

REPORT BY THE BOARD OF DIRECTORS

*I*n 1996, the transportation activities of I.M. Skaugen ASA (IMS) and Skaugen PetroTrans ASA (SPT) in oil, chemicals and gas were brought together in the newly established I.M. Skaugen ASA by merging the two companies. Through resolute efforts over the last five years, the companies have significantly improved their efficiency and the quality of operations. The improvement in the results comes from focusing on costs, efficiency measures, market contact, and customer orientation, as well as a general improvement in the freight market. Subsequent to the merger, the activity is first and foremost related to the transportation of LPG/petrochemical gases which is marketed under the name «NGC», and organic chemicals which is marketed under the name «Princess Carriers». Together, these two segments account for somewhat more than 50% of the Group's total revenue. The other half comes from «Ship to Ship Transfer» (lightering) of crude oil in the US Gulf, which is marketed under the name «SPT».

All-in-all, the Group operates 28 vessels, of which 16 in NGC, 3 in Princess Carriers and 9 in SPT. 5 of SPT's fleet are Aframax tankers, and 4 are lightering support vessels for the ship to ship transfer operations. Following the acquisition of DS AS Idaho in 1996, the company is also involved in certain other activities, and these new activities will be a supplement to the company's core business but will have little impact on the profit and loss account for 1997/98.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

In 1996, gross freight revenue totalled NOK 817 million (NOK 824 million in 1995), and the operating profit before sale of vessels and restructuring expenses was NOK 22 million (NOK 32 million in

1995). In 1996, vessels were sold which generated a gain of NOK 5 million, compared to NOK 50 million in the preceding year. Net financial expenses aggregated NOK 27 million (NOK 25 million in 1995), and extraordinary items/minority interests/tax charge had a NOK 114 million impact on the accounts (positive with NOK 35 million in 1995). In total, this represented a profit for the year of NOK 107 million in 1996, compared to NOK 97 million in 1995.

For 1996, IMS had a positive cash flow from operations of NOK 30 million, or NOK 4,51 per share. This is a reduction of NOK 84 million from 1995. In 1996, one crude oil tanker «MT Skaubay» and one «Lightering Support Vessel» were sold. These sales had a NOK 58 million impact on the cash flow.

The Group's current assets totalled NOK 806 million, and current liabilities totalled NOK 763 million, of which NOK 173 million represents the cash settlement for the merger and NOK 50 million the proposed dividend. The Board of Directors proposes for the Annual General Meeting to declare a dividend of NOK 50 million, or NOK 7.50 per new share in the merged company (nominal value NOK 60.00 per share). Independent brokers have assessed the market value of the company's vessels at NOK 189 million higher than the book value of NOK 1,080 million. In January 1997, an Aframax tanker was bought. Through SPT, the company had a long-term financial lease on the vessel. The vessel will be resold in the course of 1997 at a gain that is currently estimated at approximately NOK 50 million. Book equity totalled NOK 596 million, which is 31.5% of the total book value of the assets recorded in company's balance sheet.

In the opinion of the Board of Directors, the result and cash flow do not represent an adequate return on capital invested, since there was a general fall during the year in the

value of gas carriers, which according to independent brokers was estimated at about 20%.

MERGER AND ANNUAL GENERAL MEETING

The merger will be implemented with effect from the end of 17 February 1997, and the new shares will be listed on the Oslo Stock Exchange the following day. The cash settlement will thereafter be paid to the shareholders. Any dividend declared will be paid after the Annual General Meeting scheduled for 11 March 1997.

THE MARKET AND OPERATIONS

NGC's earnings tended to grow slightly during the year, and the number of unemployed freight-seeking days and time spent on docking were reduced from 22% in the first three quarters to 13% in the final quarter. The fourth quarter also produced the best operating profit for NGC in 1996, and this was in line with the third quarter in 1995. Average earnings on t/c-basis were USD 324,000 per month in 1996, compared to USD 380,000 per month in the preceding year. With regard to contract coverage, NGC has a more «open» situation for 1997 than in previous years. Currently, about 40% of the capacity is on contract for 1997. We also note that the Atlantic market is better than last year, and provides better earnings than we can today obtain in Asia. Capacity is therefore being transferred from Asia to the Atlantic Ocean, in order to make the most of this opportunity. Throughout 1996, 60% of NGC's activity was in Asia.

The global petrochemical industry which NGC serves has had a modest improvement in results in 1996. A further positive development is expected, due to global trade and economic prospects appearing positive. The movements in product and raw material prices also produce positive signs, but high crude oil, LPG and naphtha prices continue

to reduce earnings. On the whole, we expect that long-haul transportation of certain petrochemical gases will provide opportunities of more vessel days than last year and better tonnage utilisation. However, over the last few years, many newbuildings have been ordered in our segment, and this increase in capacity may possibly contribute to dampening expectations of improvements in earnings, since demand will not rise as quickly as the new tonnage enters our segment of the market.

The market assumptions for SPT's earnings were better than those for NGC, and SPT had a better result than in 1995. The result showed a tendency to flatten out during the last four months of 1996, compared to an improved situation in the first eight months. This is a seasonal trend we have seen in SPT's activities over the last few years. SPT's development as a whole was more satisfactory, and it now has a market position, cost level, and contract coverage for 1997 that give reasons for believing that we can achieve a satisfactory result in this segment, particularly in light of the sharp reduction in employed capital in this segment.

In 1996, Princess Carriers covered its costs, which is considered satisfactory in light of the fact that this project only started in the third quarter of 1996. Our third vessel in this segment will be put into operation in first quarter 1997.

We are currently working on the final details concerning orders for 4 smaller vessels from China, for operation under Chinese flag, and which will be owned by the Chinese company «TNGC». This company is 50% owned by IMS, and was founded in 1996.

The vessels' operating- and administration costs have continued their current downward trend, and we expect further improvements in 1997. The increased focus on Asia results in costs for measures which we did not previously have, and this has resulted in some increase in administration costs. We have also in 1996 had a year with few accidents and incidents which in general provides us with a good starting point for 1997. IMS' goal is to offer the most

cost-effective products and the best service towards our customers in our segment of the maritime transportation industry. In addition, 1996 provided us with an opportunity to implement several projects that will improve our competitiveness, and contribute to securing income. It is expected that these projects will contribute to a return on the capital invested which is in proportion to the risk inherent in our type of business.

MERGER OF I.M. SKAUGEN ASA AND SKAUGEN PETROTRANS ASA

Skaugen PetroTrans ASA (SPT) was established in August 1991, following a resolution to spin off I.M. Skaugen ASA's (IMS) ship to ship transfer operations and the corresponding ownership interests in medium-sized crude oil carriers. One reason for the spin off was the introduction of The Oil Pollution Act of 1990 (OPA'90) in the USA, which stipulated a possible unlimited liability for owners that caused oil spills in American waters.

Another reason was the restructuring that was necessary for IMS' operations as a result of many organisational weaknesses, with a lack of focus on both costs and quality related to its shipping activities, and the high financial exposure due to over-expansion in most business segments toward the end of the 1980s and in 1990.

In 1991, it became clear that it would be easier to restructure the activities if they were organised into two independent companies, with each organisation focusing on its respective market areas. An unsuccessful restructuring of an individual activity could otherwise have a domino effect on the total operation.

On the whole, by spinning off the ship to ship transfer activity, the shareholders' risk was reduced and isolated.

After having operated in US waters for 5 years, SPT and the maritime transportation segment in general now feel substantially more comfortable with its obligations under OPA'90. Furthermore, SPT has sold the

crude oil tankers it owned and operated, and thus significantly reduced its risk exposure. There are now established satisfactory insurance schemes which cover the liability we can be exposed to in connection with possible environmental damage as the result of an oil spill in the USA.

Over the last few years, the two companies have co-operated closely in such areas as development of new services and quality assurance, and exchanged management capacity. All based on commercial agreements and understandings.

Subsequent to the merger, it will be easier to exploit synergy, by better exploiting the companies' infrastructure, and administrative, management and operative functions. This makes it possible to strengthen efforts aimed at a common expansion in the rapidly growing market for logistics and distributions services in the maritime segment in Asia. It is expected that substantial efficiency gains can be achieved from the merger, with a more cost-effective shareholder structure and better exploitation of common financial and administrative resources. The merger, and the structure opted for, facilitated a large cash payment to the shareholders of the two companies.

The Boards of I.M. Skaugen ASA (IMS) and Skaugen PetroTrans ASA (SPT) agreed on 23 October 1996 to present a merger proposal to the companies' Extraordinary General Meetings. On this basis, a merger plan was prepared after both parties had carried out financial surveys and obtained legal opinions confirming issues related to the companies' activities that could be of importance to evaluating the stock swap and the merger plan. The Extraordinary General Meetings approved the plan on 11 December 1996, and subsequent to that date, the companies have had a common Board of Directors and management. One share in SPT was valued at 0.5205 shares in IMS, which implies that 74.3782% of the merger compensation was allotted in favour of IMS shareholders, and 25.6218% of the merger

compensation was allotted in favour of SPT shareholders.

Of the total merger compensation of NOK 866 million (based on the average traded price on the Oslo Stock Exchange during the five days immediately preceding the Extraordinary General Meetings on 11 December 1996), 80% was settled by issuing new shares in the newly merged company, 20% of the compensation, or NOK 173 million, will be paid in cash to the shareholders. Based on a desire to have shares in the «new» I.M. Skaugen ASA in line with other shipping shares on the Oslo Stock Exchange, the Boards of the merging companies, after due deliberation, decided that an opening price per share in the NOK 100 range was preferable. The nominal value of the share will be NOK 60,00, and 6,642,556 shares will be issued. In that the new market price is considerably above the nominal value, IMS has secured the necessary flexibility needed to carry out new share issues, and other operations in the equity market, in order to reach our strategic goals.

I.M. SKAUGEN ASA – A SERVICE COMPANY IN A PROCESS OF INTER- NATIONALISATION

Subsequent to the merger, I.M. Skaugen operates a total of 28 vessels, 16 of them gas carriers, 3 chemical carriers, 5 crude oil tankers, and 4 lightering support vessels (LSV), which engage a total of 483 employees, approximately 83% of whom are onboard the vessels at any one time. In addition, there are 76 people employed in the offices in the countries where we are now represented. In the course of 1998, we will take delivery of four more gas carriers through the joint venture company Hubei Tian En Petroleum Gas Transportation Co. Limited (TNGC), which is 50% owned by IMS. In this connection, an office has been opened in Shanghai, in order to operate these vessels our chemical carriers, and possibly other

vessels, in an effective manner, and to further develop the focus on China. We have thus begun a stronger process of internationalisation, and in addition to our head office in Oslo, we have offices or are represented in Singapore, Shanghai, Houston, London, Haugesund, Seoul, and Brussels.

The company's operations are divided between transportation of LPG, petrochemical gases and organic chemicals through wholly and partly-owned entities that are currently marketed as «NGC», «TNGC», and «Princess Carriers», and ship to ship transfer of crude oil through «SPT».

Other activities are organised as separate companies which operate independently of the core business, and are named «MTS», «GRS», and «Winge Concordia». Through MTS (Marine Technology Services AS), we provide advisory services for quality assurance of transportation services. This new company primarily aims at having other IMS operations as its customers, but on the basis of proven concepts from these companies it will try to market its services to others as well. We have also established a travel agency (Winge Concordia) in this area of activity, which will be developed as an IT-based agency. Also in this case, IMS will be used as the customer base for developing new products and services that we will later try to sell externally.

GRS (Gas Recovery Systems AS) is a company within the Group that has developed world patented technology for recovering gases when changing cargoes. The project is currently developing prototypes of the plant with a view to commercialisation, after it has been successfully tested on board and on shore with the help of NGC.

We have also developed a small, but highly successful and profitable business in increasing the efficiency of the process when changing cargoes for various types of gas and chemical carriers. This concept was tested in the Arabian Gulf in 1996, and will be introduced to other parts of the world under the auspices of our company.

DEVELOPMENT OF A SERVICE COMPANY

For many Scandinavian, and especially Norwegian, shipowning companies, buying and selling vessels is one of the most important aspects of the business strategy. IMS takes a different approach. IMS' business strategy is that through long-term involvement in vessels, crew, the quality of operations and operative routines, it shall develop better products for the customers, and thereby offer value-adding services. After having focused on efficiency and systematically compiled data for many years, building up experience and analysing the needs of the customers, IMS is now perceived as a competitive service company in gas transportation and ship to ship transfer of crude oil.

Such a shipping activity has a far more industrial basis and assumes closer co-operation between the shipowner and the customer, where even the smallest deviation in the expected sailing pattern can have major production-related and financial consequences for the customer.

To meet this need, IMS has management and information systems that make vital market-related and operational information available to all sections of the operations, as well as to the customers. By exploiting the width in the organisation's know-how, and through active use of information data bases, the company has gained a competitive edge in certain fields. One example is port services, where the company's data base has resulted in the development of new trades, and far better optimisation of operating and sailing patterns.

The following three areas are defined priorities in the efforts to further develop IMS as a service company:

- Differentiating services offered, compared to those of our competitors
- Raising the quality of the services offered
- Endeavouring to continually improve productivity

We strive to do this by integrating logistics functions, and creating special solutions for our customers, where this is desirable and possible.

IMS's product concept comprises three main aspects; we sell confidence, we trade information, and we sell transportation services.

Confidence is built up by way of a documented ability to deliver and be reliable, and always to show a will to execute the assignments called for, and to endeavour to find solutions to problems that might arise without delay.

Through its operations, the company has access to data that experienced staff process into valuable information for both the company and its customers. This is made possible by the Customer Monitoring System (CMS), which is built up around modern information and database technology, and which the company introduced in 1993. The information gathered has contributed to a significant improvement in both loading and discharging, and time in port for both gas and ship to ship transfer operations. In addition, IMS has been able to provide its customers with valuable information so that they can better exploit the vessels. The value of the system is increasing all the time, and we believe that IMS currently has the leading data base on operations-related issues linked to ship to ship transfer of crude oil and seaborne transportation of petrochemical gases. This system has been extended by implementing smaller systems: Target Time Reporting (TTR) and Time in Port (TIP) which to a large extent have contributed to simplify the planning and to making the operation more efficient. We will try to integrate this system into some of our customers' IT systems, so that they follow the transportation better, and have access to updated information on their transportation assignments.

Through our extensive travel programme and ongoing contact with the customers, we will seek to have the best possible

knowledge of where cargoes are coming from and going to, and in particular where cargoes are available and who has a need of the products. We endeavour to systematise this work for our own transportation solutions, but we also want to transfer parts of the system to our customers, so that they can better plan their logistics systems. In this way, IMS is able to further develop its basic service: seaborne transportation.

ORGANISATION AND OPERATIONS – HEALTH, ENVIRONMENT AND QUALITY ASSURANCE SYSTEMS

Today, IMS has a flat organisational structure, with decentralised responsibilities. In addition, our organisation is widespread, geographically speaking. This should give all our employees interesting and meaningful opportunities to influence their own job and their own assignments. We have a clear goal: to further internationalise our activity and to attract competent and motivated employees irrespective of their nationality.

We are also seeking to acquire an organisational and cultural ability to work with employees in different parts of the world. We work with modern IT solutions, and we have invested in equipment that allows our staff to be in contact with their offices from mobile office solutions and from their homes. This is also the case for many of the crew members, who have been offered «Home PCs» for personal communication with their vessel, their home and the office. Active use of modern IT solutions will be a requirement if anyone is to be engaged by our organisation in the future. Our intention is to have this philosophy improve production and raise the level of our services, so that we are perceived as a more attractive supplier of transportation and logistics services than before.

There are no direct changes in any of the subsidiaries' organisations as a result of the merger, but efficiency and

co-ordination measures have been introduced with a view to increasing productivity even more, as well as product development. The Group administration will not be enlarged as a result of the merger. All members of the company's Group management also have parallel assignments in the subsidiaries, so we do not expect Group central staff to increase as a result of the merger. Since 1991 (when SPT was spun off from IMS), the total administration costs have been reduced by 40%, corresponding to NOK 33 million per year. We believe that the costs can be reduced even more as a result of the merger, but we intend to concentrate on expanding our marketing efforts in the various markets around the world, and this will limit the chance of reducing total costs. Focus on improving productivity is therefore increasingly important, and we are continually improving our ability to work with other cultures. Thus, central staff functions can be limited, and relatively speaking, the number of market-related workers is being expanded.

In 1996, NOK 2.5 million was invested in courses and training programmes, with participation from most of the employees. We hold regular courses in English language communication for the staff, as well as contingency planning, crises and media handling, and presentation techniques. These are in addition to vocational courses and seminars.

IMS is increasingly able to exploit information technology and the infrastructure built around it. A great deal of weight is therefore placed on training the individual employee in this field.

Recruitment is subject to stringent requirements. Education, practical experience and linguistic abilities are prerequisites for serving onboard or on shore, and all officers take psychological tests before being employed to minimise the risk inherent in new appointments.

We put a great deal of emphasis on having a multi-cultural recruitment

policy, but this places great demands on communications and our ability to work toward, and with, nationalities other than those we have traditionally worked with.

In 1996, we again focused on and implemented a range of measures that are aimed at preventing accidents. All accidents, close-misses and deviations from instructions are immediately reported to management, and are subject to analysis and assessment, with a view to avoiding repetitions in the future.

These Incident Reports are one of the most important tools we have for focusing on improvements, and for learning from incidents onboard and on shore.

There were no incidents that resulted in any major pollution of the environment by any vessel owned or chartered by the company in 1996. We endeavour to limit the small spills from vessels that are part of the current operations and existing technology, and note that changes in attitudes give results.

In 1996, we had one incident onboard that proved fatal. It has not been proved whether this was the result of an accident or injury.

In 1996, we again registered the positive trend from the last few years with regard to personnel injuries, and with regard to damage to cargo and equipment on all the vessels in the fleet.

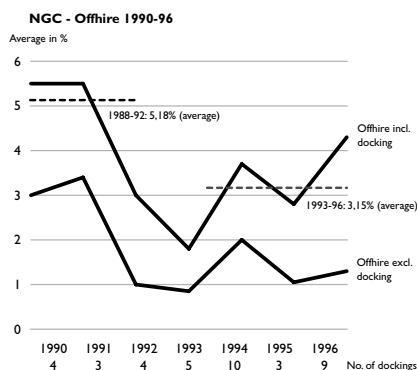
Since 1990, the number of injuries to crew members and cases of damage to cargo on NGC carriers have been reduced by 90% and 70% respectively. In the same period, the number of off-hire days has been reduced by 63%, and damage to hull and machinery by 93%.

NGC registered eight injuries, of which three were reported to P&I, in connection with work carried out onboard the company's vessels in 1996. NGC vessels continue their positive development with regard to off-hire. We had a slight rise in the average number of days off-hire as a result of docking in 1996.

Unscheduled off-hire which often follows

accidents and leads to operating expense overrides, continues to develop in a positive way.

In 1996, NGC vessels had a total of 255 days off-hire. 191 of these were for docking. Unscheduled off-hire, therefore, totalled 64 days, or an average of 3.76 days per vessel, compared to the budgeted 3 days per vessel. In 1996, a total of 180 days were lost as a result of periodic shipyard maintenance. For 1997, it is expected that the corresponding figure will be 38 days.



This development is first and foremost a result of investments in further vocational training and building up know-how in the organisation, in particular as a result of our organisation's culture which is based on pro-activity and planning, also in connection with the operation of the vessels. We have completed our first full operating year with a bonus scheme for senior officers onboard our vessels. This programme, designated «Key Result Area (KRA)» gives bonus points in three sectors, namely: 1) safety, 2) customer satisfaction, and 3) productivity. We measure the results for each vessel and its senior officers, and this results in an annual bonus. It is our hope that this scheme, and a corresponding scheme called «Special Services Group» will further motivate efforts aimed at reaching our main goals. The «Special Services Group» programme provides an annual bonus to our most experienced and innovative captains and chief engineers.

In the course of 1996, our customers

and oil/petrochemical companies carried out 47 inspections of NGC's gas carriers. A total of 208 surveys were carried out onboard our vessels for customers, flag nations, port nations and classification societies, as well as formal visits from the Confederation of Norwegian Trade Unions in order to contribute to quality assuring the transportation solutions. None of the resulting reports included comments of a serious nature, and all surveyed vessels were approved on the first survey, or the second survey if this was necessary. NGC's customers are among the largest oil and petrochemical companies in the world, and they have very demanding inspection systems. All statutory and classification surveys are carried out in accordance with regulations, within the time limits set. We have endeavoured to have our vessels satisfy the inspection programme which Chemical Distribution Institute (CDI) has prepared, and we try to adapt our vessels to this programme.

Some of our customers also have their own solutions which we also try to satisfy. In addition, we have introduced our own inspection programme through MTS. Our starting point has been that our own system shall be even more demanding than those of our customers, so that it is more difficult to pass the internal inspection programme than the external programme.

The quality assurance programme used at the offices and onboard the vessels is adapted to the safety and quality assurance system which the European gas and chemical producers have developed in association with shipowners' representatives. We are now also working on our own ISM (International Safety Management Code)/ISO (International Standards Organisation) 9002 approval for NGC, and this will be granted in 1997. SPT will begin its own ISO certification, and this should be granted in 1998.

SPT's damage prevention efforts aimed at ensuring that all the crude oil transportation it executes to and from the

US is safe and secure has, also had good results. The quality of operations and the vessels is continually being monitored, and the vessels are subject to frequent internal and external checks and inspections. Our mooring masters are all very experienced, and have now completed a simulator course and further vocational training. All lightering support vessels have been converted and adapted to ship to ship transfer operations. All the vessels are well suited to take part in environmental clean-up operations of oil spill and are capable of carrying equipment intended to contain oil spills. Some are also fitted out with extra fire-fighting equipment. Comprehensive contingency plans have been prepared, and insurance has been taken out in accordance with the extremely stringent legislation that governs this type of operation.

SPT's damage statistics are good. After having executed more than 6,300 assignments and handled more than 2.5 billion barrels of oil, not more than 900 barrels have been lost as a result of accidents. Furthermore, we can show that so far, SPT has not cancelled any ship to ship transfer operation as a result of an accident, weather conditions, or for any other reason. We are continually seeking to improve our «on time» performance ratio. The same attitudes and routines as are found in NGC, and that are now implemented in the CMS system, are used by SPT, and are adapted to its operations.

In the field of gas transportation, IMS leads the field with the use of Gas Recovery Systems (GRS) which it has developed, and which according to estimates and forecasts will recover 95% of vapour lost during discharging. This technology is world patented, and is now fully developed. It will be commercialised and marketed in association with the Foundation for Industrial and Technical Research at the Norwegian Institute of Technology and Statoil in Norway, and with AGA in Sweden. A prototype is being

constructed and will be tested by Statoil/Borealis, which is one of many good NGC customers. The solution arrived at can, according to Dow Chemical's guidelines for industrial standards, be used on approximately 80% of the world's gas fleet without any major modifications. When emptying and cleaning an ethylene vessel, for example, as much as 20–40 tonnes of ethylene may be released to the atmosphere. Today, a loss of 0.5–1.0% of the total cargo is regarded as acceptable. On an annual basis, the emissions of these gases in connection with the transportation of liquid gas are in the region of 275,000 tonnes, worth approximately USD 100 million.

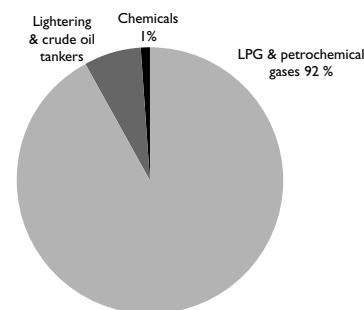
IMS assumes that the authorities' demands in the future will be considerably more stringent, and to a great extent the company has already adapted to the demands that are expected to come. It is also our hope that the many measures being introduced around the world in order to reduce accidents and injuries onboard vessels, and in connection with transportation assignments, will bear fruit, so that the many vessels and companies now operating with inadequate routines and insufficient competence, and in some cases with vessels that do not satisfy the minimum technical requirements, will be excluded from competing for assignments.

RESULT, BALANCE SHEET AND FINANCING

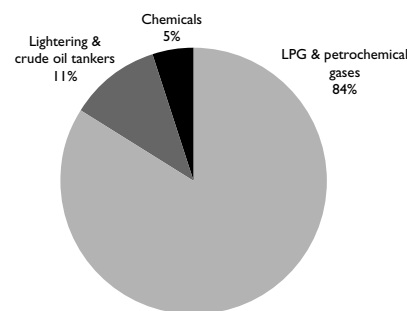
In 1996, transportation of gas/organic chemicals and ship to ship transfers generated 99% of gross freight revenue, each segment accounting for approximately one half. 84% of the capital is engaged in NGC gas transportation. Over 90% of the staff is involved in this activity.

In the 2nd quarter of 1996, IMS acquired 60% of DS AS Idaho, and in this connection received an option to take over the rest of the company. IMS decided to execute the option, and the remaining 40% of the company was taken over in December 1996.

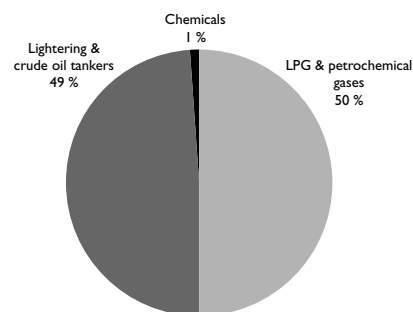
Number of employees per 31.12.96



Capital employed per 31.12.96



Gross Revenue pr 31.12.96



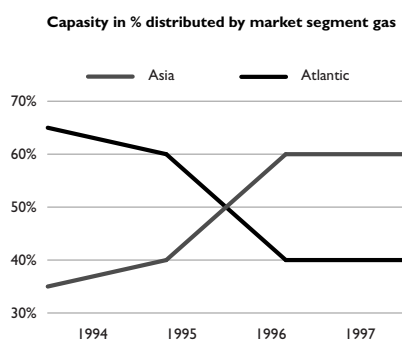
Source: IMS

The transaction and the integration had a positive impact on the Group's equity of approximately NOK 107 million.

DS AS Idaho is a financially sound shipowning company that has been engaged in extensive gas transportation and tanker trades, and previously also in carrying chemicals. This company provides a good starting point for the Group's new activities, and it is now being restructured as a result of being integrated with our activities. With the IMS' take-over, the company will increase its efforts in gas and chemical transportation mainly focusing on Asia. Currently, the company is engaged in this segment through

«Princess Carriers» and «TNGC» in the Hubei Province of China. As a result of our executing the option to acquire all the shares in DS AS Idaho, the co-operation established with the previous owners will be wound up. They will buy back the shipowning company Christian Haaland AS (not consolidated in our balance sheet), which was a subsidiary of DS AS Idaho. As a consequence, DS AS Idaho will change its name in the course of the first quarter of 1997.

Our new activities in China through TNGC will not have any significant impact on the profit and loss account and balance sheet before 1998, even though we decided in 1996 to invest approximately USD 7.5 million in this project. The investment through Princess Carriers covers approximately USD 15 million in three vessels to be managed by DS AS Idaho out of Shanghai. This project started in the 3rd quarter of 1996.



NGC made 299 voyages during 1996 including voyages made under t/c's, and a total of 1.03 million tonnes of products were transported. Princess Carriers transported a total of 66,1 tonnes of products during their 15 voyages made since the start in August and throughout 1996.

For NGC, the distribution was as follows:

%	1996	1995	1994
Ethylene	48	35	27
Propylene	16	25	18
Butadiene	6	3	2
LPG and other chemical products	30	37	53
Total no. of voyages	299	404	369
Total tonnes	1,03*	1,40*	1,29*

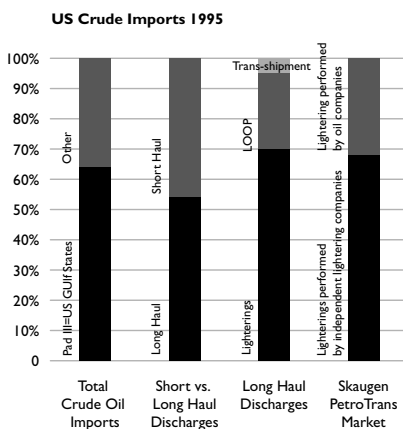
* Million tonnes

SPT made 445 voyages and transferred 231.3 million barrels of crude oil ship to ship during the year, compared to 372 voyages and 200 million barrels of crude oil in 1995. In 1996, SPT operated a fleet of 5 crude oil tankers and 4 lightering support vessels (LSV).

For STP the distribution was as follows:

	1996	1995	1994
Full service			
lightering	328	271	284
Support service			
lightering	117	101	135
No. of barrels of oil	231,3*	199,9*	220,1*

* Million



For NGC, there was a much weaker development in the activity level within the petrochemical market than in 1995. In 1996, the average rate on a t/c basis, including idle time, was USD 324,000 per month/vessel, down from USD 380,000 per month/vessel in 1995. In 1996, the number of idle days was 14.9% compared to 5.2% in 1995. Our estimates indicate that USD 10 million was lost through idle time, compared to the vessels sailing all these days at the same average earnings as for the rest of the year. The average rate would then have been at the same level as in 1995.

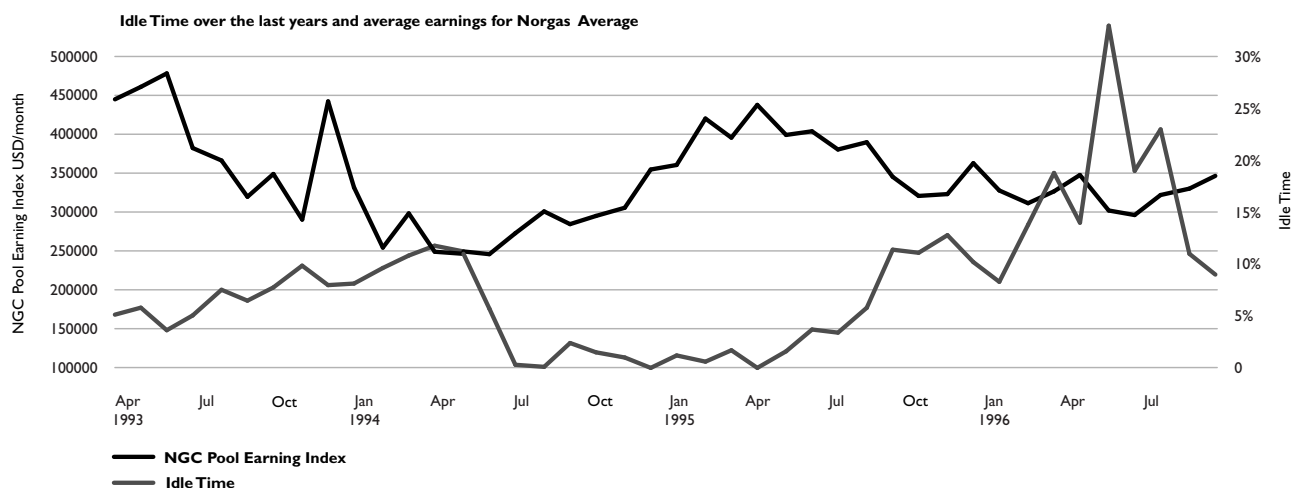
«Norgas Christian», a vessel that was chartered in, was handed back to its owners in the third quarter of 1996, at the end of the agreed five year charter. A

corresponding vessel, «Norgas Teviot» has been chartered in for a 12-month period. This transaction resulted in the annual t/c costs being reduced by approximately NOK 11 million.

Through well-structured marketing, SPT achieved a 22% increase in ship to ship transfer volume in 1996, compared to 1995. This increase in volume made it possible to improve the sailing pattern, with less time in the «single voyage» market and less idle time in all. The improved sailing pattern and the higher degree of utilisation caused the time charter result to rise from USD 18,400/day in 1995 to USD 21,900/day in 1996 – a rise of 19%. An increased use of tonnage chartered in, and the sale of our own vessels, resulted in the total costs of the ship to ship transfer operations in the US rising. However, the financial impact was reduced by more effective utilisation of the fleet, and better rates in the general freight market in the company's tonnage segment in the Caribbean. This made it possible to achieve better margins on the ship to ship transfer side. The total result for the Group from using tonnage chartered in is positive. No crude oil tankers were docked at the company's expense in 1996.

For NGC's traditional activity, 9 dockings were carried out in 1996, at a total cost of NOK 36 million. For NGC, investments in upgrading and maintenance totalled NOK 87 million in 1996, of which NOK 48 million was expensed in 1996, and NOK 39 million has been capitalised in the balance sheet. Lost operating income as a result of off-hire totalled NOK 65 million (idle time and lost earnings).

For «Princess Carriers», which was established in 1996, upgrading of the vessels before they were put into operation totalled approximately NOK 47 million, of a total investment of approximately NOK 95 million in this segment.



Insurance costs for the Group, but especially for the NGC fleet, were reduced in 1996 compared to the preceding year, due to improvements in operations and better control routines. In 1996, we had three major accidents in the NGC fleet that called for insurance settlement. Two of these were due to matters outside our control, while one was due to matters that brought to light inadequate routines in connection with the maintenance of the main engines.

We expect a further reduction in 1997, but this time as a result of a better market for insurance buyers. In 1997, our insurance costs for the NGC fleet will be half of the 1992 level, mainly because of better operational conditions and far fewer claims. Costs connected to the OPA'90 insurances etc., have also been changed, and will result in far lower operating costs for SPT in 1997.

Since freight revenue and almost 75% of the expenses and the value of the vessels are denominated in US dollars and the fleet is financed in US dollars, the entire IMS Group is managed with the US dollar as the functional currency. Our analyses show that the company is best served by a strong dollar against the NOK. The USD rate strengthened by about 2%

against the NOK in 1996. This is the main reason for the accounts in Norwegian kroner showing a net foreign exchange gain of NOK 26 million.

For 1996, IMS had a positive cash flow of NOK 30 million, or NOK 4.51 per share. This is a reduction of NOK 84 million from 1995. In January 1996, one crude oil tanker («MT Skaubay») was sold, and one Lightering Support Vessel (LSV) was also sold later in the year. These sales had a NOK 58 million impact on the cash flow. The profit for the year was NOK 107 million, up NOK 10 million from 1995. The profit for the year represents a 18% return on book equity, and NOK 16.11 per share. This is a positive improvement of NOK 1.51 per share compared to 1995.

On 31 December 1996, total assets amounted to NOK 1,891 million, up NOK 183 million on the preceding year. The equity ratio was 31.5%, for both 1996 and 1995.

Independent brokers estimate that the company's vessels have a market value that is NOK 189 million higher than the book value of NOK 1,080 million. The market value of the gas vessels is reduced by 20% since 31 December 1995, which is NOK 146 million more than the ordinary financial depreciation of NOK 100

million. An Aframax tanker was bought in January 1997, a ship we had on a long-term financial lease through SPT running until the end of 1998. The vessel is intended resold in 1997 at a profit currently estimated at approximately NOK 50 million.

At the end of the year, the group had insignificant off balance sheet items above and beyond the t/c obligations related to the ship to ship transfer operation. The total t/c obligations that have a term of more than 12 months amount to NOK 171.6 million, and are entirely in the ship to ship transfer segment.

ALLOCATION OF THE PROFIT FOR THE YEAR/DIVIDEND

The parent company, I.M. Skaugen ASA (the merged company), had a profit of NOK 34 million in 1996.

The board proposes the following appropriations and transfer of equity :

Transferred from Reversal fund	22
Group contribution	110
Dividend	(50)
Transferred to retained earnings	(116)
Total	(34)

The Board proposes that a dividend of NOK 50 million be declared for 1996, corresponding to NOK 7.50 per new IMS share. This dividend reflects the Board's desire to make a cash payment to shareholders of 20% of the estimated and agreed value-adjusted value per share as calculated by the company's financial advisers in connection with the merger. The Group's overall tax position is not expected to change much over the next few years. Taken into consideration that it already has been decided to implement the new tax legislation for shipowning companies for certain parts of the group.

For more information concerning the Group, the Board and Auditor remuneration and the Managing Director's salary, please refer to note 1 of the annual report.

Additional information regarding the Shareholder situation and shares owned and controlled by members of the Board is disclosed in note 15 of the annual report and on page 28.

PROSPECTS

In general, the Asian economies enjoy a high growth rate (excl. Japan), although it is clearly lower than before. Compared to Europe and the US, the growth is still very high, and this should provide positive opportunities for our vessels.

However, we assume that the continued economic development is expected to be positive in Asia (excluding Japan), USA, and in Europe. Japan is also in a more positive phase as well. We expect that Russia and the rest of the former Soviet Union will enter a more positive economic phase in 1997 and will make a positive contribution to world trade.

We are therefore entering into a year with positive growth throughout the world. There are no major regional

conflicts that seem to threaten the world, or this growth. This situation may form the foundation for continuing growth. We have low inflation rates, and a low interest rate level in most economic regions.

We are however very careful with our investments in a period of strong economic expansion. We are also hesitant to increase our financial exposure now that we have seen a long period of economic growth. Even small changes could aggravate the situation for international shipping, especially in markets with tonnage overcapacity or with a large order book.

NGC – GAS TRANSPORTATION

For 1997, NGC assumes a somewhat weaker development in the transportation of petrochemical gases, especially for ethylene in Asia, compared to 1995/96. This is due to the construction of many integrated petrochemical plants. We are, therefore, in a period with a lesser need for transportation of ethylene to down-stream plants in Asia that come on line in 1997/98. On the other hand, there are no large pipelines in Asia, and no expansions are expected for some time. The new down-stream plants, and the newly established integrated plants, will therefore form a basis for other, maybe somewhat more sporadic, transportation patterns (more short haul and distribution) of ethylene than we have seen up to now. We believe this will provide NGC with opportunities since our new organisation places both commercial responsibility and responsibility for following up the NGC fleet that is East of Suez with the office in Singapore effective 1 January 1997.

On the other hand, we believe that the need for seaborne transportation of propylene, butadiene and VCM in Asia is growing. There is a shortage of such products

in the area, which will result in increased long haul import by larger vessels. This can increase CBM miles, and possibly have an indirect positive impact on our tonnage.

Korea's petrochemical industry, which was built up through massive investments toward the end of the 1980s came on line early in the 1990s, and changed the trading patterns significantly. Previously, Korea was one of the world's largest importers of petrochemical gases, and in the course of a few years became the world's largest exporter. The plants are now completed, and the capacity fully utilised locally, with exports to China rising sharply. There are therefore very few products available for export from Korea to the rest of Asia at the moment. We have seen this trend in India as well, and India is today the world's largest importer of ethylene. The country will start its own production and possibly export ethylene in the course of 1997. We will see a development similar to Korea and India in Thailand, but with the national ambitions in Thailand being more in resemblance with those in Korea. The next nation that will develop into a large importer is the Philippines, which will start to import in 1997/98. Indonesia will also develop into an importer. The traditional exporters in the Arabian Gulf will continue to be the world's leading exporters of petrochemical gases with the lowest costs and form the basis of petrochemical raw materials available in Asia.

It is expected that the activity in Europe and the Trans-Atlantic market will be better in 1997, and that the eastbound Trans-Atlantic trade with propylene from the US will start up again after having disappeared entirely in the autumn of 1992. It is also expected that eastbound

Trans-Atlantic ethylene and VCM can be combined with westward-bound butadiene. This will give better opportunities for our business in this segment than we have seen for many a year. We also expect that the development in South America will offer us new opportunities.

All-in-all, we expect the market for large and medium-sized vessels for transporting petrochemical gases and LPG to improve, and that this will have an effect on our segment for smaller carriers. The total «small order book» (approx. 4%) for all types of gas carrier and the generally more positive economic development around the world have traditionally had that effect.

In 1996 we declined a number of contract of affreightment agreements that would have given us an inadequate return, as we choose to view 1997 with more optimistic eyes than indicated by the rates offered. Many others have entered into contracts of affreightment at such levels, and this should give reasons for believing that a combination of the many offers and the capacity tied up in connection with them should provide us with better opportunities if our forecasts prove correct, and if we manage to exploit them organisationally. This has resulted in our signing some new contracts and obtaining new customers in 1997, while some have left us. All-in-all, we have a more «open» book than in previous years, and the year may result in substantially larger fluctuations and challenges than previously. This will demand much more of our organisation, and some adjustments have therefore been made to ensure the best possible effect.

In the course of 1996, NGC carried out its scheduled docking programme (9 dockings), and with 3 dockings planned for 1997, we are well placed to meet a

higher level of activity as off hire days due to docking will be considerably reduced.

As a result of last year's improvements in efficiency, NGC now has a more competitive cost level, a level that to a great extent compensates for the fall in rates we have seen, and which is better suited to the level we expect in the future. We are working to reduce the level even further, so that we can better adapt ourselves to the development and future competition we can see will come from various players, for instance in Asia.

SPT - SHIP TO SHIP TRANSFER (LIGHTERING)

The market in the year to come is expected to be stable, and the business will first and foremost operate off the US coast. With a competitive cost level and a satisfactory level of activity, the company is well positioned to offer ship to ship transfer services at competitive rates. The US economy is positive, and the consumption of crude oil is expected to develop in line with this.

While domestic US production of crude oil is flattening out, there is still every reason to expect that imports, and the need for ship to ship transfer services, will increase. Import of crude oil is increasingly taking place in large tankers that cannot call directly at the US ports, i.e. tonnage that is dependent on transfers of the cargo to reach the destination. In the long run, it is reasonable to assume that the Middle East, with the world's largest oil resources by far, will be the dominant supplier of crude oil to America. In order to achieve benefits of scale, most of this oil will be carried on tankers that are too large to call at the final port of destination.

For environmental reasons, the building of new deep-water US ports is not regarded as a realistic alternative to the

present US import logistics.

The import of oil and products to countries in Asia, and particularly to China, is rising. The customers are to a great extent the same as in the US Gulf. We can also see that China and other countries in Asia very much lack deep-water ports, and we will endeavour to introduce our lightering concept to Asia. Initially, the company will offer support service with its own mooring masters and equipment, but with chartered tonnage.

OTHER ACTIVITIES AND NEW PROJECTS

In order to increase values for the shareholders, at this point in the petrochemical industry's economic cycle, the company is seeking to expand its operations from purely transportation of petrochemical gases such as ethylene and propylene by NGC, to include in a better way the transportation of VCM and LPG, as well as organic chemicals. This must be with other types of gas carriers than we have today.

We will also try to develop our lightering (ship to ship transfer) concept in Asia over the next few years. The Princess Carriers' projects are progressing according to plan, and it is expected that this part of the activity will make a more positive contribution to profits in 1997.

In March 1997, the company's third, and for the present final, upgraded chemical tanker in Princess Carriers will be delivered. The company regards this investment as a first step in acquiring competence regarding a growing market. To better exploit IMS' expertise in the Asian market, the business will be operated from Shanghai with effect from 1997. We are probably the first non-Chinese business to be established in China.

In all probability, the other activities

in China (TNGC) will not have any impact on the 1997 profit. We will order four smaller LPG carriers for transportation in China. These will operate under Chinese flag and are expected to be delivered in 1998.

IMS' goals are to create values and achieve earnings which provide a foundation for a renewal of the fleet and an adequate return on capital, having in mind the risks we assume. At the beginning of 1997, IMS has a better

starting point from which to reach these goals than it has had for many years, but achieving them will still be demanding without major structural changes in the industrial structure for gas transportation, since it is a fragmented industry with many suppliers of service, and with substantially fewer «buyers» of transportation services. High fixed costs and significant fluctuations in demand result in large variations in the rates paid for such transportation.

Nevertheless, with our concept, we try to build relations that ensure us assignments in good times or bad, but the rates can fluctuate with the general state of the industry as long as the customers do not prefer to sign long-term agreements.

We are satisfied with having behind us two years where the company has yielded a profit, and that the result of the operations justifies a dividend to the shareholders.

Oslo, 18 February 1997



Egil Abrahamsen
Chairman



Erik Eik



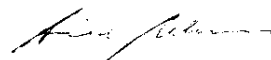
Harald Schjoldager



Morits Skaugen jr.
President & CEO



Tore B. Steen



Arild Ulmo



PROFIT AND LOSS ACCOUNT I.M. SKAUGEN

PARENT COMPANY								GROUP			
1994	1995	1996	NOK MILL.	Notes	1996	1995	1994				
60	49	44	<i>Gross freight revenue</i>		817	824	740				
(1)	(2)	(2)	<i>Voyage related expenses</i>		(177)	(185)	(178)				
59	47	42	Freight income on Time Charter Basis		640	639	562				
0	0	(36)	<i>Time-charter hire</i>		(199)	(143)	(121)				
(50)	(62)	(21)	<i>Other operating expenses</i>	◆1	(312)	(340)	(346)				
(21)	(21)	(0)	<i>Ordinary depreciation vessels</i>	◆2	(75)	(108)	(109)				
-	(21)	(0)	<i>Ordinary depreciation of capitalised upgrading/other</i>	◆2	(32)	(16)	-				
(12)	(57)	(15)	Operating Profit (Loss) before Sale of vessels and restructuring expenses		22	32	(14)				
0	0	(5)	<i>Merger- and Restructuring expenses</i>		(7)	5	1				
0	45	40	<i>Gain/(Loss) from sale of vessels</i>	◆2	5	50	0				
34	0	1	<i>Result from discontinued operations</i>		0	0	15				
22	(12)	21	Operating Profit (Loss)		20	87	2				
29	32	23	<i>Financial income</i>		30	26	18				
(21)	0	0	<i>Dividends and Group contribution from/write down of shares in subsidiaries</i>	◆7		-	-				
0	(11)	-	<i>Accounting effect regarding merger with subsidiaries</i>		-	-	-				
(12)	(13)	(18)	<i>Financial expenses</i>		(83)	(90)	(93)				
(13)	(6)	8	<i>Gain/(Loss) on foreign exchange</i>		26	39	50				
(17)	2	13	Net Financial Items		(27)	(25)	(25)				
-	-	-	<i>Extraordinary income</i>	◆2	7	14	-				
5	(10)	34	<i>Result before taxes</i>		0	76	(23)				
6	40	0	<i>Taxes</i>	◆4	107	22	(1)				
-	-	-	<i>Minorities</i>		0	(1)	-				
11	30	34	Result for the year		107	97	(24)				
			Appropriations and Transfer of Equity:								
			22	<i>Transferred from reversal fund</i>							
			110	<i>Group contribution</i>							
			(50)	<i>Dividend</i>							
			(116)	<i>Transferred to retained earnings</i>							
			(34)	Total							
				◆19	16,11						
				◆19	16,11						

◆12

BALANCE SHEET I.M.SKAUGEN

PARENT COMPANY			NOK MILL.	Notes	GROUP		
31.12.94	1.1.96	31.12.96			31.12.96	1.1.96	31.12.94
ASSETS							
162	307	129	<i>Liquid assets</i>	5	651	460	351
16	10	267	<i>Short-term receivables</i>	6	155	88	110
178	317	396	Total Current Assets		806	548	461
840	691	1,024	<i>Shares in subsidiaries</i>	7	-	-	-
33	4	1	<i>Long-term receivables</i>		3	3	2
0	0	0	<i>Investments in partly owned companies</i>	3	2	7	19
90	117	152	<i>Intercompany receivables</i>	8	-	-	-
117	54	0	<i>Vessels and capitalised expenses</i>	2	1,059	1,123	1,144
2	6	6	<i>Other fixed assets</i>	2	21	27	37
1,082	872	1,183	Total Investments and Fixed Assets		1,085	1,160	1,202
1,260	1,189	1,579	Total Assets		1,891	1,708	1,663
LIABILITIES AND EQUITY							
0	2	2	<i>Accrued salaries, vacation pay and related taxes</i>		2	2	1
20	41	290	<i>Mortgage debt due within 12 months</i>	10	408	187	40
73	212	223	<i>Provision for merger compensation/dividend</i>	12	223	212	72
23	18	13	<i>Other short-term liabilities</i>	6	130	90	109
116	273	528	Total Current Liabilities		763	491	222
86	0	0	<i>Long-term mortgage debt</i>	10	478	566	821
15	5	2	<i>Other long-term debt</i>	10	9	67	108
183	3	47	<i>Intercompany payables</i>		-	-	-
16	0	0	<i>Deferred tax liability</i>	4	0	0	22
300	8	49	Total Long-Term Liabilities		487	633	951
416	281	577	Total Ordinary Liabilities		1,250	1,124	1,173
0	0	0	<i>Subordinated unsecured loan</i>	11	14	14	43
30	30	30	<i>Convertible loan</i>	11	30	30	30
30	30	30	Total Liabilities with Contingent Rights		44	44	73
			Minorities		1	1	-
572	399	399	<i>Share capital (6.642.556 shares of par value NOK 60,-)</i>		399	399	572
242	479	573	<i>Other equity</i>		197	140	(155)
814	878	972	Total Equity	12	596	539	417
1,260	1,189	1,579	Total Liabilities and Equity		1,891	1,708	1,663
			<i>Mortgages</i>	10			
			<i>Guarantees</i>	13			
			<i>Other commitments</i>	14			

STATEMENT OF CASH FLOW I.M. SKAUGEN

1995	1996	NOK MILL.	1996	1995
		Cash Flow from Operations:		
54	44	<i>Received payments of gross freight income</i>	790	846
(70)	(70)	<i>Payments of voyage related expenses, t/c hire and other op.exp.</i>	(707)	(668)
32	23	<i>Received payments of interests</i>	30	26
(13)	(18)	<i>Payments of interests</i>	(83)	(90)
3	(21)	Net Cash Flow from Operations	30	114
		Cash Flow from Investments:		
89	92	<i>Received payments from sale of vessels</i>	107	100
0	0	<i>Payments of purchase of vessels and capitalised upgrading</i>	(131)	(18)
0	0	<i>Vessels resulting from pro rata consoliation of limited partnerships in 1995</i>	5	(104)
0	(437)	<i>Payments of purchase of shares and parts in other companies</i>	0	0
0	(46)	<i>Payments of purchase of other investments</i>	(46)	0
(68)	11	<i>Received payments from sale of other investments</i>	0	(4)
21	(380)	Net Cash Flow from Investments	(65)	(26)
		Cash Flow from Financing:		
0	0	<i>Received payments from raising new long-term debt</i>	0	0
0	290	<i>Received payments from raising new short-term debt</i>	290	0
(60)	0	<i>Repayment of principal of long-term debt</i>	(70)	(218)
0	(33)	<i>Repayment of principal of short-term debt</i>	(46)	0
0	0	<i>Payment of principal of financial leasing</i>	(21)	0
(72)	(40)	<i>Payment of dividend</i>	(40)	(72)
0	0	<i>Received payment of group contribution</i>	0	61
253	0	<i>Change in equity/cash flow from acquisition</i>	107	250
121	217	Net Cash Flow from Financing	220	21
145	(184)	Net change in cash and cash equivalents	185	109
162	307	<i>Cash and cash equivalents 1.1</i>	460	351
307	123	Cash and cash equivalents 31.12	645	460
		I) Reconciliation:		
(10)	34	<i>Result before taxes</i>	0	76
(45)	(40)	<i>Loss/gain on sale of vessels</i>	(5)	(50)
42	0	<i>Ordinary depreciation</i>	100	124
22	0	<i>Write-down of fixed assets</i>	0	0
0	0	<i>Future loss on charter</i>	(15)	(17)
(9)	0	<i>Change in short term receivables</i>	(27)	22
(3)	(7)	<i>Change in short term liabilities</i>	3	(2)
6	(8)	<i>Effect of exchange rate changes</i>	(26)	(39)
3	(21)	Net Cash Flow from Operations	30	114

ACCOUNTING PRINCIPLES I. M. SKAUGEN

GENERAL

The accounts of I.M. Skaugen ASA and the consolidated accounts for the Group are prepared in accordance with Norwegian Generally Accepted Accounting Principles, the main principles of which are described in the following.

On the 11th of December 1996 Extraordinary General Assemblies in I.M. Skaugen ASA and Skaugen PetroTrans ASA approved merger of the two companies by formation of a new enterprise in accordance to The Companies Act §14-10 fifth section.

The name of the merged company is to be I.M. Skaugen ASA. The merger is treated in accordance with the continuity method and is accomplished with effect for the financial accounts and for tax purposes from the 1st of January 1996.

I.M. Skaugen ASA and Skaugen PetroTrans ASA have not had, with one exception, substantial different accounting principles in the period from 01.01.94 to 31.12.96. In 1995 I. M. Skaugen ASA changed its principles of accounting for classification- and docking expenses. Parts of these expenses are to be capitalised and depreciated over the period until the next docking. Skaugen PetroTrans ASA charges the operating result at the time the docking takes place. Considered the facts that Skaugen PetroTrans ASA no longer owns vessels and that the deviation of principles in 1996 only result in a different presentation in the operating result, the deviation is not corrected for (see note 18).

CHANGE OF ACCOUNTING PRINCIPLES

The company has not changed accounting principles or essential estimates in 1996.

Regarding changes in accounting principles etc. in 1995, with a positive effect on the result of NOK 36 mill. it is referred to the 1995 Annual Report.

CONSOLIDATION PRINCIPLES

In consolidating the parent company with the respective subsidiaries into the consolidated accounts, the parent company's shares in the subsidiaries are replaced with the assets and liabilities of the subsidiaries.

Subsidiaries is of companies where I.M. Skaugen ASA directly or indirectly has a majority vote, controlling all material decisions. However, if the control is considered temporal, the investment is not treated as a subsidiary. For this reason Bulk Management AS (under liquidation) and Christian Haaland AS (disposed) are not consolidated. Labogas IX KS is consolidated in 1995 given that the group's share is not considered to be of a temporal nature. Intercompany receivables and liabilities are eliminated together with other intercompany transactions and their effect on net income.

Shares in subsidiaries are eliminated in accordance with the purchase method of accounting. Compensation paid at the time of the acquisition in addition to the book equity (excessive value) is attributed to the asset in question and capitalised in the consolidated accounts as fixed assets, and is thereafter depreciated in the ordinary way in the consolidated accounts over the assets remaining economic lifetime.

The balance sheets of foreign subsidiaries, except for vessels and mortgaged debt, are translated at the exchange rates at year end.

Their profit and loss accounts are translated at the average exchange rate for the year. Vessels are translated using historic rates, and long term mortgage debt at the highest of the historic and the year end rate. Translation differences are classified as foreign exchange gains/losses under Financial Items.

Balance sheet figures in foreign subsidiaries not subordinated the shipping function, are converted to NOK based on the year end rate. Profit and loss figures for these subsidiaries are converted on the basis of the average exchange rate in the period. Conversion differences are charged directly to the consolidated equity.

INTERESTS IN OTHER COMPANIES

Interests in partly owned companies where the group's influence is considered material, but not by itself gives full control over the companies assets, are presented according to the equity method.

The group's share of the result in the partly owned company is presented net as a separate caption in the Profit and Loss Account. This item accordingly includes both freight income, operating expenses, depreciation and write downs, as well as net financial items in the respective partly owned companies.

Interests in joint ventures are presented according to the pro rata method of consolidation.

The group's accounting principles regarding depreciation of vessels have been applied based on allocated higher/lesser value at the time of acquiring the interest.

Associated joint-stock companies are presented according to the equity method.

PARTICIPATION IN POOLS

The Group's gross freight revenues, voyage expenses as well as assets and liabilities related to the NGC-pool are incorporated in the accounts using pro rata consolidation based on the participation in the pool.

REVENUE RECOGNITION

Revenues and expenses related to voyages of vessels are accrued on the basis of the number of days the voyage lasted in the fiscal period. A voyage is defined as starting after unloading at the end of the previous voyage.

LEASED OPERATING EQUIPMENT

The company distinguishes between a financial and an operational lease. In the case of operational leases, the lease cost (time charter hire) is accounted for as an ordinary operating expense. In the case of a material contingent loss on a long-term operational lease, a provision is made for the contingent loss. Financial leases are recorded as an asset and liability, and the lease payment is shown as interest expense and principle payments.

FOREIGN EXCHANGE

Current assets and current liabilities in foreign currencies are recorded at year end rates. Long-term debt is recorded at the higher of the date of drawdown and year end date. Items which are hedged through forward contracts are recorded at the forward contract rate. The following year end/average rates are used as of 31.12.96: NOK/USD 6,45/6,47 and NOK/DEM 4,17/4,30.

FINANCIAL INSTRUMENTS

The contracts are defined as hedging or trading contracts. The hedging contracts are accounted for based on the underlying asset/debt of the future transactions. Further, the premium or allowance is recorded on a straight line basis over the period of the hedge. Trading contracts are evaluated to market value.

EXTRAORDINARY ITEMS

Classification as an Extraordinary Item requires that the item is material, unusual, and is not expected to occur often or regularly. The expenses related to the merger and the following restructuring expenses are presented separately in the group's Profit and Loss Accounts.

RECEIVABLES

Receivables are recorded at their nominal value less provisions for bad debt.

BUNKERS

Inventories are recorded at the lower of historic cost, as defined by the FIFO method, or market values.

SECURITIES

Financially motivated investments in shares are classified as current assets, while strategic investments are classified as long-term assets. The portfolio of current assets is valued at the lower of cost or market value. Strategic investments are classified as fixed assets and valued at cost less write-downs when the reduction in value is regarded as material and lasting. Strategic investments are valued separately.

Short-term investments in bonds, notes and certificates are valued as a portfolio at the lower of cost or market.

FIXED ASSETS

Fixed assets are recorded at acquisition cost less accumulated depreciation and write-downs. Vessels sold after year end or planned sold, are written down to sales price or market value based on an overall assessment. Ordinary depreciation is on a straight line basis and determined by an estimation of the remaining useful economic life of the asset. Estimated scrap value is not considered. The gas carriers are considered to have a total economic life of 30 years.

PENSION OBLIGATIONS

Net pension expense is classified in its entirety as salary related expenses in the Profit and Loss Accounts and contains the service cost in the period inclusive estimated future salary increases, interest on projected benefit obligation less return on plan assets, and amortisation of changes in pension plan, estimates and assumptions. The effect of changes in estimates and differences between estimated and actual return are recognised over the remaining service life of the employees when the accumulated effect is above 10% of the larger of the pension fund and the pension obligation. In the Balance Sheet, the net funded plan assets and unfunded pension obligations are shown as long-term liabilities. The reason for presenting this as a net liability is materiality considerations.

TIMING OF CLASSIFICATION, INVESTMENTS AND UPGRADING OF THE VESSELS

The criteria used when deciding the extent of repairs and maintenance while docking increasingly should be viewed as an investment decision.

Docking expenses are capitalised and depreciated over the period until the next docking, normally 30 months.

When tonnage is acquired in the secondhand market, the cost price is split in the costprice of the vessel and the capitalised dockings.

Other repairs and maintenance costs are expensed when incurred.

TAXES

The company's total deferred tax is calculated with a tax rate of 28 percent. The deferred tax indicates how much tax would arise if all the assets/liabilities were to be realised at the book value. In this connection, consideration is given to the carryforward tax losses. Deferred tax is thus calculated to 28% of the positive temporary differences existing at year end between the values for accounting purposes and the values for taxation purposes. Negative and positive temporary differences, as well as carry forward tax losses which are offset or can be offset in the same period, are offset and recorded net. I.M. Skaugen ASA has subsidiaries which are taxable to Norway as a Norwegian controlled company in a low tax country (the NOKUS regulations) and \$15B companies. The company has come to a decision to enter into shipowners taxation for parts of the group in 1997. In this relation deferred taxes are discounted.

STATEMENT OF CASH FLOW

The company has in 1996 implemented the temporary accounting standard regarding statement of cash flow. The statement of cash flow is based on the indirect method. Shares are considered to have a high price risk and is therefore not classified as cash equivalents.

CORRESPONDING/RESTATED FIGURES (MERGER)

Since the date for creditor notice is expired without any objections from the creditors, the merger is legally carried through. The corresponding/restated figures represent I.M. Skaugen ASA and Skaugen PetroTrans ASA as a merged entity in 1994 and 1995.

The financial accounts per 01.01.96 represent the opening balance in which there is provided for a cash compensation of NOK 173 mill. This will be paid out in February 1997.

In connection with the merger, there was prepared a prospectus which contained i.a. a statement regarding specification of changes from official figures to pro forma figures (inter company dividends, cross-ownership of shares, own shares, loans with distinct rights and return on projects).

AREAS OF OPERATIONS

The group consist of two areas of operation; gas transport/organic chemicals and lightering activity. The division is based on the company's internal direction- and reporting purposes in addition to evaluation of risk/earnings. There are no material transactions between the two areas of operations.

NOTES

NOTE 1 OTHER OPERATING EXPENSES NOK 1.000

Expensed remuneration for I. M. Skaugen ASA parent company	1996	1995	1994
<i>The Board of Directors</i>	901	901	901
<i>Chief Executive Officer (*)</i>	510	1,518	513
<i>Auditors (expensed)</i>	378	204	535
<i>Other Assistance, Auditors (Due Dilligence/Merger)</i>	581	18	120
Total	2,370	2,641	2,069

(*) The Chief Executive Officer in I.M. Skaugen ASA before the merger was not remunerated by I.M. Skaugen ASA directly, but his remuneration was charged through the Group. From December 11, 1996 Moris Skaugen jr. is employed as Chief Executive officer of I.M. Skaugen ASA. In relation to the employment it is agreed upon a separate remuneration if the Chief Executive Officer leaves the company, equal to two years remuneration The Parent Company had 3 employees pr. 31.12.96.

Other operating expenses for the group NOK mill.	1996
<i>Crew expenses</i>	107
<i>Marine consumable stores</i>	24
<i>Spare parts, repair and maintenance</i>	61
<i>Insurance premiums</i>	18
<i>Technical fees and other operating expenses</i>	27
<i>Wages and social expenses</i>	42
<i>Other administration expenses</i>	33
Total	312

NOTE 2 FIXED ASSETS NOK MILL.

Parent Company	Cost price 1.1.96	Additions during the year	Disposals during the year	Acc. depr./ writedowns 31.12.96	Book value 31.12.96	Depreciation during the year
<i>Vessels:</i>	185	0	(185)	0	0	0
Other:						
<i>Properties</i>	14	0	0	(10)	4	0
<i>Machinery, equipment etc.</i>	2	0	0	0	2	0
Total Parent Company	201	0	(185)	(10)	6	0

Group	Cost price 1.1.96	Additions during the year	Disposals during the the year	Acc. depr./ writedowns 31.12.96	Book value 31.12.96	Depreciation during the year
<i>Gas Carriers*</i>	1,350	3	0	(499)	854	63
<i>Chemical Carriers</i>	-	84	0	(3)	81	3
<i>Crude oil tankers</i>	336	0	(205)	(41)	90	9
<i>Upgrading/other:</i>						
<i>Capitalised docking expenses**</i>	11	38	0	(15)	34	14
<i>Lightering Support Vessels</i>	59	4	(4)	(48)	11	10
<i>Properties</i>	14	0	0	(10)	4	0
<i>Machinery, equipment, etc.</i>	14	2	0	(10)	6	1
Total Group	1,784	131	(209)	(626)	1,080	100

* Cost price for partly owned vesels have been included as of 1.1.96 with NOK 261 mill.

** Capitalised docking expenses are depreciated over the period until the next planned docking, on average 30 months.

In addition to the depreciation of capitalised docking expense in 1996 and 1995, the operating result has been charged with NOK 7 mill. and NOK 14 mill. respectively to reflect the charge that would have taken place if the principle for depreciation of docking had been implemented retroactively. The charges of NOK 7 mill and NOK 14 mill. respectively have been reversed as extraordinary income.

A part of the costprice of chemical carriers is separated and entranced to estimate docking cost.

Accumulated write-down of NOK 10 mill. on property relates to 95.000 aquare meters of undeveloped land in Sandefjord.

INVESTMENTS IN/SALE OF FIXED ASSETS LAST 5 YEARS NOK MILL.

Parent Company	1992	1993	1994	1995	1996
<i>Investments</i>	15	0	0	0	0
<i>Sale</i>	1,427	148	0	89	92
Group	1992	1993	1994	1995	1996
<i>Investments</i>	148	5	84	18	131
<i>Sale</i>	771	165	0	100	107

NOTE 3 INTERESTS IN LIMITED PARTNERSHIPS AND OTHER COMPANIES NOK MILL.

Group	Vessel	Interest	Net Income/ (Loss)	Current Assets	Fixed Assets	Current Liabilities	Long-term Liabilities	Book value	Callable capital guarantees
Interests owned by the subsidiary Norwegian Gas Carriers Ltd.:									
<i>Gas Lady KS</i>		50.53%	0	2	0	0	0	2	7
<i>Labogas IX KS</i>	<i>Norgas Pilot</i>	78.57%	0	5	41	24	17	5	0
<i>Labogas IX KS (minority part)</i>	<i>Norgas Pilot</i>	21.43%	0	1	11	6	5	1	0
<i>Labogas VIII KS</i>	<i>Norgas Sailor</i>	45.00%	3	7	17	5	9	10	7
<i>Labogas XVI KS</i>	<i>Norgas Pioneer</i>	50.00%	1	3	30	4	11	18	0
<i>Oslo Victory II KS</i>	<i>Norgas Victory</i>	42.50%	2	4	37	3	21	17	19
<i>NGC Chem Olefine</i>									
<i>GTS GmbH KG</i>	<i>Norgas Traveller</i>	1%							
Total partly owned firms			6	22	136	42	63	53	33
<i>Of which accounted for by the pro rata method of consolidation/consolidated</i>									
			6	20	136	42	63	51	26
Total group interests in limited partnerships			0	2	0	0	0	2	7

With the exception of the interest of 50.53% in *Gas Lady KS*, the companies interests in limited partnerships have been accounted for using the pro rata method of consolidation in the group accounts for 1996. The vessel *LPG Sunny Lady*, owned by *Gas Lady KS* was sold and delivered to the owners at March 10, 1995. The interests owned by the parent company outside the gas sector which have been decided to be discontinued are classified as short term receivables. This includes the parent company's 90% interest in *Labotank IV KS* and 79.5% interest in *Kosmos Seafarer I KS*, 90% interest in *SPT Skaubay KS* and 90% interest in *SPT Skaufjord KS*. In addition, the parent company has a 5.758% interest in *Eikland Shipping ANS*.

The part in *Hubei Tian En Petroleum Gas Transportation Co. Limited (JIV TNGC)*, 49% with a purchase option of 1% does not represent a material financial item as of December 31, 1996. The part will be presented according to the pro rata method of consolidation.

NGC Chem Olefine GTS GmbH KS is owned by 1% by *NGC Ltd.* and 99% by the subsidiary *Chem Olefine GTS GmbH*.

Group	Vessel	Interest	Net Income/ (Loss)	Current Assets	Fixed Assets	Current Liabilities	Long-term Liabilities	Book value	Callable capital guarantees
Interests owned by the subsidiary DS AS Idaho:									
<i>KS AS Gas Traders</i>		73%	3	129	0	0	0	129	57
<i>KS AS Nygass & Co.</i>		60%	1	36	0	0	0	36	37
<i>KS AS Gassfart</i>		100%	(1)	71	0	0	0	71	10
<i>Princess of Rotterdam KS</i>	«Princess of Rotterdam»	100%	1	66	39	(39)	0	66	90
<i>Togas I KS</i>		100%	2	73	0	0	0	73	60
<i>Togas II KS</i>		100%	0	11	0	0	0	11	15
Total group interest in limited partnerships			6	386	39	(39)	0	386	269

NOTE 4 TAXES NOK MILL.

Parent Company 1996		Group 1996
34	Result before taxes after minorities	0
110	Group contribution	0
159	Change in temporary differences	422
303	Taxable result before tax losses carried forward	0
(303)	Tax losses carried forward	(422)
0	Taxable result	0
0	Estimated income tax (28%)	0

The deferred tax liability (assets) is based on the differences as of 31 December 1996 between the accounted and taxable values. Temporary differences are related to the following items.

Parent Company 31.12.96		Group 31.12.96
(19)	Shares and intercompany items	(438)
343	Gain and loss account	495
(2)	Interests in limited partnerships	79
(10)	Fixed assets/provisions	321
312	Total temporary differences	457
(417)	Tax losses carried forw. incl. Adv. Corp. Tax Cr.	(519)
(105)	Basis for the computation of deferred tax liability/(asset)	(62)

Since I.M. Skaugen ASA is formed by the formation of a new enterprise and that DS AS Idaho was purchased during 1996 only tax positions as of December 31, 1996 are presented. In accordance with the Norwegian Generally Accepted Accounting Principles regarding the treatment of taxes, negative and positive temporary difference which will or may reverse within the same period, have been netted. Tax losses to be carried forward in the parent company I. M. Skaugen ASA relates to the period 1991–1993. The parent company and the Group have unutilised corporate tax credit after received dividends of total NOK 70 mill. According to current regulation this amount is directly deductible in taxes payable and represents a tax loss carried forward of NOK 250 mill. with a tax rate of 28%. Calculated RISK-amount is set to NOK 33,57 per share as of 1.1.97. In the Group figures the change in tax regulations for NOKUS-companies in 1996 is taken into consideration. The Group figures represent temporary difference in Norway in addition the Group has less tax losses to carry forward in USA and also certain tax positions in Germany. In the computation of deferred tax liability it is reflected that positive temporary differences of NOK 105 is transferred to Shipowners taxation, and that net present value of the tax positions is approximately zero. Negative taxes has resulted from reversal of deferred tax liability in relation to shipowners taxation (NOK 29 mill.) and set off of temporary differences due to consolidation (NOK 78 mill.)

NOTE 5 LIQUID FUNDS NOK MILL.

Specification of Liquid Funds

Parent Company				Group		
1994	1995	1996		1996	1995	1994
145	307	123	Bank deposits	283	446	323
0	0	0	Bank deposits in limited partnerships (pro rata)	362	14	2
17	-	-	Bonds	-	-	26
0	0	6	Short term securities	6	0	0
162	307	129	Total	651	460	351

Specification of restricted (pledged) Liquid Funds

20	2	5	Bank deposits	15	5	20
20	2	5	Total	15	5	20

In addition, some of the bank deposits in the limited partnerships are pledged in connection to their mortgage debt.

Short-term securities

Company NOK I.000	Interest	No. of shares	Share capital	Nominal Value NOK	Total nominal value	Book value
Geelmuyden. Kiese Gruppen AS	6.2%	51,560	417,519	0,50	417,519	6,000

NOTE 6 SHORT TERM RECEIVABLES / LIABILITIES NOK MILL.

	Short term Receiv.	Group Short term Liab.
<i>Accrued/ deferred items relating to discontinued activities</i>	5	1
<i>Bunkers</i>	5	-
<i>Pro rata current assets / liabilities in limited partnerships</i>	7	9
<i>Loan participations in Idaho Limited partnership</i>	40	-
<i>Short-term receivables liabilities from gas- and chemical activities</i>	54	47
<i>Short-term receivables liabilities from lightering activities</i>	40	15
<i>Financial leasing MIT Rich Duchess</i>	-	42
<i>Provision future loss charter parties*</i>	-	8
<i>Short-term receivables/liabilities others</i>	4	8
Total	155	130

* Charter party regarding MT Skaunord expires in June 1997.

NOTE 7 SHARES IN SUBSIDIARIES, OTHER SHARES NOK 1,000

	Interest	No. of Shares	Share Capital	Nominal Value (NOK)	Total Nominal Value	Book Value
Shares in Subsidiaries:						
<i>Anders Jahre AS</i>	100%	200	200	1,000	200	200
<i>Kosmos Seafarer I AS</i>	100%	500	500	1,000	500	500
<i>Lobotank IV AS</i>	100%	4,000	400	100	400	400
<i>Norwegian Gas Carriers Ltd: (*)</i>	100%		USD 90,713'		USD 90,713'	517,590
<i>Bulk Management AS (**)</i>	100%					0
<i>DS AS Idaho (***)</i>	100%	332,500	33,250	100	33,250	331,985
<i>SPT Skaunord Inc.</i>	100%	1	USD 2,000	USD 2,000	USD 2,000	65,892
<i>SPT Rich Duchess Inc.</i>	100%	1	USD 2,000	USD 2,000	USD 2,000	12
<i>PetroTrans Holdings Limited</i>	100%	1,200	USD 12,000	USD 1,000	USD 1,000	89,165
<i>SPT Skaufford AS</i>	100%	103	10,815	105,000	10,815	11,400
<i>SPT Skaubay AS</i>	100%	100	10,500	105,000	10,500	0
<i>Jahre Ship Chartering AS (****)</i>	100%	5,000	5,000	1,000	5,000	5,995
<i>Faber Shipping Corp.</i>	100%	500	0	0	0	0
Total Subsidiaries						1,023,139

(*) Value adjusted equity for NGC Ltd., based on broker estimates of vessel values pr. 31.12.96 was less than the total book values of I.M. Skaugen ASA's shares in NGC Ltd. The lower value of value adjusted equity is considered to be passing, and the book value of shares are not written down.

(**) The parent company's shares in and the receivables from Bulk Management AS and its subsidiaries have been fully written off.

Bulk Management AS has not been included in the consolidation from 1.1.1993 because of the decision to liquidate the company. Bulk Management AS comprise the activity previously operated through KS Jahre Skaugen Carriers AS i KS NBC AS and Portland Tankers services Ltd. The operations of Portland Tankers Services Ltd. and the limited partnership KS Jahre Skaugen Carriers AS and KS NBC AS were, through a liquidation resolution in October, 1991, taken over by Bulk Management AS. The general partners Jahre Skaugen Carriers AS and NBC AS were decided liquidated due to the merger with Bulk Management AS on the same date. The general partners Jahre Skaugen Carriers AS filed for bankruptcy May 27, 1994. The case has not yet been closed.

(***) I.M. Skaugen ASA has received group contribution from DS AS Idaho of NOK 215 mill. as of 31.12.96 the shares in DS AS Idaho is written down by NOK 105 mill. Net positive effect for I.M. Skaugen ASA is NOK 110 mill.

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

Shares in Subsidiaries Owned by the Group Companies NOK 1,000

	Interest	No. of Shares	Share Capital	Nominal Value	Total Nominal Value	Recorded Value	
Owned by Norwegian Gas Carriers Ltd:							
<i>Oslo Victory AS</i>	100%	50	50	100	50	(4,200)	
<i>Chem Olefine GTS GmbH</i>	100%	1,002	DEM 50	DEM 500	DEM 50	24,949	
<i>Norwegian Gas Carriers AS*</i>	100%	19,600	980	50	980	2,104	
Owned by PetroTrans Holdings Limited:							
<i>Skaugen PetroTrans Ltd.</i>	100%	8,000	USD 8,000	USD 1,000	USD 8,000	50,033	
<i>Skaugen PetroTrans Inc.</i>	100%	750	USD 750	USD 1,000	USD 750	4,966	
Owned by DS AS Idaho:							
<i>Marine Technology Services AS</i>	100%	7,500	750	100	750	3,750	
<i>Princess Carriers AS</i>	100%	27,000	27,000	1,000	27,000	27,123	
<i>Touring AS</i>	100%	1,500	750	500	750	750	
<i>Mystic Maritime Ltd.</i>	Princess of Penang	100%	500	USD1	LM 1	LM 500	48,750
<i>Haven Maritime Ltd.</i>	Princess of Yosu	100%	500	USD1	LM 1	LM 500	6,500
<i>Christian Haaland AS**</i>		100%	100	100	100	400	
Sum datterselskap						164,725	

* NGC AS owns 50% of the shares in the associated company Gas Recovery System AS.

** The shares in Christian Haaland AS is disposed of in 1997.

NOTE 8 LONG-TERM INTERCOMPANY RECEIVABLES

When Norwegian Gas Carriers Ltd. was established, I.M. Skaugen granted loans totaling USD 82,2 mill. The loans are all converted to share capital in Norwegian Gas Carriers Ltd. as part of the refinancing in the summer of 1994. Furthermore I.M. Skaugen ASA participated with USD 9 mill. in the «USD 15 mill. Variable Rate Note» -program, issued by Norwegian Gas Carriers Ltd. At the share issue February 20, 1995, I.M. Skaugen ASA invested another USD 4 mill. in the mentioned VRN-program by issuing 12.320.000 shares of NOK 5.05 per share. I.M. Skaugen ASA has in 1996 granted an unsecured interest bearing loan to Norwegian Gas Carriers Ltd. Outstanding loan as of 31.12.96 is USD 4,86 mill. and the loan fall due in 2003. In addition to the above loans, the parent company has receivables on subsidiaries amounting NOK 33 mill. These receivables are non interest bearing.

NOTE 9 PENSIONS AND PENSION COMMITMENTS (NOK 1.000)

I.M. Skaugen has insured retirement plans (benefit plan) for their employees in Vesta Liv AS. The plans in the individual companies are similar. The main terms are 30 years of service, 66% pension in relation to the pension-base January 1 the year the employee turns 67, and spouse- and child-pension. All pension are coordinated with the pension granted by the Norwegian public pension scheme. As of Decemeber 31, 996 the retirement benefit plan included 15 employees in the parent company and 79 employees in the group.

In addition to the funded retirement plan, the group has unsecured pension obligations. The obligations covers employees not included in the insured plan, additional pensions above 12 G and some early retirements. Social Security Taxes are included in the net pension obligation.

When valuing the pension fund and measuring the obligation, estimated values and obligations are used in the Balace Sheet. Actuarial estimates are performed regularly by Pensjonskasse-Service AS based on information from I.M. Skaugen ASA and its subaidaries.

Assumptions used to estimate the pension obligations:	31.12.1996	31.12.1995
Discount rate	7.0%	7.0%
Expected return on funds	8.0%	8.0%
Salary increase	3.3%	3.3%
G-regulation / inflation	2.5%	2.5%
Pension regulations	2.0%	2.5%
Social Security Tax	14.1%	14.1%

Net pension cost 1996 consists of:	Parent 1996	Group 1996	Parent 1995	Group 1995
Service cost	236	1,445	592	1,648
Contribution-plan*)	-	354	-	414
Interest on projected benefit obligation	64	692	373	1,554
Expected return on pension funds	(191)	(937)	(356)	(1,332)
Social Security Tax	15	170	34	189
Pension cost	124	1,724	643	2,473

*) For its employees in USA the Group has an agreement of a contribution-plan

Net pension fund/obligation as of	Parent 31.12.1996	Group 31.12.1996	Parent 31.12.1995	Group 31.12.1995
Projected benefit obligations	1,012	11,808	713	9,713
Estimated value of assets	2,718	14,871	2,400	11,268
Accrued pension funds in the Balance Sheet	1,706	3,063	1,687	1,555

The effect of changes in estimates and differences between estimated and actual returns are recognised over the average remaining service life of the employees, when the accumulated effect is above 10% of the pension fund and the pension obligation. In addition to the above, the parent company and the group have unsecured pension obligations of NOK 2,728,000.

NOTE 10 MORTGAGE DEBT AND OTHER LONG-TERM DEBT NOK MILL.

Mortgage debt and other long-term liabilities

Parent company				Group		
1994	1995	1996		1996	1995	1994
20	41	290	Short-term mortgage debt	380	145	40
-	-	-	Short term mortgage debt in limited partnerships (pro rata cons.)	28	42	0
86	0	0	Long term mortgage debt	436	529	798
-	-	-	Long term mortgage debt in limited partnerships (pro rata cons.)	63	60	23
0	0	0	Elimination of inter-group mortgage debt	(21)	(23)	0
106	41	290	Total mortgage debt	886	693	861
15	5	2	Other long term debt	9	21	41
-	-	-	Financial leasing obligation	0	46	67
-	-	-	Subordinated unsecured debt	14	14	43
30	30	30	Convertible debt (mortgaged)	30	30	30
151	76	322	Total	939	864	1,042

Total mortgage debt amounts to USD 81,36 mill as of 31.12.96, consisting of 2 bank syndicates, where the company through one of the agreements has an ensured flexibility through a revolving facility. As of 31.12.96 the unutilized amount was USD 4,75 mill. The group satisfied the loan covenants at year end. The loan agreements include covenants which require the average market value of the gas carriers to exceed minimum 130% of outstanding loan and that the value adjusted equity of the group not to be less than USD 60 mill. In addition, there are certain requirements regarding free liquidity. Included in short-term mortgage debt is ordinary loans (NOK 118 mill.) and external finance related to takeover (NOK 290 mill).

Book Value of Mortgaged Assets

Parent company				Group		
1994	1995	1996		1996	1995	1994
0	0	0	Gas- and chemical carriers	887	924	860
117	54	0	Crude oil tankers	0	101	176
0	0	40	Short-term investments/receivables	40	0	0
0	0	332	Shares in subsidiaries	0	0	0
28	28	84	Long term intercompany receivables	0	0	0
145	82	456	Total	927	1,025	1,036

The loan agreements includes covenants of «Assignment of Earnings» for mortgaged vessels.
Reference is made to note 5 for restricted bank accounts.

NOTE 11 LOAN WITH CONVERSION RIGHTS

In connection with the refinancing of the company in June 1994, the group committed to loan agreements on subordinated conditions totaling NOK 100 mill. Of the mentioned amount, NOK 30 mill is a convertible loan in I.M.Skaugen at 12 % p.a. and conversion rights at «NOK 135,14,- per share and NOK 70 mill in a «USD 15 mill Variable Rate Note» -program in Norwegian Gas Carriers Ltd.

I.M. Skaugen AS committed USD 9 mill of the VRN-program. This loan is eliminated in the consolidated accounts.

The VRN-program in Norwegian Gas Carriers Ltd. runs until year 2001 and is fixed at 9% interest plus yearly bonus interest dependent on net result of a maximum 11% p.a. of which 3% p.a. is payable on a semi annual basis and the rest equaling up to 8% p.a. falls due in year 2001.

The VRN-program includes rights to subscribe shares in Norwegian Gas Carriers Ltd. (warrants) after June 1996 at a price equal to the estimated fair value per June 1994.

In connection with the share issues resolved on the extraordinary shareholder's meeting February 20, 1995, the parent company acquired 4 of 6 externally owned VRN of USD 1 mill each, by issuing shares of I.M. Skaugen ASA. In connection with this transaction, I. M. Skaugen ASA has capitalised an interest and warrant element as a long term receivable.

In the consolidated accounts the interest element is expensed over the loan period, while the warrant element has been booked as an equity transaction.

NOTE 12 EQUITY NOK MILL.

Parent Company	Share Capital	Statutory res./ Reversal fund	Retained Earnings/ Acc. Loss	Total Equity
Opening balance 1.1.1996	399	122	357	878
Result for the year			34	34
Group contribution			110	110
Dividend			(50)	(50)
Transfers		(22)	22	0
Equity 31.12.96	399	100	473	972

Group	Share Capital	Group reserve	Total Equity
Opening balance 1.1.1996	399	140	539
Result for the year		107	107
Dividend		(50)	(50)
Other (translation difference)			0
Equity 31.12.96	399	197	596

The parent company's share capital consists of 6.517.546 ordinary shares and 125.010 class C shares with nominal value of NOK 60,- totaling NOK 398.553.360. The class C shares have no voting rights and are not listed on any exchange but have otherwise the same rights as the ordinary shares.

NOTE 13 GUARANTEES NOK MILL.

Parent Company				Group		
1994	1995	1996		1996	1995	1994
662	614	585	Guarantees for group companies	0	0	0
9	2	4	Guarantees for others	4	2	9
671	616	589	Total	4	2	9

In connection with the establishment of Norwegian Gas Carriers Ltd. in the fall of 1992 and the transfer of interest in the general partners, guarantees were given by I.M. Skaugen ASA for the fulfilment of the relevant agreements and for the callable capital in the limited partnerships, owned by Norwegian Gas Carriers Ltd.

The guarantees from I.M. Skaugen ASA to the creditors of Norwegian Gas Carriers Ltd. are continued in the new financial structure.

I.M. Skaugen ASA has guaranteed for an interest and currency swap (USD 9,1 mill.). For further information, refer to note 14.

Further I.M. Skaugen ASA has guaranteed for its part of unsettled claims related to the settlement of the Nortank Pool.

Certificate of Financial Responsibility (COFR) is covered through First Line guarantee. The groups insurance coverage for environmental liability is limited to USD 700 mill. per vessel.

NOTE 14 OTHER CIRCUMSTANCES / CONTINGENCIES**Norgas Pilot**

The claim refers to 1 limited partner in Labogas IX KS who claims to be misled to invest in a vessel in a significant poor condition than they could expect on the basis of the prospectus and other documentation. The limited partner has, in addition to have sued I.M. Skaugen ASA, also sued Fearnleys Finans AS and the previous CEO in AS Laboremus. The claim amounts to approximately NOK 1,6 mill. excluding interests.

The case was presented for the City Court of Oslo where I.M. Skaugen ASA and Fearnley Finans as won the case in its entirety including reimbursement of legal fees. The case was presented for Borgating Lagmannsrett ultimo January 1997. The ruling is expected primo March 1997. The Oslo Court ruled in 1995 in the case field against the former CEO in AS Laboremus. The suit has been appealed to Borgating Lagmannsrett.

Swap/FRA/Forward contracts

The group has entered into an interest and foreign currency swap, where a NOK loan is swapped to USD 9,1 mill. The interest on the NOK loan is 10.19% and is swapped into 6 months floating USD LIBOR. The net effect is a positive margining, taking into account an interest subsidy. The USD loan is covered by cash collateral in the same amount. The loan and the bank account is netted in the consolidated accounts. The group has through its subsidiary NGC Ltd. in 1995 entered into an interest swap with a notional amount of net USD 25 mill. where the interest is fixed at 5.96% p.a. The swap runs on a quarterly basis and expires in June 1998. The company has entered speculative forward contracts with a belonging counterparty. The contract expires in 1997. Net income effect is taken to account in the financial accounts pr. 31.12.96.

T/C-agreements.

The company has 2 operational lease agreements connected to the lightering activity, running for more than 12 months. Future lease liabilities amounts to NOK 171,6 mill.

Tax Claim

There is raised a tax claim against AS Haalandco, now DS AS Idaho, where it is asserted that a loss on receivable on AS Investa is expensed one year to early. The claim is rejected with reference to the acceptance of equivalent expensing of tax authorities in Oslo, Bergen and other cities.

The loss amounted to NOK 11,250,000. The company has rejected the claim and it is not accrued for in the financial statement.

NOTE 15 RELATED PARTIES

Eikland AS (main shareholder) and representatives are regarded as related parties. The company shares offices with its main shareholder Eikland AS. I.M. Skaugen has engaged resources from Eikland AS during its restructuring, thereunder for the purpose of securing the interests and assets of the Group, to follow up claims and legal proceedings. Total remuneration under the office agreement were NOK 4,3 mill. in 1996 and NOK 5,3 mill in 1995. The remuneration is based on full cost and time used. Remuneration for 1996 covering salary and the secretary function for the CEO of I.M. Skaugen ASA prior to the merger. Remuneration in Skaugen PetroTrans ASA covering compensation for management work and the secretary function for this company. For 1996 there is not worked out any agreement which covers this affair.

Shares in I.M.Skaugen ASA held by Members of the Board:	Preliminary number of Shares for the merged company*)
Abrahamsen, Egil	2,389
Eik, Erik	80,038
Schjoldager, Harald	0
Steen, Tore B	2,388
Ulmo, Arild	0
Skaugen, Morits jr.	8,618

*) Includes shares owned by close family and also controlled companies.

NOTE 16 AREAS OF OPERATIONS

The activity in the I.M Skaugen ASA Group was in 1994 and 1995 seaways gastransport and lightering activity. In 1996 the Group has also incorporated chemical carriers operating in the area of gas transport/organic chemicals.

Operating income pr. 31.12.96 for the gas segment is geographically divided between Asia (60%) and the Atlantic (Europe/USA) (40%).

	Gas Transport/Org. Chem.			Lightering			Not allocated (finance)		
	1996	1995	1994	1996	1995	1994	1996	1995	1994
Gross freight revenue	437	484	355	380	340	385	-	-	-
Operating expenses	336	338	307	352	330	338	-	-	-
Depreciation	88	79	69	19	45	40	-	-	-
Operating profit before sale of vessels and restructuring expenses	13	67	(21)	9	(35)	7	0	0	0
Extraordinary items	7	14	0	0	0	0	0	0	0
Assets	1,045	992	957	141	244	345	705	472	407
Non interest bearing debt	56	54	70	15	17	15	61	21	25
Investments in fixed assets	127	77	17	4	1	7	0	0	0

NOTE 17 EVENTS AFTER THE BALANCE SHEET DATE

The I.M.Skaugen Group is involved in negotiations regarding building of 4 smaller gas carriers for river transport in China.

Per date no building contracts are entered.

MT Rich Duchess which the company had on financial lease until ultimo 1998 is bought in January 1997.

DS AS Idaho has purchased the external interest in KS AS Gas Traders (27%) and KS AS Nygass & Co (40%).

NOTE 18 TIMING OF PERIODICAL MAINTENANCE

Given that Skaugen PetroTrans ASA in 1995 had changed accounting principles regarding periodical maintenance to an accounting principle identical to the principle used by I.M Skaugen ASA, the presentation of proforma Group figures would have been changed on the following items in the profit & loss accounts:

	1996	1995
Other operating expenses	0	16
Ordinary depreciation, upgrading/other	1	(7)
Gain/(Loss) on sale of vessels	(5)	(5)
Extraordinary income	0	(2)
Result before tax	(6)	6

NOTE 19 EARNINGS PER SHARE

Since the merger is accomplished with effect from January, 1 1996 the calculations are based on that numer of shares is 6,642,556 for the whole year. The effect of dilution is reflected in the calculation of diluted earnings per share. The result is adjusted for the after tax effect of interest expense on the convertible loan (NOK 3,6 mill.), and the number of shares is adjusted for the potential number of shares that the agreement could result in (221,992 shares). On the basis of result after extraordinary items, taxes and minorities the earnings per share and diluted earnings per share were calculated to NOK 16,11.

AUDITORS' REPORT FOR 1996

TO THE ANNUAL GENERAL MEETING OF I.M. SKAUGEN ASA

We have audited the annual accounts of I.M. Skaugen ASA for 1996, showing net income of NOK 34 mill. for the company and net profit of NOK 107 mill. for the group. The annual accounts, which consist of the Board of Directors' report, profit and loss accounts, balance sheets, cash flow statements, notes and the corresponding consolidated financial statements, are the responsibility of the Board of Directors and the Chief Executive Officer.

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 profit 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 1996 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Morten Drake (sig.)

State Authorised Public Accountant (Norway)

Oslo, February 18, 1997

SHARE CAPITAL AND SHAREHOLDERS SITUATION

SHARE CAPITAL AND SHAREHOLDERS IN THE MERGED COMPANY

The merged company will have a share capital NOK 398,553,360 through the issue of 6,642,556 shares, divided into 6,517,546 ordinary and 125,010 C-shares, with a nominal value of NOK 60.-, fully paid and made out to name. The difference between the combined shareholders equity of IMS and SPT and the share capital of New IMS is reflected in the equity reserves accounts.

CONVERTIBLE LOAN

The company has issued a convertible loan in the amount of NOK 30 mill. at the following chief terms:

<i>Amount:</i>	<i>NOK 30 mill.</i>
<i>Duration:</i>	<i>7 years from June 17, 1994 to June 17, 2001</i>
<i>Maturity:</i>	<i>The loan falls due in full on June 17, 2001 at par.</i>
<i>Rate of interest</i>	<i>12% p.a.</i>
<i>Period of conversion:</i>	<i>Throughout the loan period</i>
<i>Rate of conversion:</i>	<i>NOK 135,14, to be adjusted for stock split, stock issues, payments of dividends etc.</i>
<i>Number of lenders:</i>	<i>No more than 6 lenders at any one time</i>
<i>Borrower's right of redemption:</i>	<i>IMS may claim the right to redeem the loan at any time after June 17, 1997</i>
<i>Trustee:</i>	<i>Den norske Bank ASA</i>

So far no lender has converted any part of the loan into IMS shares.

TRADING IN THE SHARES

Shares in New IMS may be freely traded. The Companies' Act sets forth that shares shall be registered in the name of the owner. Arrangements whereby shares are registered in the name of a manager are basically prohibited. If the owner is a foreigner, shares registered in the Norwegian Registry of Securities may be entered in the shareholders' list in the name of a manager (a bank or other entity) approved by the Ministry of Finance. Upon request, an approved and registered manager is required to inform the company and Norwegian authorities of the real owners of the shares listed in his name. In the case of registration by manager, the Norwegian Register of Securities shall clearly show that the owner listed is a manager. Such registration shall include the name and address of the manager and the number of shares covered by the arrangement. A registered manager is entitled to receive dividend and other disbursements relating to the shares, but he may not as

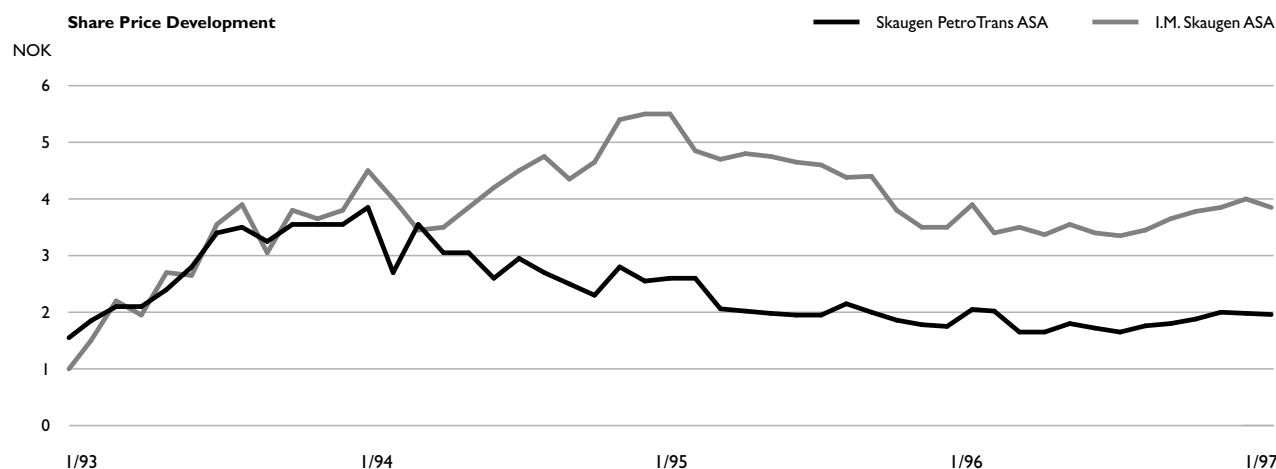
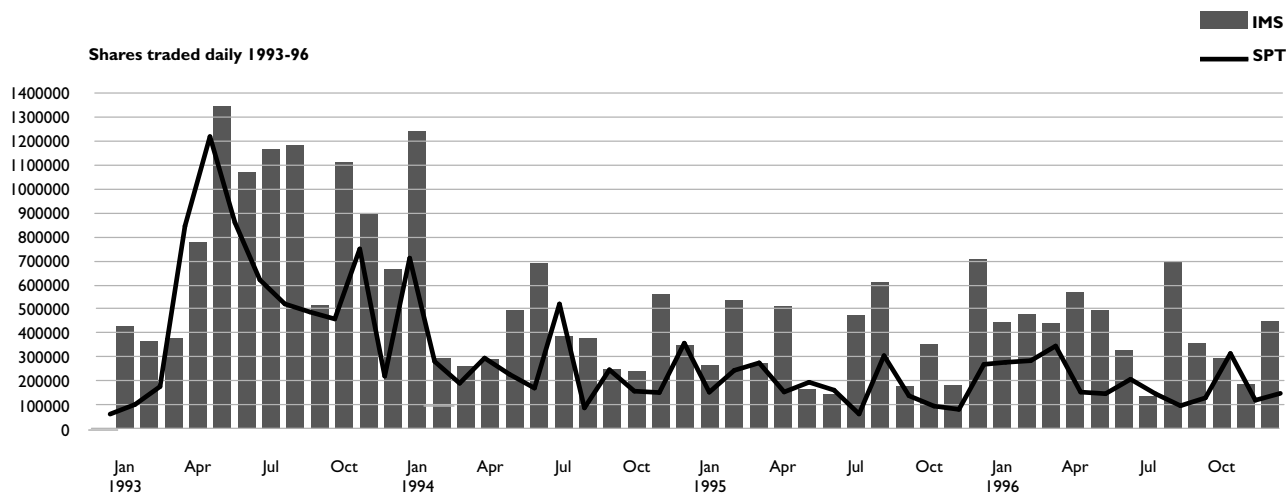
manager exercise voting rights in general meetings. The proper owner must be registered with the Norwegian Registry of Securities or otherwise announce and give proof of his stock holding in order to vote in general meetings.

STOCK EXCHANGE LISTING AND REGISTRATION IN THE NORWEGIAN REGISTRY OF SECURITIES

The merged company will continue IMS' listing on the Oslo Exchange, and the new ticker code is SKA. The merged company's share will be registered with the Norwegian Registry of Securities.

Price development of the share:

The trading volume and price development of the IMS and SPT shares from January 1993 to December 1996 are shown in the following charts:



**PRO FORMA LIST OF SHAREHOLDERS AS
PER 20 JANUARY 1997**

Date: 20.01.97	Preliminary* No of share new IMS	%
<i>Eikland/Kosmos</i>	2,386,714	35.9%
<i>Alfred Berg Aksjespar c/o</i>		
<i>Berg Fondsforvaltning:</i>	149,687	2.3%
<i>Aksjefondet Odin NOR</i>	125,644	1.9%
<i>Storebrand AMS c/o</i>		
<i>Storebrand Spar</i>	116,891	1.8%
<i>Verdipapirfondet Skagen Vekst</i>	100,164	1.5%
<i>Erik O. Steen</i>	88,709	1.3%
<i>T.S-Invest AS</i>	76,960	1.2%
<i>Gjensidige Livsforsikring</i>	64,084	1.0%
<i>Morgan Guaranty Trust</i>	61,969	0.9%
<i>Storebrand Finans c/o</i>		
<i>Storebrand Spar</i>	61,154	0.9%
<i>Plural AS</i>	54,760	0.8%
<i>Fokus Bank ASA</i>	50,320	0.8%
<i>Lombard Odier &</i>		
<i>Cie General Dossier</i>	48,100	0.7%
<i>Clover Offshore Inc.</i>		
<i>Staiger Schwald & SA</i>	47,804	0.7%
<i>Bertel O. Steen v/ Terje Paulsboe</i>	47,472	0.7%
<i>DS AS Theologos</i>	47,360	0.7%
<i>Reklame og Media Holding</i>	44,419	0.7%
<i>Verdipapirfondet Odin</i>	41,444	0.6%
<i>Arne Hellestø AS</i>	34,804	0.5%
<i>Other</i>	2,869,087	42.0%
Total A shares	6,517,4546	98.2%
<i>Total C shares</i>	125,010	1.8%
Total shares	6,642,556	100%

* The number of shares in IMS and SPT to be exchanged for 1 share of new IMS will depend on:
(1) whether lenders of the convertible promissory note loan will use their right of conversion according to the loan agreement and/or (2) cross ownership of shares in IMS and/or SPT at the time of the merger.
This could increase the minimum required shares to 35 IMS shares and 67 shares in SPT to buy 1 share in new IMS.

POLICY TOWARDS SHAREHOLDERS

New IMS wishes to achieve the most correct pricing of its share. New IMS will seek to generate sustainable competitive returns on capital employed through value appreciation of the company's shares and, conditions permitting, pay a dividend commensurate with the company's results and future prospects. New IMS will strive to make the share an interesting and competitive investment

alternative for Norwegian and foreign investors. By possible future share capital increases through the issue of new shares against payment in cash, existing shareholders of the company – will, unless not deemed optimal, be given preference to subscription. Information. New IMS will strive to give the Oslo Stock Exchange and its shareholders complete, identical and simultaneous information regarding the development of the company through annual reports, quarterly reports and other statements to the stock exchange and press. Presentations will be made at regular intervals for Norwegian and foreign investors. All reports and statements will be continually released through Internet:
<http://hugin.sn.no/selskaper/imskaugen/ims.html>.

DIRECTORS AND MANAGEMENT:

Shares owned or controlled by I.M. Skaugen ASA's directors, general management and auditors are listed below:

Name	No. of shares
<i>Egil Abrahamsen, chairman</i>	2,839
<i>Arild Ulmo</i>	0
<i>Harald Schjoldager</i>	0
<i>Erik Eik</i>	80,038
<i>Tore B Steen</i>	2,388
<i>Morits Skaugen jr.</i>	8,618
<i>The company's elected auditor</i>	0

SHAREHOLDERS SCHEMES

The company maintains no share schemes for members of the Board of Directors or of the Group's employees. Leading employees and members of the Board must clear any purchases or sales of shares with the company's President.

VOTING RIGHTS AND NEGOTIABILITY

The company maintains two classes of shares, ordinary shares and class C-shares. The class C-shares do not carry a right to vote and are not listed on the stock exchange, but otherwise enjoy the same rights and privileges as the ordinary shares. The ordinary shares each carry one vote at the general meeting.

WITHOLDING TAX AT SOURCE

Any dividend declared is subject to tax under Norwegian law. In connection with the distribution of a dividend to foreign shareholders, the company is required to withhold tax at source.

I.M. SKAUGEN ASA

Munkedamsveien 45, 0250 Oslo, Norway
P.O. Box 1382 Vika, 0114 Oslo, Norway
Telephone:(47) 22 83 30 60
Telefax:(47) 22 83 30 61
Telex:I 1240 IMSCO N
Internet:
Norwegian:http://hugin.sol.no/IMS/
English:http://hugin.sol.no/IMS/index_e.shtml

NORWEGIAN GAS CARRIERS AS

Head Office, Munkedamsveien 45
0250 Oslo, Norway P.O. Box 1734 Vika, 0121 Oslo, Norway
Telephone:(47) 22 83 14 41
Telefax:
operation/chartering dep.:(47) 22 83 08 49
technical dep.:(47) 22 83 84 37
finance/administrations dep.:(47) 22 83 16 65
Telex:72899 NGC N / I 1242 smosl n
Internet:firmapost@ngc.no
X.400:S=firmapost, P=NGC, C=no
Comtext:A93NN380

NGC SINGAPORE

Representative office
#08-29, 8th Floor, 81 Anson Road, Singapore 079908
Telephone:(65) 421 6840
Telefax:(65) 421 6929
Mobile:(65) 9635 6921
Internet:gunnar.thorvildsen@ngc.no
.....c.k.sharma@ngc.no
.....trond.hagen@ngc.no

NGC SHANGHAI

Representative Office
Room 601 Walton Plaza, 801 Chang Le Road
Shanghai 200031, P.R. of China
Telephone:(86) 21 6466 4546
Telefax:(86) 21 6466 4547
Mobile:(86) 21 9183 1725
Internet:erik.lind@ngc.no

NGC AMERICAS

5847 San Felipe, Suite 4300, Houston, TX 77057, USA
Telephone:(1) 713 977 0587
Telefax:(1) 713 975 8113
Mobile:(1) 713 501 5940
Internet:trygve.skaar@ngc.no

NGC EUROPE - BRUXELLES

Baagemstraat 124, 9890 Gavere, Belgium
Telephone:(32) 93 84 49 16
.....(32) 93 84 25 96
Telefax:(32) 93 84 59 20
Mobile:(32) 90 53 20 35
Internet:hans.verswijver@ngc.no

SKAUGEN PETROTRANS INC.

5847 San Felipe, Suite 4300
Houston, TX 77057-3086, USA
Telephone:I 713 266 8000
Telefax:I 713 266 0309/ 5454
Telex:284209 SPI INC
Pager:I 800 946 4646/ I 800 811 0735

DS AS IDAHO

Haraldsgate 139, P.O. Box 130, 5501 Haugesund, Norway
Telephone:(47) 52 70 36 76
Telefax:(47) 52 70 36 70

PRINCESS CARRIERS AS

Haraldsgate 139, P.O. Box 130, 5501 Haugesund, Norway
Telephone:(47) 52 70 36 76
Telefax:(47) 52 70 36 70

PRINCESS CARRIERS - SHANGHAI

Representative Office
Room 601 Walton Plaza, 801 Chang Le Road,
Shanghai 200031, P.R. of China
Telephone:(86) 21 6466 4546
Telefax:(86) 21 6466 4547
Mobile:(86) 21 9183 1725
Internet:erik.lind@ngc.no

PRINCESS CARRIERS - KOREA

Capt. Jae Kwang Noh
Owners representative, Room 702 Sejong-RO
Daewoo Bolkhap B/D, 167, Naesu-Dong, Jongro-Gu
Seoul, Korea
Telephone:(82) 2 725 4163
Telefax:(82) 2 733 9218
Telex:35087

MARINE TECHNOLOGY SERVICES AS

Haraldsgate 139, P.O. Box 130, 5501 Haugesund, Norway
Telephone:(47) 52 70 36 86
Telefax:(47) 52 70 36 70

I.M. SKAUGEN (AGENCIES) LIMITED

London office, 28, Grosvenor Street
London W1X 9FE, England
Telephone:(44) 171 917 9603
Telefax:(44) 171 917 9607

TNGC - HUBEI TIAN EN PETROLEUM GAS TRANSPORTATION CO. LTD.

12, Jiang Han Bei Road, Jingzhou, Hubei Province
P.R. of China - 434000
Telephone:(86) 71 6821 1690
Telefax:(86) 71 682 13640

TNGC - HUBEI TIAN EN PETROLEUM GAS TRANSPORTATION CO. LTD.

Shanghai Branch Office, Room 601 Walton Plaza
801 Chang Le Road, Shanghai 200031, P.R. of China
Telephone:(86) 21 6466 4546
Telefax:(86) 21 6466 4547
Mobile:(86) 21 9183 1725
Internet:erik.lind@ngc.no

GAS RECOVERY SYSTEMS AS

Munkedamsveien 45A, P.O.Box 1734 Vika
0121 Oslo, Norway
Telephone:(47) 22 83 19 94
Telefax:(47) 22 83 65 64
Internet:bard.norberg@ngc.no

TOURING AS

Winge Haugesund Travel Agency
Haraldsgate 139, P.O. Box 604, 5501 Haugesund, Norway
Telephone:(47) 52 71 43 11
Telefax:(47) 52 71 27 30
Toll Free Number (within Norway):800 84 400
24-Hour Number:(47) 90 72 42 04

NORWEGIAN GAS CARRIERS LTD. PETROTRANS HOLDINGS LTD.

P.O. Boks HM 2257, Par La Ville Place
14 Par La Ville Road, Hamilton HM JX, Bermuda
Telephone:(1) 441 296 0128
Telefax:(1) 441 296 0130
alternatively:(1) 441 292 1373

THE FLEET AS PER FEB.17.1997

GAS VESSELS - NGC

Vessels	Size 100% (cbm)	DWT/ Draft	GT/NT	LOA/BEAM M	IMO/USCG BAR	ETH Cap.	PPL Cap.	BTD Cap.	VCM Cap.	Built/rebuilt	aquired	ownership
LPG Norgas Victory	8936	11,772/9.5	8592/2578	127.82/21.50	4.0/4.0	N/A	5342	5604	8494	1982	1991	42,5%
LPG/E Norgas Patricia	8238	9500/8.6	7095/2137	126.20/17.80	4.5/3.2	4521	4925	5166	7831	1991	1991	100%
LPG/E Norgas Treviot	8327	9529/8.6	7260/2178	132.20/17.80	5.5/4.3	4643	5008	5220	7933	1989	t/c	t/c until July '97
LPG/E Norgas Chief	8070	8379/8.3	7791/2338	119.54/19.05	5.0/4.0	4429	4824	5061	7671	1983	1983	100%
LPG/E Norgas Discover	7418	8725/8.7	7173/2152	125.33/19.00	3.8/3.4	4071	4434	4652	7051	1971/90/95	1988	100%
LPG/E Norgas Voyager	7418	8700/8.7	7173/2152	125.33/19.00	3.8/3.4	4071	4434	4652	7051	1972/90/96	1988	100%
LPG/E Norgas Trader	7334	8506/8.8	6976/2093	118.72/18.50	4.0/2.5	4025	4384	4600	6971	1981	1988	100%
LPG/E Norgas Traveller	7187	7770/7.6	6684/2005	130.05/17.60	5.0/3.2	3944	4296	4507	6831	1982/87	1991	100%
LPG Norgas Mariner	6568	7850/8.5	6356/1907	115.15/18.50	7.0/4.6	N/A	3926	4119	6243	1982	1987	100%
LPG/E Norgas Challenger	6363	7492/7.9	5739/1756	115.10/17.50	4.6/4.0	3492	3804	3990	6048	1984	1989	100%
LPG/E Norgas Pioneer	6133	9065/8.8	6521/1956	116.55/19.50	3.8/3.8	3366	3666	3846	5830	1979	1990	50%
LPG/E Norgas Energy	6126	9095/8.8	6521/1956	116.55/19.50	3.8/3.8	3362	3662	3842	5823	1979	1990	100%
LPG/E Norgas Pilot	6080	6035/7.6	5696/1709	112.36/16.80	5.0/4.2	3337	3635	3813	5083	1977	1982	78,6%
LPG/E Norgas Sailor	6080	6111/7.6	5696/1709	112.36/16.80	5.0/4.2	3337	3635	3813	5083	1976	1982	45%
LPG Norgas Transporter	6077	6920/7.6	6808/2043	114.20/18.30	5.0/3.7	N/A	3633	3811	5776	1982	1994	100%
LPG/E Norgas Navigator	6006	7154/7.5	6848/2054	112.69/18.52	4.0/2.5	3296	3590	3767	5709	1977	1991	100%

AFRAMAX VESSELS FOR CRUDE OIL - SHIP TO SHIP TRANSFER - SPT

Vessel	size	capacity(bbls.)*	built	comments
D/D Skaunord	102,262 dwt	754,800	1992	Bare-boat until June'97
D/S Stavanger Sun	89,696 dwt	608,000	1985	t/c until Feb.'97
D/S Deneb	89,636 dwt	608,000	1985	t/c until Feb'99
D/S Aldebaran	89,570 dwt	608,000	1986	t/c until Feb.'99
D/S Rich Duchess	79,998 dwt	624,523	1986	aquired 100% Jan'97 (to be sold)

*98% capacity based on summer dwt draft

LIGHTERING SUPPORT VESSELS - SHIP TO SHIP TRANSFER - SPT

Vessel	size	built/rebuilt	aquired	ownership
Gulf Defender	2250 bhp	1976/92	Op. lease with options	t/c until Dec'97
Gulf Guardian	2250 bhp	1981/91	Op. lease with options	t/c until Dec'97
Gulf Protector	2250 bhp	1977/91	Op. lease with options	t/c until Dec'97
Gulf Relentless	2250 bhp	1971/89	Op. lease with options	t/c until Dec'97

CHEMICAL VESSELS - PRINCESS CARRIERS

Vessel	type	size	cargo cap.	built/rebuilt	aquired	ownership
Princess of Penang	oil & chemical, IMO II & III	9034 dwt	10,467 cbm	1979/96	1996	100%
Princess of Rotterdam	oil & chemical, IMO II	8327 dwt	8897 cbm	1976/97	1996	100%
Princess of Yosu	oil & chemical, IMO II & III	2545 dwt	2882 cbm	1970/96	1996	100%

Our Business

Ocean transportation of petrochemical gases, organic chemicals as well as ship to ship transfer of crude oil for our Customers in the Petrochemical and the Refinery Industry. Active management of our fleet to improve our returns, performance and further to adjust capacity, and age profile to the changing market conditions.

Our Mission

Through Norwegian Gas Carriers (NGC), Princess Carriers and Skaugen PetroTrans (SPT) become the leading provider of transportation services to our Customers.

Our Objective

Achieve sustainable competitive returns on the capital through value appreciation of the company's shares and distribution of dividend commensurate with the company's profits and prospects.

Our Strategy

A financially strong integrated service company for marine transportation with a globally oriented customer marketing approach operating a fleet of vessels out of hubs in Europe, Asia and North America.

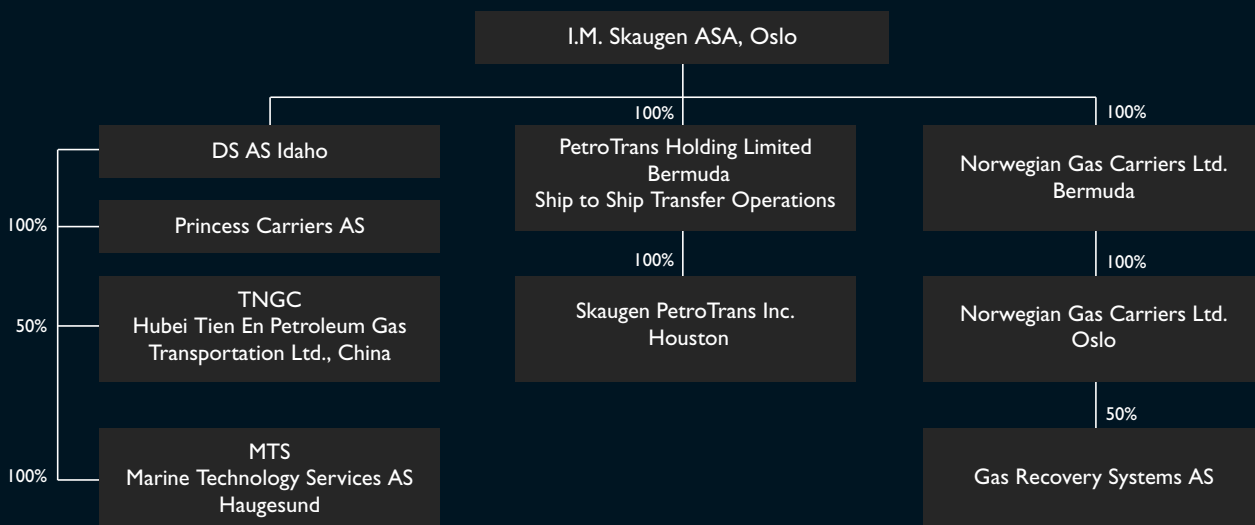
Our Commitment

Build lasting relationships with our customers by understanding their goals and exceeding their expectations through efficient and excellent service.

CONTENTS

Report by the Board of Directors	1
Profit and Loss account I.M. Skaugen	12
Balance Sheet I.M. Skaugen	13
Statement of Cash Flow I.M. Skaugen	14
Accounting Principles I.M. Skaugen	15
Notes	17
Auditors' Report for 1996	26
Share Capital and Shareholders Situation	26

ORGANISATION – THE OVERALL STRUCTURE



I.M. SKAUGEN

- Table of Contents
- Overview
- Summary 1995
- Key figures
- Report of the Board of Directors
- Income Statement
- Balance Sheet
- Cash Flow Analysis
- Notes
- Shareholders Policy

HUGIN
HÅRINGSØVETS INFORMASJONSBANK
1996

