

# On Bergesen keel

The production and consumption of raw materials worldwide generate major transportation needs that it would not be possible to meet without the world's merchant fleet. More than five billion tonnes of raw materials are transported by ships each year, the most important commodities being crude oil and oil products, iron ore, coal and grain. Without these raw materials and the associated transport services modern society would not exist in its present form.

Around 1.5 billion tonnes of the total world output of 3.5 billion tonnes of crude oil are transported by sea. The Middle East remains the largest oil-producing region and accounts for 31% of world output. By comparison, Norway produces 4.3%. The increase in world oil production will not necessarily result in an equivalent increase in demand for tanker tonnage. This is because there sometimes has been sharp growth in output closer to the major importing countries, making for shorter voyages to refineries and, to some extent, the moving of oil through pipelines. Thus the market in terms of tonne-miles has decreased compared to the market in terms of tonnes alone.

Bergesen's tankers carried around 35 million tonnes of crude oil in 1999, resulting in "production" of around 9 billion tonne-miles. Crude oil is used as the raw material for the production of refined oil products such as jet fuel, paraffin, petrol, heating oils, diesel oils and a range of other products right through to asphalt, the last and densest product in the refining process. The distillation of crude oil and processing of "wet gas" form the basis for the production of liquefied petroleum gases (LPG).

Each year huge quantities of liquid natural gas (LNG) methane cooled to  $-163^{\circ}\text{C}$  and liquid petroleum gases (LPG) butane and propane are shipped around the world. Global production in 1999 reached around 83 million tonnes of LNG and 46 million tonnes of LPG.

The production of LNG is mainly concentrated around the world's major natural gas reserves, found in the Persian Gulf, Malaysia and Indonesia. Trinidad and Nigeria are also major exporters of LNG. Natural gas is extracted from underground wells, either as "associated" gas from combined oil/gas fields or from dedicated gas fields. Methane is used extensively for generating energy around the world but also

as a raw material in the production of ammonia (used in the production of artificial fertilisers) and various plastic materials as well as in the pharmaceutical industry.

LPG, the collective term for butane and propane in liquid form, is produced both as a by-product at oil refineries, as well as being produced in extraction of natural gas, where the main product is methane. LPG can be used directly for generating energy in households, industry, vehicles and so on, but is also used as a raw material in the petrochemicals industry in the production of gases such as ethylene, butadiene and vinyl chloride.

These petrochemical gases, which can also be transported by sea in liquid form, are used in the production of a very wide range of products, including vinyl, acrylics, synthetic rubber, insulation materials, cosmetics and paint. Bergesen's gas fleet carried a total of 12.4 million tonnes of LPG, 3.1 million tonnes of ammonia and 2.2 million tonnes of ethylene and other petrochemical gases in 1999.

Around 430 million tonnes of the total world output of 1,050 million tonnes of iron ore are transported by ships. South America and Australia are the world's major iron ore producers and account for around 70% of world production, while Scandinavia, by comparison, produces just 2%.

Iron ore is the principal raw material in steel production alongside metallurgical coal. Old steel products are widely recycled and so scrap steel is also an important ingredient in steel production. Steel has a role to play in most of the things that surround us in the modern world, either as part of the actual products or in the equipment used to produce and transport them. Bergesen carried 13.5 million tonnes of iron ore in 1999, primarily for the steel industry in the UK, Germany and Italy.

# The Bergesen d.y. Group

Sigval Bergesen d.y. established The Bergesen d.y. Group in Stavanger, Norway in 1935. 1999 was the Group's 65th operating year.

## GROUP VISION

Bergesen shall be a leading international supplier of maritime transportation services and tanker based offshore solutions.

## MAIN GOALS

- To become an attractive investment vehicle for Norwegian and international shareholders by yielding a competitive return on invested capital
- To be a preferred and long term partner for buyers of maritime transportation services and tanker based offshore solutions
- To promote an organisation characterised by close customer relations, cost efficiency, quality and competence
- To be an attractive workplace by offering employees challenging and valuable tasks

*The Group is to be recognised by its:*

- Customer based solutions
- Dynamic and flexible organisation
- Profitable and cost-effective operations
- Focus on high quality and safety
- Financial solidity

## THE COMPANY

The Bergesen d.y. Group is the world's largest owner and operator of gas tankers between 8,000 and 86,000 cbm, and is the leader in the market for large gas tankers. The Group is also among the largest independent owners of ULCCs and VLCCs and has a significant position in the specialised market for large dry bulk vessels. Bergesen also has established tanker based offshore solutions as a new business area.

In March 2000, the fleet consisted of 97 vessels and new vessels under construction totalling 11.3 million dwt. The fleet is divided between 62 gas carriers, 24 tankers, 7 dry bulk vessels, 1 ore/oil carrier and 3 offshore units.

Bergesen is one of the world's largest stock quoted shipping companies. With a share market value over NOK 10 billion, the Bergesen share provides investors with liquid exposure in selected shipping markets.

Bergesen's financial solidity offers the opportunity to utilise fluctuations in the shipping markets by buying, selling and chartering vessels, and the necessary strength and flexibility during contract negotiations.

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

2000

# The Year 1999

<ul style="list-style-type: none"> <li>• At the beginning of the year, the Bergesen-shares are traded at NOK 91 and NOK 88 for A and B respectively.</li> <li>• The tanker Berge Lord is delivered for scrapping.</li> <li>• The world fleet consists of 38,564 ships.</li> </ul>	
<ul style="list-style-type: none"> <li>• FPSO Berge Hugin commences production at the Pierce-field in the North Sea.</li> <li>• Bergesen's preliminary result for 1998 is presented for finance analysts and the press. Operating profit: NOK 1,156 million.</li> </ul>	
<ul style="list-style-type: none"> <li>• The first oil is delivered from FPSO Berge Hugin.</li> <li>• FSO Berge Troll undergoes drydocking after 10 years as a storage ship offshore Cabinda, Angola before contract renewal.</li> </ul>	
<ul style="list-style-type: none"> <li>• Bergesen holds its annual general meeting. Proposal concerning the Company's proxy to purchase its own shares is approved.</li> <li>• Sale of property in Stavanger yields NOK 9 million in profit.</li> </ul>	
<ul style="list-style-type: none"> <li>• Results for the first quarter are presented. Operating profit is NOK 230 million.</li> <li>• Bergesen acquires Scantank Offshore AS, which changes name to Bergesen d.y. Offshore AS.</li> <li>• The tanker Berge Septimus is delivered for scrapping.</li> </ul>	
<ul style="list-style-type: none"> <li>• Bergesen subscribes to new Kvaerner-shares for NOK 330 million.</li> </ul>	
<ul style="list-style-type: none"> <li>• Bergesen establishes a supervision office in Gdynia in connection with the construction of two large gas carriers.</li> </ul>	
<ul style="list-style-type: none"> <li>• Results for the first half of 1999 are presented. Operating profit is NOK 366 million.</li> <li>• The tanker Berge Bonde is delivered for scrapping.</li> <li>• The gas tanker Berge Racine is in port in Turkey during the earthquake, but does not sustain any damages.</li> </ul>	
<ul style="list-style-type: none"> <li>• Bergesen buys own shares, 3,807,105 A-shares and 882,200 B-shares.</li> <li>• The Norwegian Shipowners' Association marks its 90th anniversary.</li> </ul>	
<ul style="list-style-type: none"> <li>• The tanker Berge Enterprise changes flag - from Norwegian to French.</li> <li>• The tanker Berge Charlotte changes flag - from French to Bahamian.</li> </ul>	
<ul style="list-style-type: none"> <li>• Three quarters of 1999 provide an operating profit of NOK 532 million.</li> <li>• An ore vessel of 175,000 dwt is contracted at Daewoo Shipyard, South Korea.</li> <li>• Bergesen purchases 332,100 of its own A-shares and 471,500 B-shares.</li> <li>• Chartering co-operation for the semi-refrigerated gas carriers (8-22,000 cbm) is established.</li> </ul>	
<ul style="list-style-type: none"> <li>• A letter of intent is signed with Triton Energy Limited to employ Berge Charlotte as an FPSO offshore Equatorial Guinea.</li> <li>• Additional own shares are bought, 36,900 A-shares and 210,700 B-shares.</li> <li>• Bergesen-shares end the year at NOK 146 for A and NOK 137 for B.</li> </ul>	
<ul style="list-style-type: none"> <li>• The IT-related transition to the new millennium proceeds without disruption for Bergesen</li> <li>• Bergesen purchases four VICCs from Hitachi Zosen Corporation. An option for the purchase of an additional two vessels is declared.</li> <li>• The production capacity of FPSO Berge Hugin is increased.</li> <li>• Bergesen purchases the oil/ore vessel "Grand Phoenix" of 291,000 dwt.</li> <li>• Berge Ichiban, the first of six new tankers from Hitachi, is delivered.</li> </ul>	



# The Board of Directors' Report

## INTRODUCTION

1999 was a poor year for Bergesen in terms of financial performance, with earnings down in all its traditional segments. A sharp rise in bunker fuel prices affected the entire fleet. Gas carriers saw longer waiting times between cargoes due to decreasing charter cover, the tanker fleet was hit by OPEC production cuts and the dry bulk carrier business was undermined by losses on chartered tonnage.

Consolidation on the supply side is expected to translate into better results for the gas carriers in the longer term, but high levels of newbuilding activity in some segments may limit any recovery in the shorter term. Historically low oil stocks, soaring oil prices and demand growth have brought expectations of increased oil production and higher activity in the tanker market this year. Bergesen began reporting separately on its offshore activities in 1999 and plans to build up its business in this area, which has proved successful to date.

## EARNINGS AND DIVIDENDS

The Bergesen d.y. Group generated operating revenue of NOK 5,200 million in 1999, compared with NOK 5,662 million in 1998, and operating profit of NOK 650 million, compared with NOK 1,198 million in 1998. Net financial items came to minus NOK 248 million, compared with minus NOK 348 million in 1998, and gains on the sale of properties amounted to NOK 9 million, compared with

NOK 101 million in 1998. Profit before tax was NOK 411 million, compared with NOK 951 million in 1998, and profit after tax and minority interests was NOK 430 million, compared with NOK 935 million in 1998.

The accounts have been prepared on a going concern basis.

The board recommends a dividend of NOK 3.50 per share for 1999, up from NOK 3.00 for 1998.

## FLEET REPORT

### GAS

Bergesen's gas fleet generated operating profit of NOK 362 million, compared with NOK 472 million in 1998. The VLGC, LGC and Igloo fleets performed less well in terms of operating profit than in 1998 while the MGC and Handygas fleets fared slightly better.

Decreasing charter cover and the associated increase in waiting times between cargoes combined with a sharp rise in bunker fuel prices more than offset the positive impact of growing LPG volumes and longer average shipping distances. Charterers' expectations of a weaker market following an imminent wave of newbuilding deliveries made it impossible to fix large gas carriers on new time charters at acceptable rates. LPG shipping volumes from the Persian Gulf decreased but increases from other regions, especially North and West Africa, led to volume growth of 2.4% overall. Asia accounted for the bulk of the growth in



MORTEN SIG.  
BERGESEN



PETTER C. G.  
SUNDT



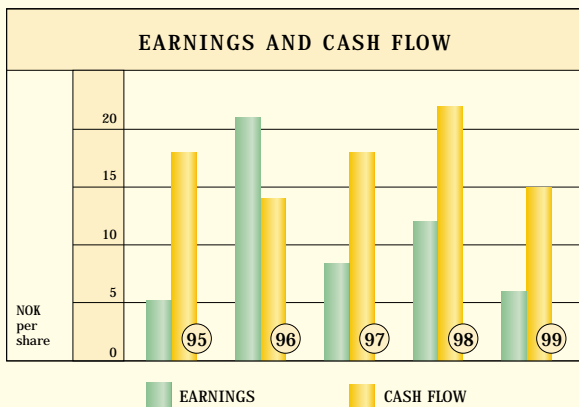
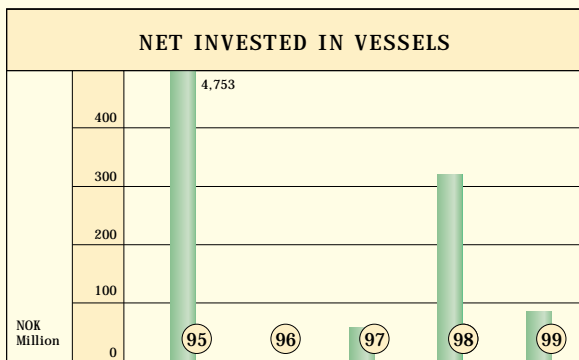
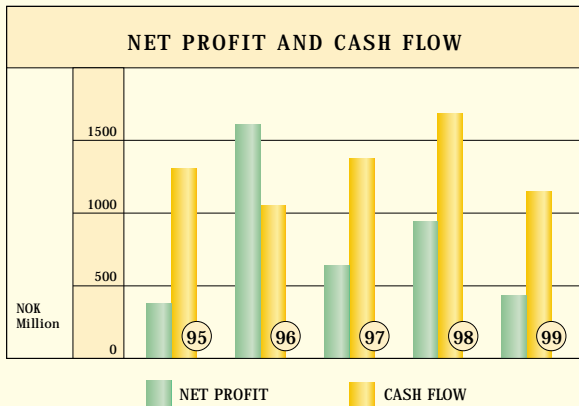
LARS A.  
CHRISTENSEN



CHRISTIAN  
RINGNES



JOHAN FR.  
ODFJELL



demand, which had a positive impact on shipping distances. Ammonia shipping volumes edged down but here too there was an increase in average shipping distances. The petro-chemical gases market perked up in the second half of the year, boosting the performance of small semi-refrigerated gas carriers.

Bergesen has two 78,500 cbm VLGCs on order from the Gdynia yard in Poland, for delivery in August 2000 and January 2001 at a price of around USD 63 million each. The VLGC pool currently comprises 21 vessels, including three chartered carriers.

Two vessels joined Bergesen's LGC pool in 1999 and a third followed suit earlier this year. Bergesen has no ownership in these three vessels. In addition to Bergesen's own vessels, five other vessels are participating in the pool, i.e. altogether 19 vessels.

The joint operation for the MGC vessels set up in conjunction with Exmar is functioning satisfactorily.

Bergesen and a number of other gas carrier owners set up a new joint operation for semirefrigerated vessels of between 8,000 and 22,000 cbm towards the end of 1999. The joint operation is being managed by A.P. Møller. The board has positive expectations for the ongoing consolidation on the supply side for this class of vessel.

#### TANKERS

Bergesen's VLCC fleet generated operating profit of NOK 232 million, compared with NOK 632 million in 1998. The market was extremely weak as demand for VLCCs plummeted, primarily on account of the major cuts in OPEC's oil output. However, Bergesen had anticipated a deterioration of the market and managed to increase charter cover for the coming year to around 45% by the beginning of 1999, up from 28% a year earlier. The increase in bunker fuel prices also hit VLCC earnings.

Poor market conditions for tankers led to a large number of older vessels being sold for scrap towards the end of the year,

and there was a drop in newbuilding orders. Bergesen sold three vessels for scrap in 1999 and has sold a further two for scrap since the year-end.

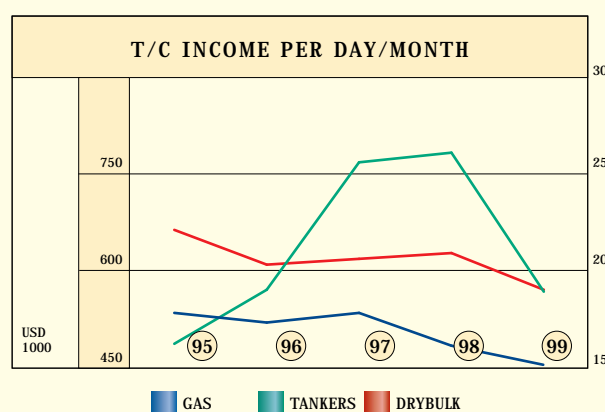
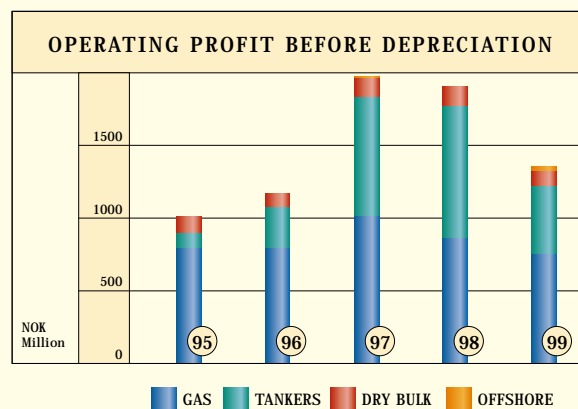
In January 2000 the company entered into a contract to purchase four 296,000 dwt VLCCs under construction at the Hitachi Zosen in Japan for delivery in March, April and June 2000 and January 2001. In February 2000 the company also exercised its option to purchase a further two VLCCs of the same size from Hitachi for delivery in March and May 2001. The total price for the six VLCCs is in the region of NOK 3.2 billion. The combination of this investment in new tonnage and the scrapping of older tankers equates to a major fleet modernisation programme.

#### DRY BULK

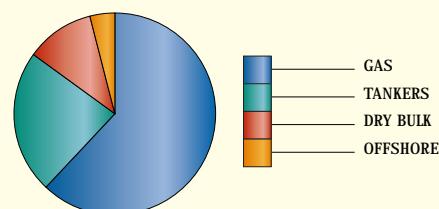
Bergesen's dry bulk fleet generated operating profit of NOK 45 million, compared with NOK 87 million in 1998. Note that the 1998 figure includes NOK 24 million in capital gains on the sale of vessels. Other reasons for the drop in operating profit include losses on chartered tonnage and the cost of repairs to one of the vessels. Bergesen's fleet enjoyed high charter cover throughout the year and so had limited exposure to fluctuations in the spot market.

The market for large dry bulk carriers remained sluggish during the first half of the year as the steel industry drew down its stocks, but rallied in the second half as steel output picked up, especially in Asia and Europe, with rates and ship values climbing strongly as a result. Low newbuilding prices meant that a large number of vessels were ordered during the year, and scrapping activity tapered off in the second half as the market recovered.

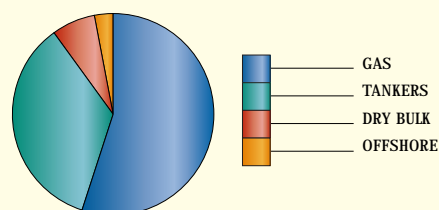
November saw Bergesen ordering a 175,000 dwt ice-strengthened ore carrier from Daewoo Heavy Industries in South Korea. The price tag is around USD 42 million, 40% payable during the construction period and 60% on delivery in fourth quarter of 2001. The vessel has been fixed from delivery on a five-year charter to a European steel company that will employ the vessel for seven months each year.



#### SHARE OF FLEET VALUE (NOK Million)



#### SHARE OF OPERATING PROFIT (NOK Million)



Bergesen purchased the 1986-built 291,000 dwt oil/ore carrier Grand Phoenix in March 2000 for delivery later in the month. The vessel will be named Berge Phoenix.

The last few years have brought major structural changes in Europe's steel industry, and Bergesen has exploited this and established working relationships with the most important players in the form of freight contracts.

#### OFFSHORE

Bergesen has chosen to report separately on its offshore business following the acquisition of Scantank Offshore AS in May 1999, later renamed Bergesen d.y. Offshore AS. The purpose of this new venture is to develop cost-effective floating production solutions for benign waters based on the conversion of older vessels.

Bergesen's offshore fleet generated operating profit of NOK 13 million, compared with an operating loss of NOK 35 million in 1998. The fleet's revenue is attributable to the FPSO unit Berge Hugin, which began producing oil on the Pierce field in the UK sector of the North Sea in March 1999. The vessel had produced more than 10 million barrels by the year-end and its production capacity was increased in February 2000 by 20,000 barrels per day to 65,000 on account of favourable reservoir conditions. Another vessel now included in the offshore fleet is the gas carrier/FSO unit Berge Troll, which is being used as a storage vessel off shore Angola and has been chartered through to November 2003.

The VLCC Berge Charlotte is currently undergoing conversion into an FPSO unit and will be included in the offshore fleet in the year 2000. Berge Charlotte was fixed on a minimum two-year charter in February 2000 to a US oil company, which also has a purchase option, and will be used as a production vessel on the Ceiba field off Equatorial Guinea from October 2000. Bergesen has also decided to convert the VLCC Berge Hus into an FPSO unit.

#### VALUE-ADJUSTED EQUITY

Allowing for share buybacks and including the provision for dividends, the group's value-adjusted equity came to NOK

176 per share at the year-end, compared with NOK 172 at the beginning of the year. The fleet's market value in USD terms fell 14% during the period (gas 16%, tankers 15%, dry bulk 4% and offshore 6%). The reduction is exceeding the effect of the increasing age of the fleet. Its market value in NOK terms was NOK 11.6 billion at the year-end.

The fleet's market value is based on the average estimates for charter-free vessels obtained from three independent brokers.

The increase in value-adjusted equity in 1999 is a result of the reduction in the value of the fleet being more than offset by the appreciation of the USD, the net cash inflow from operating activities and the impact of share buybacks during the year.

#### OPERATING CONDITIONS AND ENVIRONMENTAL PERFORMANCE

The operation of the fleet ran smoothly in 1999. Operating costs were on a par with 1998 in USD terms.

Health, safety and the environment (HSE) forms an integral part of Bergesen's overall management system. Directives and procedures are in place both at sea and on land to help prevent injuries, accidents and pollution, covering both common operations and emergency scenarios.

Exhaust fumes from a vessel's engines and machinery account for the bulk of the emissions to air generated by the group's operations. The most important components are carbon dioxide, sulphur dioxide and nitrogen oxides. Other sources of emissions to air include the evaporation of hydrocarbons from cargoes and CFCs from refrigeration systems. The Bergesen Group consumed a total of 1,332,170 tonnes of fuel oil and 77,383 tonnes of diesel oil in 1999. Average sulphur content of the fuel oil was 3.04% in 1998 against 2.91% in 1999.

Bergesen is continuing to make extensive use of tin-based self-polishing antifouling paints to prevent the adhesion of algae and other marine life to ship bottoms because,

although these paints release toxins into the sea, they bring down fuel consumption and so reduce emissions to air. However, the introduction of a worldwide ban on tin-based antifouling paints means that the company must begin to phase out the use of these paints by 2003 and complete the process by 2008. The six VLCC newbuilds under construction in Japan will be supplied with tin-free antifouling paints applied.

Accidents and the failure of equipment or procedures can result in unintentional emissions of oil into the marine environment, but there were no material emissions from the Group's vessels in 1999. The fleet complies with the UN agency IMO's recommendations on ballast water and waste management, with logs kept of all waste incinerated or taken ashore.

When older vessels are sold for scrap, the scrap metal is recycled.

Work on reducing air and water pollution enjoys high priority. Since 1997 Bergesen has converted the refrigeration systems on board 12 gas carriers to allow the substitution of CFCs with propane. The Group has cut its CFC consumption by 25% since the programme began and intends to continue this voluntary conversion programme to reduce its emissions further.

Bergesen is also actively involved in the Norwegian Shipowners Association's MARMIL environmental programme, which spans most areas where shipping can impact on the environment. As part of this programme the group is conducting experiments using an emulsified fuel on the VLCC Berge Stavanger, where 10% water is mixed into the fuel to reduce the level of nitrogen oxides in the vessel's exhaust fumes.

Training in compliance with procedures and the evaluation of the results reported form a key element in Bergesen's work on HSE. Officers spent an average of three to four days on a variety of courses onshore in 1999. Bergesen has also implemented interactive PC-based training systems on

board its vessels, and all crew reporting for duty must undergo set HSE training programmes.

The working environment in the individual companies of the Bergesen d.y. Group is good. Absence through illness at the Group's head office climbed from 2.9% to 3.2% in 1999 but the number of times crew members were sent home on account of illness or injury dropped from 168 to 152.

Bergesen has its own accident and injury registration and analysis system which meets the requirements of the ISM Code. There was a drop in occupational injuries in 1999 and the company continued to perform far better than the average for both its sector and other companies of a similar size, with lost-time injuries per million working hours falling from 2.03 to 1.75. There were no accidents causing significant damage to property in 1999.

An HSE committee has been set up on board each vessel and at the head office to play an active role in improving the working environment and preventing hazardous situations. All crew reporting for duty must undergo a thorough medical check-up that goes beyond flag state requirements.

The run-up to the new millennium brought heavy investment in upgrading IT software and hardware both at sea and back on dry land, and a new uniform IT solution was installed throughout the fleet. Special contingency plans were put into place for the New Year period but no significant problems were reported.

#### FINANCING AND INVESTMENTS

Net interest expenses came to NOK 129 million, compared with NOK 196 million in 1998. USD interest rates edged up during the year and the six-month LIBOR climbed from 5.1% to 6.1%.

The USD appreciated from NOK 7.60 to NOK 8.04, resulting in net foreign currency losses of NOK 176 million, compared with NOK 183 million in 1998. Unrealised currency losses on the Group's liabilities totalled NOK 256 million at the year-end.

Sales of securities generated net capital gains of NOK 69 million in 1999, and unrealised gains on the Group's securities portfolio climbed from NOK 294 million to NOK 657 million. Bergesen subscribed new Kværner shares for NOK 330 million in June 1999.

Bergesen had liquid assets (bank deposits, bonds, certificates and equities at cost) of NOK 4,231 million at the year-end, compared with NOK 3,801 million a year earlier, and interest-bearing debt of NOK 5,193 million, compared with NOK 4,685 million a year earlier. The company had unutilised credit facilities of USD 350 million at the year-end. The company sold a property in Stavanger during the year, triggering a capital gain for accounting purposes of NOK 9 million.

#### SHARE BUYBACKS

The annual general meeting of 28 April 1999 authorised the board to let the company buy back up to 10% of its own shares, this authority being valid for a period of 18 months. Bergesen duly bought back 4,176,205 or 7.9% of its A-shares at an average price of NOK 123.35 and 1,564,400 or 6.9% of its B-shares at an average price of NOK 118.47 during the year at a total cost of NOK 700 million and now holds approximately 7.6% of the total number of shares in the company. The board intends to propose to the annual general meeting of 27 April 2000 that these shares be written down and request the authority to buy back up to 10% of the company's remaining shares.

#### SHAREHOLDER INFORMATION

Bergesen's shares performed well in 1999: the A-share climbed from NOK 91 to NOK 146 and the B-share from NOK 88 to NOK 138. The average daily trading volume was 213,000 shares in Oslo and 97,000 in London. 78 million Bergesen shares were traded during the year, equivalent to 103% of the total number in issue. Investors outside Norway held 27% of the company's shares at the year-end, compared with 34% a year earlier.

The "RISK" adjustment used in the assessment of the tax liability of Norwegian shareholders has been set at minus

NOK 3.17 per share for 1 January 1999 and provisionally at minus NOK 2.92 per share for 1 January 2000.

#### PARENT COMPANY ACCOUNTS

The parent company Bergesen d.y. ASA reported a net loss for the year of NOK 57,836,296. The board is recommending a dividend of NOK 3.50 per share for 1999, equating to total dividend payments of NOK 245,066,696 (excluding own shares), and proposes that the net loss and dividends for the year be covered by funds from the company's distributable reserves, which will subsequently total NOK 8,649,483,742.

#### OUTLOOK

The next two years are expected to bring a weak growth in LPG shipments: changes in LPG trading patterns, with North and West Africa accounting for an increasing share of exports and Asia accounting for an increasing share of imports, are boosting demand for tonnage, but the fleet growth in the VLGC segment in 2001/2002 is putting a damper on rate expectations for the next couple of years. As a result, VLGC earnings are likely to remain low for the rest of the year.

LGCs are expected to generate slightly higher earnings thanks to zero newbuilding activity and greater LPG trade in the Atlantic basin. Steady growth in ammonia production is forecast for this year, with the USA and Asia accounting for a substantial slice of exports and so contributing to longer shipping distances. However, the growth in the VLGC fleet and the appearance of up to four former Pemex vessels on the open market are expected to limit the upturn.

The growth in LPG exports from the North Sea and an increase in shipments of petrochemical gases are fuelling expectations of a slight improvement in earnings for MGCs and small semirefrigerated gas carriers.

The tanker market is expected to remain in the doldrums for as long as OPEC maintains its production cuts. Scrapping activity is likely to hold at high levels in a weak market, with the oil companies showing less and less inter-

est in vessels over 20 years. However, the VLCC market will rally if older tonnage continues to be scrapped at the current high rate and OPEC steps up its output significantly.

The outlook is bright for the steel industry and the transportation of iron ore and coal by sea this year, but reduced scrapping activity and high newbuilding deliveries may cause problems in 2001. Bergesen's dry bulk fleet is expected to generate stable earnings this year thanks to high levels of charter cover at fixed rates.

Several years of low oil prices have led the oil companies to focus on regions featuring low exploration and production costs, including West Africa where a number of major discoveries are expected to be developed over the next few years. Floating production solutions will be well suited to the majority of these projects and will provide the basis for Bergesen's continued expansion in the offshore sector.

The Bergesen d.y. Group is expected to generate slightly more operating profit this year than in 1999.

The Norwegian government's budget for the year 2000 includes increases in the tax burden on the shipping sector

which will have a particular impact on companies with high levels of equity and high-tonnage vessels. The board is disappointed that the taxation of Norwegian shipping companies is now clearly less favourable than upon the introduction of the current scheme in 1997: the tonnage tax has quadrupled and the rules on the taxation of financial income have become more onerous. A competitive and stable tax structure is essential for the continued operation of shipping companies from Norway.

Bergesen's financial position, size and experience in the shipping business make it an attractive partner for both existing and prospective customers.

The company aims to remain a leading international player in both conventional shipping and floating offshore production solutions by building close and lasting relationships with customers. Bergesen also intends to use its strong position to expand into both new and existing segments of the shipping market. Coupled with focus on costs, this will ensure a competitive return for shareholders and thus make the company an attractive investment opportunity.

*Oslo, 15 March 2000*

The Board of Bergesen d.y. ASA



MORTEN SIG. BERGESEN  
Chairman



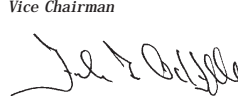
PETTER C. G. SUNDT  
Vice Chairman



LARS A. CHRISTENSEN



CHRISTIAN RINGNES



JOHAN FR. ODFJELL

Managing Director of Bergesen d.y. ASA



SVEIN ERIK AMUNDSEN

# Income Statement




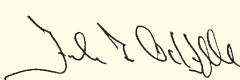
<i>NOK Million</i>	<i>Note</i>	BERGESEN D.Y. GROUP			BERGESEN D.Y. ASA	
		1999	1998	1997	1999	1998
<b>OPERATING REVENUE/EXPENSES</b>						
Operating revenue	4	5,200	5,662	5,872	1,134	1,085
Wages, social security and pensions	5/6	-882	-860	-829	-982	-994
Voyage expenses		-1,435	-1,359	-1,458	0	0
Other operating expenses		-1,581	-1,576	-1,587	-180	-83
Operating profit before depreciation and sale of vessels		1,302	1,867	1,998	-28	8
Profit (loss) on sale of vessels	3	95	108	92	0	0
Operating profit before depreciation		1,397	1,975	2,090	-28	8
Depreciation	7	-747	-777	-767	-30	-30
Operating profit	4	650	1,198	1,323	-58	-22
<b>FINANCIAL INCOME/EXPENSES</b>						
Income from subsidiaries		-	-	-	60	3
Income from associated companies		-20	-15	7	-4	-10
Interest income		174	105	65	217	223
Dividend income		8	53	44	8	36
Profit (loss) on sale of securities		69	-1	6	20	26
Other financial income		11	11	11	11	11
Interest expenses		-303	-301	-348	-236	-228
Foreign exchange profit (loss)	8	-176	-183	-475	-77	-80
Other financial expenses		-11	-17	-7	-8	-6
Net financial items	9	-248	-348	-697	-9	-25
Profit (loss) on sale of property		9	101	12	9	66
Profit before tax		411	951	638	-58	19
Tax	10	-13	0	-4	0	0
Profit after tax		398	951	634	-58	19
Minority interests		-32	16	2		
Majority interests		430	935	632		
<i>Equity transfers and allocations:</i>						
<i>Dividend</i>					245	227
<i>Other equity</i>					-303	-208
<i>Total allocations</i>					-58	19
Earnings per share, NOK	21	6	12	8		
Cash flow per share, NOK	21	15	22	18		

# Balance Sheet

<i>NOK Million</i>	<i>Note</i>	BERGESEN D.Y. GROUP		BERGESEN D.Y. ASA	
		31.12.1999	1.1.1999	31.12.1999	1.1.1999
<b>ASSETS</b>					
Goodwill	7	16	36	16	36
Fixed assets	7/12	10,464	11,073	51	67
Financial long term assets	11/16/17/18	368	222	7,168	14,492
Total long term assets		10,848	11,331	7,235	14,595
Inventories		103	64	-	-
Receivables	13/17	432	519	6,764	9
Investments	11/14/15	2,015	1,600	884	748
Bank deposits, cash etc.	19/22	2,216	2,201	282	223
Total current assets		4,766	4,384	7,930	980
Total assets		15,614	15,715	15,165	15,575
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Paid in capital		1,970	1,984	1,970	1,984
Retained earnings		6,924	7,426	8,665	9,653
Minority interests		463	528	-	-
Total equity	20/21	9,357	9,938	10,635	11,637
<b>LIABILITIES</b>					
Long term obligations	11	193	193	109	98
Other long term liabilities	22	5,065	4,568	4,020	3,534
Current liabilities	11	999	1,016	401	306
Total liabilities		6,257	5,777	4,530	3,938
Total equity and liabilities		15,614	15,715	15,165	15,575

*Oslo, 15 March 2000*

The Board of Bergesen d.y. ASA

		
MORTEN SIG. BERGESEN Chairman	PETTER C. G. SUNDT Vice Chairman	
		
LARS A. CHRISTENSEN	CHRISTIAN RINGNES	JOHAN FR. ODFJELL

Managing Director of Bergesen d.y. ASA

  
SVEIN ERIK AMUNDSEN

## Cash Flow Statement

<i>NOK Million</i>	<i>Note</i>	BERGESEN D.Y. GROUP			BERGESEN D.Y. ASA	
		1999	1998	1997	1999	1998
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net profit after tax		398	951	634	-58	19
Change deferred tax	10	0	2	0	0	0
Depreciation	7	747	777	767	30	30
Pension costs	6	23	9	40	34	-3
Sale expenses		-5	0	-30	0	0
Periodic maintenance		56	-157	462	0	0
Unrealised foreign exchange gains/loss		222	-103	-101	183	-241
Profit/loss on sale of fixed assets		-104	-209	-104	-9	-66
Changes in inventories, receivables and short term liabilities		2	140	-5	-6,677	54
Profit/loss on sale of securities		-69	0	0	-19	-26
Net cash from operating activities		1,270	1,410	1,663	-6,516	-233
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
<i>Payment for purchase of:</i>						
Vessels bought second hand/rebuilding		-45	-215	-238	0	0
Newbuilding instalments		-186	-240	-285	-17	0
Real estate		0	-2	-2	0	0
Other fixed assets		-169	-41	0	-168	-11
Goodwill		-10	0	-34	-10	0
Current shares		-424	-134	-145	-144	-100
Own shares		-700	0	0	-700	0
<i>Proceeds from sale of:</i>						
Vessels		100	204	469	0	0
Real estate		41	308	21	41	236
Other fixed assets		0	0	16	7,470	0
Current shares		171	4	18	27	103
Net cash from investing activities		-1,222	-116	-180	6,499	228
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from new loans		403	526	152	303	375
Loan repayments		-116	-1,053	-472	0	-811
Inter-company liabilities					0	654
Dividend paid		-227	-152	-76	-227	-152
Net cash from financing activities		60	-679	-396	76	66
Net increase in cash		108	615	1,087	59	61
Cash as of 1 January		2,713	2,098	1,011	223	162
Cash as of 31 December		2,821	2,713	2,098	282	223
<i>Details of cash and cash equivalentes</i>						
Bank deposits		2,216	2,201	2,050	282	223
Bonds, certificates etc.		605	512	48	0	0
Cash as of 31 December		2,821	2,713	2,098	282	223

# Notes

## Note 1 Accounting Principles

*The annual accounts have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles. The main accounting principles followed by Bergesen d.y. ASA are described below.*

*A new Accounting Act was adopted with effect from 1.1.1999. With the exception of the changes regarding the accounting treatment of companies and changes in the presentation format, the accounting effects of the new Accounting Act are limited for the company. A comparison with International Accounting Standards (IAS) has been included in Note 25. All figures are stated in NOK millions, except where otherwise stated.*

### A) PRINCIPLES OF CONSOLIDATION

The consolidated accounts include the parent company Bergesen d.y. ASA and companies where the company has controlling influence, directly or indirectly, irrespective of type of company.

The consolidated accounts are prepared on the basis of consistent accounting principles for the whole Group. Inter-company transactions, profits, receivables and liabilities have been eliminated. The cost of shares in subsidiaries has been eliminated in the consolidated accounts against equity in the subsidiaries at the time of purchase (Purchase method). The excess values have been allocated to those assets to which the values relate, and are depreciated over the assets' estimated economic life. Excess values not traceable to material assets have been classified as goodwill and are depreciated over five years.

### B) ASSOCIATED COMPANIES AND COMPANIES UNDER JOINT CONTROL

Investments in companies where the company controls between 20% and 50% of the voting capital and has significant influence, are booked according to the equity method. At the time of purchase, the companies is booked at cost price. The share of the net profit less dividend received is added to the book value in the balance sheet. When calculating the share of the net profit, adjustment is made for positive or negative excess value at the time of purchase, and internal profits.

Investments in companies, where the participants exercise joint control according to an agreement, are booked according to the proportional method of consolidation. According to this method, assets, liabilities, revenues and costs are included with the company's proportional share. In addition, adjustments are made for positive or negative excess values at the time of purchase and internal profits.

### C) OWN SHARES

In the consolidated accounts, own shares are deducted from the equity. Subsidiaries' shares in the parent company are booked as debt to subsidiaries in the accounts of the parent company.

### D) INCOME RECOGNITION

Income and expenses related to voyages are accounted for

on the percentage of completion basis. Demurrage is recognised as revenue when the claim is considered probable.

### E) PERIODIC MAINTENANCE

Periodic maintenance related to classification and dry-docking is capitalised and amortised over the period to the next periodic maintenance. Correspondingly, a part of the cost price of vessels acquired is capitalised as periodic maintenance.

### F) ONGOING MAINTENANCE

Actual expenses related to ongoing maintenance are charged to expenses when incurred. The franchise to be paid under insurance policies (for damage) is charged at the damage date. Expenses included in insurance claims are capitalised and classified as interest-bearing receivables.

### G) SHARES, BONDS AND CERTIFICATES

Share investments motivated by financial considerations are classified as current assets, whereas long term investments are classified as fixed assets. Bonds, certificates, short term shareholdings and long term shareholdings are all treated as separate portfolios, and booked at cost price or market value, whichever is lower.

Long term investments in companies where the company does not exercise controlling or significant influence, are booked according to the cost method. In the accounts of the parent company, shares in subsidiaries are booked according to the cost method.

Long term share investments are written down to market value when the value reduction is material and permanent. When shares are sold, the resulting profit/loss is calculated on the basis of an average cost price being allocated to sold shares.

### H) RECEIVABLES

Receivables are booked at their outstanding value less provisions for probable losses.

### I) BUNKERS AND OTHER INVENTORIES

Bunkers and other inventories are booked at cost or market value, whichever is lower.

### J) FIXED ASSETS AND DEPRECEATION

Depreciable fixed assets are booked on the balance sheet at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the remaining economic life of the individual assets. Gas carriers are depreciated over 30 years while tankers and dry bulk vessels are depreciated over 25 years. The FPSO Berge Hugin is depreciated over 20 years. Real estate is depreciated at three per cent per annum of cost price.

Upon indications of reduced values of long term assets, it is evaluated whether the undiscounted value of future estimated cash flows attributed to such assets are lower than the book value. Long term assets are written down to market value when the undiscounted value of estimated future cash flows are lower than book value. Provided a long term asset has been written down, and the

assumptions for such action is no longer valid, the initial book value is restored, adjusted for ordinary depreciation. The principle of evaluating the need for writing down vessels is applied on groups of vessels participating in the same chartering pool, or groups of vessels belonging to the same segment if no chartering pool has been established.

#### K) NEWBUILDINGS

Instalments on newbuilding projects are booked as long term assets when payments are made. New vessels are included in the balance sheet upon delivery from the shipyard. The cost price comprises total newbuilding instalments based on the rate of exchange at the payment dates, including calculated interest expenses and other expenses during construction.

#### L) LEASING

Financial leases are capitalized in the balance sheet. Annual lease payments are split into interest and instalments. Operational leases are expensed.

#### M) ITEMS NOMINATED IN FOREIGN CURRENCIES

Monetary items nominated in foreign currencies are booked at the exchange rate quoted on the balance sheet date.

#### N) TAX

Total taxes in the income statement include both the period's payable tax and the change in deferred tax. Deferred tax is included in long term liabilities in the balance sheet.

With effect from 1996, a new tax system for shipping companies was introduced. The changes have the effect that the operating income of shipping companies, provided some conditions are met, are not taxed unless the income is distributed as dividend or the company no longer satisfies the conditions. Untaxed reserves related to net tax increasing temporary differences when entering the system will be taxed when distributed as dividend or when the company leaves the shipping tax system.

The company has brought most of the shipping activities within the shipping tax system through subsidiaries and the related tax increasing temporary differences have been carried forward in the account for retained taxed earnings.

The evaluation of the present value of the deferred tax regarding the shipping activities is based on the company's dividend policy, the liquidity reserves and the retained taxed earnings in those parts of the group that are not subject to the shipping tax system, and the company's intention of maintaining its shipping activities.

A tonnage tax is charged independently of the company's net profit. Tonnage tax is classified as other operating expenses. The tax effect of temporary differences outside the shipping tax system are considered when estimating the deferred tax attributable to activities within the shipping tax system.

#### O) PENSIONS

Net pension costs include current service costs (including the effect of expected future salary increases) and interest on the pension obligations less the estimated return on pension plan assets. The losses and gains from changes in actuarial assumptions and pension plans are taken into account when exceeding 10 per cent of gross pension obligations or pension plan assets, whichever is higher. These losses and gains are amortised over the average remaining service period. In the balance sheet, pension plans with net pension obligations are reported as long term liabilities and pension plans with net pension assets are reported as long term assets.

#### P) CASH FLOW STATEMENT

The company applies the indirect method.

#### Q) CHANGES IN ACCOUNTING PRINCIPLES

The company has changed some accounting principles in accordance with the new Accounting Act and the development of generally accepted accounting principles. The following changes have been made:

##### *Treatment of partly owned companies*

The company has earlier included all partly owned companies according to the proportional method of consolidation, implying that all items in the profit and loss statement and the balance sheet are reflecting the company's own shares of these companies.

In the annual accounts for 1999, the partly owned companies are included according to different methods depending on the company's degree of influence. Companies in which the company has controlling influence (subsidiaries) are consolidated, specifying the minority's share of net profit and equity. Companies where the company has significant but not controlling influence (associated companies) are included according to the equity method, and companies in which the company is exercising joint control together with partners (jointly controlled companies) are included according to the proportional method of consolidation. Other investments are included according to the cost method. Comparative figures for earlier years have been adjusted accordingly.

Despite the change of consolidation method, the financial reporting for each of the business areas (fleets) is still based on the proportional method of consolidation of partly owned companies. According to the company's view, this method gives the most useful information about the activities owned by the company.

##### *Treatment of monetary items nominated in foreign currencies*

Monetary items nominated in foreign currencies are translated at the exchange rate at the balance sheet date.

##### *Treatment of expenses incurred during construction*

From 1999, expenses during construction, including calculated interest expenses, are booked as part of the cost price of the vessel.

## Note 2 Impact of the New Accounting Act

### EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

From 1999, the company implemented new accounting principles for the treatment of investments in companies. The comparative figures in the profit and loss statement and the balance sheet for 1997 and 1998 have been adjusted accordingly. The effects of the new accounting principles on the net profit after tax and the equity for the comparative years 1997 and 1998 are included below:

	EQUITY		NET PROFIT AFTER TAX	
	31.12.1998	31.12.1997	1998	1997
Former accounting principles	9,410	8,701	936	636
New accounting principles	9,938	9,224	951	634
Total impact	528	523	15	-2

In 1999, the company changed the accounting principles for translating monetary items nominated in foreign currencies. These items are translated at the exchange rate at the balance sheet date. Due to the fact that the relevant exchange rates at the end of the year were higher than the exchange rates on the historic drawdown dates during the relevant period, this change of principle has had no effect.

The comparative figures have not been adjusted according to the new accounting principle implemented for the treatment of expenses during construction.

## Note 3 Major Transactions

SALE OF VESSELS	BUILT	BERGESEN'S SHARE IN PERCENT	SOLD	GAINS
Berge Lord	1973	100%	January	32
Berge Septimus	1974	100%	May	32
Berge Bonde	1974	100%	August	31
Total				95

### NEWBUILDING CONTRACTS

See note 12.

### PURCHASE OF SHARES

In June, Bergesen purchased 2.687.180 A-shares and 82.220 B-shares in Kværner for totally NOK 330 million.

The company has purchased 4.176.205 of its own A-shares and 1.564.400 of its own B-shares for totally NOK 700 million, see note 21.

## Note 4 Operating Revenue and Operating Profit by Fleet (Business Areas)

The financial reporting for each of the fleets (business areas) is based on the proportional method of consolidation of partly owned companies. According to the company's view, this method gives the most useful information about the activities owned by the company. Operating revenue and operating profit for each of the fleets (business areas) according to this principle is stated below, and compared with the relevant numbers of the consolidated profit and loss statement.

OPERATING REVENUE	1999	1998	1997
Gas	2,826	2,794	2,964
Tankers	1,563	2,206	2,238
Drybulk	371	331	299
Offshore	165	41	38
Total breakdown by fleet	4,925	5,372	5,539
Difference in principles/other items	275	290	333
Consolidated profit and loss statement	5,200	5,662	5,872

The company's vessels are engaged in international trade for a number of charterers who are usually not domiciled in

CONT.

either of the export or import countries. The company's operating income may therefore not unambiguously be related to geographical markets. Shipping markets are often divided in regions as AG (Arabian Gulf) eastward and AG westward. Of the company's total operating income it is estimated that 65% derives from AG westward while 35% derives from AG eastward.

OPERATING PROFIT	1999	1998	1997
Gas	362	472	624
Tankers	232	632	543
Drybulk	45	87	96
Offshore	13	-35	13
Total breakdown by fleet	652	1,156	1,276
Difference in principles/other items	-2	42	47
Consolidated profit and loss statement	650	1,198	1,323

## Note 5 Wages, Pensions and number of Employees

WAGES	1999	1998	1997
Wages	769	753	704
Social security	80	85	78
Pension cost	33	22	47
Total	882	860	829

### NUMBER OF EMPLOYEES

Bergesen, head office and abroad	231	230	230
Norwegian seamen	1,050	1,168	1,148
Foreign seamen	2,550	2,638	2,539
Total Bergesen d.y. Group	3,831	4,036	3,917

Loans to employees (NOK Million)	40	36	31
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### REMUNERATION TO THE BOARD OF SHAREHOLDERS' REPRESENTATIVES, THE BOARD OF DIRECTORS, THE MANAGING DIRECTOR AND THE AUDITOR OF BERGESEN D.Y. ASA

NOK 1,000	1999	1998	1997
Board of Shareholders' Representatives	125	113	120
Board of Directors	1,375	1,300	1,300
Managing Director, remuneration	3,208	3,202	2,433
Managing Director, pension cost	1,016	-	-
Auditor, auditing	702	642	792
Auditor, consulting	379	267	267

### LOAN AND GUARANTEES FOR SENIOR MANAGEMENT

The loans are granted at conditions close to market conditions.

EMPLOYEE	LOAN	AMORTIZATION
NOK 1,000		
Svein Erik Amundsen, <i>Managing Director</i>	4,500	Interest-only
Jan Håkon Pettersen, <i>Deputy Managing Director</i>	155	Monthly
Hans Ditlef Martens, <i>Director of Legal Division</i>	420	Monthly
Leif Artur Andersen, <i>Director Technical and Maritime Division</i>	725	Interest-only

Managing Director Svein Erik Amundsen and Deputy Managing Director Jan Håkon Pettersen are appointed in their positions until November 2003, whereafter they are entitled to a pension constituting 2/3 of their salary upon retirement. The other four members of the company's senior management are entitled to a compensation consisting of salary for two years provided they are removed from their present positions, and are entitled to retire at the age of 63 with a pension constituting 2/3 of their salary upon retirement.

## Note 6 Pension Plans

Bergesen has collective pension plans for some groups of employees in separate funds and in life insurance companies, based on a service period of 30 years. Main terms for office personnel are 66 % pension of the of the salary basis from 67 years of age, including spouse-, disable- and child support.

For sailing personnel included in the treaty between the Norwegian Shipowners' Association and Norwegian seamen's associations, the pension constitutes 60 % of the salary basis from 60 years of age until 67 years of age. For sailing personnel in senior positions that are included in the said treaty and are members of the pension fund arrangements, the pension thereafter is 50 % of the salary basis. This group is also entitled to spouse-, disable- and child support.

Also for sailing personnel in junior positions included in the said treaty the pension is 60 % of the salary basis from 60 years of age until 67 years of age. This group is entitled to disable support. From 67 years of age, this group is not entitled to pension in excess of Social Security benefits. The pension plans mentioned above are taking into consideration the estimated Social Security benefits, and included 952 persons per 31.12.1999. For some groups of sailing personnel that are not included in the treaty between the Norwegian Shipowners' Association and Norwegian seamen's associations contributions are paid to support funds in various countries, according to treaties with the seamen's associations in each country. Under these arrangements there are no pension obligations beyond paid contributions.

Bergesen also have pension obligations that are not covered by the pension plans. These are related to persons not included in the plans, and early retirement agreements.

Estimated values are used to measure pension plan assets and obligations. Each year these estimates are adjusted according to fair value of plan assets and actuarial calculations of the obligations. The calculations are based on standard actuarial assumptions from the Association of Norwegian Insurance Companies. Estimated turnover is accounted for in each of the plans.

### THE FOLLOWING ASSUMPTIONS ARE APPLIED IN THE ACTUARIAL COMPUTATIONS

	31.12.1999	31.12.1998	31.12.1997
Discount rate	6.0%	6.0%	7.0%
Estimated return on plan assets	7.0%	7.0%	8.0%
Rate of salary increase	3.5%	3.5%	3.5%
Inflation	2.5%	2.5%	2.5%
Pension payment increase	2.5%	2.5%	3.5%

### THE NET PENSION COST INCLUDES THE FOLLOWING ELEMENTS

	1999	1998	1997
Service cost, at net present value	37	33	49
Interest on obligations	30	27	32
Estimated return on plan assets	-34	-35	-36
Amortised effect of changes in assumption and pension plans, and differences between actual and estimated return on pension plan assets	0	-3	2
Social security tax	0	3	6
Pension cost	33	25	53

### PENSION PLAN ASSETS AND OBLIGATIONS PER

	31.12.1999	31.12.1998	31.12.1997
Estimated value of plan assets	464	526	488
Estimated value of pension obligations	-514	-496	-533
Unamortised effect of changes in assumptions and pension plans, and differences between actual and estimated return on pension plan assets	-47	-104	-20
Estimated net plan assets (obligations)	-97	-74	-65
Social security tax	-13	-13	-13
Net plan assets (obligations) in balance sheet	-110	-87	-78

### Hereof:

Net plan assets, in overfunded plans	0	23	26
Net plan obligations, in underfunded plans	-110	-110	-104

## Note 7 Goodwill and Fixed Assets

BERGESEN D.Y. ASA	COST AS OF 1.1.99	ADDITIONS DURING THE YEAR	DISPOSAL DURING THE YEAR	ACCUMULATED DEPRECIATION	BOOK VALUE	DEPRECIATIONS IN 1999
Real estate	62	0	-43	-11	8	1
Equipment, vehicles etc,	74	5	0	-53	26	0
Goodwill *	142	10	0	-136	16	30
Total	278	15	-43	-200	50	31

### SUBSIDIARIES

Vessels	18,139	48	-341	-8,519	9,327	709
Real estate	361	0	0	-64	297	7
Equipment, vehicles etc,	0	1	0	0	1	0
Goodwill *	34	0	-34	0	0	0
Total	18,812	64	-418	-8,783	9,675	747

Paid newbuilding instalments	281
Periodic maintenance	524
Goodwill	-16
Total fixed assets	10,464

\* The goodwill relates to purchase of shares in Bergesen d.y. Offshore AS in 1999 and purchase of shipping interests from Kvaerner ASA and others in 1995.

The company participates with 65% in a timecharter contract to hire in a drycargo vessel until the end of 2000. The company's share of the charterhire for 1999 is NOK 35 million.

The company has entered into agreements to charter in vessels participating in chartering pools operated by the company. The terms of these agreements are mainly the same as the ordinary pool participating terms on which the company are employing the vessels in the pool. The income earned by the company from the pool participation are booked as gross revenues, while the charter hire paid to the owners are booked as voyage related expenses. In 1999, NOK 506 million was booked as gross revenue and a similar amount booked as voyage related expenses. The agreements can normally be terminated with 6 months notice.

From time to time, short term agreements are entered into to hire in vessels for serving the company's contract obligations towards charterers, or for other reasons. For such chartering deals the company is financially exposed, and the charter hire accruing to the owners are booked as operating expenses. For 1999, NOK 17 million is booked as charter hire to owners of such vessels. As per 31.12.1999, the company has no chartering commitments of this type beyond the remaining period of the above mentioned drycargo vessel.

## Note 8 Currency Gains/Losses

In 1999 total currency gains of NOK 88 million were realised on bank deposits, on repayment and refinancing of debt and on forward and option contracts. Unrealised currency losses on mortgage debt, other liabilities, option contracts and forward contracts in foreign currencies amount to NOK 264 million.

## Note 9 Financial Market Risks

The company's activities are mainly related to the US dollar. The gross majority of the company's operating income, about 50% of the operating costs (excluding depreciation), interest bearing debt and contractual liabilities related to vessels under construction or in order, are nominated in this currency. The market value of the company's fixed assets (vessels) are also mainly settled in US dollars when traded in the secondhand market.

About 40% of the company's operating expenses (excluding depreciation) are accruing in NOK. For this exposure towards

the US dollar, the company is normally covered by currency swaps, covering the NOK requirement for a period of one to two years at fixed rates.

Depending on the development of the interest rate market, the company regularly is considering to enter into fixed interest rate agreements. As per 31.12.1999, the company had entered into such agreements for total liabilities of USD 350 million, for an average remaining interest period of 10 months.

The company is also exposed to financial market risks related to the the share portfolio and other financial current assets nominated in NOK, refer to notes 14 and 15.

## Note 10 Taxes

THE YEAR'S TAXES	BERGESEN D.Y. GROUP			BERGESEN D.Y. ASA	
	1999	1998	1997	1999	1998
Payable tax	13	2	-4	0	0
Deferred tax	0	-2	0	0	0
Total tax	13	0	-4	0	0
<b>TEMPORARY DIFFERENCES</b>					
<i>Outside the shipping tax system:</i>					
Current items	80	80			
Long-term items	-153	-80			
Tax loss carried forward	-490	-408			
Income basis for corporation tax credit on dividend	-224	-226			
Net temporary differences	-787	-634			
<i>Inside the shipping tax system:</i>					
Accumulated untaxed income	695	499			
Negative balance on account for retained taxed earnings	9,319	9,352			
Net temporary differences	10,014	9,851			
Deferred tax, net	83	83			

The effective tax rate for the consolidated company is lower than 28% because retained profits within the shipping tax system are not taxed before being distributed as dividend, or the activities have exited the shipping tax system.

The tonnage tax for 1999 amounts to 20 million, and is booked as an operating expense.

### TAX POSITIONS TO BE CARRIED FORWARD

Accumulated losses to be carried forward for tax purpose amounts to NOK 490 million, of which NOK 460 million matures in 2007 and NOK 30 million matures in 2008.

Accumulated income basis giving corporation tax credit on future dividends, amounts to NOK 224 million, of which NOK 46 million matures in 2003, NOK 50 million matures in 2004, NOK 39 million matures in 2005 and NOK 89 million matures after 2005.

TAX BASIS FOR BERGESEN D.Y. ASA	1999	1998
Net profit before tax	-58	19
Permanent differences	23	1
Temporary differences	35	-20
Tax basis	0	0

## Note 11 Balance Sheet Specifications

FINANCIAL LONG TERM ASSETS	Note	BERGESEN D.Y. GROUP		BERGESEN D.Y. ASA	
		1999	1998	1999	1998
Shares in subsidiaries	16	0	0	4,451	11,152
Investments in associated and other companies	18	96	119	35	37
Net pension assets		0	23	0	23
Loans to subsidiaries		1	0	2,445	3,206
Other receivables	13	271	80	237	74
<b>Total</b>		<b>368</b>	<b>222</b>	<b>7,168</b>	<b>14,492</b>
<b>INVESTMENTS</b>					
Shares	14	1,410	1,088	883	748
Bonds and certificates	15	605	512	0	0
<b>Total</b>		<b>2,015</b>	<b>1,600</b>	<b>883</b>	<b>748</b>
<b>LONG TERM OBLIGATIONS</b>					
Net pension obligation	6	110	110	109	98
Deferred tax	10	83	83	0	0
<b>Total</b>		<b>193</b>	<b>193</b>	<b>109</b>	<b>98</b>
<b>CURRENT LIABILITIES</b>					
Payable tax	10	25	14	0	0
Social security		99	106	26	27
Dividend		245	227	245	227
Other non interest bearing liabilities		502	552	130	52
Liabilities secured	22	128	117	0	0
<b>Total</b>		<b>999</b>	<b>1,016</b>	<b>401</b>	<b>306</b>

## Note 12 Newbuilding Contracts

By year-end the company has entered into three newbuilding contracts, two gas vessels of 78.500 cbm. each at Gdynia Ship Yard in Polen and one drybulk vessel of 175,000 dwt. at Daewoo Ship Yard in Korea.

USD 1,000

NEWBUILDING	CONTRACT PRICE	REMAINING 31.12.1999	MATURING IN 2000	MATURING IN 2001
Newbuilding contract no. 8185/1 at Gdynia	63,000	44,100	44,100	
Newbuilding contract no. 8185/2 at Gdynia	63,000	50,400	50,400	
Newbuilding contract no. 1127 at Daewoo	42,000	39,900	10,500	29,400
<b>Total</b>	<b>168,000</b>	<b>134,400</b>	<b>105,000</b>	<b>29,400</b>

## Note 13 Receivables

### CURRENT RECEIVABLES

This item mainly consist of accrued freight and interest income, accounts receivables from charterers and agents and receivables from limited and general partnerships (external partners' shares).

Also included is insurance claims. All amounts are falling due within one year after the date of the balance sheet.

### OTHER LONG-TERM RECEIVABLES

This item includes a receivable of NOK 101 million related to the financing of one VLGC newbuilding in Poland, prepaid instalments of NOK 60 million related to the upgrading of Berge Charlotte to FPSO, capital contribution of NOK 30 million related to German owned Igloo vessel, capital contribution to chartering pools of NOK 34 million and loans to employees of NOK 40 million.

## Note 14 Shares in other Companies

COMPANY	NO. OF SHARES 1999	HOLDING IN PERCENT		BOOK VALUE		MARKET VALUE	
		1999	1998	1999	1998	1999	1998
Kværner A	4,200,000	8.85	8.85	568	424	710	450
Orkla A *	431,174	0.2	0.04	17	4	59	8
Orkla B *	-	-	0.9	-	13	-	35
Arendals Fossekompni	497,500	19.99	19.99	223	223	201	164
Glamox	112,504	16.81	16.95	43	44	101	54
Hotel Alexandra	70,296	30.3	30.3	13	13	14	12
Norsk Vekst	50,000	0.83	0.8	5	5	10	7
Oktav Invest **	6,500	10	20	7	15	45	61
Skibsaksjeselskapet Solvang	379,300	1.72	1.7	5	5	5	4
Other Norwegian companies				2	2	2	3
Total Bergesen d.y. ASA				883	748	1,147	798
<b>OWNED BY SUBSIDIARIES</b>							
Kværner A	5,205,133	10.97	11.00	495	317	880	558
Kværner B	287,772	2.13	2.10	32	23	41	26
Total Bergesen d.y. Group				1,410	1,088	2,068	1,382

\* Orkla A- and B-shares are in 1999 united into one class of shares.

\*\* In 1999, the company sold half of its shares in Oktav Invest AS to the chairman of The Board of Shareholders' Representatives at market value.  
The sales profit was NOK 20 million.

## Note 15 Bonds and Certificates

This item consists of Norwegian government bonds, bonds in Norwegian credit institutions and certificates nominated in USD.

BONDS NOK	BOOK VALUE		MARKET VALUE		INTEREST PERIOD	AVERAGE INTEREST
	1999	1998	1999	1998		
Finansbanken	6	6	5	5	Half year	6.9%
Sparebankkreditt	5	5	5	5	Half year	6.75%
Norgeskreditt	6	6	5	5	Half year	10.5%
Norwegian government		20		20	Half year	7%
Norwegian government		5		5	Half year	9%
<b>BONDS USD</b>						<b>3 mnth.Libor</b>
CBK, USD 10.000.000	80		80		Quarterly	+0,1%
<b>CERTIFICATES NOK</b>						
Orkla (Zero coupon)	25		25			
Storebrand Bank	0	65	0	65		
Nordlandsbanken	0	25	0	25		
<b>CERTIFICATES USD</b>						
DnB, USD 50.000.000	403	380	402	380		7,5%
DnB, USD 10.000.000	80		80			8,6%
Total	605	512	602	510		

## Note 16 Shares and Holdings in Subsidiaries

	HOLDING IN PER CENT		BOOK VALUE	
	1999	1998	1999	1998
<b>BERGESEN D.Y. ASA</b>				
Bergesen d.y. Shipping AS	100	100	3,391	9,622
Igloo Shipping AS	100	100	314	785
Handygas Shipping AS	100	100	191	191
Partgas Shipping AS	100	100	68	68
Bergesen d.y. Hugin Shipping AS	100	100	343	343
Bergesen d.y. Offshore AS	75.25	-	1	-
Bergehus AS	100	100	133	133
Bergesen d.y. Igloo AS	100	100	2	2
Igloo Handy Gas Carriers AS	100	100	0	0
The Green Tankers AS	100	100	0	0
The Green Tankers Holding Co.	100	100	0	0
AS Helengas	100	100	8	8
Havtor Management AS	100	100	0	0
Bergesen d.y. Gas Carriers (Oslo) AS	86.17	86.17	0	0
<b>Total</b>			<b>4,451</b>	<b>11,152</b>
<b>BERGESEN D.Y. SHIPPING AS</b>				
KS AS Nordsjøgas	64.75	64.75		
KS AS Centrum	62.50	62.50		
KS Berge Septimus	100	100		
KS AS Hektorgas	53.50	53.50		
KS AS Hermion	87.25	87.25		
KS Havgas Partners	72.50	72.50		
KS Handygas	70	70		
KS Berge Lord	100	100		
KS Hermes	63.58	60.39		
PR Bergesen d.y. Shipping DA	86.17	86.17		
PR Havfru DA	72.67	72.67		
PR Gasstransport	57	57		
PR Century DA	77	77		
PR Havrim DA	55	55		
PR Berge Duke ANS	100	100		
PR Berge Prince ANS	100	100		
AS Centum	100	100		
AS Berge Septimus	100	100		
AS Berge Lord	100	100		
AS Havgas Partners	100	100		
AS Hektorgas	100	100		
AS Hermion	100	100		
AS Hermes	100	100		
AS Hesperus 2	100	100		
AS Nordsjøgas	100	100		
Amazon Transport Inc.	51	51		
<b>HANDYGAS SHIPPING AS</b>				
AS Handygas I	100	100		
AS Havlur	100	100		

All subsidiaries have their main office in Norway except for The Green Tanker Holding Co. which is registered in USA and Amazon Transport Inc. which is registered in Liberia.

Green Tankers AS has a branch office in France.

## Note 17 Inter-company Accounts

The balance sheet of Bergesen d.y. ASA contains the following inter-company balances with subsidiaries, associated companies and joint ventures.

RECEIVABLES UNDER FINANCIAL LONG TERM ASSETS	31.12.1999	31.12.1998
Subsidiaries	2,445	3,206
Total	2,445	3,206
RECEIVABLES UNDER CURRENT ASSETS		
Subsidiaries	6,721	-4
Joint ventures	3	-2
Total	6,724	-6

## Note 18 Investments in other Companies

OWNED BY BERGESEN D.Y. ASA	HOLDING IN PER CENT		BOOK VALUE	
	1999	1998	1999	1998
Glamox Industribygg ANS	50.80	50.80	5	5
Properties in USA	-	-	18	17
Bergesen d.y. (Phils.) Inc.	25	25	0	0
Pierce Production Company Ltd	-	26	-	-6
KS AS Helengas	78.75	78.75	9	19
KS West Supply AS	8.46	8.46	3	2
West Supply II KS	4.57	4.57	0	0
Total Bergesen d.y. ASA			35	37
OWNED BY SUBSIDIARIES				
I/S Bøhleråsen	30	30	4	3
Properties in USA	25	25	-25	-15
KS Havlur	36.75	36.75	3	5
KS AS Heragas	31.63	31.63	40	45
KS Hesperus 2	25	25	14	15
PR Clipper Victoria DA	20	20	7	8
PR Havpil DA	41.50	41.50	9	13
PR Clipper Gas	27	27	7	7
KS Clipper Sea	10	10	2	1
Total Bergesen d.y. Group			96	119
INVESTMENTS IN JOINT VENTURES				
PR Bergesen GOIC DA	65	65		
PR Berge Spirit DA	80	80		
Bergesen d.y. Handygas AS	50	50		
Pierce Production Company Ltd.	26	-		

These companies are resident in Norway except for Bergesen d.y. (Phils) Inc. which is resident in the Philippines and a real estate project in the USA, and Pierce Production Company Ltd which is resident in the UK.

## Note 19 Restricted Bank Deposits

The company's bank deposits include restricted deposits regarding taxes withheld from employees.

	1999	1998	1997
Bergesen d.y. ASA/Bergesen d.y. Group	18	20	24

## Note 20 Shareholders' Equity

EQUITY IN BERGESEN D.Y. GROUP	PAID IN CAPITAL	RETAINED EARNINGS	TOTAL
Equity 31 December 1996	1,984	6,233	8,217
Profit after tax		636	636
Dividends		-152	-152
Equity 31 December 1997	1,984	6,717	8,701
Net profit after tax		936	936
Dividends		-227	-227
Equity 31 December 1998	1,984	7,426	9,410
Minority interests 31 December 1998		528	528
Equity 1 January 1999	1,984	7,954	9,938
Net profit after tax		430	430
Dividends		-245	-245
Purchase of minority interest		-7	-7
Minority interests' part of net profit		-32	-32
Paid to minority interests		-27	-27
Own shares	-14	-686	-700
Equity 31 December 1999	1,970	7,387	9,357

EQUITY IN BERGESEN D.Y. ASA	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	UNDISTRIBUTED PROFIT	OTHER EQUITY	TOTAL
Equity 31 December 1996	189	2,127	68	5,237		7,621
Profit after tax		432		3,889		4,321
Group contribution				51		51
Dividends				-152		-152
Equity 31 December 1997	189	2,559	68	9,025		11,841
Profit after tax				19		19
Group contribution				4		4
Dividends				-227		-227
Equity 31 December 1998	189	2,559	68	8,821		11,637
Transfer of legal reserve		-2,559	1,727	0	832	0
Transfer of undistributed profit				-8,821	8,821	0
Equity 1 January 1999	189	0	1,795	0	9,653	11,637
Own shares	-14				-686	-700
Dividends					-245	-245
Profit after tax					-58	-58
Equity 31 December 1999	175	0	1,795	0	8,664	10,634

## Note 21 Shares and Shareholders

### THE 20 MAJOR SHARHOLDERS IN BERGESEN D.Y. ASA AS OF 31 DECEMBER 1999

	NUMBER OF A-SHARES	NUMBER OF B-SHARES	% OF TOTAL SHARE CAPITAL
1 Sundt AS	9,547,112	0	12.6%
2 Chase Manhattan Bank, <i>Bournemouth</i>	5,566,924	3,554,145	12.0%
3 Bergesen d.y. Shipping AS	4,176,205	1,564,400	7.6%
4 Morten Sig. Bergesen	4,950,284	29,648	6.6%
5 Folketrygdfondet	3,283,700	700,000	5.3%
6 Orkla ASA	1,158,142	1,385,623	3.4%
7 Kommunal Landspensjonskasse	1,146,642	1,303,624	3.2%
8 Bankers Trust Company	102,333	2,249,688	3.1%
9 Arendals Fossekompni	2,008,575	0	2.7%
10 Gjensidige	1,063,095	898,858	2.6%
11 Storebrand	802,230	1,052,693	2.5%
12 State Street Bank	1,192,845	623,224	2.4%
13 DnB	1,121,701	676,387	2.4%
14 Vital Forsikring	947,236	354,767	1.7%
15 Avanse-aksjefundene	971,870	314,850	1.7%
16 Chase Manhattan, <i>Luxembourg</i>	444,000	681,600	1.5%
17 Postbanken	160,000	643,300	1.1%
18 Fidelity Funds	799,500	0	1.1%
19 Clydesdale Bank	748,000	0	1.0%
20 V/K Fondene as	656,000	81,000	1.0%
<b>The 20 major shareholders total</b>	<b>40,846,394</b>	<b>16,113,807</b>	
<b>In percent of share capital</b>	<b>76.9%</b>	<b>79.1%</b>	<b>75.2%</b>
<b>Own shares</b>	<b>4,176,205</b>	<b>1,564,400</b>	<b>7.6%</b>
<b>Payment for own shares (NOK Million)</b>	<b>515</b>	<b>185</b>	

The annual general meeting of 28 April 1999 authorised the board to let the company acquire up to 10% of the company's own shares. The board is regularly considering to let the company trade in its own shares, when this is considered beneficial to the company.

The total number of shares in Bergesen is 75.759.661, of NOK 2,50 par value, with the following distribution: 53.098.415 A-shares and 22.661.246 B-shares. The B-shares have no voting rights. Of this the company itself owns 4.176.205 A-shares and 1.564.400 B-shares, all purchased in 1999.

#### EARNINGS AND CASHFLOW PER SHARE

Average number of shares in 1999 was 74.109.273, exclusive of own shares. The number of shares in 1998 and 1997 was 75.759.661. Earnings per share is calculated on the basis of net profit after tax and minority interests divided by the average number of shares.

Cash flow per share is calculated as net profit after payable tax and minority interests plus depreciation divided by the average number of shares

CONT.

## SHAREHOLDING OF ELECTED REPRESENTATIVES IN BERGESEN D.Y. ASA AS OF 31 DECEMBER 1999

THE BOARD OF SHAREHOLDERS' REPRESENTATIVES	<i>No. of shares</i>
Jens P. Heyerdahl d.y., <i>Chairman</i>	100
Peter F. Bassøe	7,228
Jon R. Gundersen	1,952
Eyvind W. Wang	800
THE BOARD OF DIRECTORS	
Morten Sig. Bergesen, <i>Chairman</i>	4,979,932
Petter C.G. Sundt, <i>Vice Chairman</i>	9,547,112
Lars A. Christensen	2,500
Christian Ringnes	25,200
Johan Fr. Odfjell	8,000

The company's auditor Arthur Andersen & Co. does not hold shares in the company.

## Note 22 Liabilities

### OTHER LIABILITIES – NON INTEREST BEARING

Other non interest bearing liabilities consists mainly of accounts payable for vessel operations and accrued interest.

### REPAYMENT SCHEDULE FOR INTEREST BEARING LIABILITIES

Short term:	
Maturing in 2000	128
Long term:	
Maturing in 2001	1,382
Maturing in 2002	870
Maturing in and after 2003	2,813
Total interest bearing debt	5,193

NOK 352 million of the debt is financial lease agreements for vessels.

Of the company's total debt, NOK 483 million is maturing more than five years after year end 1999.

At the end of 1999 the company had USD 350 million in undrawn credit lines.

### BANK DEPOSITS AND LIABILITIES IN FOREIGN CURRENCY

At the end of 1999 Bergesen d.y. Group carried the following balances denominated in foreign currencies, except operating receivables and liabilities.

	<i>NOK</i>	<i>USD</i>
Bank deposits	1,209	150
Mortgage debt, vessels	-1,072	-133
Other interest bearing debt	-4,121	-513
Net	-3,984	496

## Note 23 Guarantee Liabilities

### GUARANTEES, JOINT AND SEVERAL LIABILITIES AND OTHER CONDITIONAL LIABILITIES

	1999	1998	1997
Bergesen d.y. ASA	3,288	2,871	2,159
Subsidiaries	0	0	40
Within the group	-893	-702	0
Bergesen d.y. Group	2,395	2,169	2,199

### COFR

Bergesen d.y. ASA has, through the subsidiary The Green Tankers Guarantee Company Inc., issued a guarantee of USD 255 million in favour of US Coast Guard in order to obtain Certificate of Financial Responsibility (COFR) which is required for the Group's vessels sailing in US waters. The parent company is committed to make the above mentioned amount available to the subsidiary on a 45 days notice and no later than 30 September 2000. Consequently, sufficient liquid assets, including unused lines of credit must be kept available for this purpose.

## Note 24 Mortgages

	BOOK VALUE		LIABILITIES SECURED BY MORTGAGE	
	1999	1998	1999	1998
Vessels in subsidiaries	1,805	1,920	652	757

## Note 25 International Accounting Standards

The effects of the principal differences between the Group's accounting principles, set out on page 15-16, and International Accounting Standards (IAS) are set out below:

CONSOLIDATED STATEMENT OF INCOME	1999	1998
Net profit before tax reported under Norwegian generally accepted accounting principles	443	935
<i>Additional credit/charge arising due to:</i>		
The merger with Havtor according to the purchase method (IAS 22)	-55	-55
Capitalised loan expenses (IAS 23)	-2	-2
Profit before tax reported under International Accounting Standards	386	878
<i>Tax (IAS 12)</i>		
Payable	-13	2
Deferred	0	-258
Net profit after tax reported under International Accounting Standards	373	622
 CONSOLIDATED EQUITY		
Equity reported under Norwegian generally accepted accounting principles	9,357	9,938
<i>Additional credit/charge arising due to:</i>		
Dividends (IAS 10)	18	75
The merger with Havtor according to the purchase method (IAS 22)	179	234
Capitalised loan expenses (IAS 23)	4	6
Deferred tax	0	0
Equity reported under International Accounting Standards	9,558	10,253

As the company intends to maintain its shipping activities within the shipping tax system, no deferred tax is calculated on temporary differences and retained earnings.

## Auditor's Report for 1999

TO THE ANNUAL SHAREHOLDERS' MEETING OF BERGESEN D.Y. ASA

We have audited the annual financial statements of Bergesen d.y. ASA as of 31 December 1999, showing a net profit after tax of NOK -58 million for the parent company and a net profit after tax of NOK 398 million for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

*In our opinion,*

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 1999, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway.
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway.
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the loss is consistent with the financial statements and comply with law and regulations.

*Oslo, 15 March 2000*

ARTHUR ANDERSEN & CO.

Morten Drake

State Authorised Public Accountant (Norway)

## Shareholders' Representatives' Report

The Board of Directors' Report for Bergesen d.y. ASA and the Bergesen d.y. Group together with the Auditor's Report have today been considered by the Committee of Shareholders' Representatives. The Committee recommends to the Annual General Meeting that:

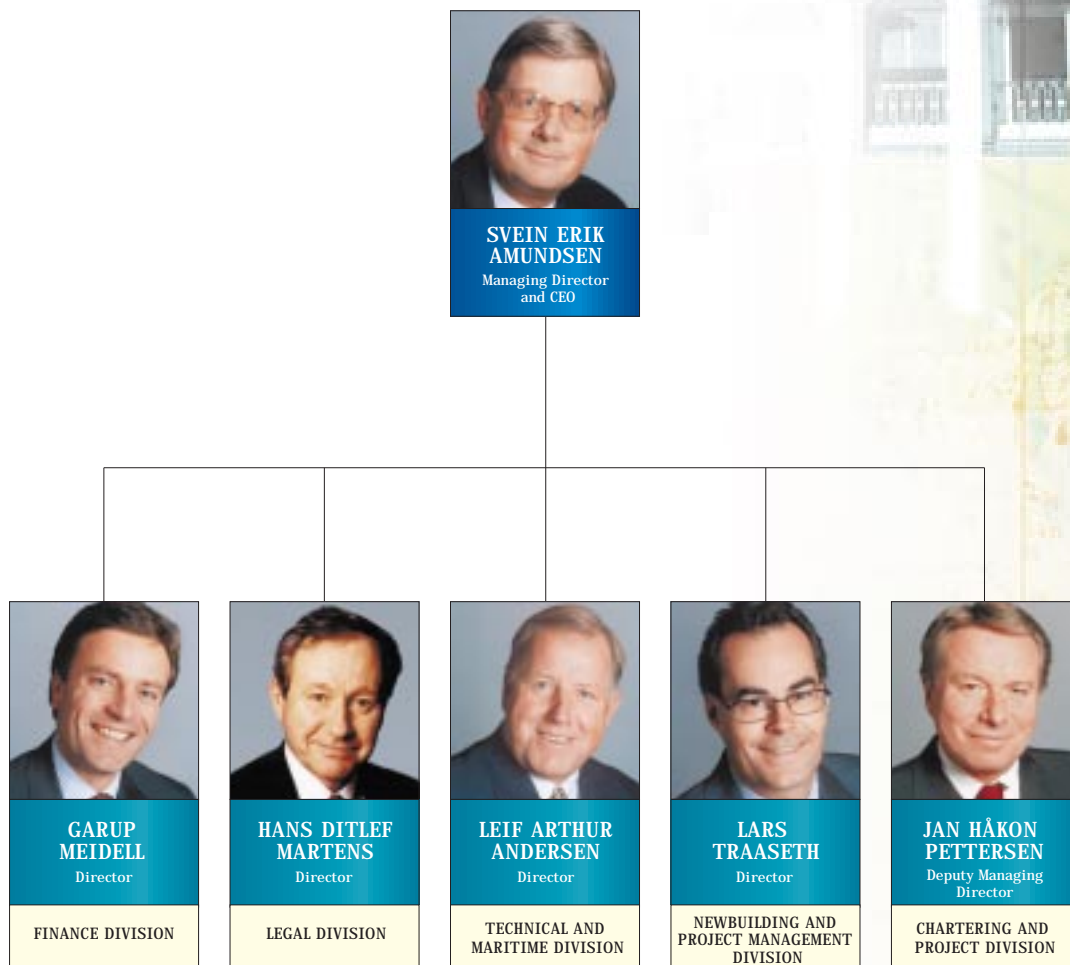
The company's annual accounts for 1999, including the consolidated accounts and notes, and distribution of dividend be approved in accordance with the Board of Directors' proposal.

*Oslo, 22 March 2000*

Jens P. Heyerdahl d.y.  
Chairman

Peter F. Bassøe  
Jon R. Gundersen  
Eyvind W. Wang

# Company Management



# Analytical Information

## SHAREHOLDER POLICY

The company's objective is to achieve a competitive and long-term return on invested capital so that the company will be an attractive investment target for Norwegian and international investors.

The Company's objective is also to establish a dividend policy that will provide a competitive return to shareholders in the form of dividends. The level of dividends paid has thus increased during the last three years.

The Company's purchase of its own shares is an important tool in the practice of the Company's shareholder policy. At the company's ordinary general meeting, the Board intends to propose that the company delete its own shareholding, and request renewed authorisation for the Company to acquire up to 10% of the remaining shares.

Bergesen strongly emphasises maintaining the share market informed about the Company's profit and loss development, prospects in the markets the Company operates in and other relevant conditions. Accurate information is a presupposition for the accurate pricing of the Company's shares in relation to profit and hidden values. In its accounting practices, the Company will aim to provide the information necessary to evaluate the shipping company's status and position. In addition to annual and quarterly reports, the Company will send press releases in the event of important occurrences and developments. In order to maintain communication with the share market, the Company will have an active and visible presence in the Norwegian and international investment communities.

The best possible liquidity and interests for Bergesen-shares are secured through public listing in Oslo and London, as well as the unlisted ADR-facility in the USA.

## THE SHARES' TRANSFERABILITY/ FOREIGN OWNERSHIP INTEREST

There are no restrictions on sale of the company's shares, and there are no restrictions on foreign ownership interest. The exercise of shareholder rights are regulated in the company law for public companies, especially article 4 of the law and the company's articles of association.

<i>As of 31.12.99</i>	<i>A-shares</i>	<i>B-shares</i>	<i>Total</i>
No. of shares			
(excl. own shares)	48,922,210	21,096,846	70,019,056
In foreign hands	14,207,347	9,781,232	23,988,580

## RETAINED PROFIT ADJUSTMENT (RISK)

According to the tax reform that came into effect on 1 January 1992, the taxable gain on a share that is sold will equal the actual gain adjusted for the company's retained after tax profit per share. (This adjustment is only of importance in relation to the taxation of Norwegian nationals.) This capital adjustment will take place annually on 1 January, but the amount will not be computed until the tax returns have been processed in October/ November. Shareholders as of 1 January will be credited with the adjustment.

Estimated adjustment as of 1 January 2000 is minus NOK 2.92 per share.

<i>RISK-adjustments earlier years:</i>	<i>NOK per share</i>
1.1.1999	-3.17
1.1.1998	-1.96
1.1.1997	-1.20
1.1.1996	-0.47
1.1.1995	-0.98
1.1.1994	-2.05
1.1.1993	-1.00

The RISK adjustments as of 1.1.1995, 1.1.1996 and 1.1.1997 may be subject to changes. The RISK adjustment as of 1.1.1993 is subject to legal dispute.

The adjusted cost price for taxation purposes, in connection with the Tax Reform as of 1 January 1992, was NOK 146.14 for A shares and NOK 147.54 for B shares (relevant to Norwegian nationals).

As of 31 December 1999 NOK 348 million in deferred capital gains from before 1992 has been taken to income, but has not been taken into account in the RISK-calculation. The amount will be deducted in connection with the RISK-calculation in future years.

## NUMBER OF SHAREHOLDERS

At year end 1999, Bergesen d.y. ASA had the following number of shareholders: 5,960 with A-shares and 2,932 with B-shares.

## DIVIDENDS

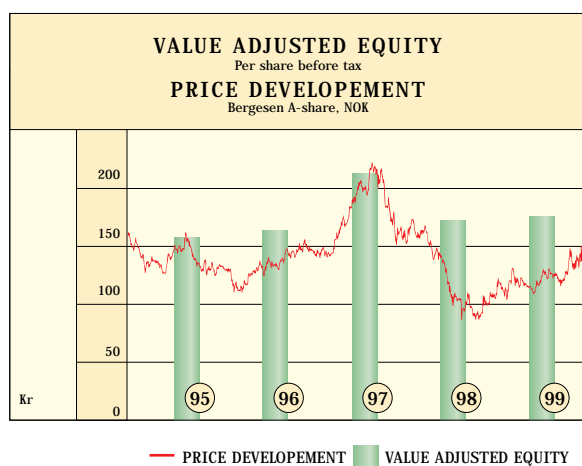
The Board proposes a dividend for 1999 of NOK 3.50 per share. The dividend approved by the Annual General Meeting will be paid on 15 May 2000 to the shareholders registered in the company's shareholder register on 27 April 2000.

## NOMINEE REGISTRATION

Under Norwegian law, shares as a general rule must be registered in the name of the beneficial owner. Norwegian authorities may, however, give approval to a nominee being entered on the company's shareholder register in the Norwegian Registry of Securities in place of foreign shareholders.

Nominees may not exercise other rights in the company than receive dividends and other payments, including new shares on increases in capital. The nominee thus has no right to attend and vote at the company's general meetings.

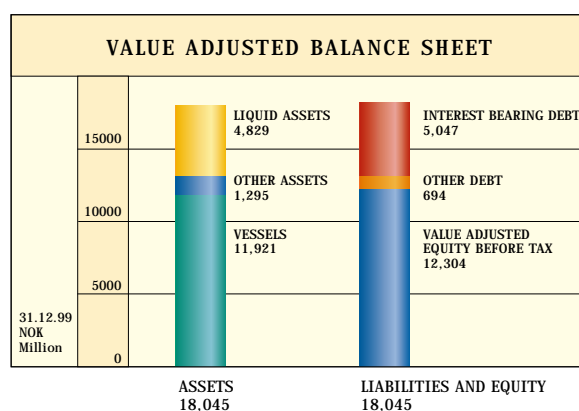
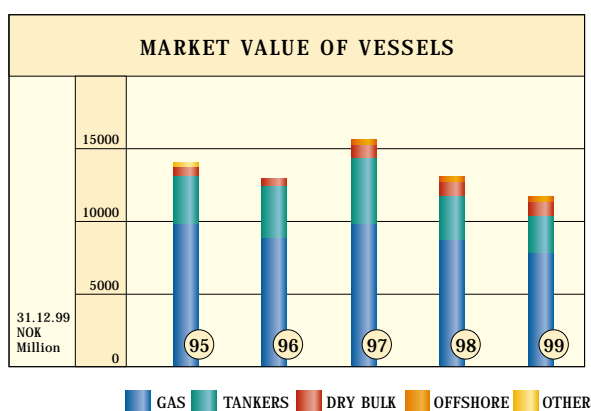
If a shareholder wishes to be present or wishes to be represented at the general meeting, the shares must be registered in the beneficial owner's name in the Norwegian Registry of Securities or the beneficial owner must have reported and settled the acquisition.



VALUE ADJUSTED BALANCE \*

	MARKET VALUE		BOOK VALUE	EXCESS VALUE
ASSETS	NOK Million	Share in %	NOK Million	NOK Million
Gas carriers	7,723	43%	5,488	2,235
Tankers	2,570	14%	2,062	508
Dry bulk vessels	935	5%	935	0
Offshore vessels (Berge Hugin + Troll)	412	2%	397	15
Total vessels <sup>1)</sup>	11,640	65%	8,882	2,758
Paid newbuilding instalments	281	2%	281	0
Periodic maintenance (drydocking)	0	0%	477	-477
Real estate <sup>2)</sup>	451	2%	305	146
Net assets, pension plan	0	0%	0	0
Other long term assets <sup>2)</sup>	341	2%	357	-16
Total long term assets	12,713	70%	10,302	2,411
				0
Shares (excl. own shares) <sup>3)</sup>	2,068	11%	1,410	658
Other current assets	503	3%	503	0
Bank deposits, interest bearing receivables, bonds and certificates	2,761	15%	2,761	0
Total current assets	5,332	30%	4,674	658
				0
Total assets	18,045	100%	14,976	3,069
<b>LIABILITIES AND EQUITY</b>				
Value adjusted equity before tax	12,304	68%	9,235	3,069
Interest bearing debt	5,047	28%	5,047	0
Other debt (excl. declared dividend)	694	4%	694	0
Total Liabilities and Equity	18,045	100%	14,976	3,069
No. of shares	70,019,056			
Value adjusted equity before tax NOK per share	176			

\* The value adjusted balance sheet includes the company's own shares in vessels and companies according to the proportional method of consolidation.



## NOTES TO THE VALUE ADJUSTED BALANCE SHEET

When converting the USD value of vessels, other assets and liabilities in foreign currency, we have used the USD exchange rate as of 31.12.1999, which was NOK 8.04.

### 1) VESSELS

The market value of the company's interests in vessels as of 31.12.1998 has been fixed as the average of the valuations regarding charter free vessels obtained from the ship brokers Clarkson, Fearnleys and Gibson.

### 2) OTHER ASSETS

The market value in excess of book value concerns real estate and is based on independent assessment and own estimates. Goodwill is not included in the value adjusted balance sheet.

### 3) SHARES

The market value of listed shares is based on the trading prices quoted on the Oslo Stock Exchange 31.12.1999. The market value of unlisted shares has been assessed on the basis of known trading prices and to some extent on the company's own valuations.

## COMMENTS TO THE VALUE ADJUSTED BALANCE SHEET

The purpose of the value adjusted balance sheet is to provide the reader with information about the market value of assets, liability and equity for the company in total and

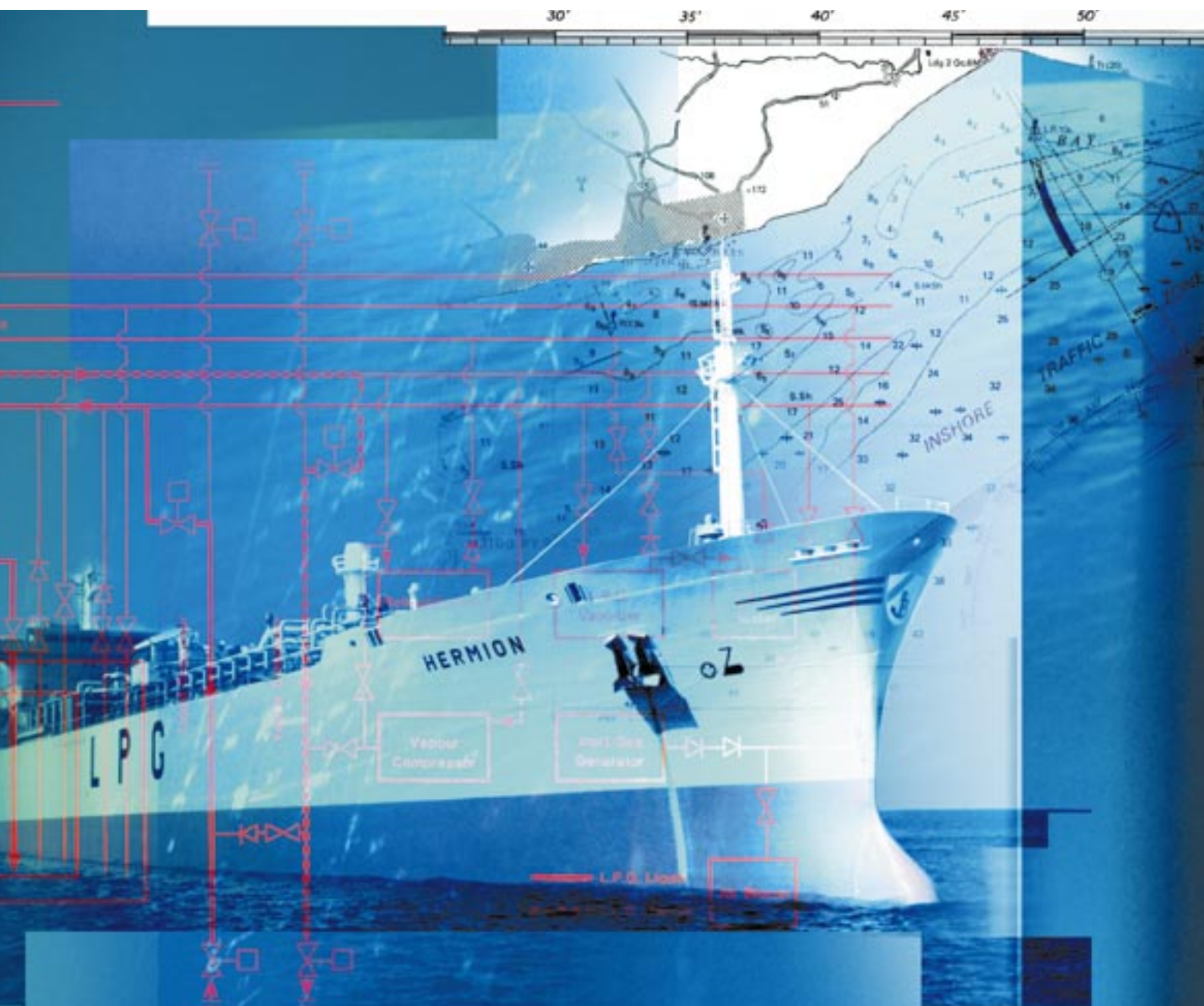
per share. The valuations are essentially based on external assessments. It is important that the reader evaluates the assumptions on which the market values are based (see notes above).

Vessels represent approximately 65% of total balance sheet assets. There is normally a maximum deviation of 10 per cent between the highest and lowest estimates. As of 31.12. the deviation for the tankers was 18%. There will always be uncertainty attached to vessel valuations, because the number of representative, actual transactions in the market are limited.

The valuation of the vessels is based on their market value with no adjustment for any charter parties. It is assumed that charter parties do not have negative values.

The estimated values of the gas-, tanker-, dry bulk and offshore fleets fell by 16%, 15%, 4% and 6% respectively during 1999. The fall is exceeding the effect of the increased age of the fleet.

The market value of vessels and the USD exchange rate are the two most important factors affecting value adjusted equity. A 10% change in market value of vessels changes value adjusted equity with NOK 17 per share. A 10% change in USD exchange rate gives a change of NOK 11 per share. Please refer to the fleet reports (pages 37–57) for more details.



30' 35' 40' 45' 50'

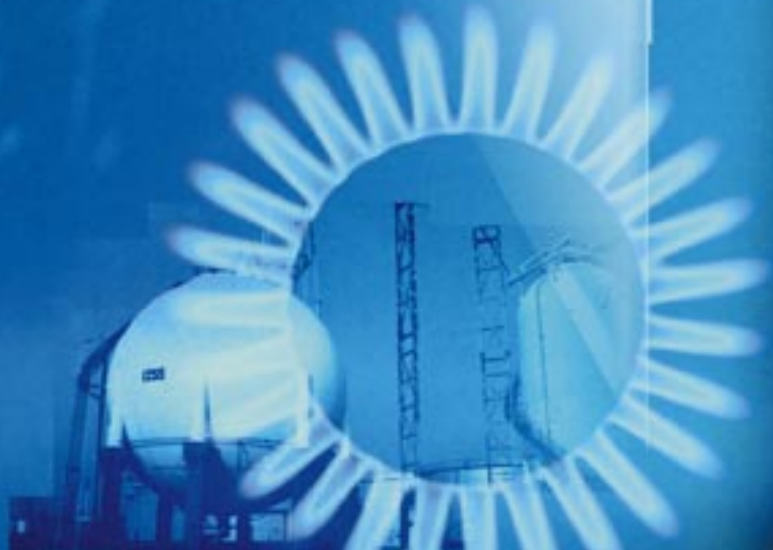
HERMION

LPG

Vapour Compressor

Port Side Generator

LPG Lines



# Reduced contract coverage for the gas fleet

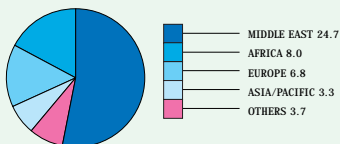
The year was characterised by reduced contract coverage for the gas fleet and increased waiting time between chartering assignments. Combined with the dramatic increase in bunker prices and the reduced utilisation of capacity resulting from the growth in the world fleet, the company's profit consequently weakened.



LPG Liquefied Petroleum Gases - mainly propane and butane - are the principal source of employment for the Group's gas carriers. The Bergeesen fleet transported 12.4 million tonnes of LPG in 1999, equivalent to 70% of the total gas shipments. The fleet also carried 3.1 million tonnes of ammonia (18% of total shipments) and 2.2 million tonnes of ethylene and other petrochemical gases (12%). LPG is used widely for power generation, in households and industry, as motor vehicle fuel and as raw material for the petrochemical industry.

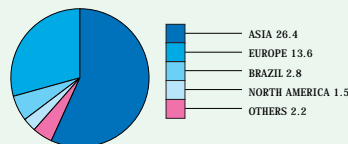
### WORLD EXPORT REGIONS—LPG

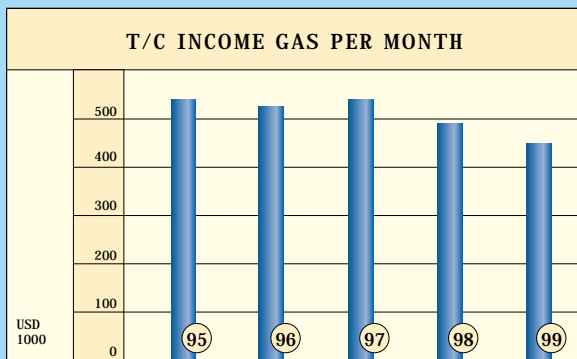
Figures in Million Tonnes



### WORLD IMPORT REGIONS—LPG

Figures in Million Tonnes





#### SENSITIVITY 1999

##### *Effect on operating profit in NOK million*

Income/operating costs +/-1000 USD/day 132

USD exchange rate +/- 10% 138

##### *Value-adjusted shareholders equity/share, NOK*

Market value gas +/- 10% 11

*The sensitivity figures are calculated on the basis of the year end dollar exchange rate for balance sheet figures and on average 1999 exchange rates for income figures. Please note that the sensitivity figures will also be affected by the level of earnings. They must therefore be compared with the 1999 figures, although they also offer an indication for other income levels. It must be pointed out that the calculations are based on relatively general assumptions, and that the actual figures may deviate from the calculated values. Nonetheless, this should give an indication of the consequences of changes in the variables.*

#### THE GAS MARKET IN 1999

The VLGC, LGC and Igloo fleets performed less well in terms of operating profit than in 1998 while the MGC and Handygas fleets fared slightly better. Decreasing charter cover and the associated increase in waiting times between cargoes combined with a sharp rise in bunker fuel prices more than offset the positive impact of higher LPG volumes and longer average shipping distances for both LPG and ammonia. Charterers' expectations of a weaker market following the impending growth in the world fleet have led to decreased interest in fixing large gas carriers on new time charters at acceptable rates.

#### THE VLGC SEGMENT - OVER 70,000 CBM

Bergesen's VLGC fleet generated an average t/c income of USD 660,000/month, compared with USD 710,000/month in 1998. Excluding waiting time, VLGC spot rates averaged around USD 630,000/month. The market fell out of step with its traditional seasonal variations, putting in a relatively strong summer and weak autumn.

The drop in earnings was primarily due to reduced charter cover and so longer waiting times between cargoes, coupled with a sharp rise in bunker fuel prices and lower capacity utilisation brought on by growth in the world fleet, and by phasing out the use of large gas carriers as storage units in China, thus increasing the size of the active fleet.

Changes in LPG trading patterns during the year, with North and West Africa accounting for an increasing share of exports and Asia accounting for an increasing share of imports, boosted demand for tonnage. LPG shipping volumes climbed around 2.4% overall, despite a drop in exports from the Persian Gulf of 0.5 million tonnes on account of reduced oil and gas output and the start-up of a new petrochemicals plant in Saudi Arabia using LPG as a raw material. Exports from North and West Africa increased by 1.7 million tonnes, mostly heading for Asia thanks to rising demand in South Korea, Japan and China. US imports halved to 1.5 million tonnes as the petrochemicals industry reacted to higher LPG prices by switching to alternative raw materials.

At the year-end Bergesen's VLGC vessels featured 25% charter cover for the coming year, compared with 62% at the end of 1998. The VLGC pool currently comprises 21 vessels, including three chartered vessels.

The world VLGC fleet expanded by three vessels in 1999 and there were 12 vessels on order at the year-end, five for delivery this year and seven for delivery in 2001. For the first time in a number of years it is possible that some VLGC tonnage may end up being scrapped this year.

#### THE LGC SEGMENT – 50-70,000 CBM

Bergesen's LGC fleet generated an average t/c income of USD 445,000/month, compared with USD 480,000/month in 1998. Excluding waiting time, LPG spot rates for LGC vessels averaged around USD 600,000/month. However, such chartering opportunities were not available throughout the year, and up to five vessels sought employment in the clean petroleum product market during the summer generating poor earnings.

In the second half of the year, shipments of both LPG and ammonia on long and middle-distance trades increased for LGC vessels. Higher LPG exports from Africa also boosted the LGC market, but provisional figures for trade in ammonia suggest that shipping volumes were slightly down on 1998 despite an increase in Russian and Ukrainian ammonia exports from the Black Sea of 0.3 million tonnes. Higher Asian imports had a positive impact on of the fleet's capacity utilisation, and aggressive pricing meant that Russian exports to the USA held up despite the start-up of new export capacity in Trinidad, partly because some of this capacity was shut down following disagreement on prices between the ammonia producer and the supplier of the natural gas used as the raw material in ammonia production. Low ammonia prices also resulted in the closure of production capacity in other countries as imports proved to be cheaper than local production, so increasing the demand for tonnage.

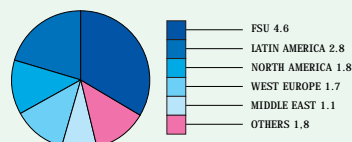
At the year-end Bergesen's LGC vessels featured 18% charter cover for the coming year, compared with 10% in 1998.



**AMMONIA (NH<sub>3</sub>)** Bergesen vessels made 112 voyages with cargoes of ammonia in 1999. The Group's vessels transported a total of 3.1 million tonnes of ammonia during the year, equivalent to 18% of total gas shipments for the fleet. All Bergesen's gas carriers can carry ammonia except the LPG/LNG vessels. There is a rising demand for ammonia, which is produced from natural gas methane and is used primarily to make artificial fertilisers. The pharmaceutical and plastics industries are also large users of ammonia.

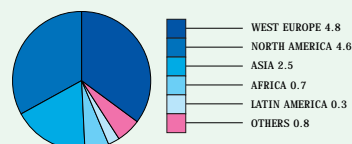
#### WORLD EXPORT REGIONS—AMMONIA

Figures in Million Tonnes



#### WORLD IMPORT REGIONS—AMMONIA

Figures in Million Tonnes



Two vessels joined Bergesen's LGC pool in 1999 and a third followed suit earlier this year. Bergesen has no interests in these three vessels, which all previously belonged to the Mexican state oil company Pemex and have appeared only sporadically in the international market. In addition to Bergesen's own vessels, five other vessels are participating in the pool, i.e. altogether 19 vessels.

There was no change in the overall world fleet in 1999, but the marketing of the former Pemex vessels effectively makes for an increase in capacity.

#### THE MGC SEGMENT - 22-40,000 CBM

Bergesen's MGCs generated an average t/c income of USD 410,000/month, compared with USD 380,000/month in 1998.

Activity in the spot market picked up and waiting times between cargoes were reduced. This segment too saw an increasing proportion of long-distance ammonia shipments and benefitted from a rise in LPG exports from North and West Africa. However, the predicted growth in North Sea LPG output failed to materialise following the delayed start-up of several new fields, although activity in the region did improve towards the end of the year. Reduced competition from vessels under 20,000 cbm also helped to strengthen the MGC market in the second half.

At the year-end Bergesen's MGC fleet featured 34% charter cover for the coming year. The joint operation set up in conjunction with Exmar is functioning satisfactorily, and LNG carrier Century was fixed on a minimum eight-year time charter in the Mediterranean in October.

The world fleet increased by one newbuild in 1999 and three vessels were sold for scrap. Five MGCs were on order at the year-end, all with ethylene capacity and due for delivery this year.

#### SEMI-REFRIGERATED VESSELS - 8-22,000 CBM

Bergesen and a number of other gas carrier owners set up a

new joint operation for semi-refrigerated vessels of between 8,000 and 22,000 cbm towards the end of 1999. The joint operation is being managed by A.P. Møller.

The Handygas vessels generated an average t/c income of USD 220,000/month, compared with USD 195,000/month in 1998, while the Igloo vessels generated an average t/c income of USD 260,000/month, compared with USD 310,000/month in 1998.

The market for petrochemical gases was weak at the beginning of the year, although there were some arbitrage sales of ethylene and propylene from the USA and Europe to Asia towards the end of the first quarter. Activity then dropped back over the summer but there were signs of higher activity towards the end of the year, with vessels being fixed for ethylene and propylene shipments from Asia and the USA to Europe in response to an ethylene shortage in northern Europe brought on by the closure of an ethylene cracker in Stenungsund, Sweden for maintenance. Spot market fixtures of butadiene from Europe to the USA also picked up as the year drew to a close. Intra-Asian trade in ethylene and propylene played an important role in holding up capacity utilisation for vessels under 20,000 cbm. The North Sea LPG market's strong start to the year tapered off as summer approached, but there were again signs of increased activity towards the end of the year.

At the year-end the semi-refrigerated vessels featured approximately 30% charter cover for the coming year.

The world fleet welcomed nine newbuilds in 1999 and two vessels were sold for scrap. At the year-end four vessels were on order in the 8-22,000 cbm segment, including two for delivery this year, and six were on order in the 6-8,000 cbm segment, including four for delivery this year.

#### SHIP VALUES AND CHANGES IN THE FLEET

The market value of gas carriers of all sizes and ages continued to slide on account of low newbuilding prices and spot market rates. The value of Bergesen's gas carrier fleet in USD terms fell 16% during the year, which is

considerably more than warranted by ageing alone. No gas carriers were bought or sold during the year, but Berge Troll was transferred to the new offshore fleet at the beginning of 1999 for reporting purposes.

Bergesen has two 78,500 cbm VLGCs under construction at the Gdynia yard in Poland for delivery in August 2000 and January 2001, each with a price tag of around USD 63 million.

#### OPERATIONS

Bergesen drydocked 12 gas carriers in 1999 and plans to drydock 19 this year. The LNG carrier Century drydocked for extensive work ahead of a new charter.

#### OUTLOOK

##### LPG

Seaborne trade in LPG increased by 2.4% in 1999, just half the 5% growth rate seen prior to the Asian crisis in 1997. Growth in LPG volumes is likely to remain slow over the next two years, with the continued increase in production expected in the North Sea and off North and West Africa being offset by a reduction in exports from Saudi Arabia.

There is also considerable uncertainty as to the likely level of exports from Saudi, which is now a question of not only oil and gas output but also consumption locally at the new petrochemicals plant. The shift in shipping patterns is expected to continue on the strength of higher production off North and West Africa and sustained strong growth in Asian demand. The resultant increase in shipping distances will help to push up capacity utilisation despite the weak volume growth, but rapid fleet growth over the next two years is putting a damper on rate expectations.

##### AMMONIA

Seaborne trade in ammonia is expected to grow by around 3.5% in the year 2000, with Asia likely to account for the bulk of growth in demand. The start-up of new production capacity in Indonesia will result in increased intra-Asian trade. Russian ammonia exports are not profitable based on normal pricing of raw materials (primarily natural gas) but do generate valuable foreign currency income and are therefore expected to hold at current levels, albeit at low prices. The USA and Asia are expected to take up the bulk of these exports, thus helping to lengthen average shipping distances.

### Gas Profits\*

<i>NOK Million</i>	1999	1998**	1997**	1996	1995
Operating revenue	2,826	2,794	2,964	2,782	2,197
Voyage expenses ***	-825	-728	-743	-751	-362
T/C-income	2,001	2,066	2,221	2,031	1,835
Operating expenses	-1,248	-1,234	-1,225	-1,222	-1,044
Profit /loss on sale of vessels	-2	0	-38	-	-
Gevinst (-tap) ved salg av skip	0	31	60	-16	0
Operating profit before depreciation	751	863	1,018	793	791
Depreciation	-389	-391	-394	-438	-372
Operating profit	362	472	624	355	419
Percentage of total operating profit shipping	56	40	49	67	-
T/C-income per day USD 1000	460	490	540	525	540
No. of vessels owned ****	46.46	46.77	47.58	49.88	44.28
Average USD exchange rate	7.80	7.55	7.07	6.46	6.34
Book value vessels	5,884	5,842	6,238	6,808	7,558
Market value vessels	7,723	8,644	9,725	8,729	9,729

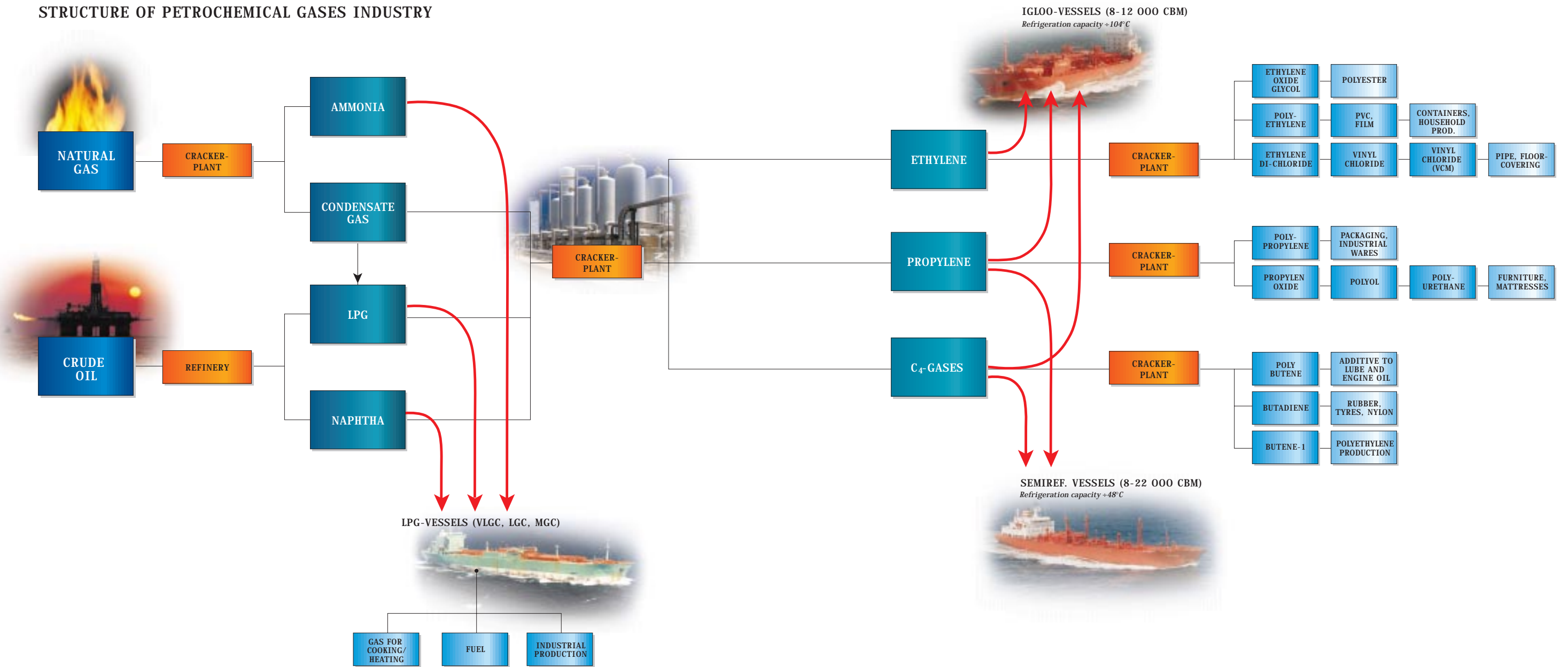
\* Includes the company's own shares in vessels according to the proportional method of consolidation.

\*\* The numbers are adjusted for Berge Troll, which has been transferred to the business area offshore.

\*\*\* Voyage expenses include bunkers, port dues and voyage related insurance.

\*\*\*\* "No. of vessels" represents Bergesen's ownership in the vessels for the part of the year when the vessels were owned.

## STRUCTURE OF PETROCHEMICAL GASES INDUSTRY



### PETROCHEMICAL GASES

The petrochemical gases market remained in the doldrums in 1999, with signs of an increase in activity in the spot market emerging only towards the end of the year. Historically there has been a close correlation between economic growth and the consumption and transportation of petrochemical gases, although seaborne transportation of petrochemicals accounts for only a small proportion of world output. Trade is fuelled by temporary regional imbalances between supply and demand, with acute shortages arising periodically as production capacity is

closed following accidents and technical problems, resulting in arbitrage-driven trade. Extensive new petrochemical production capacity was introduced in Asia during the 1990s. The economic crisis led to excess capacity within Asia, particularly in the case of ethylene and propylene, thus lowering tonnage needs. There has also been major fleet growth in recent years. As a result, although higher levels of activity are anticipated in the petrochemicals industry, it could be some time before earnings for semi-refrigerated tonnage make up much ground.

Hydrocarbons in the form of natural gas and/or crude oil is the starting point for petrochemical industry. Natural gas consists mainly of methane but also of smaller volumes of ethane, propane and butane. These gases make up the key input factors for the petrochemical industry with the addition of the oil products naphtha, gasoil and LPG (butane and propane) which are produced in oil refineries. Modern petrochemical plants may choose which raw materials to use as well as the mix between different input factors. However, the quantities produced of the various products will be affected. Relative pricing of raw materials and finished products and the contribution margins in the process will determine the input/output mix.

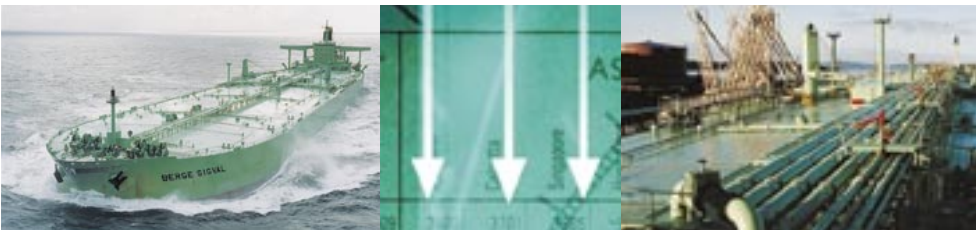
By cracking the input factors (ethane, butane, propane, naphtha and gasoil), gases such as ethylene, propylene, butadiene and other so-called C<sub>4</sub> gasses are produced. The common name for this group of petrochemical gases is *olefins*. Another group is the so-called *aromatics*, which are produced from the same raw materials, but through different processes. Both olefins and aromatics in addition to ammonia and methanol are regarded as petrochemical base products. They are introduced as raw materials or building blocks at the next stages in the chain of processes leading to the production of new chemically related intermediary products in gas, liquid or solid state. These related products will furthermore be input factors in the production of finished products known to us in daily life. Such products are for instance plastic film, containers and tubes, PVC, textiles, mattresses, floor covering, tyres, cosmetics and paint.





# Substantial reduction in OPEC's oil production

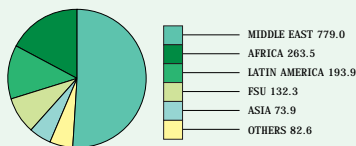
In February 1999, OPEC resolved to substantially reduce production due to lower oil prices. This resulted in decreased utilisation of the tanker fleet. In addition to increased bunker prices, this resulted in significantly reduced earnings in the spot market. The company's generally high amount of chartering assignments, however, minimised the negative effects.



**CRUDE OIL** Bergesen's VLCCs transported around 35 million tonnes of crude oil in 1999. Around 1.5 billion tonnes of the total world production of 3.5 billion tonnes were transported by sea. The Middle East is the biggest producing region, accounting for 31% of world output. By way of comparison, the Norwegian sector of the North Sea accounts for just 4.3%. Crude oil has to be refined before it can be put to any use. The most familiar refined oil products are jet fuel, paraffin, petrol and bitumen. Distilled crude oil is also used in the production of LPG.

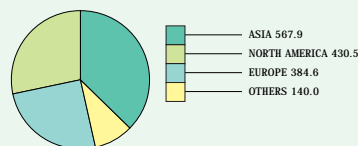
## WORLD EXPORT REGIONS—CRUDE OIL

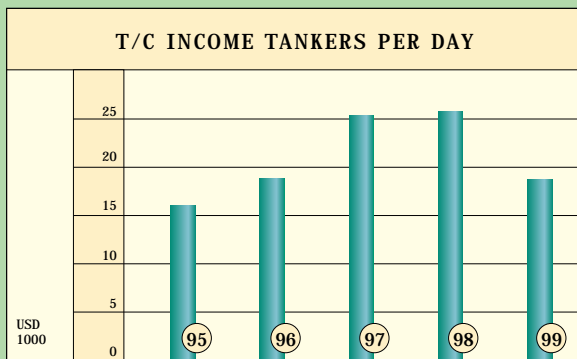
Figures in Million Tonnes



## WORLD IMPORT REGIONS—CRUDE OIL

Figures in Million Tonnes





#### SENSITIVITY 1999

##### *Effect on operating profit in NOK million*

Income/operating costs +/-1000 USD/day	61
USD exchange rate +/- 10%	77

##### *Value-adjusted shareholders equity/share, NOK*

Market value tankers +/- 10%	4
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*The sensitivity figures are calculated on the basis of the year end dollar exchange rate for balance sheet figures and on average 1999 exchange rates for income figures. Please note that the sensitivity figures will also be affected by the level of earnings. They must therefore be compared with the 1999 figures, although they also offer an indication for other income levels. It must be pointed out that the calculations are based on relatively general assumptions, and that the actual figures may deviate from the calculated values. Nonetheless, this should give an indication of the consequences of changes in the variables.*

#### THE TANKER MARKET IN 1999

Bergesen's VLCC fleet generated an average t/c income of USD 18,900/day, compared with USD 26,100/day in 1998. Excluding waiting time, spot rates averaged USD 15,900/day for modern tonnage and USD 6,200/day for older turbine tankers in 1999. High bunker fuel prices were not reflected in higher freight rates and so earnings were sharply reduced.

Anticipating a weaker VLCC market, Bergesen managed to increase its charter cover for the coming year to around 45% by the end of 1998, compared with 28% a year earlier. By the end of 1999, eight of Bergesen's tankers had full employment for 2000.

According to the IEA, world demand for oil increased by 1.8% from 74.2 million barrels per day (mb/d) in 1998 to 75.5 in 1999, with North America and Asia accounting for the bulk of this growth.

The principal reason for the poor tanker market was a decrease in oil production: in February the OPEC countries agreed to reduce their output by a further 1.7 mb/d on top of the previously agreed cuts of 2.6 mb/d (excluding Iraq). This move was prompted by continuing low oil prices, which dipped below USD 10 per barrel at times during the first quarter; OPEC's stated aim was to push oil prices up to USD 18-20 per barrel.

The IEA is reckoning on approximately 80% compliance with the total agreed production cuts of 4.3 mb/d, making for an effective decrease in production of around 3.4 mb/d.

Despite increased production in Iraq, OPEC production was around 1.4 mb/d down on 1998 over the year as a whole.

Non-OPEC oil producers also felt the effects of low oil prices at the beginning of the year: fields with high production costs were closed, exploration and development activity decreased and output fell by 0.1 mb/d. The low oil

prices brought a particularly acute drop in onshore oil production in North America. Completing the picture, stock drawdowns averaged 1.5 mb/d for a total of 550 million barrels over the year as a whole.

The latest figures available suggest that oil stocks are down at 1996 levels, considered by the oil sector to be the absolute minimum for a stable supply of oil, but it should be noted that these figures are associated with considerable uncertainty.

Low freight rates led to a surge in scrapping activity towards the end of the year and a drop in newbuilding orders. 33 VLCCs, 2 VLOOs and one VLCC storage unit were scrapped in 1999 and 29 newbuilds were delivered. 74 VLCCs were on order at the year-end, including 44 for delivery this year.

#### SHIP VALUES AND CHANGES IN THE FLEET

The value of Bergesen's VLCC fleet in USD terms dropped by 15% in 1999, which is more than explained by ageing alone. Low spot market rates and newbuilding prices undermined ship values and there was little activity in the second-hand tonnage market.

The 1973-built 284,502 dwt Berge Lord, 1974-built 284,514 dwt Berge Septimus and 1974-built 283,396 dwt Berge Bonde were sold for scrapping in January, May and August 1999 respectively for a total capital gain for accounting purposes of NOK 95 million. Berge Charlotte was made ready for conversion into an FPSO unit at the end of the year.

The 1975-built 289,980 dwt Berge Big and 1973-built 284,522 dwt Berge Prince were sold for scrap in January 2000, triggering a capital gain for accounting purposes of around NOK 56 million in the first-quarter accounts.

In January 2000 the company entered into a contract to purchase four 296,000 dwt VLCCs under construction at the Hitachi yard in Japan for delivery in March, April and

June 2000 and January 2001. In February 2000 the company also exercised its option to purchase a further two VLCCs of the same size from Hitachi for delivery in March and May 2001. The total price for the six VLCCs is in the region of NOK 3.2 billion.

#### OPERATIONS

Bergesen drydocked seven tankers in 1999 and plans to drydock four this year.

#### OUTLOOK

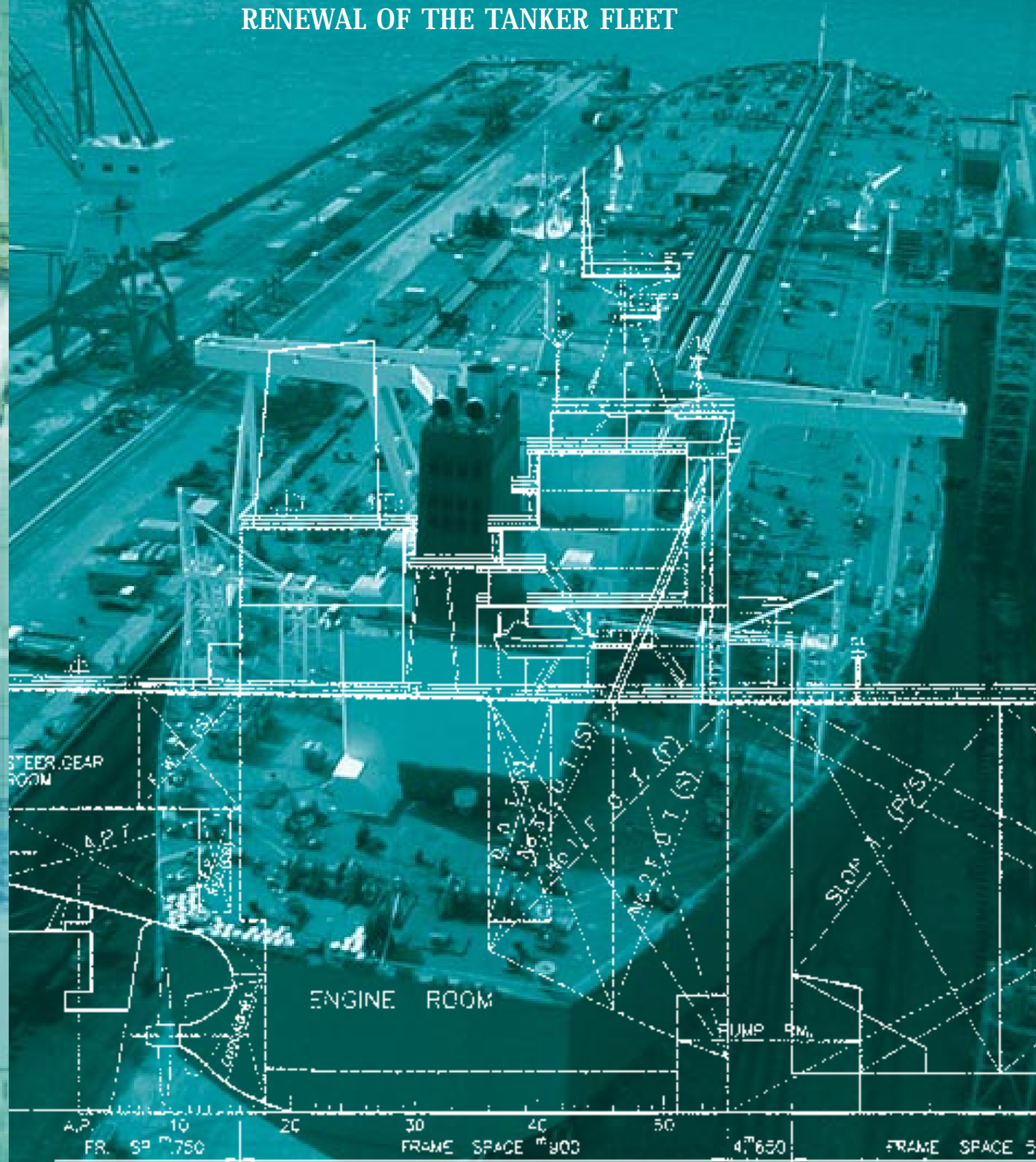
The outlook for the global economy is brighter than it has been for some time. The latest IMF report projects global GDP growth of 3.5% this year, up from 3% in 1999 and 2.5% in 1998. In a nutshell, economic growth is expected to slow in North America but pick up in the EU and South America, while in Asia growth is expected to decelerate slightly in India and China but accelerate in Australia, New Zealand and Japan. However, just as the low oil prices in 1999 have fuelled global economic growth, today's high oil prices may well lead to an economic slowdown, particularly in the case of the newly industrialised countries, which base much of their energy consumption on imported oil and gas.

The IEA is predicting growth in world demand for oil of 2.4% or 1.8 mb/d this year, with the OECD accounting for half of this increase, and Europe and Japan for half of that, in contrast to 1999 when most of the growth in consumption was in North America.

OPEC's current agreement on quota restrictions expires in March 2000 and the VLCC market will remain in the doldrums for as long as the cuts remain in place. Although oil stocks are already down to 1996 levels, which are considered low historically, the average price of a barrel of Brent crude in 1999 was less than USD 18 despite soaring in the second half of the year. The forward oil price curve is currently pointing downwards.

Delivery of new tanker tonnage will increase substantially over the next two years. The world order book at the year-

## RENEWAL OF THE TANKER FLEET



Through the first two months of 2000 Bergesen purchased six crude oil tankers, each of 296,000 dwt, from Japanese Hitachi Zosen. The first vessel, Berge Ichiban, was delivered 8 March 2000 while the second vessel will be delivered 28 April. The remaining vessels will be delivered in June 2000, January, March and May 2001. By their tonnage the vessels come within the VLCC-category.

end was equivalent to around 19% of the existing fleet, with 44 VLCCs due for delivery this year and 30 in 2001 and 2002.

The weak tanker market is expected to keep scrapping activity high during the first half of this year. 26 of the current world fleet of 429 VLCCs are more than 25 years old, and a further 84 will pass the 25-year mark by 2001. Oil companies and terminal operators are growing increasingly wary of vessels over 20 years old and HBL

tankers, an attitude that may hasten the scrapping of older tonnage. The tanker market is expected to pick up quickly once OPEC increases its output. The latest IEA report suggests that OPEC will have to step up production by around 2 mb/d to 28.5 mb/d from the beginning of the second quarter this year to balance the market. It is uncertain whether the decision to lift the restrictions can be put off much longer without undesirable consequences in the longer term.

### Tanker Profits\*

<i>NOK Million</i>	<i>1999</i>	<i>1998**</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>
Operating revenue	1,563	2,206	2,238	1,345	1,156
Voyage expenses ***	-405	-456	-629	-454	-438
T/C-income	1,158	1,750	1,609	891	718
Operating expenses	-780	-868	-790	-608	-610
Profit /loss on sale of vessels	95	30	0	0	0
Operating profit before depreciation	473	912	819	283	108
Depreciation	-241	-280	-276	-169	-332
Operating profit	232	632	543	114	-224
Percentage of total operating profit shipping	36	55	43	21	-
T/C-income per day USD 1000	18.9	26.1	25.6	19	16.2
No. of vessels owned ****	21.5	24.35	24.35	19.7	19.51
Average USD exchange rate	7.80	7.55	7.07	6.46	6.34
Book value vessels	2,062	2,300	2,894	2,673	2,696
Market value vessels	2,570	3,010	4,869	3,571	3,253

\* Includes the company's own shares in vessels according to the proportional method of consolidation.

\*\* The numbers are adjusted for Berge Hugin, which has been transferred to the business area offshore.

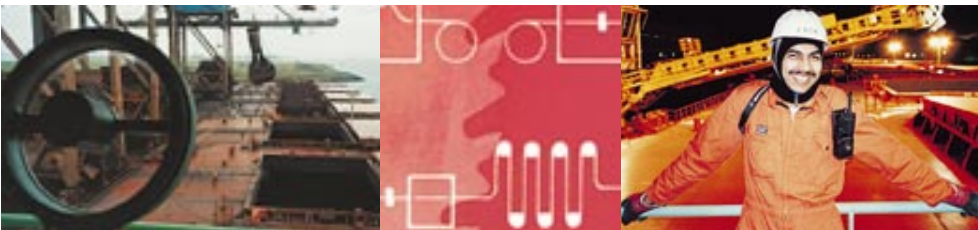
\*\*\* Voyage expenses include bunkers, port dues and voyage related insurance.

\*\*\*\* "No. of vessels" represents Bergesen's ownership in the vessels for the part of the year when the vessels were owned.



# High degree of contract coverage for the company's dry bulk fleet

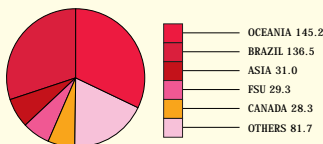
The company utilised the low newbuilding prices to contract the construction of an ice strengthened ore carrier, which is scheduled to be delivered in the fourth quarter of 2001. A 5-year charter party has been entered for the vessel, with seven-month occupation during the year. Long chartering assignments assure that the Bergesen-fleet to a limited degree is exposed in the spot market.



**IRON ORE** South America and Australia are the world's two major iron ore producers, accounting for around 70% of the total world production. Around 430 million tonnes of the total world output of 1,050 million tonnes are transported by sea. Bergesen's dry bulk fleet carried around 13.5 million tonnes of iron ore in 1999, mainly for the steel industry in the UK, Germany and Italy. Although iron ore is the primary raw material for steel production alongside metal-lurgical coke, scrap steel also plays an important role. The scrapping of a ULCC can generate more than 50,000 tonnes of scrap steel, most of which is reused to produce new steel.

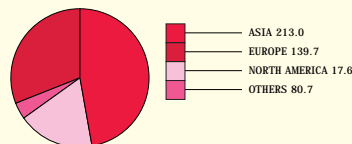
## WORLD EXPORT REGIONS—IRON ORE

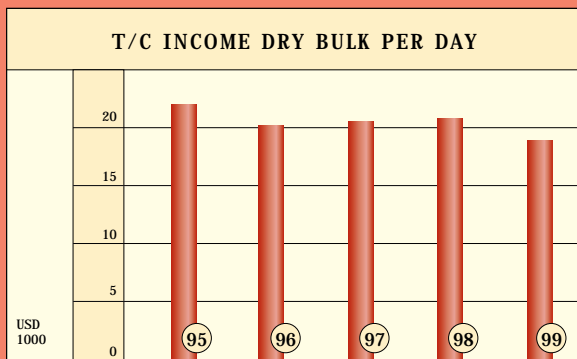
Figures in Million Tonnes



## WORLD IMPORT REGIONS—LPG

Figures in Million Tonnes





#### SENSITIVITY 1999

##### *Effect on operating profit in NOK million*

Income/operating costs +/-1000 USD/day	11
USD exchange rate +/- 10%	18

##### *Value-adjusted shareholders equity/share, NOK*

Market value dry bulk +/- 10%	1
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*The sensitivity figures are calculated on the basis of the year end dollar exchange rate for balance sheet figures and on average 1999 exchange rates for income figures. Please note that the sensitivity figures will also be affected by the level of earnings. They must therefore be compared with the 1999 figures, although they also offer an indication for other income levels. It must be pointed out that the calculations are based on relatively general assumptions, and that the actual figures may deviate from the calculated values. Nonetheless, this should give an indication of the consequences of changes in the variables.*

#### THE DRY BULK MARKET IN 1999

Bergesen's dry bulk fleet was largely fixed on time charters and generated an average t/c income of USD 19,000/day, compared with USD 20,900/day in 1998. Additional tonnage had to be chartered for a brief period to cover the Group's contractual obligations while one of its vessels was in for repairs.

The Capesize market continued to tumble, with spot rates for modern vessels eventually bottoming out at USD 5,000/day in July when the steel industry finished drawing down its stocks and demand showed signs of picking up. World steel output rallied strongly in the second half of the year, with particularly strong production growth in Asia and Europe. Much of the increase was in ore-based steel production, so boosting imports of ore and coke.

By the year-end world steel output was again nearing the high levels of 1997 and early 1998. Shipments of energy coal also climbed rapidly in line with oil prices as multi-fired power stations switched from expensive oil to cheap coal, so helping to strengthen the Capesize market. Market rates for 12-month time charters ended the year at around USD 15,000/day and spot market rates at around USD 17,000/day.

The recovery of the dry bulk market led to a reduction in scrapping activity and an increase in newbuilding orders, fuelled by greater optimism and low newbuilding prices. The world dry bulk fleet expanded by 1.3% in 1999 and the Capesize fleet by 1.7%. 25 Capesize vessels were delivered and 20 Capesize and five combined carriers were sold for scrap. The world order book for Capesize tonnage totalled 71 vessels at the year-end, equivalent to around 15% of the existing fleet. 29 vessels are due to be delivered this year and the same number in 2001.

Bergesen's dry bulk fleet boasted charter cover for the coming year of around 90% at the year-end. All of these charters feature fixed rates and many are long-term deals running for up to 14 years.

## SHIP VALUES AND CHANGES IN THE FLEET

The market value of Capesize vessels of all ages, including newbuilds, levelled off during the first quarter before climbing slowly for the rest of the year. The value of Bergesen's dry bulk fleet in USD terms dropped 4% nominally, but actually rose slightly when ageing is taken into account.

November saw Bergesen commissioning the construction of a 175,000 dwt ice-strengthened ore carrier from Daewoo Heavy Industries in South Korea for delivery in the fourth quarter of 2001. The price is around USD 42 million (40% payable during the construction period and 60% on delivery). The vessel has been fixed from delivery on a five-year charter to a European steel company that will employ the vessel for seven months each year.

Bergesen purchased the 1986-built 291,000 dwt oil/ore carrier Grand Phoenix in March 2000 for delivery later in the month. The vessel will be named Berge Phoenix.

## OPERATIONS

Bergesen did not drydock any dry bulk carriers in 1999 and has no plans to drydock any this year.

## OUTLOOK

The outlook for the global economy is brighter than it has been for some time, with the IMF projecting 6.2% growth in world trade this year, up from 3.7% in 1999. The outlook for the steel industry is bright: the rapid economic recovery in Asia resulted in a 1.4% increase in world steel output to around 786 million tonnes in 1999, making it a much better year than previously anticipated, and the International Iron and Steel Institute is projecting growth in world steel consumption of 2.9% this year. The outlook for coal and other bulk commodities is also bright. Part of the reason for the trebling of spot rates for Capesize vessels in the second half of 1999 was the one-off effect of the steel industry rebuilding its stocks, so the market will probably grow at a more moderate rate in the months ahead while the underlying growth gains momentum. The rally in the spot market brought a reduction in scrapping activity towards the end of the year. The world Capesize fleet is expected to expand rapidly in the year 2000, with 29 newbuilds due for delivery and relatively low scrapping activity. Few vessels over 20 years of age are still sailing. High levels of newbuilding orders in the second half of 1999 will result in this rapid fleet growth being sustained in 2001 and 2002, which bodes ill for the market on a one- to two-year view.

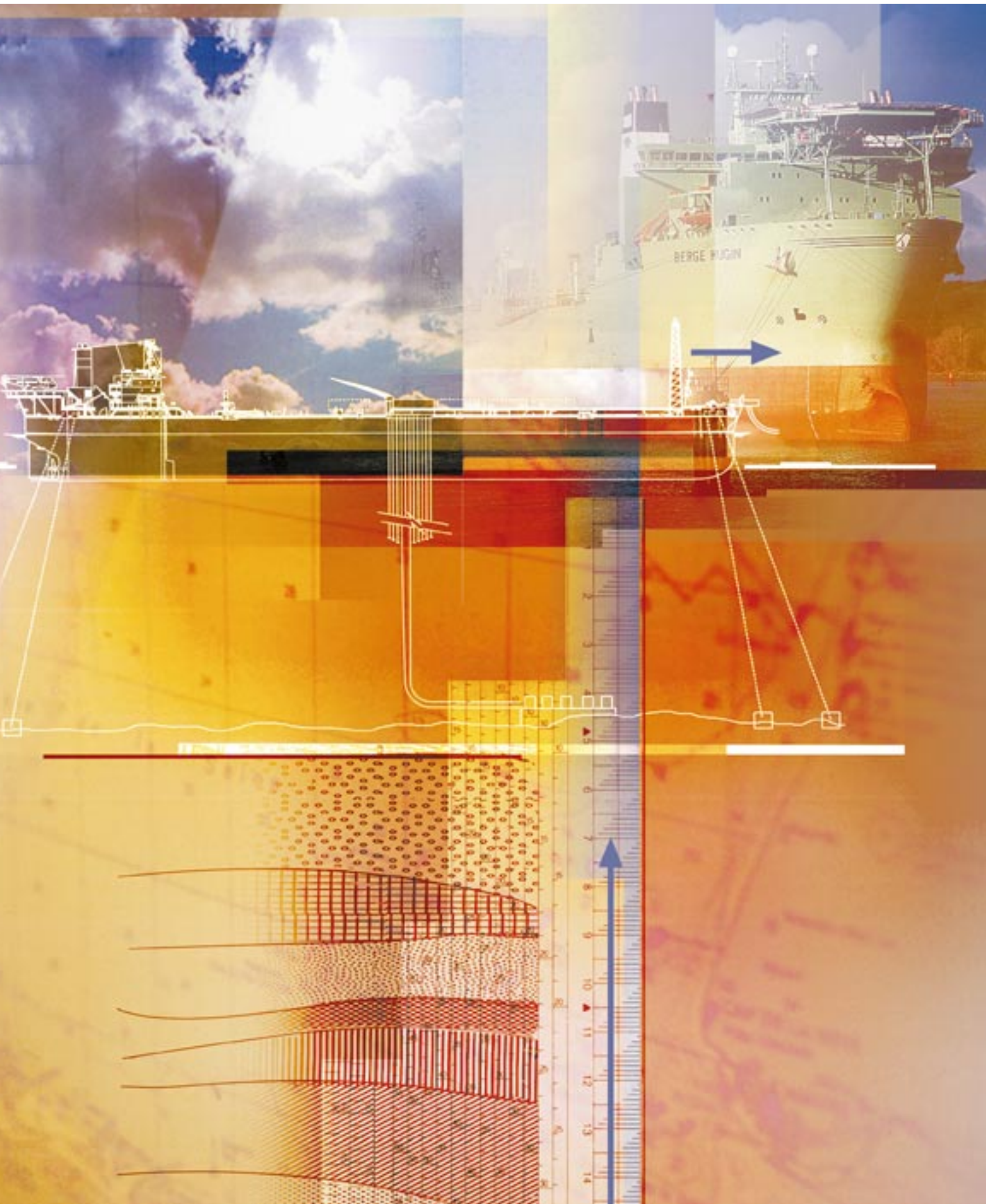
## Dry bulk Profits\*

<i>NOK Million</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>
Operating revenue	371	331	299	280	296
Voyage expenses **	-117	-97	-100	-96	-96
T/C-income	254	234	199	184	200
Operating expenses	-111	-97	-94	-85	-78
Charter hire expenses	-42	-26	-6	-3	-3
Profit /loss on sale of vessels	0	24	32	0	0
Operating profit before depreciation	101	135	131	96	119
Depreciation	-56	-48	-35	-31	-49
Operating profit	45	87	96	65	70
Percentage of total operating profit shipping	7	8	7	12	-
T/C-income per day USD 1000	19	20.9	20.6	20.3	22.1
No. of vessels owned ***	3.9	3.54	3.66	3.9	3.9
No. of vessels chartered in ***	0.8	0.52	0.09	0.11	0
Average USD exchange rate	7.8	7.55	7.07	6.46	6.34
Book value vessels	935	991	646	481	520
Market value vessels	935	924	851	585	655

\* Includes the company's own shares in vessels according to the proportional method of consolidation.

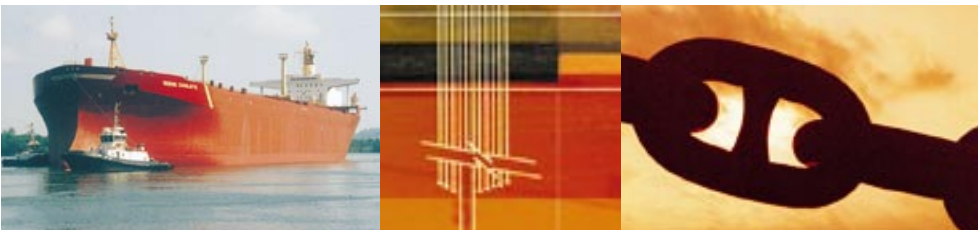
\*\* Voyage expenses include bunkers, port dues and voyage related insurance.

\*\*\* "No. of vessels" represents Bergesen's ownership in the vessels for the part of the year when the vessels were owned or chartered in.



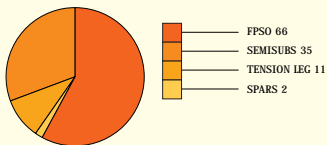
# New focus on offshore activities

During the course of the year, offshore was established as an independent area of operations within Bergesen, and the tankers Berge Charlotte and Berge Hus were resolved to be converted to floating production vessels for use in calm waters. In 1999, the offshore operations consisted of Berge Hugin and Berge Troll.

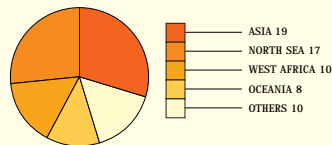


**OFFSHORE** Since development of new and larger oil fields primarily will be found in deep waters, floating production systems have become the oil companies preferred production solutions over the last few years. From the first floating production unit was brought into operation in 1976, the number has reached today's 114. A sharp increase in the use of floating production units is expected over the years to come. Bergesen is focusing on this market and the converted VLCC Berge Charlotte will begin production for Triton Energy off Equatorial Guinea towards the end of 2000.

**FLOATING PRODUCTION UNITS**



**FPSOs AND OPERATION LOCATIONS**



## SENSITIVITY 1999

### *Effect on operating profit in NOK million*

Income/operating costs +/- 1000 USD/day	3
USD exchange rate +/- 10%	8

### *Value-adjusted shareholders equity/share, NOK*

Market value offshore +/- 10%	1
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*The sensitivity figures are calculated on the basis of the year end dollar exchange rate for balance sheet figures and on average 1999 exchange rates for income figures. Please note that the sensitivity figures will also be affected by the level of earnings. They must therefore be compared with the 1999 figures, although they also offer an indication for other income levels. It must be pointed out that the calculations are based on relatively general assumptions, and that the actual figures may deviate from the calculated values. Nonetheless, this should give an indication of the consequences of changes in the variables.*

## OFFSHORE 1999

Bergesen has chosen to report separately on its offshore business, following the acquisition of Scantank Offshore AS in May 1999 and the formation of Bergesen d.y. Offshore AS.

Bergesen intends to focus on floating production solutions based on the conversion of old tankers for use in calm-water areas such as off West Africa, where far simpler and cheaper FPSO solutions can be used than in markets like the North Sea with both rough weather and a more onerous regulatory burden. FPSO units can be used on different fields thanks to their generic design, can offload directly onto shuttle tankers, feature high storage capacity and are suitable for well testing, early production and permanent production. They are also quick to convert and get into production, and they can be moved rapidly in the event of political unrest. Furthermore Bergesen's extensive experience in the management of conventional tonnage is directly transferable to the maritime operation of FPSO units.

Bergesen's offshore fleet in 1999 comprised Berge Hugin and Berge Troll. Berge Hugin began producing oil on the Pierce field in the UK sector of the North Sea in March, and production ran to schedule after the initial running-in period, passing 10 million barrels in December. The vessel's production capacity was increased in February 2000 by 20,000 barrels per day to 65,000 on account of favourable reservoir conditions.

The first quarter of 1999 saw the gas carrier/FSO unit Berge Troll drydocking for extensive work after serving as a storage vessel off Angola for a decade. Berge Troll is now back there as a storage unit for the same charterer through to November 2003.

The 1974-built 274,333 dwt VLCC Berge Charlotte will be converted into an FPSO unit this year.

Berge Charlotte was fixed on a minimum two-year charter in February 2000 by a US oil company, which also has a purchase option, and will be used as a production vessel on

the Ceiba field off Equatorial Guinea from October 2000. February 2000 also brought a decision to convert the VLCC Berge Hus into an FPSO unit.

#### OUTLOOK

Several years of low oil prices have led the oil companies to concentrate on cost cutting. Exploration and production are increasingly being focused on low-cost regions such as West

Africa, where 1999 brought several major discoveries with average recoverable reserves of more than 500 million barrels. The Western oil companies' interest in West Africa is also motivated by its proximity to the consumer markets of the USA and Europe, as well as a wish to reduce their dependence on the Middle East. FPSO solutions are likely to prove suitable for many of the fields developed off West Africa in the next few years.

### Offshore Profits\*

<i>NOK Million</i>	1999	1998	1997
Operating revenue	165	41	38
Voyage expenses **	-50	-4	-4
T/C-income	115	37	34
Operating expenses	-77	-51	-19
Charter hire expenses	0	0	0
Profit /loss on sale of vessels	0	0	0
Operating profit before depreciation	38	-14	15
Depreciation	-25	-21	-2
Operating profit	13	-35	13
Percentage of total operating profit shipping	1	-	1
Average USD exchange rate	7.80	7.55	7.07
Book value vessels	397	377	22
Market value vessels	412	413	81

\* Includes the company's own shares in vessels according to the proportional method of consolidation.

\*\* Voyage expenses include bunkers, port dues and voyage related insurance.

## Fleet list Gas as of 31.12.99

TYPE OF VESSEL NAME	BERGESEN'S SHARE IN PERCENT	BUILT/ BOUGHT	SIZE CBM	COST PRICE NOR MILLION	EMPLOYED UNTIL
<b>VLGC (+ 70,000 CBM)</b>					
Berge Frost	65	1983/88	85,662	138	Spot
Berge Racine	100	1985	81,697	372	Spot
Berge Ragnhild	100	1986	81,640	356	Spot
Berge Rachel	100	1984	81,599	367	Spot
Berge Clipper	100	1992	78,548	449	Spot
Berge Commander	65	1991	78,543	285	7/00
Berge Challenger	100	1992	78,538	468	12/00
Berge Captain	100	1991	78,530	470	Spot
Berge Sword	65	1979/88	75,689	103	Spot
Berge Sisu	100	1978	75,685	162	Spot
Berge Sisar	100	1979	75,685	163	Spot
Berge Saga	100	1979	75,684	264	3/00
Berge Sund	100	1981	75,684	258	1/01
Berge Strand	100	1982	75,684	310	8/00
Berge Spirit	80	1980/89	75,683	235	6/00
Berge Eagle	100	1978/83	75,648	80	Spot
Berge Arrow	100	1978/83	75,609	80	Spot
Newbuild Gdynia	100	3 kv/2000	78,500	-	-
Newbuild Gdynia	100	2 kv/2001	78,500	-	-

Another three vessels owned by others are participating in the VLGC pool.

### LGC (50–70,000 CBM)

Helice	86.1/6	1991	57,206	354	9/00
Havfrost	86.1/6	1991	57,180	350	Spot
Helios	100	1992	57,160	402	12/00
Havis	72.5	1993	57,139	240	7/00
Hekabe	86.1/6	1977/86	54,226	155	Spot
Havkong	86.1/6	1978/86	54,226	69	Spot
Havdrott	86.1/6	1978/86	54,226	54	Spot
Hemina	86.1/6	1979/86	54,226	161	Spot
Havmann	57	1973/86	53,425	67	Spot
Hesperus	25	1973/86	53,425	26	Spot
Havprins	57	1974/88	53,425	85	Spot
Hermes	60.39	1974/89	52,648	67	Spot
Havgast	57	1971/86	52,647	64	Spot
Havglimt	62.5	1978	52,408	102	Spot

Another four vessels owned by others are participating in the LGC pool.

TYPE OF VESSEL NAME	BERGESEN'S SHARE IN PERCENT	BUILT/ BOUGHT	SIZE CBM	COST PRICE NOK MILLION	EMPLOYED UNTIL
<b>MGC (22–40,000 CBM)</b>					
Havrim	55	1980/94	37,828	66	1/01
Hedda	100	1993	34,765	337	1/01
Helga	100	1994	34,753	349	1/01
Herakles	100	1982/87	30,454	199	7/00
Hesiod	86.1/6	1973/86	29,791	94	7/00
Havjarl	86.1/6	1972/86	29,291	23	7/00
Century	77	1974/80	29,588	139	10/04
Havfru	72.67	1973/87	29,388	94	4/00
Hermion	87.25	1984	24,050	160	7/00
Hektor	53.5	1982	24,047	89	7/00
Hebris	64.75	1983	24,011	121	7/00

#### IGLOO/HANDY (8–22,000 CBM)

Havpil	41.5	1977/93	12,061	34	Pool
Clipper Gas *	27	1972	12,060	11	Pool
Clipper Victoria	20	1976	12,060	14	Pool
Hera *	31.63	1977	12,058	36	Pool
Heros *	31.63	1978	12,058	36	Pool
Havvind	70	1976/91	12,021	76	Pool
Havsol	70	1976/91	12,002	72	Pool
Havlys	70	1976/91	11,995	68	Pool
Havlur	36.75	1977/91	11,992	36	Pool
Clipper Sea	10	1978	11,992	11	Pool
Havbris	70	1977/91	11,990	73	Pool
Igloo Hav *	100	1989/95	11,758	220	Pool
Igloo Tor *	100	1989/95	11,758	220	Pool
Igloo Espoo *	100	1985/95	10,875	184	Pool
Igloo Moss *	100	1985/95	10,300	180	Pool
Igloo Polar *	100	1982/95	8,880	143	Pool
Igloo Finn *	100	1981/95	8,392	136	Pool
Igloo Norse *	100	1982/95	8,309	138	Pool

From November 1999 the Igloo/Handygas vessels participate in a new chartering pool operated by A. P. Møller.

\* Vessels able to carry ethylene.

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62 Gas carriers and newbuildings 2,776,902

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## Fleet list Tankers as of 31.12.99

TYPE OF VESSEL NAME	BERGESEN'S SHARE IN PERCENT	BUILT/ BOUGHT	SIZE DWT	COST PRICE NOK MILLION	EMPLOYED UNTIL
<b>MOTOR TANKERS</b>					
Berge Pioneer	100	1980	360,700	276	6/01
Berge Enterprise	100	1981	360,700	337	2/02
Berge Stadt	100	1994	306,951	796	2/02
Berge Stavanger	100	1993	306,474	756	3/01
Berge Sigval	100	1993	306,430	714	8/03
Berge Prince - <i>sold 00</i>	100	1973	284,522	25	-
Berge Fister	100	1979/91	268,112	247	Spot
Berge Forest	100	1978/92	267,401	155	Spot
Newbuild Hitachi	100	1 q/2000	296,000	-	-
Newbuild Hitachi	100	2 q/2000	296,000	-	-
Newbuild Hitachi	100	2 q/2000	296,000	-	-
Newbuild Hitachi	100	1 q/2001	296,000	-	-
Newbuild Hitachi	100	1 q/2001	296,000	-	-
Newbuild Hitachi	100	2 q/2001	296,000	-	-

### TURBINE TANKERS

Berge Ingerid	100	1977/88	357,345	241	1/02
Berge Banker	100	1979/88	323,100	249	Spot
Berge Nisa	100	1983/89	322,912	321	Spot
Settebello	51	1983/88	322,446	157	Spot
Berge Borg	100	1976/87	315,700	105	Spot
Berge Boss	100	1976/88	315,700	145	Spot
Berge Bragd	100	1977/88	310,991	151	Spot
Berge Chief	100	1976/81	289,980	57	2/02
Berge Big - <i>sold 00</i>	100	1975/82	289,980	38	-
Berge Odel	100	1975/96	283,274	77	Spot
Berge Hus - <i>FPSO</i>	100	1975/96	274,473	78	Spot
Berge Helene	100	1976/97	274,467	88	6/01

26 Tankers and newbuildings 7,325,658

## Fleet list Oil/Ore carriers as of 31.12.99

TYPE OF VESSEL NAME	BERGESEN'S SHARE IN PERCENT	BUILT/ BOUGHT	SIZE DWT	COST PRICE NOK MILLION	EMPLOYED UNTIL
<b>OIL/ORE CARRIER</b>					
Berge Phoenix - <i>del. 3/00</i>	100	1986/00	291,000	-	-
1 Oil/ore carrier			291,000		

## Fleet list Dry bulk as of 31.12.99

TYPE OF VESSEL NAME	BERGESEN'S SHARE IN PERCENT	BUILT/ BOUGHT	SIZE DWT	COST PRICE NOK MILLION	EMPLOYED UNTIL
<b>DRY BULK VESSELS</b>					
Berge Stahl	65	1986	364,767	203	12/11
Bergeland	65	1992	322,941	393	9/02
Berge Pacific	65	1986/98	231,851	160	12/02 (50%)
Berge Athene	65	1979/88	225,162	89	12/02
Berge Nord	65	1997	220,353	250	6/07
Berge Atlantic	65	1998	172,704	232	7/13
Newbuild Daewoo	100	4 q/2001	175,000	-	12/06 (60%)
7 Dry bulk vessels		1,712,778			



## Fleet list Offshore as of 31.12.99

TYPE OF VESSEL NAME	BERGESEN'S SHARE IN PERCENT	BUILT/ BOUGHT	SIZE DWT	COST PRICE NOK MILLION	EMPLOYED UNTIL
<b>FLOATING PRODUCTION VESSELS</b>					
Berge Hugin	50	1997	99,393	388	2/04
Berge Troll	65	1977/88	54,158	79	12/03
Berge Charlotte	100	1974/97	274,333	73	10/02
3 Offshore vessels		427,884			



## Fleet list Total as of 31.12.99

	SIZE DWT
62 Gas carriers and newbuildings	2,124,3012
26 Tankers and newbuildings	7,325,658
1 Oil/ore carrier	291,000
7 Dry bulk vessels	1,712,778
3 Offshore vessels	427,884
99 Vessels and newbuildings	11,881,621

## “Everyone must take responsibility for the safety”



Latvian Aleksandrs Nadeznikovs (39) is master of Havlur. The 1977 built 11,992 cbm gas vessel carries LPG and ammonia, primarily between ports in North Africa and Southern Europe. Nadeznikovs has worked for Bergesen since 1991.

“I believe in informal exercises with a serious undertone,” says captain Aleksandrs Nadeznikovs on Havlur. “For example, all newcomers on board must jump in the pool with life jackets on to assure themselves that they work. It might seem like a silly ritual but it helps to build a safety culture.”

Captain Nadeznikovs seems to step up a gear when the topic moves to motivation. He believes that leading the crew of 23 is his most important challenge:

“An awful lot is asked of the crew. Rules and regulations are becoming increasingly demanding and inspections more and more frequent. Havlur is inspected by the terminal every time it loads and discharges. Together with various other controls this made for 53 different inspections in 1999.” Nadeznikovs says it can be a challenge to convince the crew that the safety rules are made to prevent accidents

On board gas carrier Havlur the captain and crew have on their own initiative made a doll from old boiler suits. The doll is used in the monthly safety exercises on board and gives motivation and commitment to think safety.

and injuries rather than simply out of a Big Brother mentality:

“Considering how much is already being asked of the crew, it can be difficult to motivate them to put in that little extra. But simple compliance with the rules and regulations will not generate sufficient involvement and commitment.”

### SAFETY CULTURE

The 39-year-old captain emphasises that Bergesen encourages and demands a sharp focus on HSE. Together with the support from the head office, effective systems and a well established safety tradition are vital for maintaining a safety culture on board:

“The company can seem a little reluctant to part with its cash when it comes to new technical equipment but there is never any discussion when it comes to safety. In return Bergesen expects a very high standard of safety. However, the systems are easy to follow and the company provides thorough training.”

### SAFETY PROCEDURES

Each morning brings a safety meeting and a run-through of the day's work. For example, crew due to work aloft need to remember to use a safety net. This will be discussed at the morning

meeting and in addition the first officer will check up on it later in the day. If the first officer finds that safety rules are being broken, the incident is reported as a near-accident.

“It's important to stress that the reporting of near-accidents is a mean of preventing accidents, not of finding scapegoats. Leave a disease untreated and who knows where it could lead in the longer term,” he says, adding that the efficient dialogue with the head office and other Bergesen vessels is invaluable in this context.

### PROMOTING ATTITUDES

At least four times a year the entire crew meets to discuss the working environment on board and other HSE matters.

“Bergesen's operating system is streamlined. Thus, the results we deliver depend above all on how we communicate,” says Nadeznikovs. “One of my most important roles is to promote the right attitudes and highlight every individual's responsibility for HSE. We must demonstrate to customers and others that we take safety seriously. This is only possible if each and every one of us in Bergesen understand our responsibility.”

## Focus on human resources

Bergesen aims to maintain and develop its position as a quality supplier of transportation services. This necessitates high standards of health, safety and environmental performance - areas where the commitment and expertise of each individual employee are the key to success.



HSE programmes and procedures form an integral part of Bergesen's overall operational management system - Total Quality Management (TQM) - and are crucial in terms of the company achieving its commercial goals. The TQM system covers all activities and includes instructions and procedures to ensure efficient operation of both the vessels and the organisation. However, an efficient management system is of little use unless each individual employee understands how it works and complies with it fully. Thorough training and follow-up of employees and continuous evaluation and improvement of the TQM system make up the main part of Bergesen's HSE work.

### USER-FRIENDLY SYSTEMS

Accessibility and user-friendliness are vital in ensuring compliance with the directives and procedures in the TQM system. During first half of year 2000 all documentation and reporting in the TQM system will be put into Bergesen's internal computer network. This will ensure that information is updated and exchanged rapidly and make for more efficient and safer operation of the fleet.

### PC-BASED TRAINING AT SEA

Interactive PC-based training (CBT) systems keep crew members up-to-date on changes in the TQM system and provide training in specific procedures while they are on board. Every vessel has PCs dedicated to training, and many of the around 40 interactive training programmes are compulsory. All programmes end with a test which participants must pass.

### CULTURAL UNDERSTANDING

Good interpersonal communication is vital for safe

operation of the fleet. Bergesen's personnel often hail from different backgrounds, and in addition they often need to cooperate with people from different cultures wherever in the world the vessel happens to be. The company gives priority to ensuring that officers in particular have a clear understanding of intercultural communication. Since 1994 Bergesen has arranged courses in crew resource management (CRM) for senior officers in conjunction with Norwegian airline Braathens. The courses aim to improve communication and cultural understanding among the participants, focusing on communication under stress and following the correct procedures in difficult situations.

### REAL-LIFE TRAINING

A follow-up course in crew resource management is held in a ship simulator, where the participants gain real-life experience in crisis management and communicating under stress. Bergesen also arranges simulator training in ship manoeuvring and lightering operations. The principal purpose of this training is to give the officers practical exercises in pollution prevention procedures (OPA 90 and SOPEP).

### REPORTING NON-COMPLIANCES

Bergesen attaches considerable importance to reporting non-compliances and near-accidents. Officers are required to report such incidents in a database called SAFIR. Bergesen has given priority to promote the importance of SAFIR to employees and this has reaped its rewards: since the database was introduced in January 1997 reporting has increased steadily and SAFIR has become an excellent tool in work to prevent injuries and accidents.

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# Annual Report 1999



**BERGEGSEN** ASA

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## Key figures

PROFIT/CASH FLOW/BALANCE SHEET		1999	1998	1997	1996*	1995*
Operating profit	NOK Mill.	5,200	5,662	5,872	4,511	4,359
Operating profit before depreciation	NOK Mill.	1,397	1,975	2,090	1,228	1,153
Operating profit	NOK Mill.	650	1,198	1,323	563	339
Net profit after minority interests	NOK Mill.	430	935	632	1,603	373
Cash flow from operations <sup>1)</sup>	NOK Mill.	1,145	1,726	1,409	1,044	1,300
Net invested in vessels	NOK Mill.	85	321	56	-77	4,753
Liquid assets <sup>2)</sup>	NOK Mill.	4,231	3,801	3,127	1,840	2,196
Interest bearing debt	NOK Mill.	5,193	4,685	5,371	4,931	6,734
Value adjusted equity before tax <sup>3)</sup>	NOK Mill.	12,304	13,022	16,137	12,343	11,925
Equity ratio before tax <sup>4)</sup>	%	68	71	74	69	62
<b>KEY FIGURES PER SHARE</b>						
Valueadjusted equity before tax per share <sup>5)</sup>	NOK	176	172	213	163	157
Share price as of 31 December <sup>6)</sup>	NOK	144	90	173	155	125
Earnings per share <sup>7)</sup>	NOK	5.8	12.3	8.3	21.2	4.9
Cash flow per share <sup>7)</sup>	NOK	15.4	22.1	18.5	13.8	17.2
Dividend per share	NOK	3.5	3	2	1	1
Price/earnings ratio		24.8	7.3	20.7	7.3	25.4
Price/cash flow ratio		9.1	4.0	9.3	11.2	7.3
Return on invested capital <sup>8)</sup>	%	6.1	10.7	11.6	5.0	3.0
Market capitalisation <sup>9)</sup>	NOK Mill.	10,083	6,818	13,106	11,743	9,470
No. of shares (excl. own shares) as of 31.12.		70,019,056	75,759,661	75,759,661	75,759,661	75,759,661
Average number of shares		74,109,273	75,759,661	75,759,661	75,759,661	75,759,661

\* Based on the proportional method of consolidation of partly owned companies.

### NOTES TO KEY FIGURES

- 1) Cash flow from operation is defined as net profit after payable tax + depreciation
- 2) Bank deposits, bonds, certificates etc. and shares.
- 3) The method of calculation is explained on page 34 and 35.
- 4) Value adjusted equity before tax as percentage of value adjusted total assets at year end.
- 5) Including declared dividend.
- 6) The share price is the weighted average of the price for A and B shares on the Oslo Stock EXchange.
- 7) See note 21 to the annual account.
- 8) Operating profit incl. profit on sale of vessels divided by average booked equity + net interest bearing debt.
- 9) Share price multiplied by number of shares (excl. own shares).

The company's own shares are eliminated when calculating value adjusted equity and key figures per share .



"Bergesen shall be a leading international supplier of maritime transportation services and tanker-based offshore solutions"

The 1990s proved to be a difficult decade for the international shipping industry, with most shipping companies battling against poor profitability. On this background Bergesen's board and management have conducted an extensive strategic analysis with a view to set the company's course for the years ahead. The choice of course was far from obvious in a world dominated by rapid changes and the emergence of new industries.

The overall most important board decision is that Bergesen shall continue to focus exclusively on shipping. Bergesen's vision and main goals are defined accordingly and set out on page two of this annual report.

Most important is to improve the profitability. In order to generate a satisfactory return on the capital invested in the company, we must be a preferred partner for our charterers so that operating revenue may improve, while we simultaneously need to take steps to make our operation even more cost-effective. Right timing of our investments and sales will also be a key factor in succeeding.

Work to implement action plans, so that the goals are reached, is well under way and will demand substantial efforts of our employees, both at sea and ashore. Bergesen's long experience in shipping coupled with the company's strong financial position create a favorable starting point for the achievement of these goals. Indeed the company's traditional motto of "Full Speed Ahead" seems particularly apt to describe the current situation.

*Svein Erik Amundsen*

MANAGING DIRECTOR

## TERMS AND EXPRESSIONS

<b>AMMONIA (NH<sub>3</sub>)</b> Raw material used in fertilizer production.	<b>GENERAL PARTNERSHIP</b> Partrederi (PR) Partnership with unlimited liability.	<b>OFF HIRE</b> Period when a vessel is not earning charter hire, i.e. during drydocking, repairs, etc.	<b>T/C INCOME</b> Gross freight less voyage related costs.
<b>CBM</b> <i>Cubic meter</i> Loading capacity of gas carriers.	<b>HBL</b> Hydrostatic Balance Loading	<b>PANAMAX VESSEL</b> The largest ship which can pass through the Panama Canal fully loaded (approximately 80,000 dwt).	<b>TONNE MILE</b> Unit cargo x distance; i.e. 10 tonnes carried 25 miles = 250 ton miles
<b>CBT</b> <i>Computer Based Training</i> Interactive training programmes based on the use of a personal computer.	<b>HANDYMAX VESSEL</b> Dry bulk vessel of 35,000-50,000 dwt.	<b>PETROCHEMICAL GASES</b> Industrial processed gases like ethylene, propylene, butadiene, VCM.	<b>ULCC</b> <i>Ultra Large Crude Carrier</i> Tanker above 300,000 dwt.
<b>CFC</b> Gas being used as cooling medium – will not be permitted used in the future.	<b>IMO</b> <i>International Maritime Organization</i> Maritime agency of the United Nations.	<b>POOL</b> Chartering cooperation between different owners.	<b>VCM</b> Vinyl Chloride Monomer
<b>COA</b> <i>Contract of Affreightment</i> Contract of transporting certain amounts of cargo within a defined period.	<b>ISM-CODE</b> <i>International Safety Management Code</i>	<b>REFINED PETROLEUM PRODUCTS</b> Products derived from crude oil in refineries: e.g. petrol, heating oil, jet fuel, etc.	<b>VLCC</b> <i>Very Large Crude Carrier</i> Tanker of 200,000-300,000 dwt.
<b>CPP</b> Clean Petroleum Products	<b>LGC</b> <i>Large Gas Carrier</i> Gas carrier of 50,000-70,000 cbm.	<b>SAFIR</b> <i>Safety and Improvement Reporting System</i>	<b>VLGC</b> <i>Very Large Gas Carrier</i> Gas carrier above 70,000 cbm.
<b>CAPE SIZE VESSEL</b> Dry bulk carrier of 80,000-200,000 dwt.	<b>LNG</b> <i>Liquefied Natural Gas</i> (-163°C)	<b>SOLAS</b> <i>International Convention for the Safety of Life at Sea</i>	
<b>DEMURRAGE</b> Compensation paid by charterers to shipowners for time exceeding what has been agreed for loading and discharging.	<b>LPG</b> <i>Liquefied Petroleum Gas</i> e.g. propane, butane. (±48°C)	<b>STCW</b> International Convention on Standards of Training, Certification and Watchkeeping	
<b>DWT</b> <i>Dead Weight Tons</i> Maximum weight a vessel can carry.	<b>LTi</b> <i>Lost Time Incident</i> Number of accidents per million working hours.	<b>SEMI-REFRIGERATED VESSEL</b> A gas carrier designed to carry cargoes both fully refrigerated and under higher pressure than atmospheric pressure. Bergesen gas carriers of 8,000-15,000 cbm.	
<b>DRYDOCKING</b> To put a vessel into a graving dock or floating dock where she can be inspected or repaired while out of the water.	<b>LIMITED PARTNERSHIP</b> Kommandittselskap (KS) Partnership with limited liability.	<b>SOPEP</b> Shipboard Oil Pollution Emergency Plan	
<b>FPSO</b> Floating Production Storage and Offloading vessel.	<b>MARPOL</b> <i>International Convention for the Prevention of Pollution from Ships</i>	<b>SPOT MARKET</b> Market for vessels that are not employed on Time Charter or Contract of Affreightment.	
<b>FSO</b> Floating Storage and Offloading unit	<b>MGC</b> <i>Medium Gas Carrier</i> Gas carrier of 20,000-50,000 cbm.	<b>SPOT RATE</b> Freight rate agreed on the basis of current market level.	
<b>FSU</b> Former Soviet Union	<b>MST</b> <i>Multipurpose Shuttle Tanker</i> Tanker built/prepared for different purposes, such as shuttle, storage and production.	<b>T/C – TIME CHARTER</b> Agreement to hire a vessel with crew for a period of time. The hirer (time charterer) pays for voyage related costs, and pays the ship owner a charter hire of a specific amount per day or specific sum per dwt per month, i.e. t/c rate.	
<b>FULLY REFRIGERATED VESSEL</b> A gas carrier designed to carry cargoes fully refrigerated at atmospheric pressure. Bergesen gas carriers of 20,000-85,000 cbm.	<b>NOx</b> Nitrogen oxides Among atmospheric emissions from ships		
	<b>OPA</b> <i>Oil Pollution Act</i> Oil pollution laws and regulation in the USA.		

## Financial Calendar 2000

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ANNUAL GENERAL MEETING	27 APRIL
SHARE QUOTED EXCL. DIVIDEND	28 APRIL
RESULTS 1ST QUARTER	12 MAY
PAYMENT OF DIVIDEND	15 MAY
RESULTS 2ND QUARTER	18 AUGUST
RESULTS 3RD QUARTER	9 NOVEMBER

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