I.M. Skaugen ASA
2Q 2005

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

I.M. SKAUGEN

Oslo, 8th July 2005

IMSK – 2nd Quarter 2005

The I.M. Skaugen Group (IMSK) has announced a pre-tax profit of US$18.6 mill for the 1H05. This compares to a loss of US$0.7 mill for the 1H04. The result for the 1H05, on an EBITDA basis, is US$25.2 mill vrs US$7.5 mill for the 1H04 and a result on an EBITDA basis of US$11.3 mill for the 2Q05 vrs US$3.4 mill for the 2Q04.

During the second quarter of the year there was a continuing positive momentum in the company's financial performance, though there has been some slowdown in the gas carrier activity, when compared to the first quarter of 2005, due to more "commercial idle time" for our vessels. The result on a pre-tax basis amounts to US$6.6 mill for the 2Q05 (US$11.9 mill for the 1Q05) vrs a loss of US$1.6 mill for the 2Q04 (US$0.8 mill for the 1Q04).

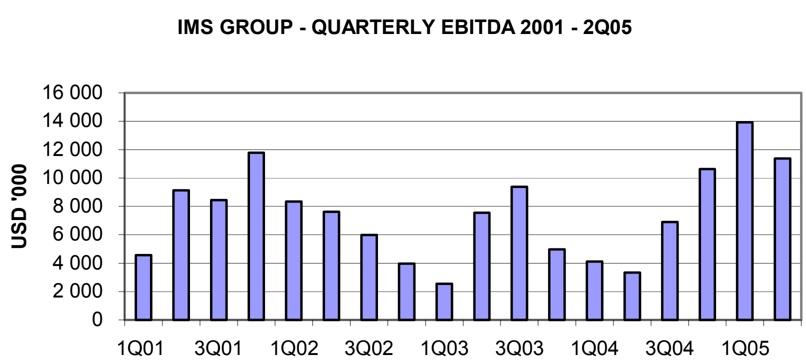
Conditions remain positive and the company expects the general trading conditions of the past two quarters to continue through the second half of 2005.

I.M. Skaugen has a focus on two key business areas - Norgas, the gas transportation operation, which also includes the company's business activities in China and Skaugen PetroTrans (SPT), its shuttle tanker activities. Norgas is continuing its successful long-term focus on achieving a reduction of its overall 'EBIT break-even levels'. At the same time, improved scheduling of the Norgas fleet has increased earnings, resulting in significant improvements in the EBITDA earning capacity. The main objective for SPT remains to strengthen its industry-leading levels of customer service, safety and dependability, so it remains a core business within its customers' total logistics operations.

All of our I.M. Skaugen's businesses are closely dependent on strong relationships with our alliance partners - SPT operating alongside Teekay and Norgas partnering with A.P. Møller-Mærsk. Both these alliances are performing successfully and enable I.M. Skaugen to offer a significant global presence, backed up by the strengths of two recognised industry leaders within their field of operations.

Between 1st January 2005 and the end of 2Q05 the I.M. Skaugen share price rose from NOK 154 to NOK 182 – a yield of 23 per cent including the dividend paid in March 2005 equal to NOK 7.50 per share.

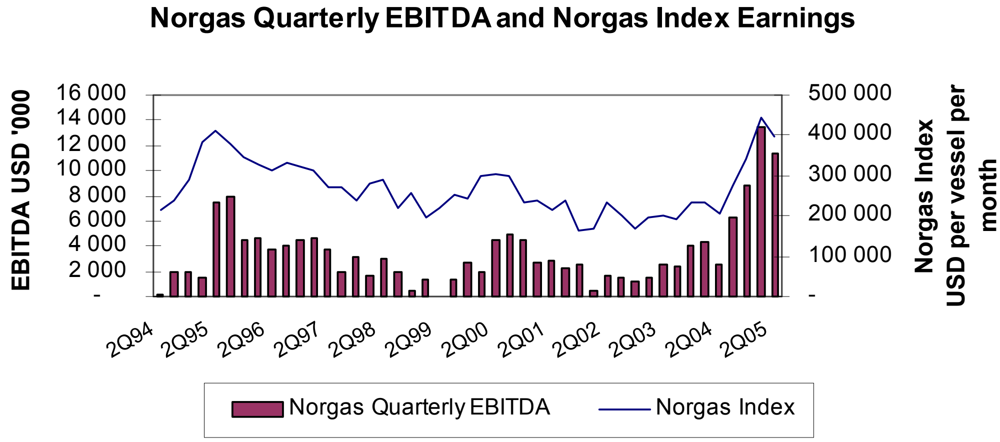
The accounts of I.M. Skaugen ASA are, as from 1st January 2005, presented in accordance with International Financial Reporting Standards (IFRS). The changes in accounting standards effects are, among other things, presented in the Transition to International Financial Reporting Standards document. The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

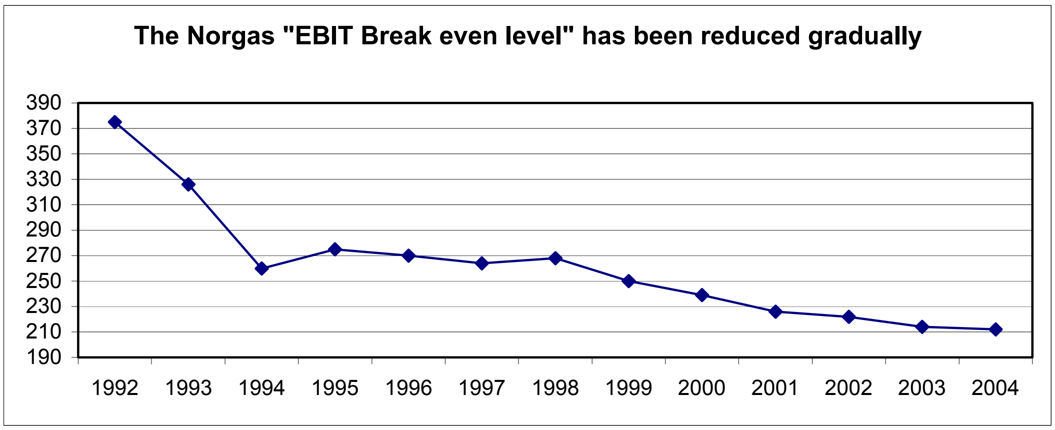


The Gas Carriers: a flexible approach brings good results.

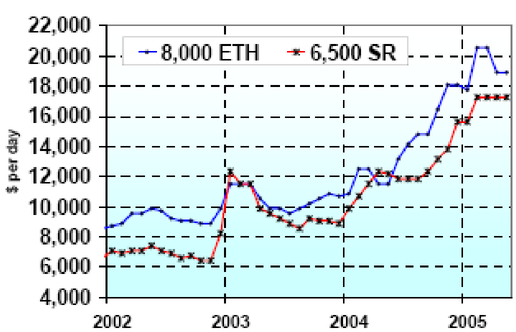
Norgas generated an EBITDA of US$11.4 mill for the 2Q05 (US$13.5 mill for the 1Q05 and US$3.0 mill for the 2Q04).

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 of 10 years ago. However, the present t/c earnings levels the EBITDA generating capacity of Norgas is approximately 60 per cent higher than corresponding figures from that period.





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

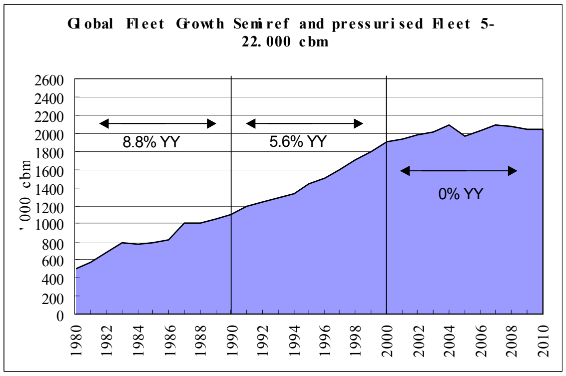


Source: Inge Steensland

The 2Q05 has produced better than expected results for Norgas – not least in part due to its flexible approach to dealing with the shifting market dynamics, which occurred during the period.

During the 2Q05, cracker outages reduced customer volumes, though enhanced scheduling systems allowed Norgas to reschedule vessels. The "commercial idle time" for the fleet was significantly up during the quarter, but again, due to improving spot rate, EBITDA earnings remained at satisfactory levels.

Though business conditions slowed a little for the 2Q05, Norgas was still able to renew and secure new contracts at satisfactory rates. Through careful market analysis and reaction Norgas continues to employs its vessels at acceptable earnings levels in the prevailing market, which will ensure positive earnings over the long-term.



There was a marked drop in ethylene prices during the quarter that brought about a notable shift in freight routes. After a long period of outages creating shortages in Europe, production again rose, slowing exports considerably from the US. At the same time, there was considerable activity within South-East Asia and exports from the Middle East gulf remained firm. Once again, 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 helped the company to effectively deploy vessels around the world, whenever and wherever needed.

The firm order book for new vessels in the 'semi-ref' segment (4,000-22,000 cbm) now stands at 10 per cent or 190,800 cbm. These numbers come as a result of the last six months seeing the first significant new building activity for some period. With new-build 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, but moderate increase in the number of vessels in the market.

China Activities program

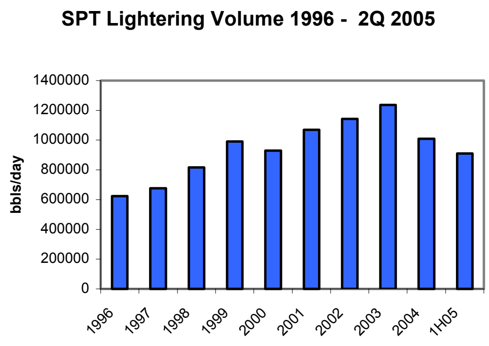
The company's activities in China fall into three distinct areas, but all related to our Gas Carrier activity: first is the transportation of LPG and other petrochemicals on the Yangtze river, through a joint venture company, TNGC. Second is Norgas Fleet Management (NFM), responsible for recruitment, crewing, training and overseeing new buildings of vessels– a vital role in terms of planning, execution and cost management of projects. Finally, we also engage in training of crew in the handling and transportation of dangerous cargoes and vessel maintenance, through a joint venture company, WSTC (Wuhan – Skaugen Training Center).

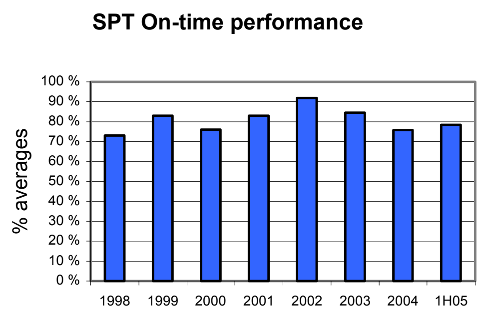
For the quarter, a further rise in performance compared to the same quarter of 2004 was seen. As the country's industrial output continues to rise, new petrochemical plants are swiftly coming on-stream. I.M. Skaugen is well placed to take advantage of the growth of the Chinese petrochemical industry, as the country is eager to use the competences of world-class suppliers as it seeks to build an international-standard industry.

During the 1H05, the company announced that it had entered into an agreement to build two 3,200 cbm pressurized LPG carriers at a shipyard south-east of Shanghai. Throughout the project, I.M. Skaugen will be working closely with the shipyard, and other subcontractors, assuming greater responsibility for not only vessel design, but also for sourcing of steel and components and thus for the vessel construction. This type of alliance should allow us to build future vessels that meet the exacting needs of the export markets, while I.M. Skaugen gains tailored vessels which will continue to improve both its cost and service leadership. The project management skills developed by this approach could develop into a competitive advantage for our company.

These new gas carriers 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 US$15 mill inclusive of all pre-delivery expenses.

SPT: a quarter with acceptable returns





SPT - generated an EBITDA of US$4.1 mill for the 2Q05 (US$3.4 mill for the 1Q05 and US$4 mill for the 2Q04). All figures are on a 100% basis.

As the largest lightering company in the world, SPT provides ship-to-ship transfer of crude oil, primarily off the USA coastline and mostly in the Gulf of Mexico. The company handles near to a million barrels of oil a day, equating to roughly 10 per cent of the US sea-borne crude oil imports. It is successfully operated as a joint venture agreement between I.M. Skaugen and Teekay Shipping Corporation, the world's largest owner and operator of Aframax and shuttle tankers.

Though the second quarter of 2005 began with an unexpected reduction in lightering revenues and volumes, there was a significant improvement during the middle part of the period that helped to ensure a positive overall performance.

SPT continues to retain its strong customer base due to its industry-leading levels of customer service, particularly with regard to safety, and dependability. The company's on-time performance was down slightly during the quarter and it will be working hard to improve on these numbers significantly during the second half of the year.

A number of SPT's major customer contracts were renewed during the quarter at good long-term rates, which augurs well for long-term business. This, combined with favorable medium-term trading conditions, provides optimism for continuing healthy returns.

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	**2Q05**	**2Q04**	**1H05**	**1H04**	**2004 Accum**
Freight revenue on t/c basis	31 594	21 376	66 271	50 336	109 934
Vessels' operating cost and t/c hire	-17 760	-16 311	-36 633	-39 278	-78 638
Unallocated administration costs	-2 464	-1 662	-4 353	-3 514	-6 234
EBITDA*	11 370	3 403	25 285	7 544	25 062

	Norgas - the Gas activities					SPT - the Shuttle Tanker Activities **)				
USD '000	**2Q05**	**2Q04**	**1H05**	**1H04**	**2004 Accum**	**2Q05**	**2Q04**	**1H05**	**1H04**	**2004 Accum**
Freight revenue on t/c basis	16 610	7 724	35 241	17 848	43 045	14 717	13 652	30 762	32 488	66 889
Vessels' operating cost and t/c hire	-4 897	-4 676	-9 428	-9 830	-19 102	-12 755	-11 637	-27 097	-29 450	-59 015
Unallocated administration costs	-278	-527	-807	-1 153	-1 955		-			
EBITDA	11 435	2 521	25 006	6 865	21 988	1 962	2 015	3 665	3 038	7 874

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

Operating Statistics

	1H05	2004	2003	2002	2001	2000
Norgas idle time	13,60 %	9,00 %	6,20 %	10,00 %	13,20 %	5,00 %
Norgas offhire days	3,40 %	5,30 %	5,80 %	7,50 %	4,83 %	3,90 %
Norgas dry dockings	2	5	4	6	7	3
SPT no. of full service lightering operations	281	617	736	686	611	541
SPT no. of support lighterings	36	96	144	147	170	132
SPT tanker operating days	1 785	3 659	3 963	3 960	3 337	2 682
SPT daily lightering volume (bbls/d)	909 000	1 009 000	1 236 000	1 142 000	1 069 000	930 000
SPT share of US seaborne crude imports	10,1 %	11,2 %	14,5 %	14,4 %	14,0 %	10,5 %
IMS share price (end of each Q/year - NOK)	182,00	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 US$97.6 mill or NOK102 per share**
- **Equity ratio at 45.6 % of book value**
- **Debt ratio of 54.4 percent and current ratio of 261 percent**
- **Satisfactory liquidity and unchanged key figures**
- **Interest coverage at 5.2 and net interest bearing debt at US$73mill**

The book equity, excluding minority interest, totalled US$97.6mill or US$15 /NOK102 per share. The book equity represents about 45.6 per cent of the total assets. The net debt at the end of the second quarter of 2005 was US$63.2 mill and the net interest-bearing debt totaled US$73 mill. The debt ratio is 54.4 per cent and the ratio between current assets and current liabilities is 261 per cent. Total liquidity as of the end of the second quarter of 2005 was US$28.3 mill (23 per cent), which is regarded as sufficient for the company's current business activities. Interest coverage ratio (EBITDA / Net interest cost) was 5.2 as of the end of the second quarter of 2005, as against 2.92 for the whole of 2004.

During the quarter, I.M. Skaugen entered into an agreement with Pareto Securities ASA, a supplier of liquidity provider services for the company's shares. As a result of the agreement, the company's shares will show a spread performance that satisfies the OSE's requirements for its liquidity provider scheme and the shares will be qualified for the OSE Match segment

I.M. Skaugen placed a convertible bond of NOK124 mill 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. NOK49 mill of the bonds have been converted into 813,942 shares and IMS also re-purchased NOK29 mill of the bonds. NOK 46 mill of the bonds are outstanding and these could increase the share capital of I.M. Skaugen by 766,666 shares to 7,052,306 up from 6,285,640 shares, or by 12 per cent.

I.M. Skaugen placed a NOK bond of NOK300 mill in the Norwegian market in May 2004 (ticker code IMSK01). The bond carries a coupon of three months NIBOR + 4.75 per cent and matures on 2nd June, 2009.

IMS: Key Financial balance sheet ratios

	1H05	2004	2003	2002	2001	2000
EBITDA MUSD	25,2	25,0	24,8	25,8	33,9	24,4
EBIT MUSD	19,9	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	18,6	5,1	20,3	4,8	10,4	1,5
Debt paid MUSD	0,0	15,1	10,7	11,6	8,8	8,8
Net debt MUSD	63,2	74,0	93,0	64,0	55,8	63,8
Net interest bearing debt MUSD	73,0	83,9	92,0	66,0	60,0	71,3
Equity ratio*	45,3 %	42,1 %	33,0 %	36,4 %	35,8 %	41,8 %
Interest rate coverage ratio**	5,2	2,92	3,3	5,90	6,57	3,62
Current ratio %***	261 %	274 %	373 %	255 %	271 %	229 %
Total liquidity MUSD	28,3	19,8	39,2	34,6	35,6	14,7
Book equity MUSD (excl. majority interests)	97,6	85,80	69,00	71,30	66,50	74,00
Book equity per share USD	15,00	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	1H05	2004	2003	2002	2001	2000
Year/Period End	6,59	6,04	6,68	6,98	9,01	8,85
AVG rate	6,33	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

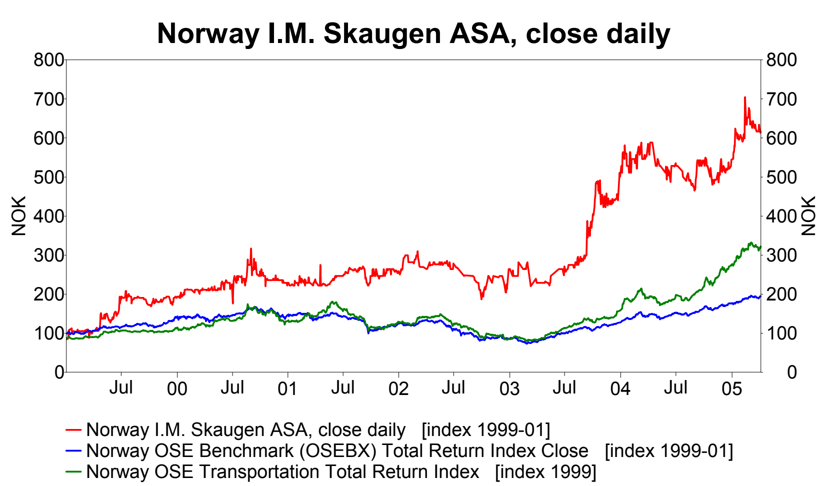
***Current assets divided by current liabilities

The IMS Share

- **IMSK Share price**

Between 1st January 2005 and the end of the quarter the I.M. Skaugen share price rose from NOK 154 to NOK 182 – a yield of 23 per cent including the dividend paid in March 2005 of NOK 7.50 per share.

The Oslo Stock Exchange Benchmark Index (OSEBX) increased by 20 per cent and the OSE Transportation Index (OSE2030GI) increased by 15 per cent during the same period.



- **The share price at the end of 2Q05 gives an EBITDA multiple of 6.1 using the last 12 months EBITDA and 5.1 using the annualised 1H05 EBITDA**

The last 12 months EBITDA earning levels currently stand at US$42 mill, annualised 1H05 is US$50 mill and the current net interest bearing debt is US$73 mill. Fully diluted number of shares is 7,052,306.

We believe that a cash earnings evaluation model is the most appropriate model to use for evaluating the value of our type of company and thus the value per share. Most companies of our type are valued by using a multiple of between 6 – 12 times on the *future* EBITDA earnings. We have in the past elected to focus on a model based on the last 12 months EBITDA earnings of the company and applying the current net interest bearing debt and exchange rates, but most analyst do elect to focus on the future earnings capability of the companies.

At the end of the 2Q05 share price of the company stood at about NOK 182 and the current exchange rates reflect a multiple of between 5 and 6 when applying this valuation model. The EBITDA multiple is 6.1 by using the last 12 months EBITDA earnings and it is 5.1 using the annualised 1H05 EBITDA earnings.

I.M Skaugen Consolidated

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US$ 000 **Profit and Loss Accounts**	**2005** **1.1.-30.6**	**2004** **1.1.-30.6**	**2005** **1.4.-30.6**	**2004** **1.4.-30.6**	**2004** **1.1.-31.12**
Gross freight revenue	87 053	67 783	42 162	30 052	148 810
Voyage related expenses incl. Marketing	(20 664)	(17 448)	(10 567)	(8 677)	(38 876)
Freight income on Time-Charter basis	**66 389**	**50 335**	**31 595**	**21 375**	**109 934**
Gains from sale of fixed assets	0	1 200	0	0	1 326
Operating income	**66 389**	**51 535**	**31 595**	**21 375**	**111 260**
Time-charter hire	(23 634)	(26 260)	(11 025)	(9 945)	(54 871)
Depreciation	(5 472)	(6 051)	(2 733)	(3 036)	(12 909)
Other operating expenses vessels	(13 006)	(13 014)	(6 735)	(6 362)	(23 752)
Other operating expenses/administration costs	(4 362)	(3 513)	(2 464)	(1 661)	(6 234)
Operating profit	**19 915**	**2 697**	**8 638**	**371**	**13 494**
Result from investments in associates	118	(1)	0	0	63
Financial Income	2 146	310	90	168	1 459
Financial Expenses	(4 865)	(4 562)	(2 727)	(2 268)	(10 573)
Gains/losses on exchange	1 309	848	641	83	642
Net result before taxes	**18 623**	**(708)**	**6 642**	**(1 646)**	**5 085**
Income taxes					5 866
Net result for the year					**10 951**
Minority interests	450	(119)	120	(60)	(122)
Majority interests	18 173	(589)	6 522	(1 586)	11 073
Earnings per share	3.00	(0.13)	1.06	(0.30)	1.93
Diluted earnings per share	2.64	(0.01)	0.95	(0.18)	1.65

US$ 000 **Balance Sheets**	**30.6.05**	**30.6.04**	**31.3.05**	**31.3.04**	**31.12.04**
Fixed Assets					
Intangible fixed assets	5 990	0	5 990	0	5 990
Tangible fixed assets	151 678	159 183	151 738	162 293	154 349
Financial long-term assets	6 614	3 365	6 745	3 418	2 541
Total Fixed Assets	**164 282**	**162 548**	**164 473**	**165 711**	**162 880**
Current Assets					
Receivables	25 050	23 232	24 550	21 547	24 073
Cash and Bank deposits	31 943	70 743	26 353	29 858	23 688
Total Current Assets	**56 993**	**93 975**	**50 903**	**51 405**	**47 761**
Total Assets	**221 275**	**256 523**	**215 376**	**217 116**	**210 641**
Equity					
Paid-in capital	58 578	54 198	55 967	50 691	55 725
Other equity	39 056	22 819	32 654	24 611	30 115
Minority interests	3 427	2 980	3 307	3 040	2 977
Total Equity	**101 061**	**79 997**	**91 928**	**78 342**	**88 817**
Liabilities					
Long term liabilities	98 451	160 207	101 891	120 468	104 405
Other current liabilities	21 763	16 319	21 557	18 306	17 419
Total Liabilities	**120 214**	**176 526**	**123 448**	**138 774**	**121 824**
Total Shareholders' Equity and Liabilities	**221 275**	**256 523**	**215 376**	**217 116**	**210 641**

US$ 000 **Changes in equity**	**2005** 1.1.-30.6	**2004** 1.1.-30.6	**2005** 1.4.-30.6	**2004** 1.4.-30.6	**2004** 1.1.-31.12
Equity at start of period	88 817	83 199	91 928	78 342	83 199
Convertible bonds	2 651	3 507	2 491	3 507	(522)
Dividends	(9 030)	(5 999)	-	(204)	(6 209)
Net result	18 173	(591)	6 522	(1 588)	11 072
Minority interest	450	(119)	120	(60)	(122)
Changes in transition adjustments	-	-	-	-	1 399
Equity at end of period	**101 061**	**79 997**	**101 061**	**79 997**	**88 817**

US$ 000 **Statement of Cash Flow**	**2005** 1.1.-30.6	**2004** 1.1.-30.6	**2005** 1.4.-30.6	**2004** 1.4.-30.6	**2004** 1.1.-31.12
Cashflow from Operations	17 576	3 628	7 718	2 825	10 972
Cashflow from Investments	(2 059)	-	(4 194)	-	605
Cashflow from Financing	(6 964)	27 945	1 628	40 994	(30 952)
Net changes in cash and cash equivalents	**8 553**	**31 573**	**5 152**	**43 819**	**(19 375)**
Cash and cash equivalents at start of period	**19 795**	**39 170**	**23 196**	**26 924**	**39 170**
Cash and cash equivalents at end of period	**28 348**	**70 743**	**28 348**	**70 743**	**19 795**

Profit and Loss Accounts	**NGAAP 1.1.-30.6.04**	**Effect of transition**	**IFRS 1.1.-30.6.04**	**NGAAP 1.4.-30.6.04**	**Effect of transition**	**IFRS 1.4.-30.6.04**
US$ 000						
Gross freight revenue	67 783	0	67 783	30 052	0	30 052
Voyage related expenses incl. Marketing	(17 448)	0	(17 448)	(8 677)	0	(8 677)
Freight income on Time-Charter basis	**50 335**	**0**	**50 335**	**21 375**	**0**	**21 375**
Gains from sale of fixed assets	1 200	0	1 200	0	0	0
Operating income	**51 535**	**0**	**51 535**	**21 375**	**0**	**21 375**
Time-charter hire	(26 533)	273	(26 260)	(10 013)	68	(9 945)
Depreciation	(6 773)	722	(6 051)	(3 397)	361	(3 036)
Other operating expenses vessels	(12 050)	(964)	(13 014)	(5 880)	(482)	(6 362)
Other operating expenses/administration costs	(3 513)	0	(3 513)	(1 661)	0	(1 661)
Operating profit	**2 666**	**31**	**2 697**	**424**	**(53)**	**371**
Result from investments in associates	(1)	0	(1)	0	0	0
Financial Income	310	0	310	168	0	168
Financial Expenses	(4 562)	0	(4 562)	(2 268)	0	(2 268)
Gains/losses on exchange	848	0	848	83	0	83
Net result before taxes	**(739)**	**31**	**(708)**	**(1 593)**	**(53)**	**(1 646)**
Income taxes	0	0	0	0	0	0
Net result for the year	**(739)**	**31**	**(708)**	**(1 593)**	**(53)**	**(1 646)**
Minority interests	(119)	0	(119)	(60)	0	(60)
Majority interests	(620)	31	(589)	(1 533)	(53)	(1 586)

Balance Sheets	**NGAAP 30.06.2004**	**Effect of transition**	**IFRS 30.06.2004**	**NGAAP 30.06.2004**	**Effect of transition**	**IFRS 30.06.2004**
US$ 000						
Fixed assets						
Intangible fixed assets	0	0	0	0	0	0
Tangible fixed assets	155 586	3 597	159 183	155 586	3 597	159 183
Financial fixed assets	3 365	0	3 365	3 365	0	3 365
Total fixed assets	**158 951**	**3 597**	**162 548**	**158 951**	**3 597**	**162 548**
Current assets						
Receivables	22 477	755	23 232	22 477	755	23 232
Cash and Bank deposits	70 743	0	70 743	70 743	0	70 743
Total current assets	**93 220**	**755**	**93 975**	**93 220**	**755**	**93 975**
Total Assets	**252 171**	**4 352**	**256 523**	**252 171**	**4 352**	**256 523**
Equity						
Paid-in capital	54 198	0	54 198	54 198	0	54 198
Other equity	17 635	5 184	22 819	17 635	5 184	22 819
Minority interests	2 980	0	2 980	2 980	0	2 980
Total equity	**74 813**	**5 184**	**79 997**	**74 813**	**5 184**	**79 997**
Liabilities						
Long term liabilities	163 006	(2 799)	160 207	163 006	(2 799)	160 207
Other current liabilities, not interest bearing	14 352	1 967	16 319	14 352	1 967	16 319
Total liabilities	**177 358**	**(832)**	**176 526**	**177 358**	**(832)**	**176 526**
Total shareholders' equity and liabilities	**252 171**	**4 352**	**256 523**	**252 171**	**4 352**	**256 523**

Changes in equity	**NGAAP 1.1.-30.6.04**	**Effect of transition**	**IFRS 1.1.-30.6.04**	**NGAAP 1.4.-30.6.04**	**Effect of transition**	**IFRS 1.4.-30.6.04**
Equity at start of period	**72 045**		**83 199**	**72 900**		**78 342**
Convertible bonds	3 507		3 507	3 507	0	3 507
Dividends		(5 999)	(5 999)	0	(204)	(204)
Net result	(620)	29	(591)	(1 534)	(54)	(1 588)
Minority interest	(119)		(119)	(60)	0	(60)
Equity at end of period	**74 813**	**(5 970)**	**79 997**	**74 813**	**(258)**	**79 997**

Basis of Preparation

These June 2005 interim consolidated financial statements of I.M. Skaugen ASA Group, are for the six months ended 30th June 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 31st 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 31st 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 1st January 2005.

Up until 31st 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, be separately identified and depreciated over that component's economic life. Assets are depreciated to their 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 capitalising all dry docking costs and depreciating them over the period to the next scheduled dry docking. "Dry docking" 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 auxilliary engines and the cargo systems. Any replacement of major components are usually undertaken as well as any steel replacement needed due to wear and tear of such components the ballast tanks and / or the hull and over the vessel life time, is also undertaken during this period.

Under IAS 16, dry docking costs associated with the replacement or renewal of assets would be capitalisable, 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 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. 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 1st January 2004 to 31st 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 1st January 2005 onwards

Derivative financial instruments are initially recognised on the balance sheet at cost and thereafter re-valued at their fair value. The method of recognising 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 recognised 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 recognised 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, 8th July 2005
I.M. Skaugen ASA
Board of Directors

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Listed on the Oslo Stock Exchange, I.M. Skaugen ASA (ticker code: 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 commencing during 2007; two LPG vessel of 3200 cbm are on order for delivery in 2006 for IMS Chinas activities. 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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