

REPORT FOR THE 1ST QUARTER 1998

SKA – IMPROVED EARNINGS FOR NGC’S GAS CARRIERS

I.M. Skaugen reported increased earnings in the 1st quarter of 1998 from its main activities within maritime transportation of LPG and petrochemical gases. On a time charter basis, average earnings were USD 279 000 per ship per month. This is USD 41 000 per month/ship more than in 4Q97 and also higher than the average for all of 1997, which was USD 274 000. Earnings before interest, tax, depreciation, and allocations - EBITDA - in the NGC segment were NOK 23 million compared with NOK 13 million in the 4Q97. EBITDA for Skaugen PetroTrans were NOK 8 million in the 1Q98, compared with NOK 4 million in the 1Q97 and NOK 11 million in the 4Q97. Group EBITDA in the 1Q totalled NOK 26 million, compared with NOK 21 million in 4Q of 1997 and NOK 116 million for all of 1997. The net result for the period was minus NOK 22 million, after a net foreign exchange loss of NOK 11 million. This is primarily attributable to a rising USD to NOK exchange rate.

Segment information

NOK mill.	Consolidated**			Gas/Chemical***			Lightering		
	1Q98	4Q97	1997	1Q98	4Q97	1997	1Q98	4Q97	1997
Freight revenue on t/c basis	197	183	711	83	74	338	114	108	370
Vessels' operating cost and t/c hire	-154	-148	-533	-52	-52	-226	-102	-95	-312
Net from operation of vessels	43	35	178	31	22	112	12	13	58
Administration	-17	-14	-62	-8	-10	-33	-4	-2	-16
EBITDA*	26	21	116	23	12	79	8	11	42

* 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 activities of the gas- and chemical segments are shown in combination.

Focus on customer service and efficiency resulted in improved earnings despite a weak market for gas transportation

In the 1st quarter of 1998, NGC experienced a positive development in earnings on a time charter basis for its fleet of 14 gas tankers. The general market development in the same period was negative, as per fixtures reported. 13 of the vessels have ethylene capacity (refrigeration to minus 103 degrees centigrade) and one vessel refrigerates the cargo to minus 48 degrees centigrade.

Approximately 40% of NGC’s capacity is located in Asia, and the activities this region have shown a gradual improvement. NGC established an office in Singapore as of 1 December 1996 and average earnings have continued to increase from one quarter to another, up through the end of the 1st quarter 1998. These results show that NGC has developed a unique customer service concept, the success of which is evidenced by the fact that customers use the NGC vessels more frequently than other carriers. NGC is thus underway to becoming the ethylene carrier of choice.

As far as results are concerned, there is still some ground to cover. EBITDA of NOK 23 million in the 1Q98 is not satisfactory, considering the risk involved and the capital employed. The profitability must be improved by continuing focus on productivity and the development of systems that satisfy the customers' requirements even better.

NGC is experiencing comparatively small losses given the present historically low rates for the transportation of petrochemical gases and LPG on key routes. In contrast, NGC posted significantly larger losses in the early 1990s, with similarly depressed rates. The improvement is mainly attributable to improved efficiency and hence a considerably lower break-even level for the fleet. This is a highly cyclical market, and when the rates increase we will have a satisfactory yield on the capital employed in the NGC vessels. However, we continue our efforts to improve efficiency to further reduce our break-even level.

SPT "ship-to-ship transfer" of crude oil

SPT achieved an EBITDA result of NOK 8 million in 1Q98, which is somewhat lower than in the 4th quarter of 1997 (NOK 11 mill). SPT continues its positive development, however, even though results are marginally weaker than we anticipated. This is mainly due to somewhat higher costs with regard to chartered-in tonnage.

Despite a period with adverse weather conditions in the U.S. Gulf, which led to complications with regard to the most efficient use of the fleet, the generally positive development in SPT's activities continues. This development is primarily due to increased activities and thus increased capacity utilization; at 90 % in the 1Q98. Extensive contract coverage and a customer-mix that provides stability in volumes also contribute positively.

TNGC - LPG transportation on the Yangtze river

TNGC's principal customer opens its first terminal in May 1998, which means that TNGC can organise its first shipment of LPG on the Yangtze river and the project can thus be in operation. When all units are in place, we expect that 120 000 tons of LPG can be shipped to the discharging terminal in Zhihang in a full year of operation. TNGC is expected to contribute positively to group results in its first year of operation.

Gas Recovery System (GRS)

The GRS is a system for recovery of gases that escape during cleaning of tanks and transfer of gases in the petrochemical industry. A prototype developed in cooperation with the Norwegian industrial research institute, SINTEF, has been subject to extensive testing in this quarter. The test results were very encouraging and several new uses for the GRS have been identified. An agreement has been signed with the Swedish gas distribution company AGA, which will undertake marketing and sale of GRS units. GRS is patented in Norway and in the U.S., and patent is pending in Europe and in Asian countries.

Princess Carriers

Princess Carriers showed an EBITDA of NOK 0 in the 1st quarter (NOK 1 mill 4Q97). This is mainly due to an extraordinarily slow market for transportation of organic chemicals and vegetable oils in Asia, caused by the financial crisis in the region. This directly affects the demand for the

products carried by Princess Carriers. At the same time there has, however, been a build-up of chemical tonnage through newbuildings.

The considerable cost-savings achieved by Princess Carriers cannot fully compensate these market conditions and a turn-around with regard to earnings cannot be expected in 1998.

Financial items

There are only minor changes in the group balance sheet from 31 December 1997. During the 1Q98 the mortgage has been repaid according to the amortisation profile of the group's main loan facility. The debt-equity ratio is 62% and short-term debt accounts for 20% of total debts. As per 31 March 1998 book equity was NOK 606 million. Total liquidity on the balance sheet date was NOK 331 million. The liquidity ratio as of 31 March 1998 was 2.5, which is regarded as satisfactory. On 31 March 1998 the ratio EBITDA to net financial costs (exclusive loss on exchange) was 2.0, compared with 2.5 on 31 December 1997.

Independent brokers estimate the market value of the fleet to be NOK 265 million in excess more than the book value of NOK 1 023 million (based on a NOK/USD rate of 7.57).

The groups's transactions are predominantly in USD and the IMS share should thus be considered a USD-share. A small part of the company's costs are in NOK. IMS is hedging against the currency risk by acquiring NOK on forward contracts at pre-defined rates. The forward contracts run throughout 1998, in order to reduce a potential currency risk in NOK.

Other issues

During the 1st quarter of 1998 I.M. Skaugen sold of its properties at Nordås in Sandefjord, Norway for NOK 5.5 million. This gives a book profit of NOK 1.1 million.

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Oslo, 15 April 1998

Board of Directors I.M. Skaugen ASA

I M Skaugen Consolidated

Statement of Income

NOK million (Exchange rate NOK/USD 7,55 Average 1.Jan-31.March'98)

	1998 1.1 - 31.03	1997 1.1 - 31.03	1997 1.10 - 31.12	1997 1.1 - 31.12
Gross freight revenue	259	211	244	952
Voyage-related expenses	(62)	(54)	(61)	(241)
Net revenue on T/C-basis	197	157	183	711
T/C-hire	(85)	(49)	(78)	(264)
Other operating expenses	(69)	(65)	(70)	(269)
Net result from vessels' operation	43	43	35	178
Administration costs	(17)	(13)	(14)	(62)
EBITDA (Earnings before interest/taxes/depr.and allocatio	26	30	21	116
Depreciation	(26)	(28)	(30)	(117)
Profit/(loss) from disposal of vessels and other fixed assets	1	0	72	136
Redelivery cost/claims/merger expenses	0	0	(2)	(9)
Operating result	1	2	61	126
Financial income	3	7	5	23
Financial expenses	(15)	(17)	(14)	(70)
Net financial income/expenses (Excl. currency gain/loss)	(12)	(10)	(9)	(47)
Net result before currency gain/loss and taxes	(11)	(8)	52	79
Net result on foreign exchange - realized	(1)	0	0	(18)
Net result on foreign exchange - unrealized	(10)	(9)	(18)	(32)
Extraordinary Income/Taxes/Minorities	0	(1)	0	1
Result this period	(22)	(18)	34	30
<i>Result per share</i>	<i>-3,31</i>	<i>-2,71</i>	<i>5,12</i>	<i>4,52</i>

Balance sheet

NOK million (Exchange rate NOK/USD 7,57 as per 31.03.98)

	31.03.98	31.03.97	31.12.97
Cash and bank deposits	331	352	351
Other current assets	166	126	155
Vessels and other fixed assets	1.074	1.079	1.100
Total assets	1.571	1.557	1.606
Current liabilities	193	440	198
Dividend from result/merger	0	0	0
Long term debt	772	500	780
Subordinated unsecured loan/Convertible loan	0	44	0
Minority interest	0	2	0
Shareholders' equity	606	571	628
Total liabilities and shareholders' equity	1.571	1.557	1.606