

ANNUAL REPORT



BERGESEN ASA



1997



## THE BERGESEN D.Y. GROUP

- SIGVAL BERGESEN D.Y. ESTABLISHED THE BERGESEN D.Y. GROUP IN STAVANGER IN 1935. AS OF 1997, THE GROUP HAS BEEN IN OPERATION FOR 63 YEARS.
- THE COMPANY'S BUSINESS PHILOSOPHY IS TO BE A MAJOR, PROFITABLE AND INDEPENDENT PLAYER IN THE INTERNATIONAL SHIPPING MARKETS.
- BERGESEN HAS DEVELOPED A LARGE FLEET OF WELL DESIGNED AND MAINTAINED VESSELS. QUALIFIED AND EXPERIENCED STAFF ON SHORE AND AT SEA ENSURE EFFICIENT OPERATION OF THE COMPANY AND ITS VESSELS, WHICH MAKES IT POSSIBLE TO MEET CUSTOMER REQUIREMENTS FOR TONNAGE AND FLEXIBILITY, WITH RELIABILITY IN TRANSPORT SERVICES.
- THE BERGESEN D.Y. GROUP IS THE WORLD'S LARGEST OWNER AND OPERATOR OF GAS CARRIERS BETWEEN 8,000-86,000 CBM. THE COMPANY IS ALSO ONE OF THE WORLD'S LARGEST INDEPENDENT U/VLCC OWNERS, AND IS A CONSIDERABLE OPERATOR IN THE MARKET FOR LARGE DRY BULK VESSELS.
- IN JANUARY 1998, THE FLEET CONSISTED OF 95 VESSELS TOTALLING AROUND 11.6 MILL DWT. THE FLEET CONSISTS OF 62 GAS CARRIERS, 26 TANKERS AND 7 DRY BULK VESSELS. THE NUMBER OF DRY BULK VESSELS INCLUDES ONE VESSEL UNDER CONSTRUCTION AND A SECOND-HAND VESSEL THAT HAS BEEN PURCHASED - BOTH TO BE DELIVERED IN 1998.
- BERGESEN HAS CONSIDERABLE EQUITY AND A STRONG LIQUIDITY. THIS GIVES A FINANCIAL BASIS TO TAKE ADVANTAGE OF MARKET CHANGES WHEN BUYING, SELLING AND CHARTERING VESSELS, AND PROVIDES THE COMPANY WITH THE STRENGTH AND FLEXIBILITY NECESSARY FOR CONTRACT NEGOTIATIONS.
- THE COMPANY'S SHARES ARE LISTED ON THE OSLO AND LONDON STOCK EXCHANGES. THE SHARES ARE ALSO TRADED UNDER AN AMERICAN DEPOSITORY RECEIPT (ADR) FACILITY IN NEW YORK.
- BERGESEN INTENDS TO MAINTAIN AND DEVELOP ITS POSITION AS ONE OF THE LEADING INDEPENDENT SHIPPING COMPANIES FOR TRANSPORTING GAS, CRUDE OIL AND DRY BULK CARGOES. THIS WILL BE ACHIEVED BY OFFERING CUSTOMERS A HIGH LEVEL OF SERVICE, MARKED BY QUALITY AND SAFETY.
- THE GROUP'S LONG-TERM GOAL IS TO MAXIMISE VALUE ADJUSTED EQUITY.
- A COMBINATION OF FINANCIAL STRENGTH, CONSIDERABLE EXPERIENCE AND MARITIME EXPERTISE MAKES BERGESEN AN ATTRACTIVE COMMERCIAL PARTNER FOR THE COMPANY'S EXISTING CUSTOMERS AS WELL AS ON NEW PROJECTS, THAT DEMAND SPECIAL AND LONG-TERM TRANSPORT SOLUTIONS.

EVENTS IN 1997

REVISED STCW CONVENTION BECOMES EFFECTIVE.



PRELIMINARY RESULTS FOR 1996 ARE PRESENTED.



FIRST QUARTER RESULTS ARE PRESENTED. OPERATING PROFIT IS NOK 248 MILLION.



BERGESEN'S ANNUAL GENERAL MEETING IS HELD ON 28 APRIL.



BERGESEN'S FRENCH SUBSIDIARY, THE GREEN TANKERS AS, MOVES INTO NEW OFFICES IN PARIS.



SEPARATE DIVISIONS FOR TECHNICAL AND MARITIME OPERATIONS, AND NEW-BUILDINGS AND PROJECT MANAGEMENT, ARE ESTABLISHED.



SECOND QUARTER RESULTS ARE PRESENTED. OPERATING PROFIT IS NOK 224 MILLION.

AN AGREEMENT IS MADE TO SELL INFO-RAMA ANS.



THE HAUGESUND CONFERENCE'S SAFETY AWARD IS PRESENTED TO BERGESEN AND WILH. WILHELMSEN.



ALL VESSELS IN THE BERGESEN FLEET ARE CERTIFIED ACCORDING TO THE ISM CODE.

PRELIMINARY RESULTS FOR 1997 ARE PRESENTED.



FOURTH QUARTER RESULTS ARE PRESENTED. OPERATING PROFIT IS NOK 349 MILLION.



THIRD QUARTER RESULTS ARE PRESENTED. OPERATING PROFIT IS NOK 374 MILLION.



VESSEL BRIDGE SIMULATOR "BERGE BRIDGE" IS NAMED BY MINISTER OF INDUSTRY AND TRADE GRETE KNUDSEN IN TRONDHEIM.

- GAS
- TANKERS
- DRY BULK

JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER JANUARY FEBRUARY



BERGE HUGIN IS DELIVERED FROM SAMSUNG.



LARINA ARRIVES AT ALANG FOR DEMOLITION.



HERDIS IS DELIVERED TO HER NEW OWNERS.



"PICARDIE" AND "ALSACE" ARE DELIVERED AND NAMED BERGE HELENE AND BERGE CHARLOTTE.



CONSTRUCTION SUPERVISION ON "MUNIN", BERGE HUGIN'S SISTER SHIP, IS COMPLETED AND THE VESSEL IS DELIVERED TO STATOIL.



BERGE MASTER IS SOLD.

A DEAL IS MADE TO PURCHASE DRY BULK VESSEL "IRON PACIFIC".



KEEL-LAYING CEREMONY FOR ORE CARRIER BERGE ATLANTIC, WHICH WILL BE DELIVERED DURING THE THIRD QUARTER OF 1998.



BERGE ADRIA IS SOLD FOR DEMOLITION.

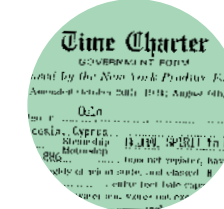


HELICE RESCUES 17 IN THE ATLANTIC.

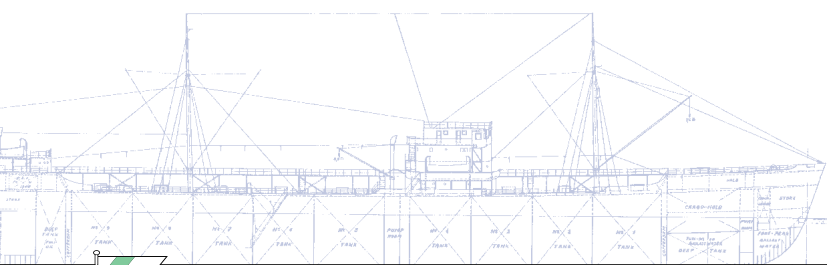


BERGE NORD IS DELIVERED FROM HYUNDAI.

HAVKATT IS DELIVERED TO HER NEW OWNERS.



"GARGANTUA" IS CONTRACTED ON A THREE-YEAR CHARTER PARTY.



## MST BERGE HUGIN



BUILT IN 1997 AT HYUNDAI HEAVY INDUSTRIES CO. LTD, ULSAN, SOUTH KOREA

DEAD WEIGHT TONS: 103,854

LENGTH: 252.00 M

BREADTH: 42.00 M

DEPTH: 23.20 M



MULTIPURPOSE VESSEL BERGE HUGIN IS A JOINT PROJECT BETWEEN BERGESEN AND NAVION. MST STANDS FOR MULTIPURPOSE SHUTTLE TANKER. SINCE ITS DELIVERY IN JANUARY 1997, THE VESSEL HAS OPERATED AS AN ORDINARY TANKER, A SHUTTLE TANKER AND A STORAGE VESSEL. THE VESSEL IS NOW BEING EQUIPPED TO OPERATE AS A PRODUCTION VESSEL ON THE PIERCE FIELD IN THE BRITISH SECTOR OF THE NORTH SEA.



### **INTRODUCTION**

1997 showed improved earnings for the majority of the company's segments. Markets developed mostly as expected, with tankers showing particular improvement. The other markets also developed satisfactorily. This picture was however somewhat disturbed towards the end of the year due to the financial turmoil in Asia. A strong US dollar also contributed to the improved results for 1997, as well as increased value adjusted equity.

The sale of real estate assets continued in 1997, and the company is now, for all practical purposes, concentrating on its shipping activities.

### **PROFITS AND DIVIDENDS**

Operating revenues for the Bergesen d.y. Group totalled NOK 5,575 million for 1997 against NOK 4,511 million in 1996. Operating profit was NOK 1,199 million in 1997 compared with NOK 574 million in 1996. The operating profit before depreciation was NOK 1,927 million in 1997 against NOK 1,239 million in 1996. Net financial items show minus NOK 663 million compared with minus 241 million in 1996.

Pre-tax profit totalled NOK 640 million against NOK 379 million the previous year. Net profit after tax was NOK 636 million. After a booked income of NOK 1,224 million due to reversed deferred tax as a result of the transition to the new tax system for shipping companies, net profit after tax was NOK 1,603 million for 1996.

The board proposes a dividend of NOK 2.00 per share for 1997, up from NOK 1.00 for 1996.

### **VALUE ADJUSTED EQUITY**

Value adjusted equity before tax grew by 29 per cent during 1997 and totalled NOK 211 per share at year-end against NOK 163 per share at the start of the year. Tanker values rose by seven per cent (measured in USD) in 1997. Gas carriers of more than 50,000 cbm showed a small increase in value throughout the year, while values for the smaller vessels were somewhat reduced. As a whole, the value of gas carriers remained virtually unchanged. The value of dry bulk vessels remained unchanged. At the end of 1997, the total market value of Bergesen's fleet was NOK 15.5 billion. Vessels' market values are based on average estimates of charter-free vessels obtained from three international, independent shipbrokers.

### **SHIPPING TAXATION**

The company has completed the necessary reorganisation needed to fulfil the terms required for transition to shipping taxation according to tax regulation § 51-A. Bergesen has adopted the new tax system with effect from 1 January, 1997, with the exception of eight vessels which were subject to such taxation from 1 January, 1996. The company's share in MST Berge Hugin will enter the new tax system at a later stage.

For tax purpose, Bergesen d.y. ASA has established five subsidiaries to own the company's total fleet, including shares in limited and general partnerships. These companies have entered into management agreements with Bergesen d.y. ASA, which will handle technical and commercial operation of the vessels, as has been the case in the past. According to regulations, these companies can not have their own employees.

The shipowning interests have been transferred to the shipping-taxed subsidiaries according

to the transitional provisions of tax regulation § 51-A. Such transfer shall be made at market value, and considerable excess book values have therefore been established in the accounts of the shipping-taxed subsidiaries. These excess book values are eliminated in the consolidated accounts.

The shipping-taxed companies will not pay tax on the profit from ship operations, while net financial items (exclusive of currency income/loss) are subject to ordinary taxation. Taxable financial profit also includes any calculated added interest owing to high shareholders' equity ratio. For these companies, calculated payable tax amounts to a total of NOK 4 million on net financial items. In addition, the companies must pay tonnage tax amounting to NOK 11 million for 1997. Tonnage tax is classified as operating cost in the income statement.



PETTER C. G. SUNDT



LARS A. CHRISTENSEN



CHRISTIAN RINGNES

#### CHANGES IN THE FLEET

A total of four vessels were sold in 1997. Gas carriers Herdis and Havkatt were sold in the second-hand market in March and October. Dry bulk vessel Larina was sold for scrapping in April, while dry bulk vessel Berge Master was sold to Greek interests in September. These sales gave a total accounting profit of NOK 92 million. In January 1998, Berge Adria was sold for scrapping with an expected gain for the company's 65 per cent share of approximately NOK 27 million in the first quarter of 1998.

Effective as of the fourth quarter of 1997, Bergesen has increased its ownership in gas carrier Havis from 52.5 per cent to 72.5 per cent. There have also been some minor changes in ownership shares in gas carriers in connection with company reorganisation for shipping taxation. (See gas fleet list pages 46 and 47).

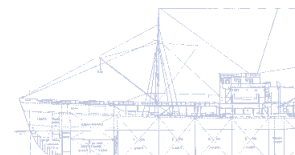
MST Berge Hugin was delivered from Korean shipbuilder Samsung in January 1997. The vessel has been operated as a shuttle tanker until December, when conversion into a floating production vessel started. The vessel is expected to begin oil production on the Pierce field in the UK sector for Enterprise Oil in August 1998.

In April, the company took over the last two of a total of five VLCC vessels purchased from Exxon in 1996. These vessels, named Berge Charlotte and Berge Helene, are chartered to Esso France on timecharter until 25 years of age. The vessels are operated by the company's Paris office under French flag (Kerguelen).

Berge Nord, a specially designed 220,353 dwt ice-reinforced ore carrier, was delivered from Hyundai Heavy Industries in South Korea in April. The vessel is employed in ore transportation from Canada to Rotterdam on a 10-year contract with Rohstoffhandel of Germany.

The company further increased its involvement in the dry bulk market toward the end of the year with an agreement to purchase the 231,851 dwt dry bulk carrier Iron Pacific, built in 1986, for USD 33 million. Delivery will take place during the first half of 1998. In addition, an agreement was made to charter in for a three-year period, effective from winter 1998, the 221,118 dwt dry bulk vessel Gargantua, built in 1983, with an option for two more years plus an option to buy. These vessels will be used to serve the company's customers in Europe and Asia. Bergesen's joint venture partner for many years, General Ore International Corporation Limited (GOICL), has a 35 per cent share in these contracts.

According to a newbuilding contract, Bergesen will take delivery of a specially developed, 172,000 dwt, ice-reinforced dry bulk vessel from Hyundai Heavy Industries in the third



quarter of 1998. This vessel will serve on a 15-year timecharter to British Steel. The new-building is owned 65 per cent by Bergesen and 35 per cent by GOICL.

### SHIPPING OPERATIONS

The combined t/c profit showed an increase from NOK 3,155 million in 1996 to NOK 4,063 million in 1997. Operating profit before depreciation totalled NOK 1,891 million in 1997 against NOK 1,216 million in 1996. After depreciation, operating profit was NOK 1,184 million compared to NOK 563 million the year before.

### GAS

Gas carriers achieved an operating profit before depreciation of NOK 973 million in 1997 against NOK 809 million in 1996. Operating profit totalled NOK 577 million compared with NOK 371 million in 1996. Like 1996, 1997 showed considerable variation in the development of the various gas segments. The large vessels contributed most to improved earnings in the gas segment. In 1997, Bergesen's gas carriers achieved an average net t/c profit of USD 542,000 per month compared with USD 525,000 per month in 1996.

The company continued to employ its vessels above 70,000 cbm on timecharters. Eleven new t/c contracts of more than 12 months' duration were concluded in 1997. In addition, five t/c contracts for 50,000 cbm vessels were concluded. At the end of 1997, the gas fleet had an average contract coverage of 40 per cent for 1998 and 20 per cent for 1999.

In particular, the market for LPG transportation showed a particular improvement in 1997. The ammonia market improved somewhat less, and showed lower earnings than LPG. The market for transportation of petrochemical gas developed negatively in 1997 after a build-up of local production capacity in the East.

### TANKERS

Operating profit before depreciation for tankers was NOK 819 million in 1997, up from NOK 283 million in 1996. Operating profit was NOK 543 million compared with NOK 114 million the year before. The VLCC market continued to improve in 1997. Oil demand increased again, with half of this growth in Asia. In contrast to 1996, when non-OPEC countries were able to cover a sizeable portion of global growth demand, the growth in demand in 1997 was covered to a larger degree by the OPEC countries. OPEC increased its market share for the first time in years.

The tanker market improved throughout the year, with a peak in October/November. Towards the end of the year, however, the spot market fell to less than half of the peak level. This was caused by a mild winter in the major consumption areas, as well as a slight stock reduction in Asia.

The number of VLCCs that were sold for scrap during 1997 was minimal, while contract activity was high. At the end of the year, there was an order book for 65 vessels.

### DRY BULK

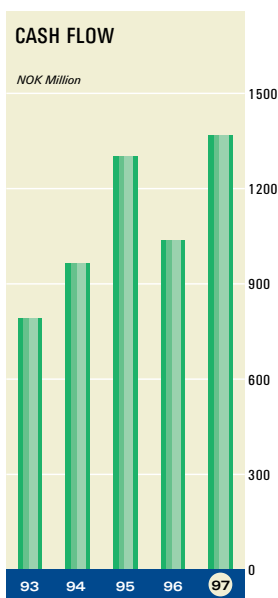
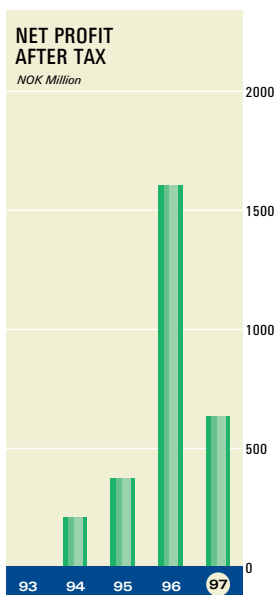
Dry bulk vessels achieved an operating profit before depreciation of NOK 99 million in 1997 against NOK 96 million in 1996. Operating profit was NOK 64 million in 1997 against



JOHAN FR. ODFJELL



MORTEN SIG. BERGESEN



NOK 65 million in 1996. The major portion of the company's fleet has been engaged on long-term contracts throughout the year and were therefore mostly unaffected by developments in the spot market.

In contrast to 1996, when the market for large dry bulk vessels showed a falling trend for the first three quarters, 1997 showed a rise that lasted until the middle of the fourth quarter. In November, the spot and t/c markets were weaker. Rates fell further towards the end of the quarter, in line with the downward adjustment in growth prognosis for Asia. Even so, the Capesize fleet did better than the smaller dry bulk segments in 1997, due to a strong growth in the world economy which contributed to record-high steel production and imports of iron ore and coal. Furthermore, the Capesize fleet expanded more moderately than the Handy and Panamax fleets.

## OPERATIONS AND ENVIRONMENT

Fleet operations have been satisfactory in 1997. There have been no major changes in vessel operation costs compared to the year before, but crew and maintenance costs increased, partly as a result of the increased average age of the fleet. This trend will continue in 1998, in order to maintain the company's standards and to meet customer demands.

Operations in 1997 were affected by major efforts connected to certification of all the company's vessels to comply with the new International Safety Management Code, which will be effective from 1 July 1998. At the end of the year, all the company's vessels were certified according to this code.

In 1997 Bergesen has also allocated considerable resources to train its sailing personnel. The company implemented «Computer Based Training» programs to improve on-board training, as well as investing in a new simulator at the Ship Manoeuvring Simulator Centre (SMS) in Trondheim. This will increase both the institute's and Bergesen's training capacity. The company makes considerable use of the centre as an integral part of its education and training programme.

Bergesen obtained a very satisfactory level of accidents also in 1997 compared both to the norm for the shipping business and to the size of the company.

The company's vessels satisfy all international requirements for pollution prevention. Bergesen is an active participant in the Norwegian Shipowners Association's environmental programme and started a programme this year to abandon freon as a coolant from its refrigerated cargo installations on gas carriers.

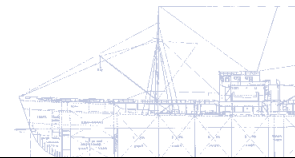
The company is presently working on a format for environmental reporting. Please see pages 50-52 for further description of the company's health, environment and safety policy.

For information concerning employees and working conditions, please see note 4.

## OTHER ACTIVITIES

At the end of 1997, other activities consisted of a few property holdings (including the company's office building) with an estimated market value of NOK 804 million. Operating revenues were NOK 40 million in 1997 against NOK 56 million in 1996. Operating profit was NOK 15 million compared with NOK 11 million the year before.

The company's department store in Sarpsborg was sold in April 1997 with an accounting



profit of NOK 6 million. In addition, housing properties were sold with a total profit of NOK 6 million. In December, Bergesen concluded a sales agreement for Info-Rama ANS (the conference and exhibition centre plus the Rica Hotel Oslofjord) for NOK 290 million. This gives a profit of about NOK 80 million for the first quarter of 1998.

**FINANCIAL ITEMS**

The company's net interest expenses for 1997 totalled NOK 267 million compared with NOK 284 million in 1996. Dollar interest rates were relatively stable throughout 1997. The six-month LIBOR interest was 5.7 per cent at the end of 1997 against 5.5 per cent at the start of the year.

The USD exchange rate rose from NOK 6.44 to 7.32 at the end of 1997. Net currency loss totalled NOK 452 million for 1997 against NOK 19 million in 1996. In 1997, Bergesen earned a profit of NOK 5 million from sales of securities against NOK 23 million in 1996. Unrealised profits on the company's share portfolio increased to NOK 1,718 million during the year. A general rise in share prices, in particular Kværner shares, contributed to the increase. Kværner shares have fallen considerably since the end of the year and the surplus value in early March was reduced to NOK 1,270 million.

At the end of the year, a 25-year finance agreement was signed for the company's new 172,000 dwt dry bulk vessel under construction at Hyundai Heavy Industries. The agreement was made in GBP with floating interest but has been converted to USD and fixed interest via currency and interest rate swaps.

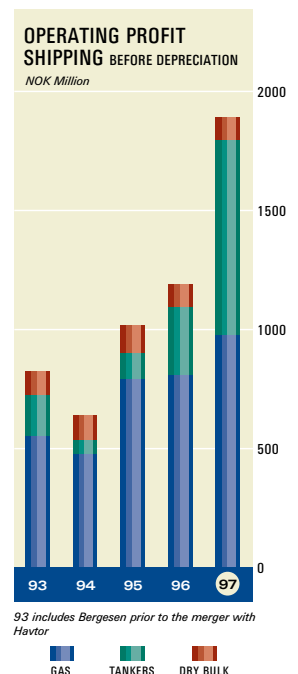
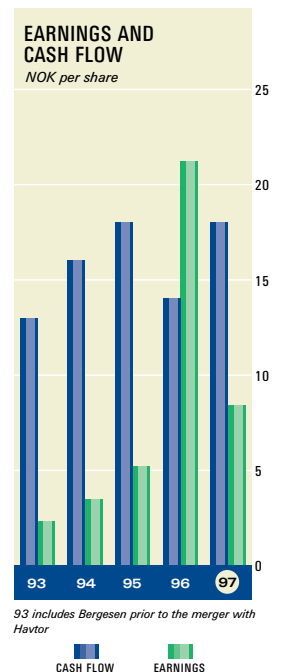
Liquid assets (bank deposits, bonds, certificates and shares at cost price) totalled NOK 3,056 million at the end of 1997 against NOK 1,840 million at the end of 1996. At the end of the year, interest-bearing debt was at NOK 5,146 million against NOK 4,931 million in 1996. At year-end, the company had unutilised lines of credit on existing facilities totalling USD 440 million.

**SHARES AND SHAREHOLDERS**

The price for Bergesen's A shares was NOK 156 at the start of the year, with a corresponding NOK 152 for B shares. At year-end, prices were NOK 174 and 172 for A and B shares respectively. Prices varied considerably during the year with a low of NOK 140 and a high of NOK 223.

On average 176,000 shares were traded per day on the Oslo Stock Exchange while 123,000 shares were traded per day in London during 1997. In all, some 75 million shares, equalling 100 per cent of total company shares, were traded. The total percentage of shares in foreign hands was 38 per cent at the end of 1997. At year-end, company chairman Petter C.G. Sundt, through direct and indirect ownership, remained the company's largest shareholder with 18 per cent of voting A shares (13 per cent of share capital). Managing Director Morten Sig. Bergesen owned 9 per cent of A shares (7 per cent of share capital) at the end of the year.

As of 1 January 1998, the estimated RISK adjustment for Bergesen shares was minus NOK 1.80 per share. As of 1 January 1996, RISK is set at minus NOK 0.47 per share, while RISK as of 1 January 1997 is preliminary set at minus NOK 1.20 per share.



## PARENT COMPANY ACCOUNTS

In 1997, the group's parent company, Bergesen d.y. ASA, showed a net profit after tax of NOK 4,321,400,188 including profit on sale of assets to shipping-taxed subsidiaries. After receiving a net group contribution of NOK 50,845,251, a total of NOK 4,372,245,439 is available for allocation.

The board proposes the following allocations:

Dividend NOK 2,00 per share	NOK	151,519,322
Legal reserve	NOK	432,200,000
Undistributed reserve	NOK	3,788,526,117
Total allocations	NOK	4,372,245,439

## PROSPECTS FOR THE FUTURE

Financial turmoil in a number of Asian countries has created uncertainty in the shipping markets. Demand for oil and gas in this region may decline somewhat, in line with the general drop in economic growth in these countries, which in turn could affect the company's results for 1998.

Bergesen's VLGC and LGC fleets (gas carriers of more than 50,000 cbm) have a comfortable degree of contract coverage for 1998 and are expected to maintain earnings at around the same levels as were seen in 1997. The MGC, Handygas and Igloo fleets also expect results in line with 1997.

A downward adjustment in the prognosis for growth in demand for oil will have consequences for the expected further improved earnings in the tanker market. The company believes that rates for large tankers will remain at around the same levels as for the previous year. Delivery of new tonnage will be limited in 1998, but will increase in 1999.

Bergesen's dry bulk fleet is mostly employed on long term contracts and exposure to spot market changes is limited. Profits are expected to be in line with last year.

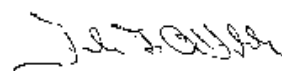
On the whole, operating profit in 1998 is expected to be around the same level as in 1997.

Oslo, 12 March 1998

The Board of Bergesen d.y. ASA



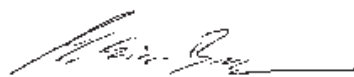
PETTER C.G. SUNDT



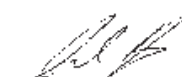
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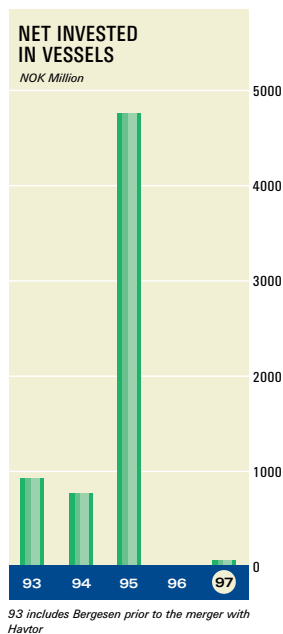
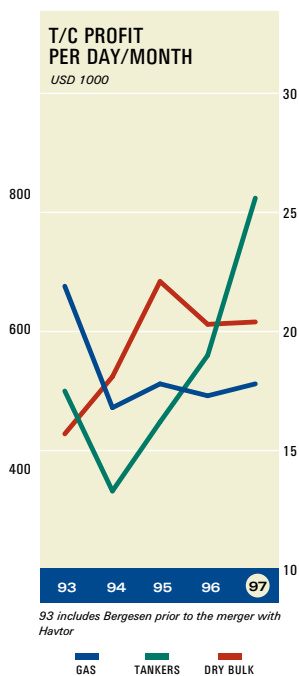
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CHRISTIAN RINGNES



## INCOME STATEMENT

		BERGESEN D.Y. GROUP			BERGESEN D.Y. ASA	
<i>NOK million</i>	<i>Note</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1997</i>	<i>1996</i>
<b>OPERATING REVENUE (EXPENSES)</b>						
<b>Operating revenue</b>	<i>1</i>	<b>5,575</b>	<b>4,511</b>	<b>4,359</b>	<b>1,049</b>	<b>3,734</b>
Wages, social security and pensions	<i>1-5</i>	-796	-691	-803	-932	-575
Other operating expenses	<i>1-3</i>	-2,852	-2,581	-2,465	-104	-2,090
<b>Operating profit before depreciation</b>		<b>1,927</b>	<b>1,239</b>	<b>1,091</b>	<b>13</b>	<b>1,069</b>
Depreciation	<i>1,21</i>	-728	-665	-814	-38	-545
<b>Operating profit</b>	<i>1</i>	<b>1,199</b>	<b>574</b>	<b>277</b>	<b>-25</b>	<b>524</b>
<b>FINANCIAL INCOME (EXPENSES)</b>						
Interest income		68	77	87	214	80
Intercompany interest		-	-	-	0	9
Dividend income		44	47	40	26	46
Profit on securities		5	23	207	919	23
Other financial income	<i>6</i>	14	2	11	11	5
Interest expenses		-335	-361	-327	-265	-326
Exchange income (loss)	<i>7</i>	-452	-19	160	-494	-47
Other financial expenses		-7	-10	-24	-6	-10
<b>Net financial items</b>		<b>-663</b>	<b>-241</b>	<b>154</b>	<b>405</b>	<b>-220</b>
<b>PROFIT ON SALE OF LONG TERM ASSETS</b>						
Net profit (loss) on sale of long term assets		104	-15	58	3,955	-64
<b>EXTRAORDINARY ITEMS</b>						
Change of accounting principle		0	61	0	0	48
<b>Net profit before tax</b>		<b>640</b>	<b>379</b>	<b>489</b>	<b>4,335</b>	<b>288</b>
Tax	<i>8</i>	-4	1,224	-116	-14	1,129
<b>Net profit after tax</b>		<b>636</b>	<b>1,603</b>	<b>373</b>	<b>4,321</b>	<b>1,417</b>
<i>Equity transfers and allocations:</i>						
Net profit after tax					4,321	1,417
Group contribution received					51	0
From temporary restricted funds					0	116
For allocation					4,372	1,533
<i>Proposed allocation:</i>						
Dividend					152	76
Legal reserve					432	141
Undistributed profit					3,788	1,316
Total allocations					4,372	1,533
Earnings per share, NOK	<i>9</i>	8.4	21	5.2		
Cash flow per share, NOK	<i>9</i>	18	14	18		

## BALANCE SHEET

ASSETS		BERGESEN D.Y. GROUP		BERGESEN D.Y. ASA	
<i>NOK Million</i>	<i>Note</i>	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
<b>CURRENT ASSETS</b>					
Bank deposits	25,29	2,050	943	114	759
Bonds, certificates etc.	10	48	68	48	68
Shares	11	958	829	724	829
Receivables, interest bearing	12	0	10	0	77
Receivables, non interest bearing	13	494	516	84	378
Bunkers and other inventories		89	101	0	73
<b>Total current assets</b>		<b>3,639</b>	<b>2,467</b>	<b>970</b>	<b>2,184</b>
<b>LONG TERM ASSETS</b>					
Shares in subsidiaries	14	-	-	11,151	531
Shares and holdings in other companies	15,16	9	11	24	27
Net pension assets	5	26	38	26	6
Other receivables	17	90	93	74	138
Intercompany receivables		-	-	3,918	472
Paid newbuilding instalments	18	87	380	0	380
Periodic maintenance		382	358	0	284
Vessels	19,21	9,800	9,962	0	8,358
Equipment, vehicles etc.	21	34	39	33	39
Real estate	20,21	567	595	208	225
Goodwill	21	96	92	64	92
<b>Total long term assets</b>		<b>11,091</b>	<b>11,568</b>	<b>15,498</b>	<b>10,552</b>
<b>Total assets</b>		<b>14,730</b>	<b>14,035</b>	<b>16,468</b>	<b>12,736</b>

LIABILITIES AND EQUITY		BERGESEN D.Y. GROUP		BERGESEN D.Y. ASA	
<i>NOK Million</i>	<i>Note</i>	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
<b>CURRENT LIABILITIES</b>					
Unpaid VAT, withholding tax,					
social security, holiday pay etc.		80	86	20	67
Tax, payable	8	1	4	0	4
Dividend		152	76	152	76
Other liabilities, non interest bearing	23	465	564	77	470
Current portion of mortgage debt	24,25	156	200	0	123
<b>Total current liabilities</b>		<b>854</b>	<b>930</b>	<b>249</b>	<b>740</b>
<b>LONG TERM LIABILITIES</b>					
Intercompany liabilities		-	-	179	1
Net pension obligations	5	104	76	104	70
Mortgage debt	24,25	892	891	0	124
Other liabilities, interest bearing	24,25	4,098	3,840	4,095	4,094
Deferred tax	8	81	81	0	86
<b>Total long term liabilities</b>		<b>5,175</b>	<b>4,888</b>	<b>4,378</b>	<b>4,375</b>
<b>Total liabilities</b>		<b>6,029</b>	<b>5,818</b>	<b>4,627</b>	<b>5,115</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital		189	189	189	189
Legal reserve		-	-	2,559	2,127
Temporary restricted funds		-	-	68	68
Undistributed profit		-	-	9,025	5,237
Other equity		8,512	8,028	-	-
<b>Total shareholders' equity</b>	26	<b>8,701</b>	<b>8,217</b>	<b>11,841</b>	<b>7,621</b>
<b>Total liabilities and equity</b>		<b>14,730</b>	<b>14,035</b>	<b>16,468</b>	<b>12,736</b>
Unpaid newbuilding and secondhand instalments	18	280	361	0	361
Assets charged	27	1,967	2,378	0	2,333
Guarantees and joint several liabilities	28	2,199	2,215	2,159	2,181

## CASH FLOW STATEMENT

NOK Million	Note	BERGESEN D.Y. GROUP			BERGESEN D.Y. ASA	
		1997	1996	1995	1997	1996
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net profit after tax		636	1,603	373	4,321	1,417
Change deferred tax	8	0	-1,224	113	87	-1,129
Depreciation		728	665	814	38	545
Pension costs		40	28	16	14	13
Periodic maintenance		-30	-87	-	284	-84
Unrealised foreign exchange loss	7	520	-16	-29	420	-9
Profit/loss on sale of fixed assets		-104	15	-58	-3,955	64
Changes in inventories, receivables and short term liabilities		-64	362	-200	1	248
Deferred capital gains shares. Profit(loss) securities		-5	-23	-207	-919	-23
<b>Net cash from operating activities (1)</b>		<b>1,721</b>	<b>1,323</b>	<b>822</b>	<b>291</b>	<b>1,042</b>
<b>CASH FLOW FOR INVESTING ACTIVITIES</b>						
<i>Payment for purchase of:</i>						
Vessels bought second hand		-238	-223	-4,803	0	0
Newbuilding instalments		-285	-137	-243	0	-137
Real estate		-2	-13	-40	0	0
Intercompany liabilities		-	-	-	-3,259	-
Shares in subsidiaries		-	-	-	-10,621	-
Other fixed assets		0	-26	-82	0	-151
Goodwill		-34	0	-142	0	0
Current shares		-145	-33	-572	-145	-57
<i>Proceeds from sale of:</i>						
Vessels		401	447	293	12,681	303
Real estate		21	51	2	21	28
Other fixed assets		16	62	3	67	49
Current shares		18	99	810	1,042	99
<b>Net cash for investing activities (2)</b>		<b>-248</b>	<b>227</b>	<b>-4,774</b>	<b>-214</b>	<b>134</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from new loans		152	661	2,557	0	899
Loan repayments		-462	-2,448	-553	-666	-2,494
Intercompany liabilities		-	-	-	0	452
New shares issued		0	0	2,317	-	-
Dividend paid		-76	-76	-57	-76	-76
<b>Net cash from financing activities (3)</b>		<b>-386</b>	<b>-1,863</b>	<b>4,264</b>	<b>-742</b>	<b>-1,219</b>
<b>Net increase (decrease) in cash (1+2+3)</b>		<b>1,087</b>	<b>-313</b>	<b>312</b>	<b>-665</b>	<b>-43</b>
Cash as of 1 January		1,011	1,324	1,012	827	870
Cash as of 31 December		2,098	1,011	1,324	162	827
<b>DETAILS OF CASH AND CASH EQUIVALENTS</b>						
Bank deposits		2,050	943	1,242	114	759
Bonds, certificates etc.		48	68	82	48	68
<b>Cash as of 31 December</b>		<b>2,098</b>	<b>1,011</b>	<b>1,324</b>	<b>162</b>	<b>827</b>

## ACCOUNTING PRINCIPLES

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

### A) PRINCIPLES OF CONSOLIDATION

The consolidated accounts include the parent company Bergesen d.y. ASA and its subsidiaries (cf. note 14). The consolidated accounts are prepared on the basis of uniform accounting principles that apply to the whole Group.

Intercompany transactions, receivables and liabilities have been eliminated. The cost of shares in subsidiaries has been eliminated in the consolidated accounts against equity in the subsidiaries at the time of purchase (Purchase method). The excess values have been allocated to those assets to which the values relate, and are depreciated over the assets' estimated economic life. Excess values not traceable to material assets have been classified as goodwill and are depreciated over five years.

### B) SHAREHOLDINGS AND INVESTMENTS IN OTHER COMPANIES

Vessels that are not wholly owned are owned through investments in Norwegian general and limited partnerships, with the exception of Settebello, which is owned through Amazon Transport Inc. The investments in these companies represent either joint ventures or means of financing, and are included in the accounts on a pro rata basis. Thus, assets, liabilities, income and expenses are included with the percentage owned by the company. A number of the company's wholly and partially owned vessels participate in shipping pools which are also included in the accounts on a pro rata basis. Investments in associated companies (including investments in properties in USA) are presented according to the equity method. Bergesen's share of the profit is included in financial items, while the book value of the investments is reported as shares and holdings in other companies under long term assets. Other investments are included in accordance with the cost method. Long term shareholdings are written down when the decline in value is considered material and permanent. Own shares are deducted in equity.

### C) INCOME RECOGNITION

Income and expenses related to voyages are accounted for on the percentage of completion basis. Demurrage is recognised as revenue when the claim is considered probable.

### D) PERIODIC MAINTENANCE

From 1996, periodic maintenance related to classification and drydocking is capitalised and amortised over the period to the next periodic maintenance. Correspondingly, a part of the cost price of vessels acquired is capitalised as periodic maintenance.

### E) OTHER MAINTENANCE

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

### F) SHARES, BONDS AND CERTIFICATES

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

### G) RECEIVABLES

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

### H) BUNKERS AND OTHER INVENTORIES

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

### I) FIXED ASSETS AND DEPRECIATION

Depreciable fixed assets are booked on the balance sheet at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the remaining economic life of the individual assets. As from 1 January 1995, gas carriers are depreciated over 30 years. As from 1 January 1996, tankers and dry bulk vessels are depreciated over 25 years. Real estate is depreciated at three per cent per annum, based on the historical cost.

### J) NEWBUILDINGS

Instalments on newbuilding projects are booked as long term assets when payments are made. Interest incurred during the building period is charged against operations. New vessels are included in the balance sheet upon delivery from the shipyard.

The cost price comprises total newbuilding instalments based on the rate of exchange at the payment dates, plus any additional expenses not included in the newbuilding contract.

#### **K) LEASING**

Financial leases are capitalized in the balance sheet. Operational leases are expensed.

#### **L) FOREIGN EXCHANGE**

Bank deposits in foreign currencies are booked at year end rates of exchange. Other current assets and short term liabilities in foreign currencies are treated on a portfolio basis. The same principle has been applied to long term investments, liabilities and forward exchange contracts. Unrealised gains in the same portfolio are not reported as income, while unrealised losses are booked in their entirety. Net unrealised expenses are reversed in the accounts when the unrealised losses are reduced or eliminated.

#### **M) TAX**

Total taxes in the income statement include both the period's payable tax and the change in deferred tax. Deferred tax is included in long term liabilities in the balance sheet. Deferred tax is calculated with 28 per cent of the temporary differences related to the businesses outside the shipping tax system.

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

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

The evaluation of the present value of the deferred tax

regarding the shipping activities is based on the company's dividend policy, the liquidity reserves and the retained taxed earnings in those parts of the group that will not be subject to the new tax system, and the company's intention of maintaining its shipping activities. Deferred tax exceeding the calculated present value was taken to income in 1996 and classified as a separate item. A tonnage tax is charged independently of the company's net profit. Tonnage tax is classified as other operating expenses. Reference is made to note 8.

#### **N) PENSIONS**

Net pension costs include current service costs (including the effect of expected future salary increases) and interest on the pension obligations less the estimated return on pension plan assets. The losses and gains from changes in actuarial assumptions and pension plans are taken into account when exceeding 10 per cent of gross pension obligations or pension plan assets, whichever is higher. These losses and gains are amortised over the average remaining service period. In the balance sheet, pension plans with net pension obligations are reported as long term liabilities and pension plans with net pension assets are reported as long term assets. Refer also to notes 5 and 26.

#### **O) THE EFFECT OF CHANGES IN PRINCIPLES AND ESTIMATES**

As disclosed in item D) above, the company changed its accounting principle for recognising periodic maintenance in 1996. The implementation effect of the change has been booked as a reduction to the net book value of each vessel within the vessel's book values. Reductions beyond the book value are classified as extraordinary income. The depreciation period for tankers and dry bulk vessels was changed from 20 to 25 years in 1996.

#### **P) CASH FLOW STATEMENT**

The company applies the indirect method.

**NOTE 1** — BREAKDOWN OF REVENUE AND OPERATING PROFIT OF THE BERGESEN D.Y. GROUP

NOK Million	TOTAL		SHIPPING		OTHER ACTIVITIES	
	1997	1996	1997	1996	1997	1996
<b>Operating revenue</b>	<b>5,575</b>	<b>4,511</b>	<b>5,535</b>	<b>4,455</b>	<b>40</b>	<b>56</b>
Wages, social security and pensions	-796	-691	-796	-691	-	-
Other operating expenses	-2,852	-2,581	-2,848	-2,548	-4	-33
<b>Operating profit before depreciation</b>	<b>1,927</b>	<b>1,239</b>	<b>1,891</b>	<b>1,216</b>	<b>36</b>	<b>23</b>
Depreciation	-728	-665	-707	-653	-21	-12
<b>Operating profit</b>	<b>1,199</b>	<b>574</b>	<b>1,184</b>	<b>563</b>	<b>15</b>	<b>11</b>
Percentage of total operating profit	100	100	99	98	1	2

**NOTE 2** — REMUNERATION TO THE BOARD OF SHAREHOLDERS' REPRESENTATIVES, THE BOARD OF DIRECTORS, THE MANAGING DIRECTOR AND THE AUDITOR OF BERGESEN D.Y. ASA

NOK 1000	1997	1996
Board of Shareholders' Representatives	120	135
Board of Directors	1,300	1,417
Managing Director	2,433	2,185
Auditor, auditing	792	1,144
Auditor, consulting	267	305

Managing Director Morten Sig. Bergesen is entitled to a compensation of two years salary upon termination of his service agreement.

**NOTE 3** — RELATED PARTY TRANSACTIONS

There are no material related party transactions other than those described in note 2.

**NOTE 4** — PERSONNELL AND WORKING ENVIRONMENT

NUMBER OF EMPLOYEES	1997	1996
Bergesen, Oslo (Head office)	214	213
Bergesen, Stavanger	8	8
Offices, abroad	8	8
Norwegian seamen	1,148	1,101
Foreign seamen	2,539	2,533
<b>Total Bergesen d.y. Group</b>	<b>3,917</b>	<b>3,863</b>

Loans to employees amounted to NOK 31 million at the end of 1997. The working environment in the individual companies of the Bergesen d.y. Group is good.

**NOTE 5** — PENSION PLANS

Bergesen has collective pension plans for some groups of employees in separate pension funds and in life insurance companies. The plans are based on a service period of 30 years, 66 per cent pension of the basis as per 1 January the year the member becomes 67 years old, and also include spouse and child support. All pension benefits are computed after taking into consideration the estimated Social Security benefits.

As per 31 December 1997 the plans had 1,484 members. In addition to the pension obligations covered by the pension plans, Bergesen has pension obligations that cannot be covered by the plans. These obligations pertain to persons not included in the plans and early retirement agreements. Estimated values are used to measure plan assets and obligations. Each year these estimates are adjusted according to fair value of plan assets and actuarial computation of the obligations. The calculations are based on standard actuarial assumption from The Association of Norwegian Insurance Companies. The calculations are adjusted for turnover based on statistical information for previous years.

CONT. NOTE 5

THE FOLLOWING ASSUMPTIONS ARE APPLIED IN THE ACTUARIAL COMPUTATIONS:	31.12.97	31.12.96
Discount rate	7.0 %	7.0 %
Estimated return on plan assets	8.0 %	8.0 %
Rate of salary increase	3.5 %	4.0 %
Inflation	2.5 %	3.0 %
Pension payment increase	3.5 %	4.0 %
<b>THE NET ANNUAL PENSION COST INCLUDES THE FOLLOWING ELEMENTS (NOK Million):</b>		
	1997	1996
Service cost, at net present value	49	44
Interest on pension obligations	32	28
Estimated return on plan assets	-36	-32
Amortised effect of changes in assumptions and pension plans, and differences between actual and estimated return on pension plan assets	2	0
Social security tax	6	5
Pension cost	53	45
<b>PENSION PLAN ASSETS AND OBLIGATIONS PER (NOK Million)</b>		
	31.12.97	31.12.96
Estimated value of plan assets	488	442
Estimated value of pension obligations	-533	-451
Unamortised effect of changes in assumptions and pension plans, and differences between actual and estimated return on pension plan assets	-20	-21
Estimated net plan assets (obligations)	-65	-30
Social security tax	-13	-8
Net plan assets (obligations) in balance sheet	-78	-38
<i>Hereof:</i>		
Net plan assets, in overfunded plans	26	34
Net plan obligations, in underfunded plans	-104	-72

**NOTE 6** — OTHER FINANCIAL INCOME

Other financial income includes the company's share of profits in limited and general partnerships which are booked according to the equity method (see note 15).

**NOTE 7** — FOREIGN EXCHANGE

In 1997 there was a realised exchange gain of NOK 68 million, which consisted of net income realised on bank deposits held in foreign currencies at year end, exchange income or expenses realised through the repayment of debts and the settlement of forward exchange contracts. In 1997, an unrealised loss of NOK 520 million has been booked. The net exchange loss in 1997 thus amounted to NOK 452 million.

**NOTE 8** — TAXES

NOK Million	BERGESEN D.Y. GROUP		BERGESEN D.Y. ASA	
	1997	1996	1997	1996
<b>THE YEAR'S TAX</b>				
Payable tax	-4	0	0	0
Deferred tax	0	1,224	-14	1,129
<b>Total tax</b>	<b>-4</b>	<b>1,224</b>	<b>-14</b>	<b>1,129</b>

CONT. NOTE 8		BERGESEN D.Y. GROUP	
TEMPORARY DIFFERENCES		1997	1996
<i>Outside the shipping tax system:</i>			
Current items		79	66
Long-term items		-21	36
Tax loss carried forward		-491	-26
Income basis for corporation tax credit		-193	-143
<b>Net temporary differences</b>		<b>-626</b>	<b>-67</b>
<i>Inside the shipping tax system:</i>			
Accumulated untaxed income		644	0
Negative balance on account for retained taxed earnings		9,535	5,614
<b>Net temporary differences</b>		<b>10,179</b>	<b>5,614</b>
<b>Deferred tax, net</b>		<b>81</b>	<b>81</b>

Tonnage tax in 1997 amounts to NOK 11 million, which is booked as other operating expenses.

TAX BASIS FOR BERGESEN D.Y. ASA	1997	1996
Net profit before tax	4,335	288
Permanent differences	-4,855	-50
Group contribution	51	0
Temporary differences	-7	-262
<b>Tax basis (loss carried forward)</b>	<b>-476</b>	<b>-24</b>

## NOTE 9 — EARNINGS AND CASHFLOW PER SHARE

The number of shares in 1997 and 1996 is 75,759,661. For 1995 the average number of shares were calculated at 71,792,759 and for 1994 at 59,892,054 shares. The merger with Havor (including amortisation of Bergesen's Havor shares) is adjusted as of 1 January 1994, while the new shares issued for the purchase of the Kværner fleet have been included from 1 April 1995. Earnings per share are calculated on the basis of net profit after tax divided by the average number of shares issued. Cash flow per share is calculated as net profit after payable tax plus depreciation divided by the average number of shares issued.

## NOTE 10 — BONDS, CERTIFICATES ETC.

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

## NOTE 11 — SHARES - CURRENT ASSETS

	NO. OF SHARES	HOLDING IN PER CENT		BOOK VALUE		MARKET VALUE	
		1997	1996	1997	1996	1997	1996
<i>NOK Million</i>	<i>31.12.97</i>						
Kværner A	3,000,000	6.9	12.9	407	618	1,129	1,737
Orkla A	16,777	0.0	0.0	4	4	11	7
Orkla B	88,620	0.2	0.2	13	13	51	36
Arendals Fossekompagni	478,688	19.3	9.8	212	67	275	138
Glamox	125,747	27.3	27.3	49	49	44	48
Hotel Alexandra	70,296	30.3	30.3	13	13	12	12
Norsk Vekst	50,000	0.8	0.8	5	5	12	9
Octav Invest	13,000	20.0	20.0	15	15	90	61
Skibsaksjeselskapet Solvang	379,200	1.7	1.7	5	5	6	5
Other Norwegian Companies		-	-	1	17	1	22
<b>Total Bergesen d.y. ASA</b>				<b>724</b>	<b>806</b>	<b>1,631</b>	<b>2,075</b>

CONT. NOTE 11	NO. OF SHARES	HOLDING IN PER CENT		BOOK VALUE		MARKET VALUE	
		1997	1996	1997	1996	1997	1996
<i>NOK Million</i>	31.12.97						
<i>Owned by subsidiaries:</i>							
Kværner A	2,594,733	6.0	-	211	-	975	-
Kværner B	205,552	0.5	0.5	23	23	70	57
<b>Total Bergesen d.y. Group</b>				<b>958</b>	<b>829</b>	<b>2,676</b>	<b>2,132</b>

#### NOTE 12 — RECEIVABLES. INTEREST BEARING

Interest bearing receivables consist of insurance claims regarding the vessels, receivables from general and limited partnerships (external owners' shares) and other items.

#### NOTE 13 — RECEIVABLES. NON INTEREST BEARING CURRENT ASSETS

Non interest bearing receivables consist mainly of accrued freight and interest income, as well as accounts receivables from charterers and agents.

#### NOTE 14 — SHARES IN SUBSIDIARIES

	HOLDING IN PER CENT		BOOK VALUE	
	1997	1996	1997	1996
<i>NOK Million</i>				
Bergehus AS	100	100	133	133
Bergesen d.y. Shipping AS	100	100	9,622	279
Igloo Shipping AS	100	-	784	-
Handygas Shipping AS	100	-	191	-
Partgas Shipping AS	100	-	68	-
Bergesen d.y. Hugin Shipping AS	100	-	343	-
AS Helengas	100	100	8	8
Havtor Management AS	100	100	0	0
Bergesen d.y. Igloo Gas AS	100	100	2	2
Igloo Handy Gas Carriers AS	100	100	0	0
Bergesen d.y. Gas Carriers (Oslo) AS	86	86	0	0
The Green Tankers AS	100	100	0	0
The Green Tankers Holding Co.	100	100	0	0
<b>Total Bergesen d.y. ASA</b>			<b>11,151</b>	<b>423</b>
AS Centum	100	100	5	3
AS Berge Septimus	100	100	5	2
AS Berge Lord	100	100	17	2
AS Havgas Partners	100	100	33	15
AS Hektorgas	100	100	15	14
AS Hermion	100	100	15	15
AS Hermes	100	100	19	10
AS Hesperus 2	100	100	14	14
AS Nordsjøgas	100	100	16	16
Amazon Transport Inc.	51	51	0	0
<b>Total Bergesen d.y. Shipping AS</b>			<b>139</b>	<b>91</b>
AS Handygas I	100	100	35	13
AS Havlur	100	100	9	4
<b>Total Handygas Shipping AS</b>			<b>44</b>	<b>17</b>

**NOTE 15** — | **SHARES AND HOLDINGS IN OTHER COMPANIES - LONG TERM ASSETS**

	HOLDING IN PER CENT		BOOK VALUE	
	1997	1996	1997	1996
<i>NOK Million</i>				
Glamox Industribygg ANS	50.8	50.8	6	6
Real estate in the US	-	-	17	17
Bergesen d.y. Handygas AS	50	50	1	1
Bergesen d.y. (Phils.) Inc.	49	49	0	0
Other	-	-	0	3
<b>Total Bergesen d.y. ASA</b>			<b>24</b>	<b>27</b>
<i>Owned by subsidiaries:</i>				
Real estate in the US (see note 20)	25	25	-16	-17
I/S Bøhleråsen	30	30	1	1
<b>Total Bergesen d.y. Group</b>			<b>9</b>	<b>11</b>

**NOTE 16** — | **HOLDINGS IN GENERAL AND LIMITED PARTNERSHIPS**

HOLDING IN PER CENT	BERGESEN D.Y. GROUP	BERGESEN D.Y. ASA
KS AS Nordsjøgas II	64.75	-
KS Clipper Sea	10.0	-
KS AS Centum	62.5	-
KS Berge Septimus	100.0	-
KS Havlur	36.75	-
KS AS Hektorgas	53.5	-
KS AS Helengas	78.75	73.75
KS AS Heragas	31.63	-
KS AS Hermion	87.25	-
KS Hesperus 2	25.0	-
KS Havgas Partners	72.5	-
KS Handygas	70.0	-
KS Berge Lord	100.0	-
KS Hermes	60.39	-
PR Bergesen d.y Shipping DA	86.17	-
PR Havkatt DA	69.0	-
PR Clipper Victoria DA	20.0	-
PR Havfru DA	72.67	-
PR Gasstransport	57.0	-
PR Havpil DA	41.5	-
PR Clipper Gas	27.0	-
PR Century DA	77.0	-
PR Havrim DA	55.0	-
PR Bergesen GOIC DA	65.0	-
PR Berge Spirit ANS	80.0	-
PR Berge Duke ANS	100.0	-
PR Berge Prince ANS	100.0	-
PR Berge Hugin DA	50.0	-

**NOTE 17** — OTHER RECEIVABLES - LONG TERM ASSETS

The item includes interest bearing receivables in the amount of NOK 31 million.

**NOTE 18** — UNPAID NEWBUILDING AND SECONDHAND INSTALMENTS

The unpaid newbuilding instalments as of 31 December 1997, regarding the building of a dry bulk vessel of 170,000 dwt amount to approximately USD 19 million (NOK 139 million) for the Bergesen d.y. Group and fall due in 1998.

In 1997 the company agreed to purchase 65 per cent of dry bulk vessel Iron Pacific. Bergesen's share of the purchase price is USD 21.5 million, of which USD 19.3 million (NOK 141 million) is payable upon delivery first half 1998.

**NOTE 19** — VESSELS

A description of the vessels appears in the fleet lists on page 46-49.

**NOTE 20** — REAL ESTATE

NOK Million	LOCATION	HOLDING IN PER CENT	AREA IN M2	BOOK VALUE	
				1997	1996
Hotel, exhibition and conference center (Info-Rama ANS)	Sandvika	75	34,200	163	172
Department stores	Stavanger	100	13,150	33	40
Office buildings	Stavanger	100	5,900	5	5
Residential properties	Oslo, Stavanger	100	1,700	7	8
<b>Total Bergesen d.y. ASA</b>			<b>54,950</b>	<b>208</b>	<b>225</b>
<i>Owned by subsidiaries:</i>					
Hotel, exhibition and conference center (Info-Rama ANS)	Sandvika	25	-	46	46
Office buildings	Oslo	100	16,100	298	309
Residential properties	Oslo, Stavanger	100	518	15	15
<b>Total Bergesen d.y. Group</b>			<b>71,568</b>	<b>567</b>	<b>595</b>

In addition to these real estate investments in Norway, the Bergesen d.y. Group holds a 25 per cent interest in an American partnership which owns two 23 story office buildings with a total of 80,000 sq. metres in Los Angeles, USA.

**NOTE 21** — FIXED ASSETS

NOK Million	Cost as of 1.1.97	Acquisitions during year	Disposals during year	Accumulated depreciation	Book value	Depreciation in 1997
Real estate	293	-	10	75	208	10
Equipment, vehicles etc.	96	1	-	64	33	0
Goodwill	142	-	-	78	64	28
<b>Bergesen d.y. ASA</b>	<b>531</b>	<b>1</b>	<b>10</b>	<b>217</b>	<b>305</b>	<b>38</b>
<i>Owned by subsidiaries:</i>						
Vessels	16,722	815	467	7,270	9,800	677
Real estate	436	2	-	79	359	11
Equipment, vehicles etc.	1	-	-	-	1	0
Goodwill		34	-	2	32	2
<b>Bergesen d.y. Group</b>	<b>17,690</b>	<b>852</b>	<b>477</b>	<b>7,568</b>	<b>10,497</b>	<b>728</b>

The market value for some of the company's vessels is lower than the book value. As there exist material values above book on a portfolio basis, the applicable vessels have not been written down to the market value.

**NOTE 22** — PURCHASE AND SALE OF FIXED ASSETS OVER THE LAST 3 YEARS

<i>NOK Million</i>	1997		1996		1995	
	PURCHASE	SALE	PURCHASE	SALE	PURCHASE	SALE
Vessels	-	12,681	-	303	3,798	219
Real estate	-	21	-	28	11	1
<b>Bergesen d.y. ASA</b>	<b>-</b>	<b>12,702</b>	<b>-</b>	<b>331</b>	<b>3,809</b>	<b>220</b>
<hr/>						
Vessels	815	401	223	447	4,803	293
Real estate	2	21	13	51	40	2
<b>Bergesen d.y. Group</b>	<b>817</b>	<b>422</b>	<b>236</b>	<b>498</b>	<b>4,843</b>	<b>295</b>

**NOTE 23** — OTHER LIABILITIES, NON INTEREST BEARING

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

**NOTE 24** — REPAYMENT SCHEDULE FOR INTEREST BEARING LIABILITIES

At the end of 1997 the Bergesen d.y. Group had the following instalment schedule for interest bearing liabilities:

	<i>NOK Million</i>
<i>Short term</i>	
Maturing in 1998	156
<i>Long term:</i>	
Maturing in 1999	166
Maturing in 2000	165
Maturing in and after 2001	4,659
<b>Total interest bearing debt</b>	<b>5,146</b>

At the end of 1997 the company had USD 440 million in undrawn unsecured long term loan facilities.

**NOTE 25** — BANK DEPOSITS, RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

At the end of 1997 the Bergesen d.y. Group carried the following balances denominated in foreign currencies, except operating receivables and liabilities:

	<i>USD Mill.</i>	<i>NOK Mill.</i>
Bank deposits	200	1,466
Mortgages, vessels	-143	-1,048
Other interest bearing debt	-560	-4,098
<b>Net</b>	<b>-503</b>	<b>-3,680</b>

Bergesen d.y. ASA has entered into interest rate swaps implying that the debt on average has a fixed interest rate for approximately 20 months. The interest rate is somewhat above 6 per cent all inclusive.

## NOTE 26 — SHAREHOLDERS' EQUITY OF THE BERGESEN D.Y. GROUP

Bergesen d.y. ASA and Havtor ASA merged in December 1995 with Bergesen d.y. ASA as the acquiring company. The merger has been accounted for from 1 January 1995. At the merger, 13,272,703 A shares and 5,664,446 B shares of NOK 2.50 per share totalling NOK 47,342,872 were issued as merger settlement to the shareholders in Havtor ASA. The total number of shares after the merger is 75,759,661 of NOK 2.50 par value, totalling NOK 189,399,152.50, with the following distribution: 53,098,415 A shares and 22,661,246 B shares. The B shares have no voting rights.

The equity movements are shown below:

<i>NOK Million</i>	<i>Share capital</i>	<i>Other equity</i>
Equity Bergesen d.y. Group 31 December 1995	189	6,524
Disposal of subsidiary/corrections	-	2
Correction pension plans *	-	-25
Profit after tax	-	1,603
Dividends	-	-76
Equity Bergesen d.y. Group 31 December 1996	189	8,028
Net profit after tax	-	636
Dividends	-	-152
<b>Equity Bergesen d.y. Group 31 December 1997</b>	<b>189</b>	<b>8,512</b>

<i>NOK Million</i>	<i>Share capital</i>	<i>Legal reserve</i>	<i>Revaluation surplus</i>	<i>Temporary restricted funds</i>	<i>Undistributed profit</i>
Equity Bergesen d.y. ASA					
31 December 1995	189	1,988	68	116	3,944
Disposal of subsidiary/correction	-	1	-	-	-1
Correction pension plans *	-	-3	-	-	-22
Profit after tax	-	141	-	-116	1,392
Group contribution	-	-	-	-	0
Dividends	-	-	-	-	-76
Equity 31. December 1996	189	2,127	68	-	5,237
Profit after tax	-	432	-	-	3,889
Group contribution	-	-	-	-	51
Dividends	-	-	-	-	-152
<b>Equity Bergesen d.y. ASA</b>					
<b>31 December 1997</b>	<b>189</b>	<b>2,559</b>	<b>68</b>	<b>0</b>	<b>9,025</b>

\* Corrected implementation of new accounting principle for treatment of pension plans in Havtor

## NOTE 27 — ASSETS CHARGED

<i>NOK Million</i>	BOOK VALUE		LIABILITIES SECURED BY MORTGAGE	
	1997	1996	1997	1996
Real estate in Bergesen d.y. ASA	-	178	-	1
Vessels in subsidiaries	1,967	2,155	851	1,088
Assets in subsidiaries	-	45	-	2
<b>Bergesen d.y. Group</b>	<b>1,967</b>	<b>2,378</b>	<b>851</b>	<b>1,091</b>

## NOTE 28 — GUARANTEES, JOINT AND SEVERAL LIABILITIES AND OTHER CONDITIONAL LIABILITIES

<i>NOK Million</i>	1997	1996
<b>Bergesen d.y. ASA</b>	<b>2,159</b>	<b>2,181</b>
Subsidiaries	40	34
<b>Bergesen d.y. Group</b>	<b>2,199</b>	<b>2,215</b>

CONT. NOTE 28

COFR

Bergesen d.y. ASA has, through the subsidiary The Green Tankers Guarantee Company Inc., issued a guarantee of USD 255 million in favour of the US Coast Guard in order to obtain Certificate of Financial Responsibility (COFR) which is required for the Group's vessels sailing in US waters. The parent company is committed to make the above mentioned amount available to the subsidiary on a 45 days notice and no later than 15 October 1998. Consequently, sufficient liquid assets, including unused lines of credit must be kept available for this purpose.

**NOTE 29** — | **BANK DEPOSITS**

The company's bank deposits include restricted deposits regarding tax deductions from employees.

<i>NOK Million</i>	1997	1996
Bergesen d.y. ASA	24	19
Subsidiaries	-	-
<b>Bergesen d.y. Group</b>	<b>24</b>	<b>19</b>

**NOTE 30** — | **INTERNATIONAL ACCOUNTING STANDARDS**

The effect of the principal difference between the Group's accounting principles, set out on page 15–16, and International Accounting Standards (IAS) is set out below:

<i>NOK Million</i>	1997	1996
<b>CONSOLIDATED STATEMENT OF INCOME</b>		
Net profit before tax reported under Norwegian generally accepted accounting principles	640	379
<i>Additional credit (charge) arising due to:</i>		
The merger with Havtor according to the purchase method (IAS 22)	-49	-222
Translation of long term liabilities denominated in foreign currencies at year end rates (IAS 21)	-73	-59
Capitalised loan expenses (IAS 23)	-2	4
Profit before tax reported under International Accounting Standards	516	102
<i>Tax (IAS 12):</i>		
Payable	-4	0
Deferred	256	1,263
<b>Net profit after tax reported under International Accounting Standards</b>	<b>768</b>	<b>1,365</b>
<b>CONSOLIDATED EQUITY</b>		
Equity reported under Norwegian generally accepted accounting principles	8,701	8,217
<i>Additional credit (charge) arising due to:</i>		
The merger with Havtor according to the purchase method (IAS 22)	289	338
Translation of long term liabilities denominated in foreign currencies at year end rates (IAS 21)	0	73
Capitalized loan expenses (IAS 23)	8	10
Deferred tax	256	0
<b>Equity after tax reported under International Accounting Standards</b>	<b>9,254</b>	<b>8,638</b>

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

## **AUDITOR'S REPORT (TRANSLATION FROM NORWEGIAN)**

*To the annual general meeting of Bergesen d.y. ASA*

We have audited the annual accounts of Bergesen d.y. ASA for 1997, showing net profit after tax of NOK 4,321 million for the company and net profit after tax of NOK 636 million for the group. The annual accounts, which consist of the Board of Directors' report, income statement, balance sheet, cash flow statement, notes and the corresponding consolidated financial statements, are the responsibility of the Board of Directors and the Managing Director.

Our responsibility is to examine the company's annual accounts, its accounting records and the conduct of its affairs.

We have conducted our audit in accordance with applicable laws, regulations and generally accepted auditing standards. We have performed the auditing procedures we considered necessary to determine that the annual accounts are free of material errors or omissions. We have examined, on a test basis, the accounting material supporting the financial statements, the appropriateness of the accounting principles applied, the accounting estimates made by management and the overall presentation of the annual accounts. To the extent required by generally accepted auditing standards we have also evaluated the company's asset management and internal controls.

The appropriation of net income, as proposed by the Board of Directors, complies with the requirements of the Joint Stock Companies Act.

In our opinion, the annual accounts have been prepared in conformity with the Joint Stock Companies Act and present fairly the company's and the group's financial position as of 31 December 1997 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

*Oslo, 12 March 1998*

Arthur Andersen & Co.

Morten Drake

*State Authorised Public Accountant (Norway)*

## **SHAREHOLDERS' REPRESENTATIVES' REPORT**

The Board of Directors' annual report for Bergesen d.y. ASA and the Bergesen d.y. Group together with the auditor's report have today been discussed by the Board of Shareholders' Representatives. The Board of Shareholders' Representatives recommends to the Annual General Meeting that:

1. The statement of income and the balance sheet of Bergesen d.y. ASA and the Bergesen d.y. Group for 1997 be approved in accordance with the recommendations of the Board of Directors.
2. The appropriation of net profit after tax and equity transfers of Bergesen d.y. ASA be approved in accordance with the Board of Directors' recommendations.

*Oslo, 25 March 1998*

Jens P. Heyerdahl d.y.

*Chairman*

Peter F. Bassøe

Jon R. Gundersen

Eyvind W. Wang

## COMPANY MANAGEMENT



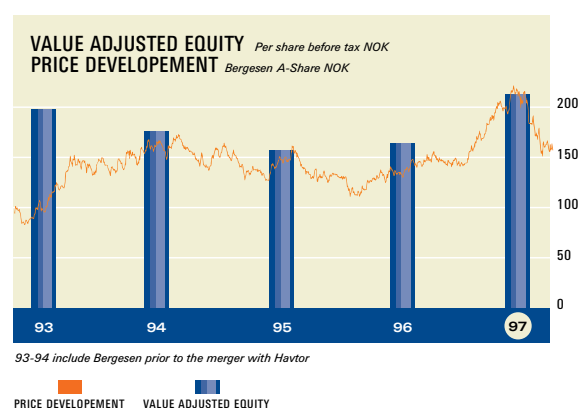
*From left: Hans Ditlef Martens, Jan Håkon Pettersen, Anne Tveter Knoop, Morten Sig. Bergesen, Erik Andersen, Svein Erik Amundsen and Leif Arthur Andersen.*

MORTEN SIG. BERGESEN	MANAGING DIRECTOR AND MEMBER OF THE BOARD
SVEIN ERIK AMUNDSEN	DEPUTY MANAGING DIRECTOR AND RESPONSIBLE FOR FINANCE DIVISION
HANS DITLEF MARTENS	DIRECTOR OF LEGAL DIVISION
ANNE TVETER KNOOP	DIRECTOR OF HUMAN RESOURCES DIVISION
LEIF ARTHUR ANDERSEN	DIRECTOR OF TECHNICAL AND MARITIME DIVISION
ERIK ANDERSEN	DIRECTOR OF DIVISION FOR NEWBUILDING AND PROJECT MANAGEMENT
JAN HÅKON PETERSEN	DIRECTOR OF CHARTERING AND PROJECT DIVISION

## SHARES AND SHAREHOLDERS

THE 15 MAJOR SHAREHOLDERS IN BERGESEN D.Y. ASA AS OF 31 DECEMBER 1997

	<i>A shares</i>	<i>B shares</i>	<i>Per cent of total share capital</i>
Swiss Bank Corp. London	4,600,000	1,500,000	8.1 %
Chase Manhattan Bank, Bournemouth	3,274,791	2,137,344	7.1 %
Petter C.G. Sundt	5,402,928	0	7.1 %
Morten Sig. Bergesen	4,950,284	29,648	6.6 %
Petter C.G. Sundt AS	4,144,184	0	5.5 %
Folketrygdfondet	2,800,000	700,000	4.6 %
Morgan Guaranty Trust Co, Brussel	680,309	2,193,401	3.8 %
Orkla	1,854,492	1,005,223	3.8 %
Storebrand	1,016,730	1,489,943	3.3 %
Avanse-aksjefundene	1,776,244	622,352	3.2 %
Arendals Fossekompni	2,008,575	0	2.7 %
State Street Bank	1,181,275	501,286	2.2 %
Kommunal Landspensjonskasse	577,392	917,674	2.0 %
Gjensidige Forsikring	684,440	784,908	1.9 %
Brown Brothers Harriman	1,150,000	0	1.5 %
<b>The major shareholders, total</b>	<b>36,101,644</b>	<b>11,881,779</b>	
In per cent of share capital	68.0 %	52.4%	63.3%



### SHAREHOLDERS' POLICY

The company's long term objective is to maximise its value adjusted equity. This will be accomplished by reinvesting the company's capital to the extent it can be expected to pay satisfactory returns.

The company's dividend will remain modest as long as there are interesting investment opportunities for the company.

Bergesen puts emphasis on the importance of keeping the share market informed of the company's results, the outlook for the markets in which the company operates, and other matters that might be of relevance. Correct information is a prerequisite to correct pricing of the company's shares in relation to the underlying values. The company's accounts are intended to provide the information required to evaluate its position. In addition to annual reports and quarterly reports, the company will publish press releases in connection with important events. The company strives to ensure the best possible liquidity of and interest in Bergesen shares through its listings on the Oslo and London stock exchanges and its ADR programme in the USA.

### THE SHARES' TRANSFERABILITY/ FOREIGN OWNERSHIP INTEREST

There are no restrictions on sale of the company's shares, and there are no restrictions on foreign ownership interest. Shares which are transferred to new owners do not carry voting rights until four weeks after the acquisition has been reported to the Norwegian Registry of Securities (VPS).

<i>31.12.97</i>	<i>A shares</i>	<i>B shares</i>	<i>Total</i>
No of shares	53,098,415	22,661,246	75,759,661
In foreign hands	18,136,008	10,944,353	29,080,361

### RETAINED PROFIT ADJUSTMENT (RISK)

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

Estimated adjustment as of 1 January 1998 is minus NOK 1.80 per share.

<i>RISK adjustments earlier years:</i>	<i>Nok per share</i>
1.1.1997	-1.20
1.1.1996	-0.47
1.1.1995	-0.98
1.1.1994	-2.05
1.1.1993	-1.00

The adjusted cost price for taxation purposes, in connection with the Tax Reform as of 1 January 1992, was NOK 146.14 for A shares and NOK 147.54 for B shares. As of 31 December 1997 NOK 266 million in deferred capital gains from before 1992 has been taken to income, but has not been taken into account in the RISK-calculation. The amount will be deducted in connection with the RISK-calculation in future years. In addition NOK 166 million regarding deferred capital gains from before 1992 will be taken to income with 20 per cent of the declining balance annually with no RISK-adjustment.

### NUMBER OF SHAREHOLDERS

At year end 1997, Bergesen d.y. ASA had the following number of shareholders: 5,493 with A shares and 3,016 with B shares.

### DIVIDENDS

The Board proposes a dividend for 1997 of NOK 2.00 per share. The dividend approved by the Annual General Meeting will be paid on 15 May 1998 to the shareholders registered in the company's shareholder register on 29 April 1998.

### VOTING RIGHTS / NOMINEE REGISTRATION

Under Norwegian law, shares as a general rule must be registered in the name of the beneficial owner. Norwegian authorities may, however, give approval to a nominee being entered on the company's shareholder register in the Norwegian Registry of Securities in place of foreign shareholders. Nominees may not exercise other rights in the company than receive dividends and other payments, including new shares on increases in capital. The nominee thus has no right to attend and vote at the company's general meetings. If a shareholder wishes to be present or wishes to be represented at the general meeting, the shares must be registered in the beneficial owner's name in the Norwegian Registry of Securities or the beneficial owner must have reported and settled the acquisition. Shares do not carry voting rights, however, until four weeks after the acquisition has been reported to the Norwegian Registry of Securities.

### SHAREHOLDING OF ELECTED REPRESENTATIVES IN BERGESEN D.Y. ASA AS OF 31 DECEMBER 1997

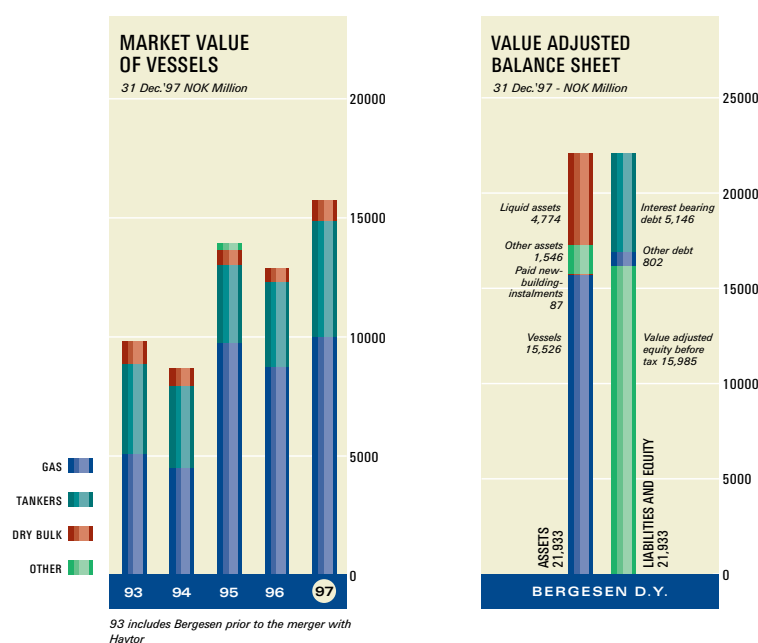
<i>The Board of Shareholders' Representatives</i>	<i>No. of shares</i>
Jens P. Heyerdahl d.y.	100
Peter F. Bassøe	7,228
Jon R. Gundersen	1,152
Eyvind W. Wang	800

<i>The Board of Directors</i>	
Petter C.G. Sundt	9,547,112
Morten Sig. Bergesen	4,979,932
Lars A. Christensen	2,500
Christian Ringnes	42,700
Johan Fr. Odjell	8,000

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

## VALUE ADJUSTED BALANCE

ASSETS	Market value		Book value	Excess value
	NOK Million	Per cent	NOK Million	NOK Million
Bank deposits, bonds, certificates etc.	2,098	9	2,098	-
Shares <sup>1)</sup>	2,676	12	958	1,718
Other current assets	583	3	583	-
<b>Total current assets</b>	<b>5,357</b>	<b>24</b>	<b>3,639</b>	<b>1,718</b>
Gas carriers	9,806	45	6,260	3,546
Crude oil tankers	4,869	22	2,894	1,975
Dry bulk vessels	851	4	646	205
Total vessels <sup>2)</sup>	15,526	71	9,800	5,726
Paid newbuilding instalments	87	0	87	-
Periodic maintenance (dry docking)	-	-	382	-382
Real estate <sup>3)</sup>	804	4	567	237
Net assets, pension plan	26	0	26	-
Other long term assets <sup>3)</sup>	133	1	229	-96
<b>Total long term assets</b>	<b>16,576</b>	<b>76</b>	<b>11,091</b>	<b>5,485</b>
<b>Total assets</b>	<b>21,933</b>	<b>100</b>	<b>14,730</b>	<b>7,203</b>
<b>LIABILITIES AND EQUITY</b>				
Interest bearing debt	5,146	23	5,146	-
Other debt	802	4	802	-
Equity before tax	15,985	73	8,781	7,203
<b>Total liabilities and equity</b>	<b>21,933</b>	<b>100</b>	<b>14,730</b>	<b>7,203</b>
<b>Value adjusted equity before tax</b>				
<b>as of 31 December 1997, NOK per share</b>	<b>211</b>	<b>-</b>	<b>-</b>	<b>-</b>



#### **COMMENTS TO THE VALUE ADJUSTED BALANCE SHEET**

The purpose of the value adjusted balance sheet is to provide the reader with information about the market value of assets, liability and equity. The valuations are essentially based on external assessments. It is important that the reader evaluates the assumptions on which the market values are based (see notes below).

Vessels represent approximately 71 per cent of total balance sheet assets. There is normally a maximum deviation of 10 per cent between the highest and lowest estimates. The company have tried to reduce the uncertainty by averaging estimates made by three different brokerage firms.

Although the number of vessels sold varies from year to year, there is normally a good second-hand market for tankers. Gas carrier tonnage is bought and sold less frequently, so the brokers' estimates must be based largely on their own evaluations. The valuation of the vessels is based on their market value with no adjustment for any charter parties. It is assumed that charter parties do not have negative values.

Vessel prices rose sharply in 1986–1990, then fell back again in 1990–1992. Values remained relatively stable in terms of USD from 1993 to 1995. The tanker fleet was stable also in 1996, while the value of the gas- and dry bulk fleet, measured in USD, showed a reduction. In 1997 the market value of the tankers has increased by 7 per cent, while the value of the gas and dry bulk fleet has been stable.

The market value of vessels and the USD exchange rate are the two most important factors affecting value adjusted equity. A 10 per cent change in market value of vessels

changes value adjusted equity with NOK 20 per share. A 10 per cent change in USD exchange rate gives a change of NOK 16 per share. Please refer to the segment reports (pages 32–45) for more details.

#### **NOTES TO THE VALUE ADJUSTED BALANCE SHEET**

When converting the USD value of vessels, other assets and liabilities in foreign currency, we have used the USD exchange rate as of 31 December 1997, which was NOK 7.32.

##### **1) SHARES**

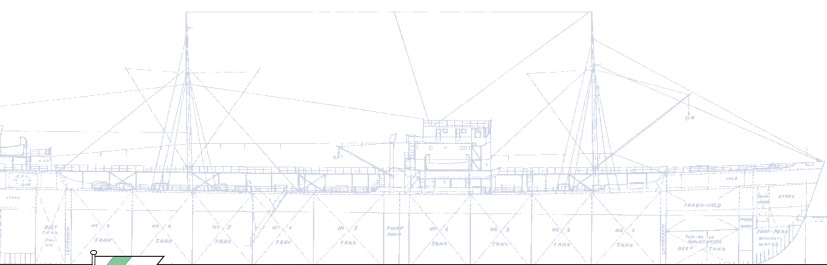
The market value of listed shares is based on the trading prices quoted on the Oslo Stock Exchange 31 December 1997. The market value of unlisted shares has been assessed on the basis of known trading prices and to some extent on our own valuations.

##### **2) VESSELS**

The market value of the company's interests in vessels as of 31 December 1997 has been fixed as the average of the valuations regarding charter free vessels obtained from the ship brokers Clarkson, Fearnley and Gibson.

##### **3) OTHER ASSETS**

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



**LPG/C BERGE RACINE**



<b>BUILT IN 1985 AT CHANTIERS DU NORD ET DE LA MÉDITERRANÉE, CIOTAT, FRANCE</b>
<b>LOADING CAPACITY: 81,697</b>
<b>LENGTH: 228.61 M</b>
<b>BREADTH: 35.54 M</b>
<b>DEPTH: 22.81 M</b>

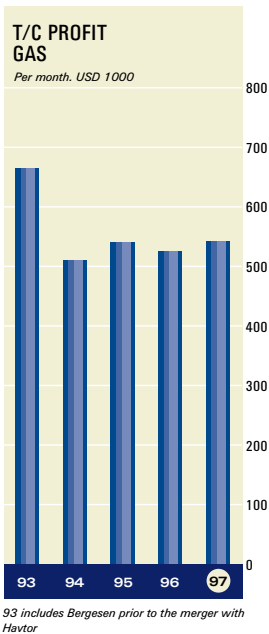


GAS CARRIER BERGE RACINE IS ONE OF THE LARGEST VESSELS IN BERGESEN'S GAS CARRIER FLEET. THE VESSEL IS BUILT FOR TRANSPORTING LIQUID PETROLEUM GASES (LPG) AND AMMONIA (NH3). BERGE RACINE'S SISTER SHIPS ARE BERGE RACHEL AND BERGE RAGNHILD, ALL BUILT BY FRENCH SHIPYARD CHANTIERS DU NORD ET DE LA MÉDITERRANÉE, CLOSE TO MARSEILLES.



**THE GAS MARKET IN 1997**

As in the previous year, there was in 1997 considerable variation in development of the various gas segments. Fully refrigerated vessels in the three largest segments (VLGC, LGC and MGC) experienced substantial spotrate fluctuations, but average earnings for the year were better than in 1996. Handygas and Igloo vessels, however, achieved weaker earnings compared to the year before. On average, Bergesen's gas carriers achieved a net t/c profit in 1997 of USD 542,000 per month compared with USD 525,000 per month in 1996. Operating profit before depreciation totalled NOK 973 million against NOK 809 million in 1996.



**THE VLGC SEGMENT - VESSELS ABOVE 70,000 CBM**

Bergesen's gas carriers in the VLGC segment achieved an average net t/c profit of USD 705,000 per month in 1997 against USD 670,000 in 1996. The improvement is explained by a considerable increase in demand for LPG transportation, combined with a moderate growth in the fleet.

All the vessels were employed on timecharter parties throughout 1997. Several new charter parties were concluded during the year at rates between USD 700,000 and 900,000 per month, depending on age and technical specifications of the vessels. At the end of 1997, the company's VLGC fleet had a contract coverage of 75 per cent for 1998 and 40 per cent for 1999. The spot market was, on average, slightly stronger in 1997 than in the previous year. As in 1996, the spot market was characterised by considerable rate-variations, from a low level of about USD 350,000 in March to a high level of USD 1.1 million in October. Preliminary numbers for 1997 indicate a growth in LPG transportation of about 3.5 per cent compared to last year. This increase is mainly explained by a strong growth in imports to Asia and Latin America.

Spot rates fell dramatically in November and December. One reason for this was the particularly large transport volumes in October, which resulted in increased stocks. High LPG prices in the Arabian Gulf (AG) and mild winter weather in the Northern Hemisphere, as well as uncertainty related to the further economic development in parts of Asia, contributed to the situation.

The world fleet had grown to 90 vessels at the end of 1997. Two newbuildings were delivered during the year and no vessels were sold for demolition. At the end of 1997, four vessels were on order – three for delivery in 1999 and one for delivery in 2000. The recent increase in uncertainty may have reduced the interest for further contracting of newbuildings.

**THE LGC SEGMENT - 50-60,000 CBM**

Bergesen's vessels in this segment achieved an average net t/c profit of USD 520,000 per month in 1997 compared with USD 510,000 per month the year before. This improvement was due mostly to the strong LPG market.

Longhaul transportation of ammonia seems to have increased by just two per cent from 1996, and is as a result of growth in imports to Asia.

Spot rates in the LGC segment showed normal seasonal variations with strong winter and autumn markets and slightly weaker spring and summer markets. The considerable improvement in charter rates for the VLGC fleet in October had a positive effect for the LGC fleet,

**SENSITIVITY**

Operating profit in NOK million	1997
Rate/operating costs +/-1000 USD/day	124
USD exchange rate +/- 10 %	161
Value-adjusted shareholders equity/share, NOK	
Market value gas +/- 10 %	13

*The sensitivity figures are calculated on the basis of the year end dollar exchange rate for balance sheet figures and on average 1997 exchange rates for income figures. Please note that the sensitivity figures will also be affected by the level of earnings. They must therefore be compared with the 1997 figures, although they also offer an indication for other income levels. It must be pointed out that the calculations are based on relatively general assumptions, and that the actual figures may deviate from the calculated values. Nonetheless, this should give an indication of the consequences of changes in the variables.*

and a number of vessels in this segment were contracted for long haul voyages. As for the VLGC segment, LPG shipments out of AG to the East declined in November and December, leading to a sharp reduction in spot rates.

In 1997, about 40 per cent of the LGC fleet was serving time charter contracts. The remaining fleet was employed in spot transport of ammonia (40 per cent), LPG (15 per cent) and petroleum products (5 per cent). As in 1996, the best average results were obtained in LPG trading. However, at the end of the year, results were better in the ammonia market due to a stable and strong development. At the end of the year, the company's LGC fleet had a contract coverage of 45 per cent for 1998.

No newbuildings were delivered in 1997, and none are on order at year-end.

**THE MGC SEGMENT - 20-40,000 CBM**

The company's vessels in the MGC segment obtained an average net t/c profit of USD 495,000 per month in 1997 compared with USD 410,000 per month in 1996. The spot market showed a relatively steady and rising trend during the year. The seasonal drop in the summer market was less than usual, and less significant than for the larger segments. A peak level was reached in the fourth quarter with charter rates at USD 500-600,000 per month depending on size and age. Activity in the spot market dropped considerably towards the end of the year and rates came under pressure. A weak market for petrochemical gases caused increased competition for LPG trading from smaller gas carriers.

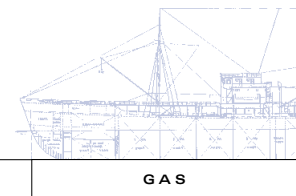
About 35 per cent of the company's MGC fleet was serving time charter contracts in 1997, while 35 per cent were employed in spot transportation of LPG and 30 per cent with ammonia. Also in this segment, LPG trading was most profitable. The employment situation showed minor changes from the previous year. The North Sea is still the most important loading area for LPG for this segment. High standards of vessels and operations are required for North Sea trading. Bergesen extended contracts for four of its MGC vessels for 24 months for continued North Sea trading. The company's fleet in this segment had a contract coverage at the end of the year of 30 per cent for 1998.

During 1997, four vessels were delivered in the MGC segment; two fully refrigerated vessels of 35,000 cbm and two semi-refrigerated vessels of 20,500 cbm. The order book counted 10 vessels at the end of 1997, including five semi-refrigerated vessels with ethylene capacity. Three newbuildings are scheduled for delivery in 1998, of which two are fully refrigerated.

**THE HANDYGAS AND IGLOO SEGMENT - 8-15,000 CBM**

This segment includes semi-refrigerated vessels in Bergesen's Handygas and Igloo Pools, the latter pool vessels having ethylene capacity. The Handygas pool vessels obtained an average net t/c profit of USD 325,000 per month against USD 400,000 per month in 1996, while the Igloo pool vessels obtained an average net t/c profit of USD 410,000 per month compared to USD 470,000 per month in 1996.

About 40 per cent of the Handygas fleet was serving time charter contracts in 1997, while the remaining fleet was employed in spot trading with petrochemical gases (25 per cent), ammonia (25 %) and LPG (10 %). Correspondingly, 15 per cent of the Igloo fleet was serving time charter and volume contracts in 1997, while the remaining fleet was employed



GAS

in spot trading with ethylene (35 per cent), petrochemical gases (35 per cent) and LPG and chemicals (15 per cent).

After an upturn in market activity towards the end of 1996 and throughout the first quarter of 1997, activity dropped again, resulting in gradually weaker spot rates. Activity picked up somewhat in the fourth quarter, and freight rates evened out at about USD 400,000 per month on t/c basis for the largest vessels. Low activity throughout the year was mostly due to a further build up of production capacity for petrochemical gases in the Far East. This resulted in reduced imports from the USA and Europe. The negative effect on demand measured in ton-miles, was stronger than the pure volume-effect due to disappearance of longhaul voyages.

A considerable drop in global ethylene prices towards the end of 1997 made international trading less attractive and caused reduced demand for tonnage.

The world fleet in the 6-20,000 cbm segment grew considerably in 1997 and consisted of 131 vessels at the end of the year. Eight vessels are to be delivered in 1998. All of these are semi-refrigerated and two of them have ethylene capacity. There were 11 vessels on order at the end of the year.

#### **SHIP VALUES AND CHANGES IN THE FLEET**

Total value of the company's gas carriers remained virtually unchanged from the previous year-end. Values for the gas carriers above 50,000 cbm increased somewhat, in line with improved t/c profits. Values for the smaller vessels were slightly reduced.

In March 1997, the company sold Herdis (31,243 cbm) for USD 23 million, at an accounting profit of NOK 45 million booked in the first quarter. Havkatt (15,089 cbm) was sold in October for USD 32 million, at an accounting profit for the company's 69 per cent share of NOK 14 million, booked in the fourth quarter.

Bergesen's ownership in gas carrier Havis (57,139 cbm) was increased in the fourth quarter from 52.5 per cent to 72.5 per cent. There have also been a few changes in the ownership shares in other gas carriers, related to company reorganisation and transition to the new shipping tax system. See gas fleet details on pages 46 and 47.

#### **OPERATIONS**

Bergesen dry-docked 16 gas carriers during 1997. For 1998, 28 vessels are on the dry-docking schedule. Operating costs for gas carriers were in 1997 at the same level as in the previous year, with some variations within the various segments.

Ten vessels completed the classification societies' Condition Assessment Programme (CAP) in 1997, either for the first time after having passed the 20-year age limit or for renewal.

Five vessels are scheduled to complete the CAP in 1998. The increased average age for the company's gas carriers caused considerable amounts to be spent on maintenance in 1997, in order to maintain the company's high standards and to meet customer demands.

Gas carrier Hesperus suffered an explosion in November. No persons were injured, but damage to the vessel was substantial and a long repair period in dry dock was required, resulting in interrupted trading until end of February 1998.

## **FUTURE PROSPECTS**

### **LPG**

Average annual growth in LPG transportation at sea for the period 1990-97 was about five per cent. Before the financial turmoil in Asia occurred, growth was expected to level off at four per cent annually during the coming years. As for crude oil, it was expected that Asia would demonstrate the sharpest increase in demand for LPG, both in percentage and absolute volume terms. Increasing uncertainty due to the recent development in Asian financial markets, indicates somewhat lower expectations for the LPG demand. The considerable drop in spot market activity during the second half of the fourth quarter was due to mild winter weather, increasing LPG stocks and considerably higher import prices in Asia. A continued worsening in the local exchange rate against USD and payment difficulties added to the decline in Asia.

Historically, LPG trading has been supply driven. LPG production has mostly been a function of oil and natural gas production. It is expected that LPG prices need an adjustment in order for the market to be able to absorb the expected production increases of 2-2.5 million tonnes in 1998. The alternative is re-injection or flaring at the production site. Storage capacity for LPG is very limited. Therefore, one should also see a growth in LPG trading in 1998.

There are only two fully refrigerated vessels scheduled for delivery in 1998 (20,500 and 25,000 cbm). The outlook for 1998 is considered to be relatively good.

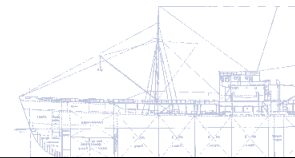
### **AMMONIA**

Only minor changes are expected in ammonia trading at sea in 1998, measured in volume. A new production facility in Trinidad, with an annual production capacity of 1.2 million tonnes, is expected to be operative at the end of the first quarter of 1998. Export capacity from Trinidad may replace ammonia imports from the Black Sea region to the American market. Exports from the Black Sea region may over time find a more natural market in the Far East. On an overall basis, 1998 is expected to have a slightly positive effect on demand for tonnage due to gradually increasing voyage distances.

### **PETROCHEMICAL GASES**

Continued growth in imports to Asia, resulting in an increasing number of longhaul voyages, was expected to have a positive effect on demand for vessels. The outlook for 1998 now seems less promising due to recent financial problems in Asia. However, this development has caused a temporary halt to plans for further build-up of production capacity in the area. When consumer growth picks up again, increasing local imbalances between production and demand for petrochemical gases may be seen. This may have a positive effect on transportation distances, thereby increasing demand for tonnage. The fleet of small gas carriers is expected to grow by 5.8 per cent, before any deduction for scrapping is made.

The rate level in 1998 for Bergesen's largest fleet segments is expected to be in line with the level in 1997. Vessels in these segments are to a large degree covered by contracts. Also for the MGC, Handygas and Igloo fleet segments, freight rates in line with 1997 levels are expected.



**GAS PROFITS**

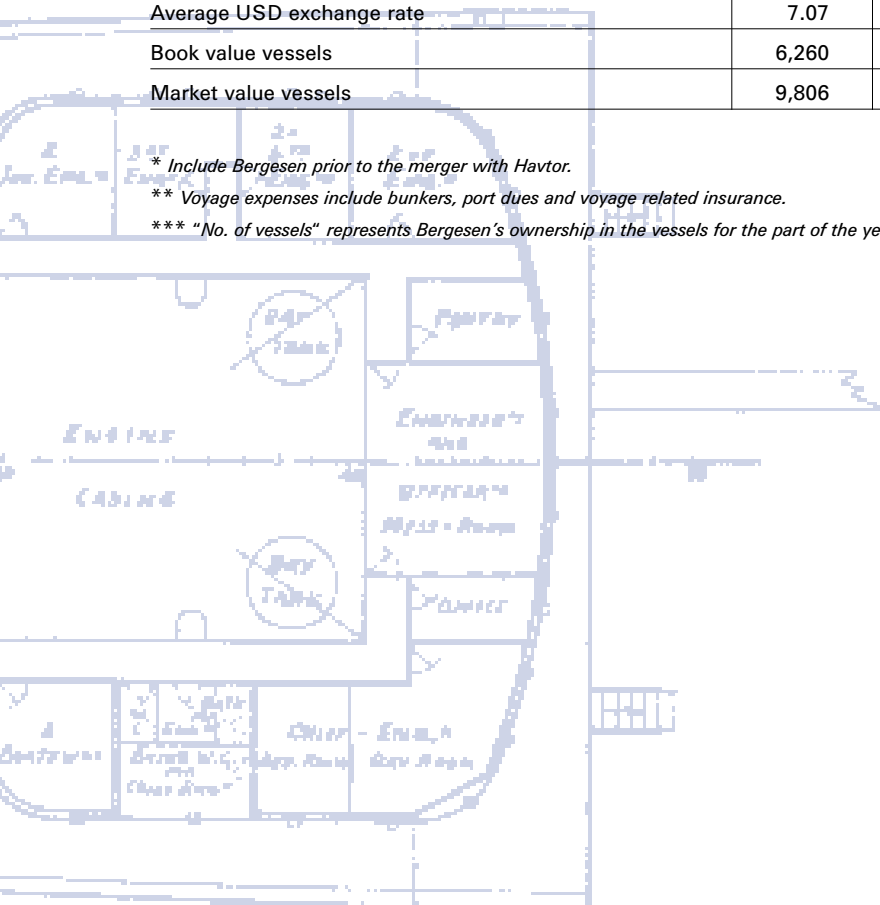
*NOK Million*

	1997	1996	1995	1994	1993 *
<b>Operating revenue</b>	<b>2,998</b>	<b>2,782</b>	<b>2,197</b>	<b>1,219</b>	<b>1,019</b>
Voyage expenses **	-743	-751	-362	-114	-85
<b>T/C (Time charter) profit</b>	<b>2,255</b>	<b>2,031</b>	<b>1,835</b>	<b>1,105</b>	<b>934</b>
Operating expenses	-1,244	-1,222	-1,044	-629	-382
Charter hire expenses	-38	-	-	-	-
<b>Operating profit before depreciation</b>	<b>973</b>	<b>809</b>	<b>791</b>	<b>476</b>	<b>552</b>
Depreciation	-396	-438	-372	-274	-230
<b>Operating profit</b>	<b>577</b>	<b>371</b>	<b>419</b>	<b>202</b>	<b>322</b>
Percentage of total operating profit shipping	49	66	-	-	130
<b>T/C-profit per month, USD 1000</b>	<b>542</b>	<b>525</b>	<b>540</b>	<b>510</b>	<b>665</b>
No. of vessels owned ***	48.23	49.88	44.28	25.53	16.4
No. of vessels chartered in ***	0.83	-	-	-	-
Average USD exchange rate	7.07	6.46	6.34	7.06	7.09
Book value vessels	6,260	6,808	7,558	2,330*	2,559*
Market value vessels	9,806	8,729	9,729	4,487*	5,070*

\* Include Bergesen prior to the merger with Havtor.

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

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



**THE TANKER MARKET IN 1997**

The U/VLCC market continued the positive trend seen since early 1995. Bergesen's tankers achieved a net average t/c profit of USD 25,600 per day in 1997 compared with USD 19,000 per day in 1996. The operating profit before depreciation increased to NOK 819 million, up from NOK 283 million in 1996.

Preliminary figures for 1997 show a 2.8 per cent increase in demand for crude oil (2 million barrels per day). Nearly half of this growth took place in Asia except for Japan, where consumption remained at the same level as the previous year. North American consumption increased by 2.5 per cent (0.5 million barrels per day) due to strong economic growth, while European consumption increased by only 1.4 per cent (0.2 million barrels per day) as a result of weak economic development in Germany and France.

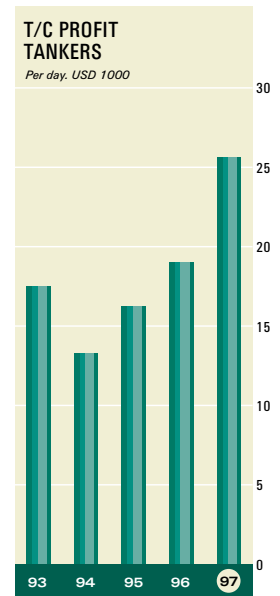
In contrast to 1996, when non-OPEC countries supplied a considerable portion of growth in global demand, demand growth in 1997 was to a larger extent supplied by OPEC production. OPEC increased its market share for the first time in several years from just below 36 per cent in 1996 to nearly 37 per cent in 1997. The Middle East accounted for about two-thirds of OPEC's total production increase of some 1.1 million barrels per day, due to Iraq's re-entry and presence in the export market during long periods of the year. The OPEC countries raised production and thus benefitted from production problems in other producing countries including Latin America, where production increases were lower than expected. One reason for this was repeated attempts to sabotage pipelines in Columbia.

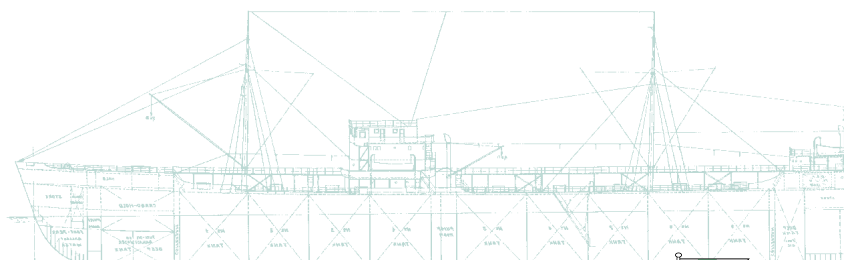
North Sea production did not live up to expectations due to production problems on existing fields and considerable start-up delays on new fields. Total North Sea production for the year was the same as for 1996. Despite an increase in production capacity of 0.35 million barrels per day from October, this was sufficient only to compensate for a decline in production earlier in the year.

Preliminary figures indicate a 4.7 per cent increase in crude oil trading at sea compared with last year. Measured in ton-miles, crude oil trading is believed to have increased by 5.3 per cent. A favourable combination of factors in 1997, as mentioned above, helped to improve the U/VLCC market compared to last year, not least as a result of the build-up of oil stocks. Furthermore, fleet expansion was limited in 1997.

The spot market improved considerably in October and November. Contracts were made for shipments from the Arabian Gulf (AG) to Japan on a world scale (WS) of 100 – the highest level since the Gulf War. Towards the end of the fourth quarter, however, the spot market fell to less than half the peak level obtained in October/November. This considerable correction was a result of mild winter weather in the Northern Hemisphere and stock reductions in Asia. The average spot market rate increased from USD 19,000 per day in 1996 to USD 24,000 per day in 1997 for an old turbine tanker. At the end of the year, rates were at USD 21-22,000 per day for old turbine tankers and USD 27-28,000 per day for modern motor tankers. The improved tanker market has contributed to further reduction in the number of vessels being sold for demolition, with just eight VLCCs being scrapped and five vessels taken off the market for conversion to floating production or storage vessels in 1997.

A total of nine VLCCs were delivered in 1997. Contracting activity was considerable, though somewhat reduced towards the end of the year. There were 65 vessels on order at the





TANKER BERGE SIGNAL, WHICH BEARS THE NAME OF THE COMPANY'S FOUNDER, REPRESENTS THE NEW GENERATION TANKERS, AND IS ONE OF BERGESEN'S TANKERS WITH A DOUBLE HULL. THE VESSEL HAS 17 CARGO TANKS, WITH BALLAST TANKS LOCATED IN THE DOUBLE BOTTOM, IN SIDE TANKS AS WELL AS IN FORE AND AFTER PEAKS. THE TANKERS ARE KNOWN AS "THE GREEN TANKERS".



BUILT IN 1993 AT N.K.K. CORPORATION, TSU, JAPAN

DEAD WEIGHT TONS: 306,430

LENGTH: 331.45 M

BREADTH: 58.39 M

DEPTH: 31.40 M

M / T BERGE SIGNAL



#### SENSITIVITY

Operating profit in NOK million	1997
Rate/operating costs +/-1000 USD/day	63
USD exchange rate +/- 10 %	121
Value-adjusted shareholders equity/share, NOK	
Market value tankers +/- 10 %	6

*The sensitivity figures are calculated on the basis of the year end dollar exchange rate for balance sheet figures and on average 1997 exchange rates for income figures. Please note that the sensitivity figures will also be affected by the level of earnings. They must therefore be compared with the 1997 figures, although they also offer an indication for other income levels. It must be pointed out that the calculations are based on relatively general assumptions, and that the actual figures may deviate from the calculated values. Nonetheless, this should give an indication of the consequences of changes in the variables.*

end of the year. Financial instability in South Korea led to some orders being cancelled, while others were converted to other tonnage types. The total VLCC fleet consisted of 430 vessels at year-end.

#### SHIP VALUES AND CHANGES IN THE FLEET

Bergesen's tanker fleet increased in value during the year by about seven per cent measured in USD. There was relatively little activity in the second hand market during the year. Fourteen VLCCs were sold for further trading, against 25 in 1996.

Berge Hugin was delivered from shipbuilder Samsung in Korea in January 1997 and operated as a shuttle tanker for Statoil until December. The vessel is now being fitted out to operate as a production vessel and will serve on the Pierce field in the UK sector for Enterprise Oil. Production of oil is expected to start on this field in August 1998.

In April, Bergesen took delivery of the last two out of five VLCCs purchased from Exxon in 1996. These vessels have been named Berge Charlotte and Berge Helene and are contracted back to Esso France on timecharter until 25 years of age. They are operated from the Bergesen's Paris office under the French flag (Kerguelen).

#### EMPLOYMENT

A total of 17 tankers operated in the spot market throughout the year. Two vessels were delivered on time charter parties during 1997. Berge Stavanger was contracted to Kuwait Petroleum Company for 12 months starting in April, while Berge Stadt was contracted to Statoil for 12 months with delivery in September. Berge Enterprise, Berge Chief and Berge Fister commenced their five-year charter parties with Exxon in the first quarter of 1997. No vessels were redelivered from charterers during the year. Activity in the t/c market increased compared to 1996. At the end of the year, the company's tanker fleet had a contract coverage of 28 per cent for 1998.

#### OPERATIONS

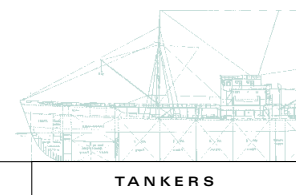
Bergesen dry-docked six tankers in 1997 and is planning to dry-dock 12 vessels in 1998. Operating costs for the tankers in 1997 were at the same level as in the previous year. The company expects some increase in 1998 as a result of major planned maintenance work.

In 1997, two of the company's tankers completed the 20-year class survey. Three vessels are scheduled to pass the 20-year class survey in 1998. A further three will reach 25 years-of-age, but a possible decision to take vessels through the 25-year class survey will depend on the market situation and has not yet been made.

The company's tankers are subject to demanding and continuously increasing safety-, environmental and quality requirements world wide, demanding high standards from both ships and crews.

#### FUTURE PROSPECTS

Due to growing financial turmoil in Asia, the IEA (International Energy Agency) has reduced its forecast for global oil demand in 1998. The financial situation affects oil demand in the East in two ways. A considerable currency depreciation has a negative effect on



purchasing power despite partial compensation in the form of lower oil prices quoted in US Dollars. A period of lower economic growth and industrial restructuring is expected to further reduce demand.

In October 1997, during the early stages of the crisis, the IEA expected a growth in global oil demand of 2.6 per cent (1.9 million barrels per day) for 1998. Fifty per cent of this growth was expected to come from Asia. In the IEA's latest oil market report (January 1998), Asian growth has been adjusted down from 6.2 per cent to 4.6 per cent (0.9 to 0.6 million barrels per day). Slower economic growth and reduced exchange rate against western currencies may eventually have negative consequences for western economies as well. Both USA and Europe may be affected, with lower economic growth and reduced growth in oil consumption as a result. The IEA's latest prognosis predicts a 2.2 per cent (1.6 million barrels per day) rise in the world's demands for oil in 1998.

A reduction of global growth in oil demand, combined with considerable production growth in the North Sea and Latin America as well as some growth in production from other regions, will not pave the way for further increases in OPEC's oil production during 1998. This will be the case despite lower oil prices. Growth in long haul voyages from the AG to the East or westwards will be weaker than growth in short-haul voyages in the Atlantic. VLCC's are expected to be relatively more active in the Atlantic than in 1997.

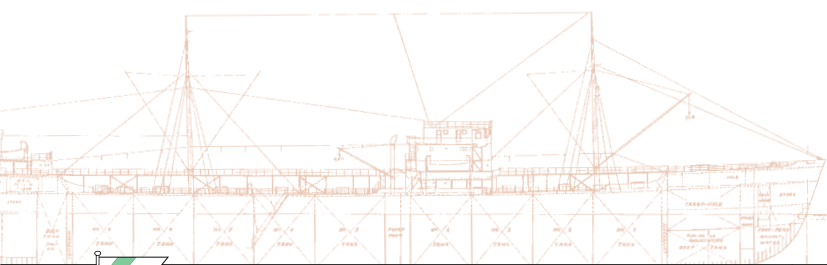
This downward adjustment in growth prognosis for oil demand has reduced expectations for further improvements in the tanker market. The company believes rate levels for VLCCs in 1998 on average will be close to that of 1997. Supply of new tonnage in 1998 will also be limited, with just 14 VLCCs being delivered. The considerable newbuilding activity may have negative impact on the tanker market from 1999 and beyond. A total of 35 tankers will be delivered in 1999.

## TANKER PROFITS

<i>NOK Million</i>	1997	1996	1995	1994	1993
<b>Operating revenue</b>	<b>2,238</b>	<b>1,345</b>	<b>1,156</b>	<b>1,030</b>	<b>1,195</b>
Voyage expenses *	-629	-454	-438	-360	-353
<b>T/C (Time charter) profit</b>	<b>1,609</b>	<b>891</b>	<b>718</b>	<b>670</b>	<b>842</b>
Operating expenses	-790	-608	-610	-613	-672
<b>Operating profit before depreciation</b>	<b>819</b>	<b>283</b>	<b>108</b>	<b>57</b>	<b>170</b>
Depreciation	-276	-169	-332	-338	-291
<b>Operating profit</b>	<b>543</b>	<b>114</b>	<b>-224</b>	<b>-281</b>	<b>-121</b>
Percentage of total operating profit shipping	46	20	-	-	-49
<b>T/C -profit per day, USD 1000</b>	<b>25.6</b>	<b>19.0</b>	<b>16.2</b>	<b>13.3</b>	<b>17.5</b>
No. of vessels owned **	24.35	19.7	19.51	19.69	18.48
Average USD exchange rate	7.07	6.46	6.34	7.06	7.09
Book value vessels	2,894	2,673	2,696	3,023	2,629
Market value vessels	4,869	3,571	3,253	3,427	3,788

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

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



## M / S BERGELAND

BUILT IN 1992 AT HYUNDAI HEAVY INDUSTRIES CO. LTD, ULSAN, SOUTH KOREA

DEAD WEIGHT TONS: 322,941

LENGTH: 338.69 M

BREADTH: 55.07 M

DEPTH: 30.00 M

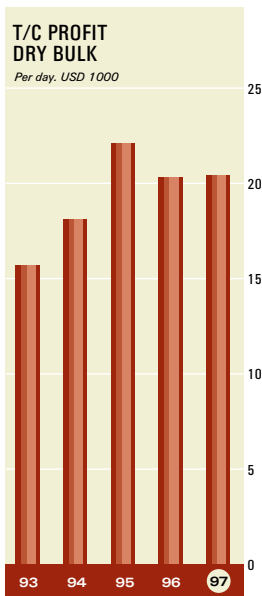


DRY BULK VESSEL BERGELAND'S MAIN OCCUPATION SINCE ITS DELIVERY IN 1992 HAS BEEN TO TRANSPORT ORE FROM BRAZIL TO JAPAN. THIS CONTRACT WAS RENEWED IN 1996 FOR A FURTHER FIVE YEARS AND WILL RUN UNTIL MID-2002. ON HER RETURN VOYAGE, THE VESSEL NORMALLY CARRIES ORE FROM AUSTRALIA AND SOUTH AFRICA TO EUROPE BEFORE HEADING BACK TO BRAZIL FOR A NEW CARGO TO JAPAN.



**THE DRY BULK MARKET IN 1997**

The dry bulk fleet showed stable results throughout the year and achieved an average t/c profit per day of USD 20,400 in 1997 against USD 20,300 in 1996. Operating profit before depreciation amounted to NOK 99 million compared with NOK 96 million in 1996. Bergesen's dry bulk vessels have also in 1997 been serving long-term contracts. The company was therefore only marginally affected by developments in the spot market during the year. In contrast to the previous year, when the capesize market showed a falling trend in the first three quarters, the 1997 market rose until the middle of the fourth quarter. The Asian turmoil led to falling interest for long-term contracts, in line with growing uncertainty. The capesize market performed considerably better in 1997 than the smaller dry bulk segments as strong growth in the world's economy contributed to record-high steel production and imports of iron ore and coal. At the same time, the capesize fleet grew more slowly than the handy and panamax fleets. The smaller segments also felt the effects of stagnation or slower growth in transportation of bulk products such as grain, steel products and fertiliser. On an overall basis, demand for dry bulk tonnage grew by 4.8 per cent, while continued substantial supply of newbuildings resulted in a net fleet growth of 5.8 per cent. A total of 43 capesize vessels (above 80,000 dwt) were delivered in 1997, and 16 were scrapped. At the end of the year there were 48 vessels on order, corresponding to nine per cent of the total capesize fleet.



**SHIP VALUES AND CHANGES IN THE FLEET**

Capesize vessel values have been stable in 1997, supported by improved earnings. Measured in USD, the value of Bergesen's dry bulk vessels remained unchanged during the year. In April, Larina (178,780 dwt) was sold for demolition at an accounting profit of NOK 22 million in the second quarter on Bergesen's 65 per cent share. Berge Master (143,745 dwt) was sold for USD 14 million and delivered to the buyers in September, at an accounting profit of NOK 11 million on the company's 65 per cent share in the third quarter of 1997. Berge Nord, a specially designed 220,353 dwt ice-reinforced ore vessel, was delivered from South Korean Hyundai Heavy Industries in April. The vessel is engaged in ore transportation between Canada and Rotterdam on a 10-year contract with Rohstoffhandel of Germany. Towards the end of the year, Bergesen entered into an agreement to purchase the dry bulk vessel Iron Pacific (231,851 dwt), built in 1986, for USD 33 million. The company will take delivery of the vessel in the first half of 1998. In addition, ore carrier Gargantua (221,118 dwt), built in 1983, was chartered in for three years with option for a two-year extension, as well as a purchase option. These vessels will serve the company's customers in Europe and Asia. The company's joint venture partner of many years, General Ore International Corporation Limited (GOICL), has a 35 per cent share in the contracts. Bergesen will according to contract take delivery of a specially developed 172,000 dwt ice-reinforced dry bulk vessel from Hyundai Heavy Industries in the third quarter of 1998. The vessel will be engaged on a 15-year charter to British Steel.

#### SENSITIVITY

Operating profit in NOK million	1997
Rate/operating costs +/-1000 USD/day	9
USD exchange rate +/- 10 %	15
Value-adjusted shareholders equity/share, NOK	
Market value dry bulk +/- 10 %	1

*The sensitivity figures are calculated on the basis of the year end dollar exchange rate for balance sheet figures and on average 1997 exchange rates for income figures. Please note that the sensitivity figures will also be affected by the level of earnings. They must therefore be compared with the 1997 figures, although they also offer an indication for other income levels. It must be pointed out that the calculations are based on relatively general assumptions, and that the actual figures may deviate from the calculated values. Nonetheless, this should give an indication of the consequences of changes in the variables.*

Berge Adria (227,557 dwt) was sold for demolition in January 1998 at an estimated accounting profit on the company's 65 per cent share of some NOK 27 million in the first quarter of 1998.

#### EMPLOYMENT

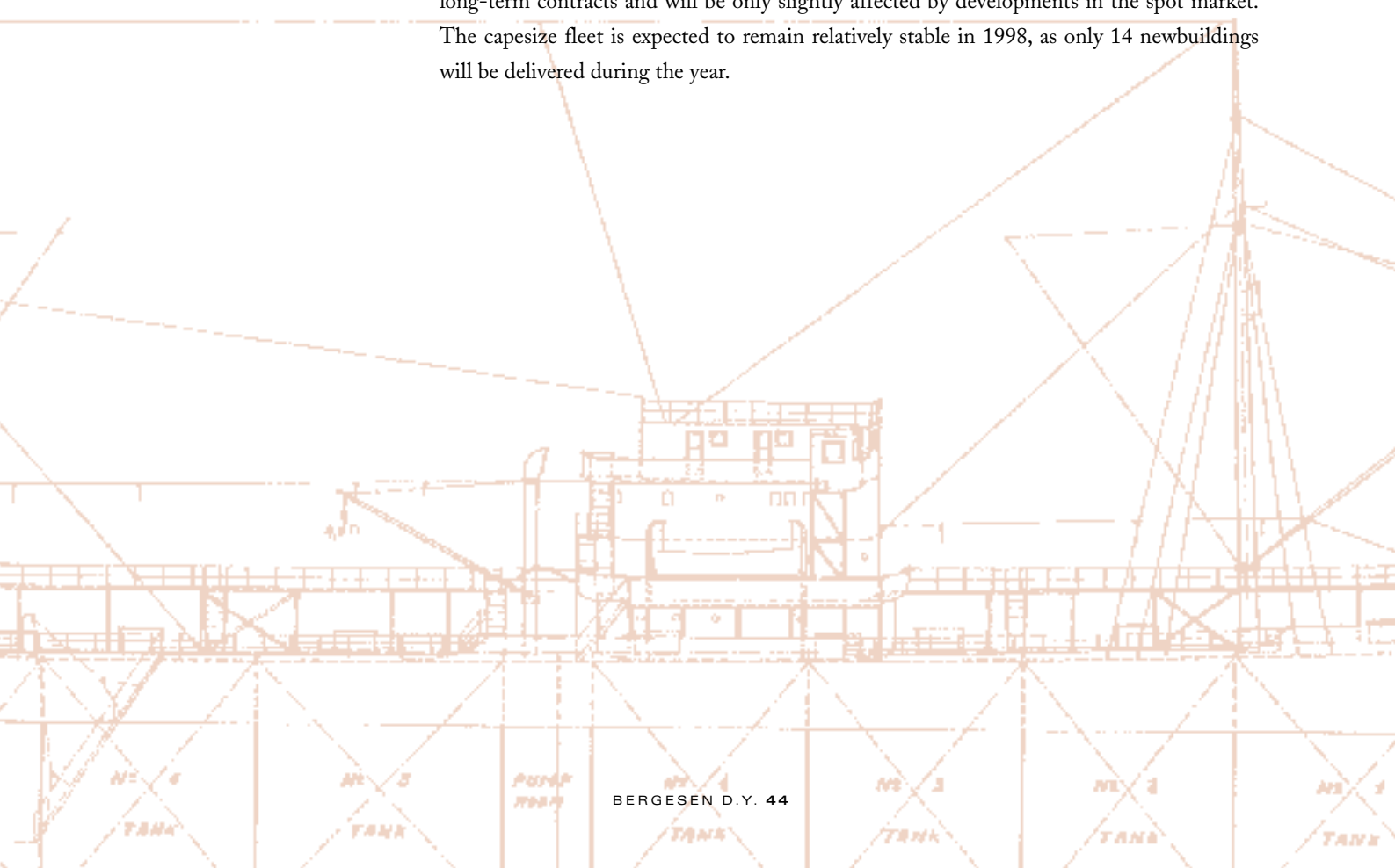
The newly purchased dry bulk vessel Iron Pacific (to be named Berge Pacific) along with ore carriers Gargantua and Berge Athene will handle shorter freight contracts for the company's customers in Europe and Asia.

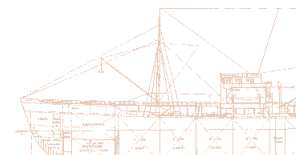
#### OPERATIONS

Bergesen dry-docked one dry bulk vessel in 1997, and plans to dry-dock one vessel also in 1998. Operating costs were slightly higher in 1997 than in the previous year as a result of extra maintenance activity and the breakdown of the turbine generator on Bergeland in June. No considerable changes in operating costs are expected for dry bulk vessels in 1998. Operation of the company's dry bulk tonnage was satisfactory in 1997.

#### FUTURE PROSPECTS

Expectations of a considerable reduction in economic growth and industrial production in Asia due to the financial turmoil have created uncertainty. Spot market activity dropped markedly towards the end of 1997, and interest in contracting new vessels on time charter was moderate. There is reason to believe that the market for capesize vessels will be somewhat weaker compared to 1997. A large part of Bergesen's fleet is, however, employed on long-term contracts and will be only slightly affected by developments in the spot market. The capesize fleet is expected to remain relatively stable in 1998, as only 14 newbuildings will be delivered during the year.



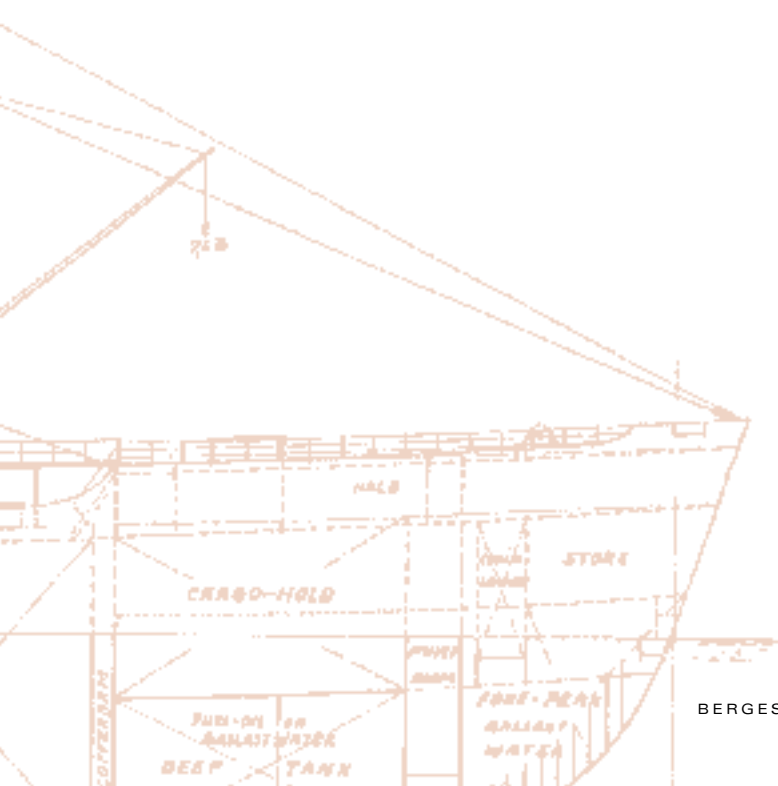


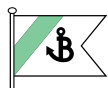
**DRY BULK PROFITS**

<i>NOK Million</i>	1997	1996	1995	1994	1993
<b>Operating revenue</b>	<b>299</b>	<b>280</b>	<b>296</b>	<b>292</b>	<b>361</b>
Voyage expenses *	-100	-96	-96	-95	-112
<b>T/C (Time charter) profit</b>	<b>199</b>	<b>184</b>	<b>200</b>	<b>197</b>	<b>249</b>
Operating expenses	-94	-85	-78	-87	-119
Charter hire expenses	-6	-3	-3	-4	-26
<b>Operating profit before depreciation</b>	<b>99</b>	<b>96</b>	<b>119</b>	<b>106</b>	<b>104</b>
Depreciation	-35	-31	-49	-51	-58
<b>Operating profit</b>	<b>64</b>	<b>65</b>	<b>70</b>	<b>55</b>	<b>46</b>
Percentage of total operating profit shipping	5	12	-	-	19
<b>T/C-profit per day, USD 1000</b>	<b>20.4</b>	<b>20.3</b>	<b>22.1</b>	<b>18.1</b>	<b>15.7</b>
No. of vessels owned **	3.66	3.9	3.9	4.18	5.77
No. of vessels chartered in **	0.12	0.11	0	0.25	0.3
Average USD exchange rate	7.07	6.46	6.34	7.06	7.09
Book value vessels	646	481	520	568	674
Market value vessels	851	585	655	741	941

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

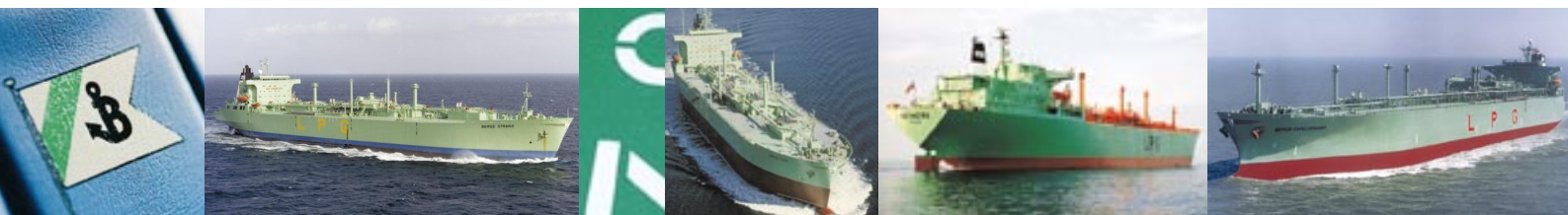
\*\* "No. of vessels" represents Bergesen's ownership in the vessels for the part of the year when the vessels were owned or chartered in.





## FLEET LIST GAS

Type of vessel Name	Bergesen's share in per cent	Built/ bought	Size cbm	Cost price Nok million	Employed until
<b>+ 70,000 CBM</b>					
Berge Sisu	100	1978	75,685	162	2/99
Berge Sisar	100	1979	75,685	163	12/98
Berge Saga	100	1979	75,684	264	12/98
Berge Sund	100	1981	75,684	258	12/00
Berge Strand	100	1982	75,684	310	3/99
Berge Spirit	80	1980/89	75,683	235	6/00
Berge Arrow	100	1978/83	75,609	80	6/98
Berge Eagle	100	1978/83	75,648	80	1/99
Berge Sword	65	1979/88	75,689	103	1/99
Berge Rachel	100	1984	81,599	367	12/99
Berge Racine	100	1985	81,697	372	2/99
Berge Ragnhild	100	1986	81,640	356	4/98
Berge Frost	65	1983/88	85,662	138	7/98
Berge Troll	65	1977/88	70,938	79	11/03
Berge Commander	65	1991	78,543	285	6/99
Berge Captain	100	1991	78,530	470	12/99
Berge Clipper	100	1992	78,548	449	1/00
Berge Challenger	100	1992	78,538	468	11/99
<b>50-60,000 CBM</b>					
Havfrost	86.17	1991	57,180	350	2/99
Helice	86.17	1991	57,206	354	8/98
Helios	100	1992	57,160	402	2/99
Havis	72.5	1993	57,139	240	3/99
Havkong	86.17	1978/86	54,226	69	12/98
Havdrott	86.17	1978/86	54,226	54	Spotmarket
Hekabe	86.17	1977/86	54,226	155	Spotmarket
Hemina	86.17	1979/86	54,226	161	Spotmarket
Havmann	57	1973/86	53,425	67	Spotmarket
Hesperus	25	1973/86	53,425	26	Spotmarket
Havprins	57	1974/88	53,425	85	Spotmarket
Hermes	60.39	1974/89	52,648	67	Spotmarket
Hemera	60.39	1974/89	52,648	66	Spotmarket
Havgast	57	1971/86	52,647	64	1/99
Havglimt	62.5	1978	52,408	102	Spotmarket



Type of vessel Name	Bergesen's share in per cent	Built/ bought	Size cbm	Cost price Nok Million	Employed until
<b>20-40,000 CBM</b>					
Havrim	55	1980/94	37,828	66	12/99
Hedda	100	1993	34,765	337	12/99
Helga	100	1994	34,753	349	12/99
Herakles	100	1982/87	30,407	199	Spotmarket
Hesiod	86.17	1973/86	29,791	94	Spotmarket
Havjarl	86.17	1972/86	29,291	23	Spotmarket
Century	77	1974/80	29,588	139	Spotmarket
Havfru	72.67	1973/87	29,338	94	4/99
Hermion	87.25	1984	24,050	160	8/98
Hebris	64.75	1983	24,011	121	8/98
Hektor	53.5	1982	24,047	89	8/98
<b>8-15,000 CBM **</b>					
Havpil	41.5	1977/93	12,061	34	Spotmarket
Heros *	31.63	1978	12,058	36	Spotmarket
Hera *	31.63	1977	12,058	36	8/98
Havvind	70	1976/91	12,021	76	Spotmarket
Havlur	36.75	1977/91	11,992	36	Spotmarket
Havsol	70	1976/91	12,002	72	Spotmarket
Clipper Gas *	27	1972	12,060	11	Spotmarket
Clipper Victoria	20	1976	12,060	14	Spotmarket
Havlys	70	1976/91	11,995	68	Spotmarket
Havbris	70	1977/91	11,990	73	Spotmarket
Clipper Sea	10	1978	11,992	11	Spotmarket
Igloo Hav *	100	1989/95	11,758	220	Spotmarket
Igloo Tor *	100	1989/95	11,758	220	Spotmarket
Igloo Espoo *	100	1985/95	10,875	184	Spotmarket
Igloo Moss *	100	1985/95	10,300	180	Spotmarket
Igloo Polar *	100	1982/95	8,880	143	Spotmarket
Igloo Finn *	100	1981/95	8,392	136	12/98
Igloo Norse *	100	1982/95	8,309	138	Spotmarket
<b>62 Gas carriers</b>			<b>2,743,391</b>		

\* Vessels able to carry ethylene.

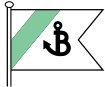
\*\* In addition the company has Contracts of Affreightment (COAs) which employ 3 vessels in 1998.

# SCREW MOTOR TANKER

SCALE 1:200

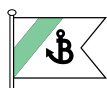
DIMENSIONS:

LENGTH EXTREME 155.66 m = 510'8 3/4"



## FLEET LIST TANKERS

Type of vessel Name	Bergesen's share in per cent	Built/ bought	Size dwt	Cost price Nok million	Employed until
<b>MOTOR TANKERS</b>					
Berge Prince	100	1973	284,522	25	Spotmarket
Berge Duke	100	1973	284,004	223	Spotmarket
Berge Lord	100	1973	284,502	247	Spotmarket
Berge Septimus	100	1974	284,514	25	Spotmarket
Berge Pioneer	100	1980	360,700	276	Spotmarket
Berge Enterprise	100	1981	360,700	337	2/02
Berge Fister	100	1979/91	268,112	247	2/02
Berge Forest	100	1978/92	267,401	155	Spotmarket
Berge Sigval	100	1993	306,430	714	8/03
Berge Stavanger	100	1993	306,474	756	4/98
Berge Stadt	100	1994	306,951	796	8/98
<b>TURBINE TANKERS</b>					
Berge Chief	100	1976/81	289,980	57	2/02
Berge Big	100	1975/82	289,980	38	Spotmarket
Berge Borg	100	1976/87	315,700	105	Spotmarket
Berge Boss	100	1976/88	315,700	145	Spotmarket
Berge Bragd	100	1977/88	310,991	151	Spotmarket
Berge Broker	100	1977/88	357,345	241	Spotmarket
Berge Banker	100	1979/88	323,100	249	Spotmarket
Settebello	51	1986/88	322,446	157	Spotmarket
Berge Nisa	100	1983/89	322,912	321	Spotmarket
Berge Bonde	100	1974/96	283,396	71	Spotmarket
Berge Odel	100	1975/96	283,279	77	Spotmarket
Berge Hus	100	1975/96	274,467	78	Spotmarket
Berge Charlotte	100	1974/97	274,333	73	11/99
Berge Helene	100	1976/97	274,467	88	2/01
<b>MULTIPURPOSE SHUTTLE TANKER</b>					
Berge Hugin	50	1997	103,854		11/06
<b>26 Tankers</b>			<b>7,656,260</b>		



## FLEET LIST DRY BULK

<i>Type of vessel Name</i>	<i>Bergesens share in per cent</i>	<i>Built/ bought</i>	<i>Tonnage dwt</i>	<i>Cost price NOK Million</i>	<i>Employed until</i>
Berge Adria - Sold '98	65	1972	227,557	88	-
Berge Athene	65	1979/88	225,162	89	12/98
Berge Stahl	65	1986	364,767	203	12/11
Bergeland	65	1992	322,941	393	(50%) 8/02
Berge Nord	65	1997	220,353	250	4/07
Newbuilding-Hyundai (tbn Berge Atlantic)	65	3.q. 98	172,000		7/13
Iron Pacific - Del. 1.h. 98	65	1986/98	231,851		Spotmarket
<b>7 Dry bulk vessels and newbuildings</b>			<b>1,764,631</b>		

## FLEET LIST TOTAL

	<i>Tonnage dwt</i>
62 Gas carriers	2,135,755
26 Tankers	7,656,260
7 Dry bulk vessels	1,764,631
<b>95 vessels and newbuildings</b>	<b>11,556,646</b>

*Bergesen owns vessels through subsidiaries, partownerships and limited partnerships. Cf. Note 14-16.*

ON THE WHOLE, 1997 HAS BEEN A SATISFACTORY YEAR REGARDING HEALTH, ENVIRONMENT AND SAFETY (HES). COMPANY STATISTICS FOR ACCIDENTS THAT HAVE CONSEQUENCES FOR PERSONNEL, ENVIRONMENT, VESSELS AND CARGO HAVE SHOWN A POSITIVE TREND.

AN AMBITIOUS TRAINING PROGRAMME WAS EXECUTED IN 1997, AND THE COMPANY STILL CONSIDERS TRAINING FOR ITS PERSONNEL AS THE MOST IMPORTANT ELEMENT IN PREVENTING ACCIDENTS. PORTIONS OF THE REVISED STCW CONVENTION HAVE BEEN IN EFFECT FROM 1997. THIS REVISION IS PRIMARILY AIMED AT RAISING THE QUALITY OF PERSONNEL CONNECTED TO OPERATION AND MANAGEMENT OF VESSELS. THE COMPANY IS UP-TO-DATE WITH REGARD TO THE REQUIREMENTS OF THE REVISED CONVENTION.

IN 1997, THE COMPANY COMPLETED A PROGRAMME TO CERTIFY ALL ITS VESSELS ACCORDING TO THE IMO'S SAFETY MANAGEMENT CODE (ISM CODE). THIS WORK WAS COMPLETED AT THE END OF THE YEAR – SIX MONTHS AHEAD OF DEADLINE.

TWO GAS CARRIERS WERE CONVERTED TO REPLACE FREON (R22) WITH A NON OZONE-DEPLETING REFRIGERANT IN 1997.

IN FEBRUARY 1998, THE COMPANY RECEIVED A SAFETY AWARD FROM THE HAUGESUND CONFERENCE FOR ITS EFFORTS TO ENSURE SAFETY AT SEA.

### RULES AND REGULATIONS

International maritime transport is regulated by a considerable number of rules and regulations. These regulations are developed within the IMO, which is the UN's London based maritime organisation.

To a large extent, each country's rules and regulations correspond to the demands within the IMO, but many countries also have additional requirements for their own vessels and for vessels visiting their ports. Requirements that, in the first instance, are the basis for shipping companies' HES activities can be found in the SOLAS and MARPOL conventions.

SOLAS – the international convention for the safety of life at sea – is the basis for work on safety and health, while MARPOL – the international convention on maritime pollution by oil – provides the basis for the



campaign to reduce and prevent emissions into the sea. A MARPOL amendment that regulates emissions into the atmosphere was adopted in 1997, but will not be effective until after 2000.

As previously stated, many countries also have their own requirements for vessels that operate in their waters. The OPA 90, which contains the USA's requirements for vessels and shipping companies operating in US waters, is one example.

The ISM code is a part of the SOLAS convention. This requires all tankers and dry bulk vessels operating in international waters from 1 July 1998 to have a certified safety system that documents the company's and the vessel's organisation, routines and procedures concerning safety and environmental operations.

The STCW convention was revised in 1995. This revision requires that maritime administrations and shipping companies conform to a number of new demands aimed at raising the quality of personnel working in maritime operations.

### WHAT IS NORWAY DOING

Norway has been an active participant within the IMO from its inception in 1948 and is represented in the first instance through the Norwegian Maritime Directorate, which works in close co-operation with the Norwegian Shipowners' Association. Norway, as one of the largest shipping nations in the world, has taken an active role in the work being done within the IMO and has been an

important force in developing the new ISM code. In the MARPOL negotiations that led to new limits on sulphur content in a vessel's fuel oil, Norway and its shipping industry requested an upper limit that was lower than the 4.5 per cent which was agreed. According to statistics compiled by Det Norske Veritas, the average sulphur levels in the world's bunkers in 1996 were down to 3 per cent.

#### HES ACTIVITIES WITHIN BERGESEN

Based on national and international rules and regulations and company philosophy, Bergesen's HES activities are regulated by a well-developed quality assurance system built on the company's own policies.

The company sees a clear connection between HES activities and the achievement of company goals.

Bergesen's quality assurance system is at the heart of all its

operations on shore and at sea, and the system is certified according to the ISM code. Bergesen believes that a positive development of HES policies is dependent on active participation and preventive measures.

Considerable company resources have again been invested in schooling and additional training during 1997. Training activities take place in Norway and at the company recruitment centres in Manila, Mumbai and Riga.

In September, the Bergesen-financed vessel bridge simulator «Berge Bridge» was opened at the Ship Manoeuvring Simulator centre in Trondheim. The additional capacity available through this simulator makes the centre in Trondheim one of the world leaders for this type of simulator technology. Conditions, which closely match the reality of situations faced by vessels, can be simulated



#### GAS CARRIERS HEDDA AND HELGA HAVE CONVERTED

IN ACCORDANCE WITH THE MONTREAL PROTOCOL AND EU DIRECTIVES, USE OF CFC GASES WILL NO LONGER BE PERMITTED AS A REFRIGERANT OWING TO A POSSIBLE NEGATIVE INFLUENCE ON THE OZONE LAYER. ON MANY VESSELS, THE CARGO BEING TRANSPORTED IS THE PRIMARY SOURCE USED AS A COOLING MEDIUM. A SECONDARY SOURCE IS HCFC-22, USUALLY KNOWN AS R22. THIS IS ONE OF THE GASES THAT WILL NO LONGER BE PERMITTED IN THE FUTURE. THE COMPANY TOOK EARLY ACTION REGARDING THE SITUATION AND HAS INSTITUTED A PROJECT AIMED AT ENDING THE USE OF R22, IN FAVOUR OF PROPANE. IN 1997, SISTER SHIPS HEDDA AND HELGA WERE SUCCESSFULLY CONVERTED. THESE LPG CARRIERS HAVE OPERATED IN THE NORTH SEA DURING 1997 WITH 101 AND 95 PORT CALLS RESPECTIVELY. THE VESSELS HAVE TRANSPORTED 1,520 MILLION CUBIC METRES OF LPG, SAILED A DISTANCE OF 116,000 NAUTICAL MILES AND EXECUTED SOME 200 LOADING AND DISCHARGING OPERATIONS.

enabling the company's officers to gain valuable and relevant training. A PC-based training project intended for company vessels is being continued. Several company-specific training modules are under development and will be completed in 1998. This work has been part of the Maritime IT research project.

Bergesen has also participated in the EU-financed project known as «SafetyNet», which will organise training activities transmitted between land and sea via satellite.

### **HEALTH**

Bergesen emphasises a good and safe working environment. Each vessel has a protection and environmental committee. There is also a shore-based working environment committee. The company runs an introductory course in protection and environmental activities and more than 1,800 of our employees have completed the course.

There is a high degree of stability in the workforce, which is considered to be a sign of a good working atmosphere. The number of doctor visits that are due to illness on board our vessels has dropped in recent years, while the percentage of absence due to illness has gone up somewhat. This is also a tendency for the company's shore-based employees.

A closer analysis of the causes for this trend has been initiated. There are no indications that working conditions or other environmental elements lead to injuries or illnesses of a particular character.

### **ENVIRONMENT**

Company emissions into the air are mostly exhaust gases from the vessels' machinery. In 1997, fuel consumption was 1.56 million tons. The major environmental components of these emissions are CO<sub>2</sub>, SO<sub>2</sub> and NO<sub>x</sub>. All vessels in the fleet are now part of an analysis programme for fuel oils and, based on analyses for 1997, the average sulphur content in fuel oils is 2.97 per cent. When the new MARPOL amendment takes effect, the upper limit for sulphur content will be 4.5 per cent. Requirements for the future use of CFC refrigerants and the desire to participate in the development of more environmentally friendly vessels is at the heart of the company's project to replace

freon (R22) with propane as a cooling agent on gas carriers. This change has taken place on two vessels in 1997 and, based on the positive results, a similar conversion will be executed on a further 10 vessels in 1998.

Oil emissions into the sea take place in two forms: controlled and uncontrolled. Controlled emissions come from pumping ballast and tank cleaning water overboard on the open sea according to the relevant international regulations, which make stringent demands regarding maximum oil content.

Uncontrolled emissions take place as a result of accidents, collisions or a breakdown in the vessels' equipment.

No company vessels were involved in emissions that could affect the environment during 1997.

The company is an active participant in the Maritime Environmental Programme, which is a research programme led by the Norwegian Shipowners' Association. The programme's main objective is to develop a more environment-friendly construction and operation of vessels and to focus on environmental issues as competitive factors.

### **SAFETY**

In 1997, the SAFIR registration system for accidents, injuries and other undesirable incidents was instituted on all company vessels. The database stores all details of registered incidents. This has provided a better basis for analyses and for instituting measures to prevent reoccurrence of an incident.

The number of cases was higher in 1997 than in 1996 and is probably due to the new reporting system that leads to a higher number of incidents being reported than was formerly the case.

The company's LTI (Lost Time Incident) figure after 1997 is 2.23. This number is low seen in relation to other comparably relevant industries.

In 1997 the company had two fatal falling accidents onboard its vessels. One explosion onboard gas carrier Hesperus led to extensive material damage, but no injuries to personnel. The number and character of accidents and injuries that have been handled by the vessels' varying insurance coverage, and which comprises the basis for the company's loss ratio has been satisfactory.



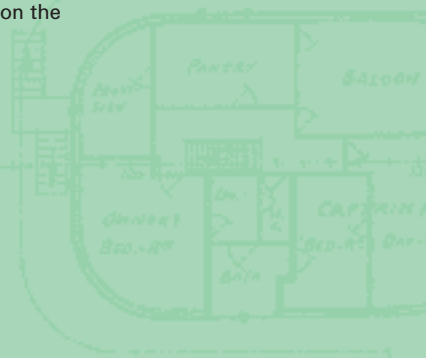
## KEY FIGURES

PROFIT/CASH FLOW		1997	1996	1995	1994	1993
Operating profit before deprec.	<i>NOK Mill.</i>	1,927	1,239	1,091	728	983
Operating profit	<i>NOK Mill.</i>	1,199	574	277	20	192
Net profit after tax	<i>NOK Mill.</i>	636	1,603	373	209	0
Cash flow from operations <sup>1)</sup>	<i>NOK Mill.</i>	1,364	1,044	1,300	965	791
Net invested in vessels	<i>NOK Mill.</i>	56	-77	4,753	760	919*
<b>VALUE ADJUSTED FIGURES</b>						
Liquid assets <sup>2)</sup>	<i>NOK Mill.</i>	4,774	3,143	2,969	2,736*	3,733*
Interest bearing debt	<i>NOK Mill.</i>	5,146	4,858	6,570	2,322*	3,397*
Value adjusted equity bef. tax <sup>3)</sup>	<i>NOK Mill.</i>	15,985	12,343	11,925	10,001*	11,263*
Equity ratio before tax <sup>4)</sup>	%	73	69	62	78*	74*
<b>KEY FIGURES PER SHARE</b>						
Value adjusted equity						
before tax per share	<i>NOK</i>	211	163	157	176*	198*
Share price as of 31 December <sup>5)</sup>	<i>NOK</i>	173	155	125	165*	147*
Earnings per share <sup>6)</sup>	<i>NOK</i>	8.4	21	5.2	3.5	2.3*
Cash flow per share <sup>6)</sup>	<i>NOK</i>	18	14	18	16	13*
Dividend per share	<i>NOK</i>	2	1	1	1*	1*
Price/earnings ratio		20.6	7.4	24	111*	63*
Price/cash flow ratio		9.6	11.0	6.9	13*	11.4*

\* Includes Bergesen prior to the merger with Havtor.

### NOTES TO KEY FIGURES

- 1) Cash flow from operations is defined as net profit after payable tax + depreciation.
- 2) Bank deposits, bonds, certificates etc. and shares at market value.
- 3) The method of calculation is explained on page 30 and 31.
- 4) Value adjusted equity before tax as percentage of value adjusted total assets at year end.
- 5) The share price is the weighted average of the price for A and B shares on the Oslo Stock Exchange.
- 6) See note 9 to the annual accounts.





## BERGESEN AND ITS VESSELS

The Bergesen name has been connected to shipping since the first half of the last century.

Sigval Bergesen d.y.'s grandfather built a sailing schooner named Edda. The schooner was passed on to Sigval's father in 1887 when he established his own shipping company. Since 1935, when Sigval Bergesen d.y. got his first vessel - a tanker named President de Vogue - nearly 200 vessels have been recorded in the company's historical fleet list. President de Vogue, renamed Bergesund in 1947, was a vessel of 14,290 tons deadweight.

The largest tankers in today's fleet, Berge Pioneer and Berge Enterprise, of 360,700 tons deadweight, are 25 times larger than the company's first tanker.

The sister ships Berge Signal, Berge Stavanger and Berge Stadt of between 306,000 and 307,000 tons deadweight, were built in 1993 and 1994. These tankers are built with double hulls as an extra precaution against oil spills in the event of a collision or grounding.

Bergesen has owned gas carriers since 1978 when Berge Sisu, the first in a series of large gas carriers, was delivered. The largest gas carriers have a cargo-capacity greater than 70,000 cubic metres. Berge Frost is the largest vessel in the gas fleet, with a loading capacity of 85,662 cubic metres, while Igloo Norse is the smallest with her 8,309 cubic metres. Currently the gas fleet consists of 62 vessels.

Dry bulk vessels have been a part of the Bergesen fleet since 1967. At 364,767 tons deadweight, Berge Stahl is the world's largest dry bulk vessel and has been listed in the Guinness Book of Records. The ship was built at Hyundai Heavy Industries Co. Ltd, in South Korea in

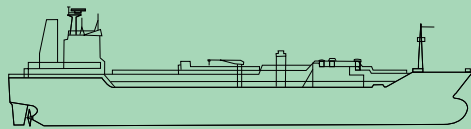
1986. The 220,353 tons deadweight Berge Nord - also built by Hyundai - was delivered in April 1997 and is the company's newest dry bulk vessel.

While today's fleet consists of gas carriers, tankers and dry bulk vessels, the company has also owned and operated other types of vessels. The dry bulk vessel Larina, which was sold in 1997 after 20 years of service, was formerly a combined ore and oil carrier. In the period 1979 to 1988 the company owned two special vessels for paper transport, Humber Arm and Corner Brook, both of 7,000 tons deadweight. For a period during the 1980s, Bergesen was the majority owner of Berge Worker, a pipe-laying vessel.

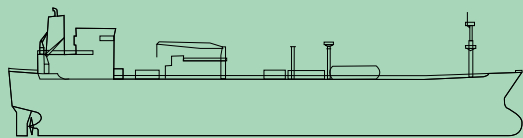
MST Berge Hugin, which is jointly owned with Navion, is a multipurpose vessel. The vessel, of 103,854 tons deadweight was delivered in early 1997 and has operated as an ordinary tanker, as a shuttle tanker in the North Sea and as a storage vessel. In the first half of 1998, the vessel is being fitted out to operate as an oil production vessel.

The gas carrier Berge Troll is among the company vessels with special assignments. The vessel has since 1989 served as a lightering and storage vessel for LPG at Cabinda, Angola.

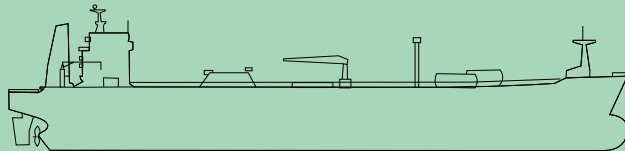
Gas carrier Hedda was the vessel that had the largest number of port calls during 1997. The vessel operated in the North Sea, where she completed 41 voyages, made a total of 101 port calls and carried 777,803 cubic metres of cargo. By comparison the dry bulk vessel Bergeland completed six voyages in its round-trip programme Brazil-Japan-Australia-South Africa-Europe-Brazil. The vessel transported 1,799,164 tons of iron ore and made 20 port calls.



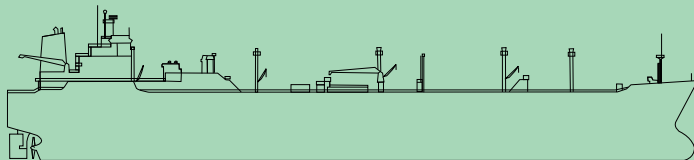
LPG/ETH/C IGLOO TOR 14,489 DWT. LOADING CAPACITY 11,758 CBM. LENGTH 153 M.



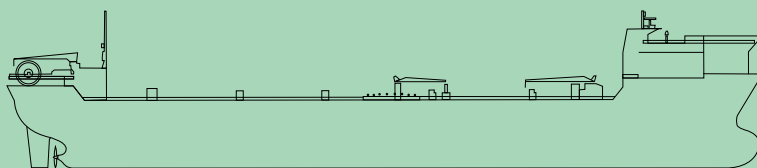
LPG/C HEDDA 30,815 DWT. LOADING CAPACITY 34,765 CBM. LENGTH 170 M.



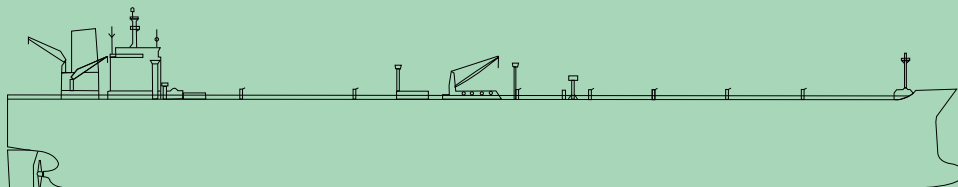
LPG/C HELIOS 44,995 DWT. LOADING CAPACITY 57,160 CBM. LENGTH 205 M.



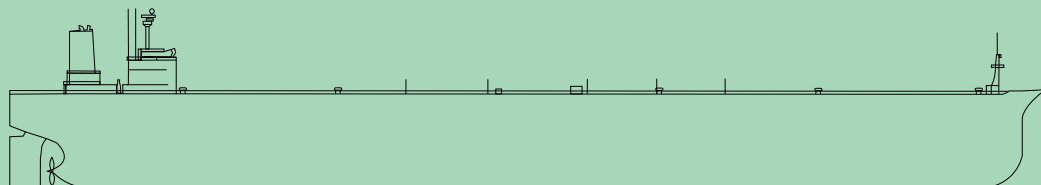
LPG/C BERGE RACINE 63,254 DWT. LOADING CAPACITY 81,697 CBM. LENGTH 228 M.



MST BERGE HUGIN 103,854 DWT. LENGTH 252 M.



M/T BERGE SIGNAL 306,430 DWT. LENGTH 331 M.



M/S BERGE STAHL 364,767 DWT. LENGTH 342 M.





## TERMS AND EXPRESSIONS

### AMMONIA (NH<sub>3</sub>)

Raw material used in fertilizer production.

### CAP

*Condition Assessment Program*

### CBM

*Cubic meter*

Loading capacity of gas carriers.

### CBT

*Computer Based Training*

Interactive training programmes based on the use of a personal computer.

### COA

*Contract of Affreightment*

Contract of transporting certain amounts of cargo within a defined period.

### CAPE-SIZE VESSEL

Dry bulk carrier of 80,000-200,000 dwt.

### DWT

*Dead Weight Tons*

Maximum weight a vessel can carry.

### DRY DOCKING

To put a vessel into a graving dock or floating dock where she can be inspected or repaired while out of the water.

### FULLY REFRIGERATED VESSEL

A gas carrier designed to carry cargoes fully refrigerated at atmospheric pressure. Bergesen gas carriers of 20,000-85,000 cbm.

### GENERAL PARTNERSHIP

*Partrederi (PR)*

Partnership with unlimited liability.

### HANDYMAX VESSEL

Dry bulk vessel of 35,000-50,000 dwt.

### IMO

*International Maritime Organization*

Maritime agency of the United Nations.

### ISM-CODE

*International Safety Management Code*

### LGC

*Large Gas Carrier*

Gas carrier of 50,000-70,000 cbm.

### LNG

*Liquefied Natural Gas*

### LPG

*Liquefied Petroleum Gas*

e.g. propane, butane.

### LTI

*Lost Time Incident*

Number of accidents per million working hours.

### LIMITED PARTNERSHIP

*Kommandittselskap (KS)*

Partnership with limited liability.

### MARPOL

*International Convention for the Prevention of Pollution from Ships*

### MGC

*Medium Gas Carrier*

Gas carrier of 20,000-50,000 cbm.

### MST

*Multipurpose Shuttle Tanker*

Tanker built/prepared for different purposes, such as shuttle, storage and production.

### OPA

*Oil Pollution Act*

Oil pollution laws and regulation in the USA.

### OFF HIRE

Period when a vessel is not earning charter hire, i.e. during dry docking, repairs, etc.

### PANAMAX VESSEL

The largest ship which can pass through the Panama Canal fully loaded (approximately 80,000 dwt).

### PETROCHEMICAL GASES

Industrial processed gases like ethylene, propylene, butadiene, VCM.

### POOL

Chartering cooperation between different owners.

### REFINED PETROLEUM PRODUCTS

Products derived from crude oil in refineries: e.g. petrol, heating oil, jet fuel, etc.

### SAFIR

*Safety and Improvement Reporting System*

### SOLAS

*International Convention for the Safety of Life at Sea*

### STCW

*International Convention on Standards of Training, Certification and Watchkeeping*

### SEMI-REFRIGERATED VESSEL

A gas carrier designed to carry cargoes both fully refrigerated and under higher pressure than atmospheric pressure. Bergesen gas carriers of 8,000-15,000 cbm.

### SPOT MARKET

Market for vessels that are not employed on Time Charter or Contract of Affreightment.

### SPOT RATE

Freight rate agreed on the basis of current market level.

### TIME CHARTER (T/C)

Agreement to hire a vessel with crew for a period of time. The hirer (time charterer) pays for voyage related costs, and pays the ship owner a charter hire of a specific amount per day or specific sum per dwt per month, i.e. t/c rate.

### T/C PROFIT

Gross freight less voyage related costs.

### ULCC

*Ultra Large Crude Carrier*

Tanker above 300,000 dwt.

### VLCC

*Very Large Crude Carrier*

Tanker of 200,000-300,000 dwt.

### VLGC

*Very Large Gas Carrier*

Gas carrier above 70,000 cbm.



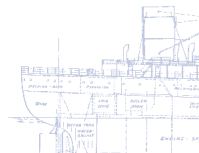
## FINANCIAL CALENDAR 1998

ANNUAL GENERAL MEETING	<i>29 April</i>
RESULTS 1ST QUARTER	<i>7 May</i>
RESULTS 2ND QUARTER	<i>13 August</i>
RESULTS 3RD QUARTER	<i>5 November</i>



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# Bergesen d.y.

# 97

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