



SKAUGEN PETROTRANS

ANNUAL REPORT
1995

KEY FIGURES

		31.12.1995	31.12.1994	31.12.1993
USD/NOK exchange rate on average	NOK	6.35	7.09	7.10
USD/NOK exchange rate as of December 31	NOK	6.33	6.76	7.52
STATEMENT OF INCOME				
Gross Freight Revenue	NOK million	340	385	501
Voyage Related Costs	NOK million	106	104	110
Net revenue on T/C-basis	NOK million	234	281	391
Operating result before depreciation/write down/sale of vessels	NOK million	10	47	10
Result before taxes	NOK million	7	13	90
Result for the year	NOK million	29	12	69
BALANCE SHEET				
Liquid Assets	NOK million	132	183	289
Current Assets	NOK million	159	216	337
Vessels and other Fixed Assets	NOK million	217	339	354
Total Assets	NOK million	376	555	691
Mortgage Debt	NOK million	44	116	151
Deferred tax	NOK million	0	22	21
Book Equity	NOK million	184	198	267
CAPITAL AND SHARE PARTICULARS				
Share Capital	NOK million	20	20	20
Number of Shareholders		13,312	13,628	13,897
Equity per Share	NOK	1.67	1.79	2.42
Share Price as of December 31,	NOK	1.80	2.65	3.55
Dividend per Share - proposed	NOK	0.36	0.36	0.36
- Extraordinary dividend	NOK	-	0.30	-
FINANCIAL RATIOS				
Earnings per Share	NOK	0.06	0.12	0.82
Cash flow per Share	NOK	(0.13)	0.13	0.51
Price/Cash flow Ratio (P/C) as of December 31,		(14.17)	20.38	6.96
Return on Equity	Per cent	3.66	5.60	36.59
Return on Total Assets	Per cent	4.51	3.85	17.49
Current ratio		1.18	1.47	2.48
EMPLOYEES				
Total number of employees		88	135	209
Shoreside		17	27	38
Aboard the vessels		71	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 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 ASA will take place on
Thursday, March 21, 1996, at 1500 hrs
at Vika Atrium, "Vika", Entrance B, Munkedamsveien 45, Oslo

EXECUTIVE SUMMARY

OPERATING RESULT AFFECTED BY DRYDOCKINGS

Skaugen PetroTrans is a US Oil Services Company engaged in the business of ship to ship transfer operations (lightering) and transportation of crude oil in the US Gulf. While Skaugen PetroTrans ASA is a holding company based in Oslo, all lightering activities are managed from Houston, Texas, USA.

The 1995 consolidated pre-tax result after sale of one vessel was a profit of NOK 7 million (NOK 13 million, 1994). There was no sale of vessels in 1994.

The Company's cash flow from operation before sale of vessels over the period and net of unrealized foreign exchange gain of NOK 4 million was negative NOK 14 million. For the same period 1994 the cash flow from operation was positive NOK 14 million net of unrealized foreign exchange gain of NOK 16 million.

Drydocking expenses for the Company's three Aframax tankers amounted to a total of NOK 20 million. The dry-docking period, including positioning and repositioning time, amounted to 102 days offhire and an additional loss of earnings of about NOK 10 million. There were no drydockings during 1994, and no drydockings are planned for 1996.

The net result compares favourably to 1994 and 1993 when adjusted for the fully expensed drydocking costs and related total offhire time, and shows the effect of the Company's restructuring measures. Although the Company is encouraged by the demonstrated productivity and efficiency gains, it considers the overall result unsatisfactory. This is due to the low yielding general freight market for Aframax tankers in the Caribbean that affects the rates obtainable in the competitive environment of the Company's lightering business.

In view of the Company's liquidity and sound financial status, and in line with the policy of paying dividend, the Board proposes distribution of an ordinary dividend of NOK 0.36/share. The ordinary dividend for 1994 was also NOK 0.36/share.

The Company shows consolidated preliminary gross revenue of NOK 340 million for 1995 (NOK 385 million, 1994). The operating profit before ordinary depreciation, administration, drydocking costs and net gain from sale of vessels was NOK 51 million (NOK 80 million, 1994). Consolidated ordinary depreciation was NOK 41 million (NOK 40 million in 1994) and administration costs were NOK 21 million (NOK 33 million, 1994). Sale of MT Skaufjord in December 1995 resulted in a net gain of NOK 46 million after an extraordinary writedown of MT

Skaubay by NOK 4 million to reflect a book value corresponding to the salesprice obtained in 1996.

Over the years the Company has completed more than 5.500 operations, never cancelled a lightering job, and lost less than 900 barrels of oil to the environment. This is equivalent to 0.00004 per cent of the total volume of oil handled by the Company. Since 1992 the Company has achieved productivity gains exemplified as follows:

- *administration costs are reduced by more than 50 per cent, and number of lighterings per onshore employee are more than doubled*
- *turnaround time per lightering operation for key customers is reduced by 12 per cent, and costs per operation reduced by almost 40 per cent*
- *break-even point is reduced by almost 30 per cent measured in number of lighterings*
- *tankerutilization is doubled measured in volume of cargo per tanker per year*

By carrying out these improvements the Company has demonstrated its ability to achieve the lowest cost structure, and at the same time provide the highest degree of service to its customers in order to remain the leading supplier of lightering services in the very competitive environment in the US Gulf.

The Company's cost structure and well maintained fleet of core tankers should allow the Company to benefit from the efficiency measures implemented over the last years, with any improvement of rates in the general freight market for Aframax tankers in the Caribbean that may develop.

However well maintained and suitable for the lightering trade, the Company sold MT Skaufjord during the year in line with the strategy to renew the tonnage to effectively meet the competition in the US Gulf lightering market with more modern ships built in the late 1980's or early 1990's. In February 1996 the Company for the same reason sold MT Skaubay. Presently these vessels are considered replaced by chartered-in tonnage.

The Company's contract business is stable and represents about 70 percent of its total number of lightering operations. The low spot lightering rates and the Company's focus on profitability continue, however, to limit the number of lighterings carried out by the Company in the spot lightering market.

The US crude oil import continues to increase and is now consistently exceeding 52 percent of the country's consumption. The outlook on the future crude oil import pattern to the US varies depending on the forecasts of the dominating export areas and their export capacities. In the long term the oil resources of the Middle East are expected to outlast all other areas.

REPORT BY THE BOARD OF DIRECTORS

US CRUDE OIL IMPORT

The import of crude oil destined for USA in 1995 was, at an average, about 7.2 million barrels per day. This is an increase of about 3 per cent from 1994 and in line with the oil industry's expectations. While the domestic US production has decreased by about 10 per cent in total over the last five years the demand has increased by about 5 per cent, resulting in a total increase in US crude oil import of 24.5 per cent or 1.4 million barrels per day over the same period.

US' import of crude oil from the North Sea and Latin America (short haul import) continues at a high volume, and at the expense of crude oil import from the Middle East and West Africa (long haul import). Steady oil prices, low political risk and the available volume of short haul crude oil import has reduced the US' need for substantial crude oil inventories.

The long haul crude oil export volume to the US has since 1992 declined by just over 4 per cent. The decline from 1994 to 1995 was about 7 per cent. This is more than the Company's forecast, and also more than the general industry expectations as evidenced by the shipping industry's eagerness in contracting of tonnage, creating the present oversupply of vessels, which in turn has caused the general low freight market for tankers. The Middle East has restrained its production volume in an attempt to protect the oil price, and appear to have focused their export volume on the fast growing and less price sensitive markets of the Far East.

US' crude oil import has over the last couple of years sustainably exceeded 52 per cent of the total demand and is expected to continue to increase in the years to come, while the consumption is expected to be stable.

THE LIGHTERING BUSINESS

The majority of US crude oil import, regardless of whether it is short- or long haul import, takes place in the US Gulf Area where most of the country's refineries are located. It is estimated that the US Gulf area is the geographical import area for 65 per cent of US' total crude oil import. While the short haul import of crude oil is transported onboard tankers discharging cargo directly at US oil terminals, the long haul import is transported onboard tankers which, due to their larger size, are unable to discharge directly. As a result, the cargo of the vessels transporting the long haul import of crude oil is either discharged at deep sea terminals in the Caribbean for storage and transshipment to USA, or discharged at

the one and only available purpose built offshore oil port (LOOP - Louisiana Offshore Oil Port).

Alternatively, the vessels are discharged via ship to ship transfer of cargo at sea (lightering) to tankers suitable to transport the cargo to the final oil terminals and refineries. At about one third of the cost of using LOOP, the lightering operations allow the importers of crude oil the swing capacity required at the most competitive cost per barrel imported. The lightering activity handles three times the volume of LOOP and is dominated by independent operators handling more than the double of the volume of the oil companies. Through the Company's operating entity, PetroTrans Holdings Limited, the Skaugen PetroTrans Group is estimated to have a market share of 41 per cent of this activity by providing

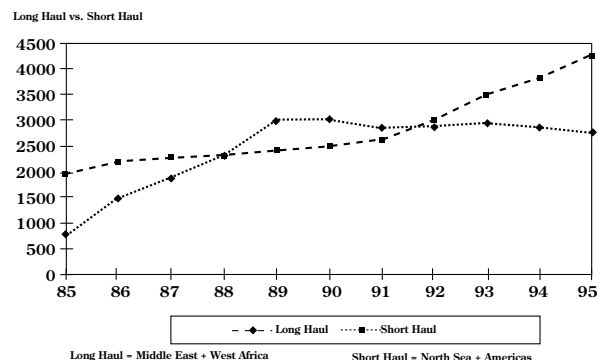
- *full service lightering, and*
- *lightering support service.*

Full service lightering includes ship to ship transfer of crude oil cargo including transportation of the lightered crude oil cargo to US ports onboard Aframax tankers of 80-100.000 dwt.

Lightering support service entails the organization of the actual ship to ship transfer operation at sea, including mooring masters to guide the operations, provision of support vessels, fenders, hoses and other equipment.

The total lightering activity is dependent on the volume of long haul crude oil import, and the Company's activity in the Caribbean voyage market is limited to the excess capacity arising from scheduling of lightering operations. The industrial aspect of the lightering business allows for higher and more stable earnings than the general Aframax tanker market in the Caribbean - US Gulf trade.

US Crude Supply



Source: EIA, SPT estimate

SHIPOWNING

Separate from the activities of PetroTrans Holdings Limited are the shipowning activities of the Group represented by investments in tankers through single purpose companies. One wholly owned tanker, MT Skaufjord was sold in December. The investment at year end therefore consists of one wholly owned tanker MT Skaubay. Additionally MT Rich Duchess, built 1986, is on timecharter until 10/1998 with a purchase obligation as part of a financial lease, and MT Skaunord built in 1992 is on bareboat charter until 7/1997. The financial responsibility of MT Skaunord remains with the Danish owners, while the marine operating responsibility of MT Rich Duchess remains with the Japanese headowner.

All the vessels are on timecharter to PetroTrans Holdings Limited for use in this company's core fleet of tankers for its full service lightering - and general oil transport activities.

The charter agreements between the Group entities are all based on commercial "arms length" charter rates established by a broker panel for the agreed periods.

The vessels, for which the Company has marine management responsibility were drydocked during the year according to the vessels' normal plan for periodical docking and maintenance. The three vessels experienced a total of 102 days offhire in connection with their docking (incl. positioning and repositioning) with estimated loss of earnings of USD 1.6 million. In addition the direct docking expenses amounted to USD 3.2 million.

Funds are invested continuously in maintenance and upgrading of the vessels for the purpose of safety of personnel in handling operations safe and efficiently to prevent accidents that can pollute the external environment. There is good continuity of officers and crew both from Norway and the Philippines. The Board of Directors consider the working environment to be good.

Combined operating profit in 1995 for the shipowning /chartering companies before depreciation, financial costs and gain from sale, but after docking expenses of USD 3.2 million was total USD 2.0 million (1994, USD 5.9 million). The combined net result before sale of vessel was a loss of USD 5.1 million (1994, loss USD 1.6 million). The sale of one vessel resulted in a profit of USD 5.6 million and a cash flow of USD 9.2 after payment of outstanding debt. There was no sale of vessels in 1994.

In line with the strategy to renew the tonnage to effectively meet the competition in the US Gulf lightering market with more modern tonnage, the Company in addition to the sale of MT Skaufjord in December 1995, sold the wholly owned vessel MT Skaubay in February 1996. The sale of MT Skaubay will result in a cash flow of USD 9.3 million after repayment of outstanding debt.

FINANCIAL ASSET MANAGEMENT

Overall, the Company's financial assets are conservatively invested in US dollars. In addition to publicly traded bonds, the Company invested in 1994 in a 7 years unsecured variable rate note issued by Norwegian Gas Carriers Ltd., Bermuda. The issuer is an entity of I.M. Skaugen ASA (IMS) Oslo, Norway, and a major transporter of petrochemical gasses. By an agreement in February 1995, having achieved an annualized yield of 40 per cent p.a., the notes were exchanged for 6,160,000 shares in I.M. Skaugen ASA at a price of NOK 5.05 per share. As an extraordinary dividend for 1994 Skaugen PetroTrans ASA distributed a total of 4,263,883 of its shares in I.M. Skaugen ASA at NOK 4.75/share to the shareholders of Skaugen PetroTrans ASA. The remaining 2,894,617 shares are held by the Company as short term assets at a book value of NOK 3.60/share. This has required an accumulated write down of the shares by NOK 4 million by year end 1995.

RESULTS / FINANCE

The consolidated revenue for 1995 of the Skaugen PetroTrans Group of companies was NOK 340 million compared to NOK 385 million for 1994.

The year end result before tax was NOK 7 million or NOK 0.06 per share including a net gain from sale of one vessel of NOK 46 million after an extraordinary writedown of MT Skaubay by NOK 4 million. For 1994 the result was NOK 13 million or NOK 0.12 per share. No vessels were sold in 1994.

The result from vessel operation was a profit of NOK 51 million (USD 7.9 million) before drydocking expenses of NOK 20 million, ordinary depreciation of NOK 40 million and administration costs of NOK 21 million. For 1994 the result was a profit of NOK 80 million (USD 11.2 million) before ordinary depreciation of NOK 40 million and administration costs of NOK 33 million. No vessels were drydocked in 1994.

The Group's consolidated liquidity is satisfactory. The bank financing of vessels owned and secured with mortgage, was reduced in 1995 by NOK 63.9 million (USD 10.1 million) to NOK 44.2 million, and will be repaid in full in 1996 by the sale of MT Skaubay.

The net result for the Company's lightering operations for 1995 before non-recurring items was a loss of USD 1.7 million. The result for 1994 was a profit of USD 1.2 million.

The Company's cashflow from operations for 1995 before dividend and sale of one vessel was negative NOK 14 million net of unrealized foreign exchange gain of NOK 4 million. For 1994 the equivalent cashflow for operation was positive NOK 14 million, net of unrealized foreign exchange gain of NOK 16 million.

After the proposed dividend distribution for 1995 of NOK 40 million and changes in deferred tax of NOK 22 million, the shareholders equity has decreased by NOK 14 million from year end 1994 to NOK 184 million at year end 1995. This is equivalent to 48.9 per cent of the Company's total assets (1994, 35.7 per cent). Including considerations of "off balance sheet" commitments the Group's degree of leverage is considered satisfactory. By including estimated market values of the Company's owned vessels, the net asset value (NAV) amounts to 55 per cent of total assets at 12.31.1995.

Concerning the dispute from August 1992 relating to the Company's chartering of MT Crosby, substantially described in the Annual Report for 1992, the arbitrators in November 1995 ruled in favour of the Company. The charter obligation of the Company was limited to three months and the right to redeliver the vessel after that period was confirmed. A deposit of USD 2.6 million was placed as security for Owners claims to prevent Owners from taking security in the freight due from the Company's customers, and to protect the customers from the dispute. The Company made a provision for the legal expenses, but did not make any provision for the claim, which merit was considered with reasonable doubt. With the exemption of a smaller reversal of the provision for legal expenses, the arbitration award will not have any effect for the Company.

THE TANKERMARKET

For the fourth consecutive year the general freight market for Aframax tankers was dominated by low average earnings, albeit with seasonal fluctuations and a modest improvement from 1994. The countries importing crude oil appear generally, to an increasing extent, to import crude oil from the nearest geographically located producing country, thus reducing the need for transportation and the overall volume of seaborne trade.

Clarkson, the shipbrokers, estimates that any sustainable change in the tanker freight market is pending on a change in Charterers' attitude to the aging fleet of low grade vessels. This seems, however, not to be forthcoming. Furthermore, on the demand side it is expected that the oil transportation only marginally will exceed the tanker supply, limiting any substantial improvement in the tanker market to short - and infrequent periods.

The Aframax tanker fleet has since 1991 experienced a net increase of tonnage after scrapping. During 1995, however, 20 newbuildings were absorbed leading to only a slight decrease in total fleet net of scrapping. The total order book is presently about 5.3 per cent of the fleet, or 28 vessels. An increasing presence of larger vessels on traditional trades for Aframax tankers is causing a downward pressure on the earnings that exceed the pressure created by the already existing oversupply of

Aframax vessels. The earnings for the Aframax tankers, which averaged USD 15,000/day on time charterbasis in 1995, averaged USD 14,000/day during 1994 and USD 12,000/day for the period 1992-1995.

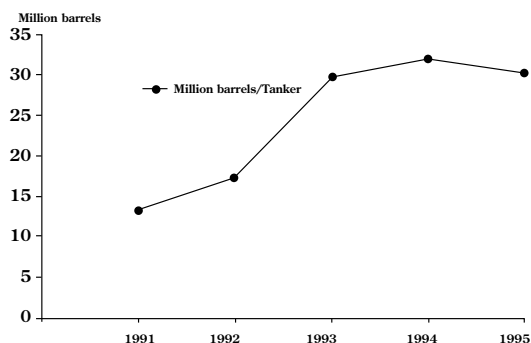
The building boom of tankers in the 1970's was expected to lead to a substantial need for replacement of tonnage in the 1990's. In a moderate to good freight market R.S. Platou Shipbrokers consider it economical to upgrade older vessels when compared to the required minimum rates for newbuildings. Substantial upgrading of older vessels are economically justified and carry limited risk relative to contracting for newbuildings. While many tankers are already scrapped, R.S. Platou expect the remaining tonnage to have a longer life than projected, albeit after extensive upgrading, and be gradually scrapped over a life period of 20-30 years. This is the general profile of tonnage other than tankers. With ample yard capacity and available financing, it is considered unlikely that the tanker market will experience high new-building activity or any substantial increase in new-building costs.

The value of second hand tankers have not seen much change over the last few years, and is considered to be closely linked to the replacement costs. The age profile of the Aframax fleet has deteriorated during 1995, but is still quite modern with the number of vessels aged 0-4 years having dropped from 143 to 130 and the number of vessels over 20 years of age risen from 68 to 84. The possibility that MT Skaufjord and MT Skaubay in the longer run may be perceived by the market place to be too old for continuous lightering made the Board of Directors decide to sell the vessels in line with the Company's strategy to renew the tonnage.

COMPANY REVIEW

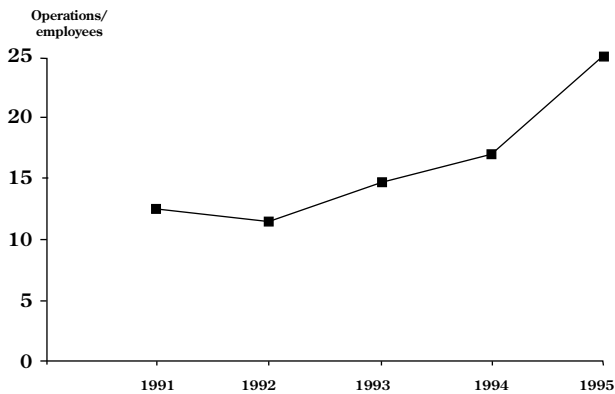
Since establishment of Skaugen PetroTrans ASA in 1991 by a demerger of I.M. Skaugen ASA continuous efforts have been made to establish the ship to ship transfer business as a viable enterprise with efforts to control costs as well as improve efficiency, reliability and the safety of operations.

Tanker Utilization (bls)



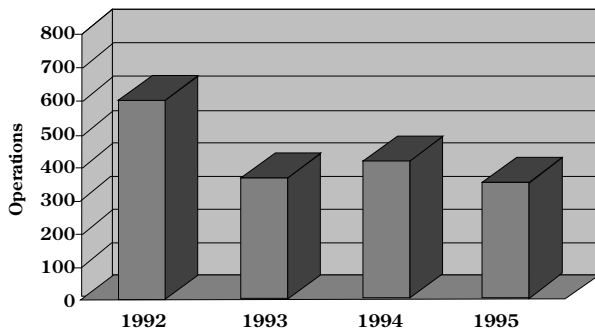
By focusing on lightering the number of vessels employed are reduced resulting in increased fleet utilization for both tankers and lightering support vessels. Each tanker carries today the double of the 1992 volume of cargo. Streamlining of routines and change in corporate culture have increased reliability and safety of operations with reduced number of shorebased personnel. The efforts to improve the operating efficiency has successfully continued through 1995.

Operations/Shorebased employees



The average turnaround time per lightering operation for key customers is reduced by 12 per cent since 1992. At the same time the cost per lightering operation is reduced by almost 40 per cent over the same period. The number of operations per shorebased personnel, including mooring masters have further increased by 40 per cent since 1994 and is now 25 operation per employee, up from 12 operations / employee in 1992. Measured by the break-even number of lightering operations on time charter basis to cover fixed cost, including insurance costs for sailing on USA, the break-even number has since 1992 decreased from 600 to 350 lightering operations per annum, excluding depreciation and time charter costs. This is an improvement of over 40 per cent. The efficiency gain has been transferred in its entirety to the benefit of the customers for competitive reasons.

Break-Even # Operations to cover Fixed Costs

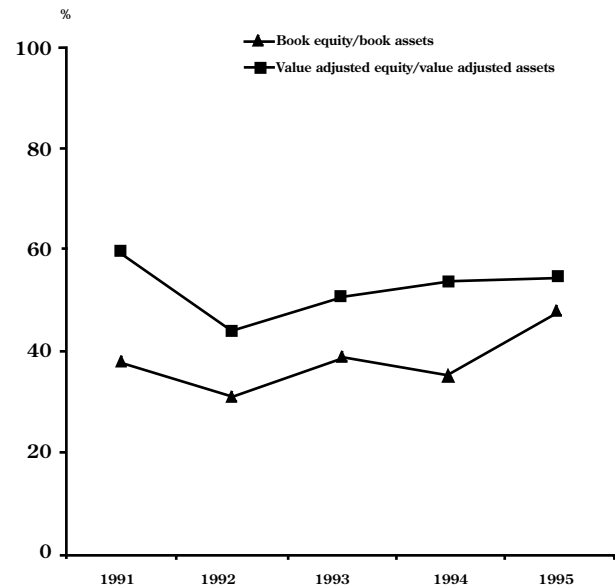


At the same time the Company has since 1992 experienced a fall in full service lightering revenue per operation, as well as per million barrel handled, by over 15 per cent (since 1991 over 30 per cent). The voyage related

costs have increased as a result of increased bunkers prices and the introduction of the need for new financial substantiation of Certificate of Financial Responsibility (COFR) for sailing on USA. The insurance costs have more than doubled since 1991 despite of improved statistics.

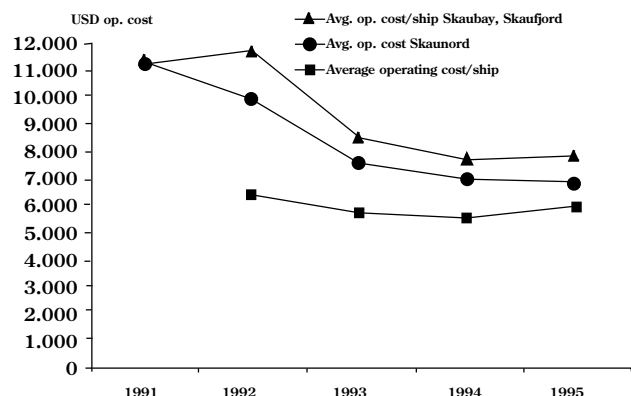
Taking into account the drastic fall in the Company's vessels market value of 45 per cent since 1991, as assessed by independent shipbrokers, the general low freight market and the payment of total NOK 192 million in dividends over the last 5 years, Skaugen PetroTrans has maintained the shareholders equity relative to total assets from the establishment in 1991 through 1995.

Shareholders Equity



By 1995 the average operating costs of the tankers for which the Company have marine operating responsibility, have been reduced by over one third with virtual elimination of unscheduled offhire, which was 88 days in 1991. Including a collision between MT Skaubay and MT Berge Banker in 1995, the average annual offhire to the customers during 1995 was only 1.9 days per ship year.

Vessel's Operating Cost/Day (excl. docking)



SAFETY AND ENVIRONMENT

The enactment of the US Oil Pollution Act of 1990 ("OPA-90") has reinforced the Company's proactive approach to handling of safety and environmental issues associated with being a lightering operator in the US Gulf.

The quality of the Company's operations are under constant scrutiny and together with stringent control of chartered-in tonnage it provides for safety of operations. During the year the Company experienced only one personal injury among all the vessels operated including lightering support vessels.

Over the years the Company has completed more than 5,500 lightering operations and lost less than 900 barrels of oil to the environment. This is equivalent to 0.00004 per cent of the total volume handled by the Company and includes a spill of 850 barrels from an underwater damage when MT Skaubay collided upon approach for a lightering operation with the vessel to be lightered, MT Berge Banker. There were no human injuries caused by the accident. While the responsibilities for the collision is still to be finalized the Company's vessel insurances will cover any environmentally related liabilities and hull damages net of minor deductibles.

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

Additionally, all the vessels in the service of Petrotrans Holdings Limited are in compliance with the financial responsibility guarantees and provision of certain equipment and contingency plans with respect to clean up and removal of any substance.

SKAUGEN PETROTRANS ASA THE PARENT COMPANY

Skaugen PetroTrans ASA achieved a profit after tax in 1995 of NOK 5 million, against a loss of NOK 18 million in 1994.

In line with the Company's previously stated strategy of distributing dividend, and the Company's good liquidity and sound financial status, the Board of Directors propose the following allocations and equity transfers.

(NOK million)	
Dividend	(40)
Reduction of statutory reserves	11
Reduction of reversal fund	15
Reduction of free reserves	9
Total	<u>(5)</u>

At the year end 1995 Skaugen PetroTrans ASA employs

the equivalent of two people while the Group employed 88 in total (1994, 135 employees).

The Annual General Meeting on March 21, 1995 approved an extraordinary dividend distribution based on a share price of the Company's shares in I.M. Skaugen ASA of NOK 4.75 per share equal to NOK 0.30 in cash per share of Skaugen PetroTrans ASA. The extraordinary dividend was to be paid in form of shares in I.M. Skaugen ASA or in cash. There were 2,276 shareholders who selected to receive the extraordinary dividend by way of shares in I.M. Skaugen ASA, with the result of the Company distributing 4,263,883 of its shares in I.M. Skaugen ASA.

The dividend provision for the 1994 year end result included an extraordinary dividend allocation equal to 7,158,500 shares of I.M. Skaugen ASA at NOK 0.35 per share. As a result of the General Assembly deciding on a distribution of the extraordinary dividend split between cash payment and allocation of shares, certain changes apply to the accounts as presented in the annual report for 1994. The changes reflect a shareprice of NOK 4.75 per share of I.M. Skaugen ASA at the date of the Skaugen PetroTrans ASA 1995 Annual General Meeting reducing the extraordinary dividend down from NOK 0.35 per share to NOK 0.30 per share of Skaugen PetroTrans ASA.

SHAREHOLDERS

Skaugen PetroTrans ASA' sharecapital 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 57,857,880 shares were traded in (1994, 89,205,407 shares) which equals 52.4 per cent 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 transfers 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 1995 the Company had 13,312 shareholders. A total of 11,156 shareholders representing 83.8 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. The Company expressed a desire at the Annual General Meeting in 1995 to address the issue positively for the shareholders within the Company's legal and financial constraints. Unfortunately, the government has yet to finalize the proposed changes in the laws, and the Company has thus been unable during the year to find a satisfactory solution, beyond recommending, when requested, that shareholders donate their shareholdings to institutions such as the Norwegian Cancer Society.

For information regarding the parent company, Board of Directors remuneration, Auditor's fee and salary to Managing Director, see Note 3 to 1995 Annual Accounts.

GROUP STRATEGY

By focusing the business, improving efficiency and reducing costs the Company has managed to stem the effect of the decline in revenue from reduction in rates over the last few years. The Board is convinced that the turnaround efforts carried out have been necessary to uphold the Company's business concept of lightering. By carrying out these improvements the Company has demonstrated the ability to achieve the lowest cost structure and at the same time provide a high degree of service to its customers to remain the leading supplier of lightering services in the US Gulf. The Board of Directors believe the Group's lightering company can achieve reasonable returns in the future as an Oil Services Company. With an industrial approach to the business, close customer contact, and a substantial and stable contract business volume of over 70 per cent, the Company is well prepared to benefit from any increase in activity and/or rates.

With the sale of MT Skaufjord in December 1995 and MT Skaubay sold in February 1996 it does not make it economical for the Company to have own personnel in Houston conducting the marine management operations. Consequently, the marine management operations for the Company are being subcontracted to a marine management firm, V-Ship Norway AS, under Skaugen PetroTrans control and supervision.

As part of the process of renewing the fleet the Company is presently replacing MT Skaufjord and MT Skaubay with time chartered in vessels built in the late 1980's or early 1990's on a period basis. Under the existing market conditions of high prices for modern tonnage compared to the general freight market the Company will not purchase own vessels.

It is the opinion of the Board of Directors that acquisition of vessels require the right relationship between vessel price and earning capacity. The second hand values for modern vessels do not today yield satisfactory returns as the vessel values have discounted a future rise in the market that may not be realized.

In attempt to achieve acceptable financial returns relative to the degree of financial- and operating leverage in its area of business the Board does not envision at present to commit substantial funds to investment in vessel over and above what is required to provide PetroTrans Holdings Limited the necessary resources to perform its business and meet the demand of the customers. The future fleet composition will therefore be based on a combination of charters, financial leases and ownership of vessels.

Oslo, February 29, 1996

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	1995			1995	1994	1993
			OPERATING INCOME				
68	60	49	Gross freight revenue	8	340	385	501
2	1	2	Voyage related costs		106	104	110
			NET REVENUE ON				
66	59	47	TIME CHARTER BASIS	2	234	281	391
			OPERATING COSTS				
48	37	46	Operating cost on time-charter basis		105	110	113
10	0	0	Time-charter hire		107	101	184
0	0	0	Provision for future loss on charters	12	(9)	(10)	38
8	22	1	RESULT FROM VESSELS' OPERATION		31	80	56
12	4	5	Administrative costs	3	21	33	46
22	21	21	Ordinary depreciation and write-down	4	45	40	49
0	15	21	Write-down of shares in subsidiaries		0	0	0
(26)	(18)	(46)	RESULT BEFORE SALE OF VESSELS		(35)	7	(39)
135	0	45	Gain from sale of vessels	5	50	0	150
109	(18)	(1)	OPERATING RESULT		15	7	111
14	14	4	Interest income		6	12	11
17	2	4	Other financial income		4	1	3
(14)	(4)	(7)	Interest cost		(14)	(11)	(25)
(1)	(5)	(6)	Other financial costs		(7)	(6)	(1)
7	(13)	(5)	Net currency gain (loss)		3	10	(9)
23	(6)	(10)	NET FINANCIAL ITEMS		(8)	6	(21)
132	(24)	(11)	RESULT BEFORE TAXES		7	13	90
(22)	6	16	Taxes	6	22	(1)	(21)
110	(18)	5	RESULT FOR THE YEAR		29	12	69
			PROPOSED ALLOCATIONS AND EQUITY TRANSFERS:				
(40)	(73)	(40)	Dividend				
(45)	(26)	11	(Increase)/reduction of Statutory Reserve				
15	15	15	Reduction of Reversal Fund				
(40)	102	9	(Increase)/reduction of Free Reserves				
(110)	18	(5)	TOTAL				

BALANCE SHEET

31.12.

NOK MILLION

PARENT COMPANY			NOTES	GROUP			
1993	1994	1995		1995	1994	1993	
ASSETS							
213	146	90	Bank deposits and financial investments	7	132	183	289
2	0	0	Freight receivables	8	7	8	18
92	32	22	Intercompany receivables		0	0	0
8	9	4	Other receivables and bunkers	8	20	25	30
315	187	116	Total current assets		159	216	337
7	32	3	Long term receivables (interest bearing)		0	27	8
136	167	172	Shares in subsidiaries	9, 10	0	0	0
138	117	54	Vessels	4, 5	199	284	316
0	0	0	Other fixed assets	4, 5, 13	18	28	30
281	316	229	Total fixed assets		217	339	354
596	503	345	TOTAL ASSETS		376	555	691
LIABILITIES AND SHAREHOLDERS EQUITY							
16	17	12	Current liabilities	12	35	40	38
22	20	41	Long term debt repayable within 12 months	11	60	35	58
40	73	40	Dividend		40	73	40
78	110	93	Total current liabilities		135	148	136
117	86	0	Mortgage debt	11	0	93	127
4	7	3	Other long term debt	12, 13	57	94	140
22	16	0	Deferred tax	14	0	22	21
143	109	3	Total long term debt		57	209	288
SHAREHOLDERS EQUITY							
RESTRICTED							
20	20	20	Share capital (110,467,185 shares of NOK 0.18)		20	20	20
84	110	100	Statutory Reserves		100	110	84
44	29	14	Reversal Fund		14	29	44
UNRESTRICTED							
227	125	115	Free Reserves		50	39	119
375	284	249	Total shareholders equity	15	184	198	267
596	503	345	TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		376	555	691
<i>Off Balance Sheet Items</i>							
			Mortgages and guarantees	11			
			Time-charter commitments	16			

STATEMENT OF CASH FLOWS

1.1. - 31.12.

NOK MILLION

PARENT COMPANY				GROUP		
1993	1994	1995		1995	1994	1993
CASH FROM OPERATION						
132	(24)	(11)	Result before taxes	7	13	90
(40)	(73)	(40)	Proposed dividend	(40)	(73)	(40)
22	21	21	Ordinary depreciation	45	40	49
(135)	0	(45)	Gain from sale of vessels	(50)	0	(150)
11	(11)	(5)	Unrealized currency loss/(gain)	(4)	(16)	7
0	15	21	Write-down of shares in subsidiaries	0	0	0
0	0	0	Provision for future loss on charters	(15)	(17)	31
(13)	93	(40)	Change in receivables and current liabilities	(52)	27	60
(23)	21	(99)	NET CASH FLOW FROM OPERATION (A)	(109)	(26)	47
CASH FLOW FROM INVESTMENTS						
<i>Investments in:</i>						
0	0	0	Vessels	0	0	0
118	(25)	29	Long term receivables	27	(17)	1
(82)	(46)	(25)	Shares in subsidiaries	0	0	0
1	0	0	Other fixed assets	(1)	(7)	(5)
<i>Sale of:</i>						
148	0	89	Vessels and parts in vessel	98	0	161
0	0	0	Other fixed assets	2	0	4
185	(71)	93	NET CASH FLOW FROM INVESTMENTS (B)	126	(24)	161
CASH FLOW FROM FINANCING						
4	3	0	New borrowing	0	0	4
(145)	(20)	(50)	Loan repayment	(68)	(56)	(189)
0	0	0	Future loss on charters	0	0	19
(141)	(17)	(50)	NET CASH FLOW FROM FINANCING (C)	(68)	(56)	(166)
21	(67)	(56)	TOTAL NET CHANGE IN CASH AND SHORT TERM INVESTMENTS (A+B+C)	(51)	(106)	42
192	213	146	Cash and short-term investments 1.1.	183	289	247
213	146	90	Cash and short-term investments 31.12.	132	183	289
21	(67)	(56)	NET CHANGE IN CASH AND SHORT TERM INVESTMENTS	(51)	(106)	42
SPECIFICATION OF CASH AND SHORT-TERM INVESTMENTS 31.12.						
209	124	79	Bank deposits	121	161	285
0	17	0	Bonds	0	17	0
4	5	11	Shares	11	5	4
213	146	90	TOTAL	132	183	289

NOTES

NOTE 1 - ACCOUNTING PRINCIPLES

The accounts are translated from the 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 17 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 ASA, the consolidated accounts include the wholly owned subsidiaries specified in Note 10. 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 at the time of acquisition is assigned to the asset (vessels), and depreciated over the asset's remaining lifetime.

The balance sheets of foreign subsidiaries representing the chartering function, are translated to NOK using the year end rate of exchange (USD1/NOK 6.33). The statements of income figures of foreign subsidiaries are translated at the average rate of exchange in 1995 (USD1/NOK 6.35). 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 (USD1/NOK 6.33). Fixed assets are translated at historical rate, and long term liabilities (receivables) are translated at the higher (lower) of historical rate and the rate as of December 31, 1995. The statements of income are translated at the average rate of exchange in 1995 (USD1/NOK 6.35), 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. All the limited partnerships are wholly owned. For specification of participation in limited partnerships, see Note 9.

Participations in Unlimited Partnerships

Participations in unlimited partnerships are included in the accounts 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, 1995 (USD1/NOK 6.33). Long term debt is stated at the higher of historical rate and the rate as of December 31, 1995. Long term receivables are stated at the lowest of the historical rate and the value as of December 31, 1995, taken into consideration the unrealized currency gain on long term debt in foreign exchange.

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. When computing depreciation the scrap value is not considered.

Vessels

The book value of the vessels is compared to the market value and written down where the reduction in value is not regarded as temporary. Vessels sold after year end or planned sold, are written down to sales price or market value. Due to the reduction in the company's fleet the portfolio principle is no longer applicable. 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. Bunkers are valued according to the FIFO-method.

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 plan assets 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 the assets of the fund and the obligation.

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

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.

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.

Statement of cash flows

The statement of cash flows is based on the indirect method. Listed shares are classified as liquid assets.

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 insurance in connection with calls on US ports.

NOTE 3 – REMUNERATIONS (Parent Company)

The following remunerations are expensed:	1995	1994
The Board of Directors (*)	488	488
Managing Director of Skaugen PetroTrans ASA (*)	518	513
Auditors (auditing)	123	180
Auditors (assistance and consulting)	18	10
Total	1.147	1.191

(*) The Chairman or the Managing Director are not entitled to separate remuneration upon retiring from their positions.

Remuneration to Eikland AS amounts to NOK 900.000,-, covering assistance in connection with the company operation and follow-up of various commercial matters.

The Groups wages and social expenses amounts to NOK 31.5 million, compared to NOK 42 million in 1994.

Director's Shareholdings in Skaugen PetroTrans ASA

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

Parent company	Cost price 1.1.95	Additions during the year	Disposals during the year	Acc. depr./ write-downs 31.12.95	Book value 31.12.95	Depr./write-down during the year
Vessels	274	0	(89)	(131)	54	(21)
Others	0	0	0	0	0	0
Total	274	0	(89)	(131)	54	(21)

Group	Cost price 1.1.95	Additions during the year	Disposals during the year	Acc. depr./ write-downs (*) 31.12.95	Book value 31.12.95	Depr./write-down during the year
Vessels	434	0	(98)	(137)	199	(36)
Others	60	1	(2)	(41)	18	(9)
Total	494	1	(100)	(178)	217	(45)

(*) One of the vessels is written down to assessed market value at year end 1995. Total write-down is NOK 4 million.

The vessel is sold after year-end.

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
1995	0	89	1	100

Gain from sale of vessels represent the sale of MT "Skaufjord".

NOTE 6 - TAXES

Parent company			Group	
1994	1995		1995	1994
0	0	Taxes payable	0	0
6	16	Changes in deferred tax	22	(1)
6	16	Total taxes	22	(1)

NOTE 7 - BANK DEPOSITS AND FINANCIAL INVESTMENTS

Parent company			Group	
1994	1995		1995	1994
124	79	Bank deposits	121	161
17	0	Bonds	0	17
5	11	Shares	11	5
146	90	TOTAL BANK DEPOSITS AND FINANCIAL INVESTEMENTS	132	183

Bank deposits

Restricted funds total NOK 0,3 million (1994 NOK 18 million) both for the group and the parent company.

Shares (NOK 1,000)

Company	Number of shares	Cost price	Book value	Market value
I.M. Skaugen ASA	2,894,617	14,628	10,565	10,565
TOTAL SHARES				10,565

NOTE 8 - RECEIVABLES

The consolidated accounts carry bad dept provisions of NOK 2,5 million as of December 31, 1995 (NOK 2,7 million as of December 31, 1994).

NOTE 9 – PARTICIPATION IN PARTNERSHIPS (NOK 1,000)

Limited partnerships Company name	Vessel	Owned by parent company		Owned by subsidiaries	
		Interest	Callable	Interest	Callable
SPT Skaufjord KS	-	90%	9,000	10%	1,000
SPT Skaubay KS	M/T Skaubay	90%	9,000	10%	1,000
TOTAL PARTICIPATION IN LIMITED PARTNERSHIP			18,000		2,000

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, 1995, is equivalent to NOK 41,100.-. Total debt recorded in underlying companies of Eikland Shipping ANS as of December 31, 1995 is NOK 13 million.

NOTE 10 – SHARES IN SUBSIDIARIES (NOK 1,000)

Shares owned by Skaugen PetroTrans ASA:

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	65,892
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%	10,815	105,000	103	11,400
SPT Skaubay AS *)	100%	10,500	105,000	100	0
Jahre Ship Chartering AS **)	100%	5,000	1,000	5,000	5,995
TOTAL SHARES OWNED BY PARENT COMPANY					172,464

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

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

Shares in subsidiaries owned by PetroTrans Holding Limited and its subsidiaries:

Company name	Interest	Total share capital (USD 1,000)	Nominal value (USD)	Number of shares	Book value (USD 1,000)
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 11 – MORTGAGE LOANS

The limited partnership SPT Skaubay KS has entered into long term loan agreement amounting to USD 5,1 million secured by mortgage in the vessel. The loan is due in October 1996 and is classified as a current liability.

The loan agreement include 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 1,8 million secured by mortgage in the vessel of the limited partnership, and certain covenants regarding financial ratios. All covenants are met as of December 31, 1995. The vessel is sold in February 1996.

Mortgage loans (consolidated)	USD million	Rate of exchange	NOK million
Instalments 1996	7	6,33	44
TOTAL MORTGAGE LOANS	7	6,33	44

Parent company			Group	
1994	1995		1995	1994
106	41	Mortgage debt	44	116
117	54	Book value of pledged fixed assets 1)	101	176
0	0	Guarantees given 2)	0	0

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

2) Certificate of Financial Responsibility (COFR) is covered through First-Line guarantee.

The groups insurance coverage for environmental liability is limited to approx. USD 700 million per vessel.

NOTE 12 – OTHER LONG TERM DEBT

Parent company			Group	
1994	1995		1995	1994
0	0	Financial lease obligation (interest bearing) 1)	46	67
7	3	Other long term debt (non interest bearing) 2)	11	27
7	3	TOTAL	57	94

1) M/T "Rich Duchess" is pledged as security for the Japanese owners mortgage debt. Current portion of financial lease obligation (USD 2,4 million) is classified as current liability.

2) Other long term debt represent mainly a provision for estimated future loss on charter of M/T "Skaunord" as per 31.12.95.

The provisions are accounted for as a cost reduction throughout the remaining charter period.

NOTE 13 – PENSIONS

Skaugen PetroTrans ASA has an insured retirement plan (defined 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, 1995 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:	1995	1994
Discount rate	7%	7%
Return on assets of the fund	8%	8%
Salary progression/inflation	3,3%	3,3%
Pension indexation	2,5%	2,5%

<i>Net pension cost:</i>	Parent company		Group	
	1995	1994	1995	1994
Services cost	398	398	398	795
Define contribution plan *)	-	-	414	588
Interest on projected benefit obligation	76	83	735	679
Return on assets of the fund	106	98	603	559
Net pension cost	368	383	943	1,503

<i>Net pension fund/obligation as of December 31:</i>				
Projected benefit obligation	1,536	1,376	11,666	11,074
Plan asset funds at fair value	1,642	1,661	8,361	7,549
Accrued pension funds/(obligations)	106	285	(3,305)	(3,525)

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

NOTE 14 – 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	(11)	7
Permanent differences	1	1
Changes in temporary differences	41	49
Profit from other companies	0	3
Loss carried forward	(31)	(60)
Taxable income	0	0

The parent company, exclusive of limited partnerships, has a loss carry forward as of 31.12.1995 of approximately NOK 54 million. No tax payable is due in Norway as of 31.12.1995. For Norwegian tax purposes the expected "RISK" adjustment as of 1.1.1996 amount is negative NOK 0,36 per share.

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

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

Parent company		Group
	1995	1995
(4)	Current assets	(7)
16	Fixed assets	96
15	Other differences	33
27	Total temporary differences	122
(54)	Loss carried forward	(195)
0	Deferred tax	0

Temporary differences related to current assets are a result of write-down of shares and receivables. Temporary differences related to fixed assets are a result of accumulated additional tax depreciation. Other temporary differences relate to deferred gains/losses from sale of vessels, accruals for estimated future loss on charters, pensions and RISK-adjustments of shares in NOKUS-companies.

In addition to the temporary differences in Norway the group has NOK 15 million in loss carry forward under U.S. federal income tax regime.

Previously the company had not considered the net utilized restructions on deductions in limited partnerships and "NOKUS"-companies when computing the deferred tax. Based on the current situation it is probable that these negative temporary differences will be utilized and this has caused a reversal of deferred tax in 1995.

NOTE 15 - SHAREHOLDERS' EQUITY

Parent company	Share capital	Statutory reserves	Reversal fund	Free reserves	TOTAL
Equity 31.12.1994	20	110	29	125	284
Result for the year				5	5
Dividend				(40)	(40)
Transfers		(10)	(15)	25	0
Equity 31.12.1995	20	100	14	115	249

Group	TOTAL equity
Equity 31.12.1994	198
Result for the year	29
Dividend	(40)
Other (translation difference)	(3)
Equity 31.12.1995	184

NOTE 16 - OFF BALANCE SHEET ITEMS

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

Year ending	Minimum payment
1996	41
1997 and thereafter	20

The commitments refers to M/T "Skaunord" which is chartered in on bare-boat charter until June 30, 1997 and guaranteed by the parent company.

MT "Rich Duchess" is on time-charter (with a purchase obligation) until October 1998 and is treated as a financial lease. Further the lightering support vessels are treated as financial leases as well (purchase options).

NOTE 17 – ADJUSTMENTS TO INTERNATIONAL ACCOUNTING STANDARDS (IAS)

PROFIT & LOSS	1995	1994
Net result before taxes	7	13
Conversion of long-term items in foreign currencies to year-end exchange rate (IAS21)	0	0
Net result before taxes in accordance with International Accounting Standards Taxes	7	13
Net result after taxes in accordance with International Accounting Standards (IAS 12)	29	12
EQUITY		
Shareholders' equity	184	198
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	184	198

NOTE 18 – TRANSACTION BETWEEN PARTIES WITH COMMON SHAREHOLDERS

The parent company owns 2,894,617 shares in I.M. Skaugen ASA equal to 1.7% of the total share capital of I.M. Skaugen ASA (see Note 7).

The remuneration charged from Eikland AS is disclosed in Note 3.

AUDITOR'S REPORT

(Translation from Norwegian)

To the Annual General Meeting of Skaugen PetroTrans ASA:

We have audited the annual accounts of Skaugen PetroTrans ASA for 1995, showing net income of NOK 5 million for the company and net income of NOK 29 million 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.

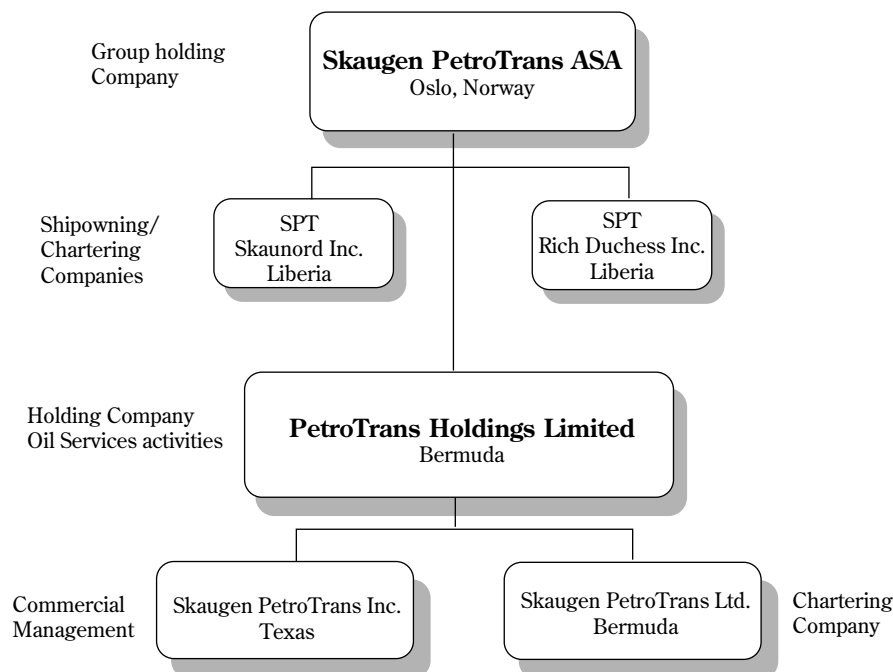
The appropriation of net income and equity transfers, as proposed by the Board of Directors, complies with the requirements of the Joint Stock Companies Act.

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 1995 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 29, 1996

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 Services Activities, and controls the operating entities:

- *Skaugen PetroTrans Ltd., Bermuda, Chartering Company*
- *Skaugen PetroTrans Inc., Houston, Commercial Management (agent of Chartering Company)*

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 to the extent excess capacity from lightering scheduling allows.*

PetroTrans Holdings Limited and subsidiaries employ per year end, a total of 15 people shoreside in Houston, including mooring masters.

THE LIGHTERING CONCEPT

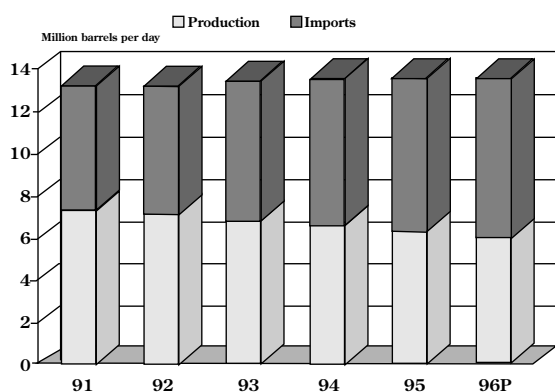
Lightering at sea of crude oil cargo is an integral part of the US logistical system for import of crude oil.

As a result of a continuous drop in US' domestic crude oil production and a reasonably constant demand, US' import of crude oil exceeds today the domestic production. US present import of crude oil average a total of 7.2 million barrels per day, of which about 2.7 million barrels per day are originated from the Middle East and West Africa for destination of US Gulf requiring long haul transportation and lightering. The remainder of the crude oil import is substantially from the Americas and Northern Europe carried in tankers discharging directly at US ports. The bulk of US' imports is taking place in the US Gulf area where 80 per cent of the US refineries are located. 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 prevent them generally from accommodating such tankers due to draft restrictions. Therefore, it is required that the cargo of the larger tankers are lightered offshore 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; capacity in excess of the available fixed capacity of installations such as Louisiana Offshore Oil Port, "LOOP", and transshipment via deep sea ports and storage terminals in the Caribbean.

USA's Production and Import/Demand for Crude Oil



Source: EIA, SPT Estimate

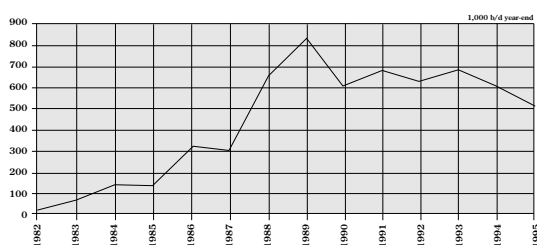
THE LIGHTERING ACTIVITY

The Company operated during 1995 an average of 5 tankers while the Company's core tanker fleet consisted of 4 vessels, all on time charter via the Skaugen PetroTrans group of companies. Additional capacity is chartered in on period - and spot basis. The Company also chartered in 5 modernized lightering support vessels ("LSV's") on long term basis, the same as in 1994.

Special for lightering is the offshore ship to ship mooring operation. The lightering activities otherwise differ from regular tanker trading by the operations being geographically concentrated and involving a high frequency of cargo handling.

The Company carried out 385 lightering operations in 1995 (1994, 420 operations) which involved transfer of about 200 million barrels of crude oil (1994, 205 million bbls.). About 71 per cent of the Company's revenues for 1995 are generated from lightering operations, an increase of 3 per cent from 1994.

Skaugen PetroTrans Lightering Volume

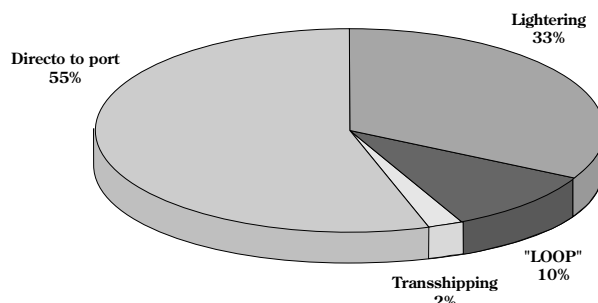


The overall increase in US import of crude oil during the year of 3 per cent was in line with the expectations. The reduction in long haul import of crude oil to the US Gulf during the year, of about 7 per cent was beyond the Company's forecast. The short haul crude oil import increased about 10 per cent during 1995, to 4.2 million barrels per day.

The total US crude oil import volume during the year 1995 was affected by a substantial depletion of the oil stocks in the beginning of the year. An overall almost flat demand during the year, combined with increased short haul import of crude oil and stable crude oil prices have led the refineries to operate with low crude oil inventories and not replenish their inventories in the fall to the extent practised during previous years.

It is estimated that the Company has a market share of the US Gulf lightering business of 31 per cent which equals 22 per cent of total US Gulf long haul crude oil import.

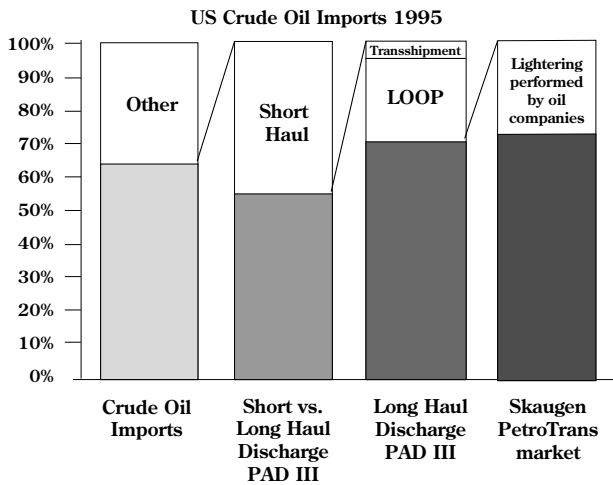
Total US Gulf Crude Oil Imports 1995 (65% of total US import)



Source: EIA, SPT Estimate

As an average, it is estimated that 65 per cent of 4.6 million barrels per day (1995) of crude oil import per year takes place through Petroleum Administration District (PAD) III dominated by the states of Texas, Louisiana, Mississippi and Alabama. Of the total crude oil import to this area, the short haul import of crude oil represents about 55 per cent, with long haul import 45 per cent. Long haul crude oil import is dominated by 70 per cent of the cargo being discharged via lightering. LOOP discharges 25 per cent, and 5 per cent is imported via Transshipment.

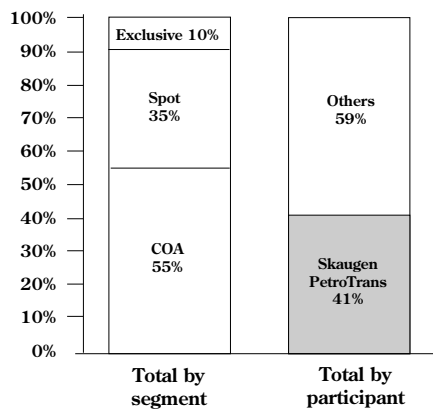
The Lightering Market
US Crude Oil Imports – PAD III discharge methods



Source: EIA, SPT Estimate

The independent lightering operators perform 70 per cent of the lightering activity in the US Gulf equal to about 1.2 million barrels/day, and the oil companies the remainder.

Market share – Total lightering Operations
Independent operators



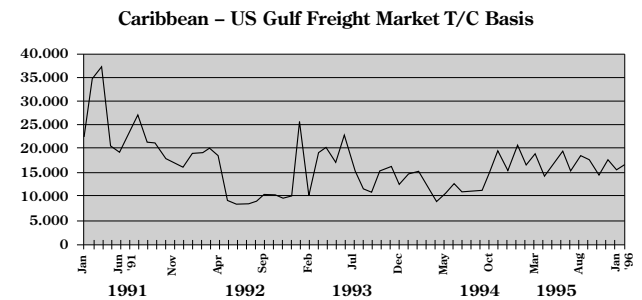
Source: SPT Estimate

Contracts of Affreightment ("COA") is the largest market segment of the independent lightering operators, and represents 55 per cent of their total market, while 35 per cent of the market is spot business and 10 per cent is the "exclusive" business, (non-documented Contract of Affreightment).

Among the independent lightering operators Skaugen PetroTrans is assessed to have the largest market share at about 41 per cent, and dominates the COA market.

CRUDE OIL TRANSPORTATION
CARIBBEAN / US GULF

Only to the extent that periodic fluctuations in the lightering demand result in excess tonnage is the Company engaging its Aframax tankers in the Caribbean - US Gulf trade of transportation of crude oil. The general freight rates during the year for this trade continued to stay low for the fourth year in row, although the average rate increased by 8 per cent from 1994 to about USD 15,000/day on time charter basis (Source: Clarkson). The average freight rate level in the area is not expected to show any substantial improvements in 1996.



Source: Clarkson

PROSPECTS FOR LIGHTERING

The US trend of increased crude oil import relative to domestic production is expected to continue, albeit at a slower growth, despite of new substantial exploration activities for oil and gas in the US Gulf.

While the US crude oil demand for 1995 has been virtually flat relative to 1994, the projections are for a small increase in 1996. (Source: EIA).

Since 1992 short haul import of crude oil has increased 42 per cent to an average of 4.2 million barrels a day in 1995. The long haul import of crude oil has experienced a decline of about 4 per cent over the same period while US total import of crude oil has increased 18 per cent. Recent indications are that the US crude oil import volume will continue to be dominated by short haul import over the next few years. The long haul crude oil import will, however, provide the "swing" supplies. In the long term oil resources of the Middle East are expected to outlast all other areas and dominate the future US crude oil import. These long haul import supplies will require increased lightering activity.

The US crude oil import is projected to increase from the 1995 level of about 7.2 million barrels per day up to over 8 million barrels per day in year 2000.

Subject to the projection of US crude oil import supplies, the Company consider the business prospect positive with a continued, and increasing need for lightering services of imported crude oil. Lightering is the least costly alternative to the importer of bringing long haul crude oil

ashore. At USD 0.25-0.30/barrel without any fixed investment and without any constraints of capacity but for the capacity of the discharging terminals, lightering represent a substantial “swing” capacity in the US import logistics. (Source: Lloyds Shipping Economist).

At a price of about USD 0.40-0.45 per barrel plus pipeline cost to inland refineries LOOP, with a capacity of about 1 million barrels per day is estimated to have been operating at 60 per cent capacity in 1995. This is a reduction in capacity from 90 per cent in 1990. Transshipment through use of deep sea ports with storage tanks in the Caribbean at about USD 0.60/barrels and storage costs estimated at USD 0.20/barrel per month is considered the most expensive alternative of importing long haul crude oil.

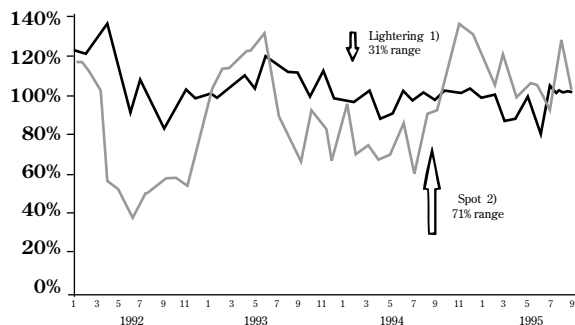
With low oil price and refinery margins pressing the cost of crude oil import, and the prohibitive costs and numerous environmental issues connected to building new offshore import alternatives, the Company does not foresee such construction to take place for several years, if ever.

The full service lightering activity is closely linked to the voyage freight market in the Caribbean - US Gulf area for Aframax tankers. An increase in the general freight rates increase the tanker costs for the Company while low rates have a competitive negative impact on the obtainable gross lightering rates.

The lightering activity can be defined as an activity of industrial shipping, and as such it generally offers higher rates with less volatility in earnings than the general freight rates for Aframax tankers. Since 1992 the full

service lightering market, net of idle time and lightering costs, has shown less volatility in a range of 31 per cent variation, and provided higher average earnings than earnings from spot chartering in the Caribbean - US Gulf trade, which has moved in a range of 71 per cent variation over the same period. Additionally, the lightering contract business (“COA”) where the Company is a dominating operator has shown higher earnings and greater stability than the spot lightering market.

EARNINGS VOLATILITY
Skaugen PetroTrans Full Service Lightering vs. Voyage Market
Spot: Carib - US Gulf trade



1) Net of idle time, LSV cost and other lightering costs
2) January 1992 - September 1995: Caribbean voyage market (Clarkson); adjusted for 10% idle time and commission

Source: Clarkson, SPT Estimate

With a close customer contact, substantial contract business, the lowest cost level combined with offering the customers a high degree of service, the Company is demonstrating its dedication to remain the leading supplier of lightering services in the very competitive environment in the US Gulf.

THE FLEET AS OF MARCH 1, 1996

	Ship	Dwt.	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	Sold for 4/1996 delivery
	MT Skaunord	84,999	615,000	1992	B/B to 6/1997 (Purchase option)
	MT Aldebaran	89,570	608,000	1986	T/C to 6/1996 (Option for extension to 3/1997)
	MT Stavanger Sun	89,696	608,000	1985	T/C to 3/1997
	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 ASA SHARE

		1995
Proposed dividend	NOK	0.36
Share par value	NOK	0.18
Share price December 31,	NOK	1.80
High / low share price 1995	NOK	2.96 / 1.60
Stock Market Capitalization at December 31,	NOK	198,840,993
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		13,312
Foreign ownership allowed / actual in %		100% / 3.26%
Number of shares traded on Oslo Stock Exchange		57,857,880

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, 1995

Owners	Shareholders	%	Shares	%
1-100	7,594	57.1	201,756	0.2
101 - 1,000 shares	3,562	26.7	1,393,393	1.2
1,001 - 10,000 shares	1,510	11.3	5,493,187	5.0
10,001 - 100,000 shares	567	4.3	18,479,772	16.7
100,001 and more shares	79	0.6	84,899,077	76.9
Total	13,312	100.0	110,467,185	100.0

THE 10 LARGEST SHAREHOLDERS IN SKAUGEN PETROTRANS ASA DECEMBER 31, 1995

Shareholder	Number of shares	% of all shares
Eikland AS	50,915,111	46.09
Aksjefondet Odin	6,478,000	5.86
Vital Forsikring AS	2,036,700	1.84
Leif Høegh Pensjonsf.	1,600,000	1.44
Steen Erik Otter	1,500,000	1.35
G-Invest / Gjensidige	1,463,000	1.32
Meieribrukets Pensjonsf.	1,340,000	1.21
ANZ Grindleys Bank	1,218,000	1.10
Alfa Livsforsikring	1,000,000	0.91
Tore Staubo	920,000	0.83
Others	41,996,374	38.05
Total	110,467,185	100.00

Skaugen PetroTrans AS

Munkedamsveien 45

N-0250 Oslo

Norway

Phone: 22 83 33 60

Telefax: 22 83 33 66

Skaugen PetroTrans Inc

5847 San Felipe, Suite 4300

Houston, Texas 77057

USA

Phone: (713) 266-8000

Telefax: (713) 266-0309

Telex: 3740715 spt inc

SKAUGEN PETROTRANS

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SKAUGEN PETROTRANS

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