

REPORT FOR THE 2nd QUARTER 1998

SKA - Unchanged for I.M. Skaugen ASA

The Group's main business area, NGC, which is engaged in marine transportation of petrochemical gases and LPG, continued to show a positive earnings trend in 2Q98. Average earnings were USD 291 000 per month per ship, an improvement from USD 279 000 in 1Q98. Even with the loss of earning capacity (NOK 4 mill) due to three dockings in 2Q98, NGC posted an EBITDA result of NOK 20 mill (NOK 23 mill in 1Q98). SPT consolidated its market position and posted an EBITDA result in 2Q98 of NOK 14 mill (NOK 8 mill in 1Q98). The Group's EBITDA result at the end of 2Q98 of NOK 55 mill shows that I.M. Skaugen ASA is consolidating its earnings level from 1Q98, which alone gave an EBITDA-result of for NOK 26 mill. The net result at the end of the second quarter was minus NOK 43 mill after deduction of unrealised and realised foreign exchange losses NOK 24 mill, which is tied to/due to a rising USD-rate versus NOK and the fact that our financing is in USD.

NGC - focus on regional distribution and customer service is showing results in a continued weak market

NGC continued the same trend in 2Q98 as the previous quarter and improved its earnings in relation to the comparable market rates, thus consolidating the positive development from 1Q98. The increase is due to an increased demand for the regional distribution of petrochemical gases in Asia in particular, and the fact that NGC has had a successful marketing strategy compared to many of its competitors. The regional distribution has also helped NGC compensate for the loss of the long-haul transportation of gases, especially in Asia. The increased transportation capacity in the world as the result of the delivery of newbuildings and loss of long-haul transportation has contributed to a market for the transportation of gases that is much weaker than desired. Thus the market is still weak for the company's 13 specialised ethylene vessels (refrigeration to minus 103°C) and our one LPG vessel (refrigeration to minus 48°C) without any ethylene capacity. This LPG vessel was fixed on a 12-month time charter in 2Q98 at earnings equal to our average earnings. The earnings are better than the vessel posted in tramp trade in recent years. The fact that not many vessels have been contracted in this segment is also a positive factor, but there are still too many new vessels that are expected to be delivered in 1998.

The IMS Group's increased depreciation of NOK 29 mill in 2Q98, as opposed to NOK 26 mill in 1Q98, is primarily a reflection of the acceleration of dockings in relation to the docking interval of 30 months.

The docking of five NGC-vessels has been scheduled during the second half of 1998. Three vessels are docked in the first half of '98, and two vessels in '97.

In order to increase the flexibility and earnings potential of the NGC fleet, deck tanks were also installed on the vessel Norgas Carine in 2Q98. NGC now has 3 vessels with deck tanks in its Atlantic fleet, and this innovative system simplifies cargo handling and increases the productivity of our port operations.

The Atlantic fleet represents approximately 60% of NGC's capacity, and it is the most competitive segment. The remaining 40% of NGC's capacity are located in Asia, and this segment is still showing a positive development in 2Q98 due to improved earnings on a time charter basis. The entire Asia fleet operates out of Singapore. This office was opened in December 1996, and it has contributed to the intensification of the marketing of our services on this market.

NGC's EBITDA result for the first six months of 1998 of NOK 43 mill is at the same level as the corresponding period in 1997, when we also had one additional vessel in the fleet. This result is not satisfactory given the capital that is tied up and the risks associated with this activity. The profitability must be improved through focus on productivity and even better service and marketing.

NGC will continue to focus more on the utilisation of resources and lower costs. The composition of the organisation and the location of the individual functions are therefore under constant evaluation, even though our location in Oslo stands firm.

SPT – “ship-to-ship transfer” of crude oil founded on operational safety

SPT has consolidated its position as the business area within the Group that shows an acceptable return in relation to the working capital and the risks we run. SPT is more vulnerable to seasonal fluctuations than what is the case with NGC. Traditionally, the second quarter has been a good quarter for SPT, and the company posted for example earnings of NOK 16 mill in 2Q97. The EBITDA result for the first half of 1998 of NOK 22 mill is at the same level as the first half of 1997.

SPT's goal-oriented efforts have given it a customer profile that supports a satisfactory utilisation of the core fleet's capacity. This was 86% in 2Q98, compared to an average of 89% in 1997.

Continuous focus on safety, the environment and service is a cornerstone of SPT's operations. As acknowledgement of its efforts, the company has received two awards during this period for its environmental awareness at sea based on its “Zero Incident” policy. One is from the US Coast Guard and the other is from the Texas Land Office.

TNGC – transportation of LPG on the Yangtze River

TNGC is ready to start operating, but is awaiting the issuance of a transportation permit from the central authorities in China. The receiving terminal in the Hubei province has undergone an extensive process in connection with its completion, and this has caused a number of delays for the start-up of TNGC. Pending further progress

here, we are running thorough tests of the equipment that will be used for transportation. We are conducting extensive training of our crews for this operation and other activities in China. This training requires a great deal of resources and is managed from Shanghai. The first cargo operation under the direction of TNGC will be for our customer and joint-venture partner, The Hubei Tianfa Group, and it will involve LPG cargo from a terminal near Shanghai. The contract negotiations for the delivery of new units that will be used for transportation on the Yangtze River are now in their final phase, and building contracts for several units will be signed early July.

Gas Recovery Systems (GRS) – start of commercial use

GRS is a system for the recovery of gases which is being released during the cleaning of tanks and transfer of gases in the petrochemical industry. The prototype unit, which is about the same size as a 10-foot container, was used for commercial purposes for the first time this quarter. The results with regard to the recovery of gases were very satisfactory and the customer reaped both productivity-related and environmental benefits.

As reported earlier, additional application areas for the GRS unit are being explored, and the commercial potential of the unit is still being surveyed. We wish to develop this concept further under our own direction and in co-operation with AGA and others. A patent has been taken out for the system in all the major markets.

Princess Carriers - transportation of organic chemicals and vegetable oils in Asia

Princess Carriers' three vessels sail in the Asia region and are based in Shanghai. The activities showed an EBITDA result of NOK 0 (same as the previous quarter) in 2Q98. This result is regarded as unsatisfactory due to the capital that is tied up in the company, but the economic uncertainty in the Asia region has affected us greatly. We are, however, working hard to improve the management and commercial operation of the vessels. There has been an improvement in the last two quarters in both of these areas, which has counteracted a decline in the earnings as a result of the market conditions. The market for the transportation of organic chemicals and vegetable oils in Asia is currently very weak, due primarily to the high export taxes on a number of products and a generally weak demand in the product market, in addition to a very large supply of tonnage in this segment. Therefore a significant change in earnings cannot be expected for Princess Carriers in 1998, in spite of the improvements made in the management and operation of the vessels. One of Princess Carriers' vessels was docked in 2Q98. It was accelerated from 4Q98 due to the quiet market. Princess Carriers was ISM certified in the second quarter.

Financial items

There have not been any significant changes in the Group's balance sheet or structure in 2Q98. The debt-equity ratio based on the book values is 63%, and short-term debt accounts for 21% of total debts. This is regarded as satisfactory. The book equity

totalled NOK 585 mill at the end of 2Q98. The market value of the fleet as estimated by independent brokers was an average of NOK 257 mill in excess of the book value of NOK 1 014 mill. If adjustments are made for this, the Group's equity totals NOK 842 mill and the debt-equity ratio is 54%.

At the end of 2Q98 the Group's total liquidity was NOK 340 mill and the total working capital was NOK 299 mill. This liquidity is regarded as satisfactory and the liquidity ratio is 2.4. For the second quarter the ratio between the EBITDA result and net financial costs (excluding loss on exchange) was 3.6, compared with 2.1 as of 31 March 1998 and 2.6 for all of 1997.

A somewhat more active management of liquidity made a positive contribution to the financial income in 2Q98. This has resulted in the realised gain of NOK 3 mill on a foreign currency position.

The Group's transactions are predominately in USD, and the company's shares should thus be considered as a USD investment. A small part of the company's costs are in NOK. The Group hedges therefore against this inherent foreign exchange risk by purchasing NOK on forward contracts at predefined levels. To reduce the foreign currency risk in NOK, forward contracts totalling NOK 36 mill have been entered into until the end of 1998.

If you have any questions please contact Harald Henriksen on telephone +47 23120325 or e-mail harald.henriksen@ngc.no. Financial information regarding I.M. Skaugen ASA are also available on internet through our homepage, <http://www.skaugen.com>.

Oslo, 3rd July 1998
Board of Directors I.M. Skaugen ASA

I M Skaugen Consolidated

Statement of Income

NOK million (Exchange rate NOK/USD 7,50 Average 1.Jan-30.June'98)

	1998 1.1 - 30.06	1998 1.4 - 30.06	1998 1.1 - 31.03	1997 1.1 - 30.06	1997 1.1 - 31.12
Gross freight revenue	493	234	259	463	952
Voyage-related expenses	(110)	(48)	(62)	(111)	(241)
Net revenue on T/C-basis	383	186	197	352	711
T/C-hire	(153)	(68)	(85)	(122)	(264)
Other operating expenses	(143)	(74)	(69)	(130)	(269)
Net result from vessels' operation	87	44	43	100	178
Administration costs	(32)	(15)	(17)	(37)	(62)
EBITDA (Earnings before interest/taxes/depr.and allocat	55	29	26	63	116
Depreciation	(55)	(29)	(26)	(57)	(117)
Profit/(loss) from disposal of vessels and other fixed assets	1	0	1	64	136
Redelivery cost/claims/merger expenses	0	0	0	(7)	(9)
Operating result	1	0	1	63	126
Financial income	9	6	3	20	23
Financial expenses	(29)	(14)	(15)	(44)	(70)
Net financial income/expenses (Excl. currency gain/loss)	(20)	(8)	(12)	(24)	(47)
Net result before currency gain/loss and taxes	(19)	(8)	(11)	39	79
Net result on foreign exchange - realized	(1)	0	(1)	0	(18)
Net result on foreign exchange - unrealized	(23)	(13)	(10)	(53)	(32)
Extraordinary Income/Taxes/Minorities	0	0	0	0	1
Result this period	(43)	(21)	(22)	(14)	30
<i>Result per share</i>	<i>-6,47</i>	<i>-3,16</i>	<i>-3,31</i>	<i>-2,11</i>	<i>4,52</i>

Balance sheet

NOK million (Exchange rate NOK/USD 7,67 as per 30.06.98)

	30.06.98	30.06.97	31.12.97
Cash and bank deposits	340	421	351
Other current assets	168	168	155
Vessels and other fixed assets	1 062	993	1 100
Total assets	1 570	1 582	1 606
Current liabilities	209	432	198
Dividend from result/merger	0	0	0
Long term debt	776	522	780
Subordinated unsecured loan/Convertible loan	0	44	0
Minority interest	0	1	0
Shareholders' equity	585	583	628
Total liabilities and shareholders' equity	1 570	1 582	1 606

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Segment information

NOK mill.	Consolidated**			Gas/Chemical***			Lightering		
	2Q98	1Q98	1997	2Q98	1Q98	1997	2Q98	1Q98	1997
Freight revenue on t/c basis	186	197	711	82	83	338	104	114	370
Vessels' operating cost and t/c hire	-142	-154	-533	-56	-52	-226	-86	-102	-312
Net from operation of vessels	44	43	178	26	31	112	18	12	58
Administration	-15	-17	-62	-6	-8	-33	-4	-4	-16
EBITDA*	29	26	116	20	23	79	14	8	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.

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Segmentinformasjon

NOK mill	Konsolidert**			Gass/kjemikalie***			Lektring		
	2Q98	1Q98	1997	2Q98	1Q98	1997	2Q98	1Q98	1997
Fraktinntekter på t/c basis	186	197	711	82	83	338	104	114	370
Skipenes driftskostnader og t/c hyre	-142	-154	-533	-56	-52	-226	-86	-102	-312
Netto fra skipenes drift	44	43	178	26	31	112	18	12	58
Administrasjon	-15	-17	-62	-6	-8	-33	-4	-4	-16
EBITDA*	29	26	116	20	23	79	14	8	42

* EBITDA: Resultat før ekstraordinære poster, avskrivninger, renter og skattekostnad.

** Segmentinformasjon summerer seg ikke opp til de konsoliderte tall, da "øvrige" aktiviteter ikke er vist.

*** Aktivitetene i gass- og kjemikalieseegmentene er angitt sammen.