



Report first six months of 1996

I.M. Skaugen a transporter of petrochemical gases and LPG through its wholly owned subsidiary Norwegian Gas Carriers. The company operates 16 vessels and with this fleet handles almost every third ethylene cargo world wide and every fifth propylene cargo. Europe and Asia are considered the company's target areas for business, and there are representative offices both in Singapore, Shanghai and Houston in addition to the headquarters in Oslo. The activity in Europe, representing about 30%, has been weak since the fall of 1995, while Asia, representing about 60%, still shows a satisfactory growth.

New Projects

I.M. Skaugen has acquired 60% of DS AS Idaho, the parent company in the Haaland group in Haugesund. The purchase price for the shares was USD 37.0 mill. I.M. Skaugen has also secured an option for acquiring the rest of the shares in DS AS Idaho at a price that reflects the values per the balance sheet of April 30, 1996.

The ship owning group DS AS Idaho has until recently been involved in a sizeable activity within the segment of medium size gas- and crude oil shipping and previously in chemical carriers, but is now going through a restructuring. By the involvement of I.M. Skaugen, DS AS Idaho will concentrate on gas- and chemical shipping in Asia along with a few service related activities. The company is financially strong and has a solid liquidity giving a sound basis for new developments.

DS AS Idaho will have the objective to develop a fleet of small chemical and gas vessels to serve the growing markets in the Asia. Know-how from NGC will be matched with knowledge and experience in the field of transportation of gas and chemicals from the Idaho group. The activity will supplement NGC's activity and will be able to take advantage of NGC's base of customers in this part of the world. The aim is to build up a fleet of 5-10 small chemical tankers in the segment 2,000 - 10,000 tdw with "stainless steel" tanks. DS AS Idaho will acquire 2 vessels in July with a total investment of USD 6.75 mill. The vessels are respectively 9,000 tdw and 2,500 tdw. The smaller vessel will be employed in the trade between China and Korea, and the larger vessel between Korea/ Japan to and from South East Asia and Australia.

In addition, I.M. Skaugen has signed a joint venture agreement with Hubei Tianfa Petroleum Liquified Gases Co. in China for LPG transportation on the Yangtze river. In the first phase, 4 new purpose designed shallow draft 2,000 cbm LPG vessels will be contracted with a total investment of USD 15 mill. The vessels will sail under Chinese flag, and the commercial and fleet management functions will be established in Shanghai. All vessels will enter a long term freight contract for LPG with the Tianfa group. This project stems from the LPG transportation requirement resulting

from the Three Gorges construction and development project to be implemented by the Chinese Government over the next ten years. The first vessel is to be delivered fall 1997. The joint venture agreement is subject to approvals from the Chinese Government. I.M. Skaugen's part of this investment is USD 7.5 mill.

The Result

I.M. Skaugen's profit for the 1st half of 1996 was NOK 8 mill. This represents a decrease of NOK 38 mill. compared to the same period of 1995. As a consequence of the refinancing of the company's long term debt, a currency gain of NOK 31 mill has been realised in the period, but NOK 10 mill. is expensed to terminate the former loans. The company's earnings and debt are mainly in USD. The operating profit was NOK 6 mill. The comparable operating profit for 1st half of 1995 was NOK 63 mill. The company's cash flow before unrealised currency gains/losses was positive with NOK 44 mill. The corresponding figure for the same period of 1995 was NOK 85 mill. DS AS Idaho is consolidated in the figures but did not affect the profit and loss statement due to the June take-over.

Capital

The consolidated current ratio for the company was 2.44 and book equity ratio 31,8%. As per 30 June, the company has NOK 585 mill. in liquid assets. Through the June 30 consolidation of Idaho, current assets are increased by NOK 544 mill. and total interest bearing debt increased by NOK 267 mill. Independent brokers in Norway and abroad assess the market value of the fleet to NOK 209 mill. above book value. Since year end 1995, the assessed value of the fleet has decreased by 11%. The company's equity based on book value is NOK 547 mill. The company enjoys as such satisfactory capital resources for further development as a leading transporter of petrochemical gases. The company will focus on a careful renewal of the fleet and at the same time keep a financial gearing ensuring financial flexibility. During the first six months of the year, the company's debt was reduced with USD 7.4 mill. or NOK 48 mill. through downpayment of mortgage debt, and a drawing right of USD 9 mill. is ensured.

Operations

The results for the 2nd Quarter reflect less activity in the petrochemical market in Europe the same way as for the 4th Quarter of 1995 and the 1st Quarter of 1996. This again leads to the fact that the freight seeking days totally amounts to about 16% of total days the first half of the year, and 19% in 2nd Quarter compared to 13% in 1st Quarter, which is higher than 4th Quarter of 1995(11%) and significantly higher than for the 1st half of 1995(1%). Idle days in Europe accounts for 54% of all idle days, and the spot rates in Europe have shown a falling tendency throughout the period. The Norgas Christian, which has been chartered in for a long period will be redelivered to its owners in July, and the

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Norgas Teviot (8405 cbm ethylene vessel built in 1989) has been chartered in for a period of 12 months. Although these vessels are equal in capacity and age, this will reduce our timecharter costs by USD 1.7 mill annually.

A pronounced increase in the price of the petrochemical products in Asia since December 1995 has also lead to tightening of the freight market in this area. The company expects this to result in a price and activity increase in Europe. The average earnings on time charter basis per vessel per month was USD 313,000 the 2nd Quarter against USD 326,000 for 1st Quarter of 1996 and USD 412,500 for 2nd Quarter 1995. However, the number of freight seeking days and technical off-hire in connection with planned dry-dockings are significantly above the level in first half of 1995. The contract coverage for 1996 constitutes about 50% of the total capacity. All Contracts of Affreightment and time charters are renewed at the same or better rates than for the corresponding period in 1995.

The last time charter contract concluded by the company has been on USD 415,000 for a 12 months period which is an unchanged level for the vessel from the previous contract closure.

A continued positive growth in the economy in Asia will in spite of a more moderate growth in Europe provide a positive development for the petrochemical industry and result in an increasing demand for our type of tonnage. The supply of tonnage is still somewhat modest except for smaller fully pressurised vessels for LPG trading in Asia (primarily China and India). To further focus on the company's marketing in the Asian geographic segment,

NGC has opened a representative office in Singapore in addition to the offices in Houston and Shanghai. As a result of the investment in chemical shipping, the company will also be represented in Korea for marketing of transportation services there.

Operating conditions

The vessel operations have been without any major problems also in this period. Six planned dry-dockings have been completed of which two major dry-docking resulting in extending the expected life of the vessels. The total operating costs are gradually being reduced as planned, and the quality of the vessels are developing to our satisfaction. A further two dry-dockings will be completed in the last half of this year.

The company has increased its strong focus on the use of Information Technology with the customers in order to analyse in detail and improve the efficiency and the quality of the execution of the cargo shipments and the docking operations. The figures relating to personnel injuries and damage to equipment and cargo continue the positive trend with very few incidents and damages.

For questions or comments, please contact Executive Vice President Hans-Jørgen Blomseth on telephone +47 22 83 30 60 or e-mail hans-jorgen.blomseth@ngc.no

Board of Directors,
Oslo, July 12, 1996

I M Skaugen Consolidated

Statement of Income

NOK million (Exchange rate NOK/USD 6,49 Average 2nd Quarter '96)

	1996	1995	1995
	1.1 - 30.6.	1.1 - 30.6.	1.1 - 31.12.
Gross freight revenue	202	264	484
Voyage-related expenses	(33)	(43)	(79)
Net revenue on T/C-basis	169	221	405
T/C-hire	(21)	(16)	(36)
Other operating expenses	(105)	(112)	(223)
Depreciation	(37)	(30)	(79)
Operating result before interests in limited partnerships	6	63	67
Interests in limited partnerships	0	5	5
Operating result	6	68	72
Financial income	9	10	17
Financial expenses	(39)	(36)	(74)
Net result on foreign exchange - realized	31	14	29
Net result on foreign exchange - unrealized	1	(9)	7
Net financial items	2	(21)	(21)
Extraordinary Income/minorities	0	(1)	13
Result	8	46	64

Balance sheet

NOK million (Exchange rate NOK/USD 6,51 as per 30.06.96)

	30.06.96	30.06.95	31.12.95
Cash and bank deposits	585	338	339
Other current assets	201	90	61
Vessels and other fixed assets	936	943	944
Total assets	1.722	1.371	1.344
Current liabilities	322	104	184
Long term debt	539	714	576
Subordinated unsecured loan/Convertible loan	44	44	44
Deferred taxes	114	0	0
Minority interest	156	1	1
Shareholders' equity	547	508	539
Total liabilities and shareholders' equity	1.722	1.371	1.344