

# I.M. Skaugen SE

## 3Q Result 2014

4 November 2014



**I.M. Skaugen SE**

Innovative Maritime Solutions

[www.skaugen.com](http://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.

<i>USD mill (except per share data)</i>	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

<i>USD'000</i>	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 activities 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
<b>Revenues gas transportation activities</b>	<b>21 523</b>	<b>20 910</b>	<b>28 016</b>	<b>60 364</b>	<b>89 596</b>	<b>110 652</b>
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)
<b>Segment operating profit (EBIT) before restructuring</b>	<b>(1 534)</b>	<b>(2 922)</b>	<b>560</b>	<b>(9 556)</b>	<b>2 255</b>	<b>(1 167)</b>
Gains/losses from restructuring and sale of assets	-	-	908	2 086	29 424	31 783
<b>Segment operating profit (EBIT)</b>	<b>(1 534)</b>	<b>(2 922)</b>	<b>1 468</b>	<b>(7 470)</b>	<b>31 679</b>	<b>30 616</b>
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)
<b>Net result</b>	<b>(4 467)</b>	<b>(6 760)</b>	<b>(3 907)</b>	<b>(17 906)</b>	<b>16 758</b>	<b>18 424</b>

\* 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).*

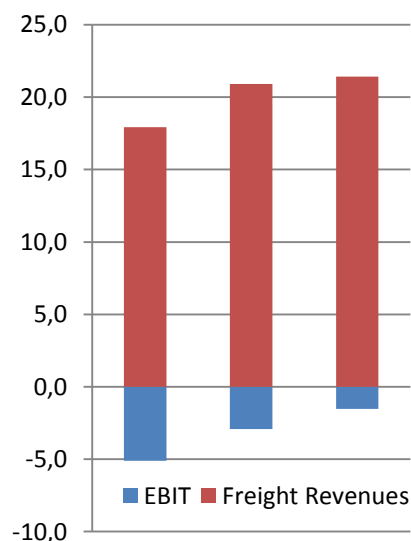


Fig. 1; Norgas 1Q14-3Q14, freight revenues and EBIT (USD mill)

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.

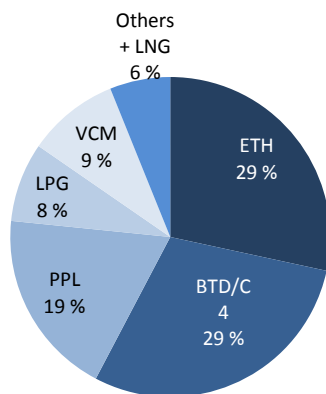


Fig. 2; Mix of cargoes transported YTD2014. ETH=ethylene, BTD=butadiene, PPL=propylene, LPG=liquefied petroleum gas, VCM= vinyl chloride monomer, LNG= liquefied natural gas. Source: Norgas

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 repositioning 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.

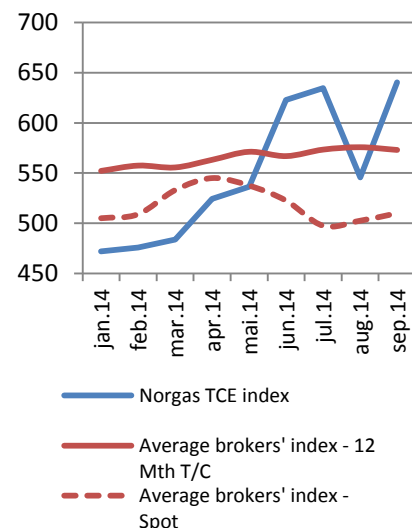


Fig. 3; Norgas TCE index vs spot and time charter index. Source; Norgas, Feargass, Steensland, Clarkson, BRS and Gibson

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 Reliquefaction 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.

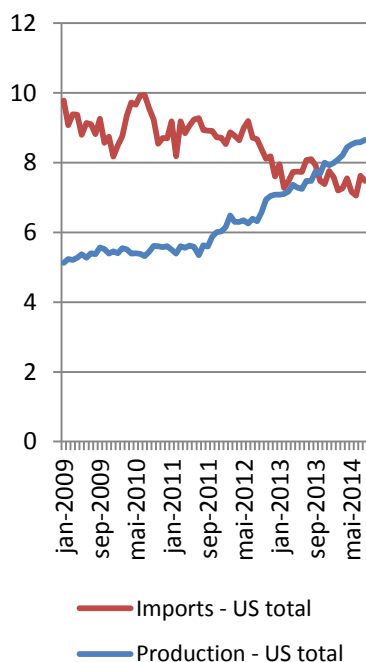


Fig. 4; US Imports and production of crude oil (million barrels per day). Source; EIA

## 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).

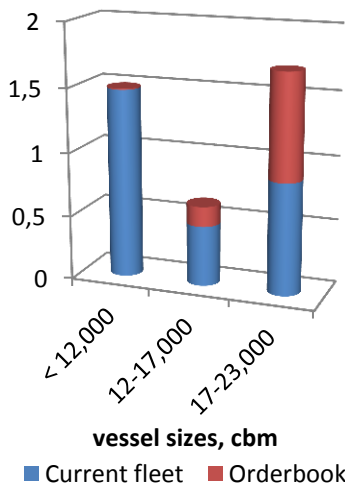


Fig 5; Size of current fleet and order book (million cbm) for different groups of vessel sizes. Source; Clarkson's.

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.

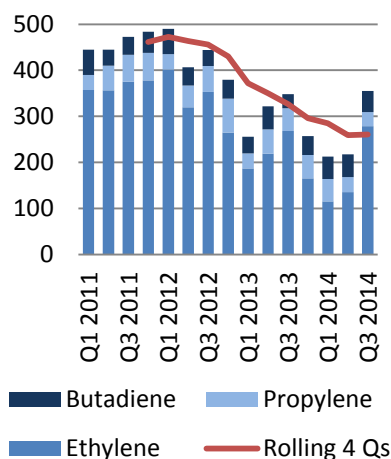


Fig 6; Exports of petrochemicals from the Gulf Region ('000 tons per quarter). Source; Norgas estimates

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

<i>USD'000</i>	2014	2013	2014	2013	2013
<b>Income Statements - Equity method</b>	<b>1.1. - 30.9</b>	<b>1.1. - 30.9</b>	<b>1.7 - 30.9</b>	<b>1.7 - 30.9</b>	<b>1.1. - 31.12</b>
Gross freight revenues	60 015	75 552	21 323	27 064	96 288
<b>Revenues</b>	<b>60 015</b>	<b>75 552</b>	<b>21 323</b>	<b>27 064</b>	<b>96 288</b>
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)
<b>Operating profit</b>	<b>(9 631)</b>	<b>28 298</b>	<b>(2 106)</b>	<b>889</b>	<b>23 609</b>
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
<b>Net result before taxes</b>	<b>(17 906)</b>	<b>16 757</b>	<b>(4 467)</b>	<b>(3 908)</b>	<b>19 106</b>
Taxes	-	-	-	-	(681)
Changes in deferred tax	-	-	-	-	-
<b>Net result for the period</b>	<b>(17 906)</b>	<b>16 757</b>	<b>(4 467)</b>	<b>(3 908)</b>	<b>18 425</b>
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

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

<i>USD'000</i>					
<b>Balance Sheets - Equity method</b>	<b>30.09.2014</b>	<b>30.09.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>31.12.2013</b>
<b>Non-current assets</b>					
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
<b>Total non-current assets</b>	<b>156 246</b>	<b>200 392</b>	<b>155 626</b>	<b>210 011</b>	<b>165 454</b>
<b>Current Assets</b>					
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
<b>Total Current Assets</b>	<b>54 452</b>	<b>68 364</b>	<b>61 035</b>	<b>69 943</b>	<b>97 114</b>
<b>Total Assets</b>	<b>210 698</b>	<b>268 756</b>	<b>216 661</b>	<b>279 954</b>	<b>262 568</b>
<b>Equity</b>					
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
<b>Total Equity</b>	<b>53 518</b>	<b>70 547</b>	<b>57 852</b>	<b>74 455</b>	<b>71 289</b>
<b>Liabilities</b>					
Long term liabilities	72 831	165 837	98 029	173 675	158 980
Current interest bearing 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
<b>Total Liabilities</b>	<b>157 180</b>	<b>198 209</b>	<b>158 809</b>	<b>205 499</b>	<b>191 279</b>
<b>Total Equity and Liabilities</b>	<b>210 698</b>	<b>268 756</b>	<b>216 661</b>	<b>279 954</b>	<b>262 568</b>

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



<i>USD'000</i>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Statement of Cash Flow</b>	<b>1.1. - 30.9</b>	<b>1.1. - 30.9</b>	<b>1.7. - 30.9</b>	<b>1.7. - 30.9</b>	<b>1.1. - 31.12</b>
<b>Cash Flow from Operations:</b>					
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)
<b>Net Cash Flow from Operations</b>	<b>(14 072)</b>	<b>9 387</b>	<b>(1 234)</b>	<b>444</b>	<b>(2 776)</b>
<b>Cash Flow from Investments:</b>					
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
<b>Net Cash Flow from Investments</b>	<b>8 567</b>	<b>50 167</b>	<b>(990)</b>	<b>10 176</b>	<b>105 673</b>
<b>Cash Flow from Financing:</b>					
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)
<b>Net Cash Flow from Financing</b>	<b>(37 911)</b>	<b>(56 167)</b>	<b>(3 601)</b>	<b>(8 861)</b>	<b>(66 169)</b>
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
<b>Cash and cash equivalents end of period</b>	<b>15 948</b>	<b>26 023</b>	<b>15 948</b>	<b>26 023</b>	<b>59 364</b>

## 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

<i>(USD'000)</i>	<i>YTD3Q14</i>	<i>YTD3Q13</i>	<i>FY2013</i>
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
<b>Total interest bearing debt</b>	<b>148 050</b>	<b>182 855</b>	<b>176 694</b>
Cash and cash equivalent	-15 948	-26 023	-59 364
<b>Net interest bearing liabilities</b>	<b>132 102</b>	<b>156 832</b>	<b>117 330</b>

## 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

<i>(USD'000)</i>	<i>YTD3Q14</i>	<i>YTD3Q13</i>	<i>FY2013</i>
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
<b>Net carrying amount end</b>	<b>130 231</b>	<b>144 185</b>	<b>141 142</b>

## 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

<i>(USD'000)</i>	<i>YTD3Q14</i>	<i>YTD3Q13</i>	<i>FY2013</i>
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
<b>Total assets</b>	<b>10 151</b>	<b>12 370</b>	<b>9 284</b>
<b>Total equity closing balance</b>	<b>7 518</b>	<b>4 864</b>	<b>7 006</b>
Non-current liabilities	-	-	-
Current liabilities	2 633	7 506	2 278
<b>Total Liabilities</b>	<b>2 633</b>	<b>7 506</b>	<b>2 278</b>

### Non-strategic Joint Ventures

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

**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 mechanism linked to the actual Time Charter earnings of the vessel.

Oslo, 4<sup>th</sup> November 2014

I.M. Skaugen SE  
Board of Directors

I.M. Skaugen SE

*If you have any questions, please contact:*

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*This press release is also available on the Internet at our website: [www.skaugen.com](http://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

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