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Board of Directors' preliminary report on annual and 4th quarter results

SKA - LEVEL OF PROFITABILITY UNCHANGED.

In their preliminary annual accounts for 1997 the I. M. Skaugen ASA Group (IMS) presents an EBITDA* profit of NOK 114 mill. (NOK 129 mill, in 1996). Annual profit is NOK 29 mill. as compared with NOK 107 mill. in 1996. The annual profit for 1996 was strongly impacted by the reversal of a previously booked tax liability in the amount of NOK 107 mill. There is no similar income booked in 1997, but the profit for the year is heavily affected by a currency loss of NOK 51 mill. resulting from our dollar liabilities (NOK 26 mill. currency gain in 1996) and profits on sales of vessels in the amount of NOK 136 mill. (NOK 5 mill. in 1996). It follows from the continuing weak freight rates in the gas market that the chief enterprise NGC does not achieve the desired results. This is the main reason why the return on capital invested in IMS must be considered unsatisfactory.

Segment information at EBITDA level is shown below.

Table I -Segment information

NOK mill.	Consolidated			Gas/Chemicals			Lightering		
	4q97	1997	1996	4q97	1997	1996	4q97	1997	1996
Freight revenue on t/c basis	180	708	640	72	336	358	108	370	277
Ships' operating cost and t/c hire	-147	-532	-446	-54	-228	-213	-94	-311	-248
Net from ships' operations	33	176	194	18	108	145	14	59	29
Administration	-14	-62	-65	-10	-34	-32	-2	-16	-13
EBITDA	19	114	129	8	74	113	12	43	16

* EBITDA Earnings Before Interest, Depreciation and Allocations

** The segment information will not add up to the consolidated figures, since "Other activities" are not shown.

*** Activities in the gas and chemicals segments appear jointly.

Profit, balance sheet and financials

In spite of the fact that the chief activity of IMS, the transport of petrochemical gases, has been facing the same weak market conditions as in the bottom years 1992 and 1993, the Group has nevertheless improved its operating profit on EBITDA basis, from a loss of NOK 199 mill. in 1992 (NOK 21 mill. in 1993) to a profit of NOK 114 mill. in 1997 (NOK 129 mill. in 1996). This improvement can be ascribed to the modernization and effectivization having taken place over the past years, both in the organization and in the work methods. Intensive marketing efforts, a high level of service, strict cost control and relatively short idle periods for our ships are the reasons why the results show far better than the level of activity for the NGC ships in the gas market would indicate.

The Group's gross freight revenue for 1997 came in 1997 to NOK 948 mill. (NOK 817 mill. in 1996). Operating result before sale of ships and restructuring costs shows a loss of NOK 2 mill. (NOK 22 mill. in 1996). Ships were sold in 1997 yielding a profit of NOK 136 mill. (NOK 5 mill. in 1996). Net financial costs were NOK 46 mill. exclusive of currency loss related to USD liabilities - realized and unrealized - in the amount of NOK

51 mill. Total net financial items amount to NOK 97 mill. Net financial costs for 1996 amounted to NOK 53 mill. exclusive of a currency profit of NOK 26 mill. In aggregate, this gives a preliminary result for 1997 in the amount of NOK 29 mill. for the IMS Group (NOK 107 mill. in 1996).

IMS achieved a positive cash flow from the operative units of NOK 59 mill. or NOK 8.90 per share, down NOK 10 mill. from the preceding year. Our EBITDA result of NOK 114 mill. is 2.5 times higher than our net financial costs which amounted to NOK 46 mill. (3 times higher in 1996).

By year end the Group's current assets amounted to NOK 515 mill. Short term liabilities were NOK 212 mill. Total interestbearing liabilities amounted to NOK 873 mill. Total liquidity was NOK 337 mill. and the Group's liquidity ratio was 2.4, which we consider to be satisfactory.

Equity booked was NOK 628 mill., representing 40% of total assets in the company's balance sheet. Independent ship brokers estimate that as of December 31st, the company's ships had a market value of 214 mill. over and above the book value of NOK 1,033 mill.

During 1997 the Group's loan facilities have been restructured and made more efficient, based on one single loan agreement in USD. The new facility carries a more favorable profile as to pay-back and interest margin, and annual financial costs will be reduced by approx. NOK 5 mill. Our two loan agreements with rights of conversion to shares in I. M. Skaugen and to ownership in NGC have been liquidated.

In 1997 changes were made in the Group's fleet composition, in line with our policy to modernize the fleet and strengthen our focus on the market, and to base our activities on leased tanker tonnage to serve our customers in SPT. These transactions, which have been publicized throughout the year, contributed to the cash flow with the amount of NOK 81 mill. and impacted on the profit with NOK 136 mill. The transactions have been concluded at values above, or on a level with those estimates of ship values which the Group quarterly receive from independent brokers.

The Board of Directors have not discussed annual allocations and have thus not decided on a possible declaration of dividend. Final accounts with proposed annual allocations will be approved in a meeting to be held on February 12, and Annual General Meeting will according to present plans take place on March 5.

Gas activities

Norwegian Gas Carriers (NGC) is the Group's largest segment of activity and represents one half of the total revenue. Appr. 85% of total assets are bound up in NGC, which in turn contributes 67% to our EBITDA result. NGC operates 14 ships in sizes ranging from 5,000 to 9,000 cbm, of which now only one lacks the capacity to carry ethylene. At present 6 units are occupied in Asia and 8 units in the Atlantic ocean area.

The average revenue rate in 1997 on a t/c basis (including idle time) was USD 274,000 per month/ship, down from USD 324,000 per month/ship in 1996. Number of idle days represented 8% (16% in 1996) and loss of operating income as a result of idle days is estimated at NOK 29 mill. (appr. NOK 65 mill. in 1996). 1997 saw two dockings in accordance with docking plan at a total cost of NOK 8 mill., activated in accordance with ruling principles (9 dockings and NOK 38 mill, in 1996).

New projects in the gas segment

IMS continue their efforts to further develop supplementary areas of activity within the gas business:

TNGC - Joint venture in China

The joint venture effort through "TNGC" - Hubeio Tian En Petroleum Gas Transportation Co. Ltd. - is registered in the Hubei province in China and will focus on domestic distribution of LPG on the Yangtze River. It will give our customers more efficient logistics for import and distribution of LPG for industrial and household use. LPG has not previously been carried on the Yangtze River and some work remains to be done in order to get acceptance of all details of this transportation solution in China. This is a project characterized by "high risk and high reward", with a total investment frame for the Group of USD 8.5 mill. The company is expected to become operational during the first half year of 1998.

SPT Marine Services - offshore purging/cleaning

In cooperation with NGC the newly established "SPT Marine Services Inc." in Houston have developed a concept making possible a more efficient cleaning of gas and chemicals ships before they call at harbors to change cargo. SPT Marine Services now offer their services to companies outside the Group as well, and are established in the US Gulf and in the Arabian Gulf. SPT Marine Services contribute positively to Group results even in this first year of operation.

GRS - Gas Recovery Systems

The Group's environmental efforts in the gas business are organized in the subsidiary Gas Recovery Systems AS. The company has developed its own technology - patented worldwide - for the recovery of gases that would otherwise be released by change of cargo. A prototype has been produced and is currently being tested. The technology is to be marketed and commercialized in cooperation with SINTEF, Statoil and AGA AB. These efforts are expected to have a considerable commercial potential.

Activities outside the gas segment

SPT - ship to ship transfer of crude oil in the US Gulf

Skaugen Petrotrans (SPT) is responsible for appr. 50% of IMS revenue and currently occupy 5% of the Group's total assets. The company contributes 37% of the EBITDA result. The company has consistently shown a profit in each month during 1997. Of our

activities, SPT is the one yielding the highest return on the capital invested. The EBITDA margin is considerably improved compared to 1996, from NOK 16 mill. to NOK 43 mill.

SPT is based in Houston and operates chiefly in the US Gulf, but also has some activities on the United States East Coast. Also, at the end of December SPT carried out its first lightering operation off Gabon in West Africa.

During 1997 the lightering operation has had a utilization ratio for the core fleet of 89% compared to 86% in 1996. 531 operations have been carried out compared to 446 operations in the preceding year. A total of 268 mill. barrels of crude oil have been shifted in 1997 as against 231 mill. barrels in 1996. SPT operates a fleet of 5 crude oil tankers and 4 lightering support vessels (LSV).

SPT renewed in 1997 all contracts with their major customers at improved rates. Simultaneously, a gradual increase has been seen in the cost of chartered tonnage, resulting from improved market conditions for crude oil tankers.

Princess Carriers - Chemicals activities in Asia

The Group's efforts in the chemicals segment are now entirely operated and organized with basis in Shanghai, through the subsidiary Princess Carriers (Princess). Princess represents a small 4% of the revenue and 5% of total assets. The company has concluded its first operational year and presently work 3 chemicals vessels. The last ship was put into operation after an upgrading during the first quarter of 1997. A total of USD 7.6 mill has been invested in upgrading of the vessels during 1996 and 1997, and the total amount invested now stands at USD 15 mill.

Gradually Princess Carriers has shown a positive development during its first year of operation and has made a positive contribution to the Group's EBITDA in the second half of 1997.

Future prospects for IMS

With satisfactory liquidity and solidity IMS appear today as better prepared than ever to face new business challenges, having over a period from 1990 on improved operational profits and focused strongly on tasks related to restructuring and cost reduction.

We are satisfied with the profitability shown at present by the SPT activities, and anticipate that the new activities being developed through this company will serve to improve the Group's profitability.

Based on values estimated for the fleet by independent brokers and on the present cost profile of NGC, IMS should over time be able to achieve a yield of 10-11% on total assets, which is appr. 50% above risk free interest. With a normal proportion of external loan capital this will give a sound return on the equity. Our expectations are based on a presumed future profitability equal to NGC's historic profitability over the past 15 years, and with our new cost profile. It is the Board's conclusion that the numerous organizational efforts made have resulted in improved profitability when

considering market developments. New efforts are also put into operation, and all in all this forms the basis for our careful optimism regarding capital yield as expressed above.

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This press release is also available on Internet:

http://www.huginonline.no/SKA/index_e.html

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Board of Directors I.M. Skaugen ASA