I.M. Skaugen ASA
3Q04

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

I.M. SKAUGEN

Oslo, 8 October 2004

IMSK – 3 Quarter 2004

I.M. Skaugen ASA, Oslo (IMSK) – The I.M. Skaugen group reported a pre-tax result of MUSD 1.4 in 3Q04 (MUSD minus 1.6 in 2Q04 and MUSD 23.0 in 3Q03 including a gain from sale of assets of MUSD 20.2). The result on EBITDA basis is MUSD 7.5 for this period, accumulated at MUSD15.8 (MUSD 3.8 in 2Q04 and MUSD 9.3 in 3Q03). With current development in cost and markets in general we now predict the result on EBITDA basis, for the full year 2004, to be at about the same level as in 2003.

The Gas Activities, and mainly Norgas, has showed improved results in 3Q04 vrs 1H04 and we expect this trend to continue into 4Q04. Improvements have been seen in the market with an increased demand for transportation and small amount of idle days for the Norgas vessels. More petrochemical gases and specially ethylene is also expected to be shipped in the coming years and we see a possibility of "rebirth" of certain long haul trades for the petrochemical cargoes in general. Based on recent trends and projections the longer-term market outlook, for the markets served by Norgas, is considered positive.

SPT – The Shuttle Tanker Activities reported acceptable overall performance despite a real challenge to secure crude oil tanker tonnage needed at affordable rates. SPT enjoys a position of being an integral part of our customers' logistic chain. SPT continues the focus on being a "High Reliability Organization" (HRO) characterized also by superior customer service, a "can-do-attitude", and very high internal expectations for safety, punctuality and dependability. These factors are among the key drivers for the results

The outlook for IMS is considered positive. We formed two key strategic alliances in 4Q03, with Teekay re SPT and with AP Moller- Maersk re Norgas. These should further advance the IMS strategy and enable us to capitalize even further on our past accomplishments. With these two alliances, with acknowledged world-leading companies, place both of our key business units in prime global positions.

The IMS share price increased 8 percent since 1 January 2004 and 39 percent in the last 12 months. Including the dividends the 12 months yield has been 57 percent. In March 2004 a dividend of NOK 7 per share was paid (USD 1) and in Nov 2003 an extraordinary dividend of NOK 13 per share was paid (USD 1.85).

Segment information

	IMS Consolidated**					Norgas - the Gas activities ***				
USD '000	*3Q04*	*3Q03*	*3Q04 Accum*	*3Q03 Accum*	*2003 Accum*	*3Q04*	*3Q03*	*3Q04 Accum*	*3Q03 Accum*	*2003 Accum*
Freight revenue on t/c basis	**27 903**	42 275	**78 239**	127 989	154 741	**11 915**	7 748	**29 554**	23 263	35 233
Vessels' operating cost and t/c hire	**-18 861**	-31 901	**-57 443**	-104 596	-123 768	**-4 563**	-4 970	**-13 317**	-15 202	-21 685
Unallocated administration costs	**-1 456**	-998	**-4 969**	-3 920	-6 085	**-516**	-316	**-1 497**	-1 528	-2 989
EBITDA*	**7 586**	9 376	**15 827**	19 473	24 888	**6 836**	2 462	**14 740**	6 533	10 559

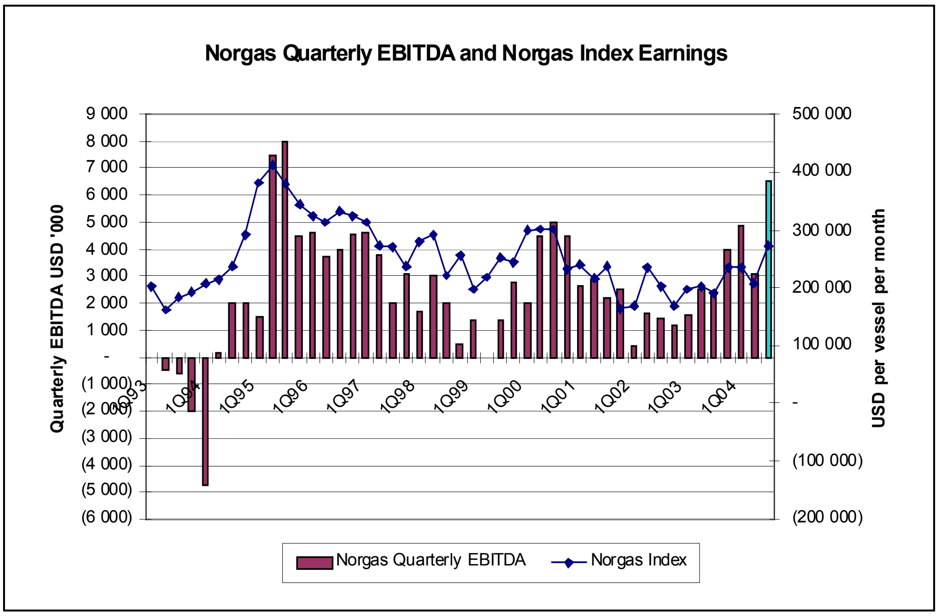
	SPT - the Shuttle Tanker Activities****)				
USD '000	*3Q04*	*3Q03*	*3Q04 Accum*	*3Q03 Accum*	*2003 Accum*
Freight revenue on t/c basis	**31 808**	34 386	**96 782**	104 274	133 838
Vessels' operating cost and t/c hire	**-28 480**	-26 610	**-87 926**	-88 480	-114 310
Unallocated administration costs					
EBITDA*	**3 328**	7 776	**8 856**	15 794	19 528

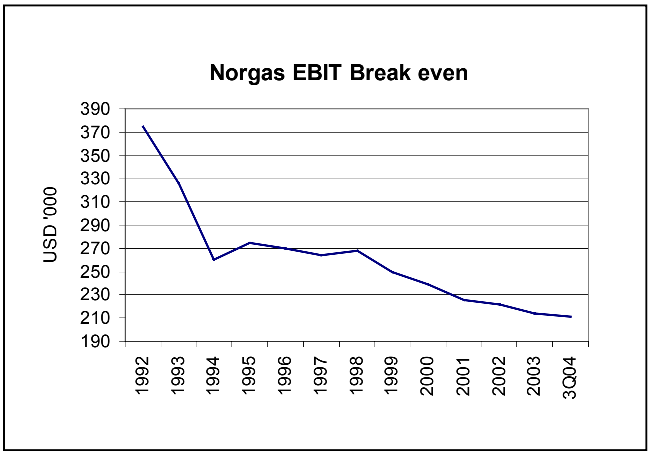
* EBITDA: Earnings before interest, tax, depreciation and allocations.
** The above segment information does not add up into Group consolidated figures, as activities other than those of the main segments are not shown separately as immaterial activities.
*** Including also parts in limited partnership.
****) SPT is included 100 %. IMS ownes only 50% from 1 Oct 2003 which is reflected in the IMS consolidated EBITDA

The Gas Carriers: a steady progress to a competitive strength

Norgas generated an EBITDA of MUSD 6.8 in 3Q04 (MUSD 3 in 2Q04 and MUSD 2.4 in 2Q03). MUSD 14.7 after three quarters in ‘04 (MUSD 6.5 in 3Q03).

Due to our focus on cost and efficiencies we have seen a steady reduction in our EBIT break-even level. These efforts have improved our EBITDA generating capacity. At same freight rate levels as 10 years ago with corresponding T/C rates our EBITDA generating capacity has increased by 50 percent.





Key value drivers for the petrochemical market are in Industrial Production and changes in trade patterns on the demand side, and the order book on the side. Based on recent trends and projections for these key drivers, we believe that today’s petrochemical market fundamentals broadly reflect the prevailing trend and dynamics from 10 years ago. Obvious differences between current period and 10years ago include very low orderbook for new ships, absolute interest rate levels in this cycle, and extremely strong growth in the Asian markets.

Limited capability to build new semi-refrigerated vessels due to constrained shipyard and engineering capacity as well as a dramatic increase in cost of newbuildings have recently taken place. This will probably limit the orders for new vessels. We will however see vessels being scrapped that reach a certain age and/or are less maintained.

The firm order book for new vessels in this “semi ref” segment (4,000 – 22,000 cbm) now stands at about 4.1 percent or 78,100 cbm capacity. 30,600 cbm is expected delivered in 2004 and 47,500 in 2005 - 2007. During the first nine months of 2004, the total fleet (capacity in cbm) decreased by 1.3 percent in the Norgas segment – as a result of about 8,500 cbm have been delivered and about 33,600 cbm having been scrapped. Total fleet is about 1,896,462 cbm/203 vessels.

Effective from October 1st 2003 IMS entered into an agreement with A.P. Møller – Maersk to establish a co-operation to enhance the semi refrigerated gas carrier operations of the two companies. The new revenue sharing pool is known to the industry by the trade name, "**Maersk Norgas Gas Carriers" (MNGC)**.

Our China Activities program

Our operations in China are part of our Gas Carrier activities and fall into two main categories. TNGC (49% owned), a joint venture for gas transportation in the Yangtze River region, and Norgas Fleet Management Co. Ltd., which is responsible for the development of crewing, training and fleet management services including the supervision of newbuilding or vessel constructions.

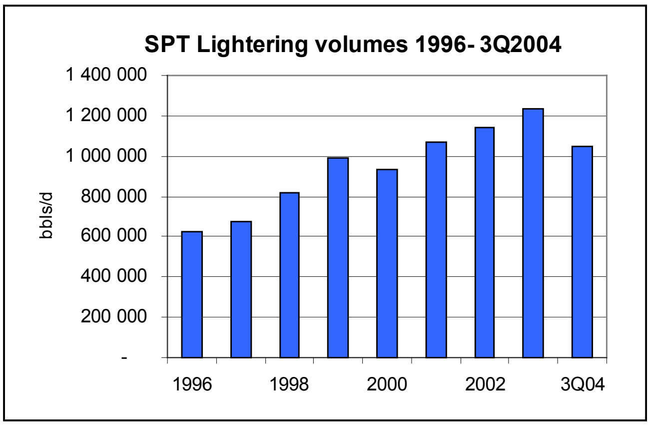
- **TNGC expanding into different segment of the market both geographically and range of products**

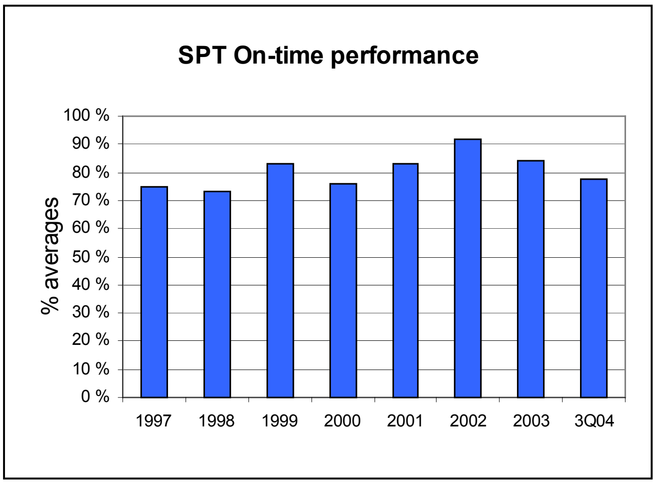
The drive to build the Chinese petrochemical industry into a "world-class" operation will require the import of many oil and petrochemical raw materials and semi-finished products. We intend to assist in securing a crucial role for TNGC in this by expanding both the geographical areas it covers and the range of products it carries and by creating even more cooperative logistical solutions, in which MNGC imports the products to China and TNGC redistributes these into China's inland areas.

Norgas Fleet Management Co Ltd is also an integral part of the efforts of Norgas to achieve a continued reduced EBIT break even level.

For its coastal operation in China, TNGC has entered into an agreement for acquisition of a 2,500 cbm – 1996 build LPG vessel. The vessel will be delivered in 4Q and will trade in China under Chinese flag. This is the first of TNGC vessels that will trade outside the Yangtze-river area and thus a first investment by TNGC in a different segment of the market.

SPT: a quarter with good progress





Skaugen PetroTrans – SPT generated (on a 100 percent basis) an EBITDA of MUSD 3.3 in 3Q04, MUSD 8.8 after three quarters in '04 (MUSD 15.8 in 3Q03).

SPT is the largest company in the specialized business of "ship to ship transfers" of crude oil and currently handles approximately 1 million barrels of oil a day, which equates to roughly 12 percent of the US oil imports. The "lightering" offers a relatively low cost and flexible method of transportation compared to other logistical solutions. SPT's operations have an outstanding safety and service record.

Due to a combination of the changing patterns in the sourcing of US crude oil imports, the fluctuating demand from the customers and most importantly the volatility of charter rates in the Aframax tanker markets have made it necessary for SPT to secure a more steady supply of a "core fleet" of tankers. We have developed a concept of the most modern "double / double" tonnage with special features for a better service to the SPT customers. In December 2003 and early January 2004 SPT entered into a 10 years bareboat charter for six new such Aframax sized tankers. These agreements will be effective from delivery of the newbuildings from the shipyard with expected commencement dates ranging through 2007.

Effective from October 1st 2003 IMS entered into a joint venture with Teekay Shipping Corporation to jointly operate and expand the "ship to ship transfer business" of SPT. Teekay acquired 50 percent of SPT by purchase of shares in PetroTrans Holdings Ltd. SPT will continue to operate as an autonomous entity under the current management - governed by a joint venture agreement and with its own Board of Directors. With the support and backing of Teekay, the world's largest owner and operator of mid-sized tankers and specialists in off-shore loadings and shuttle tankers, SPT expects to be able to expand its service offerings globally.

	3Q04	2003	2002	2001	2000
Norgas idle time	10,20 %	6,20 %	10,00 %	13,20 %	5,00 %
Norgas offhire days	5,70 %	5,80 %	7,50 %	4,83 %	3,90 %
Norgas dry dockings	5	4	6	7	3
SPT no. of full service lightering operations	482	736	686	611	541
SPT no. of support lighterings	68	144	147	170	132
SPT tanker operating days	2 787	3 963	3 960	3 337	2 682
SPT daily lightering volume (bbls/d)	1 048 000	1 236 000	1 142 000	1 069 000	930 000
SPT share of US seaborne crude imports	11,7 %	14,5 %	14,4 %	14,0 %	10,5 %
IMS share price (end of each Q/year - NOK)	153,50	142,00	75,00	73,50	65,00
IMS share price average daily	148,00	100,00	73,55	69,78	64,90

Capital and value assessment

- **Satisfactory liquidity and unchanged key figures**
- **Debt ratio of 65 % and current ratio of 300%**
- **Interest coverage at 2.6 and net interest bearing debt at MUSD 93.5**
- **Book equity is MUSD 69 or NOK 78 per share**
- **Equity ratio at 35% of book value**

The book equity excl. minority interest totaled MUSD 69 or USD 11.6 /NOK 78 per share. The book equity represents about 35 % of the total assets.

The net debt per end 3Q04 was MUSD 85.4 and the net interest bearing debt totaled MUSD 93.5. The debt ratio is 65 % and the ratio between current assets and current liabilities is 300 %. Total liquidity as of end 3Q04 was MUSD 22.7 (17%), this is regarded as more than sufficient for our current business activities. In addition IMS has a line of credit of MUSD 18. Interest coverage ratio (EBITDA / Net interest cost) was 2.6 per end 3Q04 vs. 3.3 in all of 2003.

IMS placed a convertible bond for NOK124 million in the Norwegian market in June 2001. The bonds can be converted to IMS shares prior to May 2006 and at a conversion price of NOK 60. NOK 27.5 million of the bonds have been converted into 458,333 shares and IMS also repurchased NOK 23.5 million of the bonds, at which time the bonds were trading at about 230. The bond program could increase the share capital of IMS by 1,608,333 shares to 7,535,644, up from 5,927,311 shares or by 27%.

IMS placed a NOK bond of NOK 300 million in the Norwegian market in May 2004. The bond carries a coupon of 3 months NIBOR + 4.75% and matures on 2. June 2009. The loan is listed on the Oslo Stock Exchange.

IMS: Key Financial balance sheet ratios

	3Q04	2003	2002	2001	2000	1999
EBITDA MUSD	15,8	24,8	25,8	33,9	24,4	14,9
EBIT MUSD	5,0	9,8	13,7	17,5	7,9	1,0
Gain from sale of fixed assets	1,2	19,3	N/A	N/A	N/A	N/A
Net result before tax MUSD	0,6	20,3	4,8	10,4	1,5	(6.2)
Debt paid MUSD	7,4	10,7	11,6	8,8	8,8	8,8
Net debt MUSD	85,4	93,0	64,0	55,8	63,8	69,6
Net interest bearing debt	93,5	92,0	66,0	60,0	71,3	71,2
Equity ratio*	34,6 %	33,0 %	36,4 %	35,8 %	41,8 %	41,7 %
Interest rate coverage ratio**	2,6	3,3	5,90	6,57	3,62	2,11
Current ratio %***	301 %	373 %	255 %	271 %	229 %	251 %
Total liquidity MUSD	22,7	39,2	34,6	35,6	14,7	21,6
Book equity MUSD excl. majority interests	69,00	69,00	71,30	66,50	74,00	77,40
Book equity per share USD	11,60	12,60	13,00	12,00	12,50	12,20
NOK/USD exchange rate	3Q04	2003	2002	2001	2000	
Year/Period End	6,77	6,68	6,98	9,01	8,85	
AVG rate	6,88	7,08	7,98	9,00	8,80	

*Book equity divided by total assets
**EBITDA divided by net interest expenses
***Current assets divided by current liabilities

I.M Skaugen Consolidated

Profit and Loss Accounts *USD '000*	**2004** **1.1 - 30.9**	**2003** **1.1 - 30.9**	**2004** **1.7 - 30.9**	**2003** **1.7 - 30.9**	**2003** **1.1 - 31.12**
Gross freight revenue	106 910	174 760	39 127	59 092	209 399
Voyage-related expenses incl. Marketing	(27 858)	(46 396)	(10 410)	(16 710)	(56 513)
Freight income on Time-Charter basis	**79 052**	**128 364**	**28 717**	**42 382**	**152 886**
Gains from sale of fixed assets	1 200	20 188		20 188	20 164
Operating income	**80 252**	**148 552**	**28 717**	**62 570**	**173 050**
Time-charter hire	(39 227)	(79 214)	(12 694)	(23 232)	(91 433)
Other operating expenses	(19 032)	(25 600)	(6 982)	(8 743)	(31 558)
Group administration expenses	(4 969)	(3 920)	(1 456)	(998)	(5 550)
Operating result before depreciations	**17 024**	**39 818**	**7 585**	**29 597**	**44 509**
Ordinary amoritzation of capitalised docking/other	(2 898)	(2 443)	(1 236)	(853)	(4 581)
Ordinary depreciation vessels	(7 951)	(8 570)	(2 840)	(3 060)	(10 073)
Impairment charges vessels	0	0	0	0	(733)
Operating result	**6 175**	**28 805**	**3 509**	**25 684**	**29 122**
Result from investments in associates	24	(249)	25	(80)	(259)
Financial income	586	340	276	99	509
Financial expenses	(6 452)	(5 943)	(1 890)	(2 279)	(8 658)
Gains/losses on exchange - realized	169	0	0		0
Gains/losses on exchange - unrealized	201	353	(478)	(603)	(451)
Net result before taxes	**703**	**23 306**	**1 442**	**22 821**	**20 263**
Changes in deferred tax	0	0	0		(6 540)
Result	**703**	**23 306**	**1 442**	**22 821**	**13 723**
Minority interests	(86)	(372)	33	(202)	(386)
Result after minority interests	**789**	**23 678**	**1 409**	**23 023**	**14 109**
Earnings earnings per share (USD)	*0,11*	*4,34*	*0,25*	*4,22*	*2,50*
Diluted earnings per share (USD)	*0,23*	*3,50*	*0,23*	*3,31*	*2,10*

Balance sheets *USD '000*	**30.09.2004**	**30.09.2003**	**30.06.2004**	**30.06.2003**	**31.12.2003**
Fixed Assets					
Intangible Fixed Assets	-	6 200	-	6 200	-
Tangible Fixed Assets	152 977	154 218	155 586	150 801	159 743
Financial Fixed Assets	4 561	3 593	3 365	3 762	3 448
Total Fixed Assets	**157 538**	**164 011**	**158 951**	**160 763**	**163 191**
Current Assets					
Receivables	23 422	15 648	22 477	23 862	19 667
Cash and bankdeposits	22 732	50 903	70 743	28 076	42 104
Total Current Assets	**46 154**	**66 551**	**93 220**	**51 938**	**61 771**
Total Assets	**203 692**	**230 562**	**252 171**	**212 701**	**224 962**
Equity					
Paid-In Equity	54 198	50 494	54 198	50 494	50 691
Other Equity	14 976	44 521	17 635	21 497	18 255
Minority interests	3 013	3 949	2 980	4 143	3 099
Total Equity	**72 187**	**98 964**	**74 813**	**76 134**	**72 045**
Liabilities					
Long term liabilities	116 257	125 173	163 006	122 014	131 369
Other current liabilities, not interest bearing	15 248	6 425	14 349	14 553	21 548
Liabilities	**131 505**	**131 598**	**177 355**	**136 567**	**152 917**
Total shareholders' equity and liabilities	**203 692**	**230 562**	**252 168**	**212 701**	**224 962**

Statement of Cash Flow *USD '000*	**2004** **1.1 - 30.9**	**2003** **1.1 - 30.9**	**2004** **1.7 - 30.9**	**2003** **1.7 - 30.9**	**2003** **1.1.-31.12**
Cash Flow from Operations	6 172	7 411	2 544	2 255	14 252
Cash Flow from Investments	(7 290)	1 839	(7 290)	26 699	(19 861)
Cash Flow from Financing	(15 320)	9 253	(43 265)	(3 677)	12 379
Net changes in cash and cash equivalents	**(16 438)**	**18 503**	**(48 011)**	**25 277**	**6 770**
Cash and cash equivalents at start of period	**39 170**	**32 400**	**70 743**	**25 626**	**32 400**
Cash and cash equivalents at end of period	**22 732**	**50 903**	**22 732**	**50 903**	**39 170**

Changes in Equity *USD '000*	**30.09.2004**	**30.09.2003**	**31.12.2003**		
Equity at start of period	**68 946**	**71 336**	**71 336**		
Minority interests	3 099	0	3 485		
Conversion of Convertible bond	3 881	0	220		
Buyback Convertible bond	(4 442)	0	0		
Dividends	0	0	(16 719)		
Net result for the period	789	23 679	14 109		
Minority interests	(86)	3 949	(386)		
Equity at end of period	**72 187**	**98 964**	**72 045**		

Notes

The interim report is presented in accordance with the same accounting principles as were used in the accounts at year end, except for recognition of fixed assets. Based on the current estimated value in use (discounted cash flows) under the new preliminary Norwegian Accounting Standard, no impairment charge is recognised.
The interim report is presented in accordance with the standard for interim reporting.

Oslo, 8 October 2004
I.M. Skaugen ASA
Its Board of Directors

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About I.M. Listed on the Oslo Stock Exchange, I.M. Skaugen ASA 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 720 people and currently operates 44 vessels worldwide. Six new, purpose built aframax tankers are on order for delivery to Skaugen PetroTrans in 2007. 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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