PRESS RELEASE - I. M. SKAUGEN ASA

2nd quarter report 1997

***The I. M. Skaugen Group** is engaged in maritime transport of petrochemical gases, LPG and organic chemicals, as well as ship to ship transfer of crude oil. Our customers, the international oil refineries and the petrochemical industry, are located in Europe, USA and Asia, and we therefore maintain offices in Singapore, Shanghai, Jingzhou, Seoul, Houston, Brussels and Haugesund, in addition to our main office in Oslo. The Group operates a total of 28 units, consisting of 16 gas vessels, 3 chemical vessels, 5 Aframax tankers and 4 working ships engaged in the lightering business. **NGC**, being responsible for our gas transport, is one of the world's leading players in the segment of petrochemical gas transport, handling almost every fifth cargo of ethylene and every sixth propylene cargo world-wide. **SPT** is the leading player within the area of ship to ship transfer, with a market share of approximately 40%. The group is also involved in the development of supplemental areas of activity, chiefly in Asia, particularly China. These activities are not expected to impact significantly on the P/L statement before 1998.*

PROFIT FOR 2ND QUARTER VIRTUALLY UNCHANGED

The I.M. Skaugen Group showed a modest EBITDA improvement of NOK 3 million compared with 1Q 1997 figures, which is attributable to improved market conditions for the Group's ship to ship transfer operations (SPT). The profit from operation of vessels in the first half year of 1997 coincide with those experienced in the previous year.

So far in 1997, the main segments Gas/Chemicals and Lightering have exhibited the following profits/ (losses) from operations**:

	Gas/ Chemicals			Lightering			Group consolidated		
NOK mill	**1q97**	**2q97**	**1h97**	**1q97**	**2q97**	**1h97**	**1q97**	**2q97**	**1h97**
Freight revenue on t/c basis	90	90	180	69	102	171	160	192	352
Vessels' operating cost/ t/c hire	-57	-63	-120	-62	82	-144	-112	-140	-252
Net from operation of vessels	33	27	60	7	20	27	48	52	100
Administration	-9	-9	-18	-3	-4	-7	-18	-19	-37
EBITDA*	24	18	42	4	16	20	30	33	63

* EBITDA: Earnings before interest, tax, depreciation and allocations
** The above segment information does not add up into Group consolidated figures, as activities other than those of the main segments are not shown separately.

The Group continues the build-up of its Asia activities in Singapore and Shanghai respectively, as a result of projects in these regions. As a consequence, the total cost of administration for the Group shows an increase compared with 1996. The Asian activities, however, are not expected to contribute positively to the Group's profits until 1998. Additionally, the Group has charged NOK 7 million of restructuring expenses to the loss account in the 2 Q of 1997. These expenses relate to a docking commitment at expiry of a 5 year bare boat charterparty, settlement of two legal disputes as well as a final settlement of expenses in respect of the recent merger.

Acquired in January 1997, the Aframax vessel "Rich Duchess" was sold in April 1997 at a net profit of NOK 64 mill. and with a net positive cash flow effect of NOK 102 mill., allowing for the buy-out of the leasing obligation. The sale is reflected in 2 Q profits. The vessel will continue to trade in the lightering business and has been rechartered for a period of 18 months at market rate. This chartering reflects the company's policy of using chartered tonnage in its lightering activities, since this has proven to be more profitable than using own tonnage.

The Group's revenues and loans are mainly USD denominated and the financial management of the Group is therefore conducted applying USD as functional currency. Assessed by independent brokers, the excess of market value of the fleet over book value has increased by NOK 66 million since 31 December 1996, due to the appreciation of USD against NOK. This is not reflected in the enclosed accounting figures. On the contrary, the Group has accounted for a NOK 53 million loss in the 1st half of 1997 (realised agio of NOK 32 million in the 1st half 1996) in respect of an unrealised currency loss on USD debts for the fleet.

On aggregate, the Group showed a profit of NOK 39 million at the half year stage of 1997 before taking into account currency gains/losses or tax (loss of NOK 5 million for the same period in 1996).

FINANCIALS

At the end of the 2 Q 1997 the Group had a total liquidity of NOK 421 mill. The liquidity ratio for the Group was satisfactory at 1.36. Booked equity was NOK 583 million with book equity ratio of 37%. Independent brokers estimate the market value of the fleet to be NOK 255 mill. in excess of its book value of NOK 969 mill. (based on NOK/USD ratio of 7.30).

The Group has a satisfactory capital base for the further development of its services, and will continue its policy of prudent fleet renewal, primarily from the second hand market. The Group will maintain a debt ratio which will ensure financial flexibility. During the 2 Q the Group has reached an agreement with one of their chief banking connections regarding refinancing of the Group's debts. This loan facility contains a framework for future capital demands related to renewal of the Group's gas tonnage fleet, as well as the building up and developing of the chemical trade and other supplementary areas of activity. The term of the loan facility will go beyond year 2005. This refinancing will be completed during the 3 Q 1997 and will give the Group an improved cost and repayment profile compared with the current financing. As a consequence hereof, the Group has decided to repay a number of loan facilities, one of which is a convertible bond loan and another is a Variable Rate Note loan. The refinancing will lead to reductions in the cost of interest for the Group.

THE MARKET AND BUSINESS ACTIVITIES

The I. M. Skaugen companies persist in focusing on service and the development of IT as a tool in their dialogue with the Group's customers. The execution of freight assignments, lightering and harbour operations are analysed in close co-operation with the customers, in order that efficiency and quality of service may be improved.

NGC's 2 Q results are marked by a lower ratio of tonnage utilisation than in the 1Q. There were 15% idle days in the first two quarters, as compared to approximately 6% in the 1Q of 1997, 12 % in the 4 Q 1996 and 15% for the year 1996 as a whole. The Asian market has for the 2Q 1997 continued to demonstrate a slower development in the transport of petrochemical gases. The Asia segment accounted for approximately 76% of the total number of idle days for the first half year of 1997. As was the case in the 1Q of 1997, activity in the transatlantic trade shows an improved utilisation of tonnage capacity compared to last year. An expected profitability improvement for the petrochemical industry, and the subsequent increasing activity in seagoing transportation did not materialise in the 2Q. We are still convinced that the fundamental market conditions required for market improvements are present, however, our expectations for the immediate future remain sober.

Average revenue on t/c basis for the first 6 months has been USD 293,000/month, compared to USD 319,000 for the comparable 1996 period. Average rate in 2 Q 1997 was USD 272,000, compared to USD 313,000/month in the 1 Q. The reduction in average t/c rate is solely attributable to the increased number of idle days. The rate level per ton transported has been maintained.

Operation of NGC ships has continued without any major problems. Injury figures for personnel, equipment and cargo continue to show a satisfactory trend. All of our ships pass the many inspection programs of our customers. Total operating cost is as forecast, and the quality of the operating units develops in a satisfactory manner. It is expected that the quality assurance programme of NGC will be certified by DnV in the course of the 3 Q 1997. Two dockings have been carried out in the course of the 2 Q 1997 according to plan. No further dockings are planned for the remainder of 1997.

SPT today enjoys the benefits of the last years' efforts to improve efficiency and marketing as well as improved market conditions. The lightering business improved its EBITDA with NOK 12 mill. in 2 Q 1997 compared to 1 Q 1997. The operating profit was NOK 15 mill. for 1 H 1997 compared to NOK 11 mill. for the comparable period last year. For the core fleet the lightering business shows a utilisation ratio of 89% compared to 86% in the same period last year. SPT has carried out 166 operations and moved an aggregate 121 mill. bbls of crude oil during the first six months of 1997, compared to 162 operations and 119 mill. bbls crude oil over the same period last year. The company maintains a market position, a cost level and contractual coverage indicating a continued positive profit trend for 1997.

Princess Carriers has operated three chemical vessels during the 2 Q of 1997, following the delivery of the third vessel at the end of the 1 Q. The chemical business will now be operated out of Shanghai, and the first ship will be staffed entirely by Chinese during the month of July. The business is expected to contribute positively to the Group's operating results for 1997.

TNGC, the Group's joint venture effort in China, is building a *2,000 cbm LPG ship* at Wuchang yard in Wuhan, and has secured an option for delivery of a further 3 similar vessels. These ships are designed for the domestic transport of LPG and will operate under Chinese flag on the Yangtze River. The first vessel is expected to be delivered during the 1 Q 1998. We have further contracted *one LPG barge of appr. 1,500 cbm* size for LPG transport. Further purchases of such barges are anticipated to be made in the 3 Q. It is not expected that this activity will impact on the Group's P/L until 1998, although we expect the operation to be launched during the final quarter 1997.

Should you have further questions, please contact Hege Anfindsen, tel. 22 83 30 60 or e-mail address: hege.anfindsen@ngc.no or X400:G=HEGE;S=ANFINDSEN;P=NGC;A=TELEMAX;C=NO
This press release and other information concerning I. M. Skaugen is also available on the Internet: http://hugin.sol.no/SKA/index_e.shtml

Oslo, 14 July 1997
I.M. Skaugen ASA
Board of Directors

I M Skaugen Consolidated

Statement of Income

NOK million (Exchange rate NOK/USD 6,86 Average 2nd Quarter 1997)

	1997 1.1 - 30.03	1997 1.4 - 30.06	1997 1.1 - 30.06	1996 1.1 - 30.06	1996 1.1 - 31.12
Gross freight revenue	211	252	463	396	817
Voyage-related expenses	(51)	(60)	(111)	(86)	(177)
Net revenue on T/C-basis	**160**	**192**	**352**	**310**	**640**
T/C-hire	(49)	(73)	(122)	(102)	(199)
Other operating expenses	(63)	(67)	(130)	(107)	(247)
Net result from vessels' operation	**48**	**52**	**100**	**101**	**194**
Administration costs	(18)	(19)	(37)	(37)	(65)
EBITDA (Earnings before interest/taxes/depr.and allocations)	**30**	**33**	**63**	**64**	**129**
Depreciation	(28)	(29)	(57)	(47)	(107)
Profit/(loss) from disposal of vessels	0	64	64	5	5
Restructuring/merger expenses	0	(7)	(7)	0	-7
Operating result	**2**	**61**	**63**	**22**	**20**
Financial income	7	13	20	9	30
Financial expenses	(17)	(27)	(44)	(36)	(83)
Net financial income/expenses	(10)	(14)	(24)	(27)	(53)
Net result before agio/disagio and taxes	**(8)**	**47**	**39**	**(5)**	**(33)**
Net result on foreign exchange - realized and unrealized	(9)	(44)	(53)	32	26
Extraordinary Income/Taxes/Minorities	(1)	1	0	0	114
Result this period	**(18)**	**4**	**(14)**	**27**	**107**
Result per share	*-2,71*	*0,60*	*-2,11*	*4,06*	*16,11*

Balance sheet

NOK million (Exchange rate NOK/USD 7,30 as per 30.06.97)

	30.06.97	30.06.96	31.12.96
Cash and bank deposits	421	659	651
Other current assets	168	241	155
Vessels and other fixed assets	993	1 107	1 085
Total assets	**1 582**	**2 007**	**1 891**
Current liabilities	432	547	540
Dividend from result/merger	0	0	223
Long term debt	522	580	487
Subordinated unsecured loan/Convertible loan	44	44	44
Deferred taxes	0	117	0
Minority interest	1	156	1
Shareholders' equity	583	563	596
Total liabilities and shareholders' equity	**1 582**	**2 007**	**1 891**