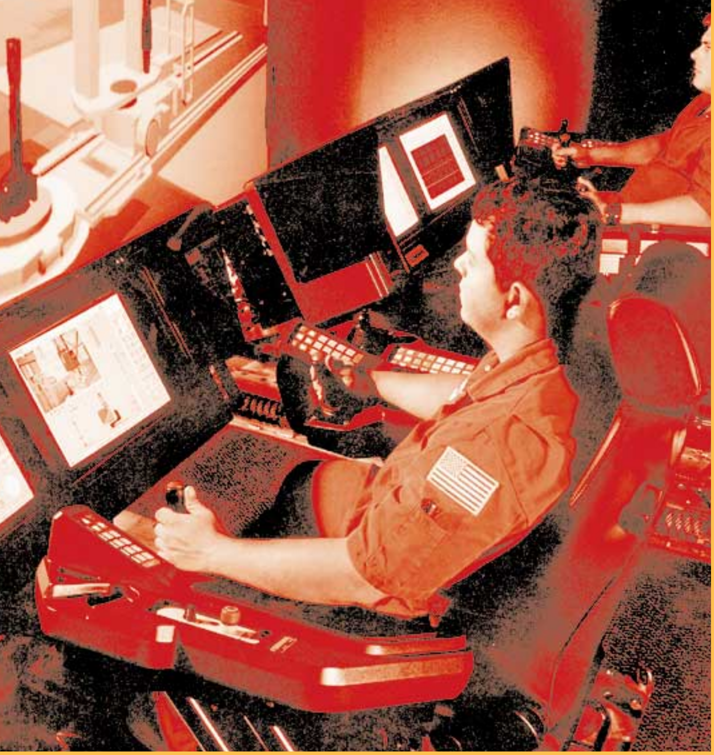


ANNUAL REPORT 1998

HITEC

contents




financial calendar

Interim report 1st Quarter:	29 April
Annual General Meeting:	29 April
Interim report 2nd Quarter:	12 August
Interim report 3rd Quarter:	28 October

this is Hitec

Hitec is a technology group supplying systems and solutions to the petroleum industry.

Our core technology is expertise in man's control of complex machinery and processes.

In-depth industry knowledge contributes towards the development of successful products.

Project management skills is a premise for profitability.

- innovation is the basis for our rapid growth

key figures

	1998	1997	1996	1995	1994
Income statement (MNOK)					
Operating revenues	1 376	803	469	519	238
Added value (1)	701	328	251	250	166
Operating income before share associated companies	73	12	-14	57	17
Operating income after share associated companies	116	211	-13	56	16
Net income before taxes	107	215	-15	59	16
Net income for the year	58	90	-12	43	11
Balance sheet (MNOK)					
Current assets	561	427	191	338	116
Long term assets	622	522	308	167	27
Total assets	**1 184**	**949**	**499**	**505**	**143**
Current liabilities	406	283	101	227	51
Long term liabilities	226	174	125	26	12
Shareholders' equity incl. minority interests	552	492	274	252	80
Total liabilities and shareholders equity	**1 184**	**949**	**499**	**505**	**143**
Key figures:					
Solidity					
Equity ratio (equity as % of total assets)	47%	52%	55%	50%	56%
Profitability					
Net operating margin (2)	5,3%	1,5%	-3,0%	10,9%	7,1%
Gross margin (3)	7,7%	26,8%	-3,3%	11,3%	6,8%
Net return on equity (4) (***)	11,2%	39,6%	-4,4%	31,6%	21,1%
Net return on total assets (5) (***)	11,6%	30,4%	-2,1%	22,7%	15,8%
Liquidity					
Cash flow from operations (MNOK) (6)	-76	16	0	55	12
Working capital (MNOK)	155	144	91	111	65
Current ratio (7)	1,38	1,51	1,90	1,49	2,26
Interest cover (8)	7,2	45,3	-2,3	196,6	9,6
Per share					
Equity	14,67	13,17	7,91	8,28	2,82
Net income (9)	1,55	2,47	-0,35	1,49	0,44
Net income fully diluted	1,55	2,44	-0,34	1,46	0,44
Cash flow (10)	-2,03	0,44	-0,01	1,91	0,48
Number of shares at 31.12. (*) (**)	37 631	37 384	34 584	30 487	28 387
Average number of shares, fully diluted (*)	37 549	36 307	33 770	28 665	25 019

Definitions:

1. Added value: Operating revenues - cost of meterials
2. Net operating margin: Operating income before share associated companies / operating revenues
3. Gross margin: Net ordinary income before taxes / operating revenues
4. Net return on equity:
   (Net income before extraordinary items - taxes) / average equity incl. minority interests.
5. Net return on total assets:
   (Net income before extraordinary items + interest expense) / average total assets
6. Cash flow from operations: See cash flow statement
7. Current ratio: Current assets / current liabilities
8. Interest cover: (Profit before extraordinary items + interest expense) / interest expense
9. Net income per share: Net income for the year / average number of shares
10. Cash flow per share: Cash flow from operations / average number of shares

* Comparative figures for the years 1994 - 1996 have been restated to include the companies Hitec Framnæs AS and DataVision AS, which were merged into the Group in 1997. Comparative figures have not been adjusted in order to include acquired companies.

** The number of shares has been adjusted to include the share issues that took place in connection with the mergers in 1996. The number of shares for 1993 to 1995 has also been adjusted in accordance with the share split in 1996 (1:4).

*** In the calculation of the rate of return figures for 1995, the balance sheet as at 31 December 1995 has been adjusted to include the acquisition of Hitec Marine AS. In this way total capital and equity have been adjusted downwards with MNOK 126 and MNOK 62, respectively.

highlights 1998

· Growth

Operating revenues increased by 71%, to NOK 1,376 million.
Operating income increased by 508%, to NOK 73 million.

· International expansion

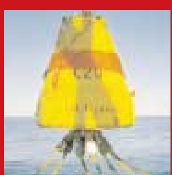
International sales increased by 90%, to NOK 550 million.
More than half of all the new drillships and rigs under construction at the end of 1998 are using Hitec technology.

· New technology proven

The world's first active heave compensating drawworks is installed on the drillship "Deepwater Pathfinder" which started drilling operations in the Gulf of Mexico in January 1999.

· New rig delivered

"Rig 66" handed over to Phillips Petroleum in October.
This modularized drilling rig is to be installed on the Eldfisk B platform in the North Sea.



· Profitable sale of shares

The sale of the Group's shareholding in Advanced Production & Loading AS results in a gain of NOK 41 million.

directors report

From the left: Folke Hermansen, Geir Larsen, Svein Arne Moi, Jon Gjedebo, Sigve Sandvik and Arve Johnsen.

Record growth

1998 was another year of strong growth for Hitec. The Group's revenues increased by 71% to almost NOK 1.4 billion.

The Group entered 1998 with large orders for several new products. The main challenge for the year was to produce and deliver these on schedule and on budget. We have succeeded in this.

The Group has now started to reap the benefits from the latest years' investment in technology development and internationalization. Operating income grew to MNOK 73 from MNOK 12 in 1997.

Hitec's products and solutions are technological world leaders. In 1998 we also achieved market leadership in several of our core businesses.

From concept to reality - at the right time and at the right cost

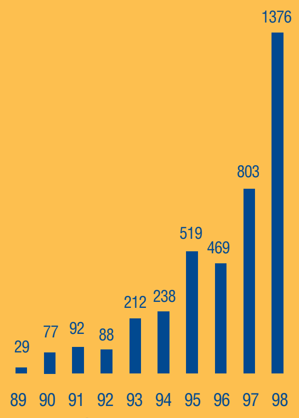
The first "ActiveHeave Drilling" heave compensating drawworks system was supplied to the drillship "Deepwater Pathfinder". The ship was handed over by the yard on 29 September and started its first drilling operations on 31 January 1999.

In October Hitec handed over the modularised drilling rig "Rig 66" to Phillips Petroleum Norway at the agreed time and at the agreed price. This rig will be used for the drilling of new wells on the Eldfisk field.

Hitec has been engaged in the development of the next generation drillship since 1995. In 1997 we established Navis ASA with the objective of commercializing the developed technology.

Construction of Navis' first ship at the Samsung yard in Korea started up in November 1998. Hitec has designed the ship's drilling equipment and will be supplying much of the equipment. Building is proceeding in accordance with the budget and the progress plan. It is expected that the ship will be delivered during the first quarter of the year 2000.

PGS's production ship "Ramform Banff" produced its first oil in January 1999. The control systems for the production facilities and safety systems on board have been supplied by Hitec and represent the largest control system supplied by the company so far.



Operating revenues

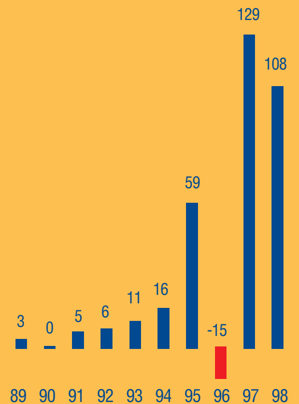
Order book

The Group's order intake for 1998 totalled MNOK 1,114. The order book at the turn of the year totalled MNOK 678, compared with MNOK 792 one year previously (adjusted for changes in the Navis contract).

Profitability

In 1998 the Group's operating revenues totalled MNOK 1,376, compared with MNOK 803 in 1997. This is an increase of 71%. The acquired companies Maritime Industry Service AS and Karmøy Stål AS were consolidated into the Group accounts with effect from 1 January and 1 November respectively. Excluding acquisitions, growth was 58% compared with 1997 .

Operating income before share associated companies in 1998 totalled MNOK 73 compared with MNOK 12 in 1997. The operating margin increased during the course of the year from 0.4% in the first quarter to 10.2% in the fourth quarter. Amortization of the company's goodwill totalled MNOK 13 in 1998.



Net income before taxes, excl. minority interests

Net income before taxes in 1998 totalled MNOK 107 including a MNOK 41 gain from the sale of the Group's interest in Advanced Production & Loading AS (APL). The equivalent figure for 1997 was MNOK 215 which includes the gain resulting from reduced holdings in Multi-Fluid and Navis. Net financial expense for the group in 1998 was MNOK 9 compared with net financial income of MNOK 4 in 1997.

Net income for the year totalled MNOK 58, compared with MNOK 90 in 1997. The unusually high tax charge in 1998 is due to the fact that the taxable gain from the sale of the shares in APL is MNOK 60 higher than the booked gain.

Information about the results of the individual companies in the group is provided separately in this annual report, on pages 38 to 43.

Capital

The Hitec Group is in good financial health.

The Group's total assets as at 31 December 1998 amounted to MNOK 1,184. The increase of 25% from 1997 is mainly due to increased operational current assets resulting from the Group's growth, in addition to investments in associated companies and in properties for own use.

In 1998 the Group had a negative cash flow from operations of MNOK 76, compared with a positive cash flow from operations of MNOK 16 in 1997.

The Group's net interest-bearing debt totals MNOK 182. Cash reserves as at 31 December 1998 totalled MNOK 85, including credit facilities of MNOK 60. Tied-up capital at the turn of the year was unnaturally high due to the fact that several large accounts receivable fell due in January.

A share issue in Navis ASA was implemented in November 1998 and Hitec subscribed to shares in the amount of MNOK 98.2. In the consolidated accounts Hitec's total interest in Navis is valued according to the equity method giving a book value per Navis share of NOK 14.92. Navis' share price as at 31 December 1998 was NOK 6.50.

Cash flow from investments is dominated by the investment in Navis, the sale of the APL shares and operational investments.

Shareholders equity including minority interests totalled MNOK 552 as at 31 December 1998, giving an equity ratio of 47%. For comparison, shareholders equity as at 31 December 1997 totalled MNOK 492. Further information is provided in Note 18 to the accounts and in the section on share capital and shareholder matters on page 32.

Ingvild Skibenes

Engineer,

Naval architect

Hitec Framnæs

Year 2000 compliance

Hitec has carried out an evaluation of the effects the year 2000 issue could have on the group.

Internal systems that do not fulfil the year 2000 compatibility requirements will be replaced during the course of 1999. Hitec mainly uses standard software from recognized suppliers.

Many of Hitec's own products use computer systems. These are year 2000 compatible, and most have been compatible since March 1997. We have informed our customers about older systems that should be upgraded or replaced.

Hitec is applying limited measures to verify year 2000 compliance of suppliers and clients. The Group has no suppliers or customers of such importance that any problems at the relevant company could threaten the Group's activities.

Ole Morten Steinnes
Automation technician
Hitec Subsea AS

Runar Tunem
Sales engineer
Hitec Drilling &
Marine Systems AS

Reorganization and acquisitions

From 1 January 1999 the Hitec Group has a new organizational structure. The parent company Hitec ASA is now a holding company with certain corporate functions.

The operations of the "old" Hitec ASA have been demerged into two newly-established companies. Hitec Drilling & Marine Systems AS continues the business within drilling technology and marine control systems. Hitec Products AS supplies instrumentation and hydraulic systems.

These changes have focused on improving the liquidity of the Group's assets by creating profitable independent businesses and by identifying values and earnings in each business.

The reorganization involves changes in financial reporting. From and including the third quarter of 1998, key figures are reported for each of the major companies in the Group instead of broader business areas as before. In the opinion of the directors the new format will provide shareholders with better information on the operations and underlying values of the companies.

In November 1998 Hitec concluded an agreement to acquire the remaining 70% of the shares in Karmøy Stål AS. Karmøy Stål has a workforce of 225 persons and recorded operating revenues of MNOK 137 in 1998.

Karmøy Stål, Hitec Framnæs AS and Maritime Industry Service AS constitute the Group's new Engineering & Construction group. This has been built up into an effective unit employing about 400 persons and with a total turnover in 1998 of MNOK 386.

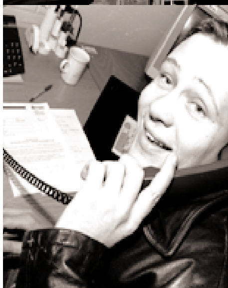
Hitec Miljø AS, which was mainly engaged in the supply of control systems for water and wastewater treatment, was wound up in 1998.

Capitalization of technology

Hitec works actively to achieve the highest possible yield from the Group's innovations and technology. This can be achieved through normal operations or through the development of separately owned companies in which Hitec's holding is gradually reduced.

Hitec's 40% holding in Advanced Production & Loading AS was sold in August against a cash payment of MNOK 106.5. This sale resulted in a gain of MNOK 41 which is included in the item "share in associated companies" in the consolidated accounts. The operative cooperation between APL and Hitec Marine continues.

Hitec's previous subsidiary companies Navis ASA and Multi-Fluid ASA were both listed on the Oslo Stock Exchange in 1997. In 1998, both these companies continued to develop independently and Hitec has played an active part in this development through its representation on the boards of the companies.



Technology

In recent years Hitec has developed and launched several new products that today form the main basis for our business. In 1998 we have invested considerable resources in the commercialization of these products and have been able to record successful delivery of the first units.

Development activities in the Group have been reorganized with effect from the turn of the year in order to focus more attention on tomorrow's products and solutions.

The first four HiROV 3000 remote-operated subsea vehicles (ROV) were delivered to Seateam Technology during the course of 1998. HiROV 3000 represents a new generation ROV incorporating numerous technological innovations. Development costs are calculated at MNOK 17.5.

The use of virtual reality in the human-machine interface will increase in importance in our future solutions, to aid both communications, operations and maintenance.

The present-day low oil prices are a compelling force behind the use of new technology and new solutions to reduce the costs of production. Hitec's unique strength in this situation lies in the creativity and enthusiasm of our employees, their cutting edge competence in fields such as computer technology, remote control, electronics, hydraulics, hydrodynamics and mechanical engineering - in addition to their in-depth knowledge of the relevant areas of application in the oil industry.

Internationalization

The Group's customers are to a great extent companies that operate worldwide. Hitec's objective is to meet our customers' requirements on their own ground, and in recent years we have therefore put considerable resources into expanding the Group's international network.

International growth continued to be strong in 1998, and exports from Norway and sales from the Group's foreign companies totalled MNOK 550, an increase of 90% compared with 1997. International business now represents 40% of Group turnover.

New offices have been established in Rio de Janeiro in Brazil and in Calgary in Canada, and we are planning the establishment of an office in Korea during the course of the first half of 1999. The representation office in Baku in Azerbaijan did not provide the anticipated results and has been closed.

Our subsidiary company in Houston in the United States is now the Group's largest overseas office. Building up the organization and developing the Group's position in the American market has been a high priority area.

Veronica Calzada and Mark Moore,
Document control
Hitec Drilling & Marine Systems, Inc.

Monica Olsen, MSc, Mechanical engineering
Hitec Drilling & Marine Systems AS

Hans Borg, Welder
Karmøy Stål AS

Alf Åge Osaland
Trainee automation engineer
Hitec Drilling & Marine Systems AS

Market development

Hitec is positioned in market areas that have a good long-term future outlook. Deepwater drilling, production from floaters, transport by shuttle tankers and remote-controlled subsea operations are all expected to be growth areas in the oil industry of the future. The markets were strong throughout most of 1998.

Activity in the oil industry is affected by the price of oil. The low price throughout this last year has led to a lower level of investment on the part of the oil companies and lower demand in the market in general.

For the most part, however, Hitec's operations are connected with exploration and development of fields in deep waters. It is expected that this area will be affected to a lesser extent by the downturn.

Engineering & Construction business is for the most part connected with the Norwegian market. If the low oil price continues, activity in this area may decline during the second half of 1999.

During a period of low oil prices, many projects will be shelved or postponed. Business will pick up again when the oil price rises, and when this occurs Hitec will be well positioned.

The organization

As at 31 December 1998 the number of employees in the Group totalled 887, of which 306 were employed by the parent company. The comparable figures for 1997 were 478 and 217 respectively. The Board considers the working environment to be good.

The successful company of the future will be characterized by a highly qualified workforce cooperating across geographical borderlines. In 1998, Hitec has implemented several measures in preparation for the working environment of tomorrow.

Satellite offices have been established in Trondheim and Harstad, and Hitec has recruited expertise from the engineering communities in these towns. Employees participate in our projects over the telecom network. A similar office was opened at Strand outside Stavanger in February 1999, and several of our staff have now been able to reduce their daily commuting by more than two hours. A home-PC scheme for employees has been established as part of the Group's comprehensive training programme.

The Group's activities do not pollute the external environment to any significant extent.

Shareholders

The price for the Hitec share as at 31 December 1998 was NOK 10.20, compared with NOK 40.50 one year previously. The reduction is in line with the development in other companies supplying to the oil industry.

During the same period, the number of shareholders increased from 1,459 to 2,319. A list of the company's major shareholders will be found on page 33.

Allocation of net income for the year

The Directors propose that the net income in the parent company and intercompany contributions from subsidiaries be applied as follows:

Net Group contribution received	-4.800
Net Group contribution provided	12.201
To distributable equity	66.128
Total allocations and intercompany contributions	73.529

The Board proposes to the general meeting that no dividend be declared. With regard to remuneration to the Directors, the Chief Executive Officer and the auditor, and to information on shareholdings, reference is made to Notes 2 and 20 to the accounts.

Future prospects

During the course of the last few years, the Hitec Group has developed products and solutions that are technological world leaders. Our objective is to transfer this to a leading market position, and we are well on the way to achieving this target.

In the short term the market outlook is affected by the drop in the price of oil. Hitec's objective is profitable operation and the company will if necessary adapt operations to meet any reduction in the volume of orders.

In view of the lower oil price we have engaged in finding profitable applications for our core technology outside the oil industry.

Low oil prices also mean that the oil companies must take new technology into use and look for new solutions. Hitec is in possession of this technology, and will have an even stronger position in the new international marketplace.

The co-operation between our customers, employees, shareholders, partners and suppliers is a decisive factor for our future success and ensures that we are competitive and innovative. We would like to thank all those concerned for their contributions.

Stavanger, 25 February 1999

Arve Johnsen
Chairman of the Board

Jon Gjedebo

Geir Larsen

Svein Arne Moi

Sigve Sandvik

Folke Hermansen

income statement

MNOK

Hitec ASA					Group		
1998	**1997**	**1996**	**Note**		**1998**	**1997**	**1996**
906	**491**	**237**	3	**TOTAL OPERATING REVENUES**	**1 376**	**803**	**469**
504	332	90	3	Cost of materials	675	476	218
116	26	29	3	Cost of services	154	43	31
140	84	83	1, 2	Wages and social costs	334	177	146
		12		Employer's tax related to employee share options			12
46	28	25	3	Other operating expenses	107	68	50
10	9	9	4	Depreciation	20	15	14
			4	Amortization of goodwill	13	12	11
	1			Bad debt expenses		1	1
816	**479**	**249**		**TOTAL OPERATING EXPENSES**	**1 303**	**791**	**483**
91	**12**	**-12**		**OPERATING INCOME BEFORE SHARE ASSOCIATED COMPANIES**	**73**	**12**	**-14**
			5.1	Share associated companies	43	199	1
				OPERATING INCOME AFTER SHARE ASSOCIATED COMPANIES	**116**	**211**	**-13**
				FINANCIAL INCOME AND FINANCIAL EXPENSES			
17	9	1	6	Financial income	8	9	3
14	3	4	6	Financial expenses	17	5	6
3	**5**	**-3**		**NET FINANCIAL INCOME**	**-9**	**4**	**-2**
94	**17**	**-15**		**NET INCOME BEFORE TAXES**	**107**	**215**	**-15**
21	2	-4	7	Taxes	50	63	-4
				Minority share of profit/loss for the year	-1	62	
74	**15**	**-11**		**NET INCOME FOR THE YEAR**	**58**	**90**	**-12**
				Net income/loss per share in NOK	1,55	2,47	-0,35
				Net income/loss per share in NOK - fully diluted	1,55	2,44	-0,34
				Allocation (settlement) of net income (-loss)			
7	11	-10	8	Contribution to/from Group companies			
0	0	-38		From other restricted reserves			
0	2	38		To legal reserve fund			
66	3	-1		To distributable equity / other equity in Group	58	90	-12
74	**15**	**-11**		**Total allocation (settlement)**	**58**	**90**	**-12**

MNOK

Hitec ASA 1998	Hitec ASA 1997	Note	ASSETS	Group 1998	Group 1997
			CURRENT ASSETS		
6	41	9	Cash and deposits	25	102
213	122	10	Current receivables	361	175
90	14	11	Current group receivables		
37	2	12	Inventories	47	13
103	108	13	Work in progress	128	138
450	**287**		**TOTAL CURRENT ASSETS**	**561**	**427**
			LONG TERM ASSETS		
		5.1	Investment in associated companies	310	227
6	6	1	Subordinated loan subsidiaries / pension assets	1	
400	320	5	Shares	2	4
17	13	4	Vehicles, machinery, equipment and technology	48	33
33	30	4	Land and buildings	103	52
		4	Goodwill	158	206
455	**368**		**TOTAL LONG TERM ASSETS**	**622**	**522**
905	**655**		**TOTAL ASSETS**	**1 184**	**949**

balance sheet

MNOK

Hitec ASA 1998	Hitec ASA 1997	Note	LIABILITIES AND SHAREHOLDERS' EQUITY	Group 1998	Group 1997
			CURRENT LIABILITIES		
74	54		Accounts payable	102	76
2	2		Current group liabilities		
207		14,16,17	Bank overdraft	65	
20	14		Salaries, VAT payable and Social security	48	24
	13	7	Taxes payable	12	18
84	119	15,16,17	Other current liabilities	178	165
386	**202**		**TOTAL CURRENT LIABILITIES**	**406**	**283**
			LONG TERM LIABILITIES		
23	6	7	Deferred taxes	103	61
76	96	16, 17	Long term liabilities - interest bearing	122	111
2	2	1	Pension liabilities		2
101	**104**		**TOTAL LONG TERM LIABILITIES**	**226**	**174**
			Minority interests	**61**	**62**
			SHAREHOLDERS' EQUITY		
38	37	18, 20	Share capital (37,631,044 shares at NOK 1)	38	37
270	269	18	Legal reserves		
		18	Revaluation reserves		
309	**307**		**Total restricted equity**	**38**	**37**
109	43	18	**Distributable reserves/Group reserves**	454	393
417	**349**		**TOTAL SHAREHOLDERS' EQUITY**	**492**	**430**
905	**655**		**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**1 184**	**949**
79	202	19	Guarantees	108	202
154	96	16	Secured liabilities	201	110

cash flow statement

MNOK

Hitec ASA				Group		
1998	**1997**	**1996**		**1998**	**1997**	**1996**
			Cash flows from operations:			
820	363	287	Cash receipts from operations	1 247	670	516
-856	-381	-273	Cash disbursement to operations	-1 298	-649	-511
-13			Taxes paid	-19	-2	-3
			Financial items			
4	2		- Financial inflow	8	2	3
-11	-3	-4	- Financial outflow	-14	-5	-6
-56	**-19**	**10**	**Net cash flow from operations (*)**	**-76**	**16**	**0**
			Cash flows from investments:			
-9	-3	-1	Increase in subordinated loans to subsidiaries			
-16	-15	-7	Investments in machinery and equipment	-60	-37	-17
			Sale of fixed assets		1	
-98		-20	Purchase of shares in associated companies	-98		-21
	9		Sale of shares	107	10	
-38	-11	-190	Purchase of shares in subsidiaries	-22	-1	-189
-162	**-19**	**-219**	**Net cash flow from investments**	**-73**	**-27**	**-228**
			Cash flows from financing:			
-26	-4	100	Increase/reduction in long term debt	-8	-5	103
			Currency translation difference	1		
2	66	12	Net proceeds from issuance of new shares	2	67	12
-24	**62**	**112**	**Net cash flow from financing**	**-6**	**62**	**115**
-242	23	-96	**Net change in cash**	-155	50	-113
			Cash and deposits of subsidiary at acquisition	14		5
207			Change in bank overdraft	65	-2	2
41	18	114	Cash and deposits at 01.01	102	53	159
6	**41**	**18**	**Cash and deposits at 31.12**	**25**	**102**	**53**

(*) **This figure can also be calculated using:**

74	15	-11	Net income / loss for the year	58	90	-12
10	9	9	Depreciation / amortization	33	27	25
			Minority share of profit / loss for the year	-1	62	
			Share associated companies	-43	-199	-1
-11	-7		Gain on sale of business equipment and shares	3	-7	
-146	-26	17	Changes in receivables, inventories and operational current liabilities	-163	-2	-7
17	-10	-4	Changes in deferred taxes	37	46	-6
-56	**-19**	**10**	**Net cash flow from operations**	**-76**	**16**	**0**

The following method has been used in the cash flow statement:
Opening balance + opening balance of acquired companies at acquisition date - closing balance.

accounting principles

General
The annual financial statements have been prepared in accordance with the provisions of the Norwegian Public Limited Companies Act and generally accepted accounting principles in Norway. The principles applied are mainly the same as in previous years. Valuation and classification principles commented on below apply both to the Hitec ASA accounts and to the consolidated accounts.

Use of estimates
The preparation of financial statements in accordance with generally accepted accounting principles requires use of reasonable estimates and assumptions in preparing the income statement. The assumptions made at the closing of the accounts also affect the value of assets and liabilities and the information given in the Notes. Actual results could differ from these estimates.

Consolidation principles
The consolidated accounts show the overall financial position when the parent company Hitec ASA and its interests in other companies are presented as a single financial entity.

Companies for which an agreement to acquire 100% of the company’s shares has been entered into are treated as if a full takeover has taken place. See notes 5 and 22.

Subsidiaries
Interests in subsidiaries in which the Group holds more than 50% of the shares and has a controlling influence are consolidated in accordance with the purchase method. This means that the difference between the historical cost price for the shares and the company's total equity at the date of purchase is allocated to the items in the accounts which have values differing from book values. Any residual value is recorded as goodwill in the consolidated financial statement.

Goodwill
Goodwill is subject to straight-line amortization in the income statement over the period during which it is considered to be of value to the group. Amortization of goodwill commences from the date of purchase.

Associated companies
Interests in associated companies in which the Group has a strategic interest and appreciable influence are included in the consolidated financial statement using the equity method.

In the income statement, the share of the profit/ loss in associated companies is shown as a a separate line item.

Shares in associated companies are included as long term assets in the balance sheet.

Internal Group receivables and liabilities and all significant inter-company transactions, including internal gains on inventories, are eliminated.

The balance sheet of foreign subsidiaries are translated using the rate of exchange ruling on 31 December, while income statement items for the year is translated using the average exchange rate for the year. Translation differences are adjusted directly against equity.

Classification
Assets and liabilities connected with production and trading are classified as current assets and current liabilities. Assets which are not intended for long term ownership or use, are classified as current assets. Other assets and liabilities are classified as long term assets and long term liabilities.

Cash and deposits
Cash and deposits include cash, bank deposits and other cash equivalents with an original maturity date of less than three months.

Receivables
Receivables are included in the balance sheet at face value less allowance for doubtful accounts.

Foreign currency
Monetary items denominated in foreign currencies are translated using the rate of exchange ruling on 31 December, provided that such items are not subject to hedging activities. Monetary items, receivables and payables that are hedged (for instance through the use of forward currency contracts) are translated using the secured exchange rate.

Inventories
Inventories, consisting of procured trade goods and project goods, are valued at the lower of cost or market value.

Development costs
Costs related to development activities are charged to expense in the period in which such costs occur. These costs primarily consist of costs related to own development activities that are part of commercial projects. Acquired intangible assets are capitalized and amortized over the expected useful lives of the assets.

accounting principles

Fixed assets and depreciation

Fixed assets are valued at cost after deduction of ordinary depreciation. Ordinary depreciation is determined on the basis of the economic life of the business equipment.

Replacements and renewals which appreciably increase the capacity or lifespan of the business equipment are capitalized. Costs related to repair and maintenance are expensed.

Gains and losses on the sale of fixed assets are included as ordinary operating items.

Revenue recognition

Revenue is recognized in accordance with "The revenue principle". This results in the following revenue recognition for goods, services and projects:

Goods and services:
On the sale of goods, revenue is recognised at time of delivery. On the sale of services at an hourly rate, revenue is recognised at time of performance.

Project revenues:
Revenues on long term construction contracts are recognised using the percentage of completion method. The percentage of completion is calculated on the basis of the work performed. For projects which at the time of valuation are expected to result in a loss, the entire estimated loss is recognised immediately. Invoices issued to customers on account are set off in the balance sheet against the earned value of the projects provided that the invoiced amount for the project does not exceed the earned value. In cases where the invoiced amount exceeds the earned value, the surplus amount is included in other current liabilities.

General expensing

Costs are allocated to expense in the same period as revenues are recognized using the matching principle.

Pension costs and pension liabilities

Pension costs and related pension liabilities are recorded in accordance with the provisional Norwegian Accounting Standards for the treatment of pension costs.

The net pension cost for the period is included in wages and social costs and comprises the sum of pension earnings for the period, cost of interest on calculated obligations and anticipated yield on pension funds. Pension obligations less the value of pension assets are shown as a net amount in the balance sheet.

Changes in estimated deviation for pension obligations and pension assets are distributed over the estimated remaining earning time if the deviation exceeds 10% of gross pension obligations or pension assets, whichever is the highest.

Tax expense and deferred taxes

Taxes are treated in accordance with “Høringsutkast from Norsk Regnskapsstiftelse” (Exposure Draft) regarding income taxes. Tax expense in the income statement include both taxes payable for the period and changes in deferred taxes. Deferred taxes in the balance sheet comprise future tax calculated on the temporary differences between tax values and accounting values. The profit in the accounts is thus charged with full tax irrespective of when tax is to be paid.

Group contribution

Group contributions are used as a tax equalizing means between Group companies. According to Norwegian tax rules, Group contributions have tax effect provided that more than 90% of the shares of the receiving and contributing companies are controlled by the same owner(s).

As a general rule, Group contributions are presented net of taxes in accordance with “Høringsutkast from Norsk Regnskapsstiftelse” (Exposure Draft) regarding income taxes.

Introduction

The consolidated income statement for 1996 has been revised to include the accounts for the companies that were merged into the Group in 1997. Consolidated accounts for previous years have not been adjusted to include acquisitions made in 1998. Pro-forma information is included in Note 23.

All figures are in MNOK unless otherwise indicated.

note 1 Pensions

Hitec ASA and certain companies in the Group have pension schemes entitling employees to future pension benefits (benefit schemes). Benefits are based on the number of qualifying years and salary level at retirement age. The schemes are organized through an insurance company. Obligations cover 261 employees in Hitec ASA (prior to the demerger of Hitec Drilling & Marine Systems AS and Hitec Products AS) and 391 employees in the Group.

Net pension expense consists of:

	Hitec ASA			Group		
	1998	**1997**	**1996**	**1998**	**1997**	**1996**
Present value of the year's pension earnings	4	3	3	6	4	3
Interest expense related to pension obligations	1	1	1	1	1	1
Expected return on pension assets	(1)	(1)	(1)	(2)	(2)	(1)
Amortization of estimated loss/gain						
Employer's tax				1	1	
Net pension expense	**4**	**3**	**3**	**6**	**4**	**3**

Reconciliation of pension obligations and pension funds:

	31.12.98	**31.12.97**	**31.12.98**	**31.12.97**
Estimated accrued obligation	19	16	28	24
Estimated value of pension assets	(17)	(15)	(29)	(22)
Employer's tax			1	
Net pensions obligations in balance sheet (pension assets)	**2**	**2**	**(1)**	**2**

Basis for calculations:

Discount rate	7.0%	7.0%	7.0%	7.0%
Expected yield	8.0%	8.0%	8.0%	8.0%
Salary adjustment	3.3%	3.3%	3.3%	3.3%
Adjustment of basic amount	3.3%	3.3%	3.3%	3.3%
Pension adjustment	2.5%	2.5%	2.5%	2.5%

note 2 Remunerations

Salary to the Chief Executive Officer was NOK 880 803 in 1998. Total remuneration to the Board of Directors was NOK 300 000. Expensed auditor's fees amounted to NOK 1 889 402 of which NOK 1 559 402 represents consultancy fees.

note 3

Related parties transactions

Transactions between Group companies are derived from the ordinary course of business, and prices used are based on arms length principles. In addition, Hitec ASA and Group companies have had the following significant transactions with companies and persons that in accordance with generally accepted accounting principles are regarded as related parties:

Hitec ASA leases premises from Måletempelet AS, a company owned 100 % by the Chief Executive Officer. The contract expires in the year 2010. Yearly lease payment amounts to MNOK 2.8.

In the spring of 1997, Hitec ASA and LMG Marin AS (a company outside the Hitec Group of companies) (collectively "owners") established the company DynaSea AS. DynaSea AS' objective is to own the technology developed by the two owners. In 1997 the owners transferred this technology free of charge to DynaSea AS. The right to use the technology has been licenced to Navis ASA.

DynaSea AS owns 9 million shares of Navis ASA stock. In addition Hitec ASA owns 8.9 million shares of Navis ASA stock. Hitec ASA consequently owns 26% (directly and indirectly) of the total shares issued by Navis ASA. The directly owned shares were acquired in connection with the share issue that took place in November of 1998 at a share issue price of NOK 11 per share.

In 1997 Hitec ASA entered into a contract to deliver drilling equipment for use on the drillship that Navis ASA is having constructed at the Samsung yard in Korea. Following renegotiations of the contract during the summer of 1998, total contract value amounts to MNOK 303 plus subsequent additions. As at 31 December 1998, MNOK 164 has been recognized as revenue in the Group accounts.

In 1998 the Group had the following transactions (invoiced amounts), and had the following balances with associated companies at the end of the year:

	Purchases	**Sales**	**Receivables**	**Payables**
Navis ASA		97	27	
Multi-Fluid ASA		1		
Framnæs Installasjon AS	38	3	1	1
APL AS (prior to the sale of this investment)		2		

note 4

Fixed assets/goodwill

Fixed assets/goodwill - Hitec ASA

	Machines/ FF&E*/ vehicles	Buildings	Land	Total
Accumulated cost as at 1 January 1998	40	30	3	73
Additions for the year	13	2	2	16
Disposals for the year (at cost)	-15			-15
Accumulated cost as at 31 December 1998	**37**	**32**	**5**	**74**
Accumulated depreciation	-20	-4		-25
Book value as at 31 December 1998	**17**	**27**	**5**	**50**
Total depreciation 1998	8	2		10
Depreciation rate	20-33%	5%	0%	

Investments in and sales of fixed assets in the past 5 years:

	Vehicles, machinery, FF&E*		Buildings, land	
	Investments	Sales price	Investments	Sales price
1994	7		2	
1995	11		20	
1996	6		2	
1997	6		9	
1998	13		4	

Fixed assets/goodwill - Group

	Machines/ FF&E*/ vehicles	Buildings	Land	Goodwill	Total
Accumulated cost as at 1 January 1998	79	48	7	229	363
Additions acquired companies (purchase method)	6	18	3	18	45
Additions for the year	25	32	2		60
Disposals for the year (at cost)	-17			-62	-79
Accumulated cost as at 31 December 1998	**93**	**98**	**11**	**186**	**389**
Accumulated depreciation/amortization	-62	-6		-36	-104
Disposals for the year	16	0		8	24
Book value as at 31 December 1998	**48**	**92**	**11**	**158**	**309**
Depreciation/amortization 1998	17	3		13	33
Depreciation/amortization rate	15-33%	5%	0%	5-20%	

*Furniture, fixtures & equipment

Investments in and sales of fixed assets in the last 5 years:

	Vehicles, machinery, FF&E*		Buildings, land	
	Investments	Sales price	Investments	Sales price
1994	7		2	
1995	17		20	
1996	13		2	
1997	16	1	21	
1998	25	1	34	

Goodwill with a total book value of MNOK 158 as at 31 December 1998, primarily stems from the acquisitions of shares in Hitec Marine AS, Hitec Subsea AS, Hitec Drillling & Marine Systems, Ltd (Aberdeen), Maritime Industry Service AS and Karmøy Stål AS, ref. Note 22.

Goodwill has been paid based on an appraisal of the company's historical earnings and development, competitive position and future prospects. In addition, market and cost related synergies are taken into consideration.

An amortization period of more than 5 years has been chosen for some of these investments because goodwill incurred at the time of purchase is assumed to have a commercial lifetime of more than 5 years, equivalent to the chosen amortization period.

Of the goodwill that arose from the acquisition of all shares of Hitec Marine AS, MNOK 61.5 related to the value of Hitec Marine's shareholding in Advanced Production and Loading AS. During the fall of 1998, Hitec Marine AS sold these shares.
In connection with the sale of shares, remaining unamortized goodwill of MNOK 53.8 was treated as a reduction of the gain from this sale. Ref. also Note 5.1.

note 5 Shares in subsidiaries, associated companies and other shares

NOK 1000	Share capital Amount	Number	Par value	Held by Hitec No. of shares	Book value	%
Subsidiaries:						
Hitec Marine AS	4,512	4,512,000	1	4,512,000	200,319	100.0%
Karmøy Stål AS	3,000	30,000	100	30,000	21,900	100.0%
Maritime Industry Service AS (1)	450	450	1,000	450	11,198	100.0%
Hitec Subsea AS	750	750	1,000	750	9,940	100.0%
Hitec Drilling & Marine Systems, Inc	USD 10	1,000	USD 0,01	1,000	17,912	100.0%
Hitec Drilling & Marine Systems, Ltd	GBP 100	100	GBP 1	100	4,696	100.0%
Hitec Drilling & Marine Systems, Ltda	BRR 400,000	400,000	BRR 1	399,999	2,775	100.0%
Hitec Drilling & Marine Systems, Ltd	CAD 75,000	75,000	CAD 1	75,000	413	100.0%
Hitec Drilling & Marine Systems AS	1,000	1,000	1,000	1,000	1,000	100.0%
Hitec Miljø AS	1,000	100,000	10	100,000	1,000	100.0%
Hitec Products AS	1,000	1,000	1,000	1,000	1,000	100.0%
Hitec Baku AS	50	5,000	10	5,000	50	100.0%
Hitec Framnæs AS	50	5,000	10	5,000	50	100.0%
Engineering Consultants AS	50	5,000	10	5,000	50	100.0%
Datavision AS	50	50	1,000	50	900	100.0%
Astorga Ltd	GBP 100	100	1	100	5,155	100.0%
DynaSea AS (2)	100	100	1,000	51	51	51.0%
Associated companies - owned by Hitec ASA:						
Navis ASA (2)	6,901	69,006,250	0.10	8,925,666	98,182	12.9%
Multi-Fluid ASA	1,972	9,862,206	0.20	4,893,861	22,484	49.6%
Other shares:						
Colifast ASA	1,428	14,275,000	0.10	499,995	500	3.5%
SmartCity Stavanger	1,385	138,500	10	10,000	100	7,6%
Other shares held by Group companies					1,825	
Total					**401,500**	

The following companies are subsidiaries and associated companies of other Group companies:

NOK 1000	Share capital Amount	Number	Par value	Held by Group company No. of shares	Book value	%
Subsidiaries:						
Hinderveien 5 AS (3)	220	2,203	100	2,203	0	100.0%
Framnæs Data AS	250	2,500	100	2,500	250	100.0%
Associated companies:						
Framnæs Installasjon AS	1,050	3,500	300	1,400	500	40.0%
Navis ASA	6,901	69,006,250	0.10	9,000,000	900	13.0%

(1) As at 31 December 1998 Hitec owns 91% of the shares of Maritime Industry Service. Due to the agreement relating to the acquisition of the remaining shares, 100% of the shares are included in the Balance Sheet, ref. Note 22.

(2) In addition to shares held directly, Hitec ASA through the 51% ownership share of DynaSea AS controls an additional 9 million Navis ASA shares. Adjusted for the minority share of these shares, Hitec owns a total of 13,515,666 Navis ASA shares with a total book value of MNOK 98.2 in the company accounts of Hitec ASA. As at 31 December 1998 these same shares had a market value MNOK 87.9. Due to low volume of shares changing hands, market value of the shares based on trade activity is not considered to be a representative estimate of the value of this investment. Consequently no revaluation is done in the Company Accounts.

(3) Hinderveien 5 AS was sold in February 1999.

note 5.1 Shares in associated companies - Group

	Multi-Fluid ASA	Karmøy Stål AS	Advanced Production & Loading AS (1)	Framnæs Installasjon AS	Navis ASA	Sum
Holding	49.62%	30.00%	40.00%	40.00%	26.00%	
Value at 1 January 1998	36	2	9	3	176	227
Additions for the year					98	98
Dividends received	0			-0		-0
Allocated at the time of sale/full consolidation	0	-4	-53			-57
Gain on sale of shares			41			41
Share of profit/loss (after taxes)	3	2	3	1	-7	2
Value at 31 December 1998	**38**	**0**	**0**	**4**	**267**	**310**
Goodwill at 1 January 1998	9	-1	0	0	0	8
Additions	-1	1	0	0	0	-0
Goodwill at 31 December 1998	8	0	0	0	0	8
Rate of amortization	10%	20%				

(1) Of the goodwill that arose from the acquisition of all shares of Hitec Marine AS, MNOK 61.5 related to the value of Hitec Marine's shareholding in Advanced Production and Loading AS. During the fall of 1998, Hitec Marine AS sold these shares. In connection with the sale of shares, remaining unamortized goodwill of MNOK 53.8 was treated as a reduction of the gain from this sale. Ref. also Note 4.

note 6 Financial items

	Hitec ASA		Group	
	1998	**1997**	**1998**	**1997**
Interest earned	2	8	7	8
Group contribution from Hitec Marine AS	79			
Writedown of shares in Hitec Marine AS	-65			
Underwriting commision, Navis share issue	2		2	
Exchange gain		1		1
Financial income	**17**	**9**	**8**	**9**
Interest expenses	11	3	13	4
Depreciation of shares	3		3	
Other financial expenses	0	0	1	1
Financial expenses	**14**	**3**	**17**	**5**

Group contribution from Hitec Marine AS relates to the profit generated from Hitec Marine's sale of shares in Advanced Production and Loading AS. Consequently Group contribution is presented as financial income.

note 6.1 Financial risk and financial instruments

The Group financial strategy calls for balance between the operational and the financial risk profiles. Considerable trade with foreign customers and suppliers causes changes in exchange rates to have an impact on Group revenues and expenses. In order to reduce risk of loss due to fluctuations in exchange rates between the date at which contracts are entered into and the date at which payments take place, hedging measures are used to protect net cash flow on a currency by currency basis. Hedging contracts are not recorded independently in the accounts, but affect the recording of the underlying sales and purchase transactions.

Investments in subsidiaries (loans and equity) are as a general rule secured through the use of financing in the same currency.

There is otherwise little use of financial derivatives.

note 7 Taxes

The following specifies the differences between net income (-loss) before taxes and tax basis for the year:

	1998	1997	1996
Net income (-loss) before taxes	94	17	-15
Permanent differences (including group contributions)	-33	-11	1
Change in temporary differences related to:			
- Current assets/current liabilities	-130	93	-12
- Fixed assets	1	2	2
- Other differences	68		-1
- Loss carried forward		-57	-34
Tax basis for the year - Norway		**44**	**-57**
Income taxes payable (28%) - Norway		12	
Taxes payable - abroad		1	
Total taxes payable - current liabilities - Hitec ASA		**13**	
Taxes payable, other Group companies			
Norwegian companies	12	4	
Foreign companies	1	1	
Total taxes payable - Group	**12**	**18**	

Deferred taxes are calculated on the basis of the temporary differences between book values and tax values which exist at the end of the financial year.

Deferred taxes have been calculated on temporary differences related to:

	1998	1997
- Current assets/current liabilities	157	28
- Fixed assets	-3	-2
- Other differences	-71	-3
Basis for calculation of deferred taxes	**83**	**22**
Deferred taxes (28%) - long term liabilities - Hitec ASA	**23**	**6**
Deferred taxes other group companies:		
Deferred taxes connected to reduced shareholding in associated companies	52	54
Norwegian companies	14	2
Deferred taxes derived from consolidating entries	14	-2
Deferred taxes - long term liabilities - Group	**103**	**61**

Pursuant to the "Høringsutkast - Resultatskatt" (Exposure draft) issued by Norsk RegnskapsStiftelse, regarding the treatment of taxes, temporary tax reducing and tax increasing differences which reverse, or can reverse in the same period, are counterbalanced.

Tax expense in the income statement comprises:

	1998	1997	1996
Income taxes payable by Hitec ASA		13	
Tax effect related to Group contribution	3		
Changes in deferred taxes	17	-10	-4
Tax expense (income) in income statement - Hitec ASA	**21**	**2**	**-4**
Taxes payable - Group companies	12	5	2
Deferred taxes derived from consolidating entries	-3		
Other changes in deferred taxes (excl. deferred taxes re. acquisitions)	20	56	-2
Tax expense (income) in income statement - Group	**50**	**63**	**-4**

note 8 Group contributions

	Hitec ASA		
	1998	1997	1996
Group contribution received	5		10
Group contribution contributed	-16	-11	
Tax related to taxable Group contribution	3		
Group contribution, net	**-7**	**-11**	**10**

See also Note 6 which includes information about Group contribution from Hitec Marine AS, MNOK 79.

note 9 Cash and cash equivalents

As at 31 December 1998, restricted cash totals MNOK 6 for Hitec ASA and MNOK 13 for the Group. In 1997 restricted cash for Hitec ASA totalled MNOK 4 and MNOK 8 for the Group.

The bank accounts of the subsidiaries Hitec Marine AS, Hitec Subsea AS and Hitec Framnæs AS are included in Hitec ASA's Group accounts system with Hitec ASA as accountholder. Inasmuch as the other Group companies have net deposits, the actual account between Hitec and the bank is higher than that shown in the balance sheet. This is due to deposits from other companies being included in the accounts of the respective companies instead of in an open account with Hitec ASA.

Moreover, the Group account agreement causes the participating Group companies to be jointly and severally liable for any balance on the legal account of Hitec ASA.

note 10 Current receivables

Current receivables comprise:

	Hitec ASA		Group	
	1998	1997	1998	1997
Accounts receivable	208	116	323	164
Allowance for doubtful accounts	-1	-2	-2	-3
Net accounts receivable	**207**	**114**	**321**	**161**
Prepaid project costs			18	
Other current receivables	1	2	18	7
VAT receivable	4	6	4	6
Balance	**213**	**122**	**361**	**175**

note 11 Current Group receivables

Current Group receivables comprise:

	Hitec ASA	
	1998	1997
Group contribution receivable	83	0
Short term Group financing	7	14
Balance	**90**	**14**

note 12 Inventories

Inventories comprise:

	Hitec ASA		Group	
	1998	1997	1998	1997
Draugen drilling rig	35		35	
Other inventories	2	2	12	13
Balance	**37**	**2**	**47**	**13**

The Draugen drilling rig is intended to be upgraded and sold, and is included in the balance sheet at cost.

note 13 Work in progress

The accrued value of projects equals project costs incurred plus profit based on the percentage of completion.
The accounting principle is further explained under the section "accounting principles".

Specification of work performed but not yet invoiced as at 31 December:

	Hitec ASA		Group	
	1998	1997	1998	1997
Revenue earned	1,074	381	1,500	507
Invoiced on account	971	272	1,373	370
Balance	**103**	**108**	**128**	138

Invoicing on account in excess of revenue earned is included as customer advances among other current liabilities, ref. Note 15.

note 14 Credit facilities

In addition to the liquid assets included in the balance sheet, Hitec ASA and the Group have an overdraft facility of MNOK 114 which is part of the Group account system. In addition to this, other Group companies have overdraft facilities totalling MNOK 11. As at 31 December 1998, the unused part of facilities amounts to MNOK 60.

note 15 Other current liabilities

Other current liabilities comprise:

	Hitec ASA		Group	
	1998	1997	1998	1997
Customer advances	25	56	63	74
Accrued project costs	22	62	35	64
Current interest bearing debt	20		20	
Other current liabilities	17	1	60	27
Balance	**84**	**119**	**178**	**165**

note 16 Interest bearing debt / secured liabilities

The Company's and the Group's overall debt includes MNOK 154 (1997: MNOK 96) and MNOK 201 (1997: MNOK 110) secured by mortgage or other collateral. The mortgaged Company debt is adjusted to account for other group companies' deposits that are part of the Group account system.

The Company and Group's long-term interest bearing debt is subject to certain covenants. At the end of 1998, none of these covenants were in default. Security has also been pledged in respect of established guarantee facilities and other mortgaged debt.

Book value of assets pledged as security for debt and guarantees are as follows:

	Hitec ASA		Group	
	1998	**1997**	**1998**	**1997**
Current receivables	213	122	336	175
Inventories	37	2	41	2
Work in progress	103	108	129	117
Shares in associated companies	22		38	
Fixed assets			11	7
Property	8		64	8
Balance	**383**	**232**	**620**	**308**

In addition to the above, property leases and capital equipment are pledged as security.

Repayment plan long term debt:

	Hitec ASA	Group
1999	22	27
2000	20	25
2001	18	23
2002	4	9
2003	1	5
2004 and thereafter	10	33

note 17 Interest bearing debt

	Hitec ASA		Group	
	1998	**1997**	**1998**	**1997**
Bank overdraft	207		65	0
Other current liabilities	20		20	
Long term liabilities	76	96	122	111
Balance	**303**	**96**	**207**	**111**

note 18

Equity

Hitec ASA

	Equity 1997	New equity	Group contribution	Allocation of net income 1998	Equity 1998
Share capital	37				38
Legal reserve fund	269	2			270
Revaluation fund					
Total restricted equity	**307**	**2**			**309**
Distributable reserves	**43**		**-7**	**74**	**109**
Shareholders equity at 31 December	**349**	**2**	**-7**	**74**	**417**

Group

	Equity 1997	New equity	Allocation of net income 1998	Equity 1998
Share capital	37			38
Group reserves	393	2	58	453
Adjustment for consolidation of Karmøy Stål AS		2		2
Translation differences		-1		-1
Shareholders equity at 31 December	**430**	**3**	**58**	**492**

Share options

In 1998 Hitec ASA started a new share options program for employees and Directors of Hitec ASA and subsidiaries. The option program authorizes the Board to issue up to 2 million new shares of Hitec ASA stock during the period up to and including 31 December 2000. At the turn of the year a total of 744 000 share options had been granted to employees and Directors. The granted options are excercisable in December of year 2000. The share options may be excercised at NOK 20 per share. The option program replaces the previous program that was established in 1997 and that had an excercise price of NOK 50 per share.

Increase in share capital

At the turn of the year a total of 37 631 044 shares are issued at a par value of NOK 1 per share. Two share issuances took place in May of 1998 through the exercise of 126 832 and 120 000 share options respectively, based on previously established agreements.

Based on General Meeting authorizations, the Board of Directors is authorized to issue a total of 4 092 172 new shares.

Furthermore, the General Meeting has authorized the Board of Directors to repurchase own shares with an accumulated par value that must not exceed 10 % of the share capital. This authorization expires on 30 June 2000.

RISK adjustment

Adjustment of the company's share price for Norwegian taxation purposes was NOK 1,14 per share in 1997. The input value of shares as at 1 January 1998 is thereby adjusted accordingly.

note 19 Guarantees

	Hitec ASA		Group	
	1998	**1997**	**1998**	**1997**
Guarantee commitments employees				
Completion guarantees	33	139	42	139
Group guarantees	4	13	4	
Other guarantees (incl. advance guarantees)	42	49	63	63
Total	**79**	**202**	**108**	**202**

The guarantee limit in bank and insurance totals MNOK 136 for the Group.

Completion guarantees include a conditional performance guarantee in the amount of MNOK 30 furnished for the associated company Navis ASA. In some cases Hitec ASA has furnished guarantees for Group company customers or suppliers (parent company guarantees), and also stands surety in relation to guarantee institutions for withdrawals by subsidiaries on an otherwise unsecured guarantee amount.

note 20 Shares owned by directors and the chief executive officer (at year end)

Name	**Position**	**Shares owned**	**Share options owned**
Jon Gjedebo	Chief Executive Officer and Director	10 346 188	20 500
Arve Johnsen	Chairman	16 000	10 000
Folke Hermansen	Director	100 000	10 000
Geir Larsen	Director	20 000	10 000
Sigve Sandvik	Director (employee representative)	5 000	3 000
Svein Arne Moi	Director (employee representative)	3 000	1 500

The shares held by Jon Gjedebo represent 27.75% of the total shares issued by Hitec ASA, and are held through the companies Styrbjørn AS and Joto AS. Folke Hermansen holds his shares through the company Det Stavangerske Dampskibsselskab. Geir Larsen holds his shares through the companies Svennevik Invest AS and Breeze Chartering AS.

At the turn of the year Geir Larsen also held a total of 15,000 ad-hoc options, but these were not exercised.

note 21 Disputes/legal action

Hitec ASA is not involved in court cases at the present time. Hitec ASA and the other Group companies are involved in some contractual disputes. These disputes are not expected to have significant influence on the financial position of the Company or the Group.

note **22**

Acquisitions - 1998

The following summarized information relates to acquisitions:

Company	Date of accounting integration	Purchase price	Accounting method	Share of equity acquired	Goodwill	Amortization period	Note
Maritime Industry Service AS	1 Jan 98	12	Purchase	100%	13	5 years	1
Karmøy Stål AS	1 Nov 98	21	Purchase	70%	5	5 years	2

Note 1: Legally Hitec ASA has only acquired 91% of the shares as at 1 January 1998, for a total cash consideration of MNOK 5. Hitec is also committed to acquire the remaining shares of the company in two equal installments at 1 January 2000 and 1 January 2001 for a cash consideration of MNOK 3.5 at each of these dates. 100% of the shares are therefore included in the balance sheet of Hitec ASA, at a calculated net present value of the purchase price of MNOK 11.2.

Note 2: Prior to the purchase, Hitec ASA owned 30% of the shares of Karmøy Stål AS. As from the date of the last share purchase, Hitec ASA owns 100% of the shares of the company. Of a total purchase price of MNOK 21, MNOK 15 had been paid at 31 December 1998. The remaining cash consideration is to be paid in 1999 , year 2000 and year 2001.

note **23**

Pro-forma accounting information - 1997 and 1998

Proforma accounting information presents Group accounts as arrived at had the acquisitions described in Note 22 taken place as at 1 January 1997.

Goodwill and other excess over book values identified at the time of acquisition is amortized and depreciated as from 1 January 1997 with the same rates that are used in preparing the 1998 financial statements. In calculating financial expenses related to financing the investments, the interest rate used is the interest rate that is valid for February 1999 as provided by the Group´s main source for debt financing.

The tax effect of the above mentioned elements is accounted for.

	1998		**1997**	
	Accounts	**Pro-forma**	**Accounts**	**Pro-forma**
Operating revenues	1,376	1,485	803	933
Operating income before share of associated companies	73	81	12	10
Net income before taxes	107	112	215	207
Net income	58	62	90	81
Net income per share - NOK	1.55	1.65	2.47	2.22
Net income per share - NOK - fully diluted	1.55	1.65	2.44	2.19

note **24**

Business segment information

Business segment information is provided on pages 38 to 43. The information can be summarized as follows:

1998	**Operating revenues**	**Added value**	**Op. income bef. goodwill amortization**	**Order reserves**	**No. of employees**
Group companies	1 625	784	127	687	878
Hitec ASA (holding company) and eliminations	-140	-7	-32	-9	9
Goodwill amortization			-14		
Sum pro-forma	**1 485**	**777**	**81**	**678**	**887**

1997	**Operating revenues**	**Added value**	**Op. income bef. goodwill amortization**	**Order reserves**	**No. of employees**
Group companies	971	436	49	852	708
Hitec ASA (holding company) and eliminations	-38	-5	-27	-10	11
Goodwill amortization			-15		
Sum pro-forma	**933**	**431**	**7**	**842**	**719**

auditors report

We have audited the annual report and accounts for Hitec ASA for 1998 showing a net income for the year of NOK 73,529,000 for the parent company and a consolidated net income for the year of NOK 58,303,000. The annual report and accounts, which comprise the Directors' report, income statement, balance sheet, cash flow statement and notes to the accounts and consolidated accounts are presented by the company's Board of Directors and its Managing Director.

Our responsibility is to examine the company's annual report, its accounting records and other related matters.

We have conducted our audit in accordance with relevant laws, regulations and Norwegian generally accepted auditing standards. We have performed those audit procedures which we have considered necessary to confirm that the annual report and accounts are free of material misstatements. We have examined selected parts of the evidence supporting the accounts and assessed the accounting principles applied, the estimates made by management, and the content and presentation of the annual report and accounts. To the extent required by generally accepted auditing standards, we have reviewed the company's internal control and the management of its financial affairs.

The Board of Directors' proposal for the application of the net income and equity transfers for the year is in accordance with the requirements of the Public Limited Companies Act.

In our opinion, the annual report and accounts have been prepared in accordance with the requirements of the Companies Act and present fairly the financial position of the company and the Group as of 31 December 1998 and the result of its operations for the financial year, in accordance with generally accepted accounting principles.

Stavanger, 25 February 1999
DELOITTE & TOUCHE

Svein Sivertsen
Statsautorisert revisor
(State Authorized Public Accountant (Norway))

Note: The translation into English has been prepared for information purposes only.

shareholder matters

Shareholder policy

Hitec's objective is to ensure high profitability, thereby maximising returns for the company shareholders in the form of increased share value and, in the long term, through current yield in the form of dividends. The company also considers it important to favour its shareholders by offering them direct ownership in companies where Hitec reduces its engagement, whenever this is a natural strategy.

The company wishes to keep regular contact with both existing and potential investors. This contact takes place in the form of presentations, mailings, written reports and press releases. The Internet has taken on an increasingly important part in disseminating information, and interested shareholders can now subscribe to the company's press releases on e-mail.

Regular reports comprise the annual report and the quarterly reports.

Development of share capital

Date	Type of transaction	Change in share capial NOK	Share Capital after change NOK	Par value NOK	Total number of shares
1985	Incorporation		50 000	10	5 000
1986	Private issue	450 000	500 000	10	50 000
1989	Private issue	499 000	999 000	10	99 900
May 1994	Bonus issue	18 981 000	19 980 000	200	99 900
	1:50 split	0	19 980 000	4	4 995 000
Jun 1994	Public issue	7 407 408	27 387 408	4	6 846 852
May 1995	Employee share options	24 200	27 411 608	4	6 852 902
Nov 1995	Private issue	2 000 000	29 411 608	4	7 352 902
Jan 1996	Private issue to major shareholders in MCG	1 202 540	30 614 148	4	7 653 537
Feb 1996	Private issue to other shareholders in MCG	1 151 524	31 765 672	4	7 941 418
Mar 1996	Private issue to remaining shareholders in MCG	33 764	31 799 436	4	7 949 859
Apr 1996	1:4 split	0	31 799 436	1	31 799 436
May 1996	Employee share options	1 329 004	33 128 440	1	33 128 440
	Private issue	240 000	33 368 440	1	33 368 440
Oct 1996	Private issue related to acquisition	140 000	33 508 440	1	33 508 440
May 1997	Employee share options	1 159 964	34 668 404	1	34 668 404
	Private issue	120 000	34 788 404	1	34 788 404
	Private issue	1 520 000	36 308 404	1	36 308 404
Dec 1997	Issue related to merger with Hitec Framnæs	1 000 000	37 308 404	1	37 308 404
	Issue related to merger with DataVision	75 808	37 384 212	1	37 384 212
May 1998	Employee share options	126 832	37 511 044	1	37 511 044
	Private issue	120 000	37 631 044	1	37 631 044

Share turnover and price development

Hitec was listed on the Oslo Stock Exchange in July 1994. The ticker symbol is "HIT". The company's Articles of Association do not contain any provisions limiting the negotiability of shares.

As is the case with other companies supplying to the oil industry, Hitec's shares showed a negative tendency in 1998. From a final price of NOK 40.50 on 31 December 1997 the price dropped to NOK 10.20 on 31 December 1998, a reduction of 75%. The Oslo Stock Exchange all share index fell by 27% during the same period. The graph on the next page shows the price development throughout the year.

During the course of the year, 35.7 million shares were traded at a total value of MNOK 1,062. Market capitalization at the turn of the year was MNOK 384.

Dividend

The board of Directors proposes to the Annual General Meeting that no dividend be declared.

Analytical information

It is Hitec's policy that shareholders and the finance market in general shall have access to comprehensive and correct information on the company. In addition to the annual and quarterly reports, the company has adopted an active information policy in relation to the Oslo Stock Exchange and the media, and during the course of the year numerous presentations are held for investors, analysts, the financial press and other interested parties. Several Norwegian stockbrokers publish analyses of Hitec. Current information is regularly published on the Group's Internet home page, www.hitec.no.

Employee share options

An extraordinary general meeting in August 1997 decided to introduce a share option scheme for Group employees. The general meeting gave the Board authority to issue up to 3,000,000 new shares during the years 1999 to 2001 in connection with this scheme. The lowest share price at which the options could be exercised was NOK 50. The scheme therefore became unable to satisfy its purpose.

An extraordinary general meeting held in November 1998 decided to replace this with a new scheme. The old scheme has been withdrawn. The new scheme covers 2,000,000 shares that can be issued during the period 1 January 1999 to 31 December 2000. The lowest share price at which the options can be exercised is NOK 20.

The options are distributed among the company's employees and elected officers at all levels and are linked to employment / office and are withdrawn upon termination of employment.

As part payment in connection with the takeover of the business operations of FluScan in 1994, this company was given options to subscribe to up to 480,000 shares in Hitec at an issue price of minimum NOK 7.50 per share. 120,000 of these options were exercised in 1998 and 360,000 have been exercised in previous years.

Authority to repurchase own shares

Pursuant to the provisions of the new Norwegian Public Limited Companies Act that came into force on 1 January 1999, Norwegian companies have now for the first time the opportunity of buying shares in their own company. The extraordinary general meeting in Hitec held in November 1998 gave the Board authority to acquire own shares provided that the total face value of the shares does not exceed 10% of the share capital. The lowest and highest price that can be paid per share is NOK 1 (par value) and NOK 100 respectively. The authority applies from 1 January 1999 up to 30 June 2000.

Shareholders

As at 1 March 1999, there were 2,721 shareholders in the company, against 1,493 a year earlier. 58 of these were foreign shareholders with a total holding of 901,796 shares. This represents 2.4% of the total number of shares in the company, compared with 1.9% a year earlier.

Hitec's ten largest shareholders at 1 March, 1999

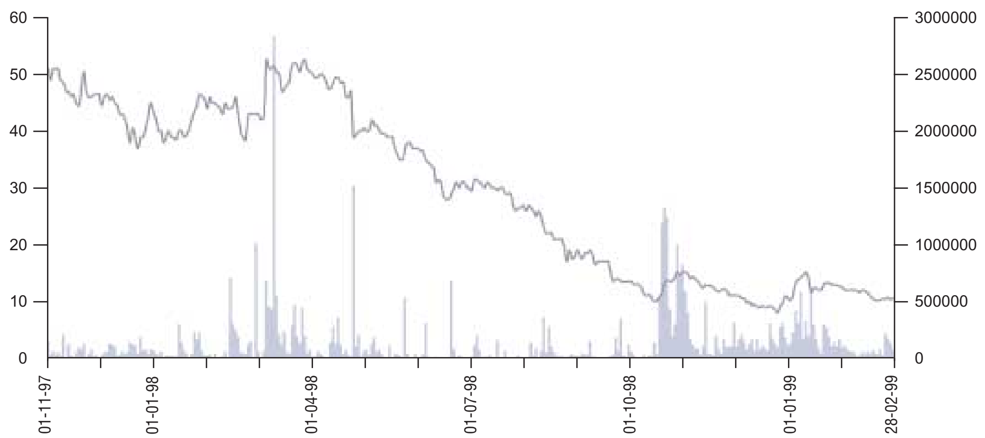
	Name	No. of shares	%
1	Styrbjørn AS	10 187 188	27.1%
2	Mosvold Farsund AS	3 740 000	9.9%
3	Vital Forsikring	1 470 900	3.9%
4	Omega Investment Fund	1 443 400	3.8%
5	Industrifinans Aktiv	1 172 800	3.1%
6	Ola Sætre	919 972	2.4%
7	Storebrand Livsforsikring P980, Aksjefondet	806 650	2.1%
8	Andreas Ugland Autoliners	728 000	1.9%
9	Hafslund Invest AS	701 400	1.9%
10	Fokus SMB	561 000	1.5%

The company Styrbjørn AS, which is the Group's largest shareholder, is controlled by Chief Executive Officer Jon Gjedebo.

Hitec share price 1 November, 1997 - 28 February, 1999

Share Price (NOK)

Daily trading volume (no. of shares)



technology for the future

Man and machine

Machines, from cars to drilling rigs, are getting ever more advanced functions and are becoming progressively more reliable. In industry, however, the user's requirements have to a large extent been ignored.

In many industries, major efficiency gains are still possible by making machines more user-friendly. The process can be made safer and the working environment better.

Knowledge of how this is done, of man's control of complex machines and processes - is Hitec's core competence.

For more than ten years we have put this competence to good use in the oil drilling industry. In 1991 Hitec supplied the world's first two-man driller's cabin with seated rather than standing operations. This type of cabin is now standard equipment on new drilling rigs.

In 1994 we took a further step and launched Cyberbase™, an operator station in which the man-machine interface is fully computer-based. All operations take place by means of joysticks and keyboards, and all visual information is displayed on monitors instead of lamps and instruments. More than 120 Cyberbases have now been delivered.

The world's first virtual reality (VR) drilling simulator was supplied in 1996. We developed this simulator for the training of drilling crews on Phillips Petroleum's new Ekofisk 2/4-X platform. Thanks to several weeks of personnel training in the simulator, the drilling rig was almost 100% effective from the first day of operation. Since then we have supplied simulators to several of the world's leading drilling companies.

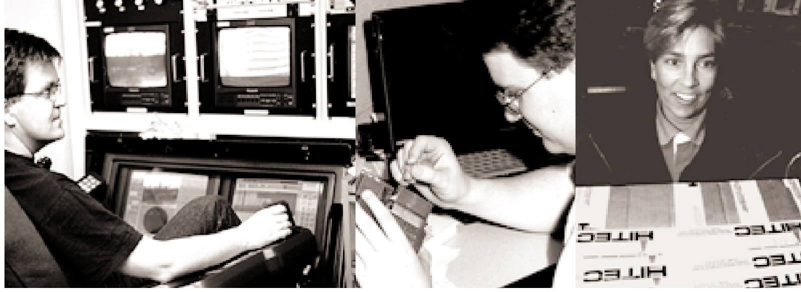
The work of analysing and improving the efficiency of the drilling process has also led to the development of completely new machines. The latest example of this is the heave-compensating drawworks, a technical and commercial success which increases the capability of drillships to continue drilling in rough weather.

We shall improve the relationship between man, machine and the environment.

Jan Olav Hallset, Ph.D., Department manager
ProSoft

Brett Jacobsen, Computer Systems Engineer
Hitec Drilling & Marine Systems, Inc.

Mette Skjefte Kvamme, Freight departement
Hitec Drilling & Marine Systems AS



New applications

In recent years we have been engaged in finding new applications for our core competence.

Hitec Marine has become the world's leading supplier of advanced systems for the loading and offloading of crude oil at sea.

Hitec Subsea has developed HiROV 3000, a remote-operated mini-submarine (ROV) incorporating numerous technical innovations and using Cyberbase as the operator station. This is the first step towards an ROV that does not need to be operated by a specialist crew from a costly diving vessel.

In cooperation with the Swedish company CelsiusTech, a new version of Cyberbase has been developed for military purposes. Regular production is expected to start in 1999.

We are also working on the development of systems for traditional shipping operations, and we booked our first order in this market segment early in 1999.

More than computers

Development of effective controls requires in-depth knowledge of the processes and the machines to be controlled. Many years of industry experience lie behind the technological innovations described above.

A typical project team at Hitec includes computer engineers and programmers, but also drilling engineers, electronics engineers, mechanical engineers, hydraulics engineers, instrumentation technicians and many more.

The team is headed by the project manager. Running major projects with a strong element of new and advanced technology places high demands on project management competence. Our long experience with projects of this type, combined with well-tried systems for project implementation means that our customers can count on delivery at the right time and at the right price.

Taking companies public is part of operations

Another core competence is capitalization of technology. As an innovative company for more than ten years, Hitec has built up considerable competence in the development of both new products and new companies.

Hitec will always evaluate whether new technologies and concepts can be developed in a better way outside the Hitec Group. For this reason we establish - or engage in - new technology companies.
An important part of Group operations is to further develop these companies, thereby creating added values for our shareholders.

When a new company is ready to stand on its own feet, Hitec can reduce its interests. The company can be merged with others, sold wholly or partially to other owners who can contribute towards the development of the company, or Hitec's shareholders may be invited to participate in a new share issue followed by a stock exchange listing.

Entering the new century

During the course of the last decade, Hitec has grown from 36 employees to 900. Turnover has increased from NOK 29 million to NOK 1.4 billion. From a single company in Stavanger to twelve companies worldwide.

The hunt for new and better solutions continues. With innovation as our driving force, Hitec’s next decade will be at least as exciting as the one we are leaving.

Pål Rognøy
Calibration manager
Hitec Products AS

animations as industry tools

by Trond Bø, Aftenposten

The Norwegian technology company Hitec ASA in Stavanger is now using advanced animated films or virtual reality to control complicated processes in oil drilling and in operations involving remote controlled mini-submarines working at depths of many hundred metres.

This is yet another example of the interplay between new computer programs and the person behind the computer. In the time ahead many of us will be able to apply this technology to help us in our daily work. This will contribute towards reducing risks and jobs will be easier, as the technology has already been developed.

Stavanger-based company leading in industrial animation

Industrial animations that beat the best in the industry are being made at Forus in Stavanger, where animators are producing world-class computer graphics. This has been a well kept secret outside this professional sphere. These animations of virtual reality are the key to a vision for the future, successfully launched by computer entrepreneur Jon Gjedebo. The keynote is focus on the human element.

How can Jon Gjedebo maintain that humans are our best resource? He has proved it during the course of the last decade by building up his successful technology empire based on human-machine interface technology. The concept is as simple as it is surprising:
- We started with the human. We turned the old problems around and started asking ourselves: Why don't we make an ideal working environment for an operator and let the computers control the machines?

The fantastic human being has a tremendous ability to receive, store and retrieve such large volumes of visual information that even the world's most powerful computers are and will be simpletons in comparison. - After you have driven between Oslo and Stavanger [550 km] once or twice, you recognize your surroundings and you know the direction of the bends as you drive along. I can return to a hotel where I stayed 20 years ago and recognize the reception area - provided they haven't rebuilt it in the meantime, says Gjedebo, who believes that this tells us that the visual section of our memory, which is still pretty much a closed book for us, is much faster and better than we have imagined. The use of images and film is the key for learning skills that previously required specialist training.

The human is most important, not the computer

Many more people can now have the opportunity of using their skills by getting the necessary information in a language they can easily understand - through images and animated film. This is done by combining the human being's unique aptitudes and skills with the strength of the computer. - A computer is no more than a tool for increasing our productivity. We must not use technology to cut down on jobs, we must use it so that more people can take on new and more exciting jobs with the right challenges, says Gjedebo.

Aftenposten is Norway's largest broadsheet daily newspaper. This article has appeared both in the newspaper and in the yearbook and review "Hvem Hva Hvor" 1999. Reproduced with permission.

"Animations are useful tools when drilling for oil."

From the driller's chair in Cyberbase, the computer controlled driller's cabin used in the North Sea, the Gulf of Mexico and off the coast of Brazil, the driller has full control of all operations on the deck and in the bore-hole from a protected environment in the driller's cabin.

The next step is to obtain sufficient data from the drilbit to enable the person controlling it to "see" what is actually happening at that moment. It will then be possible to drill down into an uncharted area 3,000 metres below the sea bed and to "see" on an animated film what is taking place when the bit moves down into areas where there is oil or gas. This is part of both the vision and the opportunities for the future. This type of "virtual reality" is actually technically feasible today and has been tested in the Hitec simulator at Forus. All that remains is to increase the flow of information from the drillbit far below the sea bed.

Remote operated platforms

Remote operated oil platforms could become a reality in the near future. The technology makes it possible to control the drilling and production of oil and gas from the mainland using high-speed optical fibre cables for the transmission of data. It is actually possible to sit in the operator's chair in the Hitec simulator at Forus and take over control of the 2/4 X drilling platform at Ekofisk 300 kilometres away in the North Sea just as easily as the captain and first officer switch over the control of an aircraft. Today, onshore expertise provides assistance to personnel on the platforms, but it is unlikely that there will be full remote control from the mainland.

One of the greatest advantages of "virtual reality drilling" is that personnel are located at a safe distance from the rig floor. They can also practice mastering difficult situations in a simulator, as Phillips did with great success when they trained 200 key personnel to operate Ekofisk II with its two new platforms and computer-controlled systems. The changeover to the new technology went smoothly and without problems.

In the same way it is possible to control a production plant, a power plant and other industries in a safer and more efficient manner. Our imagination is the only limiting factor for finding new areas where "human interface" computer programs do the job and where the human element is at the forefront rather than the computer."

Travis Matthews, Technician
Hitec Drilling & Marine Systems, Inc.

Gelsio Pereira Quiroga, Service and systems engineer
Hitec Drilling & Marine Systems Ltda.

Eivind Nag, Animator / designer
HitecVision

the Hitec companies

Corporate management

Ole Ertvaag
Executive Vice President
and Chief Financial Officer

Ola Sætre
Executive Vice President

Jon Gjedebo
President and
Chief Executive Officer

Rune Kvernberg
Executive Vice President

Frederik Hvistendahl, Carl Lieungh and Lars Ødeskaug are also Group Vice Presidents.

Product and technology companies

Hitec's product and technology companies are leaders within their respective fields.

Some are already the world's largest in their business, others have just started the commercialization of newly developed technology.

Another important development dimension for the companies is the step from the North Sea to the world market. The Group's international organization is continually strengthened in order to assist the companies in taking this step.

The product and technology companies operate largely independent of each other, but the common sales organization in international markets gives important synergies.

The companies have about 500 employees in total, and 1998 revenues reached about NOK 1.2 billion.

Frederik Hvistendahl
President

Kjell Markman
Vice president, Drilling

Torstein Øygarden
Vice president, Marine

Jan Erik Melstveit
Vice president, Operations

Hitec Drilling & Marine Systems AS

	1998	1997
Operating revenues (MNOK)	**842**	449
Added value (MNOK)	**387**	152
Operating income bef. amortization of goodwill (MNOK)	**103**	31
Order reserve as at 31 Dec.	**357**	627
No. of employees as at 31 Dec.	**272**	205

Hitec Drilling & Marine Systems AS is one of the world's leading corporations in the field of computer-based human-machine systems and instrumentation for use in the oil industry. The company also supplies drilling equipment and complete drilling modules on the basis of this technology, in addition to control systems for use on production vessels and platforms.

The company is a well-established technological leader in its field, and in recent years an internationalization process has been implemented. This was manifested in a substantially strengthened market position in 1998. At the end of the year, European and American rig companies were in the process of either building or carrying out major upgrading work on an estimated 65 drillships and rigs. Hitec is supplying equipment to more than half of these.

The company's most important products are:

- AHD™ - Active heave compensating drawworks, a Hitec technology providing major advantages for drillships and semi-submersibles. The first unit became operative in January 1999, and Hitec Drilling & Marine Systems AS have orders for a further eight.

- SDI® drilling instrumentation has been steadily developed since the first installation in 1986. Today, the core of SDI is a powerful and flexible software system giving the operator full control of the drilling process. SDI is normally supplied with Hitec's Cyberbase™ human-machine interface and operator station, field instrumentation and an integrated driller's cabin (control room).

- Complete integrated drilling modules. Well thought out design, innovative and rational solutions and a high degree of automation contribute towards compact, light and efficient drilling facilities on board modern platforms, drillships and rigs. Steel fabrication and mechanical equipment is supplied to Hitec's designs and specifications by contractors and sub-suppliers.

- Control systems for process facilities and safety systems on mobile production units. The control technology is undergoing further development for use on board traditional merchant ships and naval vessels.

The company was demerged from Hitec ASA 1 January 1999 in connection with the reorganization of the Group, and all figures are therefore pro-forma.

product and technology companies

Eivind Fredriksen

President

Lars Ødeskaug

President

Hitec Products AS

	1998	1997
Operating revenues (MNOK)	**81**	59
Added value (MNOK)	**27**	18
Operating income bef. amortization of goodwill (MNOK)	**7**	3
Order reserve as at 31 dec.	**24**	11
No. of employees as at 31 Dec.	**35**	25

Hitec Products AS is the market leader in design, production and supply of hydraulic systems to the oil industry in Norway. Hitec Products is also one of the leading suppliers of field instrumentation, measuring flow, pressure, temperature, etc., to the Norwegian oil industry. Instruments are procured from leading suppliers all over the world.

The company's objective is to maintain its strong market position in Norway, and at the same time expanding the scope of deliveries to each new field development. A further objective is to increase the company's international presence.

This business recorded high growth and good profitability in 1998.

The company was demerged from Hitec ASA on 1 January 1999 in connection with the reorganization of the Group, and all figures are therefore pro-forma.

Hitec Marine AS

	1998	1997
Operating revenues (MNOK)	**154**	155
Added value (MNOK)	**54**	48
Operating income bef. amortization of goodwill (MNOK)	**8**	11
Order reserve as at 31 Dec.	**121**	65
No. of employees as at 31 Dec.	**48**	42

Hitec Marine is a global leader in the market for advanced equipment for offshore loading and offloading of crude oil. The company's mainstay products are loading systems for shuttle tankers and offloading systems for production vessels. The company's largest customers are the shipyards in Korea and Spain, whereas the products are mainly in use in Europe and Brazil.

Hitec Marine can look back on a satisfactory year in 1998. Volume has been high, and the company has consolidated its position in the market, although profitability did not come up to the mark. The company is now concentrating its attention on technology development and market activities, and in 1998 the first contracts for projects off the coast of West Africa and in the Mediterranean were signed.

The company's holding in Advanced Production and Loading AS (APL) was sold in August and replaced by a cooperation agreement.

Hitec Marine registered a high order intake during the first half of the year, but the subsequent drop in the price of oil curbed the flow of orders during the second half of the year. Despite this, the company had a good order book at the start of 1999.

Halvor Lunde

President

Rune Kvernberg

Corporate Executive Vice President

Hitec Subsea AS

Hitec Subsea develops advanced technology for remote operated subsea operations. The company is still in its development phase, and represents Hitec's engagement in a market where considerable growth is anticipated in the years ahead.

The company has supplied the first HiROV 3000 ("Stealth") remote operated subsea vehicles to DSND. The ROV has attracted considerable interest due to its innovative design and advanced technological solutions. The costs of completing the technology were higher than anticipated, and this is the main reason for the weak figures reported by the company in 1998.

In cooperation with HitecVision, the company has developed several simulator and visualization products for remote operated subsea operations. These will improve the operators' productivity, and will have a considerable market potential in the years ahead.

The company shut down its fabricating facilities early in 1999, and will now increasingly focus attention on commercialization of the developed technology.

	1998	1997
Operating revenues (MNOK)	**44**	30
Added value (MNOK)	**13**	16
Operating income bef. amortization of goodwill (MNOK)	**-16**	-2
Order reserve as at 31 Dec.	**5**	18
No. of employees as at 31 Dec.	**54**	34

International companies

	1998	1997
Operating revenues (MNOK)	**118**	64
Added value (MNOK)	**52**	33
Operating income bef. amortization of goodwill (MNOK)	**-9**	1
Order reserve as at 31 Dec.	**51**	16
No. of employees as at 31 Dec.	**87**	61

Hitec's technology has potential users worldwide. Since 1995, the Group has built up a wide-reaching international network in order to serve these users. This expansion is expected to continue.

Today, Hitec's international business comprises companies in Aberdeen, Edmonton and Houston in addition to sales offices in Calgary, Rio de Janeiro, Tokyo and Koje in Korea. The latter was opened in March 1999. Most other relevant market areas are covered by local representatives.

Management of international business operations was transferred from Stavanger to Houston in 1998.

In 1998 the Group's international revenues increased by 90% to NOK 550 million. This includes the operating revenues in foreign companies and direct exports from the Norwegian companies.

Hitec Engineering & Construction

Hitec's Engineering & Construction group comprises the companies Hitec Framnæs AS, Karmøy Stål AS and Maritime Industry Service AS. The group was established in November 1998. With a workforce of 400 and a turnover in 1998 approaching NOK 400 million, the group is a prominent player in the field of engineering, fabrication, installation and maintenance for the oil and gas and other industries. The group is under the management of Carl Lieungh, President of Hitec Framnæs AS.

The operations of Hitec E&C are directed towards three principal markets: Process industry, smaller oil and gas projects and ship and rig modifications.

Hitec Framnæs AS

Hitec Framnæs is one of Norway's largest independent engineering companies holding a firm position in its special market segments: ships, rigs, other offshore industry, and process industry. The company plays a leading part in Hitec's new Engineering & Construction group.

The company was able to register strong and profitable growth throughout 1998. Major projects in 1998 were connected with the upgrading and newbuilding of drilling vessels, including Transocean Searcher and Navis Explorer I.

The company has also participated in numerous upgrading assignment on floating production units, including rebuilds of the tankers MS Hitra and Knock Taggart. Additionally, the company has undertaken several major assignments for the Norwegian process industry.

	1998	1997
Operating revenues (MNOK)	**162**	86
Added value (MNOK)	**103**	66
Operating income bef. amortization of goodwill (MNOK)	**14**	6
Order reserve as at 31 Dec.	**22**	64
No. of employees as at 31 Dec.	**97**	85

Together with our customers, we shall create the future

- Our existing customers are our best customers.

Carl Lieungh
President

Rune Lilledahl

President

John Helge Liseth

President

Karmøy Stål AS

	1998	1997
Operating revenues (MNOK)	**137**	94
Added value (MNOK)	**93**	78
Operating income bef. amortization of goodwill (MNOK)	**12**	3
Order reserve as at 31 Dec.	**98**	
No. of employees as at 31 Dec.	**225**	186

Hitec has had a 30% holding in Karmøy Stål since 1995. The acquisitions of Hitec Framnæs and Maritime Industry Service in 1997 paved the way for further integration and cooperation between these companies, and the remaining shares in Karmøy Stål were purchased in November 1998.

Karmøy Stål has a large and well equipped fabricating facility for steel construction work. The company holds a strong position in the regional industry, and also has sizeable deliveries to the offshore oil industry.
In addition to its construction work, the company also hires out skilled personnel. The subsidiary KS Elektro is an electrical installation company mainly engaged on industrial assignments.

1998 was a good year for the company. New contracts related to the Kårstø gas processing facility extension will provide revenues for several years to come.

Maritime Industry Service AS

	1998	1997
Operating revenues (MNOK)	**85**	36
Added value (MNOK)	**55**	26
Operating income bef. amortization of goodwill (MNOK)	**7**	-3
Order reserve as at 31 Dec.	**10**	50
No. of employees as at 31 Dec.	**75**	70

Within a short space of time, Maritime Industry Service AS has achieved a strong position as a supplier of products and services in the field of offshore installations, modification and maintenance.

The most important customer groups are drilling contractors and other oil service companies. The company is distinguished by its close contact with the market and its ability to solve customers' problems at short notice.

Major contracts in 1998 include work related to the upgrade of the semisubmersible Borgila Dolphin, building a "Versatile Derrick Sysem" for Hydralift, for use on the well intervention vessel Botnica, and supplying hydraulic power units to coiled tubing drilling.

The company experienced strong growth in 1998, with high profitability.

Framnæs Installasjon AS

Hitec has a 40% interest in the company.

Framnæs Installasjon is an onsite installation company which undertakes assignments for the oil industry and for other industries. Customers include shipyards, offshore module fabricators, and the mechanical and petrochemical industry, in addition to offshore work for contractors and rig operators. The company also has its own workshop facilities.

We shall take pride in what we do.

associated companies

Multi-Fluid ASA

Hitec has a 49,6% interest in the company.

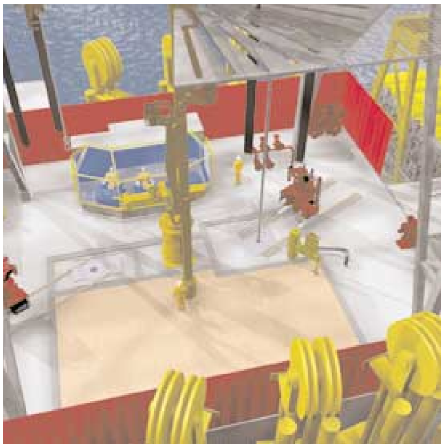
Multi-Fluid has more than half of the world market for multi-phase metering. Multi-phase metering is mainly used to measure flows of oil, water and gas from oil or gas wells. Measuring the water content of oil is used in connection with trading of oil. The market is new, and strong growth is expected.

Multi-Fluid's patented technology has been developed during the course of the last decade. When Statoil initiated the development of an instrument for multi-phase metering in 1989, Hitec was part of the effort as an industrial partner with competence in metering technology. The first product was ready for launching in 1992, and Multi-Fluid AS was established with Hitec as one of the principal shareholders. Multi-Fluid was listed on the Oslo Stock Exchange in 1997.

In March 1999 the company announced a business combination with Smedvig Technologies AS, a subsidiary of Smedvig ASA. The companies have a total workforce of 300 employees and a turnover of about NOK 400 million.

The new company will take on a leading position in the field of production control and optimalization of oil production. The company will be able to offer numerous complementary products and services in reservoir technology and well monitoring, contributing towards lower costs and enhanced oil recovery for the oil companies.

It is expected that the business combination will be implemented by the third quarter of 1999, and the company will remain public. Hitec's interest will be reduced to approx. 21% after the transaction.



Navis ASA

Hitec has a direct interest of 13%, and an indirect interest of 13% through Dynasea AS, where Hitec has a holding of 51%.

Hitec and the ship design company LMG Marin started the development of the next generation drillship as early as 1995. The result of this work is the Navis design, a special hull shape that results in appreciable reduction in the ship's heave motion. This feature is particularly useful on drillships, enabling the vessel to operate under almost the same weather conditions as a semi-submersible drilling rig.

Navis ASA was established in order to commercialize this technology. In 1997, the company raised MNOK 750 in share capital and was listed on Oslo Stock Exchange. At the same time the drillship "Navis Explorer I" was contracted at the Samsung yard in Korea and orders were placed with Hitec for the drilling equipment. The drillship is scheduled for delivery from the yard in the first quarter of the year 2000.

In 1998 Navis ASA entered into a cooperation agreement with the American drilling contractor R&B Falcon. The terms of the agreement included a private share issue following which R&B Falcon became a major shareholder in Navis, and the company took over the marketing and operating responsibility for Navis Explorer I.

R&B Falcon has the world's largest fleet of offshore drilling units and is building a series of four drill ships, also at the Samsung yard. This building programme is proceeding according to the specified time schedules and budgets.

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We shall think,
learn and improve.
Always.

The quotes on this page and on pages 34, 42 and 44 are taken from Hitec-loven - the Hitec constitution.

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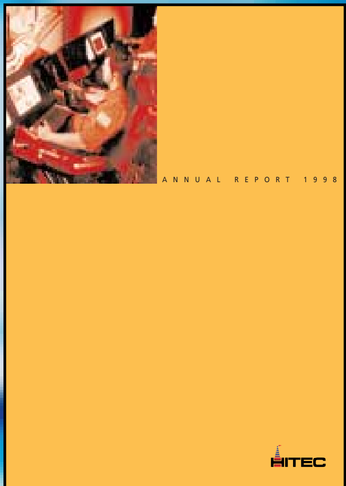

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