



**TRANSITION TO INTERNATIONAL
FINANCIAL REPORTING STANDARDS (IFRS)**

**I.M. SKAUGEN
(unaudited)**

General information

European law requires listed companies to apply International Financial Reporting Standards (IFRS) on their consolidated accounts for accounting periods beginning on or after 1 January 2005. Under the European Economic Area (EEA) agreement, this change will also apply to Norwegian companies listed at Oslo Stock Exchange.

The intention of this transition report is to give the reader a guide as to how the transition from Norwegian Generally Accepted Accounting Principles (NGAAP) to IFRS will impact I.M. Skaugen ASA's consolidated financial statements. The report, including IFRS reconciliation and disclosures, has not been audited, but it has been discussed with our auditors after preparation by the management.

IFRS 1 - First-time Adoption of IFRS

Key dates:

“reporting date” – the year-end date for any period for which IFRS are applied (31 December 2005)

“transition date” – the opening date of the earliest period for which comparative figures are presented. (1 January 2004)

IFRS 1 requires a company to prepare an opening balance sheet as at its *transition date* (i.e. 1 January 2004). This opening balance sheet must be in accordance with IFRS in force at its *first reporting date* (i.e. 31 December 2005).

IMS has prepared the opening IFRS balance sheet as per 1 January 2004, the date of the transition to IFRS. The results for 2004 have been prepared in accordance with IFRS in order to be able to present comparable figures in 2005. This transition document has been prepared based on the current understanding of IFRS.

The IMS accounts will be prepared in accordance with IFRS as of 1 January 2005. IAS 32 and IAS 39, both relating to financial instruments, will be adopted from 1 January 2005 with no effect for comparative figures in 2004.

Material Differences

IMS has identified the material differences between existing accounting policies and IFRS accounting policies. They are described as follows:

Assets

Under Norwegian GAAP, IMS has been depreciating vessels, as a whole, over their economic life of 30 years. The vessels have also been depreciated to a value of zero. IFRS, however, requires that each component of the vessels, with a cost significant to the total cost, to be separately identified and depreciated over that component's economic life. Assets, under IFRS, are now to be depreciated to its residual value.

Under IAS 16.6, residual value is the estimated amount that would be *currently* obtained from disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life (i.e. use current price levels).

Under Norwegian GAAP, IMS has been capitalizing all drydocking costs and depreciating them over the period to the next scheduled drydocking. "Drydocking" is a form of regular maintenance overhaul for vessels and performed on a periodic basis (about every 30 months). The vessel is taken out of service and usually taken to a vessel repair yard where the vessel hull is brought out of the water and major overhaul and repairs done to major components such as main engine, the aux. engines and the cargo systems. Any replacement of major components are usually done as well as any steel replacement needed due to wear and tear of i.e. the ballast tanks and / or the hull and over the vessel life time is also done during this period.

Under IAS 16, drydocking costs associated with the replacement or renewal of assets would be capitalized, with the remaining costs being expensed as repairs and maintenance.

Liabilities and Shareholders' Equity

IMS will account for pensions and other benefits under IAS 19 "Employee Benefits". Cumulative actuarial gains and losses existing on transition date to IFRS will be recognized, however, the "corridor approach" will be used going forward. No major amendments have been, or expected to be made to estimates and assumptions used in the calculation of employee benefits on transition to IFRS. More volatility could be expected in measuring pension obligations contributed by changes in discount rates and other actuarial assumptions.

Under IFRS, the current portion of long-term debt will be classified as short-term debt on the balance sheet.

A liability is not recognized for dividends until approved by the shareholders, or is a contractual obligation.

Profit and loss statement

IFRS requires a higher degree of decomposition of fixed assets than NGAAP (see the above discussion in “Assets”). IMS has recalculated the accumulated depreciations for each asset, taking into account the residual value and the useful lives of the asset’s components. Future depreciations are based on depreciation schedules including residual values.

For operating leases, the lease cost (i.e. a time charter hire or bare-boat hire) is recorded as an ordinary operating expense. The company has one operating lease for a vessel, with variable rates (the rates are declining during the period). The Time Charter Hire costs have been charged to income based on the payment schedule in the charter party. According to IAS 17, these expenses should be charged to income on a straight-line basis, over the life of the lease.

2. Reconciliation of profit for 2004

I.M. Skaugen ASA Group

Profit and Loss Accounts	Notes	NGAAP 2004	Effect of transition	IFRS 2004
US\$ 000				
Gross freight revenue		148 810		148 810
Voyage related expenses incl. Marketing		(38 876)		(38 876)
Freight income on Time-Charter basis		109 934	0	109 934
Gains from sale of fixed assets		1 326		1 326
Operating income		111 260	0	111 260
Time-charter hire	5	(54 730)	(141)	(54 871)
Salaries and social expenses		(10 815)		(10 815)
Depreciations	1,2	(14 350)	1 441	(12 909)
Other operating expenses vessels		(11 009)	(1 928)	(12 937)
Other operating expenses/administration costs		(6 234)		(6 234)
Operating profit		14 122	(628)	13 494
Result from investments in associates		63		63
Interest income		362		362
Other financial income		1 097		1 097
Changes in market value of financial current assets		(424)		(424)
Interest expenses		(9 639)		(9 639)
Other financial expenses		(510)		(510)
Gains/losses on exchange		642		642
Net result before taxes		5 713	(628)	5 085
Income taxes		5 866		5 866
Net result for the year		11 579	(628)	10 951
Minority interests		(122)		(122)
Majority interests		11 701	(628)	11 073
Earnings per share		2.04	(0.11)	1.93
Diluted earnings per share		1.73	(0.08)	1.65

3. Reconciliation of balance sheets 31.12.2003 and 31.12.2004

I.M. Skaugen ASA Group

US\$ 000		NGAAP	Effect of	IFRS	NGAAP	Effect of	IFRS
Balance Sheets	Notes	31.12.2004	transition	31.12.2004	31.12.2003	transition	01.01.2004
ASSETS							
Fixed assets							
Intangible fixed assets							
Deferred tax assets		5 990		5 990	0		0
Tangible fixed assets							
Vessels	1,2	147 268	4 752	152 020	157 530	3 841	161 371
Other fixed assets		2 329		2 329	2 213		2 213
Total tangible fixed assets		149 597	4 752	154 349	159 743	3 841	163 584
Financial fixed assets							
Investments in associates		560		560	611		611
Long-term receivables		1 981		1 981	2 837		2 837
Total financial fixed assets		2 541	0	2 541	3 448	0	3 448
Total fixed assets		158 128	4 752	162 880	163 191	3 841	167 032
Current assets							
Receivables							
Trade debtors		12 008		12 008	9 101		9 101
Other debtors	5	11 724	341	12 065	10 566	482	11 048
Total receivables		23 732	341	24 073	19 667	482	20 149
Shares		3 893		3 893	2 934		2 934
Bank deposits		19 795		19 795	39 170		39 170
Total current assets		47 420	341	47 761	61 771	482	62 253
TOTAL ASSETS		205 548	5 093	210 641	224 962	4 323	229 285
EQUITY AND LIABILITIES							
Equity							
Paid-in capital							
Share capital		55 045		55 045	50 691		50 691
Other paid-in-equity		680		680	0		0
Total paid-in equity		55 725	0	55 725	50 691	0	50 691
Earned equity							
Other equity	1,2,3,5	15 649	14 466	30 115	18 255	11 154	29 409
Minority interests		2 977		2 977	3 099		3 099
Total equity		74 351	14 466	88 817	72 045	11 154	83 199
Liabilities							
Long term liabilities							
Convertible bonds		10 081		10 081	18 350		18 350
Bonds		36 015		36 015	0		0
Liabilities to financial institutions	4	60 440	(2 776)	57 664	112 873	(2 799)	110 074
Other long-term liabilities		645		645	146		146
Total long-term liabilities		107 181	(2 776)	104 405	131 369	(2 799)	128 570
Short-term liabilities							
Trade creditors		555		555	2 977		2 977
Public duties payable		389		389	943		943
Dividends	3	9 375	(9 373)	2	6 724	(6 831)	(107)
Current interest-bearing liabilities	4		2 776	2 776		2 799	2 799
Other short-term liabilities		13 697		13 697	10 904		10 904
Total short-term liabilities		24 016	(6 597)	17 419	21 548	(4 032)	17 516
Total liabilities		131 197	(9 373)	121 824	152 917	(6 831)	146 086
TOTAL EQUITY AND LIABILITIES		205 548	5 093	210 641	224 962	4 323	229 285

4. Shareholders' equity

I.M. Skaugen ASA Group

US\$ 000	Paid in equity	Other equity	Minority interests	Total
Shareholders' equity at 31.12.2003, NGAAP	50 691	18 255	3 099	72 045
Effect of transition to IFRS		11 154		11 154
Shareholders' equity at 01.01.2004, IFRS	50 691	29 409	3 099	83 199
Convertible bonds	5 034	(5 556)		(522)
Net result 2004		11 701		11 701
Dividend approved		(6 209)		(6 209)
Minority interest			(122)	(122)
Changes in translation adjustments		770		770
Shareholders' equity at 31.12.2004, IFRS	55 725	30 115	2 977	88 817

5. Key Figures

Key Figures	I.M. Skaugen ASA Group		
	NGAAP 2004	Effect of transition	IFRS 2004
<i>US\$ million</i>			
Gross Freight Revenues	148.8		148,8
EBITDA	27.1	(2.1)	25
EBIT	12.8	(0.7)	12.1
Pre-tax result	5.7	(0.6)	5.1
Total Assets	205.5	5.1	210.6
Liquid assets	19.8		19.8
Equity at book value	74.3	14.5	88.8
Net debt	83.7	(9.7)	74.0
Net interest bearing debt	86.7	(2.8)	83.9
Current ratio 1)	197 %	77 %	274 %
Equity ratio 2)	33.0%	9.1%	42.1%
Interest coverage ratio 3)	2,92	0	2,92
EBITDA ratio 4)	18.2%	0.1%	18.1%

Key Figures per share:		NGAAP 2004	Effect of transition	IFRS 2004
Market value end of period	NOK	154		154
Pre-tax earnings 5)	US\$	1.0	(0.12)	0.88
Cash-flow from operation	US\$	1.9		1.9
Price/earnings ratio 6)		25.5	3.4	28.9
EBITDA	US\$	4.73	(0.36)	4.37
EBIT	US\$	2.23	(0.02)	2.21
Equity at book value	US\$	12	3	15
No. of shares (excl. treasury shares)				
end of period		5 977 310		5 977 310
Average number of shares		5 738 362		5 738 362

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 revenues
- 5 Pre-tax earnings divided by average number of outstanding shares
- 6 Market value per share divided by pre-tax earnings

6. Segment information

Segment information	I.M. Skaugen ASA Group		
	NGAAP 2004	Effect of transition	IFRS 2004
<i>US\$ 000</i>			
IMS Consolidated			
Freight income on Time-Charter basis	109 934	0	109 934
Vessels' operating cost and t/c hire	(76 554)	(2 084)	(78 638)
Unallocated administration cost	(6 234)	0	(6 234)
EBITDA	27 146	(2 084)	25 062
Norgas - the Gas activities			
Freight income on Time-Charter basis	43 045	0	43 045
Vessels' operating cost and t/c hire	(17 159)	(1 943)	(19 102)
Unallocated administration cost	(1 955)	0	(1 955)
EBITDA	23 931	(1 943)	21 988
SPT - the Shuttle Tanker Activities *)			
Freight income on Time-Charter basis	66 889	0	66 889
Vessels' operating cost and t/c hire	(58 874)	(141)	(59 015)
Unallocated administration cost	0	0	0
EBITDA	8 015	(141)	7 874

7. Quarterly information 2004

I.M. Skaugen ASA Group

US\$ 000		Norwegian GAAP				IFRS			
Profit and Loss Accounts		1.1.-31.3	1.4.-30.6	1.7.-30.9	1.10-31.12	1.1.-31.3	1.4.-30.6	1.7.-30.9	1.10-31.12
Gross freight revenue		37 731	30 052	39 127	41 900	37 731	30 052	39 127	41 900
Voyage related expenses incl. Marketing		(8 771)	(8 677)	(10 410)	(11 018)	(8 771)	(8 677)	(10 410)	(11 018)
Freight income on Time-Charter basis		28 960	21 375	28 717	30 882	28 960	21 375	28 717	30 882
Gains from sale of fixed assets		1 200	0	0	126	1 200	0	0	126
Operating income		30 160	21 375	28 717	31 008	30 160	21 375	28 717	31 008
Time-charter hire		(16 520)	(10 013)	(12 694)	(15 503)	(16 315)	(9 945)	(12 901)	(15 710)
Depreciation		(3 376)	(3 397)	(4 076)	(3 501)	(3 015)	(3 036)	(3 715)	(3 140)
Other operating expenses vessels		(6 170)	(5 880)	(6 982)	(2 792)	(6 652)	(6 362)	(7 464)	(3 274)
Other operating expenses/administration costs		(1 852)	(1 661)	(1 456)	(1 265)	(1 852)	(1 661)	(1 456)	(1 265)
Operating profit		2 242	424	3 509	7 947	2 326	371	3 181	7 619
Result from investments in associates		(1)	0	25	39	(1)	0	25	39
Financial Income		142	168	276	873	142	168	276	873
Financial Expenses		(2 294)	(2 268)	(1 890)	(4 121)	(2 294)	(2 268)	(1 890)	(4 121)
Gains/losses on exchange		765	83	(478)	272	765	83	(478)	272
Net result before taxes		854	(1 593)	1 442	5 010	938	(1 646)	1 114	4 682
Income taxes		0	0	0	5 866	0	0	0	5 866
Net result for the year		854	(1 593)	1 442	10 876	938	(1 646)	1 114	10 548
Minority interests		(59)	(60)	33	(36)	(59)	(60)	33	(36)
Majority interests		913	(1 533)	1 409	10 912	997	(1 586)	1 081	10 584
Earnings per share		0.16	(0.29)	0.24	1.86	0.17	(0.30)	0.19	1.78
Diluted earnings per share		0.16	(0.17)	0.21	1.59	0.17	(0.18)	0.17	1.52
Balance Sheets		Norwegian GAAP				IFRS			
		31.3.04	30.6.04	30.9.04	31.12.04	31.3.04	30.6.04	30.9.04	31.12.04
Fixed assets									
Intangible fixed assets		0	0	0	5 990	0	0	0	5 990
Tangible fixed assets		158 574	155 586	152 977	149 597	162 293	159 183	156 452	154 349
Financial fixed assets		3 418	3 365	4 561	2 541	3 418	3 365	4 561	2 541
Total fixed assets		161 992	158 951	157 538	158 128	165 711	162 548	161 013	162 880
Current assets									
Receivables		20 860	22 477	23 422	23 732	21 547	23 232	23 970	24 073
Cash and Bank deposits		29 858	70 743	22 732	23 688	29 858	70 743	22 732	23 688
Total current assets		50 718	93 220	46 154	47 420	51 405	93 975	46 702	47 761
Total Assets		212 710	252 171	203 692	205 548	217 116	256 523	207 715	210 641
Equity									
Paid-in capital		50 691	54 198	54 198	55 725	50 691	54 198	54 198	55 725
Other equity		19 169	17 635	14 976	15 649	24 611	22 819	19 830	30 115
Minority interests		3 040	2 980	3 013	2 977	3 040	2 980	3 013	2 977
Total equity		72 900	74 813	72 187	74 351	78 342	79 997	77 041	88 817
Liabilities									
Long term liabilities		123 267	163 006	116 257	107 181	120 468	160 207	113 458	104 405
Other current liabilities, not interest bearing		16 543	14 352	15 248	24 016	18 306	16 319	17 216	17 419
Total liabilities		139 810	177 358	131 505	131 197	138 774	176 526	130 674	121 824
Total shareholders' equity and liabilities		212 710	252 171	203 692	205 548	217 116	256 523	207 715	210 641
Changes in equity		Norwegian GAAP				IFRS			
		31.3.04	30.6.04	30.9.04	31.12.04	31.3.04	30.6.04	30.9.04	31.12.04
Equity at start of period		72 045	72 900	74 813	72 187	83 199	78 342	79 997	77 041
Convertible bonds		-	3 507	(4 068)	39	-	3 507	(4 068)	39
Dividends		-	-	-	(8 751)	(5 795)	(204)	(1)	(209)
Net result		914	(1 534)	1 409	10 912	997	(1 588)	1 080	10 583
Minority interest		(59)	(60)	33	(36)	(59)	(60)	33	(36)
Changes in transition adjustments		-	-	-	-	-	-	-	1 399
Equity at end of period		72 900	74 813	72 187	74 351	78 342	79 997	77 041	88 817

Notes and additional information

1. Residual values.

Residual values have been established for each vessel. The residual values are based on the estimated market value for scrapping at the reporting date net of estimated costs of disposal and will be evaluated on a regular basis. Book value of the vessels, have on transition to IFRS, increased by USD 1.3 million at 31 December 2004 and USD 3.8 million at 1 January 2004. Equity increased by USD 1.3 million at 31 December 2004 and by USD 3.8 million as of 1 January 2004. Depreciation has been reduced by USD 0.7 million in 2004.

2. Estimated useful economic lives of vessels.

Vessels have been broken down to their significant components. These consist of the hull, engines, cargo handling equipment (cooling plant/equipment), etc. Significant parts that have the same useful life and for which the same depreciation method is applied, are grouped together when calculating the depreciation charge. These components have an estimated useful economic life of between 10– 30 years. If the estimated useful economic life changes, future depreciations will be adjusted accordingly. Drydocking cost associated with the replacement of assets is capitalized and the remaining costs are expensed as repair and maintenance. Accordingly, operating expenses have been increased by USD 1.9 million and depreciation has been reduced by USD 0.7 million in 2004.

3. Dividends

Dividends of USD 6.8 million were proposed and charged to equity as of 31 December 2003. Under IFRS, dividends cannot be accrued for until approved by the Shareholders. As the dividend was not approved until the Shareholders' Meeting on March 1, 2004, the related accrual, as of 1 January 2004 is reversed, and recorded in 2004. A dividend of USD 8.7 million was proposed in 2004. The related accrual was reversed as of 31 December 2004, as this was not approved by the Shareholders until March 1, 2005.

4. Long-term debt

The first year's instalment of long-term debt of USD 2.8 million as of 31 December 2004 and USD 2.8 million as of 1 January 2004 has been reclassified to current liabilities.

5. Leasing contracts

The Time Charter Hire costs have been charged to income based on the payment schedule in the charter party. Under IFRS the Time Charter Hire is to be charged to expense based on the straight-line method, resulting in an increase of pre-paid expenses of USD 341,000 at 31 December 2004 and USD 482,000 for 1 January 2004. Time Charter Hire has been increased by USD 141,000 in 2004.

Oslo, 6 April 2005
I.M. Skaugen ASA

If you have any questions, please contact:

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Listed on the Oslo Stock Exchange, I.M. Skaugen ASA (IMSK) is a marine transportation service company engaged in the safe transport of petrochemical gases and LPG, and the ship-to-ship transfer of crude oil. Our customers are major, international companies in the oil and petrochemical industry, whom we serve worldwide from our operations in Dubai, Freeport Tx, Houston Tx, Nanjing, Oslo, Shanghai, Singapore and Wuhan. I.M. Skaugen operates recruitment and training programmes in St. Petersburg, Russia and Wuhan, China for the crewing of its vessels.

The Group employs about 745 people and currently operates 42 vessels worldwide. Six new, purpose built Aframax tankers are on order for delivery to SPT on a long term Bareboat charter and commencing during 2007; two LPG vessel of 3200 cbm are on order for delivery to IMS China Activities in 2006. The fleet comprises petrochemical gas and LPG carriers, Aframax tankers, vessels and barges for the transportation of gasses on the Yangtze River and a small number of workboats for Skaugen PetroTrans.