowning limited partnerships, in which it participates, as of December 31, 1994, is equivalent to NOK 41,100.-.

NOTE 11 – SHARES IN SUBSIDIARIES (NOK 000)

Shares owned by Skaugen PetroTrans AS:

Company name	Interest	Total Share capital	Nominal value (NOK)	Number of shares	Book value (NOK)
SPT Skaunord Inc.	100%	USD 2,000	USD 2,000	1	40 012
SPT Rich Duchess Inc.	100%	USD 2,000	USD 2,000	1	12
PetroTrans Holdings Limited	100%	USD 12,000	USD 1,000	1.200	89,165
SPT Skaufjord AS *)	100%	10,800	105,000	100	21,400
SPT Skaubay AS *)	100%	10,500	105,000	100	10,500
Jahre Ship Chartering AS **)	100%	5,000	1,000	5.000	5,995
TOTAL SHARES OWNED BY PARENT COMPANY					167,084

*) The general partners each own 10% of the limited partnerships.

Effective January 1, 1994 SPT Skaugulf AS, SPT Skaustream AS and SPT Skaulake AS is merged with SPT Skaufjord AS.

***) Jahre Ship Chartering AS owns 50% of the shares in Duke Petroleum Transport Corporation.

Shares in subsidiaries owned by PetroTrans Holdings Limited:

Company name	Interest	Total share capital (USD 1,000)	Nominal value (USD)	Number of shares	Book value (USD 000)
Skaugen PetroTrans Ltd.	100%	8,000	1,000	8,000	8,676
Skaugen PetroTrans Inc.	100%	750	1,000	750	953
– SPT Marine Inc.	100%	500	1,000	500	(172)
TOTAL SHARES OWNED BY PETROTRANS HOLDINGS LIMITED AND ITS SUBSIDIARIES					9,457

NOTE 12 - MORTGAGE LOANS

The limited partnerships have entered into long term loan agreements amounting to USD 13,5 million secured by mortgages in the vessels. Instalments due within 12 months, totalling USD 3,2 million, are classified as current liabilities. The loan agreement includes covenants which require the market value of the vessel to exceed the outstanding loan by 25%. Furthermore, the parent company has a long term loan of USD 3,6 million secured by mortgage in the vessels of the limited partnership and certain covenants regarding financial ratios.

Mortgage loans (consolidated)	USD million	Rate of exchange	NOK million
Instalments 1995	3,2	6.76	22
Long term debt	13,9	6.76	94
TOTAL MORTGAGE LOANS	17,1	6.76	116

NOTE 13 - OTHER LONG TERM DEBT

Parent company			Group	
1993	1994		1994	1993
0	0	Financial lease obligation (interest bearing) 1)	67	91
4	7	Other long term debt (non interest bearing) 2)	27	49
4	7	TOTAL	94	140

1) M/T "Rich Duchess" is pledged as security for the Japanese owners mortgage debt. Current portion of financial lease obligation (USD 2 million) is classified as current liability.

2) Other long term debt represents mainly a provision for estimated future loss on charter of M/T "Skaunord" as per 31.12.1994. The provisions are accounted for as a cost reduction throughout the remaining charterparty period.

NOTE 14 - PENSIONS (NOK 000)

Skaugen PetroTrans AS has an insured retirement plan (benefit plan) for the employees in UNI Storebrand. The plan grants pensions equal to 66 percent of salary at retirement provided a 30 year service period. All pensions are inclusive the pensions granted by the Norwegian public pension scheme. As of December 31, 1994 the retirement benefit plan includes 29 employees. In addition to this retirement plan, the group has unsecured pension obligations. The obligations refer to coverage in excess of 12G and some previous employees. Social security tax are accounted for on the net pension obligation.

Economic assumptions used to estimate the pension obligations:

Discount rate	7%
Return on assets of the fund	8%
Salary progression/inflation	3,3%
Pension indexation	2,5%

<i>Net pension cost 1994:</i>	<i>Parent Company</i>	<i>Group</i>
Service costs	398	795
Defined contribution plan *)	-	588
Interest on projected benefit obligation	83	679
Return on assets of the fund	98	559
Net pension cost	383	1 503
<i>Net pension fund/obligation as of December 31:</i>		
Projected benefit obligation	1 376	11 074
Plan assetfunds at fair value	1 661	7 549
Accrued pension funds/(obligations)	285	(3 525)

*) For its US employees the group has a defined contribution plan.

NOTE 15 – DEFERRED TAX

Below is a specification of the differences between the financial result before taxes and taxable income for the year.

	Parent company	Group
Result before taxes	(24)	13
Permanent differences	0	0
Changes in temporary differences related to:		
Current assets	(1)	(1)
Fixed assets	18	3
Loss from other companies	2	(30)
Others	38	29
Taxable income	33	14

The parent company has a loss carry forward as of 31.12.1994 of approximately NOK 152 million. No tax payable is due in Norway as of 31.12.1994.

For Norwegian tax purposes the expected "RISK" adjustment amount is negative NOK 0,71 per share.

Deferred tax is calculated on the basis of the temporary differences between the accounting- and tax related values at the year end.

Deferred tax is calculated on the basis of temporary differences related to:

Parent company			Group	
1993	1994		1994	1993
(6)	(5)	Current assets	(5)	(6)
45	28	Fixed assets	125	128
224	186	Other differences	158	187
263	209	Total temporary differences	278	309
(185)	(152)	Loss carried forward	(201)	(234)
22	16	Deferred tax	22	21
28%	28%	Tax rate	28%	28%

Temporary differences related to current assets are a result of write-down of shares. Temporary differences related to fixed assets are a result of accumulated additional tax depreciation. Other temporary differences relate to classification fund, deferred gains/losses from sale of vessels, accruals for estimated future loss on charters and pension obligations.

NOTE 16 – SHAREHOLDERS' EQUITY

Equity 31.12.1994	Share capital	Statutory reserves	Reversal fund	Free reserves	TOTAL
Parent company					
Equity 31.12.1993	20	84	44	227	375
Result for the year				(18)	(18)
Dividend				(78)	(78)
Transfers		26	(15)	(11)	0
Equity 31.12.1994	20	110	29	120	279

Equity 31.12.1994 Group	Share capital	Statutory reserves	Reversal fund	Free reserves	TOTAL Equity
Equity 31.12.1993					267
Result for the year					12
Dividend					(78)
Other (translation difference)					(8)
Equity 31.12.1994					193

NOTE 17 - MORTGAGES AND GUARANTEES

Parent company			Group	
1993	1994		1994	1993
140	106	Mortgage debt	116	153
138	117	Book value of pledged fixed assets 1)	176	199
0	0	Guarantees given	0	0

1) The mortgage debt is also secured by assignment of earnings.

NOTE 18 - OFF BALANCE SHEET ITEMS

Future minimum lease payments at nominal value under existing operating lease agreements and time charter parties with more than 12 months duration:

Year ending	Minimum payment
1995	46
1996	49
1997 and thereafter	27

The material commitment refers to M/T "Skaunord" which is chartered in on bare boat charter until June 30, 1997. This represents NOK 107 million of the remaining commitments.

NOTE 19

ADJUSTMENTS TO INTERNATIONAL ACCOUNTING STANDARDS (IAS) RULES

PROFIT & LOSS	1994	1993
Net result before taxes	13	90
Conversion of long-term items in foreign currencies to the year-end exchange rate (IAS21)	0	0
Net result before taxes in accordance with International Accounting Standards Taxes	13	90
Net result after taxes in accordance with International Accounting Standards (IAS12)	12	69
EQUITY		
Shareholders' equity	193	267
Increase (reduction):		
Conversion of long-term items in foreign currencies to year-end exchange rate (IAS21)	0	0
Taxes (IAS12) 28%	0	0
Equity in accordance to International Accounting Standards	193	267

NOTE 20 - TRANSACTION BETWEEN PARTIES WITH COMMON SHAREHOLDERS

The parent company owns a limited number of shares in I.M. Skaugen AS (see note 7).

The Company owns variable rate notes in Norwegian Gas Carriers Ltd. (see note 9).

Also see note 3.

AUDITOR'S REPORT

(Translation from Norwegian)

**To the Annual General Meeting of
Skaugen PetroTrans AS:**

We have audited the annual accounts of Skaugen PetroTrans AS for 1994, showing net loss of NOK 18 mill. for the company and net income of NOK 12 mill. for the group. The annual accounts, which consist of the Board of Directors' report, statement of income, balance sheet, statement of cash flows, notes and the corresponding consolidated financial statements, are the responsibility of the Board of Directors and the Managing Director.

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 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.

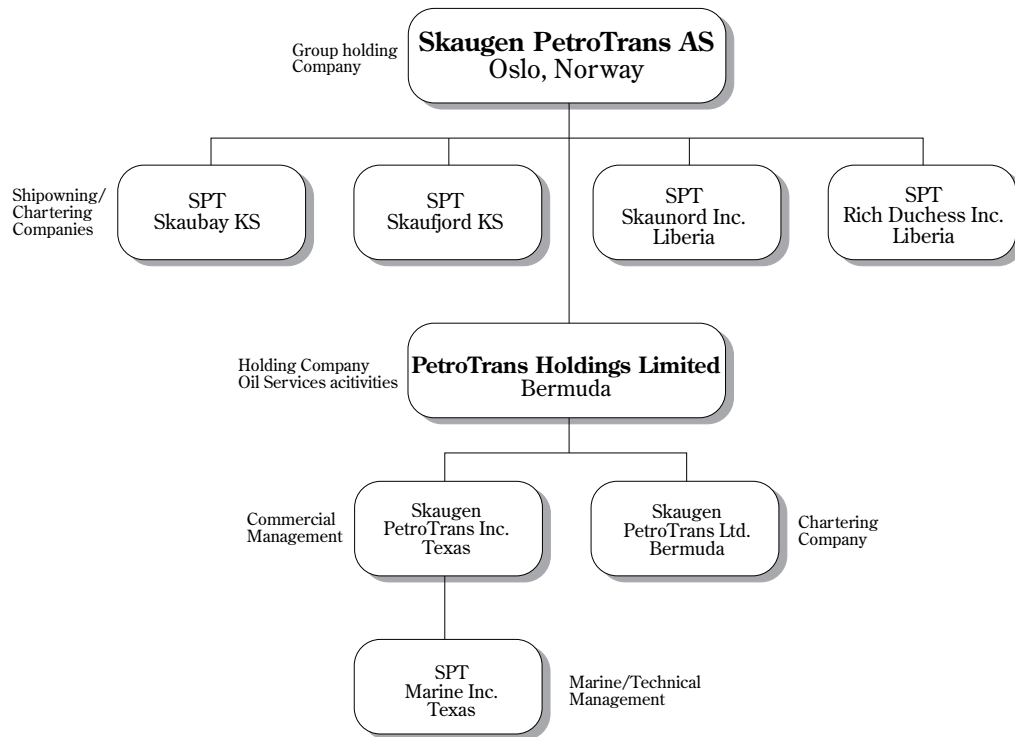
The appropriation of net loss and equity transfers, as proposed by the Board of Directors, complies with the requirements of the Joint Stock Companies Act.

In our opinion, the annual accounts have been prepared in conformity with the Joint Stock Companies Act and present fairly the company's and the group's financial position as of 31. December 1994 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Morten Drake, (Sign.)
State Authorized Public Accountant (Norway)
Oslo, February 20, 1995

THE CORPORATE STRUCTURE



PETROTRANS HOLDINGS LIMITED THE OIL SERVICE ACTIVITIES

PetroTrans Holdings Limited, Bermuda, is a wholly owned operating holding company for the Skaugen PetroTrans Group of companies' oil service activities, and controls the operating entities:

- *Skaugen PetroTrans Ltd* *Chartering Company*
- *Skaugen PetroTrans Inc* *Commercial Management (agent of chartering company)*
- *SPT Marine Inc, Houston* *Marine Management*

The business activity is focused on;

- *Lightering:*
 - *Full service lightering; Ship to ship transfer at sea of crude oil cargo with transport of cargo to port.*
 - *Lightering support service; Ship to ship transfer at sea of crude oil cargo*
- *Crude oil transportation:*
 - *Transportation of crude oil in Aframax tankers for destination of US ports.*

PetroTrans Holdings Limited employs per year end, with inclusion of its subsidiaries, a total of 24 people shoreside in Houston, including mooring master, and technical personnel. The latter are through SPT Marine Inc, Houston responsible for marine management of the Skaugen PetroTrans Group owned- and bareboat chartered tonnage, as well as supervision of other chartered-in tonnage. SPT Marine Inc. employs a total of 108 well qualified seagoing personnel manning the group owned / operated vessels.

THE LIGHTERING CONCEPT

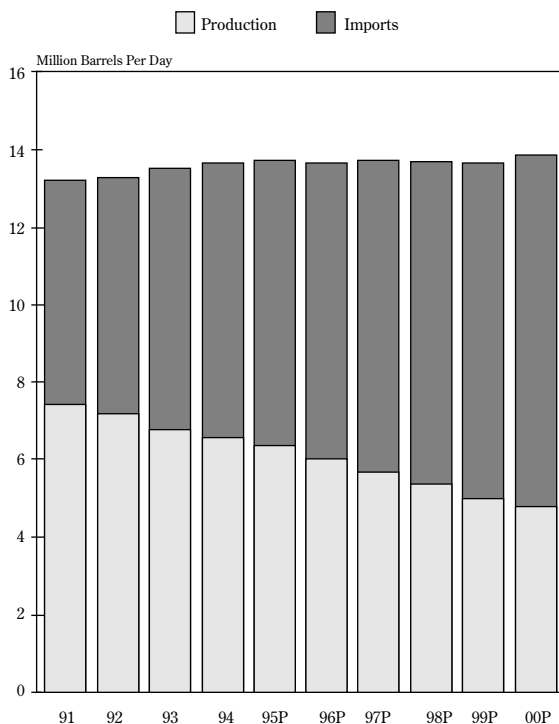
Lightering at sea of crude oil cargo is an integral part of the US logistical system for import of crude oil.

From a continuous drop in US domestic crude oil production and a reasonably constant demand, US import of crude oil exceeds today the US domestic production. US present import of crude oil average a total of 7 million barrels per day, of which about 2.8 million barrels per day are originated from the Middle East and West Africa requiring long haul transportation and lightering. The remainder of the imports are from the Americas and

Northern Europe. The long haul transportation of crude oil is most economically carried by tankers with a cargo volume over 150-300,000 DWT. The geographical location of the oil terminals in the US Gulf generally cannot accommodate such tankers due to draft restrictions. Therefore, it is required that the cargo of the larger tankers are lightered ashore for transport to port in smaller lots by Aframax vessels of 80-100,000 DWT.

The lightering operations take place about 60 miles off the US Gulf coast at designated areas with favorable weather and wave swell conditions. Lightering provides the "swing" capacity for import of crude oil; in excess of the fixed capacity of installations such as Louisiana Offshore Oil Port, "LOOP", and transshipment via storage terminals in the Caribbean.

USA's Production And Imports/ Demand for Crude Oil



Source: US Energy Information Administration, SPT Estimate

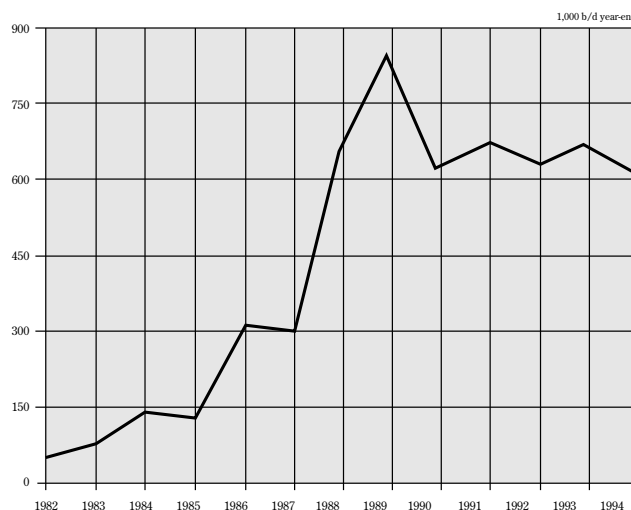
THE LIGHTERING ACTIVITY

The Company operated during 1994 an average of 5 tankers (1993, 7 tankers) equivalent to the core tanker fleet, during most of the year, of which 4 tankers were on time charter via the Skaugen PetroTrans group of companies, and one vessel, MT Rich Duke, built 1986 was time chartered from a third party and redelivered according to contract in November. The Company will in the future charter in this capacity as well as other tonnage in the spot market. Additionally, the Company chartered in 5 modernized lightering support vessels ("LSV") on long term basis, the same as in 1993.

Despite the employment of less tonnage in 1994 than in 1993, the Company carried out 420 lightering operations (1993, 560 operations) which involved transfer of about

205 million barrels of crude oil (1993, 255 million bbls.). About 70 per cent of the Company's revenues for 1994 are generated from lightering operations (1993, 86 per cent).

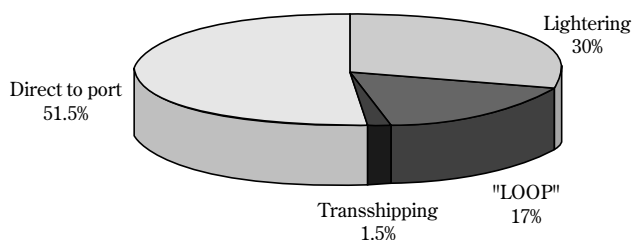
Skaugen PetroTrans Lightering Volumes



While the increase in US import of crude oil was in line with the Company's expectations, a reduction in long haul import of crude oil to the USA during the year of over 6 per cent was more than the Company's forecast.

The US crude oil import volume during the year 1994 was affected by a substantial depletion of the oil stocks in the beginning of the year. With the short haul import being stable, the long haul import of crude oil increased in second half of the year as oil stocks were being replenished.

Total U.S. Gulf Crude Oil Imports



Source: US Energy Information Administration, SPT Estimate

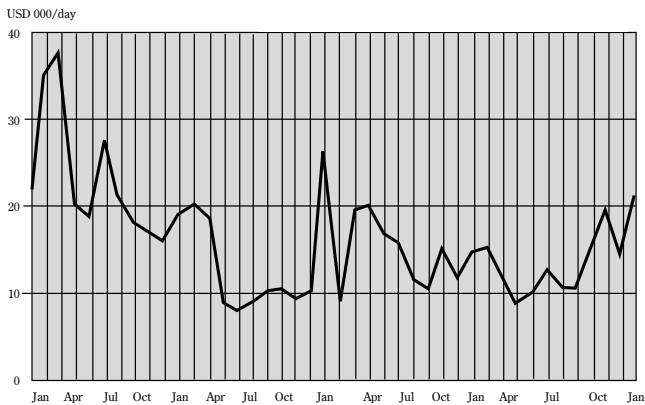
The increase in direct to port import volume of crude oil in 1993/4 appears to be a result of increase in the import of "sweet" crude oil from the Americas and Northern Europe, that has now reached a stable level.

The arrival of an additional competitor, and the low general freight rates in the Caribbean - US Gulf trading area for Aframax tankers through 1994, have together led to a downward pressure on the operating margins in lightering.

CRUDE OIL TRANSPORTATION CARIBBEAN / U.S GULF

It is only to the extent the lightering schedule allows, or other special reasons that the Company engages in Caribbean - US Gulf transportation of crude oil with its Aframax tankers. The general freight rates during the year for this trade was USD 14,012/day (1993, USD 15,017/day) on time charter basis (source: Clarkson).

Caribbean U.S. Gulf Freight Market - T/C Basis



Source: Clarkson

The average level of the freight market in the area is not expected to show any substantial improvement in 1995. While the year 1994 absorbed a 1.7 per cent fleet increase net of scrapping there is still about 8 per cent of the Aframax fleet, equal to 3.9 million DWT on order. With the world Aframax fleet's reasonably young age profile as well as lack of incentive to increase scrapping of older tonnage, the absorption of this additional tonnage is expected to restrain any significant rate increases. (Source: Clarkson).

PROSPECTS FOR LIGHTERING

While there are fluctuations in the US sources of import of crude oil between short haul and long haul import, with the long haul import being the "swing" supplier, the US trend of increased import relative to US domestic production is expected to continue. This is a result of low oil price and US federal policies that prevent development of new sources for US domestic production, according to the American Petroleum Institute.

The projections are for the US crude oil consumption to show a slight increase and that there be a continued decline in the US domestic crude oil production. There are also indications that the import volume of short haul crude oil, having reached a constant level by the end of 1994 will not increase in 1995 to the same extent as in 1994 and 1993. Short haul import has increased by about 25 per cent since 1992 to over 3.7 million barrels per day of the total import volume of about 7.0 million barrels per day. The US import volume of crude oil increased a total of about 14 per cent over the same period.

Following an increase in domestic crude oil consumption in the crude oil exporting countries in the Americas, and the lack of new production fields coming on stream it is expected that the available volume for export of crude oil from this area could decline. The future increase in US crude oil import is expected to be dominated by long haul imported crude oil supplies which requires lightering.

The US crude oil import is projected to increase from the 1994 level of about 7 million barrels per day up to over 8 million barrels per day in year 2000. Over the same period the long haul import volume of crude oil is expected to increase from 2.8 million barrels per day to over 4.0 million barrels per day. (Source: US Energy Information Administration, SPT estimate)

Subject to the projection of the US crude oil import the Company consider the business prospects positive with a continued and increasing need for lightering services.

The lightering activity is closely linked to the voyage market in the Caribbean - US Gulf area for Aframax tankers. The projections for this market are for the low general freight rates to last for some time as a result of continued excess supply of tanker tonnage. This is expected to have a negative influence on the operating margins in lightering.

The Company is considered well prepared to meet this situation with its efficient operations and low cost level a result of continuous improvement in operations and reduction in costs. At the same time it is well positioned to benefit from any rate increases.

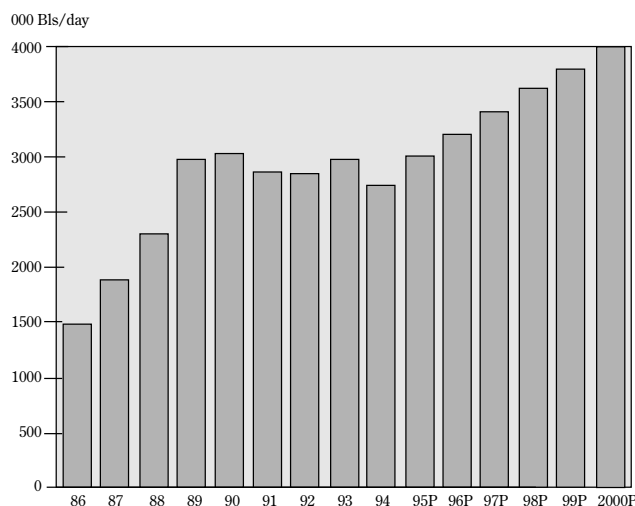
Importing crude oil by way of lightering is estimated to be the lowest direct cost to the importer relative to use of "Transshipment" and "LOOP". Lightering, providing the swing import capacity save the importer from investment in fixed installation with capacity constraints.

The environmental threats of liability have caused the tanker vessel operators to meet an ever increasing demand for compliance with increasing numbers of regulatory requirements. Most major oil companies have turned to independent lightering operators. As an independent lightering operator, the Company is a fully integrated company and competing with a New York based shipowner and operator with in-chartered tonnage, as well as a large Oriental shipowning company with US Gulf lightering agent.

There are frequently announced new projects for increasing US imports capacity through offshore ports with or without storage capacity, as well as dredging projects of existing ports. It is the opinion of the Company's Directors that such projects will not, if ever, materialize for several years to come considering the

prohibitive costs involved and the numerous environmental issues that have to be satisfied.

US Crude Oil Import from the Middle East and West Africa



Source: US Energy Information Administration, SPT Estimate

with being a tanker vessel operator, and in particular a lightering operator in the US Gulf. The enactment of the US oil Pollution Act of 1990 ("OPA-90") has reinforced this approach. The Company is an integrated operator adheres to strict implemented inspection routines to ensure only first rate tonnage and seamanship are used in the lightering services.

Quality of the operations are under constant scrutiny and upgrading, and together with stringent control of chartered in tonnage provide for safety of operation.

The lightering support vessels are vessels rebuilt for lightering purposes and some provide fire fighting capabilities, in addition to having loading capacity to carry oil spill containment and dispersion equipment.

The US Oil Pollution Act sets forth requirements for financial guarantees to substantiate "COFR" Certificate of Financial Responsibility and contingency plans with respect to clean up and removal of substances, as well as vessels' provision for certain specific equipment on board. All the vessels in the service of PetroTrans Holdings Limited are in compliance with such requirements. The Company set standards of its fleet exceed "OPA-90" requirements and those of classification societies and international authorities.

SAFETY

U.S OIL POLLUTION ACT OF 1990

The Company has adopted a proactive approach to handling of safety and environmental issues associated

THE FLEET AS OF FEBRUARY 1, 1995

	Ship	Dtw.	Bls (98%)	Built/	Period
Aframax Tankers	MT Rich Duchess	79,998	624,523	1986	T/C to 10/1998 (Financial lease)
	MT Skaubay	84,631	638,505	1983	100% owned
	MT Skaufjord	83,480	638,065	1983	100% owned
	MT Skaunord	84,999	615,000	1992	B/B to 6/1997 (Purchase option)

	Ship	BHP	Built/rebuilt	Period
Lightering Support Vessels	MT Gulf Defender	2,250	1976/91	T/C to 12/1997
	MT Gulf Guardian	2,250	1980	T/C to 12/1997
	MT Gulf Protector	2,250	1977/91	T/C to 12/1997
	MT Gulf Relentless	2,250	1972/89	T/C to 12/1997
	MT Gulf Responder	2,250	1972/90	T/C to 12/1997

THE SKAUGEN PETROTRANS AS SHARE

		1994
Proposed dividend	NOK	0.71
Share par value	NOK	0.18
Share price December 31,	NOK	2.65
High / low share price 1994	NOK	4.05 / 2.60
Stock Market Capitalization at December 31,	NOK	292,738,040
Share capital	NOK	19,884,093.30
Total shares at December 31,		110,467,185
Average number of shares		110,467,185
Number of shareholders		13,628
Foreign ownership allowed / actual in %		100% / 5.43%
Number of shares traded on Oslo Stock Exchange		89,205,407

Each share carries entitlement to one vote at the Company's General Meeting and their transferability may be restricted under Norwegian concession or maritime law only.

DIVISION OF SHARES DECEMBER 31, 1994

Owners	Shareholders	%	Shares	%
1 - 1,000 shares	11,478	84.22	1,664,408	1.50
1,001 - 10,000 shares	1,568	11.51	5,596,577	5.07
10,001 - 100,000 shares	505	3.71	16,417,191	14.86
100,001 and more shares	77	0.56	86,789,009	78.57
Total	13,628	100	110,467,185	100

THE 10 LARGEST SHAREHOLDERS IN SKAUGEN PETROTRANS AS DECEMBER 31, 1994

Shareholder	Number of shares	% of all shares
Eikland AS	50,915,111	46.09
Aksjefondet Odin	5,659,000	5.12
Vital Forsikring AS	3,629,700	3.29
G-Invest / Gjensidige	1,700,000	1.54
Loki AS	1,521,000	1.38
Steen Erik Otter	1,500,000	1.35
Meieribrukets Pensjonsf.	1,340,000	1.21
Alfa Livsforsikring	1,000,000	0.91
Industriforsikring	820,000	0.74
Alfred Berg Fondsforvaltning	750,000	0.68
Others	41,632,374	37.69
Total	110,467,185	100

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Telefax: (713) 266-5454

Telex: 3765303 spt mar

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