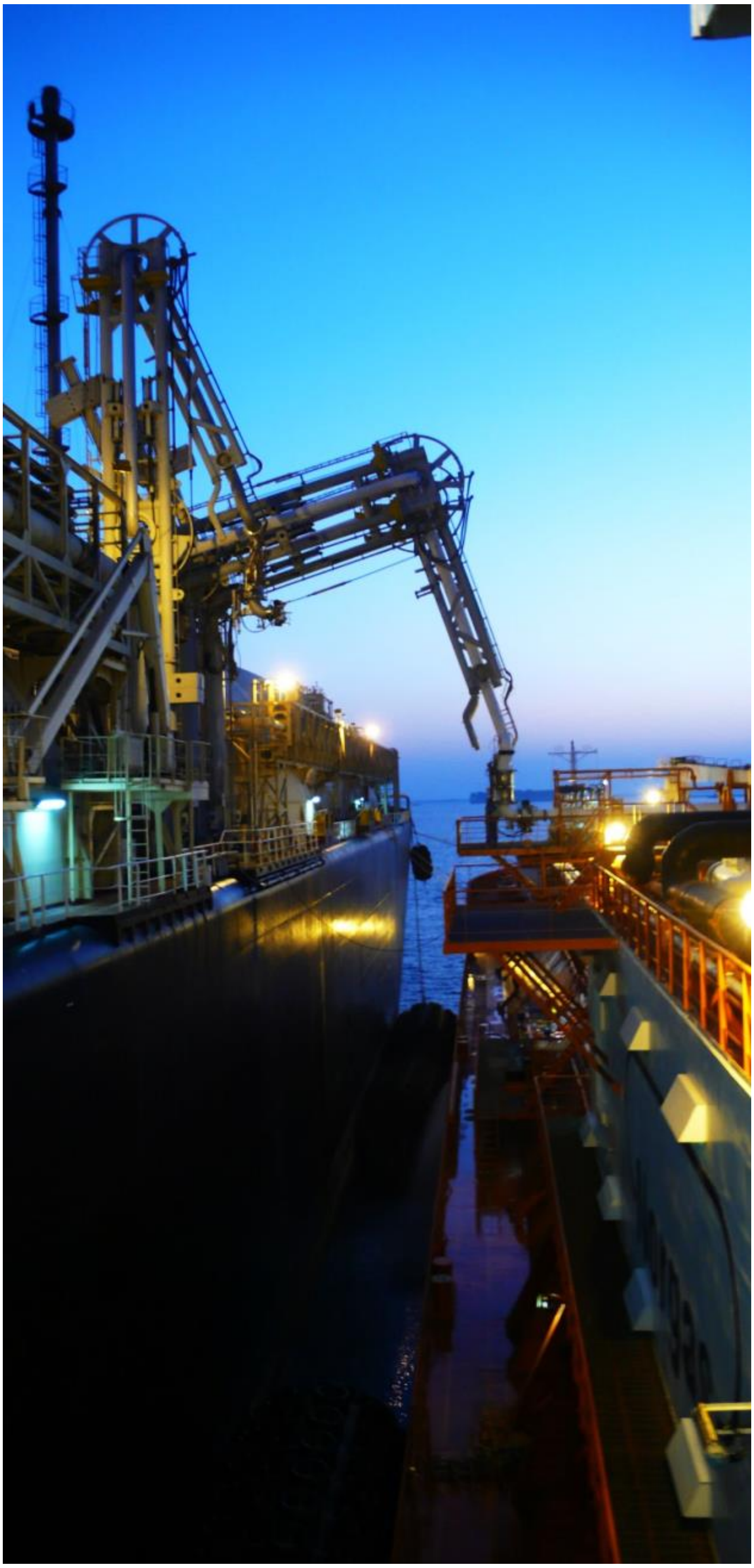

# I.M. Skaugen SE
## 3Q Result 2014
4 November 2014

I.M. Skaugen SE
Innovative Maritime Solutions
www.skaugen.com

# I.M. Skaugen SE – 3Q Report 2014

I.M. Skaugen SE' (IMSK) core business is liquefied gas transportation. The transportation business is managed by Norgas Carriers Pte Ltd and it is operating a pool of 15 gas carriers. The Norgas Carriers segment generated revenues in 3Q 2014 of **USD 36.1 mill** of which **USD 21.4 mill** was IMS' share on a proportional consolidated basis.

| *USD mill (exept per share data)* | YTD 3Q | | 3Q | 2Q | 3Q | FY |
|---|---|---|---|---|---|---|
| **1H14 Highlights** | **2014** | **2013** | **2014** | **2014** | **2013** | **2013** |
| EBITDA | (7.3) | 8.0 | (0.7) | (2.3) | 2.0 | 5.9 |
| EBIT | (9.5) | 28.3 | (2.1) | (3.8) | 0.9 | 23.6 |
| Financial items, investments, associates and tax | (8.4) | (11.0) | (2.4) | (3.0) | (4.9) | (4.5) |
| Net result | (17.9) | 16.7 | (4.5) | (6.8) | (3.9) | 18.4 |
| Total assets | 211.2 | 268.8 | 211.2 | 216.7 | 268.8 | 262.6 |
| Net debt | 102.7 | 129.8 | 102.7 | 97.7 | 129.8 | 94.2 |
| Net interest bearing debt | 123.6 | 150.6 | 123.6 | 121.3 | 150.6 | 110.7 |
| Net interest bearing debt (incl. derivatives) | 132.1 | 156.6 | 132.1 | 127.1 | 156.6 | 117.3 |
| Interest rate coverage ratio ** | (0.6) | 0.4 | (0.1) | (0.8) | 0.4 | 0.2 |
| Total liquidity | 16.0 | 26.0 | 16.0 | 21.8 | 26.0 | 59.4 |
| Equity ratio * | 25.4% | 26.2% | 25.4% | 26.7% | 26.2% | 27.2% |
| Book equity | 53.5 | 70.5 | 53.5 | 57.9 | 70.5 | 71.3 |
| Book equity per share | 1.97 | 2.6 | 1.97 | 2.14 | 2.6 | 2.63 |
| EPS | (0.66) | 0.62 | (0.16) | (0.25) | (0.13) | 0.68 |

** book equity/total assets, ** EBITDA/net interest cost*

| *USD'000* | *3Q* | *2Q* | *3Q* | *YTD 3Q* | | *FY* |
|---|---|---|---|---|---|---|
| **Segment reporting** | **2014** | **2014** | **2013** | **2014** | **2013** | **2013** |
| Gross Revenue gas transportation activities managed by IMS | 36 196 | 34 108 | 45 183 | 99 931 | 136 138 | 172 042 |
| EBITDA gas transportation activites managed by IMS | 4 163 | 514 | 8 185 | 2 672 | 24 023 | 21 451 |
| Gross Freight Revenue-Gas Transportation Activity | 21 523 | 20 910 | 28 016 | 60 364 | 89 596 | 110 652 |
| **Revenues gas transportation activities** | **21 523** | **20 910** | **28 016** | **60 364** | **89 596** | **110 652** |
| Voyage related expenses | (8 672) | (8 326) | (9 647) | (24 101) | (30 239) | (37 939) |
| Other operating cost and charter hire | (13 131) | (14 013) | (15 704) | (41 577) | (49 495) | (64 306) |
| Depreciation and amortization | (1 254) | (1 493) | (2 105) | (4 242) | (7 607) | (9 574) |
| **Segment operating profit (EBIT) before restructuring** | **(1 534)** | **(2 922)** | **560** | **(9 556)** | **2 255** | **(1 167)** |
| Gains/losses from restructuring and sale of assets | - | - | 908 | 2 086 | 29 424 | 31 783 |
| **Segment operating profit (EBIT)** | **(1 534)** | **(2 922)** | **1 468** | **(7 470)** | **31 679** | **30 616** |
| Unallocated | (497) | (891) | (627) | (2 086) | (1 854) | (2 493) |
| Depreciation | (75) | - | - | (75) | - | (212) |
| Share of investments of non-strategic joint ventures/associates * | 442 | 612 | (297) | 559 | (1 751) | 4 896 |
| Net financial items ** | (2 825) | (2 962) | (4 451) | (8 984) | (11 316) | (13 846) |
| Exchanges gain/(losses) | 22 | (597) | - | 150 | - | 144 |
| Other | - | - | - | - | - | (681) |
| **Net result** | **(4 467)** | **(6 760)** | **(3 907)** | **(17 906)** | **16 758** | **18 424** |

* Including gains/losses from sale of shares in associates, ** Including gains from repurchase of bonds

**The I.M. Skaugen Group (IMSK) had a negative result for 3Q14 of USD 4.5 mill vs a negative USD 6.8 mill in 2Q14. During 3Q14 the EBIT result for the Norgas segment continued its positive trend and improved with USD 1.4 mill from a negative USD 2.9 mill in 2Q14 to a negative of USD 1.5 mill in 3Q14.**

**PERFORMANCE IN 3Q14**

***During the 3Q14 we experienced a continuing positive trend of quarter on quarter improvements for our core business; Norgas Carriers. The EBIT result improvement for Norgas Carriers in 3Q14 was USD 1.4 mill, from a negative of USD 2.9 mill in 2Q14 to a negative of USD 1.5 mill in 3Q14. At present, we see this underlying trend of improving trading performance to continue into 4Q14.***

***Looking at 1Q14 vs 3Q14, the improvements amounted to USD 3.6 mill in Norgas EBIT. This is before income and costs reflecting restructuring and sale of assets and thus reflecting the underlying business performance (Fig. 1).***

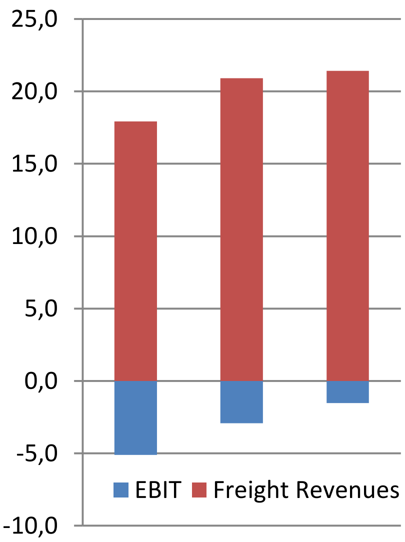


*Fig. 1; Norgas 1Q14-3Q14, freight revenues and EBIT (USD mill)*

Half of the improvements were due to increased revenues and the remainder stems from lower operating cost. Most of the cost savings are the effect of our "centralise and simply" program, where shore based costs have been reduced significantly. The revenue improvements came from actions taken, which have provided more optimal scheduling of our ships. The better positioning of our fleet vs trade available has thus reduced positioning/ballast voyages and idle time.

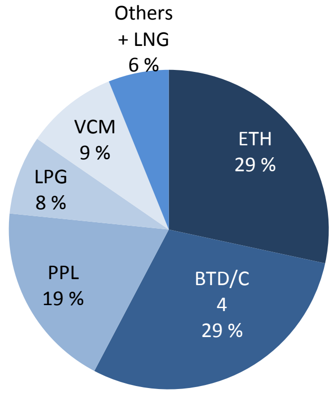


*Fig. 2; Mix of cargoes transported YTD2014. ETH=ethylene, BTD=butadiene, PPL=propylene, LPG=liquefied petroleum gas, VCM= vinyl chloride monomer, LNG= liquefied natural gas. Source: Norgas*

We currently employ more than half of the Norgas fleet for business generated west of Suez compared to the past when more than 50% of the business was done east of Suez. In the recent past about 70 % of our fleet depended on loading in the Gulf region and more than 50% of the products we carried were ethylene. Today less than 30% of the loadings are done in the Gulf region and ethylene represent less than 30% of products carried. The rest is a more balanced mix of the other petrochemical gases or other products like LPG as well as LNG (Fig. 2). In the recent past, about 2/3 of our ships were engaged under longer term contracts with clients while we currently have about 2/3 of the fleet making its trade in the global spot markets.

All these changes in commercial strategy, contract portfolio, trading routes, clients and product mix, are the result of decisions made at the end of last year. We decided to reposition part of our fleet for more trade west of Suez and outside the Gulf region. As a consequence we decided not to renew a major contract for loading in the Gulf region. The negative effect of this re-positioning could be seen in the poor results earlier this year with less revenue earning days for the fleet due to repositioning cost. However, we are now starting to reap the benefits of this repositioning with improving Time Charter Earnings (TCE) for our fleet.

To illustrate the trend and movement of earnings, we have produced a graph to compare earnings for comparable sized tonnage (Fig. 2). It shows that since the beginning of this year the earnings for these types of ships (TCE), excluding our smaller combination carriers on time charter, has shown a positive trend. Since mid-year, our fleet's performance has been ahead of the spot and Time Charter (T/C) market as reported by a broker panel. The broker panel shows a rather flat market in this comparable period.

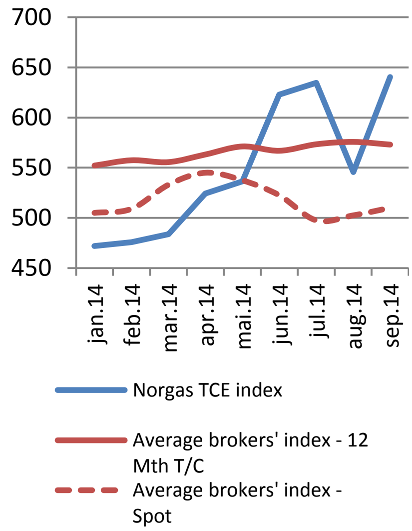


*Fig. 3; Norgas TCE index vs spot and time charter index. Source; Norgas,Fearngass, Steensland, Clarkson, BRS and Gibson*

Repositioning our fleet and building up a new client portfolio has forced our teams to become more of a trading operation. This has taken some time but we are satisfied with the improvements made, which have come as a result of better execution by our management teams.

The change in commercial strategy has improved the quality of the Norgas business portfolio. We are more diverse geographically and can thus better capture the opportunities both East and West of Suez. We have a young fleet of 15 versatile gas carriers, with an average age of 6 years and all with the most advanced cargo handling systems. We can more easily change from carrying one product to another and also carry two different grades of petrochemicals at the same time if required. This gives us a competitive advantage, especially for ships trading in the spot markets.

In September one of our **LNG** capable Multigas carriers; the Norgas Unikum was used to provide a LNG *gas-up and cool-down* service to our client the Dubai Supply Authority (DUSUP). This was a small but an important step showing again the know-how of the group and the versatility of our Multigas vessels and their ability to transport liquefied gases; be it petrochemical gases, LPG or LNG.

The operation showcased several unique technical capabilities of our Multigas carriers which in turn were critical to the operation's success; namely:

- The on-board Mini LNG Reliquification Plant, with which the vessel is able to re-liquefy Boil Off Gas and return it to the cargo tank, thereby minimizing LNG usage during the operation;
- The upper manifold design which allows the vessel to berth safely alongside the FSRU as well as LNG receiving vessels;
- The ability to quickly change grades of cargo (i.e. moving from one cargo to another – in this instance ethylene to LNG) to optimize scheduling and more quickly respond to available market opportunities with minimal notice and
- Type C cargo tanks which have the flexibility of loading and carrying partial quantities of LNG and which can also handle pressure of up to 5.2 bars.

In addition to providing the service vessel for the operation, our involvement also included the provision of Mooring Masters and Superintendents from SPT; our marine service company. With extensive knowledge of, and experience in LNG Ship-To-Ship (STS) operations to their name, the in-house team from SPT ensured that the operation was conducted in the safe and efficient manner required of the parties involved and expected by the wider LNG community.

On the LNG front we have also commenced in 4Q14 a shorter term contract for coastal distribution of LNG in China. The terms of the contract are in line with our expectations that our Multigas vessels can earn a premium when trading LNG as compared to petrochemicals and LPG. We have loaded LNG from one of the major import terminals and will discharge into a smaller re-distribution terminal from which the LNG will be distributed by trucks. The loading terminal is designed for receiving large LNG carriers of sizes up to 250,000 cbm. Due to the innovative design of our much smaller Multigas Carriers of 10,000 and 12,000 cbm, we are able to load without any modifications needed to the terminal.

The market conditions and opportunities for small scale LNG are improving in the growing Asian market for energy. Governments are gradually removing subsidies from oil based fuels and/or price controls on these. This will create a more level playing field where the fuel costs at point of use will be easier to compare and thus the advantages of switching from diesel to gas (in the form of LNG) will be more evident. We are actively pursuing a selected few key projects in this area where the clients have already made the decision to convert their power plants to gas and are ready to receive gas as their main fuel. We are now together with clients developing the logistics infrastructure needed to bring gas to the "tip of the burner".

The new emission restrictions in the ECA (Emission Control Area) zone in North West Europe are less than three months away. As of 1 January 2015, emissions from ships sailing in the ECA zone cannot be more than as if the sulphur content in the fuel is 0.1%. The alternatives will be to use diesel, install abatement equipment (post combustion cleaning) or use a cleaner fuel, like LNG, that contains no sulphur at all. The needed LNG infrastructure has been late in developing but it was recently announced that 3 smaller import LNG terminals will be built in the

Baltic Sea area, serving both the industrial and marine markets.

**SPT** continued the positive trend in 3Q14 with results remaining in positive territory. SPT continues to transition and position itself for further growth in global support activities and LNG terminal management and associated services. SPT's business portfolio and experience continued to grow with commissioning services for a major FSRU (Floating Storage Regasification Unit for LNG) owner and operator with the same services to be provided for a similar project in 4Q14. SPT is in active discussions regarding the possible long term management of planned LNG import facilities which will either utilize FSRUs or FSU's (Floating Storage Unit for LNG). SPT is already managing one such plant and thus a successful track record has been established. Commercial discussions are well advanced for providing advisory (and if the projects proceed after final investment decision, provision of additional services and manpower) services for LNG ship-to-ship (STS) operations.

SPT's US Gulf crude oil lightering business, and the overall US market for same, continues to contract in light of continued record domestic crude production estimated at 8.5 million barrels per day in 2014 and the declining long haul crude imports. Forecasts for 2015 reflect US crude production increasing to 9.5 million barrels per day which will be close to a daily production rate not seen since 1970 (Fig. 4).

There is potential new business for SPT know-how and services to come from the expected exports of US crude oil and the growing exports of liquefied gases from the US.

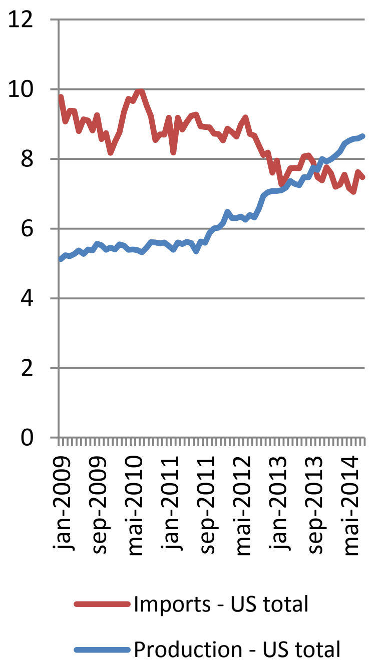


*Fig. 4; US Imports and production of crude oil (million barrels per day). Source; EIA*

**CORPORATE ACTIVITIES**

The book value of our outstanding bond portfolio was USD 82 mill at the end of the third quarter. This is a reduction of USD 17 mill from the beginning of this year. The effects can be seen in the continuing reduction in our financial costs which in 3Q14 were 37% lower than the same period last year. Of the outstanding bonds, about USD 33 mill is due in 2015. At the end of 3Q14 our consolidated mortgage debt was USD 66 mill and our liquidity was USD 16 mill. We remain compliant with all covenants for our loan and bond portfolios.

**SALE OF VESSELS / AGREEMENTS IN OCTOBER 2014**

In October we entered into an agreement to sell the 10,200 cbm sized LPG / Ethylene carrier Norgas Napa to Teekay LNG Partners L.P. at an amount of USD 27 mill. IMS will subsequently lease back the vessel for 5 years from Teekay at a fixed-rate, including a potential profit sharing mechanism linked to the actual Time Charter earnings of the vessel. The vessel will remain as participant of the Norgas Revenue Sharing Pool.

The agreed price of USD 27 mill reflects the vessel's book value and the vessel will be delivered in November 2014. The net cash flow from the sale of Norgas Napa of about USD 21.6 mill, will be used to reduce corporate debt associated with the vessel and other corporate purposes.

The Teekay Group of companies is a long term strategic alliance partner of IMS, now with 6 vessels on long term bareboat charters to IMS. Teekay is also a 50% partner in the joint venture PetroTrans Holding (the SPT activities).

The delivery of a second vessel (the Norgas Petaluma) to our JV partners in **Skaugen Gulf Petchem Carriers BSC** (SGPC) in Bahrain (35% share) was not completed before end of 3Q14 as previously advised in the 1H14 report. As per our agreements, the company has secured part of the funding and our two partners have paid up their share of the required additional equity. The process to secure the Islamic loan facilities from the banks has however proven to take more time than initially envisaged. We expect completion of a sale of this vessel during 4Q14.

**GAS VESSEL - SUPPLY AND UTILISATION**

There have been no material changes in the global fleet of Semi-Refrigerated (Semi-Ref) gas carriers during the 3Q14. The order book still stands at about 35% of the sailing fleet (measured in cbm). 99% of the order book is for vessels larger than 12,000 cbm and with vessels larger than 22,000 cbm making up by far the majority. In the short-haul segment, for vessels smaller than 12,000 cbm, the order book is close to zero (Fig. 5).

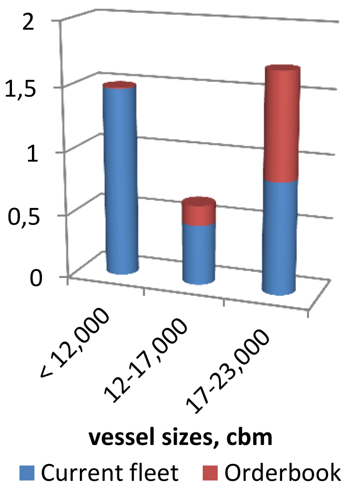


*Fig 5; Size of current fleet and order book (million cbm) for different groups of vessel sizes. Source; Clarkson's.*

With the growing overseas export of LPG from the US we can see most of the larger tonnage going into this growing LPG trade, but also an increased use of smaller vessels to cater for the regional LPG markets. Adding ethane as the "second wave" of liquid gases coming from the US shale- gas and oil development will also help to occupy the new builds coming to these markets. Ethane will mainly be exported as feed-stock for overseas petrochemical plants (replacing naphtha and/or LPG) but we can also note an interest for using ethane as a fuel for power generation. The "third and fourth waves" of liquid gases from the US will be LNG as well as petrochemical gases. The latter as a result in a quite strong wave of investments in new ethane based petrochemical facilities (ethylene crackers) slated for start-up in 2016-2018.

**OUTLOOK**

Our own research indicates an increased utilization of the overall fleet in 2015 compared to 2013/14 for liquefied gas carrier vessels in the 8,000 – 22,000 cbm segment. This should help to reduce the surplus capacity we have seen in our core segment since the financial crisis 5 years ago.

The key drivers for significant changes will be the continuing increase in LPG exports out of the US as well as expectations of long-haul export of petrochemicals from Europe to Asia, replacing short haul exports from Korea and Japan. We expect this pattern to continue into 2015 based on the current momentum in shale gas- and oil development in the US as well as further downstream capacity will be added in both Japan and Korea next year.

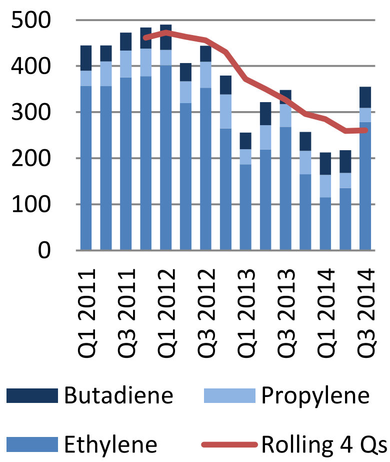


*Fig 6; Exports of petrochemicals from the Gulf Region ('000 tons per quarter). Source; Norgas estimates*

Export of petrochemicals from the Gulf Region recovered during 3Q14 compared to previous quarters this year. From a rolling four quarters perspective the export volumes saw no real increase and are still 45% below historical levels (Fig. 6). We expect that the exports from the Gulf Region will remain on this level until the sanctions on Iranian exports are permanently lifted.

The shale oil and gas development in the US will continue to have quite a positive effect on the requirement for liquefied gas carriers, especially for those carriers that serve the petrochemicals market as well as those that serve the growing exports of LPG from the US. These two trades, in combination, will continue to occupy an increasing part of the Semi-Ref fleet and especially the larger new builds that are yet to come.

The gas based energy markets for power generation and transport are expected to have a positive development going forward. The requirement for lower emissions based on new legislation as well as the cost difference at the "tip of the burner" between diesel, naphtha and natural gas (as LNG) provides a significant incentive for switching from liquid fuel to gas.

# I.M. Skaugen SE Consolidated

| *USD'000*<br>**Income Statements - Equity method** | **2014**<br>**1.1. - 30.9** | **2013**<br>**1.1. - 30.9** | **2014**<br>**1.7 - 30.9** | **2013**<br>**1.7 - 30.9** | **2013**<br>**1.1. - 31.12** |
|---|---|---|---|---|---|
| Gross freight revenues | 60 015 | 75 552 | 21 323 | 27 064 | 96 288 |
| **Revenues** | **60 015** | **75 552** | **21 323** | **27 064** | **96 288** |
| Share of investments in strategic joint ventures/associates | 349 | 3 539 | 200 | 224 | 1 984 |
| Voyage related expenses | (24 101) | (25 151) | (8 672) | (9 320) | (32 562) |
| Charter hire | (17 004) | (17 118) | (5 592) | (5 706) | (22 730) |
| Depreciation and amortisation | (4 317) | (5 953) | (1 329) | (1 974) | (8 339) |
| Gains from sale of fixed assets | 2 086 | 1 135 | - | 908 | 1 059 |
| Gains from restructuring | - | 28 289 | - | - | 30 724 |
| Other operating expenses vessels | (24 573) | (30 141) | (7 539) | (9 680) | (40 077) |
| Other operating expenses/administration costs | (2 086) | (1 854) | (497) | (627) | (2 493) |
| Exchange gain/(losses) - Operations | - | - | - | - | (245) |
| **Operating profit** | **(9 631)** | **28 298** | **(2 106)** | **889** | **23 609** |
| Financial revenue | 473 | 3 338 | 55 | 470 | 3 400 |
| Financial expenses | (9 457) | (13 507) | (2 880) | (4 642) | (16 998) |
| Gains/losses on exchange | 150 | (447) | 22 | (328) | 1 354 |
| Share of investments in non-strategic joint ventures/associates | 559 | 449 | 442 | (297) | 4 348 |
| Gain from sale of shares in non-strategic joint ventures | - | (1 374) | - | - | 3 393 |
| **Net result before taxes** | **(17 906)** | **16 757** | **(4 467)** | **(3 908)** | **19 106** |
| Taxes | - | - | - | - | (681) |
| Changes in deferred tax | - | - | - | - | |
| **Net result for the period** | **(17 906)** | **16 757** | **(4 467)** | **(3 908)** | **18 425** |
| Attributable to: | | | | | |
| Equity holders of the company | (17 906) | 16 757 | (4 467) | (3 908) | 18 425 |
| Earnings per share - basic and diluted | (0.66) | 0.77 | (0.16) | (0.19) | 0.68 |

| *USD'000*<br>**Statement of Comprehensive Income** | **2014**<br>**1.1. - 30.9** | **2013**<br>**1.1. - 30.9** | **2014**<br>**1.7. - 30.9** | **2013**<br>**1.7. - 30.9** | **2013**<br>**1.1. - 31.12** |
|---|---|---|---|---|---|
| **Net result for the period** | **(17 906)** | **16 757** | **(4 467)** | **(3 908)** | **18 425** |
| **Other comprehensive income:** | | | | | |
| Currency translation differences | - | (74) | | - | (1 423) |
| Hedging reserve | - | 92 | | - | 146 |
| Available for sale investments | - | - | | - | 97 |
| **Other comprehensive income** | **-** | **18** | **-** | **-** | **(1 180)** |
| **Items that will not be reclassified to profit and loss** | | | | | |
| Remeasurments of pension obligations | - | 1 082 | - | | 1 354 |
| **Other comprehensive income for the period, net of tax** | **-** | **1 100** | **-** | **-** | **174** |
| **Total comprehensive income for the period** | **(17 906)** | **17 857** | **(4 467)** | **(3 908)** | **18 599** |
| Comprehensive income attributable to: | | | | | |
| Equity holders of the company | (17 906) | 17 857 | (4 467) | (3 908) | 18 599 |

| *USD'000* Balance Sheets - Equity method | 30.09.2014 | 30.09.2013 | 30.06.2014 | 30.06.2013 | 31.12.2013 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Deferred tax assets | 2 500 | 2 500 | 2 500 | 2 500 | 2 500 |
| Non-current other debtors | 9 146 | 7 090 | 8 831 | 6 776 | 8 514 |
| Tangible fixed assets | 130 231 | 144 185 | 130 731 | 155 328 | 141 142 |
| Investments in strategic associates and joint ventures | 7 518 | 4 864 | 7 155 | 4 366 | 7 006 |
| Investments in non-strategic associates and joint ventures | 6 404 | 41 230 | 5 962 | 40 518 | 5 845 |
| Non-current financial assets | 447 | 523 | 447 | 523 | 447 |
| **Total non-current assets** | **156 246** | **200 392** | **155 626** | **210 011** | **165 454** |
| | | | | | |
| **Current Assets** | | | | | |
| Receivables and other current assets | 29 004 | 32 841 | 29 762 | 40 514 | 28 250 |
| Other financial assets | 9 500 | 9 500 | 9 500 | 9 500 | 9 500 |
| Cash and Bank deposits | 15 948 | 26 023 | 21 773 | 19 929 | 59 364 |
| **Total Current Assets** | **54 452** | **68 364** | **61 035** | **69 943** | **97 114** |
| **Total Assets** | **210 698** | **268 756** | **216 661** | **279 954** | **262 568** |
| | | | | | |
| **Equity** | | | | | |
| Paid in equity | 81 319 | 81 319 | 81 319 | 81 319 | 81 319 |
| Retained earnings | (35 659) | (24 763) | (35 659) | (20 855) | (22 221) |
| Other reserves | 7 858 | 13 991 | 12 192 | 13 991 | 12 191 |
| **Total Equity** | **53 518** | **70 547** | **57 852** | **74 455** | **71 289** |
| | | | | | |
| **Liabilities** | | | | | |
| Long term liabilities | 72 831 | 165 837 | 98 029 | 173 675 | 158 980 |
| Current interest bearning liabilities | 66 731 | 10 818 | 45 026 | 6 968 | 11 061 |
| Derivative financial instruments | 8 488 | 6 200 | 5 866 | 7 652 | 6 653 |
| Other current liabilities | 9 130 | 15 354 | 9 888 | 17 204 | 14 585 |
| **Total Liabilities** | **157 180** | **198 209** | **158 809** | **205 499** | **191 279** |
| **Total Equity and Liabilities** | **210 698** | **268 756** | **216 661** | **279 954** | **262 568** |

| *USD'000* Statement of Changes in Equity | 2014 1.1. - 30.9 | 2013 1.1. - 30.9 | 2014 1.7. - 30.9 | 2013 1.7. - 30.9 | 2013 1.1. - 31.12 |
|---|---|---|---|---|---|
| **Equity at start of period** | **71 289** | **52 690** | **57 850** | **74 455** | **52 690** |
| Comprehensive income for the period | - | 1 100 | - | - | 174 |
| Net result | (17 906) | 16 757 | (4 467) | (3 908) | 18 425 |
| **Equity at end of period** | **53 383** | **70 547** | **53 383** | **70 547** | **71 289** |

| *USD'000* Statement of Cash Flow | 2014 1.1. - 30.9 | 2013 1.1. - 30.9 | 2014 1.7. - 30.9 | 2013 1.7. - 30.9 | 2013 1.1. - 31.12 |
|---|---|---|---|---|---|
| **Cash Flow from Operations:** | | | | | |
| Received payments of gross revenues | 54 913 | 71 208 | 21 323 | 28 351 | 94 411 |
| Payments of operating expenses | (68 985) | (61 821) | (22 557) | (27 907) | (96 506) |
| Payment of taxes | - | - | - | - | (681) |
| **Net Cash Flow from Operations** | **(14 072)** | **9 387** | **(1 234)** | **444** | **(2 776)** |
| | | | | | |
| **Cash Flow from Investments:** | | | | | |
| Payments of purchase of fixed assets | (2 328) | (1 426) | (827) | - | (2 707) |
| Receipts from sale of fixed assets | 11 058 | 37 504 | - | 10 176 | 39 034 |
| Investment in associates | (163) | (2 500) | (163) | - | (5 039) |
| Restructuring | - | 11 616 | - | - | 24 731 |
| Proceeds from sale of shares and parts in other companies | - | 943 | - | - | 45 624 |
| Loan to others | - | 4 030 | - | - | 4 030 |
| **Net Cash Flow from Investments** | **8 567** | **50 167** | **(990)** | **10 176** | **105 673** |
| | | | | | |
| **Cash Flow from Financing:** | | | | | |
| Receipts from raising new long-term debt | 34 000 | 3 850 | - | 3 850 | 3 850 |
| Repayment of long-term debt | (62 644) | (47 972) | (721) | (8 428) | (54 635) |
| Received payments of interest | - | 45 | - | - | 1 093 |
| Payment of interest | (9 267) | (12 090) | (2 880) | (4 283) | (16 477) |
| **Net Cash Flow from Financing** | **(37 911)** | **(56 167)** | **(3 601)** | **(8 861)** | **(66 169)** |
| Net change in cash and cash equivalents | (43 416) | 3 387 | (5 825) | 1 759 | 36 728 |
| Cash and cash equivalents beginning of | 59 364 | 22 636 | 21 773 | 24 264 | 22 636 |
| **Cash and cash equivalents end of period** | **15 948** | **26 023** | **15 948** | **26 023** | **59 364** |

## *Notes to the consolidated financial statements*

### Note 1 - Accounting principles

I.M. Skaugen SE is ultimate parent company of the I.M. Skaugen Group. I.M. Skaugen SE is a public listed company traded on the Oslo Stock Exchange. The company's address is Karenslyst Allè 8B, 0278 Oslo, Norway

### Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34-Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS. The interim financial statements are unaudited.

### Significant accounting principles

The accounting policies applied are consistent with those of the previous financial year. None of the new standards, interpretations and amendments, effective for the financial year ending 31 December 2014 are expected to have a material impact on the group.

### Estimates and judgments

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.
In preparing these condensed interim financial statements, the significant judgments made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

### Note 2 - Net interest bearing liabilities

| (USD'000) | YTD3Q14 | YTD3Q13 | FY2013 |
|---|---|---|---|
| Loans from financial institutions - floating interest rate | 32 257 | 66 221 | 66 594 |
| Bonds | 40 574 | 99 616 | 92 387 |
| Derivative financial instruments | 8 488 | 6 200 | 6 652 |
| Current portion interest bearing debt (incl. Bonds) | 66 731 | 10 818 | 11 061 |
| **Total interest bearing debt** | **148 050** | **182 855** | **176 694** |
| Cash and cash equivalent | -15 948 | -26 023 | -59 364 |
| **Net interest bearing liabilities** | **132 102** | **156 832** | **117 330** |

### Note 3 - Transactions with related parties

In the normal course of the conduct of its business, the Group enters into a number of transactions with related parties. I.M. Skaugen considers these arrangements to be on reasonable market terms.

### Note 4 - Non-current assets

| (USD'000) | YTD3Q14 | YTD3Q13 | FY2013 |
|---|---|---|---|
| Net carrying amount beginning | 141 142 | 27 048 | 27 048 |
| Investment in non-current assets | 2 328 | 159 160 | 160 407 |
| Sale of non-current assets | -8 922 | -36 070 | -37 974 |
| Depreciation and impairment | -4 317 | -5 953 | -8 339 |
| **Net carrying amount end** | **130 231** | **144 185** | **141 142** |

### Note 5 - Investments in associates and joint ventures

The share of result and balance sheet items from investments in associates and joint ventures are recognised based on equity method in the interim financial statements. The figures below show our share of revenues and expenses, total assets, total liabilities and equity:

**Strategic Joint Ventures**

| (USD'000) | YTD3Q14 | YTD3Q13 | FY2013 |
|---|---|---|---|
| Gross revenue | 1 806 | 16 461 | 17 213 |
| EBIT | 405 | 3 238 | 3 296 |
| Net result | 349 | 3 539 | 1 984 |
| | | | |
| Non-current assets | 8 274 | 8 644 | 8 542 |
| Current assets | 1 876 | 3 726 | 742 |
| **Total assets** | **10 151** | **12 370** | **9 284** |
| | | | |
| **Total equity closing balance** | **7 518** | **4 864** | **7 006** |
| | | | |
| Non-current liabilities | | | - |
| Current liabilities | 2 633 | 7 506 | 2 278 |
| **Total Liabilities** | **2 633** | **7 506** | **2 278** |

**Non-strategic Joint Ventures**

| (USD'000) | YTD3Q14 | YTD3Q13 | FY2013 |
|---|---|---|---|
| Gross revenue | 23 014 | 47 473 | 63 896 |
| EBIT | 582 | 3 809 | 8 147 |
| **Net result** | **559** | **746** | **4 348** |
| | | | |
| Non-current assets | 13 138 | 53 825 | 11 150 |
| Current assets | 8 249 | 89 134 | 8 414 |
| **Total assets** | **21 387** | **142 959** | **19 564** |
| | | | |
| **Total equity closing balance** | **6 404** | **41 230** | **5 845** |
| | | | |
| Non-current liabilities | - | 5 416 | - |
| Current liabilities | 14 983 | 96 313 | 13 719 |
| **Total Liabilities** | **14 983** | **101 729** | **13 719** |

**Note 6- Subsequent Events**

I.M. Skaugen has in October 2014 agreed with Teekay LNG Partners L.P that Teekay will purchase Norgas Napa (100% owned by I.M. Skaugen Group) at an agreed price of USD27 mill. The vessel will be delivered in November 2014. IMS will subsequently lease back the vessel for 5 years from Teekay at a fixed-rate, including a potential profit sharing machanism linked to the actual Time Charter earnings of the vessel.

Oslo, 4th November 2014

I.M. Skaugen SE
Board of Directors

I.M. Skaugen SE

*If you have any questions, please contact:*

*Bente Flø, Chief Financial Officer, on telephone +47 23 12 03 00 /+47 91 64 56 08*
*or by e-mail:* bente.flo@skaugen.com.

*This press release is also available on the Internet at our website:* www.skaugen.com.

*I.M. Skaugen SE is a Marine Transportation Service Company, with a focus on Innovative Maritime Solutions. Our core business activity is to provide logistics solutions for seaborne regional distribution of liquefied gasses such as LNG and petrochemical gases as well as LPG.*

*The Skaugen Group of companies currently operates a fleet of 22 vessels worldwide. In our core fleet of 15 advanced gas carriers, we have 6 vessels with the capacity to transport LNG in addition to petrochemical gases. Our global teams can provide on- and off-shore LNG terminal management as well as ship to ship transfer services of LNG/LPG. We have in-house capabilities for the development and design of specialized high quality LNG- and gas carriers for our niche markets. We recruit, train and employ our own team of seafarers.*

*IMS employs approximately 700 people globally and with nearly 30 nationalities represented. We manage and operate our activities and service our clients from our offices in Singapore, Oslo, Houston and Sunderland.*

**Address list**

**I.M. Skaugen SE, Oslo**
Visiting address: Karenslyst Allè 8 B, 0278 Oslo, Norway
Post address: P.O. Box 23 Skøyen, 0212 Oslo, Norway
Main Telephone: (47) 23 12 04 00
Fax: (47) 23 12 04 01
E-mail: info@skaugen.com
Website: www.skaugen.com
Reg. of bus. enterprises NO 977 241 774 MVA

**Skaugen Marine Investment Pte. Ltd.**
Visiting address: 78 Shenton Way #17-03,
Singapore 079120
Main Telephone: (65) 6226 6006
Administration fax: (65) 6226 3359
E-mail: adm.mspl@norgascarriers.com

**<u>Gas Activities</u>**

**Norgas Carriers Pte. Ltd.**
78 Shenton Way #17-03
Singapore 079120
Telephone: (65) 6 226 6006
Commercial fax: (65) 6 233 9071
Administration fax: (65) 6 233 9072
E-mail: chartering@norgascarriers.com
Website: www.norgascarriers.com

**Norgas Carriers – US office**
801 Travis Street
Suite 1950
Houston, TX 77002
United States of America
Telephone: (1) 713 266 8000
Fax: (1) 713 266 0309
E-mail: chartering@norgascarriers.com

**<u>Joint ventures</u>**

**SPT Inc.**
801 Travis Street
Suite 1950
Houston, TX 77002
United States of America
Telephone: (1) 713 266 8000
Fax: (1) 713 266 0309
E-mail: enquiries@sptmts.com
Website: www.sptmts.com

**SPT Marine Services Limited**
1 The Cloisters
Sunderland, Tyne and Wear
SR2 7BD, United Kingdom
Telephone: (44) 191 568 1820
Fax: (44) 191 568 1821
E-mail: ops.uk@sptmts.com
Website: www.sptmts.com

**Skaugen OSM Ship Management Pte. Ltd.**
91 Bencoolen Street
#03-01 Sunshine Plaza
Singapore 189652
Tel.: (65) 6593 7940
Fax: (65) 6238 7592