

I.M. SKAUGEN ANNUAL REPORT 2001

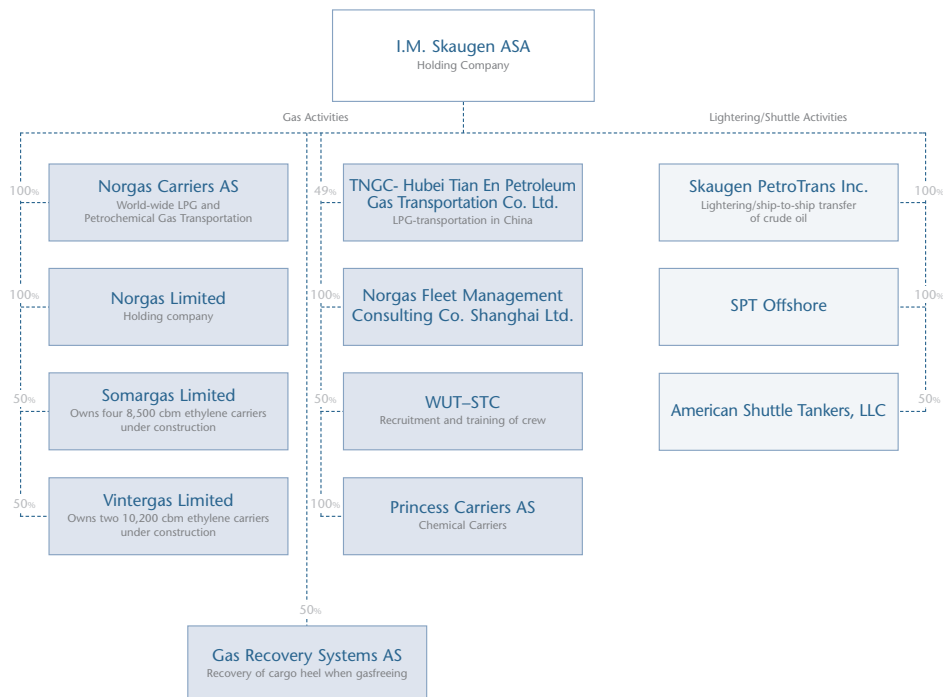


A Marine Transportation Service Company

I.M. SKAUGEN ASA

Headquartered in Oslo and listed on the Oslo Stock Exchange, I.M. Skaugen ASA is a marine transportation company engaged in the safe transport of petrochemical gases and LPG, and the lightering of crude oil. Our customers are major, international companies in the oil and petrochemical industry, whom we serve worldwide from our operations in Oslo, Houston, Shanghai, Singapore and Wuhan. I.M. Skaugen runs training programmes in St. Petersburg and Wuhan for the crews of its own vessels.

The Group currently operates 36 vessels worldwide including petrochemical gas and LPG carriers, Aframax tankers, barges for the river transport of gas and a small number of work-boats. During 2002-2003, the fleet will be increased by the delivery of six new 'Super coolers' for the transportation of ethylene, with options for four more during 2004.



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FINANCIAL CALENDAR 2002

Annual General Meeting: Monday, 4 March 2002

1 Quarter 2002: Monday, 8 April 2002

2 Quarter 2002: Monday, 8 July 2002

3 Quarter 2002: Monday, 7 October 2002

4 Quarter 2002: Friday, 11 January 2003

Key Figures



Our teams - shore-side and seafaring -
work round-the-clock to serve our customers:
24 hours a day, 7 days a week, 365 days a year.



Key Figures		2001	2000	1999	1998	1997
<i>US\$ million</i>						
Gross Freight Revenues		203.9	155.5	133.4	126.4	130.7
EBITDA		33.9	24.4	14.9	9.9	14.0
EBIT		17.5	7.9	1.0	(9.0)	19.0
Pre-tax result		10.4	1.5	(6.2)	(16.7)	12.6
Total Assets		185.5	177.2	185.5	203.7	226.7
Liquid assets		35.6	14.7	21.6	28.6	46.5
Equity at book value		66.5	74.0	77.4	85.9	99.4
Net debt		55.8	63.8	69.6	68.5	59.7
Net interest bearing debt		60.0	71.3	71.2	73.0	67.7
Dividend		4.6	1.3	-	-	34.5
Buy-back of treasury shares		2.8	2.1	2.2	-	-
Current ratio ¹		271 %	229 %	251 %	303 %	520 %
Equity ratio ²		35.8 %	41.8 %	41.7 %	42.1 %	43.9 %
Interest coverage ratio ³		6.57	3.62	2.11	1.23	1.81
EBITDA ratio ⁴		16.4 %	15.3 %	11.0 %	7.6 %	11.3 %
Key Figures per share:						
Market value as of 31.12	NOK	73.5	65	54	24	64.5
Pre-tax earnings ⁵	US\$	1.85	0.26	(0.98)	(2.53)	1.9
Cash-flow from operations	US\$	4.15	1.62	0.9	0.77	(0.48)
Price/earnings ratio ⁶		4.41	28.2	(6.88)	(1.25)	4.64
Dividend	NOK	7.5	2	0	0	33.6
EBITDA	US\$	6.04	4.08	2.35	1.48	2.28
EBIT	US\$	3.10	1.33	0.16	(1.36)	2.87
Equity at book value	US\$	12	12.5	12.2	13	15
No. of shares (excl. treasury shares)						
as of 31.12		5 550 097	5 912 297	6 198 354	6 630 505	6 630 505
Average number of shares		5 609 197	5 959 464	6 348 731	6 630 505	6 630 505

Definitions

- ¹ Current assets divided by current liabilities
- ² Book equity divided by total assets
- ³ EBITDA divided by net interest expenses
- ⁴ EBITDA in per cent of gross freight (incl. partly-owned companies)
- ⁵ Pre-tax earnings divided by average number of outstanding shares
- ⁶ Market value per share dividend by pre-tax earnings

CEO's Address



We maintain our strong commitment to being service leaders and lowest cost providers.



Dear Fellow Shareholders

Another year has passed and it is time to look once again at what our team within I.M. Skaugen has achieved in the last 12 months and to ensure that we are on course for future earnings growth.

For the first time in a number of years we are able to report a significant improvement in I.M. Skaugen Group (IMS) results in 2001. Profit attributable to shareholders increased to US\$10.4 million. This increase did not come from 'extraordinary gains' but rather from normal trading income, predominantly within SPT, our US shuttle tanker (or lightering) operation. Since SPT became part of the group in 1990, it has played a key part in IMS's business strategy of achieving a balanced revenue-earning structure within the Group such that acceptable cash flows can still be generated at times when the more cyclical and capital-intensive petrochemical business of Norgas is on a downward trend. The consistently increasing contribution by SPT to our Group results vindicates our confidence in pursuing this strategy. The challenge remains however to convince our fellow shareholders and the financial community at large that SPT, in turnover terms, is likely to continue to be by far the largest segment of the IMS business - accounting currently for more than three quarters of our turnover and a similar percentage of the EBITDA. The 'old' story within the financial community of IMS as an 'LPG company' is perhaps a thing of the past.

It is not possible in a review of 2001 to omit mention of the horrifying events of 11 September, which emphasised the fragility of world peace and left no corner of the world untouched to some degree. IMS was no exception and in particular our gas transportation business, already affected by the downward slide of the world economy, felt the further impact of this blow to world confidence. However we have maintained a sound financial position despite these external factors and this in itself may lead to opportunities at a time when competitors are faltering. But 'steady as she

goes' remains our creed and we are not actively seeking dramatic measures such as major mergers or acquisitions, which may bring more risks than rewards. Rather we remain open-minded and receptive to structural solutions that make good business sense and could help us generate better opportunities for value creation.

In 2002 we incorporate into our Norgas fleet three out of six of our new vessels, which will contribute to reducing further the EBIT break-even level of the Norgas fleet and to improving the service we provide to our customers. As such, this investment strikes the core of our strategy - lowest cost and the best of services. In the coming years we expect to see a rekindling of 'cbm per mile' demand for Norgas type vessels, due chiefly to the many world-scale plants now located in low-cost, oil-producing areas like the Arabian Gulf.

Many of the photographs in this annual report show our staff at work and I would like to pay tribute to my colleagues around the world and thank them for the contribution they make to I.M. Skaugen's success and for their total commitment, 24 hours a day, 7 days a week, 365 days a year. For us to create shareholder value we need satisfied customers. To satisfy our customers we need good service and low costs as well as safe, efficient operations - and to achieve these we need committed and high calibre staff. I am happy and confident that the people we have on our team are just this.

Finally, I thank you for being an owner in this company. I know that you have many alternative investments to choose from. The Board, our staff, and I are committed to providing you with satisfactory returns, as I hope this year's dividend illustrates.



Morits Skaugen jr., CEO
5 February 2002

Key Operational Goals for the I.



2001 KEY OPERATIONAL GOALS

- 1 Achieve a more realistic EBITDA multiple pricing of the IMS share.
- 2 Achieve higher profitability through efficiencies of scale afforded by consolidations within the gas industry.
- 3 Continue to increase Group profitability, focusing on:
 - a) maintaining the EBIT margins and earnings of SPT;
 - b) reducing the Norgas monthly EBIT break- even level per vessel; and
 - c) keeping Norgas' planned and unplanned off hire levels to 3 percent per annum.
- 4 Implement the further use of digital solutions and e-business to improve service levels and efficiency.
- 5 Further develop the Norgas Fleet Management (Shanghai) Co. Ltd. (NFM – formerly the Asian Fleet Services Centre) to provide fleet management services for Norgas, including recruitment and training of seafarers, supplying Norgas vessels trading in Asia with Chinese officers and crews.

The goals that we set ourselves each year form an integral part of our ongoing operating strategy. As such they are of a long-term nature - evolutionary, not revolutionary - and are intended to mould and build upon our existing strengths.

M. Skaugen Group

PROGRESS DURING THE YEAR

- 1 The share price increased by 13.08 percent during 2001. We paid a dividend of NOK2 per share, giving a total yield of 16.15 percent. However good the improvement, the correlation between share price and the development in EBITDA earnings as well as the correlation between share price and enterprise value remains elusive.
- 2 Higher Group profitability has been achieved, due mainly to increased earnings within the lightering sector. Market conditions have not been conducive to take advantage of any consolidation opportunities.
- 3
 - a) SPT EBIT margins and earnings improved in 2001.
 - b) Our focus on an industrial concept and on efficiencies in the fleet management functions of the vessels has, over recent years, led to a reduced EBIT break-even level for the Norgas fleet. The goal for 2001 was US\$226,000 per vessel per month and this has been achieved.
 - c) The off hire level of the Norgas fleet of 4.8 percent in 2001 (3.9 percent in 2000) does not meet our longer term target of 3 percent p.a.. We had an extensive programme of seven dry dockings of which four were class renewals. Planned off hire was therefore 3.5 percent and unplanned was 1.3 percent.
- 4 SPT launched tailor-made e-based systems to facilitate better scheduling and accounting, and to provide real-time operational information to customers. Norgas increased its use of e-procurement for spare parts and formed a pilot group with two other shipping companies for SIS e-procurement. A new administration and accounting system was successfully implemented.
- 5 Four Norgas vessels trading in Asia were manned by Chinese crews. 95 Chinese crew members in the Norgas pool. 924 students trained in WUT-STC for both Norgas and external customers. NMF has received its operating license, making it possible to recruit Chinese seafarers directly and offer other kinds of services to external customers.

GOALS FOR 2002

We will continue to work towards:

- Achieving a more realistic EBITDA multiple pricing of the IMS share.
- Increasing Group profitability by focusing on EBIT margins and EBIT break-even levels within Norgas, SPT and the China Activities.

SPT

- Improving the scope and speed of information available to customers via internet and PDA devices.
- 'Excellence in Execution' - best on-time performance, timely and accurate invoicing, optimum information flows, continued development of e-solutions.
- Improving risk management/early warning systems.

Norgas

- Successful commissioning of three new ships for Norgas.
- Moving nearer to achieving 3 percent total off hire target levels.
- Developing and expanding the e-business solutions and specifically the SIS e-procurement system.
- Fuller implementation of the KAM System (Key Account Management System).

China

- Developing the operation of the newly established Norgas Fleet Management (Shanghai) Co. Ltd.
- Increasing the bottom-line contribution of our China activities and specifically that of TNGC.

OUR BUSINESS

A marine transportation service company.

OUR VISION

Be the leading provider of transportation services within our specified niche markets.

OUR GOVERNING OBJECTIVES

Continuously strive to improve customer service, focus on operational efficiency and thereby grow the business profitably in order to maximise shareholder value.

Board of Directors' Report



Our skilled and experienced people focus on efficiency.
The result: improved service, better quality of operations,
leading to lower costs

SUMMARY

2001 showed improved profitability and an acceptable profit level for I. M. Skaugen ASA. This is the third consecutive year of improved earnings. IMS as a group reported a net pre-tax result of US\$10.4 million (US\$1.5 million in 2000). The EBITDA result* is US\$33.9 million for 2001 (US\$24.3 million in 2000). The overall results, as well as the present financial position of the company, during the present economic 'cyclical down turn' are considered acceptable by the Board. A dividend payment for 2001 of NOK7.50 per share, totalling US\$4.6 million, will be proposed at the Annual General Meeting.

Skaugen PetroTrans (SPT) reported the best result in its history. The long-term focus on quality of service, safety and reliability has led to an increase in the overall activity of the company. Handling about 1.1 million barrels of oil per day, which represents some 14 percent of total US sea-borne crude oil imports, and operating an average of nine or more service vessels, SPT was the prime contributor to the Group's turnover and result in 2001. We expect to deliver acceptable results once again in 2002.

The focus on improved operational costs continued at **Norgas** and for the fourth year in a row we successfully reduced these, reaching the target EBIT break-even level** for the Norgas fleet of an average US\$226,000 per vessel per month compared to US\$236,000 the year before.

With GDP and industrial production growth on a downward trend and at a 10-year low, the short-term

outlook is considered weak for the cyclical gas carrier activities of Norgas. The continuation of a soft market for the services offered by Norgas is therefore anticipated during the first half of 2002. However, the long-term outlook is more promising with both an expected economic recovery during the second half of 2002 and a projected increase in long-haul exports of petrochemical and other related oil products from the Middle East to Asia, Europe and the USA.

HIGHLIGHTS DURING 2001

■ **IMS:** The SKA share price outperformed major market indices during 2001, closing at NOK73.5, an increase of 13.08 percent over the year. Including the dividend payment of NOK2 per share on 22 March 2001, the total yield to shareholders was 16.15 percent. In comparison, the Oslo Stock Exchange Benchmark Index (OSEBX) decreased 15 percent over the same period and the OSE 2030 Transportation Index (OSE2030GI) ended down one percent.

■ **IMS:** During 2Q01 a guarantee consortium was established to enable the placement of a NOK124 million convertible bond programme. The bond was successfully sold during 3Q01 at par (100 percent) and is now separately listed on the Oslo Stock Exchange. The bond has been trading within a range of 101-103 percent.

*EBITDA: Earnings before interest, taxes, depreciation and allocations

**EBIT Break-even: The earnings we need per vessel/month to cover all costs including depreciation, but excluding interest and taxes.

Key operating statistics for I.M. Skaugen Group	2001	2000	1999	1998	1997	1996
Norgas idle time	13.20%	5.00%	7.00%	5.00%	8.00%	16.00%
Norgas off hire days	4.83%	3.90%	7.00%	5.00%	2.00%	4.50%
Norgas dry dockings	7	3	5	8	2	9
Norgas T/C rates in US\$	214 000	283 000	228 000	258 000	274 000	324 000
SPT no. of full service lightering operations	611	541	551	432	372	328
SPT no. of support lightering operations	170	132	182	150	159	117
SPT tanker operating days	3 337	2 682	2 750	2 271	1 945	1 792
SPT daily lightering volume (bbls/d)	1 069 000	930 000	990 000	817 000	677 000	625 000
SPT share of US sea-borne crude imports	14.00%	10.50%	11.80%	9.70%	8.60%	8.30%
IMS share price (end of each Q/year - NOK)	73.50	65.00	54.00	24.00	64.50	132.00
IMS share price average daily	69.78	64.90	44.00	51.90	87.00	119.10

- SPT: SPT's significant contribution to the improved results of the IMS group is due mainly to high utilisation of assets, the tangible benefits of economies of scale on increased volumes handled, together with good operational regularity and an excellent safety record. SPT's EBITDA result was US\$26 million in 2001 (US\$8.0 million in 2000), gross revenues accounted for 77 percent of IMS Group revenues and 77 percent of the EBITDA result.

- SPT: In 3Q01 SPT handled its fourth billion barrel of crude in its 20-year history. The company now regularly handles crude oil imports on both the US East and West coasts in addition to the Gulf of Mexico.

- Norgas: IMS's programme to build new gas carriers for Norgas progressed according to plan. Two more ethylene carriers were ordered during the year and five out of six vessels are now under construction simultaneously at the same yard in China. All vessels are fully financed during the construction phase and satisfactory 'post delivery' financing has been arranged in cooperation with our partner, GATX Capital of San Francisco. Part of the financing package is an innovative long-term, fixed-rate US dollar 'buyers credit' from the China EXIMBANK in Beijing.

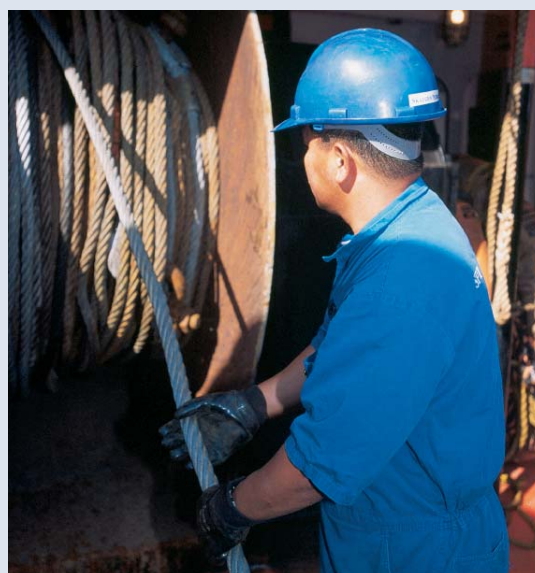
- Norgas: Historically Norgas's earnings have tracked GDP and industrial production growth levels, which are currently on a downward trend. The world's GDP growth is now estimated to be only 2.2 percent in 2001 (Goldmann Sachs), down from previous estimates of 3.7 percent in December 2000 and 4.2 percent mid year 2000. The turnaround in world economic growth is not expected to be apparent until the second half of 2002, the first six months remaining volatile.

- Norgas: The depressed world economy made 2001 a challenging period in which to maintain the time charter rate earnings, including idle time, at acceptable levels. The recorded earnings level on a time charter basis per month per vessel in 2001 was US\$214,000 (US\$283,000 in 2000). In the post 11 September period, the Atlantic market experienced less of a downturn than the Asia market.

THE SHUTTLE TANKER / LIGHTERING ACTIVITIES

The US-based shuttle tanker or lightering business is characterised by reasonably high barriers of entry due to the focus on safety and infrastructure required. There are three independent operators that serve this market niche in the US Gulf area in addition to one oil company servicing its own needs. Customer feedback verifies that all these contractors provide a good and efficient service with a focus on safety, and the combined capacity they offer appears to be sufficient to meet demand. This being the case, we do not anticipate any logistical innovations in the near future to compete with or replace the lightering trade. Lightering offers relatively low-cost and flexible solutions compared to the alternative modes of transportation, and this industry with its current operators has an outstanding safety record.

Changing patterns in the sourcing of US crude oil imports and volatility of rates in the Aframax tanker market have made it necessary for SPT to secure a more steady supply of tonnage in order to provide customers with competitive pricing. A core fleet of seven ships has been secured for 2002 (five ships in 2001) to service contracts with agreed volumes and/or rates. Matching customer and vessel contracts to mutual advantage is an essential part of the operational process.



SPT - A good year, with safe and profitable operations.

The launching of Norgas Sonoma in December 2001 - the second of six new, state-of-the-art gas carriers commissioned from the Hudong-Zhonghua yard in Shanghai.



SPT has successfully increased its overall level of activity year-on-year by building on its sound reputation for quality service, fair dealing, safety and reliability. The company now handles about 14 percent of US seaborne crude oil imports compared to 8.3 percent in 1996. During 2001 an average of more than nine vessels were in operation compared to five in 1996. Annual volumes of crude handled have reached some 400 million barrels, almost four times the total in 1995.

This operation, therefore, is well placed for growth in a market where the trend within the key integrated oil companies is moving towards the increased outsourcing of logistics services, like lightering, to tried and trusted independent contractors. SPT now regularly performs lightering services not only in the US Gulf, but also on the US East Coast and most recently also on the US West Coast. From time to time similar assignments are also carried out in other locations. In fact, in destinations like the Arabian Gulf and West Africa we have loaded crude onto the same carriers, which we have later off-loaded in US waters.

During the year a joint venture was formed with Navion Inc., (a subsidiary of Statoil ASA of Norway), to establish American Shuttle Tankers Inc. - a US-based offshore loading company for crude oil to serve deep-water installations in the Gulf of Mexico. The new company will provide an alternative to the use of pipelines in the US Gulf for the transportation of deep water crude to refineries in the US.

THE GAS CARRIER ACTIVITIES - NORGAS AND CHINA

Norgas (formerly Norwegian Gas Carriers – NGC)

Competitiveness has again been the key focus during the year: to achieve the lowest world-wide operational cost while offering the best service. The commissioning of six new state-of-the-art 'Super-Cooler' ethylene carriers, with an approximate combined capacity of 55,000 cbm, brings Norgas a step closer to this goal.

The fleet of vessels in the Norgas segment (semi-refrigerated vessels below 22,000 cbm) showed modest growth in 2001. One vessel of 5,600 cbm was delivered during 2001 while two vessels totalling 12,565 cbm were sold for scrap. The net change in the fleet capacity, therefore, was minus 0.35 percent. The firm order book for new vessels now stands at about 8.1 percent or 156,600 cbm capacity in total, of which the new Norgas vessels comprise about one third, and are the most competitively priced. The expected annual increase will be 4.2 percent in 2002 and 3.9 percent in 2003 - assuming no scrapping of any such vessels. However, scrapping of vessels in this segment is expected to increase and a reduction in the fleet may well be seen for the first time in the years ahead.

The fleet of pressurised gas carriers has become a greater competitive threat to Norgas over the last few years as it has been growing fast and is relatively modern. It grew by 26.8 percent in 2001 to a total capacity of 384,000 cbm. The firm order book determines that it will grow by 21.3 percent in 2002 and by



SPT's Gulf Guardian was proud to play a role in the rescue operations in New York Harbour on 11 September 2001 and is honoured to have received an AOTOS (Admiral of the Ocean Seas) award from the United Seaman's Service.

Reproduced courtesy of the US Coast Guard/PA2 Tom Sperduto.

2.7 percent in 2003. The pressurised fleet competes with the Norgas fleet for the transportation of products like propylene, LPG, butadiene and VCM, although not with regard to ethylene, as these vessels cannot carry ethylene.

The longer-term market outlook for Norgas freight earnings is still considered positive - a view supported by third-party market analysis. Due to the tragic events of 11 September and the subsequent dramatic economic downturn, recovery in industrial production and GDP is likely to be delayed for at least six months; thus the short-term outlook is still somewhat unclear. Overcapacity in the value chain of petrochemical production, from raw material to the end product, increased as a result of these events. The long-term trend in demand growth for the petrochemical products that Norgas carries has been around four to five percent, about 1.5 times GDP growth levels. Fewer new vessels combined with increased scrapping will improve trading conditions. The current environment, with its critical focus on older tonnage and badly-maintained vessels, may also lead to the retirement of such vessels and thus increase scrapping above the annual average of circa one percent seen over the last few years. The environment for raising finance for speculative ship building ventures is currently tight - a factor which will help to curtail growth in the fleet.

An increase in the export of petrochemical and oil products from the Middle East to Europe and the USA is forecast for late 2002, which should help to increase the demand for transportation services. In general, this projected increase in demand is viewed as new business opportunities, over and above the market expansion resulting from the projected rise in world-wide Industrial Production and GDP and with that the overall general demand for the relevant petrochemical products. Thus it is projected that this will contribute to improved trading conditions and the demand for more tonnage miles in general.

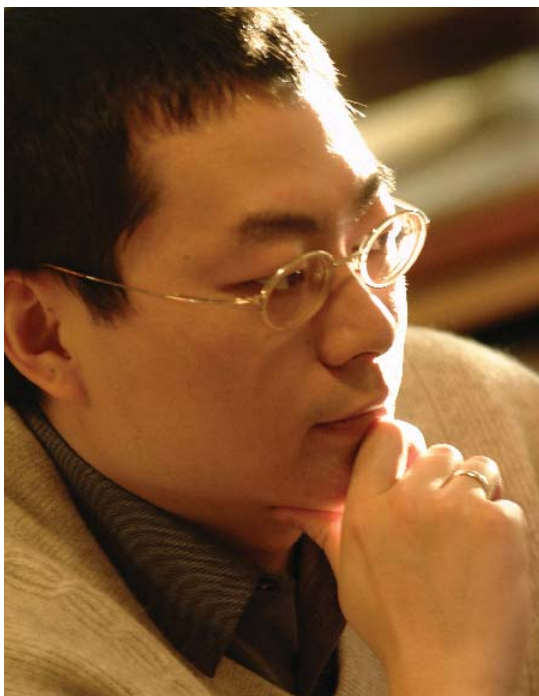
CHINA ACTIVITIES

The Group's China activities do not yet contribute significantly to the Group's results, accounting for only five percent of assets and three percent of revenues. However the 2001 EBITDA result was a positive US\$59,000 compared to a loss of US\$427,000 in 2000. Our strategy is focused and expected to create results. The Board continues to view China as a promising market for the transport of petrochemical gases and LPG as well as a valuable source of affordable crew, fleet management services, shipbuilding and repair. The build up of our presence in China is a challenging process, but is going according to plan. As such we consider this business unit to have potential and that it offers a competitive advantage of strategic importance. The Group's activities in China as a whole are viewed by the Board as an investment towards further reductions in the Norgas EBIT break-even level.

Development of the infrastructure in the inland areas served by TNGC has been slower than expected and this has hindered demand for transportation on the river. High LPG prices due to high oil prices have also slowed down the import of LPG to China with the result that domestic production has temporarily replaced the imported volumes. However the volume of LPG carried by TNGC increased by 60 percent over the year and over 110,000 tonnes is now carried. The TNGC operations on the Yangtze River are seen as the final leg of a possible future integrated sea-borne logistics chain to be offered to inland customers in China. IMS continues to focus on further utilisation of the TNGC fleet as well as commercialisation of our crewing and training services.

It is anticipated that in the years to come China will be the main source of competent sea-faring personnel for the world merchant fleets. IMS is the first company to take the initiative in securing this competence for its international gas carrier fleet and the only non-Chinese enterprise involved in domestic water transportation of LPG. The contract for the building of six new ethylene carriers could not have been achieved without our presence and experience in China.

Our China Activities consist of a joint venture for gas transport on the Yangtze River, TNGC, and organic chemical transportation by Princess Carriers. The Norgas Fleet Management (Shanghai) Co. Ltd (formerly Asian Fleet Service Centre) is responsible for the development of crewing, training and fleet management services. This activity includes the recruitment and training of Chinese seafarers in the WUT-STC (Wuhan University of Technology – Skaugen Training Centre) in Wuhan as well as the supervision team involved in the new building of six gas carriers in Shanghai.



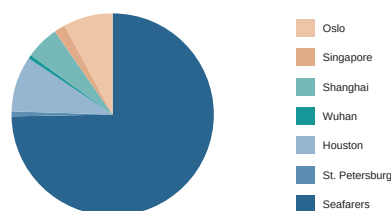
In global competition, the winning companies are those that can put together a team of people with the best knowledge and highest enthusiasm – wherever they can find them, anywhere in the world.

AN INTERNATIONAL AND MULTICULTURAL STAFF – OUR MOST VALUABLE ASSET

By year-end 2001 the total personnel employed by the Group was 502; 396 were employed as sailing personnel and 106 in the shore-side offices. The largest presence is in Houston, followed by Oslo and Shanghai.

The total shore-side headcount for the Group has been gradually reduced over the last three years by some 10 percent, due primarily to investments in IT and more streamlined processes. During the year we closed down our Norgas representative office in Belgium and these services are now offered out of Houston. We continue to focus on streamlining our processes to achieve efficiencies where we can and to continue to improve our competitiveness by reduced operational costs.

Absence due to illness for Norgas shore -side staff was 2.6 percent, 2.0 percent for SPT and 1.7 percent for the China Activities – making an average of 2.1 percent for the Group. Norgas had 10 personnel incidents in 2001 (four in 2000), whereof three, involving seven persons in total, resulted in discharge (one in 2000). The Lost Time Injury Frequency (LTIF) for Norgas in 2001 was 4.8 (1.7 in 2000). The Group's China activities had three minor incidents (0 in 2000), and SPT had four minor incidents (two in 2000).



SAFETY, THE ENVIRONMENT AND QUALITY

The IMS Group companies transport and handle cargoes, which represent significant potential pollution threats to the environment, both to air and water, as well as to the health and safety of personnel. The Group works continuously towards improving its health, safety and environmental protection performance. The performance of SPT is in itself a good example of this. In its history, SPT has now performed 9,381 operations, handling more than four billion barrels of oil with no more than 0.00002 percent (or 900 barrels) lost to the environment.



SPT takes an active role in further developing the safety and service of the lightering industry together with the US authorities. For the second consecutive year, SPT has been recognised by the US Coastguard for its safety and environmental programmes and has been named runner-up in the well-known William M. Benkert Award.

There were no major incidents in 2001 leading to environmental pollution of the ocean. The amount of oil or bunkers spilled was 177 litres, a level considered acceptable and operationally normal given the type and frequency of operations we are involved in. The goal however is clear and our aim for zero tolerance on oil spills remains a viable target. The Group focuses on this goal through its training and Total Quality Management (TQM) systems. All business units are taught to have a TQM mind-set to ensure high quality of operations. The Group and its vessels comply fully with all the prescribed international codes, regulations and standards in the jurisdictions and sectors in which they operate.



In the third quarter 2001, SPT handled its four billionth barrel of oil in its 20-year history. Of this, no more than 0.00002 percent (or 900 barrels) has been lost to the environment.

In our deep-sea vessel operations, we have fully implemented all the requirements of the ISM code. The Group's own internal standards are built on these requirements. Areas of operation not subject to the ISM code within subsidiaries like TNGC and SPT have voluntarily implemented similar procedures. Norgas carries an ISO 9002 accreditation.

Customers, class societies and flag state authorities frequently inspect our vessels, which assists in enforcing high safety standards. The Norgas vessels had a monthly average of six such inspections in 2001 (five in 2000).

At Norgas the related statistics on insurance claims for hull and machinery as well as P&I (crew and cargo claim performance) compare well to the gas carrier industry in general. Benchmarking carried out by IMS in cooperation with our insurance providers verifies this.

The Group's emissions to the atmosphere entail exhaust gas from vessel machinery as well as cargo remnants in connection with the cleaning of vessel tanks and loading and discharging of cargo. When emptying and cleaning a cargo tank, all vessels release vapour to the atmosphere. For an ethylene carrier as much as 20-40 tonnes of ethylene, or 0.5-1.0 percent of the total cargo, may be released into the atmosphere. This is regarded as an acceptable level.

The Group has made a significant investment through one of its Group companies, Gas Recovery Systems

The Norwegian Prime Minister, Kjell Magne Bondevik, and Vice Mayor Zhou Mu Yao of Shanghai, visit I.M. Skaugen's new buildings in the Hudong-Zhonghua shipyard. Norgas Orinda is in the background. January 2002.



(GRS), in the development of technology to reduce and prevent the emission of these gases. This new gas recovery system is now in operation on a commercial basis world-wide and has a proven technology.

The new Norgas ethylene vessels on order are designed to meet present and anticipate future environmental restrictions:

- They will use about 10 percent less fuel and energy compared to conventional vessels.
- The main and auxiliary engines comply with the future Nitrogen Oxide (Nox) regulations.
- The vessels will be painted with tin free anti-fouling paint, which will be mandatory from 2003.
- Ballast water can be changed during the sea passage enabling the vessels to meet the likely future requirement preventing the carrying of ballast water from one port to another, if the two ports are not within the same geographical region.
- Waste and garbage handling on board will be destroyed thermally in the ship's incinerator.
- The vessels will be outfitted with equipment complying with MARPOL 'Low Sludge' notation. All fuel residues, used lube oil and sludge will be conditioned and utilised in the thermal oil boiler for heat generation or as fuel in the main engine.

FINANCIALS

During 2001 the Group paid down its main loan facility by US\$8.8 million in accordance with the agreed repayment schedule. IMS is in compliance with all its loan covenants.

We apply the following key financial ratios for the IMS group:

- Debt falling due during 2002 represents 9.2 percent of the total debt.
- Year-end net debt stood at US\$55.8 million and interest-bearing debt totalled US\$60 million.
- The debt ratio is 64 percent and the ratio between current assets and current liabilities is 271 percent.
- The EBITDA/net interest cost ratio for 2001 is 6.57.
- The book equity totalled US\$66.5 million or US\$12/NOK108 per share, which represents 36 percent of the Group's total assets.
- Total liquidity as at 31 December 2001 was US\$38 million (30 percent) and this is regarded as sufficient for our current business activities.
- Based on the valuation of the Princess fleet from three independent sale and purchase brokers in December 2001, it was decided to write down the vessels' book value by US\$2.6 million.

In June 2001, IMS placed a convertible bond for NOK124 million in the Norwegian market, arranged through Pareto Securities ASA. The issue was oversubscribed and the funds were taken up in July. The

convertible bond has a seven-year maturity with an option to convert to share capital during the first five years. The coupon is fixed at 11 percent for years one to five, increasing to 13 percent in years six and seven when the conversion right lapses. The conversion price is fixed at NOK91 per share and will be adjusted prior to conversion to accommodate any dividend paid to existing shareholders.

This deal earned for I.M. Skaugen, together with our finance partner GATX Capital Corporation and brokerage house Pareto Securities ASA, the 'junior debt of the year' award by Marine Money, a well-known, US-based industry publication. The award recognises the successful issue of the convertible bond and that the structure included both private equity and mezzanine financing by GATX.

Somargas Limited and Vintergas Limited, the Group's 50/50 joint ventures with GATX Capital Corporation, each signed an agreement for a 10-year Buyers' Credit facility with the Export Import Bank of China in Beijing (CEXIMBANK). The two facilities of US\$62.5 million and US\$32.3 million, representing 75 percent of each respective contract price, have been procured to finance the six firm vessels in our new building programme.

These were the first Buyers Credit agreements entered into by CEXIMBANK with a non-Chinese customer for the export of vessels, and the negotiations took place over a period of 18 months. The agreements give a fixed average base interest rate of 4.95 percent on the US\$62.5 million Somergas facility, and 4.77 percent on the US\$32.3 million Vintergas facility. The construction financing is provided by Nordea Bank, Oslo and NIB Capital, The Hague. The same banks are also providing security for the CEXIMBANK facilities together with a stretch facility.

The Group is currently considering the commercial and financial viability of exercising the two remaining new building options of two vessels each. IMS has agreed with the Hudong - Zhonghua yard that the size and configuration of these vessels can be altered within the same basic terms of the contract; i.e. accommodating



The Board highly appreciates the hard work and dedication of the IMS staff and their contribution towards achieving good financial results and reaching our goals.

only the actual cost of the alterations made. The Board considers that the utilisation of these options is likely to be financially beneficial to the company and to contribute to its overall commercial strategy.

THE IMS SHARE

During the course of 2001 IMS acquired 362,200 treasury shares at a total cost of NOK25.6 million or NOK70.77 per share. The company currently holds 262,200 shares. It will be proposed at the Annual General Meeting on 4 March 2002 that these should be redeemed.

The Annual General Meeting on 8 March 2001 resolved to write down the share capital by NOK8,300,820 from NOK360,596,640 to NOK352,295,820 by redeeming 138,347 treasury shares.

The Extraordinary General Meeting on 25 June 2001 resolved to write down the share capital by NOK3,558,000 from NOK352,295,820 to NOK348,737,820 by redeeming 59,300 treasury shares. The new share capital is NOK348,737,820 distributed through 5,812,297 shares as effective of 3 November 2001.

RESULTS, TAXES AND DIVIDEND

I.M. Skaugen ASA reported a profit before taxation for the Group of US\$10.4 million (US\$1.5 million in 2000). The EBITDA result for the Group was US\$33.9 million (US\$24.3 million in 2000). The Group reports its consolidated financial results in US dollars, the Norwegian based parent company reports in Norwegian Kroner.

The tax expense of US\$10.4 million in 2001 represents a change in the deferred tax assets. These deferred tax assets were recognised at year-end 2000 and are entirely expensed in 2001. This is due to a change in tax status and the liquidation of certain subsidiaries as well as utilisation of tax losses carried forward. This does not represent any payable tax or negative cash-flow effects.

The Group's gross freight earnings totalled US\$204 million (US\$155 million in 2000).

The parent company, I.M. Skaugen ASA, showed a positive result of NOK56 million. The total equity of the company is NOK691 million, and of this NOK354 million is available for dividend payment.

The Board proposes the following allocations (NOK million):

Transferred to other equity	14
Dividends	42
Total allocations	56

The Board of Directors proposes a dividend of NOK7.50 per share or NOK42 million for 2001 against NOK2 per share or NOK12 million for 2000.

The Board finds that the assumptions for further and continued operations has not been changed as the basis for approving the 2001 accounts and as a consequence these annual accounts are based on the going-concern assumptions in accordance with §3-3 of the Norwegian Accounting Act.

Oslo, 5 February 2002, Board of Directors, I.M. Skaugen ASA



Erik Eik
Chairman



Morten Arntzen



Bjarne Aamodt



Harald Schjoldager



Christian Wessel



Morits Skaugen jr.
CEO

Accounts and Notes



PROFIT AND LOSS ACCOUNTS I.M. SKAUGEN GROUP

US\$ 000	Notes	2001	2000	1999
Gross freight revenue		203 878	155 544	133 424
Voyage related expenses incl. marketing	4	(48 981)	(43 747)	(38 679)
Freight income on Time Charter basis		154 897	111 797	94 745
Time charter hire		(89 310)	(56 941)	(43 372)
Salaries and social expenses	4	(14 556)	(13 812)	(15 976)
Ordinary depreciation vessels	11	(9 484)	(9 750)	(9 387)
Ordinary amortisation of capitalised docking/other	11	(3 952)	(4 330)	(4 314)
Write-down vessels	11	(2 594)	(1 316)	-
Other operating expenses vessels	6	(13 671)	(14 748)	(16 770)
Other operating expenses/administration costs	4	(3 828)	(2 947)	(3 893)
Operating profit/(loss)		17 502	7 953	1 033
Result from investments in associates	14	(747)	(192)	(993)
Interest income		829	822	860
Other financial income		-	212	377
Changes in market value of financial current assets	15	(902)	(543)	150
Write-down of shares	15	-	-	(450)
Interest expense		(5 617)	(6 341)	(6 011)
Other financial expense		(174)	(272)	(1 095)
Gains/losses on exchange		(476)	(117)	(87)
Net result before taxes		10 415	1 522	(6 216)
Change in deferred tax	9	(10 415)	(1 522)	-
Net result for the year		(0)	-	(6 216)
Earnings per share	20	(0)	0,00	(0,98)
Diluted earnings per share	20	0,08	N/A	N/A

BALANCE SHEETS I.M. SKAUGEN ASA GROUP

US\$ 000	Notes	31.12.01	31.12.00	31.12.99
ASSETS				
Fixed assets				
Intangible fixed assets				
Deferred tax assets	9	-	10 415	11 937
Tangible fixed assets				
Vessels and capitalised dry-docking	11	111 859	117 400	125 711
Other fixed assets	11	4 927	4 479	3 046
Total tangible fixed assets		116 786	121 879	128 757
Financial fixed assets				
Investments in associates	14	3 650	3 977	4 441
Pension assets	7	49	249	381
Long-term receivables		1 208	1 321	1 537
Total financial fixed assets		4 907	5 547	6 359
Total fixed assets		121 693	137 841	147 053
Current assets				
Receivables				
Trade debtors		13 989	13 443	8 529
Other debtors		11 941	7 554	5 963
Total receivables		25 930	20 997	14 492
Shares	15	2 209	3 615	2 342
Bank deposits	15	35 698	14 746	21 613
Total current assets		63 837	39 358	38 447
TOTAL ASSETS		185 530	177 199	185 500

EQUITY AND LIABILITIES					
US\$ 000	Notes	31.12.01	31.12.00	31.12.99	
Equity					
Paid-in capital					
Share capital		52 941	54 275	59 008	
Treasury shares	2,3	(1 840)	(753)	(3 335)	
Total paid-in equity		51 101	53 522	55 673	
Earned equity					
Other equity		15 427	20 482	21 730	
Total equity	2	66 528	74 004	77 403	
Liabilities					
Long-term liabilities					
Convertible bonds	18	13 760	-	-	
Liabilities to financial institutions	17	81 599	85 680	92 400	
Other long-term liabilities	17	337	360	376	
Total long-term liabilities		95 696	86 040	92 776	
Short-term liabilities					
Trade creditors		1 294	3 348	6 392	
Public duties payable		218	890	743	
Dividends		4 620	1 327	-	
Other short-term liabilities	16	17 174	11 590	8 186	
Total short-term liabilities		23 306	17 155	15 321	
TOTAL LIABILITIES		119 002	103 195	108 097	
TOTAL EQUITY AND LIABILITIES		185 530	177 199	185 500	
Pledges	17				
Guarantees	19				
Related parties	21				

Oslo, 5 February 2002, Board of Directors, I.M. Skaugen ASA

Erik Eik
Chairman

Morten Arntzen

Bjarne Aamodt

Harald Schjoldager

Christian Wessel

Morits Skaugen jr.
CEO

STATEMENTS OF CASH FLOWS I.M. SKAUGEN ASA GROUP

US\$ 000	2001	2000	1999
Cash Flow from Operations:			
Received payments of gross freight income	198 945	147 673	135 068
Payments of voyage related expenses, T/C hire and other op. exp.	(170 719)	(129 933)	(120 731)
Payments of dry docking expenses	(3 365)	(2 274)	(2 769)
Received payments of interest	829	1 034	1 230
Payment of interest	(3 048)	(6 855)	(7 109)
Net Cash Flow from Operations ¹⁾	22 654	9 645	5 689
Cash Flow from Investments:			
Payments of purchase of vessels/new buildings	(6 066)	(3 979)	(2 745)
Payments of purchase of shares and parts in other companies	(1 926)	(2 402)	(2 211)
Received payments from sale of shares and parts in other companies	504	(1 816)	2 989
Payments of purchase of other investments	313	492	304
Net Cash Flow from Investments	(7 175)	(7 705)	(1 663)
Cash Flow from Financing:			
Received payments from raising new long-term debt	18 479	2 080	(15)
Repayment of long-term debt	(8 823)	(8 816)	(8 800)
Payments of purchase of treasury shares	(2 856)	(2 071)	(2 231)
Payment of dividend	(1 327)	0	0
Net Cash Flow from Financing	5 473	(8 807)	(11 046)
Net change in cash and cash equivalents	20 952	(6 867)	(7 020)
Cash and cash equivalents 1. January	14 746	21 613	28 633
Cash and cash equivalents 31. December	35 698	14 746	21 613
1) Reconciliation:			
Net result before taxes	10 415	1 522	(6 216)
Ordinary depreciation and amortisation	16 030	15 396	13 701
Writedown of shares and fixed assets	902	543	300
Capitalised dry docking	(3 365)	(2 274)	(2 769)
Change in short term receivables	(4 186)	(6 106)	834
Change in short term liabilities	2 858	564	(161)
Net Cash Flow from Operations	22 654	9 645	5 689

NOTE 1: ACCOUNTING PRINCIPLES I. M. SKAUGEN ASA

General

The accounts of I.M. Skaugen ASA and the consolidated accounts for the Group are prepared in accordance with the Accounting Act of 1998 and generally accepted accounting principles in Norway.

Reporting currency

The Parent Company accounts are recorded in NOK. The Group's accounts are presented in US\$. I.M. Skaugen ASA's areas of operation are mainly in US\$. Based on historic figures, almost 100 percent of the freight revenues, the operating expenses of the vessels, bank deposits, receivables, vessels, trade debts, allocations, external financing etc. are in US\$. Management reporting is also in US\$. Monetary items denominated in other than US\$ are translated at the exchange rate on the Balance sheet date. Paid-in equity and fixed assets, with associated depreciation and write-downs, are translated at historic rates of exchange. Other items in the Profit and Loss Accounts are translated at average rates. Currency translation gains and losses related to deferred tax assets and liabilities are classified as income taxes.

Consolidation Principles

When consolidating the Parent Company with the respective subsidiaries, the parent company's shares in the subsidiaries are replaced with the assets and liabilities of these subsidiaries. Subsidiaries are companies where I.M. Skaugen ASA directly or indirectly has a majority vote, controlling all material decisions. However, if the control is considered temporary, the investment is not treated as a subsidiary. Inter-company receivables and liabilities are eliminated together with other material inter-company transactions. Shares in subsidiaries are recorded in accordance with the purchase method of accounting. Compensation paid at the time of the acquisition in excess of the recorded equity is attributed to the assets in question and is depreciated over the assets' remaining economic lifetime.

The Balance Sheets of subsidiaries are translated at the US\$-exchange rates at year-end, and their Profit and Loss accounts are translated at the average exchange rate (for the year), with the exception of fixed assets, depreciation, write-downs and gains on sale of vessels, which are translated at historic rates. Translation differences are classified as foreign exchange gains/losses in the Profit and Loss accounts, as all subsidiaries are considered to be integrated. The Group's accounts are prepared using consistent accounting principles within the Group.

Revenue Recognition

Revenues and expenses related to voyages of vessels are accrued on the basis of the number of days the voyage lasted in the period. A voyage is defined as starting after unloading at the end of the previous voyage. Voyage-related expenses, as a result of idle time (freight seeking days), are recorded in the period incurred.

Use of Estimates

The preparation of the financial statements is based on available information at the time of finalising annual accounts. Actual result /outcome may differ. The effects of changes in accounting estimates are accounted for in the same period as the estimates are changed.

Fixed Assets

Fixed assets are recorded at acquisition cost less accumulated depreciation and write-downs. Ordinary depreciation is on a straight-line basis and determined by an estimation of the remaining useful economic life of the asset. Estimated scrap value is not considered as material. The vessels are considered to have an economic life of 30 years. Nominal cash flows are used to determine if there is an impairment in value. If nominal cash flows are less than the recorded value, the vessels are written down to market value, if reduction is material and permanent. Vessels sold after year-end or planned sold, are written down to market value. Fixtures and fittings are depreciated on a straight-line basis based on the remaining useful economic life.

Interests in Associates

Interests in associates where the Group's influence is considered material, but does not by itself gives full control over the companies' assets, are presented according to the equity method. The Group's share of the result is presented net as a separate caption in the Profit and Loss Account. This item includes freight income, operating expenses, depreciations and write-downs, as well as net financial items in the respective, partly-owned companies. The Group's accounting principles regarding depreciation of vessels in associates have been applied based on allocated higher/lesser value at the time of acquiring the interest.

Joint Ventures

Participation in joint ventures are included using the proportional consolidation method in the Group accounts. The Group's share of the results in the joint venture is presented gross in the Profit and Loss Account. The Group's share of assets and liabilities in the joint ventures is presented gross in the Balance Sheets.

Financial current assets

Listed shares and bonds included in a trading portfolio and that are traded on a regular basis, are recorded at market value. Shares not classified as current financial instruments are recorded at the lower of estimated market values and historic cost.

Foreign Exchange

Monetary items in foreign currencies are recorded at year-end exchange rates. Items, which are hedged through forward contracts, are recorded at the forward contract rate. The following year end/average rates are used per 31 December 2001: NOK/US\$9.01/9.00.

Financial Instruments

Financial contracts are defined as hedging or trading contracts. The hedging contracts are accounted for based on the underlying asset/debt of the future transactions. Further, the premium or allowance is recorded on a straight-line basis over the period of the hedge. Trading contracts are recorded at market value.

Bunkers

Inventories are recorded at the lower of historic cost, as defined by the FIFO ("first in first out") method, and market values.

Receivables

Receivables are recorded at their nominal value less provisions for bad/doubtful debt. 'Demurrage' is recorded at 80 percent of nominal value. Outstanding 'demurrage' is evaluated separately at year-end. Specific provisions are made when/if considered necessary.

Pension Obligations

Net pension expenses is classified in its entirety as salary-related expenses in the Profit and Loss Accounts and includes the service cost in the period including estimated future salary increases, interest on projected benefit obligation less return on plan assets, and amortisation of changes in pension plan, estimates and assumptions. The effect of changes in estimates and differences between estimated and actual return are recognised over the remaining service life of the employees, only when the accumulated effect exceeds 10% of the larger of the pension fund and the pension obligation. Excess financing (plan assets) likely to be utilised is recorded in the Balance Sheets as financial assets. The Group has a defined contribution plan for its employees in USA. The yearly contributions are expensed as incurred.

Taxes

Deferred tax is calculated on the temporary differences existing at year-end between the values for accounting purposes and the values for taxation purposes. Tax increasing and decreasing temporary differences, as well as tax losses carried forward which are offset or can be offset in the same period, are offset and recorded net, and are the basis for deferred tax assets for the Group. The Group's total deferred tax assets is calculated at a tax rate of 28 percent. Deferred tax assets made probable through prospective earnings, and which can be utilised against the tax reducing temporary differences are recognised as intangible asset. Deferred tax liabilities and deferred tax assets are included net.

Classification of items in the Balance Sheets

Current assets and short-term liabilities include items due less than one year from draw-down and items tied to the operating cycle. Other assets are classified as fixed assets/long-term liabilities. First year's instalment of long-term debt is included as long-term debt. Financially motivated investments in shares are classified as current assets, while strategic investments are classified as fixed assets.

Treasury shares

I.M. Skaugen ASA's shareholding of treasury shares is reported at par value under paid-in equity. The difference between purchase price and par value is included in other equity.

Loan expenses

Fees incurred in connection with the arrangement of loan facilities and convertible bonds are capitalised and amortised over the instalment periods.

Periodic maintenance (dry docking)

Periodic maintenance related to classification and dry docking is capitalised and amortised over the period to the next periodic maintenance. Correspondingly, a part of the cost price of vessels acquired is capitalised as periodic maintenance. Actual expenses related to ongoing maintenance expensed when incurred.

Sale of vessels

Purchase and sale of vessels are regarded as an integral part of the activities. Sales gains are consequently shown as operating income.

New building contracts

New building contracts are recorded as a fixed asset with instalments paid to the yard. Interest is capitalised on instalments paid during construction. Building supervision costs and project costs related to the new building contracts are capitalised.

Leased Operating Equipment

The company distinguishes between financial- and operating leases. In the case of operating leases, the lease cost (time charter hire) is recorded as an ordinary operating expense. Financial leases are recorded as assets and liabilities, and the yearly lease payment is shown as interest expense and instalments.

Participation in Pools

The Group's share of gross freight revenues, voyage expenses as well as assets and liabilities in to the Norgas pool are incorporated in the accounts using pro rata consolidation, based on the participation in the pool.

Reporting by segments

The Group consists of three segments; gas transportation, lightering activity and activities in China (chemical transportation, LPG-transportation and training activities). The segmentation is based on the company's internal management- and reporting structure in addition to evaluation of risk/earnings. Transactions between segments are based on market-related price and are eliminated at Group level.

Related parties

Eikland AS (main shareholder) and representatives, members of the Board of Directors and top management are regarded as related parties. All transactions between the related parties are based on the principle of 'arm's length' (estimated market value).

Earnings per share

Earnings per share are calculated by dividing the result for the Group by the average number of outstanding shares weighted over the period in question. Treasury shares are not included in the calculation. Buy-backs of ordinary shares in this period are weighted based on the period outstanding. Diluted earnings per share are calculated based on the if-converted method: i.e. the result for the Group, adjusted for interest cost (after tax) on the convertible bond, divided by the average number of outstanding shares weighted over the period in question and the potential number of shares converted.

Contingent liabilities

Provisions for contingent liabilities are included in the accounts to the extent that they are likely to occur, and that the value of settlement can be estimated with a reasonable degree of certainty. Other contingent liabilities are disclosed in notes.

Contingent gains

Contingent gains/income are not recognised.

Statements of Cash flows

The statements of cash flows are based on the direct method. Restricted cash related to the operations is included as cash equivalents. Shares are considered to have a high price risk and are therefore not classified as cash equivalents.

Subsequent events

New information concerning affairs existing at year-end is incorporated in the estimates. Material events arising after year-end are disclosed in notes.

All figures are in US\$ '000 unless otherwise clearly stated.

NOTE 2: EQUITY

	Share capital	Treasury-shares	Total paid-in equity	Other equity	Total earned equity	Total equity
Equity as at 31 December 2000	54 275	(753)	53 522	20 482	20 482	74 004
Acquisition of treasury shares		(2 421)	(2 421)	(435)	(435)	(2 856)
Amortisation of treasury shares	(1 334)	1 334	0	0	0	0
Proposed Dividends	-	-	-	(4 620)	(4 620)	(4 620)
Net result for the year	-	-	-	0	0	0
Equity per 31 December 2001	52 941	(1 840)	51 101	15 427	15 427	66 528

NOTE 3: TREASURY SHARES/SHAREHOLDERS

Please also refer to Parent Company note number 2.

The Parent Company's share capital as at 31 December 2001 comprised of 5,812,297 ordinary shares with par value of NOK60,- totaling NOK348,737,820. The Annual General Meeting on 8 March 2001 resolved to write down the share capital by NOK8,300,820 from NOK 360,596,640 to NOK 352,295,820, by redemption of 138,347 shares with par value NOK60, equivalent to the Company's treasury shares. The Extraordinary General Meeting on 25 June 2001 resolved to write down the share capital by NOK3,558,000 from NOK352,295,820 to NOK348,737,820, by redemption of 59,300 shares with par value NOK60, equivalent to the Company's treasury shares. The Board of Directors also received renewed authorisation from the Annual General Meeting to acquire treasury shares and authorisation from the Extraordinary General Meeting to issue convertible bonds. For detailed information regarding the convertible bond, please refer to Note 18.

Acquisition of treasury shares:

In 2001 I.M. Skaugen ASA acquired 362,200 shares for US\$2,855,573, of which 40,700 shares were redeemed at the Annual General Meeting on 8 March 2001 and 59,300 shares were redeemed at the Extraordinary General Meeting on 25 June 2001 (value per share is US\$7.88). As per December 31, 2001 the company holds 262,200 shares or 4.5 percent of the share capital at a value of US\$2,132,625.

The Board of Directors believes that the acquisition of the Company's treasury shares will improve the shareholders' return and assure the Company greater financial flexibility in a situation where the Company's equity and liquidity situation is satisfactory.

Shareholders as at 31 December 2001 holding more than 1 percent of the shares:	No of shares	Percent
Eikland AS	2 436 499	41.92%
Aksjefondet Odin NORGE	521 821	8.98%
I.M. Skaugen ASA	262 200	4.51%
Verdipapirfondet Skagen Vekst	251 686	4.33%
Steen, Bertel O.	237 369	4.08%
SES AS c/o Advokat Bertel O. Steen	224 709	3.87%
Steen Erik	132 726	2.28%
D/S A/S Theologos	100 000	1.72%
E-Invest AS v/ Erik Eik	81 515	1.40%
AS Bernacs	72 823	1.25%
Bratrud Gudmund Joar	72 700	1.25%
Regent AS	67 807	1.17%
Nordea Securities (DK)	60 324	1.04%
Thomas Fearnley Stiftelsen	60 000	1.03%
Steen Tore B	60 000	1.03%
Skandinaviske Enskilda Banken client account	59 801	1.03%
Shareholders holding more than 1 percent	4 701 980	80.90%
Other	1 110 317	19.10%
Total no of shares	5 812 297	100.00%

Shares in I.M. Skaugen ASA held by Members of the Board and auditor	Number of shares *)
Eik, Erik (Chairman)	82,049
Arntzen, Morten	5,000
Schjoldager, Harald **)	0
Skaugen, Morits jr. **)	8,110
Wessel, Christian	5,800
Aamodt, Bjarne	0
Auditor	0

*) Includes shares owned by close family/relatives and controlled companies.

**) Boardmember of Eikland AS. Eikland AS holds 41.92 percent of shares in I.M. Skaugen ASA.

NOTE 4: SALARIES, NUMBER OF EMPLOYEES

Salaries, wages and social costs	2001	2000	1999
Total salaries and wages	16 095	15 216	17 099
Social Security Tax	1 057	929	1 050
Pension costs	198	202	228
Other benefits	312	413	467
Total salaries and other expenses	17 662	16 760	18 844

Share of wages and social expenses is allocated to voyage-related expenses and administration costs as follows:

	2001	2000	1999
Voyage related expenses	2 577	2 405	2 348
Administration costs	529	543	520
Total	3 106	2 948	2 868
Salaries and social expenses	14 556	13 812	15 976

Average number of employees in the Group in the financial year 2001 was 506, 488 in 2000 and 538 in 1999.

NOTE 5: REMUNERATIONS

	2001	2000	1999
Expensed remuneration			
The Board of Directors	54	55	77
Chief Executive Officer - remuneration	205	150	178
Chief Executive Officer - pension expense	17	18	20
Chief Executive Officer - bonuses	222	114	90
Auditors (audit)	224	253	266
Auditors (advisory)	52	6	12
Total	774	596	643

Morits Skaugen jr is employed as Chief Executive Officer of I.M. Skaugen ASA. A separate remuneration if the Chief Executive Officer leaves the company, equals two years' remuneration. The CEO has the right to retire at the age of 60. He will then receive a pension of 66 percent of his salary until the standard retirement age.

A bonus agreement which includes a certain part of the EBITDA result exceeding a pre-defined part of the operating result from 1997 and 1998 exists for one executive of the business activities. This profit-sharing payment is vested after three years. One executive holds loan of a total of US\$60,000. The loan holds a maximum period of total repayment of three years. Interest rate is 6 percent. The loan holds a pledge of security in property.

NOTE 6: OTHER OPERATING EXPENSES VESSELS

	2001	2000	1999
Other operating expenses			
Other crew expenses	1 549	1 480	1 407
Marine consumable stores	2 822	3 472	4 018
Spare parts, repair and maintenance	4 746	5 346	5 924
Insurance	1 078	1 122	1 332
Technical fees and other operating expenses	3 476	3 328	4 089
Total other operating expenses	13 671	14 748	16 770

NOTE 7: PENSIONS

I.M. Skaugen ASA Group has insured retirement plans (benefit plans) for their employees in Norway. As of 31 December 2001 the benefit plans included 40 employees in the Group. In addition to the funded retirement plan, the Group has unsecured pension obligations. The obligations cover employees not included in the insured plan, additional pensions above 12G and some early retirements. The assumptions used have been consistent and are in accordance with recommendations from Norsk Aktuar Forening.

	2001	2000	1999
Pension expenses consist of:			
Present value of this year's pension fund	150	153	173
Contribution-plan*)	164	115	121
Interest on projected benefit obligation	53	77	86
Expected return on pension funds	(107)	(137)	(155)
Social Security Tax	0	13	15
Amortisation	(14)	(11)	(12)
Pension expenses	246	210	228

*) For its employees in USA the Group has a contribution plan

	2001	2000	1999
Estimated value of benefit obligations 31 December	(959)	(2 074)	(2 116)
Estimated value of pension asset 31 December	1 438	2 676	2 887
Unamortised variances from plan/assumptions 31 December	(430)	(353)	(390)
Net (estimated) pension asset 31 December	49	249	381

NOTE 8: FINANCIAL MARKET RISK

Currency risks. The Company is using US\$ as its reporting currency. This is also the principal currency for its operations. All freight rates and most services are agreed in US\$. Vessel prices and values are stipulated in US\$ and loans are agreed and paid in US\$. The Company usually maintain all available cash in US\$ positions. The company is sensitive to currency fluctuations only to a limited extent as only a small part of the administration and operating expenses are in currencies other than US\$ or US\$ linked currencies - and

then mostly in NOK. From time to time the Company enters into forward contracts and into US\$/NOK or US\$/EURO positions when we believed this to be correct to match US\$ fluctuations. The sensitivity of a NOK1 incremental change in the NOK/US\$ exchange rate is estimated to be a US\$1 million effect on the net result. This exposure is normally covered by short-term currency swaps and these are maturing within 12 months. As at 31 December 2001 the Company had no forward contracts or currency swaps.

Interest rate risks. The Company is exposed to interest rate risk. Depending on the development of the interest rate market, the Company regularly considers entering into fixed interest rate agreements. In January 2001 the Company entered into such an agreement for total debt of US\$35 million, at a fixed interest rate of 5.48 percent and the interest period is fixed for this amount and for three years. The sensitivity of a 1 percent incremental change in the LIBOR will have an effect on the net result of about US\$0.7 million calculated on outstanding loans at the year-end. As per 31 December 2001 the market value of the interest swap is negative US\$1.5 million. The joint venture companies, Somargas Limited and Vintergas Limited, have agreed to borrow long term US\$ on a fixed rate basis from China EXIMBANK commencing from delivery of the vessels. The loan can be repaid by the borrower without penalty if so desired. The blended rate is set at about 4.89 percent.

Credit risk. The credit risk and liquidity risks are considered to be quite low.

Oil Price. The development in the oil price has considerable impact on the Company. Oil price variation will, inter alia, lead to fluctuations in bunker prices. Fluctuations in bunker prices tend over time to be reflected in the freight rates, but with certain time lags and dependant upon competitive pressures. A few of our freight contracts have "bunker clauses" that compensate for this fluctuation. The real effect of fluctuations in oil prices on the demand of our transportation services is uncertain, but it is believed that high oil prices are negative for the overall demand for most of the products we transport. We entered into a hedging contract for delivery of 1,000 tonnes of bunkers per month in 2002 at US\$104 per tonne. The contract is at market value.

Cost of crude oil tonnage for SPT. SPT is dependant upon hiring aframax-sized crude oil tonnage for its operations. The costs for these vessels fluctuated quite strongly in 2001. SPT attempts to match its needs for hiring such tonnage (see T/C commitments in Note 11) against corresponding freight contracts with its major customers. Alternative methods for hedging these types of risk are not available as of 31 December 2001.

Risk of accidents. The Company has full cover for its Hull and Machinery damages and for all vessels, excluding only some of its smaller vessels. The agreed values for such vessels in case of total loss covers its estimated market values at the beginning of the year. There is a deductible that makes the Company pay a certain amount of its damage claim. The Company also carries War risk insurance for its international fleet. The Company has maximum available P and I insurance for all its vessels and for all its operations, which covers against all third-party damages and any personnel injuries, together with the cost of cleaning up any oil or bunker spills. The Company does not have any 'loss of hire insurance' with third-party insurance companies, but maintains an internal self insurance 'loss of hire pool' for all of the Norgas vessels.

The following methods and assumptions were used to estimate the fair market values:

Cash and marketable securities

Marketable securities are measured at quoted prices.

Long-term debt

Book value of the long-term debt approximates its fair value due to the fact that the interest rates and maturities of the loans reflect the market conditions for similar loans raised at the balance sheet date.

NOTE 9: TAXES

Tax expense for the year:

	2001	2000	1999
Taxes payable	-	-	-
Changes in deferred tax*	10 415	1 522	-
Total income tax	10 415	1 522	-

*The change in deferred tax assets is due to change of tax status, liquidation of subsidiaries and utilisation of tax losses carried forward. The deferred tax/deferred tax assets are calculated based on temporary differences between accounting and tax values.

Reconciliation of the year's income tax:

	2001	2000	1999
Estimated tax expense	2 916	420	1 740
Transfer of vessels to new tax-regime	4 200	-	-
Limitation recognised tax asset	-	-	(1 048)
Other (inclusive NOKUS and currency translation)	3 299	1 102	(692)
Income tax	10 415	1 522	-

Temporary differences are related to the following items:

Tax effect of temporary differences:

	31.12.01	31.12.00	31.12.99
Gain and loss account	4 511	4 936	5 810
Fixed assets	4 200	(5 808)	(15 085)
Tax losses carried forward incl. remuneration, excluding NOKUS	(8 089)	(9 543)	(3 710)
Limitation recognised tax asset (1999) and other (2001)	(622)	-	1 048
Deferred tax (deferred tax assets)	-	(10 415)	(11 937)
Tax rate applied	28 %	28 %	28 %

Tax losses carried forward

As of 31 December 2001 the Group has tax losses to carry forward of US\$29 million, in Norway. The tax losses carried forward expire approximately 2010.

NOTE 10: REPORTING BY SEGMENTS

The segments of I.M. Skaugen ASA are defined as marine transportation of LPG and petrochemical gases, shuttle tanker/lightering Activities and activities geographically located in China. The activities in China are related to develop a market potential for gas transportation in China, chemical transportation and training activities. The Group's assets and current liabilities are allocated to the segments, while the interest-bearing liabilities are not allocated to the segments as these are not responsible for their own financing. There have been no material transactions between the segments in 1999, 2000 and 2001.

	LPG and petrochemical gas *)			Limited liability companies pro rata consolidation *)		
	2001	2000	1999	2001	2000	1999
Gross freight revenue	42 616	56 654	44 096	2 390	3 370	2 550
Voyage related expenses incl. marketing	(12 642)	(16 357)	(13 800)	(598)	(855)	(757)
Freight revenue on T/C basis	29 974	40 297	30 296	1 792	2 515	1 793
Vessel operating expenses and T/C hire	(18 596)	(20 711)	(22 418)	(1 220)	(1 423)	(1 518)
Other unallocated operating costs	(1 712)	(1 244)	(1 385)	(197)	(98)	(90)
EBITDA	9 666	18 342	6 493	375	994	185
Ordinary depreciation vessels	(8 892)	(8 891)	(8 892)	(640)	(640)	(639)
Ordinary amortisation of capitalized docking/other	(2 897)	(3 239)	(2 949)	(320)	(352)	(171)
Write-down vessels	-	-	-	-	-	-
Operating profit/(loss)	(2 123)	6 212	(5 348)	(585)	2	(625)
Average T/C-result						
Gas transport US\$1000/month	214	283	228			
	31.12.01	31.12.00	31.12.99	31.12.01	31.12.00	31.12.99
Total assets	122 990	127 197	130 714	6 071	6 805	7 737
Non interest bearing debt/trade creditors	5 123	4 928	5 616	446	291	261
Investments in fixed assets in the period	9 190	5 141	3 001	254	-	650
Cash flow from operations	6 904	16 133	4 650	293	545	(223)

*) Investment in limited partnerships is reported by segment under LPG and petrochemical gas using pro rata consolidation. In the I.M. Skaugen ASA Group accounts limited partnerships are accounted for using the equity method.

	Lightering			China Activities		
	2001	2000	1999	2001	2000	1999
Gross freight revenue	158 435	97 208	87 084	5 217	5 052	4 794
Voyage related expenses incl. marketing	(34 728)	(25 608)	(23 732)	(2 209)	(2 637)	(1 903)
Freight revenue on T/C basis	123 707	71 600	63 352	3 008	2 415	2 891
Vessel operating expenses and T/C hire	(97 613)	(63 371)	(51 941)	(2 548)	(2 842)	(3 277)
Other unallocated operating costs	-	-	-	(401)	-	(549)
EBITDA	26 094	8 229	11 411	59	(427)	(935)
Ordinary depreciation vessels	(387)	(538)	(400)	(845)	(957)	(734)
Ordinary amortisation of capitalized docking/other	(726)	(670)	(685)	(573)	(778)	(860)
Write-down vessels	-	-	-	(2 594)	(1 315)	-
Operating profit/(loss)	24 981	7 021	10 326	(3 953)	(3 477)	(2 529)
Average T/C-result						
Organic chemical (US\$/vessel/day)	N/A	N/A	N/A	4 376	3 898	4 767
No. of full service lightering	611	541	551	N/A	N/A	N/A

	Lightering			China Activities		
	31.12.01	31.12.00	31.12.99	31.12.01	31.12.00	31.12.99
Total assets	24 481	17 066	12 948	9 748	12 798	16 414
Non interest bearing debt/trade creditors	10 362	8 069	6 816	344	706	651
Investments in fixed assets in the period	1 559	1 767	1 140	504	965	2 871
Cash flow from operations	24 087	3 002	10 733	(558)	(731)	(1 379)

	Other activities			I.M. Skaugen ASA Group*)		
	2001	2000	1999	2001	2000	1999
Gross freight revenue	-	-	-	203 878	155 544	133 424
Voyage related expenses incl. marketing	-	-	-	(48 981)	(43 747)	(38 678)
Freight revenue on T/C basis	-	-	-	154 897	111 797	94 746
Vessel operating expenses and T/C hire	-	-	-	(117 537)	(85 501)	(76 118)
Other unallocated operating costs	(1 912)	(1 801)	(2 049)	(3 828)	(2 947)	(3 893)
EBITDA	(1 912)	(1 801)	(2 049)	33 532	23 349	14 735
Ordinary depreciation vessels	-	-	-	(9 484)	(9 750)	(9 387)
Ordinary amortisation of capitalized docking/other	(76)	-	(4)	(3 952)	(4 330)	(4 314)
Write-down vessels	-	-	-	(2 594)	(1 316)	-
Operating profit	(1 988)	(1 801)	(2 053)	17 502	7 953	1 034
	31.12.01	31.12.00	31.12.99	31.12.01	31.12.00	31.12.99
Total assets	34 382	26 943	14 845	185 530	177 199	185 500
Non-interest bearing debt/trade creditors	3 303	2 416	2 499	18 686	15 828	15 321
Investments in fixed assets in the period	-	847	-	10 999	8 720	6 362
Cash flow from operations	(7 486)	(9 304)	(8 538)	22 654	9 645	5 689

The reporting of geographical segments of LPG and petrochemical gases is based on location of income from external clients and the vessels:

		2001		2000		1999	
		US\$	%	US\$	%	US\$	%
Gross freight income	Asia	21 409	11%	31 928	20 %	24 899	18 %
	Atlantic (Europe/USA)	182 469	89%	126 986	80 %	111 075	82 %
Fixed Assets	Asia	66 619	54%	69 894	55 %	73 086	54 %
	Atlantic (Europe/USA)	55 074	46%	59 339	45 %	62 526	46 %
Investment in Fixed Assets	Asia	7 769	71%	4 946	57 %	4 223	66 %
	Atlantic (Europe/USA)	3 230	29%	3 774	43 %	2 139	34 %

NOTE 11: TANGIBLE FIXED ASSETS

	2001				
	Vessels	New-buildings	Capitalised dry dockings	Land/property	Fixture and fittings
Balance as at 1 January	234 746	3 286	22 562	983	10 090
Additions	325	5 741	3 365	-	1 568
Disposals	-	-	-	-	(62)
Cost price as at 31 December	235 071	9 027	25 927	983	11 596
Accum. depr/amortisation 31 December	(127 812)	-	(22 134)	(47)	(7 605)
Accum. write-downs 31 December	(8 220)	-	-	-	-
Book value as at 31 December	99 039	9 027	3 793	936	3 991
This year's depreciation	(9 484)	-	(2 894)	(18)	(1 040)
This year's write-downs	(2 594)	-	-	-	-
Economic lifetime	30 yrs	-	3-5 yrs	-	3-5 yrs
	2000				
	Vessels	New-buildings	Capitalised dry dockings	Land/property	Fixture and fittings
Balance as at 1 January	234 053	-	20 288	983	7 766
Additions	693	3 286	2 274	-	2 324
Disposals	-	-	-	-	-
Cost price as at 31 December	234 746	3 286	22 562	983	10 090
Accumulated depreciation 31 December	(118 328)	-	(19 240)	(29)	(6 565)
Accumulated write-downs 31 December	(5 626)	-	-	-	-
Book value as at 31 December	110 792	3 286	3 322	954	3 525
This year's depreciation	(9 602)	-	(3 646)	(29)	(862)
This year's write-downs	(1 316)	-	-	-	-
Economic lifetime	30 yrs	-	3-5 yrs	-	3-5 yrs

			1999		
	Vessels	New-buildings	Capitalised dry dockings	Land/property	Fixture and fittings
Balance as at 1 January	227 937	3 371	17 519	983	6 918
Additions	6 116	2 052	2 769	-	848
Disposals	-	(5 423)	-	-	-
Cost price as at 31 December	234 053	-	20 288	983	7 766
Accumulated depreciation 31 December	(108 726)	-	(15 594)	-	(5 703)
Accumulated write-downs 31 December	(4 310)	-	-	-	-
Book value as at 31 December	121 017	-	4 694	983	2 063
This year's depreciation	(9 387)	-	(3 452)	-	(862)
This year's write-downs	-	-	-	-	-
Economic lifetime	30 yrs		3-5 yrs	-	3-5 yrs

Based on the valuation of the Princess fleet from three independent brokers in December 2001, it was decided to write down the vessels' book value by US\$2.6 million. The market value of the Norgas fleet is less than 90 percent of the recorded value, the lesser value is not considered permanent and the vessels have not been written down. The nominal cash flows are estimated to be at least equal to the book value.

Time charter commitments

The Group has as per 31 December 2001 operational leases for a core fleet of seven Aframax tankers in the lightering segment to cover freight contracts with its major customers. There are no purchase options tied to the leases.

Vessels	Size	Capacity	Built	Commitment period
Genmar Boss	89,601	619,442	1985	Aug 2001 - Sept 2002
Genmar Alexandra	102,262	715,301	1992	Dec 2001 - Feb 2003
Rich Duchess	81,279	593,108	1986	May 2001 - Feb 2003
Regent	81,279	593,108	1986	May 2001 - May 2003
Compass I	97,078	660,159	1992	Feb 2002 - Feb 2004
Isabella	97,078	660,162	1991	Dec 2001 - Feb 2003
Nissos Amorgos	89,426	589,115	1987	Feb 2002 - Feb 2003

Future minimum t/c commitments are US\$64 million, of which US\$51 million is covered by freight contracts in 2002. In addition, the Group has as at year-end 2001 operational leases for two lightering support vessels and a dock rental. Future minimum commitments are US\$2.8 million. Minimum rental payments under office leases for the Group are US\$1.2 million.

New building contracts

The Group has, through its 50 percent interest in the joint ventures Somargas Limited and Vintergas Limited, signed contracts for building of six new gas carriers at Hudong-Zhonghua Shipyard. Delivery is expected in May 2002, August 2002, October 2002, January 2003, April 2003 and July 2003. The joint ventures have entered into a pre-delivery financing of the new buildings and a fixed interest credit facility for the post-delivery. Please refer to note 17.

	Contract price	Instalments paid	Remaining 31.12.01	Due date 2002	Due date 2003
New building contracts (100 percent basis)					
Norgas Orinda	20 800	4 160	16 640	16 640	-
Norgas Sonoma	20 800	3 120	17 680	17 680	-
Norgas Petaluma	20 800	2 080	18 720	18 720	-
Norgas Alameda	20 800	2 080	18 720	2 080	16 640
Norgas Shasta	21 576	1 079	20 497	3 236	17 261
Norgas Napa	21 576	1 079	20 497	3 236	17 261
Total	126 352	13 598	112 754	61 592	51 162

NOTE 12: SHARES IN SUBSIDIARIES

Shares in subsidiaries are included in note 15 for the parent company.

NOTE 13: JOINT VENTURES

Companies	Time of establishment	Cost price at time of establishment	Equity at the time of establishment	Excess value	Business office	Ownership/ Voting-share
J/V TNGC	December 1996	100	100	0	Hubei, China	49 %
Somargas Limited	June 2000	0	0	0	Cayman Islands	50 %
Vintergas Limited	June 2001	0	0	0	Cayman Islands	50 %
	Net result	Current Assets	Fixed Assets	Current Liabilities	Mortgage debt	Book Value
J/V TNGC						
Owned by I.M. Skaugen ASA	(11)	75	301	2	-	374
Owned by IMS Marine Services AS	(271)	1 812	7 235	70	-	8 977
Total J/V TNGC	(282)	1 887	7 536	72	-	9 351
Somargas Limited	-	136	7 619	71	5 720	1 964
Vintergas Limited	-	137	1 408	63	1 079	403
Total	(282)	2 160	16 563	206	6 799	11 718

Uncalled committed capital for Somargas Limited and Vintergas Limited is US\$5.5 million and US\$2.5 million respectively.

NOTE 14: INVESTMENTS IN ASSOCIATES

	Labogas VIII KS *)	Oslo Victory II KS *)	Gas Recovery Systems AS	Haugesund Reisebyrå AS **)	Total
Time of purchase/establishment	31 Aug 1990	31 Aug 1990	8 April 1994	8 Aug 1997	
Business office	Oslo	Oslo	Oslo	Haugesund	
Ownership/voting share	45 %	42,50 %	50 %	43.5%	
Purchase/establishment price	837	3 217	11	190	
Equity at the time of purchase/est.	737	2 611	11	190	
Excess value 1 January 2001	62	275	-	-	
Depreciation excess value	6	27	-	-	
Excess value 31 December 2001	56	248	-	-	
Opening balance	1 404	2 129	286	158	3 977
Net result	(575)	(172)	-	-	(747)
Current assets	337	348	91	570	1 346
Fixed assets	1 640	3 851	281	50	5 822
Current liabilities	311	135	10	462	918
Mortgage debt/other long-term debt	675	1 849	76	-	2 600
Book value	991	2 215	286	158	3 650
Uncalled capital/guarantees	435	356	-	-	791

*) The market value of the vessels is less than 90 percent of the recorded value, the lesser value is not considered permanent and the vessels have not been written down. The nominal cash flows are estimated to be at least equal to the book value. The excess values of the recorded equity are attributed to the asset in question and depreciated over the asset's remaining economic life.

**) I.M. Skaugen ASA has issued a call option for 50% of its shares in Haugesund Reisebyrå AS, to an external party with three years duration.

NOTE 15: DEPOSITS AND SHARES IN OTHER COMPANIES

Cash and cash equivalent:	31.12.01	31.12.00	31.12.99
Bank deposits	34 202	13 521	19 586
Bank deposits in joint ventures	1 496	1 224	2 027
Total bank deposits	35 698	14 745	21 613
Specification of restricted deposits:			
Bank deposit	310	354	407
Specification of assignment of bank accounts to lender:			
Assignment of bank accounts		2 346	1 928
Shares:	Cost price		
Fund	1 026	1 027	2 194
Other shares	1 632	1 182	529
Total shares		2 209	2 342

NOTE 16: OTHER SHORT-TERM DEBT

	31.12.01	31.12.00	31.12.99
Accrued expenses from gas activities	3 970	2 343	1 908
Accrued expenses from lightering activities	9 833	6 458	3 406
Accrued expenses from China activities	379	565	345
Accrued expenses and debt - other	2 992	2 224	2 527
Total short-term debt	17 174	11 590	8 186

NOTE 17: LONG-TERM LIABILITIES**Liabilities due more than five years after draw-down:**

The long-term mortgage debt amounts to US\$74.8 million as at 31 December 2001. The long-term debt is secured by the pledge of vessels, assignment of earnings, pledge of bank accounts to which charter-hire is deposited and the assignment of assurance for the same vessels. The loan is repayable in semi-annual instalments of US\$4.4 million over 3.5 years with a balloon payment of US\$44 million due at the end of the loan period. The loan bears an interest of LIBOR plus 0.7 percent (2.8 percent as at 31 December 2001). The average interest rate in 2001 was 5.43 percent. The loan agreement includes a number of financial and non-financial covenants. The main covenants are associated with change in majority ownership and strategy, value adjusted equity and minimum requirements regarding free liquidity. I.M. Skaugen ASA was in compliance with the loan covenants at year-end.

Instalments are due as follows;

2002	8 800
2003	8 800
2004	8 800
2005	48 400
Total	74 800

Book Value of mortgaged Assets

	31.12.01	31.12.00	31.12.99
Gas and chemical tankers	93 296	103 612	114 850

Somargas Limited and Vintergas Limited (100 percent basis)

The Group has, through its 50 percent share in the joint ventures Somargas Limited and Vintergas Limited, entered into a pre-delivery financing of the new buildings for 20 percent of the Contract price, by way of four instalments in the amount of US\$1.04 million for each Somargas vessel and US\$1.07 million for each Vintergas vessel in accordance with the shipbuilding contracts. The pre-delivery loan is repayable upon delivery of the vessels. Please refer to Note 11. The loans bear interest of LIBOR plus 1.6 percent. The joint ventures have in 2001 entered into a fixed interest credit facility agreement with The Export-Import Bank of China for financing of 75 percent of the net contract price for vessels which cannot be drawn prior to delivery. The joint ventures have, in addition, entered into subordinated loan agreements of up to US\$25 million for Somargas Limited and up to US\$13 million for Vintergas Limited. There is also commitment from the shareholders to provide periodic equity injections of up to US\$15 million for Somargas Limited and US\$8 million for Vintergas Limited to coincide with capital needs.

Other long-term debt consists of a mortgage payable to a mortgage company in conjunction with the purchase of a condominium.

NOTE 18: CONVERTIBLE BONDS

A convertible bond for NOK124 million was placed in the Norwegian market in June 2001. The convertible bond has a seven-year maturity with an option to convert to 1,362,637 shares during the first five years. The coupon is fixed at 11 percent for the first five years, increasing to 13 percent in years six and seven when the conversion right lapses. The conversion price is fixed at NOK91 per share and will be adjusted prior to conversion to accommodate any dividends paid to existing shareholders.

NOTE 19: GUARANTEES

	31.12.01	31.12.00	31.12.99
Guarantees provided	7 350	4 850	500
Total	7 350	4 850	500

I.M.Skaugen ASA has issued counter guarantees in favour of the bank for US\$4.6 million and US\$2 million for Somargas Limited and Vintergas Limited respectively and guarantees in favour of GATX Capital Corporation for the amount drawn-down under the subordinated loan to be provided to Somargas Limited and Vintergas Limited by GATX. Somargas Limited has issued a guarantee in favour of the banks for 10 percent of the contract price - US\$8.32 million, and a pre-delivery guarantee of US\$5.2 million. Vintergas Limited has issued a guarantee in favour of the banks, for 10 percent of the contract price - US\$4.3 million, and a pre-delivery guarantee of US\$6.5 million. The shares in Somargas Limited and Vintergas Limited are pledged as security for the pre-delivery loans. See also Note 17. Uncalled capital in limited liability companies is shown in Note 14.

NOTE 20: EARNINGS PER SHARE / DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing net result US\$0 in 2001 (US\$0 in 2000 and US\$ minus 6,216,000 in 1999) by the weighted number of outstanding shares of 5,609,197 shares in 2001 (5,959,464 shares in 2000 and 6,348,731 in 1999). Ordinary shares re-purchased in the period are weighted based on the number of days they were outstanding. Diluted earnings per share is calculated by dividing net result US\$0 in 2001 adjusted for interest expenses (after tax) on the convertible bond US\$508,000 by the weighted number of outstanding shares in 2001 including the potential number of shares converted, 6,221,450 shares. Ordinary shares re-purchased in the period are weighted based on the number of days they were outstanding. Potential number of shares converted are weighted based on the number of days with conversion right.

NOTE 21: RELATED PARTIES

Eikland AS, the main shareholder with 41.92% of the shares and its Board representatives, all I.M. Skaugen ASA members of the Board of Directors and the senior management, are regarded as related parties.

Eikland AS rents office space from I.M. Skaugen ASA and paid US\$16,250 for these premises in 2001 (US\$16,250 in 2000 and US\$ 32,000 in 1999). In addition the Company rents on a short-term basis a vacation apartment in Spain from Eikland and the annual rent is US\$15,000. Short term liabilities to Eikland AS per 31 December 2001 are US\$0, as at 31 December 2000 and as at 31 December 1999 US\$0.

Eikland AS received a guarantee fee of US\$5,000 from its NOK3 million participation in the guarantee consortium to establish the convertible bond program in I.M. Skaugen ASA.

E-Invest AS v/ Erik Eik, the Chairman of the Board, holds NOK1 million of the convertible bond, which is less than 1%. E-Invest AS also received a guarantee fee of US\$1,666 from its NOK1 million participation in the guarantee consortium to establish the convertible bond program in I.M. Skaugen ASA.

NOTE 22: ENVIRONMENTAL ISSUES

The Group is not committed to environmental initiatives beyond those stated in the Directors' report. The Group has not been subject to requirements or been imposed with fines due to violations of the environmental legislation.

NOTE 23: CONTINGENCIES

As at 31 December 2001 the Company is not involved, to the knowledge of the Board of Directors, in material claims or litigations.

NOTE 24: MAJOR TRANSACTIONS AND SUBSEQUENT EVENTS

During the 2nd quarter of 2001, I.M. Skaugen ASA entered into a joint venture (Vintergas Limited) with GATX Capital Corporation of USA on a 50/50 basis. The joint venture finalised the contract with Hudong-Zhonghua Shipyard, for the construction of two new buildings at a total delivered cost of about US\$22 million per vessel including predelivery costs (see Note 11). During the year a joint venture between SPT and Navion Inc was formed, to establish American Shuttle Tanker Inc. - a US-based, offshore loading company for crude oil to serve deepwater installations in the Gulf of Mexico. In June 2001, I.M. Skaugen ASA placed a convertible bond for NOK124 million in the Norwegian market. The convertible bond has a seven-year maturity with an option to convert to share capital during the first five years.

There have been no material events after year-end 2001.

PROFIT AND LOSS ACCOUNTS I.M. SKAUGEN ASA

NOK million	Notes	2001	2000	1999
Salaries and social costs	3	(8)	(5)	(3)
Ordinary depreciation	9	(1)	0	0
Other operating expenses	6	(14)	(14)	(17)
Operating result		(23)	(19)	(20)
Interest income from other Group companies		49	69	56
Interest income		4	3	3
Other financial income		0	6	3
Dividends	15	180	41	69
Write-down of shares in subsidiaries	15	0	(47)	(250)
Write-down of other shares	11	(8)	0	(3)
Changes in market value of financial current assets	11	0	(5)	1
Interest expenses		(50)	(54)	(48)
Other financial expenses		(1)	(3)	(6)
Gains/losses on exchange		3	23	12
Result before taxes		154	14	(183)
Taxes	8	(98)	0	0
Result for the year		56	14	(183)
Group contributions		0	0	(30)
Dividends		(42)	(12)	-
Transferred (to)/from other equity		(14)	(2)	213

BALANCE SHEETS I.M. SKAUGEN ASA

NOK million	Notes	31.12.01	31.12.00	31.12.99
ASSETS				
Fixed assets				
Intangible fixed assets				
Deferred tax assets	8	-	98	98
Tangible fixed assets				
Other fixed assets	9	5	5	4
Total tangible fixed assets		5	5	4
Financial fixed assets				
Investments in subsidiaries	15	329	347	374
Loans to group companies	10	926	871	921
Investment in associates and joint ventures	16	24	10	3
Pension assets	5	1	1	1
Long-term receivables		9	10	12
Total financial fixed assets		1 289	1 239	1 311
Total fixed assets		1 294	1 342	1 413
Current assets				
Receivables				
Receivables on Group Companies		26	32	61
Other debtors		13	3	3
Total other receivables		39	35	64
Shares	11	19	28	18
Bank deposits	11	258	78	94
Total current assets		316	141	176
TOTAL ASSETS		1 610	1 483	1 589

EQUITY AND LIABILITIES

NOK million	Notes	31.12.01	31.12.00	31.12.99
Equity				
Paid-in equity				
Share capital (5,812,297 shares of par value NOK60,-)		349	361	398
Share premium reserve		4	4	4
Treasury shares		(16)	(6)	(26)
Total paid-in equity	2,3	337	359	376
Earned equity				
Other equity		354	343	341
Total earned equity	2	354	343	341
TOTAL EQUITY		691	702	717
Liabilities				
Other long-term liabilities				
Convertible loans	13	124	-	-
Liabilities to financial institutions	12	675	740	740
Other long-term liabilities		55	9	115
Total long-term liabilities		854	749	855
Short-term liabilities				
Public duties payable		-	-	-
Dividends	2	42	12	-
Other short-term liabilities		23	20	17
Total short-term liabilities		65	32	17
TOTAL LIABILITIES		919	781	872
TOTAL EQUITY AND LIABILITIES		1 610	1 483	1 589
Pledges	12			
Guarantees	14			
Related parties	17			

Oslo, 5 February 2002, Board of Directors, I.M. Skaugen ASA

Erik Eik
Chairman

Morten Arntzen

Bjarne Aamodt

Harald Schjoldager

Christian Wessel

Morits Skaugen jr.
CEO

STATEMENTS OF CASH FLOWS I.M. SKAUGEN ASA

NOK million	2001	2000	1999
Cash Flow from Operations			
Received payments operating income	0	0	0
Payments of operating expenses	(29)	(23)	(15)
Received payments of dividend	180	41	69
Interest received	53	78	62
Interest paid	(49)	(57)	(54)
Net Cash Flow from Operations ¹⁾	155	39	62
Cash Flow from Investments			
Payments regarding purchase of tangible fixed assets	(1)	(1)	(3)
Payments of purchase of shares and holdings in other companies	4	(69)	(2)
Payments of purchase of other investments	1	2	2
Net Cash Flow from Investments	4	(68)	(3)
Cash Flow from Financing			
Received payments from raising new long-term debt	124	0	0
Repayment of principal of long-term debt	(65)	(77)	(69)
Payment of purchase of treasury shares	(25)	(17)	(17)
Payment of principal of loans to subsidiaries	(55)	(870)	(6)
Received payments of principal of loans to subsidiaries	53	993	0
Payments of dividend	(12)	0	0
Payments and purchase of shares	1	(16)	20
Net Cash Flow from Financing	21	13	(72)
Net change in cash and cash equivalents	180	(16)	(13)
Cash and cash equivalents 1 January	78	94	107
Cash and cash equivalents 31 December	258	78	94
1) Reconciliation			
Result before taxes	154	14	(183)
Ordinary depreciation	1	0	0
Write-down of shares	8	47	253
Change in other debt	0	5	(1)
Change in other debtors	(10)	0	0
Change in short term liabilities	2	0	3
Effect of changes in exchange rate	(0)	(27)	(10)
Net Cash Flow from Operations	155	39	62

All figures in NOK million if not stated otherwise.

NOTE 1: ACCOUNTING PRINCIPLES

The Parent Company and the Group's accounting principles are identical, please refer to Note 1 for the Group. Shares in subsidiaries, associates and joint ventures are stated to cost price, less write-downs, in the parent company accounts. Previously, associates and joint ventures have been presented according to the equity/pro rata method. The comparables have been restated.

NOTE 2: EQUITY

	Share capital	Share premium reserve	Treasury-shares	Total paid-in equity	Other equity	Total earned equity	Total equity
Equity as at 31 December 2000	361	4	(6)	359	343	343	702
Acquisition of treasury shares	-	-	(22)	(22)	(3)	(3)	(25)
Amortisation of treasury shares	(12)	-	12	0	0	0	0
Net result for the year	-	-	-	0	56	56	56
Dividends	-	-	-	0	(42)	(42)	(42)
Equity as at 31 December 2001	349	4	(16)	337	354	354	691

The parent company's share capital as at 31 December 2001 consists of 5,812,297 ordinary shares with nominal value of NOK60,- totalling NOK348,737,820. The Annual General Meeting on 8 March 2001 resolved to write down the share capital by NOK8,300,820 from NOK360,596,640 to NOK352,295,820, by redemption of 138,347 shares at par value NOK60, and the Extraordinary General Meeting on 25 June 2001 resolved to write down the share capital by NOK3,558,000 from NOK352,295,820 to NOK348,737,820, equivalent to the Company's treasury shares. The Board of Directors also received renewed authorisation at the Annual General Meeting to acquire treasury shares and authorisation to issue convertible loans. For detailed information regarding the convertible loan, please refer to Note 13.

Acquisition of treasury shares:

In 2001 I.M. Skaugen ASA acquired 362,200 shares for NOK25,635,055, of which 40,700 shares were redeemed at the Annual General Meeting on 8 March 2001 and 59,300 shares were redeemed at the Extraordinary General Meeting on 25 June 2001. Value per share is NOK70.78. As per 31 December 2001 the company held 262,200 shares or 4.5 percent of the share capital at a value of NOK19,069,415. The Board of Directors believes that the acquisition of the Company's own shares will improve the shareholders' return and assure the company greater financial flexibility in a situation where the Company's equity and liquidity situation is satisfactory.

NOTE 3: SALARIES, NUMBER OF EMPLOYEES (NOK '000)

Salaries and social expenses	2001	2000	1999
Salaries	6 674	3 807	2 363
Social Security Tax	1 478	648	716
Pension expenses	(9)	103	123
Other expenses	148	287	-
Total	8 291	4 845	3 202

Administration expenses in I.M. Skaugen ASA are included in other operating costs. The Parent Company had two employees throughout 2001.

NOTE 4: REMUNERATIONS (NOK '000)

Expensed remuneration	2001	2000	1999
The Board of Directors	475	486	600
Chief Executive Officer - remuneration	1 842	1 317	1 393
Chief Executive Officer - pensions	158	158	158
Chief Executive Officer - bonuses	2 000	1 000	700
Auditors (audit)	470	589	514
Auditors (advisory)	205	50	45
Total	5 150	3 600	3 410

Morits Skaugen Jr. is employed as Chief Executive Officer of I.M. Skaugen ASA. A separate remuneration, if the Chief Executive Officer leaves the company, equals two years remuneration. The CEO has the right to retire at the age of 60. He will then receive a pension of 66% of his salary until the standard retirement age.

NOTE 5: PENSIONS (NOK '000)

I.M. Skaugen ASA has insured retirement plans (benefit plans) for its employees. As of 31 December 2001 the benefit plan included five employees. The obligations cover employees not included in the insured plan, additional pensions above 12G and some early retirements. The assumptions used are consistent and are in accordance with recommendations from Norsk Aktuar Forening.

Pension expenses consists of:	2001	2000	1999
Present value of this year's pension fund	143	271	271
Interest on projected benefit obligation	23	49	49
Expected return on pension funds	(165)	(179)	(179)
Social Security Tax	-	20	20
Amortised estimate/plan deviation	(10)	(38)	(38)
Pension expenses	(9)	123	123
Estimated value of benefit obligations 31 December	(481)	(1 044)	(1 384)
Estimated value of pension assets 31 December	2 210	3 369	3 832
Unamortised deviation from plan/assumption 31 December	(327)	(932)	(932)
Accrued pension funds /(obligations) in the balance sheet 31 December	1 402	1 393	1 516

NOTE 6: OTHER OPERATING EXPENSES (NOK '000)

Other operating expenses	2001	2000	1999
Office expenses	6 057	5 465	4 805
Fees	3 471	1 447	6 301
Project costs	4 420	7 518	5 507
Total	13 948	14 430	16 613

NOTE 7: FINANCIAL MARKET RISK

For information regarding financial market risk please refer to Note 7 of the Group Accounts.

NOTE 8: TAXES

Tax expense for the year:	2001	2000	1999
Tax payable	0	0	0
Changes in deferred tax	(98)	0	0
Total tax expenses	(98)	0	0

Reconciliation of taxes for the year:

Estimated tax expenses	(43)	(4)	51
Limitation recognised tax asset	-	3	(16)
NOKUS (1999) and reorganisation (2001)	(55)	1	(35)
Income taxes	(98)	-	-

The deferred tax/deferred tax assets are based on the differences as of 31 December 2001 between the accounting and tax values. Temporary differences are related to the following items:

Tax effect of temporary differences	31.12.01	31.12.00	31.12.99
Inter-company receivables	-	(31)	(31)
Gain and loss account	31	39	49
Shares	(5)	(44)	(119)
Tax losses carried forward incl. remuneration	(39)	(75)	(13)
Limitation recognised tax asset	13	13	16
Deferred tax (deferred tax asset)	-	(98)	(98)
Tax rate used	28 %	28 %	28 %

No tax effect is allocated to write-downs of inter-company receivables as the losses are not expected to materialise in the near future.

NOTE 9: TANGIBLE FIXED ASSETS

	2001	2000	1999
	Other	Other	Other
	Fixed Assets	Fixed Assets	Fixed Assets
Balance as at 1 January	16	15	13
Additions	1	1	2
Disposals	0	0	0
Cost price as at 31 December	17	16	15
Accumulated depreciation 31 December	(12)	(11)	(11)
Book value as at 31 December	5	5	4
This year's depreciation	(1)	0	0
The financial year's reversals	0	0	0
Economic lifetime	3-5 years	3-5 years	3-5 years

NOTE 10: LONG TERM INTER-COMPANY RECEIVABLES

As of 31 December 2001 the parent company has receivables on Norgas Limited of US\$102.6 million. The loan to Norgas Limited is on demand and is fixed at Libor plus 1 percentage point.

Loans to subsidiaries per 31 December 2001	Receivables	Interest rate
Norgas Limited	926	6,10 %
Total	926	

No specific instalment plan is established, but the receivable is long-term in nature.

NOTE 11: DEPOSITS AND SHARES IN OTHER COMPANIES

	31.12.01	31.12.00	31.12.99
Bank deposit	258	78	94
Specification of restricted deposits:			
Bank deposit	2	2	2
Shares:	Cost price		
Fund	9	19	15
Shares	12	9	3
Total	21	28	18

NOTE 12: LONG-TERM LIABILITIES

Long-term mortgage debt amounts to US\$74.8 million as at 31 December 2001. The long-term debt is secured by a pledge of vessels, assignment of earnings, pledge of bank accounts to which charter-hire is deposited and the assignment of assurance for the same vessels. The loan is repayable in semi-annual instalments of US\$4.4 million over 3.5 years with a balloon payment of US\$44 million due at the end of the loan period. The loan bears interest of LIBOR plus 0.7% (2.8% per 31 December 2001). The average interest rate in 2001 was 5.43%. The loan agreement includes a number of financial and non-financial covenants. The main covenants are associated with change in majority ownership and strategy, value-adjusted equity and minimum requirements for free liquidity. I.M. Skaugen ASA was in compliance with the loan covenants at year-end.

Instalments are due as follows:

2002	80
2003	80
2004	80
2005	435
Total	675

Book Value of mortgaged Assets	31.12.01	31.12.00	31.12.99
Gas- and chemical tankers (US\$ million)	93	104	115

For information regarding financing of new buildings please refer to note 11 for the Group.

NOTE 13: CONVERTIBLE LOANS

A convertible bond for NOK124 million was placed in the Norwegian market in June 2001. The convertible bond has a seven-year maturity with an option to convert to 1,362,637 shares during the first five years. The coupon is fixed at 11 percent for the first five years, increasing to 13 percent in years six and seven when the conversion right lapses. The conversion price is fixed at NOK91 per share and will be adjusted prior to conversion to accommodate any dividends paid to existing shareholders. For further information regarding the convertible loan, including effect on earnings per share, please refer to notes in the Group accounts.

NOTE 14: GUARANTEES

Guarantees	31.12.01	31.12.00	31.12.99
Guarantees for group companies	0	0	0
Guarantees provided	61	43	4
Total	61	43	4

NOTE 15: INVESTMENT IN SUBSIDIARIES (NOK '000)

	Business office	Time of purchase	Cost price	Ownership/ Voting share
Shares in subsidiaries				
Anders Jahre AS	Oslo	31.08.1990	200	100 %
Norgas Limited	Bermuda	28.11.2000	268 076	100 %
Norgas Carriers AS	Oslo	15.12.2000	60 709	100 %
IMS Marine Services AS	Oslo	31.08.1990	16 825	100 %
PetroTrans Holdings Limited	Bermuda	5.05.1993	89 160	100 %
Faber Shipping Corp	London			100 %

	Number of shares	Share capital	Par value	Total par value	Book value
Shares in subsidiaries					
Anders Jahre AS	200	200	1,000	200	200
Norgas Limited	12 000	US\$12,000	US\$1	US\$12,000	268 076
Norgas Carriers AS	19 600	980	50	980	60 709
IMS Marine Services AS	17 000	17,000	1,000	17,000	-
PetroTrans Holdings Limited	1 200	US\$12,000	US\$1,000	US\$1,000	86
Faber Shipping Corp	500	-	-	-	-
Total					329 071

Norwegian Gas Carriers Ltd. was dissolved in 2001.

Shares in subsidiaries owned by Group companies (NOK '000)	Business office	Ownership/	Number of shares	Share capital	Par value	Total par value
		Voting share				
Owned by IMS Marine Services AS:						
Princess Carriers AS	Oslo	100 %	27 000	27 000	1 000	27 000
Norwegian Gas Carriers AS	Oslo	100 %	7 500	750	100	750
Owned by Norgas Limited.:						
Oslo Victory AS	Oslo	100 %	50	50	100	50
Owned by Norgas Carriers AS:						
Norgas (Asia) Pte. Ltd.	Singapore	100 %	100 000	SG\$100	SG\$1	SG\$100
Norgas Americas Inc.	Houston	100 %	1 000	US\$10	US\$1	US\$10
Norgas Fleet Management (Shanghai) Co. Ltd.	Shanghai	100 %	-	-	-	-
Owned by PetroTrans Holdings Limited:						
Skaugen PetroTrans Ltd.	Bermuda	100 %	12	US\$12	US\$1,000	US\$12
Skaugen PetroTrans Inc.	Houston	100 %	750	US\$750	US\$1,000	US\$750
Oyster Bay Steamship LLC.	Delaware	100 %	-	US\$50	-	US\$50
SPT Offshore LLC	Delaware	100 %	-	US\$50	-	US\$50

IMS Marine Services AS owns 50% of the shares in the associated company Gas Recovery System AS and 43.5% of Haugesund Reisebyrå AS.

NOTE 16: JOINT VENTURES

Companies	Time of establishment	Cost price at time of establishment	Equity at time of establishment	Business office	Owner- share	Voting share
J/V TNGC	December 1999	0	0	Hubei, China	2 %	2 %
Somargas Limited	June 2000	0	0	Cayman Islands	50 %	50 %
Vintergas Limited	June 2001	0	0	Cayman Islands	50 %	50 %
Owned by I.M. Skaugen ASA						
	Net income/ (loss)	Current Assets	Fixed Assets	Current Liabilities	Long-term Liabilities	Book value
J/V TNGC	0	1	2	0	0	3
Somargas Limited	0	1	68	1	51	17
Vintergas Limited	0	1	13	0	10	4
Total	0	3	83	1	61	24

NOTE 17: RELATED PARTIES

For information regarding related parties please refer to Note 21 of the Group Accounts.

Report of the Auditors, Arthur Andersen & Co., to the Annual Shareholders' Meeting of I.M. Skaugen ASA *Translated from Norwegian*

We have audited the annual financial statements of I.M. Skaugen ASA as of 31 December 2001, showing a profit of NOK56 million million for the parent company and a net result of US\$0 for the group. We have also audited the information in the Directors' Report concerning the financial statements, the going concern assumption and the proposal for the appropriation of the profit. The financial statements comprise the balance sheets, profit and loss accounts, the statements of cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion:

- The financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2001, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway.
- The Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway.
- The information in the Directors' Report concerning the financial statements, the going concern assumption, and the proposal for appropriation of the profit are consistent with the financial statements and comply with law and regulations.

Arthur Andersen & Co.

Oslo, 5 February 2002

Asbjørn Rødal (sign.)

State Authorised Public Accountant (Norway)

Analytical and Shareholder Information



The IMS share outperformed the major market indices during 2001, with an increase in value of 13.08 percent.

The IMS Share – its performance, evaluation and key market drivers

THE IMS SHARE AND ITS PERFORMANCE DURING 2001

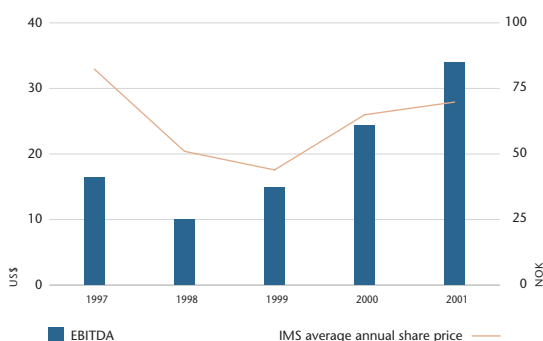
The I.M. Skaugen ASA share, (ticker code SKA), has outperformed major market indices over the last 24 months. During 2001, the price of IMS shares rose from NOK65 at the beginning of the year to NOK73.50 on 31 December, an increase of 13.08 percent. Inclusive of dividend payment of NOK2 per share on 22 March 2001, the yield on the shares was 16.15 percent in 2001. During this same period, the Oslo Stock Exchange's benchmark index - OSEBX, declined by 15 percent, the Norway Enskilda shipping index declined by three percent and the OSE transportation index, declined by one percent.

Stock/Index Year-end	2001	2000	1999	Change from 2001 to:	
				2000	1999
I.M. Skaugen ASA	73.50	65	54	13 %	36 %
Indices					
OSEBX	167.18	195.79	189.76	-15 %	-12 %
OSE 2030 Transportation Index	126.89	128.53	111.50	-1 %	14 %
Orkla Enskilda Shipping Index	106.29	109.20	95.48	-3 %	11 %
Dow Jones Transportation Index	2 639.99	2 946.60	2 963.45	-10 %	-11 %
S&P Transportation Index	689.59	697.65	595.69	-1 %	16 %
S&P Chemicals Index	404.90	428.01	519.86	-5 %	-22 %

THE IMS SHARE PRICE ON OSE AND THE EBITDA EARNING TREND

Historically there has been a close correlation between the EBITDA earnings trend of a company and its share price development. However this correlation has not been evident in the case of the IMS share, with the improved EBITDA earnings having little impact on the IMS share price over the last three years. According to this method of valuation, the IMS share is under-priced when compared with its own historical performance and EBITDA earnings.

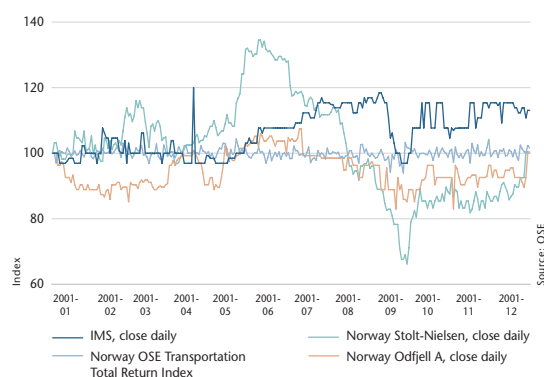
IMS share price vs. EBITDA



RELATED STOCKS WITH SIMILAR DRIVERS

The IMS share has performed well against certain peer shipping stocks with similar underlying drivers. We consider that the chemical/parcel carrier companies, like Odjell and Stolt Nielsen, have basically similar characteristics and economic drivers to IMS. It is therefore useful to review the performance of the shares of these companies when evaluating the performance of the IMS share.

IMS vs. competitors



HOW TO VALUE THE COMPANY?

The value of the shares traded at the Oslo Stock Exchange on any one day is considered by most to be a key guide to the valuation of the company and its equity. This valuation as per year-end 2001 was NOK73.50 per share, which when multiplied by 5,812,297, the outstanding number of shares, gives a total capitalisation of US\$47.5 million.

We believe that an estimated earnings model is the correct valuation method for the equity of IMS. This is a model based on the earnings before interest, tax, depreciation and allocations (EBITDA) multiplied by an assessed factor and deducting the current net debt. The multiplier will vary from time to time in the economic cycle and business profile of the company in question. For companies with a business model like IMS, this multiplier will typically be in the range of four to six.

The EBITDA for the year 2001 is US\$33.9 million, the current given multiple is five and the net debt stands at US\$56 million. These figures give a company value of US\$114 million, equal to US\$20 per share (NOK180 per share). The year-end share price of NOK73.5 at the Oslo Stock Exchange reflects a multiplication of about three when applying this type of valuation model.

EBITDA Multiple Matrix

EBITDA multiple	4	5	6
EBITDA US\$m.	136	170	204
Company value US\$m.	80	114	148
per share US\$(under 6)	14	20	25
Per share NOK	125	180	229

Another method of valuation is to look at the book value of the equity of the company in total and on a per share basis. As per year-end 2001, this value was US\$66.5 million in total or US\$12 / NOK108 per share.

An alternative method is to compare a selection of independent valuations of our fleet of vessels against the book value of these assets and thus the equity per share. These valuations can be on a discounted cash flow basis (net present value) or by use of external value assessment by sale and purchase brokers. Three sales and purchase brokers have evaluated all the Norgas vessels as of December 2001 and have reduced the estimated value of this fleet by 16.14 percent or US\$16.67 million equivalent. This is US\$6.7 million higher than the depreciation charged during the year. The valuations made have a total value of US\$94 million for all IMS vessels, which is US\$14 million lower than the value of these assets in our books. However, this method of evaluation does not ascribe any additional value to the earning capability of Skaugen PetroTrans: a value that is much higher than the value of its assets as per book value, predominantly because SPT charters rather than owns the vessels for its lightering activities.

Net Present Value is another commonly used method. This is a valuation of the fleet based on assumed earnings, factoring in historical earnings and operating expenses. This method gives a higher value than the book value of the fleet.

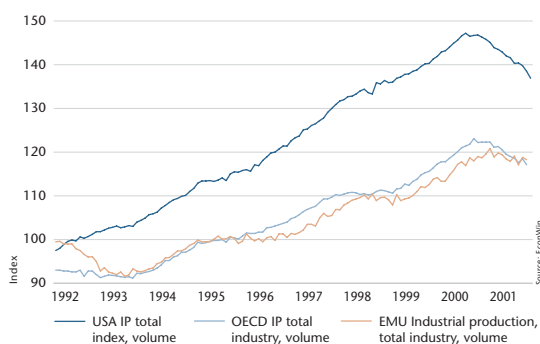
WHAT ARE SOME OF THE UNDERLYING MARKET DRIVERS?

The trend in GDP and industrial production growth is the key driver for sea-borne transportation, particularly for petrochemical gases. As such, it is a substantial driver for the Norgas business, and also to a great extent, for the SPT business.

The overall economic outlook during 2001 was depressed and uncertain. GDP growth and industrial production in key regions of the world dropped significantly in the first half of the year, compared to the peak in the first half of 2000, and this decline accelerated after the tragic events in the USA on 11 September. Slowing economic activity

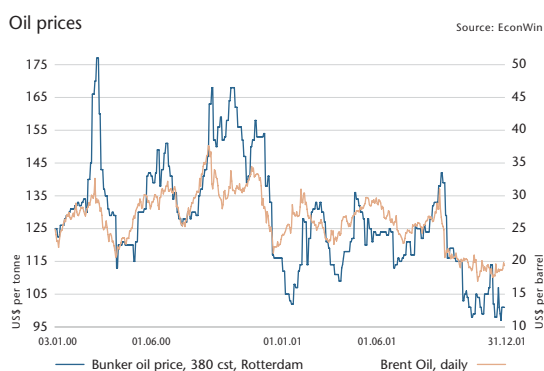
Valuation Method	Implied Equity US\$ million	Corresponding Value of Share in US\$/NOK
EBITDA X 5	114	20/180
Book value of equity	66.5	12/108
SKA Market Capitalisation 31 December 2001	47.5	8.2/73.5

was reflected across all major indicative indices, including Consumer Confidence, Leading Indicators, CPI and the National Association of Purchasing Managers (NAPM). However, the US Federal Reserve cut interest rates no less than 11 times in 2001 in an effort to boost consumption and consumer confidence. Both the Bank of England and the European Central Bank also reduced rates and it is expected that a turnaround in world economic growth will be seen during 2002.



OIL PRICES/BUNKER PRICES

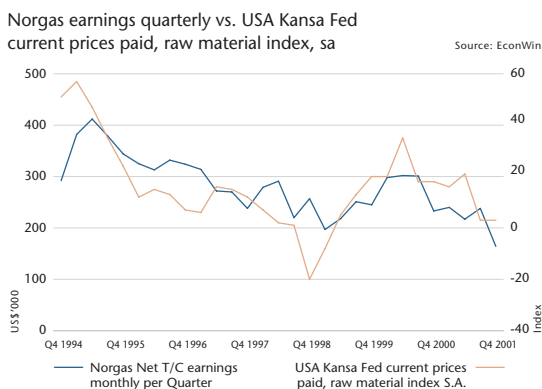
The oil market was volatile in 2001. Oil prices ended down 15 percent last year, the largest fall since 1998. Oil demand is growing at its lowest rate since 1984, forcing OPEC and other suppliers to cut production. The soft demand for oil has put downward pressure on the prices of ethylene production feedstock.



MANUFACTURING ACTIVITY

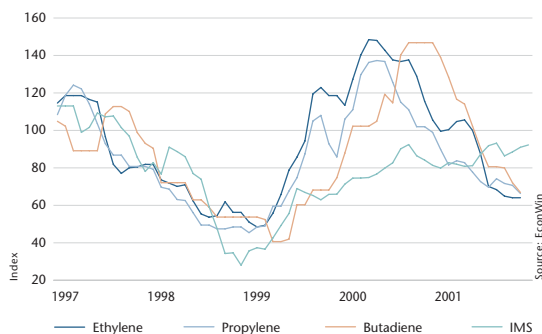
The Federal Reserve Bank of Kansas City's quarterly Survey of Manufacturers provides information on current manufacturing activity. The accumulated results also help trace longer-term trends. The survey monitors about 300 manufacturing plants selected according to geographic distribution, industry mix, and size. Survey results reveal changes in various areas of manufacturing

activity, including production and shipment, and identify changes in prices of raw materials and finished products. The correlation to the Norgas TC rate index is significant and therefore a good indicator for the development of Norgas' expected earnings.



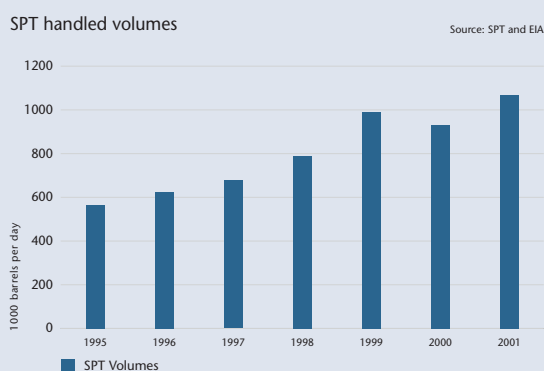
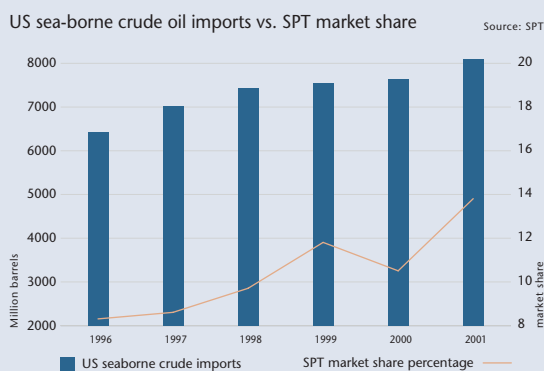
COMMODITY PRICES

Historically, the IMS share price has followed the same trends as the commodity prices of its major cargoes. Demand in the butadiene and ethylene markets has a strong impact on the earnings of Norgas. The long-term outlook for ethylene is positive, with the growth in annual, global demand projected to be around 4.6 percent until 2007.



SKAUGEN PETROTRANS (SPT)

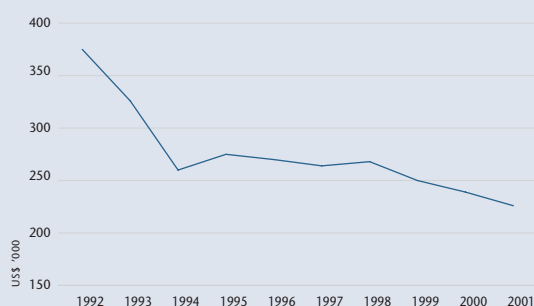
SPT handles US crude oil imports. SPT continued to perform well in 2001, reporting high volumes of activity and a further increase in its market share of total US sea-borne crude oil imports. The company handled a total of 390.2 million barrels in 2001, which amounts to about 1.1 million per day and some 14 percent of US sea-borne oil imports, making it the market leader.



NORGAS

Norgas carries raw and semi-finished materials for the petrochemical industry. Average time charter earnings have historically followed cycles of approximately seven years. The slowing world economy has influenced the Norgas time charter earnings level.

Norgas EBIT B/E



Norgas is now a viable business due to its service and cost efficiency focus. Norgas EBIT B/E level has continued to go down from US\$236,000 per vessel per month in 2000 to US\$226,000 in 2001. In 2002 the EBIT break-even level is projected to be reduced to US\$220,000 per vessel per month due to a continuing improvement in the operation of the vessels, together with the introduction into the fleet of the first three new buildings during 2002. The new vessels are key to further reducing the break-even level and improving the service level for our customers.

SHAREHOLDER INFORMATION

Shareholder Policy

I.M. Skaugen ASA aims to create shareholder value through improved customer service, focusing on operational efficiency and thereby growing the business profitability. The company favours a dividend policy based on financial performance, but the increase in share price should, over time, account for the largest part of the return on shareholder investment. When considered appropriate, and particularly when the share price is low, the company aims to buy back its own shares by repurchasing shares in the market.

The last six years have been marked by very challenging trading conditions in our business segment, combined with declining asset values for gas vessels mostly due to the reduced replacement cost of vessels - new building prices have declined by some 35 percent.

Nevertheless, during these six years we have paid down debt of US\$89 million, distributed US\$39 million to our shareholders and repurchased shares of US\$7.1 million – a total of US\$135 million. We hope that overall conditions are on the upward turn for Norgas' type of business, and that in addition to honouring financial commitments to bankers and shareholders, funds can also be generated to further renew and refocus our business.

SHARE PERFORMANCE

During 2001, the price of IMS shares rose from NOK65 at the start of the year to NOK73.5 on 31 December, an increase of 13.08 percent. The peak of the share was NOK77 and the lowest price was NOK63 during the year 2001.

TRADING VOLUMES

A total of 927,430 shares were traded in 2001, equal to 15.95 percent of the total shares outstanding per year-end. The share was traded 167 out of 247 trading days on the Oslo Stock Exchange.

BUY BACK OF SHARES – REDEMPTION OF SHARES

Since the introduction of the buy-back programme in 1999, IMS has acquired to date 1,080,408 shares at a total cost of US\$7.1 million. Of these 818,208 have been redeemed.

At year-end 2001, IMS held 262,200 treasury shares or 4.51 percent of the capital at a cost of NOK19.07 million, or NOK72.7 per share. In total 362,200 shares were bought back during 2001 at an average cost of NOK70.7 per share totalling NOK25.6 million. The total number of shares has been reduced since 1999 from 6,630,505 to 5,812,297.

At the Annual General Meeting on 4 March 2002, the Board will propose to redeem all outstanding shares held by the company.

PURCHASE OF TREASURY SHARES

Year	No. Of shares	Price NOK
1999	432 151	40.14
2000	286 057	59.75
2001	362 200	70.78
Total	1 080 408	

20 LARGEST SHAREHOLDERS IN I.M. SKAUGEN ASA

31 December 2001	No. of shares	%
Eikland AS	2 436 499	41.92
Odin Norge	521 821	8.98
I.M. Skaugen ASA	262 200	4.51
Verdipapirfondet Skagen Vekst	251 686	4.33
Steen Bertel O.	237 369	4.08
SES AS	224 709	3.87
Steen Erik	132 726	2.28
D/S A/S Theologos	100 000	1.72
E-Invest AS	81 515	1.40
AS Bemacs	72 823	1.25
Bratrud Gudmund Joar	72 700	1.25
Regent AS	67 807	1.17
Nordea Securities (DK)	60 324	1.04
Thomas Fearnley Stiftelsen	60 000	1.03
Steen Tore B.	60 000	1.03
Skandinaviske Enskilda		
Banken client account	59 801	1.03
Lombard, Odier & Cie	45 666	0.79
Odin Maritim	43 000	0.74
Erik Penser Fondkommissjon AB	43 000	0.74
Part Invest AS	40 200	0.69
Total 20 largest	4 873 846	83.85
Other	938 451	16.15
Total shares	5 812 297	100.00
Total shares excl. treasury shares	5 550 097	95.49

INVESTOR RELATIONS

I.M. Skaugen ASA attaches importance to keeping the stock market and shareholders informed on a timely basis of the company's development in terms of results, prospects and other relevant areas. This information is distributed throughout the year in quarterly reports, the annual report, various press releases and presentations. I.M. Skaugen has focused on achieving and maintaining a transparent and accountable financial reporting system, which provides the market with instant and accurate information. Correct and complete information is the key for securing reasonable pricing of the company, based on underlying values and earnings. It is our policy to report promptly, within 10 working days of the end of each quarter. I.M. Skaugen is one of the first companies listed at the Oslo Stock Exchange to present its quarterly and annual figures.

All reports and press releases are posted on our website: www.skaugen.com

RISK ADJUSTMENTS

The following risk adjustments have been set for the IMS share:

01.01.2002	(7.50)
01.01.2001	(1.95)
01.01.2000	15.91
01.01.1999	0.42
01.01.1998	19.40
01.01.1997	(33.60)
01.01.1996	(5.99)
01.01.1995	(10.98)
01.01.1994	(8.98)
01.01.1993	(2.99)

According to the tax reform effective 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. The estimated adjustment as of 1 January 2002 is minus NOK7.50 per share.

Shuttle Tanker / Lightering Activities



SKAUGEN PETROTRANS INC. (SPT)

SPT is a fully dedicated shuttle tanker/lightering company that focuses on safe and incident free operations, environmental protection and a high standard of customer service. Time has proven this strategy to be the right one and in 2001 SPT reported the best year in the history of the company measured in average million barrels lightered per day, number of full service lighterings, market share and EBITDA results. SPT has consolidated its position as the market leader with approximately 45 percent of the market share among the three independent operators.

Financial highlights – US\$ million	2001	2000	1999	1998
Freight revenue on T/C basis	123.7	71.6	63.4	58.5
Vessel operation expenses and T/C hire	(97.6)	(63.4)	(51.9)	(51.9)
Other unallocated operating costs	0	0	0	0
EBITDA	26.1	8.2	11.4	6.6

Operational highlights	2001	2000	1999	1998
No. of full service lightering operations	611	541	551	432
No. of support lighterings	170	132	182	150
Tanker operating days	3 337	2 682	2 750	2 271
Daily lightering volume (bbls/day)	1 069 000	930 000	990 000	817 000
Share of US sea-borne crude imports	14%	10.5 %	11.8 %	9.7%

FLEET

SPT secured a core fleet of five aframax tankers for 2001 on fixed rates against contracts with agreed volumes and rates. One aframax tanker on a five-year time charter contract was redelivered to the owner upon the request in October 2001 and SPT was duly compensated for the early termination of the contract. The average fleet of aframax tankers operated by SPT in 2001 was nine, in addition to the four lightering support vessels (LSV) owned and operated by SPT.

PRODUCTS CARRIED

Crude oil

OFFICES

Houston and Freeport, Texas

EMPLOYEES

38 shore-side

27 seafarers

CUSTOMERS

Integrated oil companies, refiners and oil traders such as BP Amoco, Phillips Petroleum, Premcor, Saudi Petroleum International, Statoil and Valero.

MARKET DRIVERS

Long-haul US oil imports by supertankers
Port and water restrictions
US production vs. energy consumption
US oil inventory levels

GROWTH OPPORTUNITIES

SPT entered into a joint venture with Navion Inc. in April 2001, to start a US-based offshore loading company for crude oil to serve deepwater installations in the Gulf of Mexico. Named American Shuttle Tankers LLC (AST), SPT and Navion each holds a 50 percent stake and equal responsibility in the new venture.

An Analysis of the Aframax and Shuttle Tanker/Lightering Market

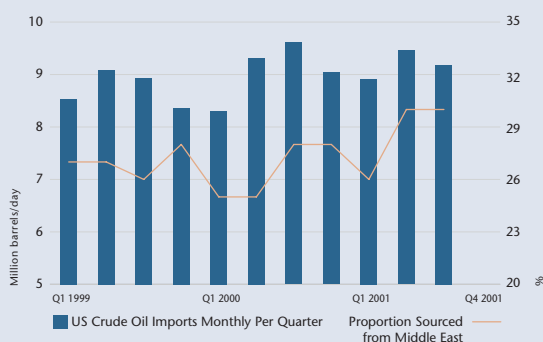
Prepared by Maritime Strategies International Limited (MSI)

US CRUDE OIL IMPORTS – MIDDLE EAST IN VOGUE

In the face of economic slowdown, US crude oil import growth has slowed. Data from the Energy Information Administration of the US Department of Energy (EIA) shows a 1.2 percent rise in the first 10 months of 2001 versus a 2.7 percent rise in the same period a year earlier.

At the same time, Opec production has been sharply curtailed – from an average of 29.64 million barrels/day in November 2000 to 26.5 million barrels/day twelve months later - as the organisation strives to maintain oil prices in the range US\$22-28/barrel. As part of this process, Middle East Opec production has fallen by around 2 million barrels/day.

US Crude Oil Imports and Proportion Sourced from Middle East chart 1



Against this backdrop the development of US long-haul crude imports (and hence lightering demand) during the last year has been surprisingly positive (see chart 1). According to the EIA, imports from the Middle East rose 11 percent year-on-year during January to October 2001. Indeed, US dependence on Middle East crude approached 30 percent of total imports, the highest level for ten years. This remarkable increase came at the expense of Middle East exports to Asia.

Shipments to the US from other areas fell over the course of 2001 after a temporary surge in the second quarter. Hardest hit were imports from the North Sea which were down 18 percent year-on-year. In contrast, Central and South American supplies were up 1.5 percent in line with total US imports.

AFRAMAX TANKERS: DOWN BUT NOT OUT

In common with the other oil tanker sectors, the Aframax market has seen sharp correction after the exceptional highs of late 2000/early 2001. Average monthly spot market earnings halved to US\$23,900/day between January and June 2001, according to Clarkson Research.

Aframax Spot Freight Earnings chart 2



Aframax rates remained in the range US\$20-30,000/day during the second half of 2001, (see chart 2) however, and by the end of the year were still close to levels required to finance a new building. In contrast, earnings for modern VLCC rates have regularly dropped well below US\$20,000/day in recent months.

To put these rates further into context, it should be noted that prior to the recent boom Aframax earnings have exceeded US\$21,000/day in only 12 months of the preceding 10 years.

The relative strength of the aframax market reflects a combination of supply and demand factors.

Taking supply first, Aframax deliveries were just 1.6 million dwt last year, the second lowest level in sixteen years, reflecting the supply restraint induced by the poor market in 1999.

On the demand side, the focus of the dramatic reduction in oil production in recent months has been the Middle East and hence the brunt in stalling sea-borne trade was felt by VLCCs (despite the increase in shipments to the

US). Aframaxes however benefited from their flexibility and potential for widespread deployment.

Finally, the key import areas for Aframaxes - the US mainland, the North Sea and Japan/Korea - maintain strict age discrimination to the advantage of modern vessels.

But the short-term outlook for Aframaxes is worsening. Crude oil trades are likely to remain soft in 2002, while supply conditions are about to take a sharp turn for the worse. A new building contracting spree in 2000 and especially 2001 promises a bumpy ride ahead. At end 2001, the Aframax orderbook is estimated at 15 million dwt. As a result, additional capacity of nine percent will be added to the fleet in both 2002 and 2003.

Moreover, there is only a limited safety valve to reduce Aframax supply through scrapping, at least compared with other crude tanker sectors. The orderbook represents 125 percent of the fleet which is 20 years or older and as a result all the tonnage required to replace vessels due to be phased out by recently tightened IMO regulations has already been ordered.

MEDIUM TERM OUTLOOK: US IMPORTS AND LIGHTERING DEMAND

Given constraints on alternative delivery methods (shipments direct to port in large crude carriers and the stalled development of alternatives to LOOP), it is clear that the lightering industry will be the principal beneficiary of rising long-haul crude imports over the next decade. But how secure is the anticipated growth in imports?

Higher US crude production could undermine total import growth, while changes in crude trading patterns may dampen growth in demand for lightering in the US Gulf.

The first potential threat, closest to home, is the anticipated surge in domestic US production in the Gulf of Mexico. To the extent that this swells total production, it will shrink imported crude volumes.

The consensus view is that Gulf production will only slow the long term decline in domestic supplies, however, and that the worst effect on the lightering business will be to slow the rate of growth in demand.

Moreover, approval has now been granted for the use of FPSOs in the Gulf of Mexico, which should give lightering companies with expertise in similar operations significant new opportunities.

The second threat comes from any increase in short-haul (Mexican and Venezuelan) crude shipments in Aframax and some of the smaller, shallow draft, Suezmax tankers that discharge directly into port.

Increases in crude shipments from Venezuela and Mexico are anticipated and MSI forecasts a nine percent increase in US imports from Latin America over the next five years, largely favouring direct calls by Aframax tonnage.

Looking at long-haul suppliers, Suezmax shipments to the US originate principally in the North Sea or in West Africa. Western European production is expected to peak in the next five years, and imports to the US from this region are at best likely to remain static over next five years.

West African production is, however, expected to show very strong growth, while Caspian exports are also likely to flow to the US. Overall, imports in Suezmax vessels from the Atlantic basin will rise, offering some increase in lightering demand.

In contrast, ongoing rapid growth in US oil imports from the Middle East is clearly unsustainable. In the short term, US demand is softening and further cuts in Middle East production may limit availability.

Longer term Asian oil demand will recover and compete for Middle East supplies.

Nevertheless, MSI remains convinced that long-haul imports will be a key component of US import growth over the coming decade.

US crude oil imports from the Middle East will grow by five percent over the next ten years, with clear upside potential should US domestic production prove less resilient than in MSI's base case.

Gas Activities



NORGAS (FORMERLY NGC)

Historically Norgas' earnings track the movements in world GDP and industrial production growth. The softening global economy in 2001, especially after 11 September, made the maintaining of time charter rates at an acceptable level a challenge, particularly after factoring in idle time. This had a major effect on Norgas' EBITDA result of US\$9.7 million when compared to 2000's exceptional result of US\$18.34 million. The focus on cost of operations has generated satisfactory results and the key target of a lower EBIT break-even level was achieved with a decline from US\$236,000 per vessel per month in 2000 to US\$226,000 in 2001, giving an annual saving of US\$1.55 million.

Financial highlights – US\$ million	2001	2000	1999	1998
Freight Revenue on a T/C basis	30.0	40.3	30.3	35.6
Vessel operation expenses	(18.5)	(20.7)	(22.4)	(26.0)
Other unallocated Operating Costs	(1.7)	(1.2)	(1.4)	(2.5)
EBITDA	9.7	18.3	6.5	7.2

Operational highlights	2001	2000	1999	1998
Idle time	13 %	5 %	7 %	5 %
Off hire	4.83%	3.90 %	7 %	5 %
Dry docking	7	3	5	8

FLEET

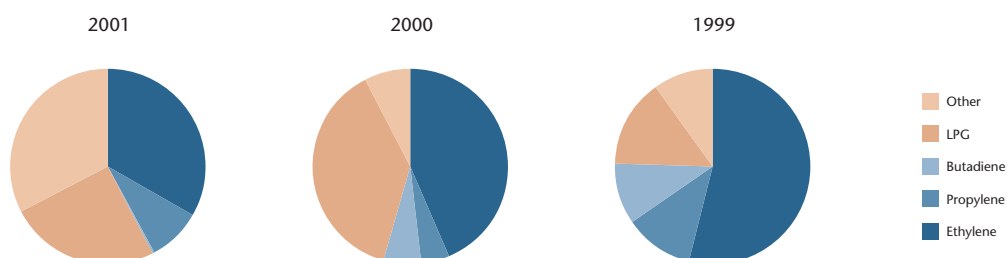
Norgas currently operates 14 vessels ranging from 6,000 to 9,000cbm with a total fleet capacity of approx. 100,000cbm. 13 of these vessels have ethylene capacity.

It is the strategy of the I.M. Skaugen Group to strengthen Norgas' position as the second largest ethylene carrier owner in the world and also its long-term objective to renew the gas-carrying fleet. To this end, six new 'Super Coolers' have been commissioned with a combined capacity of 55,000cbm. These will be delivered during the course of 2002 and 2003 and will reduce the average age of the whole Norgas fleet by approximately five years, calculated as at 2002. The new buildings

are expected to further reduce Norgas' EBIT break-even level per vessel per month mainly due to the low acquisition cost and improved utilisation of our shore-side resources. Four of the new vessels have a capacity of 8,500cbm and two of 10,200cbm, which will give the newly increased fleet an average capacity of about 7,700cbm per vessel and a total capacity of approximately 154,000cbm.

The Group has two further options of two vessels each. The first option must be exercised prior to August 2002 and the second prior to February 2003. The total delivered cost of all 10 vessels (including the optional four) will be in the region of US\$220 million.

PRODUCTS LIFTED AS A PERCENTAGE OF TOTAL CARGOES



WORLDWIDE OFFICES

Commercial:	Houston	Singapore
Support:	Oslo	Shanghai
	St.Petersburg	Wuhan

EMPLOYEES

88 shore-side

351 seafaring

CUSTOMERS

The major oil and petrochemical producers, importers and traders such as ADNOC, BP, Dow, Enichem, Exxon, IPCL, Marubeni, Mitsubishi Corporation, Mitsui, IPCC, PDVSA, PMI, Qapco, Reliance, Sabic and Sumitomo.

MARKET DRIVERS

GDP growth

Industrial production

Petrochemical industry profitability

Regional imbalances in petrochemical stocks

Margins between raw material costs, e.g. the four petrochemical gases, and the semi-finished product, like polyethylene, polypropylene etc.

End products and industries: e.g. antifreeze, automobiles, clothing, construction, cosmetics, insulation, packaging, paint, plastic products, windows etc.

NAME CHANGE

In October 2001 the name of Norwegian Gas Carriers AS was changed to Norgas Carriers AS. This change

was effected for marketing reasons: to bring the operating company in line with its holding company, Norgas Limited, and with its vessels, which all carry the Norgas name. The name of Norgas is perceived to be more international, making the practicalities of future cooperation with non-Norwegian entities more straightforward.

CHINA ACTIVITIES

Since 1996, the I.M. Skaugen Group has been increasing its activity in China and is now involved in a variety of operations there, not least the commissioning of up to 10 new ethylene carriers for delivery between 2002 and 2004.

Hubei Tian En Petroleum Gas Transportation Company Ltd. (TNGC), is a joint venture, which owns and operates five LPG carriers and two workboats on the Yangtze river. TNGC is the largest transporter of LPG on the river, with a market share in excess of 50 percent.

The Wuhan University of Technology – Skaugen Training Centre prepares and certifies Chinese seafarers for operations and provides a thorough training in the safe handling of dangerous cargoes.

In addition, the Group received its formal business license for the Norgas Fleet Management Consulting Co. (Shanghai) Ltd. in January 2002, which, in conjunction with the training centre, will provide crewing, training and fleet management services primarily for Norgas vessels.



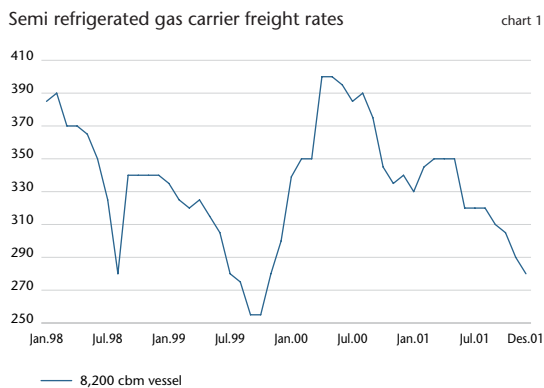
TNGC - the largest transporter of LPG on the Yangtze River, with a market share in excess of 50 percent. This is to date the only Sino-foreign joint venture transporting dangerous cargoes along China's inland waterways.

An Analysis of the Gas Transportation Market

Prepared by Maritime Strategies International Limited (MSI)

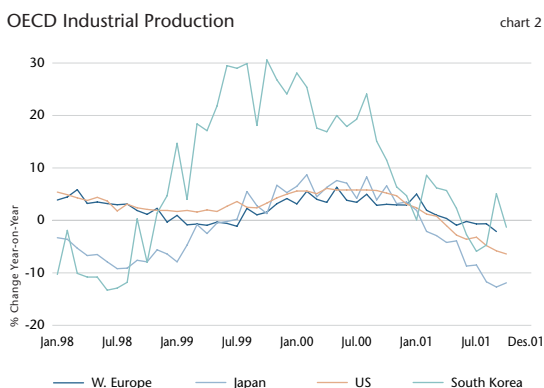
GLOBAL DOWNTURN HITS GAS CARRIER EARNINGS

The semi-refrigerated gas carrier market suffered a sharp downward correction during 2001. Indicative spot market returns for an 8,200cbm vessel were less than US\$300,000/month in December 2001, according to Fearnleys, down from a peak of US\$400,000/month in April 2000 (see chart 1).



The turn in sentiment broadly reflects the shift from unexpectedly strong growth in the world economy in 2000 to a marked global downturn.

It is now considered that the US entered recession in the middle of last year and indications of the malaise have been apparent in plummeting industrial production in the OECD from the second quarter onwards (see chart 2). MSI estimates that the world economy grew by just 1.3 percent in 2001 - the lowest rate of growth since the early 1990s' downturn - and that it will expand by scarcely more in 2002.



2001: BRIGHT START, DEEPENING GLOOM

Despite the current gloom, 2001 began brightly enough. European production problems in the first quarter led to imports of ethylene and propylene from Mexico and the Middle East and propylene continued to move from the Middle East to Europe into the summer as a result of a fire at Conoco's UK refinery.

As the year wore on, however, the surplus of ethylene in Europe grew, prices slumped and Middle East imports almost ceased. Ethylene prices in Europe have now fallen from a high of around US\$850/tonne in mid 2000 to less than US\$400 by end 2001.

Asian prices have also fallen, though less sharply, and arbitrage trades from Asia to Europe were not a feature of the market last year (despite being theoretically possible in the second quarter).

Rather, sporadic movements from west to east have been observed although these long haul trades have been insufficient to boost earnings in a falling market in the same way that larger volumes moving east to west gave a leg-up to earnings in a rising market in mid 2000.

CHEMICAL INDUSTRY HIT HARD

The impact of the economic slowdown on the chemical industry is clear. Across the globe, soft demand and excess capacity are undermining spot prices for the main chemical gases.

The pressure on margins from lower prices is being reflected in a profits slump at leading chemical industry players around the world. As a result petrochemical gas producers in all the major regions are reducing output with negative implications for trade volumes.

SUPPLY-SIDE: CAPACITY CREEP TURNS TO A FLOOD

On the supply side, 2001 saw little physical change in the fleet - just one semi-refrigerated vessel (of 5,600cbm) was delivered last year and two vessels (of 12,565cbm) were scrapped.

But effective supply was increased by the first forays into the petrochemical gas markets of the Navigator vessels, which were delivered late in 2000.

QVC of Qatar signed a three-year Contract of Affreightment for 100,000 metric tonnes per annum of VCM to Australia employing three Navigator ships, while in August one vessel was reported carrying both propylene and ethylene to Asia.

Supply growth will reemerge with a vengeance in 2002, moreover. MSI anticipates deliveries in the region of 160,000cbm or seven percent of the end 2001 fleet this year. To offset these deliveries a substantial volume of scrapping will be required¹.

CYCLICAL LOW IN 2002

Given the scale of the slump in chemical industry activity, its effect on trade, and the influx of new ships, the semi-refrigerated gas carrier market will hit bottom in 2002. The downturn will not be protracted: the more optimistic chemical industry players contend that the early indications of recovery will become apparent from the middle of next year.

While not quite so bullish, MSI generally adheres to the view of a V-shaped downturn and expects a rapid recovery in chemical gas trade. But given the extra supply to be absorbed, we do not expect that the improvement in world economy will feed through to gas shipping rates until 2003.

Once a recovery in earnings is underway and with the global economy going full steam ahead, it seems certain that a further earnings peak can be anticipated in 2004/05.

Indeed, with the semi-refrigerated orderbook heavily front loaded for 2002, there should be only limited supply growth in 2003 and 2004².

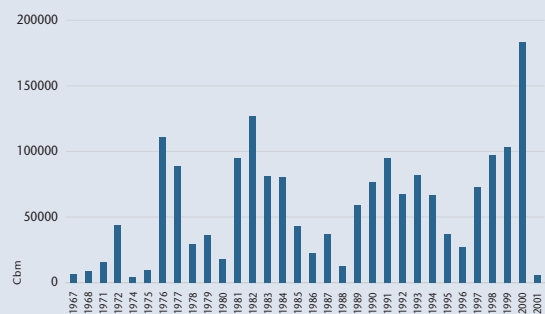
¹60 percent of this capacity is accounted for by three vessels of more than 20,000cbm. These vessels are not ethylene capable and will be most likely to trade in LPG and VCM. They will compete only indirectly with Norgas tonnage. However, rates across the range of semi-refrigerated vessel sizes are generally synchronised and they will affect rates for sub 10,000cbm vessels.

DIMINISHING RETURNS

MSI has, however, further reduced its expectations for the scale of the peak in 2004/2005. This reflects a number of factors. First, this is the second shock to the global economy in four years (even though the Asian crisis was a relatively localised event) and the depth of the current downturn is greater than previously factored into our medium term outlook. Hence, our expectations for the rate of growth in chemical demand and trade have been reduced.

Second, in the context of weaker demand prospects for the supply-side look more ominous. Without substantial scrapping, which seems unlikely given the age profile of the semi-refrigerated fleet (see chart 3), the second year in three of new deliveries of 100,000cbm or larger will delay recovery.

Age Profile of Semi-Refrigerated Gas Carriers (4-23,000Cbm) chart 3



Third, the muted response to tightening balances in 2000 suggests greater consolidation among charterers is exerting downward pressure on rates.

Last, and perhaps most contentiously, we have observed that in a number of sectors the peak in earnings during the economic boom of 2000 was markedly lower than in either of the previous market peaks of 1990/91 or 1995³. Driving the reduction are low asset prices, low inflation and extremely low interest rates. These factors may act to reduce the earnings level at which shipowners feel comfortable with their returns.

²New building activity for semi-refrigerated gas carriers between 4,000cbm and 23,000cbm was muted last year, with no 'new' contracts recorded. Two ethylene capable vessels for Montanari that had been rumoured in late 2000 were confirmed early in 2001, while Norgas declared options for two 10,000cbm ethylene vessels at the Zhonghua Shipyard in China.

PRICES PAST THEIR PEAK

New building prices

As expected the global new building market peaked in 2000: total new contracting will decline by a quarter to 21 million compensated gross tonnes this year, though remaining at historically high levels.

The tail end of the ordering boom drove average new building prices (for all ship types) upwards until the middle of 2001. On an annual average basis, 2001 will be the peak of the current price cycle.

But in common with other small ship segments the recent upturn in new building demand has had little effect on semi-refrigerated gas carrier prices. The scarcity of orders also continues to make assessing market levels difficult. Shipbrokers' estimates show that semi-refrigerated prices barely moved during 2000 and 2001. By contrast, large LPG carriers – competing for berths with VLCCs and post-Panamax container ships – saw prices increase by around six percent in 2001.

The lack of movement in prices at this level is largely due to a greater surplus of capacity to build smaller vessels.

LOW BUILDING PRICES PART OF THE LANDSCAPE

The cost of a new ship has fallen dramatically over the last decade, due in part to the rapid increase in shipbuilding capacity and the weakening of key Asian currencies against the US dollar. An era of lower new building prices is now established.

Aggregate new building demand will decline over the next decade and unless there is rationalisation in major shipbuilding capacity there will be at best only occasional muted increases in new ship prices interspersing periods of significant weakness.

SECONDHAND PRICES

The LPG carrier secondhand market was fairly active last year at the top and bottom – a large number of VLGCs changed hands, while there is always turnover of sub 4,000cbm units.

In contrast, the semi-refrigerated segment was enlivened only by the return of the Ofer Group to gas carrier ownership (via Tanker Pacific). They acquired six vessels of around 15,000cbm from AP Moller en bloc reportedly worth US\$76 million. The vessels will continue to trade in the Scandigas Pool for larger semi-refrigerated ships.

The lack of activity in the semi-refrigerated segment was reflected in little movement in secondhand prices during the last 12 months. Static new building prices meant there was little upward attraction to secondhand values, while conversely the recent decline in freight earnings has been insufficient to exert any significant downward pressure.

Short-term weakness in secondhand prices is probable and, as noted above, there is little likelihood of any significant upward movement in new building prices in the medium term to push up asset values.



Working alongside our customers, building long-term relationships, becoming an integral part of their logistical working chain - these are key priorities: a truly hands-on service.

³This applies to chemical tankers, dry bulk carriers, container ships.

Fleet List

Norgas

Vessel	Size	Tanks	Temp.	IMO Bar	ETH	PPL	BTD	VCM	Built/Rebuilt	Aquired
Norgas Victory	8 936	5	-48	4	NA	5 340	5 600	8 490	1982	1991
Norgas Carine	8 405	3	-104	4.5	4 696	6 900	5 380	8 000	1989	1997
Norgas Patricia	8 238	3	-104	4.5	4 521	4 925	5 166	7 831	1991	1991
Norgas Chief	8 070	4	-104	5	4 429	4 824	5 061	7 671	1983	1983
Norgas Discoverer	7 418	6	-104	3.8	4 071	4 434	4 652	7 051	1971/90/95	1988
Norgas Voyager	7 418	6	-104	3.8	4 071	4 434	4 652	7 051	1972/90/96	1988
Norgas Trader	7 334	4	-104	4	4 025	4 384	4 600	6 971	1981	1988
Norgas Traveller	7 187	3	-104	5	3 944	4 296	4 507	6 831	1980/87	1991
Norgas Challenger	6 363	4	-104	4.6	3 492	3 804	3 990	6 048	1984	1989
Norgas Energy	6 126	6	-104	3.8	3 362	3 662	3 842	5 823	1979	1979
Norgas Pioneer	6 133	6	-104	3.8	3 366	3 666	3 846	5 830	1979	1990
Norgas Pilot	6 083	4	-104	5	3 337	3 635	3 813	5 083	1977	1982
Norgas Sailor	6 083	4	-104	5	3 337	3 635	3 813	5 083	1976	1982
Norgas Navigator	6 006	3	-104	4	3 296	3 590	3 767	5 709	1977	1991

Vessel	Size	Tanks	Temp.	IMO Bar	ETH	PPL	BTD	VCM	Delivery	
Norgas Orinda	8 556	2	-104	7	4 780	5 140	5 475	8 090	2Q02	
Norgas Sonoma	8 556	2	-104	7	4 780	5 140	5 475	8 090	3Q02	
Norgas Petaluma	8 556	2	-104	7	4 780	5 140	5 475	8 090	4Q02	
Norgas Alameda	8 556	2	-104	7	4 780	5 140	5 475	8 090	1Q03	
Norgas Shasta	10 208	2	-104	7	5 700	6 130	6 530	9 650	2Q03	
Norgas Napa	10 208	2	-104	7	5 700	6 130	6 530	9 650	3Q03	
4 optional vessels	tba	tba	tba	tba	tba	tba	tba	tba	4Q03/ 3Q04	

TNGC - The coastal and river transportation fleet

Vessel/Barge	CBM (100%)	Built	Flag	LOA	Beam	DWT	Draft	Tank pressure	Min.Temp	Type	Aquired
Tian En 1001	2 057	1999	PRC	86.65	13.80	1000	2.40	1.68 MPa	-10	LPG Carrier	1999
Tian En 101	1 590	1998	PRC	62.50	14.00	800	2.23	1.17 MPa	0	LPG Barge	1998
Tian En 102	808	2000	PRC	60.00	10.80	459.5	1.85	1.76 MPa	0	LPG Barge	2000
Tian En 103	1 213	2000	PRC	60.00	15.00	689.2	1.90	1.76 MPa	0	LPG Barge	2000
Tian En 104	1 213	2000	PRC	60.00	15.00	689.2	1.90	1.76 MPa	0	LPG Barge	2000
Tug		Built	Flag	LOA	Beam		Draft	Power		Type	Aquired
Tian En Tug -1		2000	PRC	24.00	12.00		2.40	2x600 kw			2000
Tian En Tug -2		2000	PRC	24.00	12.00		2.40	2x600 kw			2000
Tug 802		1992	PRC	31.18	9.00		2.80	2x298 kw		TC	N/A

Skaugen PetroTrans - The Aframax fleet

Vessel	Size	Capacity	Built	Comments
Genmar Boss	89 601	619 442	1985	TC 08/01 – 12 months
Genmar Alexandra	102 262	715 301	1992	TC 12/01 – 12 months
Rich Duchess	81 279	593 108	1986	TC 05/01 – 2 years
Regent	81 279	593 108	1986	TC 05/01 – 2 years
Compass I	97 078	660 159	1992	TC 12/01 – 2 years
Isabella – Delivery mid-Feb.	97 078	660 162	1991	TC 12/01 – 12 months
Nissos Amorgos	89 426	589 115	1987	TC 11/01 – 12 months

Lightering support vessels

Vessel	Size (bhp)	LOA(ft)	Built/rebuilt	Ownership	Acquired
Gulf Defender	2 250	180	1977/91	100%	1991/1997
Gulf Guardian	2 250	180	1976/91	100%	1991/1997
Gulf Protector	2 250	180	1977/91	100%	1991/1997
Abdon Callais	1 610	145	1997	TC	N/A
SPT Relentless	1 610	145	2001	TC	N/A

Princess Carriers - Chemical vessels

*oil and chemical

Vessel	Flag	Size (dwt)	Ownership	Type	Cargo cap.	Built/rebuilt	Acquired
Princess of Penang	Panama	9 034	100%	IMO II&III*	10 467 cbm	1979/96	1996
Princess of Rotterdam	Panama	8 327	100%	IMO II*	9 104 cbm	1976/97	1996

I.M. SKAUGEN ASA

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Karenslyst Allé 8 B
0277 Oslo, Norway
P.O. Box 23 Skøyen
0212 Oslo, Norway

Telephone: (47) 23 12 04 00
Fax: (47) 23 12 04 01
Telex: 11240 IMSCO N
Reg. of bus. enterprises: NO 977 241 774 MVA
E-mail: info@skaugen.com

NORGAS

Norgas Carriers AS

Karenslyst Allé 8 B
0277 Oslo, Norway
P.O. Box 112 Skøyen
0212 OSLO, Norway
Telephone: (47) 23 12 03 00
Commercial fax: (47) 23 12 03 01
Fleet fax: (47) 23 12 03 70
Adm./Finance fax: (47) 23 12 03 55
Purchase fax: (47) 23 12 03 77
Telex: 72899 NGC N
E-mail: email@norgas.org

Norgas (Asia) Pte Ltd.

78 Shenton Way #16-04
Singapore 079120
Telephone: (65) 226 6006
Commercial fax: (65) 226 3660
Administration fax: (65) 225 4685
E-mail: commercial@asia.norgas.org

Norgas Carriers – St. Petersburg Branch Office

Norgas Carriers - St. Petersburg Branch Office
Turgenev's House Business Centre, Office 2
38 Fontanka Embankment
St. Petersburg 191025
Russia
Telephone: (7) 812 322 9278/79
Fax: (7) 812 325 9782
E-mail: ngc@ngc.ru
Web site: www.ngc.ru

Norgas Americas Inc.

5847 San Felipe, Suite 3150
Houston, TX 77057
United States of America
Telephone: (1) 713 735 8880
Fax: (1) 713 975 8113
E-mail: commercial@americas.norgas.org

Gas Recovery Systems AS

Karenslyst Allé 8 B
0277 Oslo,
Norway
P.O. Box 112 Skøyen
0212 OSLO, Norway
Telephone: (47) 23 12 03 98
Fax: (47) 23 12 03 77
E-mail: gas.recovery@norgas.org

CHINA ACTIVITIES

TNGC – Wuhan Operation Centre

27/F Yidong Mansion,
6 Chezhan Rd.
Jiang An District, Hankou
Wuhan, 430017
People's Republic of China
Telephone: (86) 27 8278 5373/ 5215
Fax: (86) 27 8221 0381
E-mail: tngc-woc@shanghai.ngc.no

I.M. Skaugen ASA Shanghai Representative Office

Suite 2210, China Merchants Tower
161 Lujiavui East Rd., Pudong
Shanghai 200120
People's Republic of China
Telephone: (86) 21 5882 0180
Fax: (86) 21 5882 0187
Telex: 94070740 PC SH G/ 94070740-PSCH G
Comtext: A51CN766
E-mail: email@shanghai.norgas.org

TNGC – Hubei Tian En Petroleum Gas Transportation Co. Ltd.

7A Tianfa Building
12 Jiang Han North Road
Jingzhou 434000
People's Republic of China
Telephone: (86) 716 856 0330
Fax: (86) 716 856 1640

TNGC – Nanjing Office

TNGC- Nanjing Office
Suite 1906, 19/F, Building 07
3 Huo Wa Xiang
Nanjing 210012
People's Republic of China
Telephone/fax: (86) 25 457 2562

I.M. Skaugen Site Office/ Somargas Site Office

Room 309, Owners Building
Zhonghua Shipyard
130 Gong Qing Road
Shanghai 200090
People's Republic of China
Telephone: (86) 21 5553 0571
Fax: (86) 21 6568 3378
E-mail: somargas@somargas.ngc.no

Wuhan University of Technology – Skaugen Training Centre

10/F Navigation College Building
690 Heping St., Wuchang
Wuhan 430062
People's Republic of China
Telephone: (86) 27 8671 2537
Fax: (86) 27 8671 7030
E-mail: wut-stc@shanghai.ngc.no
Web site: www.wut-stc.com

SPT

Skaugen PetroTrans Inc.

5847 San Felipe, Suite 3150
Houston, TX 77057
United States of America
Telephone: (1) 713 266 8000
Fax: (1) 713 266 0309/ 2789
Telex: 284209 SPT INC
Pager: (1) 800 946 4646/ (1) 800 811 0735
E-mail: SPT@skaugen.com

SPT Offshore LLC

P.O.Box 1056
Freeport, TX 77542
United States of America
Telephone: (1) 409 233 1744
Fax: (1) 409 233 0742
E-mail: SPTOffshore@skaugen.com