I.M. Skaugen ASA
1Q 2005

I.M. Skaugen ASA
A Marine Transportation Service Company
www.skaugen.com

I.M. SKAUGEN

Oslo, 8 April 2005

IMSK – 1 Quarter 2005

The I.M. Skaugen Group (IMSK) has a pre-tax result of US$ 11.9 million for 1Q05. This compares to a profit of US$ 4.6 million in the 4Q04 and US$ 0.9 million in the 1Q04. The result of the quarter on an EBITDA basis amounts to US$ 13.9 million (US$ 10.6 million in 4Q04 and US$ 4.1 million in 1Q04).

The rather encouraging performance of I.M. Skaugen, which commenced with strength in the second half of 2004, has continued into the first quarter of 2005. A number of key customer contracts have been renewed in this period and with improved trading conditions at present, the outlook for the Group is positive.

The company's key business areas are - **Norgas**, the gas transportation operation and **SPT**, the shuttle tanker activities. The Norgas activities, which also includes our China operations, have continued its attempts to achieve a reduction in the overall "EBIT break-even levels" and has succeeded over time while the earnings on t/c basis have improved and the net effect being large improvements in the EBITDA earning capacity. At the same time they have maintained industry-leading levels of customer service, safety and dependability, placing all of the Group's business units at the heart of their customers' total logistics operations.

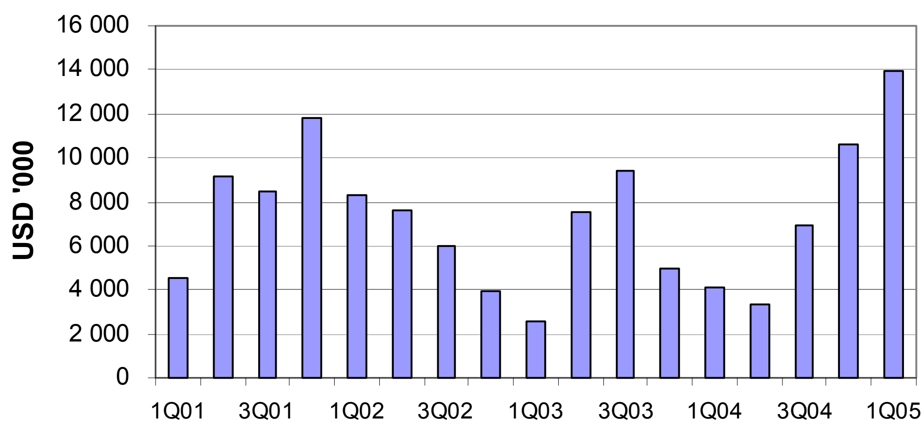
The operating alliances I.M. Skaugen has with Teekay and A.P. Møller-Mærsk continue to perform well, both giving competitive global market advantage to SPT and Norgas, respectively.

A contract was signed during the first quarter at a Chinese shipyard south east of Shanghai for the building of two new 3200 cbm LPG carriers and at an estimated total price of US$15 million for the two. Delivery is expected to be during the second half of 2006. These vessels will be an important part of the I.M. Skaugen fleet as the company seeks to increase both its domestic transportation services for the import and export of LPG, petro-chemical gases and other products in China.

Between 1st January 2005 and the end of the quarter the I.M. Skaugen share price rose from NOK154 to NOK180 – a yield of 21 per cent including the dividend paid in March'05 equal to NOK 7.50 per share.

The accounts of I.M. Skaugen ASA are as from 1. January 2005 presented in accordance with International Financial Reporting Standards (IFRS). The changes in accounting standards effects, among other things, are presented in the Transition to International Financial Reporting Standards document. The results for 2004 have been prepared in accordance with IFRS. Previous periods presented in the report are in accordance with NGAAP.

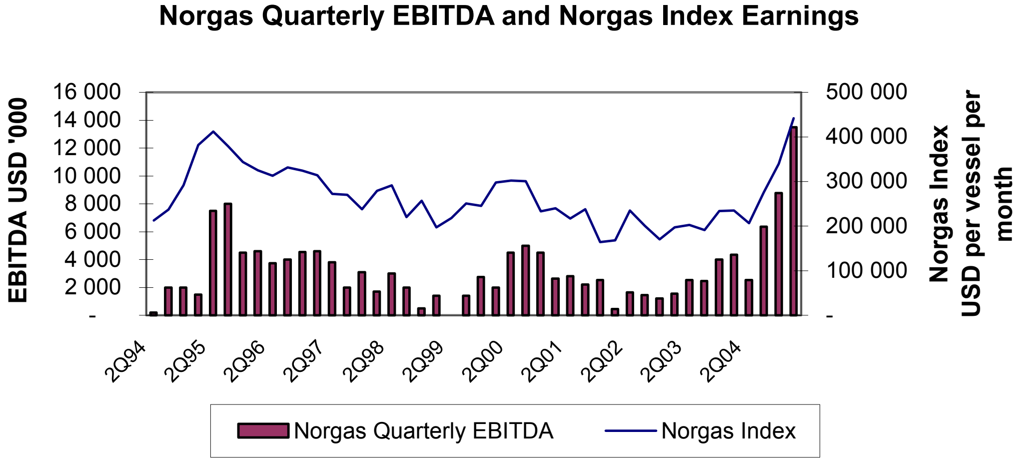
IMS GROUP - QUARTERLY EBITDA 2001 - 1Q05

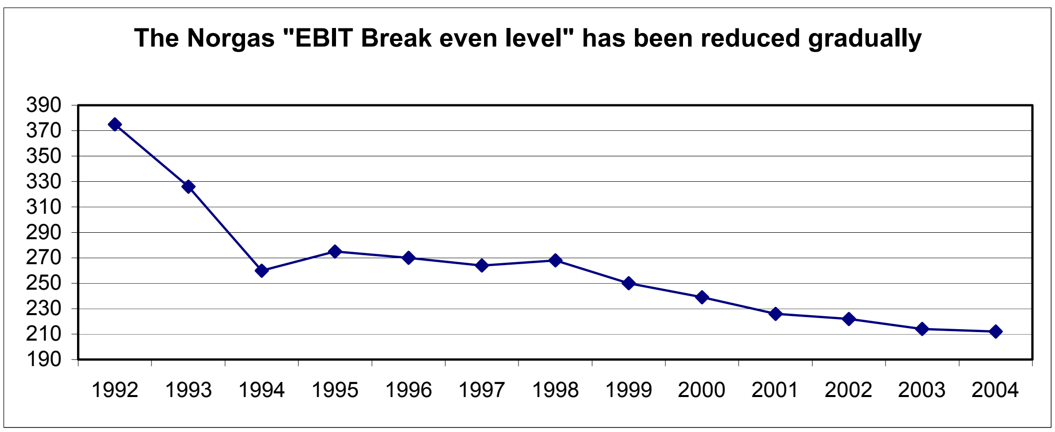


The Gas Carriers: stronger markets with good results.

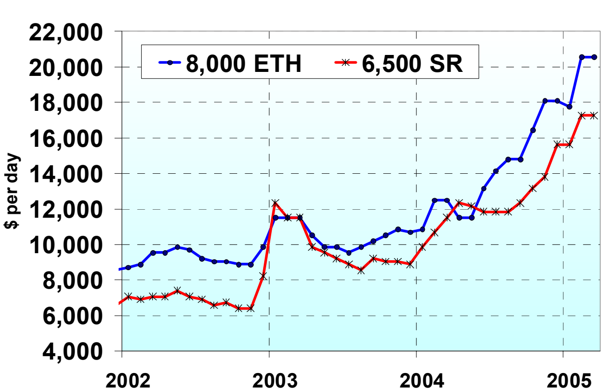
Norgas generated an EBITDA of US$13.5 in the first quarter of 2005 (US$ 8.7 million in Q4 of 2004 and US$ 4.3 million in Q1 of 2004).

Due to our focus on cost and efficiency improvements we have seen a steady reduction in our "EBIT break-even level". These efforts have improved our EBITDA generating capacity. The earnings on t/c basis, as can be seen in the graph below, were in 1Q05 at a level almost equal to a peak 10 years ago. At the present t/c earnings levels the EBITDA generating capacity of Norgas is approx. 60 percent higher than corresponding figures from that period.





Petrochemicals – Average earnings per day in the spot market (excl. idle time).

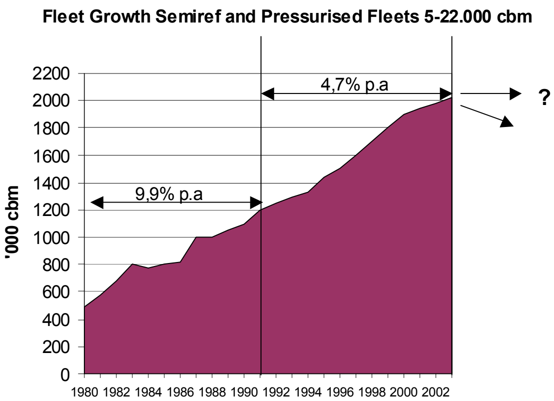


Source: Inge Steensland

Overall, the first quarter of 2005 has been good. Macro economic conditions have been healthy and Norgas' market position has ensured it has been able to fully employ our vessels at more attractive earning levels in the prevailing market.

Specifically, renewals of expiring freight contracts over the last 6 months were completed at more profitable rates and significant increases in volumes available for shipments were seen from a number of customers.

The flexibility and size of the fleet - through the MNGC (Maersk Norgas Gas carriers) revenue sharing pool - has added to Norgas' strength in the marketplace and in the first quarter this helped to bring in significant additional business, particularly between the Middle East and South-East Asia. Additionally, there were



volume increases through exports to Europe, the result of major cracker outages their reducing local supplies.

So far in 2005 the strong European demands for petchem gases have called for stronger demand for our services than last year. "Idle time" of our tonnage stood at 7.8 per cent for the quarter, and with increased product supply from the Middle East, coupled with strong demand in Asia, both fleet utilization and freight rates should continue at their present levels over the coming months

The firm order book for new vessels in the 'semi-ref' segment (4,000-22,000 cbm) now stands at 7.3 per cent or 137,300 cbm. These numbers come as a result of the last 6 months seeing the first significant new building activity for some period. With newbuild prices in general quite high for such vessels at present, along with prevailing scrapping forecast; we still believe the net effect should be a limited increase in supply of vessels.

The company thus still believes that the freight rates will remain encouraging for the near future due to underlying growth in demand.

Our China Activities program

As part of a long-term strategy, we recognized in the early 1990s the great impact that the Chinese market would have, not just on shipping, but on all aspects of world economic development. For this reason, we set up our first Chinese office in Shanghai 10 years ago and, the following year, established TNGC – a joint venture company for the transportation of LPG and other petrochemicals on the Yangtze River.

The activities in China fall into two distinct areas; domestic transportation by water; and Norgas Fleet Management (NFM), responsible for recruitment, crewing, training and overseeing new builds – a vital role in terms of planning, execution and cost management of projects.

IMS has developed a framework for developing Chinese Marine Transportation Services and have an ambition to engage further into both the domestic transportation and the imports and exports of LPG as well as petrochemical gases and products in China. The drive to build the Chinese petrochemical industry into a "world-class" operation will require the marine transportation of many oil, LPG and petrochemical raw materials and related semi-finished products. The logistical solutions needs to be at an international standard and must soon be offered to this global and growing industry.

In 1999 we commenced domestic operations with the carriage of LPG on the Yangtze rivers through a J/V entity that last year carried over 100,000 tons of products. IMS will continue its expansion into the Chinese market, offering logistical solutions with international standard to the customers along the Chinese coasts and rivers.

For our own use IMS has thus now entered into an agreement to build two 3,200 cbm LPG carriers at a Chinese shipyard south east of Shanghai.

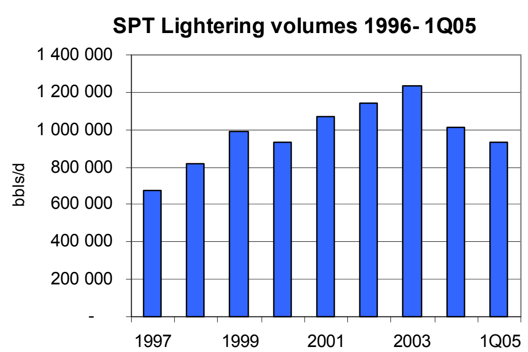
IMS has entered into a, for our Company, new type of arrangements in shipbuilding in which IMS is assuming a lot more of the responsibility for not only vessel design, but also for sourcing of steel and components for the vessel construction.

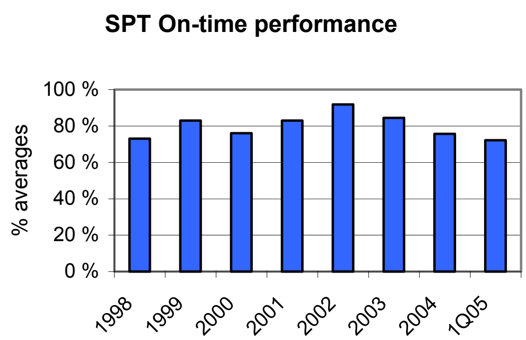
To manage these additional risks we are developing further, and building on, our competence of doing business in China. We have prior experience from building complicated gas vessels at shipyards in China that have little experience in building such vessels for export customers. This cooperation creates more of an alliance to share the risks and rewards of an efficient design and construction process. By creating such an alliance with this shipyard we are both hoping to assist the shipyard in developing its business to service the export markets in the future while we at IMS get access to vessels that will enable us to improve not only our Cost Leaderships, but also our Service Leaderships in our business segments.

The vessels will be delivered within second half of 2006 and will be built with specifications and the rules to fly either Hong Kong or the PRC flag. The total calculated cost price for us is about USD 15 mill incl. of all pre-delivery expenses. The construction of these vessels will be financed by use of our own working capital.

We have also initiated the establishment of Five Star Marine Ltd – www.fivestarmarine.no - a new joint venture partnership between I.M. Skaugen and the Norway based Umoe Group – has moved into new premises in Shanghai and begun prototype building of its pleasure marine boat. It is planned that the first of these new 'retro-style' motor yachts will be available for sale in the Nordic markets for the 2006 season.

SPT: a quarter with acceptable returns





Skaugen PetroTrans – SPT generated - on a 100 per cent basis - an EBITDA of US$3.4 million in the first three months of 2005 (US$6.7 million in Q4 of 2004 and US$ 2.0 million in Q1 of 2004).

SPT is the largest lightering company in the world, providing ship-to-ship transfer of crude oil, primarily in the Gulf of Mexico. The company handles near to a million barrels of oil a day, equating to roughly 12 per cent of the US oil imports. It is successfully operated as a joint venture agreement between IMS and Teekay Shipping Corporation, the world's largest owner and operator of Aframax and shuttle tankers, and this partnership continues to strengthen SPT's lightering operations.

The first quarter of 2005 began with revenues and volumes strong, though the seasonal shift from fuel oil to gasoline production in US refineries, combined with rather poor weather in the Gulf of Mexico, resulted in some reduction in lightering activities. However, the overall quarterly performance is seen as an acceptable one.

SPT continues to retain its strong customer base due to its commitment to develop its superior customer service, particularly with regard to safety, punctuality and dependability.

Segment information

The below segment information does not add up into Group consolidated figures, as activities other than those of the main segments are not shown separately, as considered immaterial activities.

	IMS Consolidated			
USD '000	1Q05	1Q04	4Q04	2004 Accum
Freight revenue on t/c basis	34 677	28 960	31 695	109 934
Vessels' operating cost and t/c hire	-18 873	-22 967	-19 805	-78 638
Unallocated administration costs	-1 889	-1 852	-1 264	-6 234
EBITDA*	13 915	4 141	10 626	25 062

	SPT - the Shuttle Tanker Activities **)				Norgas - the Gas activities			
USD '000	1Q05	1Q04	4Q04	2004 Accum	1Q05	1Q04	4Q04	2004 Accum
Freight revenue on t/c basis	16 045	18 836	18 497	66 889	18 631	10 124	13 282	43 045
Vessels' operating cost and t/c hire	-14 342	-17 813	-15 118	-59 015	-4 531	-5 154	-4 222	-19 102
Unallocated administration costs					-529	-626	-286	-1 955
EBITDA	1 703	1 023	3 379	7 874	13 571	4 344	8 774	21 988

* EBITDA: Earnings before interest, tax, depreciation and allocations.
**) Includes 50 percent ownership in SPT

Operating Statistics

	1Q05	2004	2003	2002	2001	2000
Norgas idle time	7,80 %	9,00 %	6,20 %	10,00 %	13,20 %	5,00 %
Norgas offhire days	2,20 %	5,30 %	5,80 %	7,50 %	4,83 %	3,90 %
Norgas dry dockings	1	5	4	6	7	3
SPT no. of full service lightering operations	133	617	736	686	611	541
SPT no. of support lighterings	12	96	144	147	170	132
SPT tanker operating days	923	3 659	3 963	3 960	3 337	2 682
SPT daily lightering volume (bbls/d)	936 000	1 009 000	1 236 000	1 142 000	1 069 000	930 000
SPT share of US seaborne crude imports	9,5 %	11,2 %	14,5 %	14,4 %	14,0 %	10,5 %
IMS share price (end of each Q/year - NOK)	180,00	153,50	142,00	75,00	73,50	65,00
IMS share price average daily	175,00	148,00	100,00	73,55	69,78	64,90

Capital and value assessment

- **Book equity is MUSD 88.6 or NOK 93 per share**
- **Equity ratio at 42 percent of book value**
- **Debt ratio of 58 percent and current ratio of 236 percent**
- **Satisfactory liquidity and unchanged key figures**
- **Interest coverage at 7.3 and net interest bearing debt at MUSD 80.3**

The book equity, excluding minority interest, totaled US$88.6 million or US$14.7 /NOK 93 per share. The book equity represents about 42 per cent of the total assets. The net debt as of the end of the first quarter of 2005 was US$72.5 and the net interest/bearing debt totaled US$80.3. The debt ratio is 58 per cent and the ratio between current assets and current liabilities is 236 per cent.

Total liquidity as of the end of the first quarter of 2005 was US$23 (19 per cent), which is regarded as sufficient for our current business activities. Interest coverage ratio (EBITDA / Net interest cost) was 7.3 as of the end of the first quarter of 2005, as against 2.92 for the whole of 2004.

Financial Items includes a gain from sale of shares of USD 1.8 million in 1Q05.

IMS placed a convertible bond for NOK124 million in the Norwegian market in June 2001 (Ticker code: IMSK00). The bonds can be converted to IMS shares prior to May 2006 and at a conversion price of NOK60. NOK32 million of the bonds have been converted into 533,333 shares and IMS also repurchased NOK29 million of the bonds, at which time the bonds were trading at about 230. The outstanding bond program could increase the share capital of IMS by 1,050,000 shares to 7,052,310, up from 6,002,310 shares or by 17 per cent.

IMS placed a NOK bond of NOK300 million in the Norwegian market in May 2004. The bond carries a coupon of 3 months NIBOR + 4.75 per cent and matures on 2nd June, 2009. The loan is listed on the Oslo Stock Exchange with ticker code IMSK01.

IMS: Key Financial balance sheet ratios

	1Q05	2004	2003	2002	2001	2000
EBITDA MUSD	13,9	25,0	24,8	25,8	33,9	24,4
EBIT MUSD	11,2	12,1	9,8	13,7	17,5	7,9
Gain from sale of fixed assets MUSD	0	1,3	19,3	N/A	N/A	N/A
Net result before tax MUSD	11,9	5,1	20,3	4,8	10,4	1,5
Debt paid MUSD	1,2	15,1	10,7	11,6	8,8	8,8
Net debt MUSD	72,5	74,0	93,0	64,0	55,8	63,8
Net interest bearing debt MUSD	80,3	83,9	92,0	66,0	60,0	71,3
Equity ratio*	42,0 %	42,1 %	33,0 %	36,4 %	35,8 %	41,8 %
Interest rate coverage ratio**	7,3	2,92	3,3	5,90	6,57	3,62
Current ratio %***	236 %	274 %	373 %	255 %	271 %	229 %
Total liquidity MUSD	23,1	19,8	39,2	34,6	35,6	14,7
Book equity MUSD (excl. majority interests)	88,6	85,80	69,00	71,30	66,50	74,00
Book equity per share USD	14,70	15,00	12,60	13,00	12,00	12,50
Dividend per share NOK	7,50	7,00	13,00	7,00	7,50	2,00
Buyback shares / Convertible bond MUSD	0,00	5,20	0,00	0,70	2,80	2,10

NOK/USD exchange rate	1Q05	2004	2003	2002	2001	2000
Year/Period End	6,33	6,04	6,68	6,98	9,01	8,85
AVG rate	6,24	6,75	7,08	7,98	9,00	8,80

Key Financial balance sheet ratios 2005 and 2004 are in accordance with IFRS. Previous periods are in accordance with NGAAP

*Book equity divided by total assets

**EBITDA divided by net interest expenses

***Current assets divided by current liabilities

I.M Skaugen Consolidated

The accounts of I.M. Skaugen ASA are as from 1 January 2005 presented in accordance with International Financial Reporting Standards (IFRS). The changes in accounting standards effects, among other things, are presented in the Transition to International Financial Reporting Standards document published on 6 April 2005. The results for 2004 have been prepared in accordance with IFRS.

US$ 000 **Profit and Loss Accounts**	**2005** **1.1.-31.3**	**2004** **1.1.-31.3**	**2004** **1.1-31.12**
Gross freight revenue	44 768	37 731	148 810
Voyage related expenses incl. Marketing	(10 091)	(8 771)	(38 876)
Freight income on Time-Charter basis	**34 677**	**28 960**	**109 934**
Gains from sale of fixed assets	0	1 200	1 326
Operating income	**34 677**	**30 160**	**111 260**
Time-charter hire	(12 609)	(16 315)	(54 871)
Depreciation	(2 737)	(3 015)	(12 906)
Other operating expenses vessels	(6 264)	(6 652)	(23 752)
Other operating expenses/administration costs	(1 889)	(1 852)	(6 234)
Operating profit	**11 178**	**2 326**	**13 497**
Result from investments in associates	118	(1)	63
Financial Income	2 056	142	1 459
Financial Expenses	(2 020)	(2 294)	(10 573)
Gains/losses on exchange	648	765	642
Net result before taxes	**11 980**	**938**	**5 088**
Income taxes			5 866
Net result for the year			**10 954**
Minority interests	330	(59)	(122)
Majority interests	(330)	997	11 076
Earnings per share	1.96	0.17	1.93
Diluted earnings per share	1.70	0.17	1.65

US$ 000 **Balance Sheets**	**31.3.05**	**31.3.04**	**31.12.04**	**Effect of transition 1.1.05**	**1.1.05**	**1.1.04**
Fixed assets						
Intangible fixed assets	5 990	0	5 990		5 990	0
Tangible fixed assets	151 738	162 293	154 349		154 349	163 584
Financial long-term assets	6 745	3 418	2 541	4 670	7 211	3 448
Total fixed assets	**164 473**	**165 711**	162 880	4 670	**167 550**	**167 032**
Current assets						
Receivables	24 550	21 547	**24 073**		24 073	20 149
Cash and Bank deposits	26 353	29 858	23 688	(467)	23 221	42 104
Total current assets	**50 903**	**51 405**	47 761	(467)	**47 294**	**62 253**
Total Assets	**215 376**	**217 116**	**210 641**	**4 203**	**214 844**	**229 285**
Equity						
Paid-in capital	55 967	50 691	**55 725**		55 725	50 691
Other equity	32 654	24 611	30 115		30 115	29 409
Minority interests	3 307	3 040	2 977		2 977	3 099
Total equity	**91 928**	**78 342**	**88 817**	0	**88 817**	**83 199**
Liabilities						
Long term liabilities	101 891	120 468	104 405	4 203	108 608	128 570
Other current liabilities, not interest bearing	21 557	18 306	17 419		17 419	17 516
Total liabilities	**123 448**	**138 774**	121 824	4 203	**126 027**	**146 086**
Total shareholders' equity and liabilities	**215 376**	**217 116**	**210 641**	**4 203**	**214 844**	**229 285**

US$ 000 Changes in equity	2005 1.1-31.3	2004 1.1-31.3	2004 1.1-31.12
Equity at start of period	**88 817**	**83 199**	**83 199**
Convertible bonds	160	-	(522)
Dividends	(9 030)	(5 795)	(6 209)
Net result	11 651	997	11 072
Minority interest	330	(59)	(122)
Changes in transition adjustments	-	-	1 399
Equity at end of period	**91 928**	**78 342**	**88 817**

US$ 000 Statement of Cash Flow	2005 1.1-31.3	2004 1.1-31.3	2004 1.1-31.12
Cashflow from Operations	9 858	803	10 972
Cashflow from Investments	2 135	-	605
Cashflow from Financing	(8 592)	(13 049)	(30 952)
Net changes in cash and cash equivalents	**3 401**	**(12 246)**	**(19 375)**
Cash and cash equivalents at start of period	**19 795**	**39 170**	**39 170**
Cash and cash equivalents at end of period	**23 196**	**26 924**	**19 795**

US$ 000 Profit and Loss Accounts	NGAAP 1.1.-31.3. 04	Effect of transition	IFRS 1.1.-31.3. 04
Gross freight revenue	37 731		37 731
Voyage related expenses incl. Marketing	(8 771)		(8 771)
Freight income on Time-Charter basis	**28 960**	**0**	**28 960**
Gains from sale of fixed assets	1 200		1 200
Operating income	**30 160**	**0**	**30 160**
Time-charter hire	(16 520)	205	(16 315)
Depreciation	(3 376)	361	(3 015)
Other operating expenses vessels	(6 170)	(482)	(6 652)
Other operating expenses/administration costs	(1 852)		(1 852)
Operating profit	**2 242**	**84**	**2 326**
Result from investments in associates	(1)		(1)
Financial Income	142		142
Financial Expenses	(2 294)		(2 294)
Gains/losses on exchange	765		765
Net result before taxes	**854**	**84**	**938**
Minority interests	(59)		(59)
Majority interests	913	84	997
Earnings per share	0.16		0.17
Diluted earnings per share	0.16		0.17

Balance Sheets	NGAAP 31.3.04	Effect of transition	IFRS 31.3.04
Fixed assets			
Tangible fixed assets	158 574	3 719	162 293
Financial fixed assets	3 418		3 418
Total fixed assets	**161 992**	**3 719**	**165 711**
Current assets			
Receivables	20 860	687	21 547
Cash and Bank deposits	29 858		29 858
Total current assets	**50 718**	**687**	**51 405**
Total Assets	**212 710**	**4 406**	**217 116**
Equity			
Paid-in capital	50 691		50 691
Other equity	19 169	5 442	24 611
Minority interests	3 040		3 040
Total equity	**72 900**	**5 442**	**78 342**
Liabilities			
Long term liabilities	123 267	(2 799)	120 468
Other current liabilities, not interest bearing	16 543	1 763	18 306
Total liabilities	**139 810**	**(1 036)**	**138 774**
Total shareholders' equity and liabilities	**212 710**	**4 406**	**217 116**

Changes in equity	NGAAP 31.3.04	Effect of transition	IFRS 31.3.04
Equity at start of period	**72 045**		**83 199**
Effect pf transition to IFRS	-	11 154	-
Dividends	-	(5 795)	(5 795)
Net result	914	83	997
Minority interest	(59)		(59)
Equity at end of period	**72 900**	**5 442**	**78 342**

Basis of Preparation

These March 2005 interim consolidated, financial statements of I.M. Skaugen ASA Group, are for the three months ended March 31, 2005. They have been prepared in accordance IAS 34, Interim Financial Reporting, and are covered by IFRS 1, First-time Adoption of IFRS, because they are part of the period covered by the Group's first IFRS financial statements for the year ended 31 December 2005. These interim financial statements have been prepared in accordance with those International Financial Reporting Standards (IFRS) and IFRIC interpretations issued and effective or issued as at the time of preparing these Statements. The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The IFRS accounting policies have been consistently applied in 2004 and 2005 except for those relating to the classification and measurement of financial instruments. The Group has made use of the exemption available under IFRS 1 to only apply IAS 32 and IAS 39 from 1 January 2005.

Up until 31 December 2004, the consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles of Norway (NGAAP). NGAAP differs in certain respects from IFRS. When preparing the Group's 2005 consolidated financial statements, management will amend certain accounting, valuation and consolidation methods applied in the NGAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 are restated to reflect these adjustments.

Reconciliations and descriptions of the effects of the transition from NGAAP to IFRS on the Group's equity and its net profit are shown in the separate document "Transition to International Financial Reporting Standards (IFRS)".

Material Differences

IMS has identified the material differences between the generally accepted accounting policies of Norway (NGAAP) 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 are depreciated to its residual value under IFRS.

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 capitalizable, with the remaining costs being expensed as repairs and maintenance.

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 is 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 a 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. 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). Under Norwegian GAAP 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 have been charged to income on a straight-line basis, over the life of the lease.

Accounting for derivative financial instruments and hedging activities

From 1 January 2004 to 31 December 2004

Derivative financial instruments are designated “hedging” or “non-hedging” instruments. The transactions that can meet the conditions for hedge accounting, according to the Group’s policy for risk management, are classified as hedging transactions; the others, although set up for the purpose of managing risk, have been designated as “Trading”. The Group records derivative financial instruments at cost. The gains and losses on derivative financial instruments are included in the income statement on maturity to match the underlying hedged transactions where relevant.

For foreign exchange instruments designated as hedges, the premium (or discount) representing the difference between the spot exchange rate at the inception of the contract and the forward exchange rate is included in the income statement, in finance costs, in accordance with the accrual method.

From interest rate instruments designated as hedges, the interest rate differential is included in the income statement, in finance costs, in accordance with the accrual method, offsetting the effects of the hedged transaction. Derivative financial instruments designated as trading instruments are valued at year-end market value, and the difference between the nominal contract value and fair value is recorded in the income statement under finance cost.

From 1 January 2005 onwards

Derivative financial instruments are initially recognized on the balance sheet at cost and thereafter revalued at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability (fair value hedge), or a hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

Changes in the fair value of derivative that are designated and qualify as fair value hedges and that are highly effective both prospectively and retrospectively are recorded on the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective both prospectively and retrospectively are recognized in equity (spot rate difference). Amounts deferred in equity are transferred to the income statement and classified as revenue or an expense in the same period during which the hedged firm commitment or forecasted transaction affects the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the committed or forecasted transaction ultimately is recognized on the income statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Certain derivative transactions do not qualify for hedge account under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately on the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedge items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecasted transactions. The Group also documents its assessment, both at the hedge inception and on ongoing basis, as to whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Oslo, 8 April 2005
I.M. Skaugen ASA
Its Board of Directors

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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.

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