



I.M. SKAUGEN SE

Innovative Maritime Solutions

www.skaugen.com

I.M. Skaugen SE
Company presentation
February 2015

Summary

Strategy

- I.M. Skaugen SE has a proud 100 year long history and has worked actively to focus its business structure around its core business of liquefied gas transportation and to enhance its financial position over the last years, including the successful sale of the Company's non-core activities.
- IM Skaugen is now a leaner and a more focused company and have created a platform for the future and a strong competitive position both within its traditional petrochemicals markets and the developing small scale LNG energy markets.

Performance

- The Company's core operating market for short-haul petchem/LPG and LNG transport has been challenging since the financial crisis, and operating results and cash flow has been reflective of this.
- At the same time, IMSK is now seeing encouraging signs of improvement:
 - ✓ Engaged in concrete and advanced discussions regarding long term TC-contracts for LNG freight for its LNG capable vessels where the unique fleet of LNG capable Multigas vessels can be made available for long term LNG trade on short notice.
 - ✓ Earnings from petchem vessel operations improved notably through 2014 and the positive trend is expected to continue in 2015 on the back of a number of positive factors derived from the US shale oil and gas boom

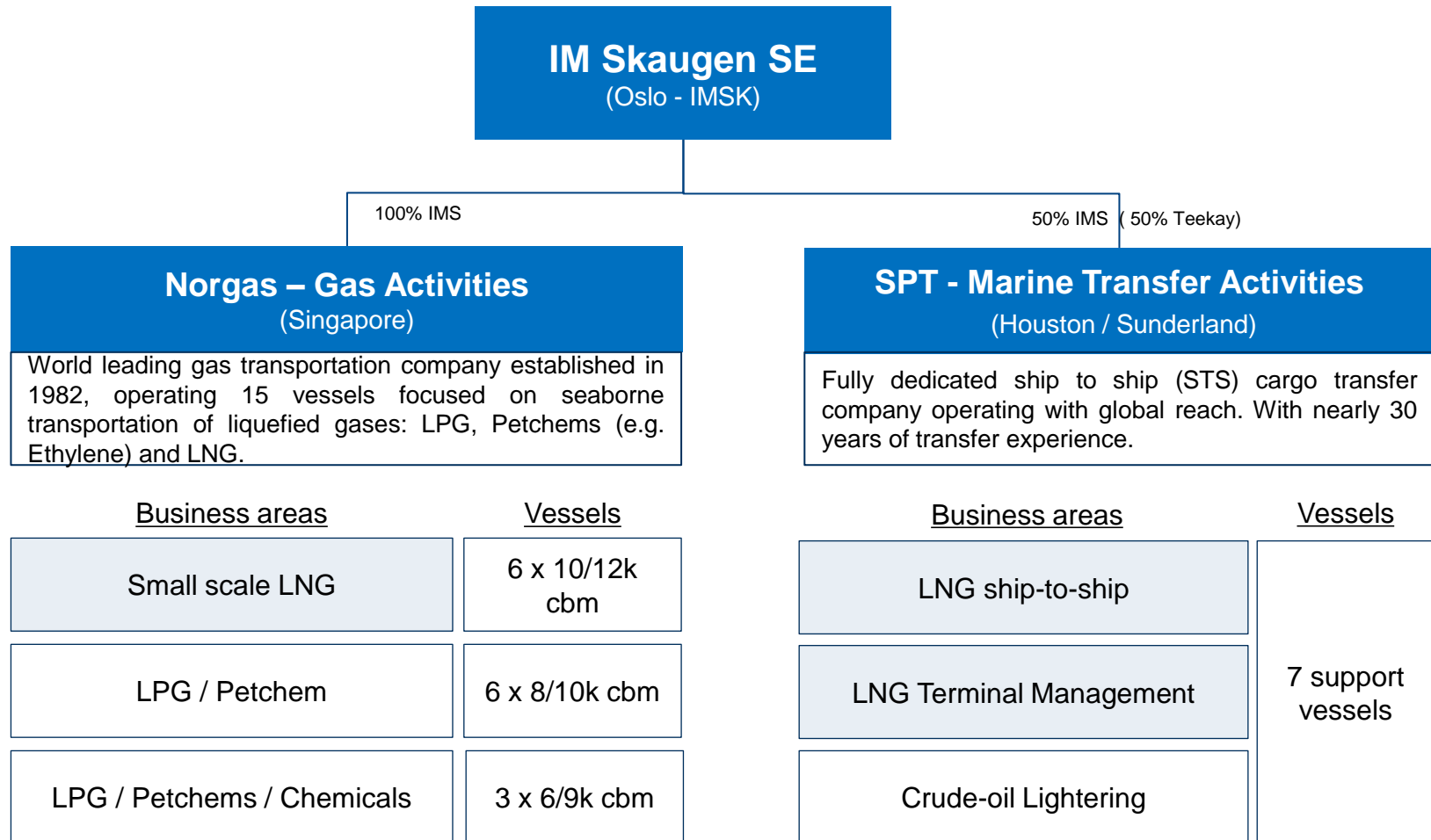
Financials

- The proposed transaction regarding IMSK 12 is aimed at ensuring sufficient working capital for the company to execute on its strategy and by this to visualize and create values for all stakeholders in the Company.
- If the bondholders approve the refinance of IMSK 12 we have no major debt repayment in 2015 nor any major capex approved.



Business structure aligned with core business

Liquefied gas transportation and handling



Agenda

Company overview

Financials



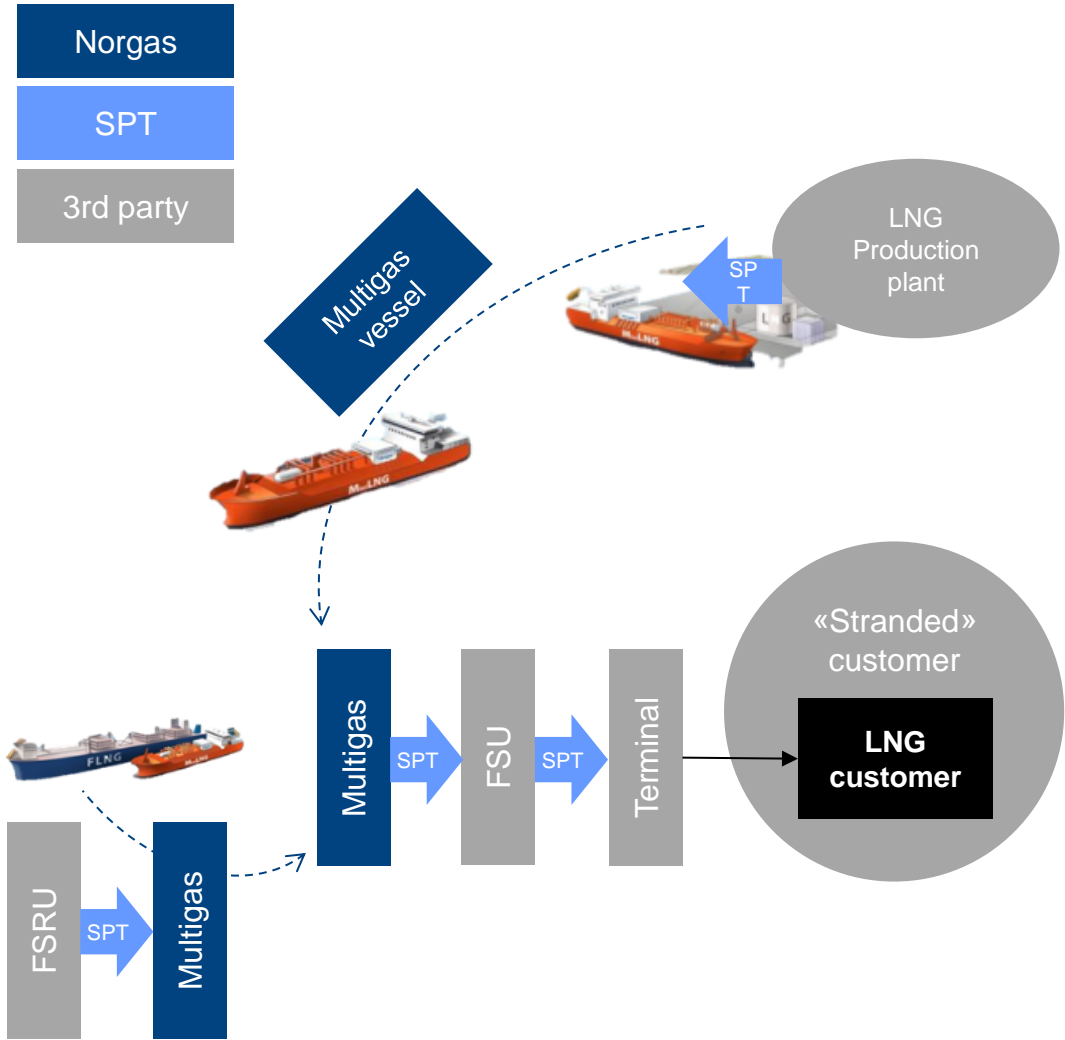
Aim to become the “go-to” specialists for regional LNG distribution

Offering a unique value proposition combining the Norgas LNG capable vessels with the competence of the Group’s SPT company

Company’s key focus areas and opportunities

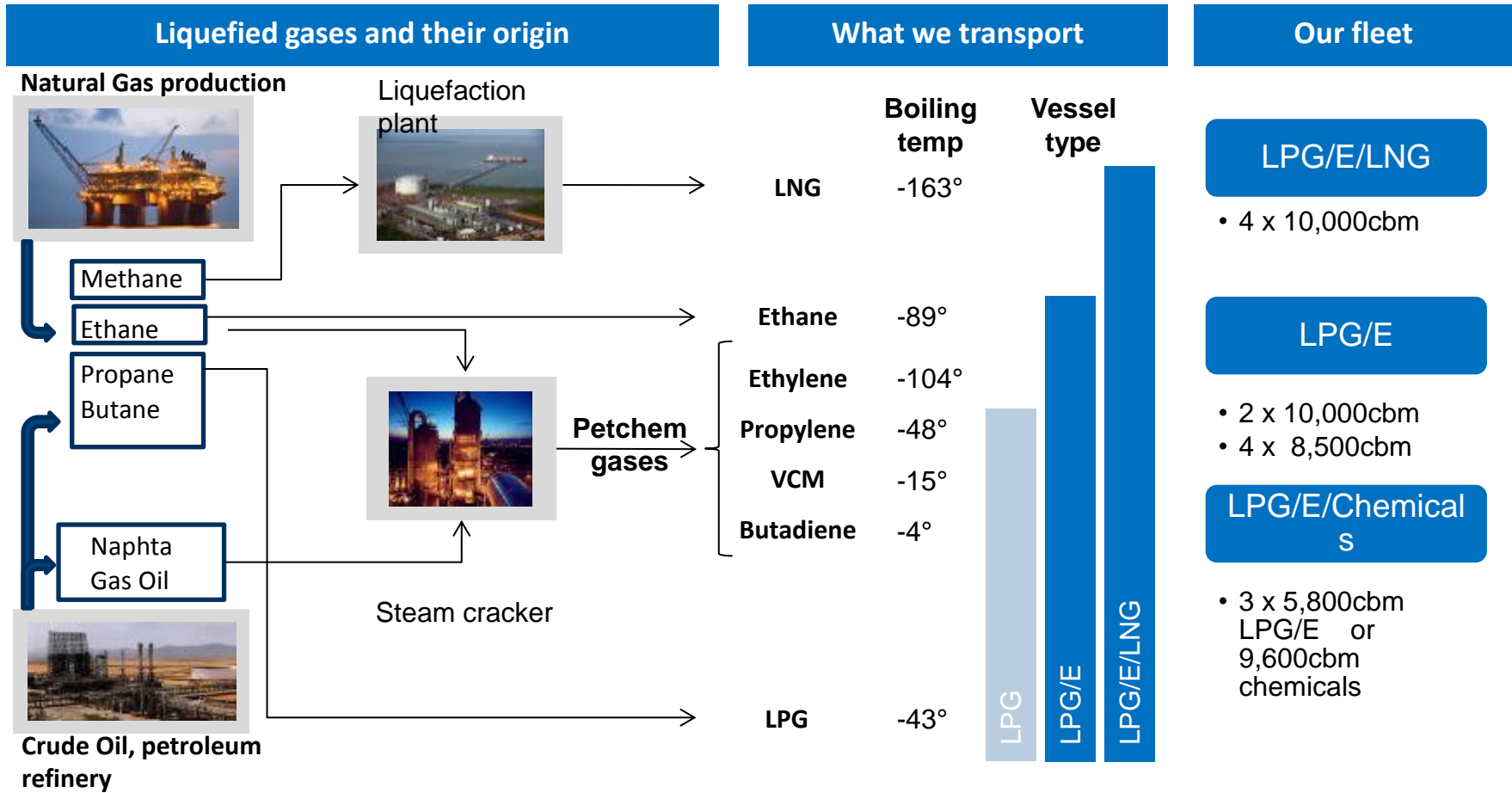
- The IMS group is in the process of migrating its business towards the energy markets with a focus on new business areas like **Small Scale LNG (“SSLNG”)** in particular.
- Goal is to become a leading and "go-to" specialist for regional LNG logistics solutions within the next few years.
- IMS offers value creating proposals for selected clients to deliver natural gas in the form of LNG – replacing diesel / and/or naphtha for power generation and industrial use.
 - Fuel subsidies on diesel are gradually being removed and there is a price gap between natural gas and diesel that gives good economic incentive to convert to gas.
 - Contrary to the past; the LNG is now available in ample supply and a logistic chain can thus be established for these clients.
- **IMS is dialog with several parties for the long term commitment and chartering of both 100% owned LNG vessels and its other LNG capable ships under control.**
 - Prospective contracts will be attractive compared to employment in the petrochemical trade of the Norgas Pool, both in terms of rates and contract duration.

Example of IMS in the Small Scale LNG value chain



Our modern fleet of 15 advanced gas carriers

Transporting the full range of liquefied gases including LNG



“Superior capabilities to efficiently change between products transported, creating new opportunities”



Small scale LNG market

A growing market and with a proven premium time charter equivalent rate over petrochemicals

The small scale LNG market is growing

Existing market, proven technologies



Developed in Scandinavia last 15 years. China and South East Asia fastest growing markets.

Oil majors now on the scene



Oil & Gas majors officially going for SSLNG; Shell, GdF Suez and Gazprom.

Terminals being developed



Conventional terminals developing new business from re-loading to ships. Smaller import terminals for re-distribution are being built.

Switch to gas driven by economics and emission legislation



“Stranded” power plants converted from oil/diesel to gas (Indonesia, India, Central America and Malta). LNG as fuel for shipping growing from 0.1 to 5 million tons per year by 2020 due to ECA zones.

IMS 6 x Multigas

- Largest SSLNG tonnage provider and only one **with available ships**.
- **Premium achieved** on 2 X charters (USD1m TCE per month on a 10k cbm Multigas vessel).
- **Achievable** due to SSLNG value chain economics driven by the favorable cost difference between LNG and alternative fuels (i.e. diesel and naphtha).

IMS focus areas for Small Scale LNG

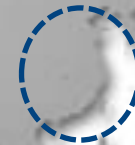
- *ECA zone as of 1 Jan 2015*
- *Import terminals ready for re-loads*
- *Additional smaller re-distribution terminals being built*

NWE



- *Growing energy demand and push for lower emissions*
- *Regional imbalances for LNG supply*
- *Infrastructure for LNG in place and growing*

China



India



Indonesia

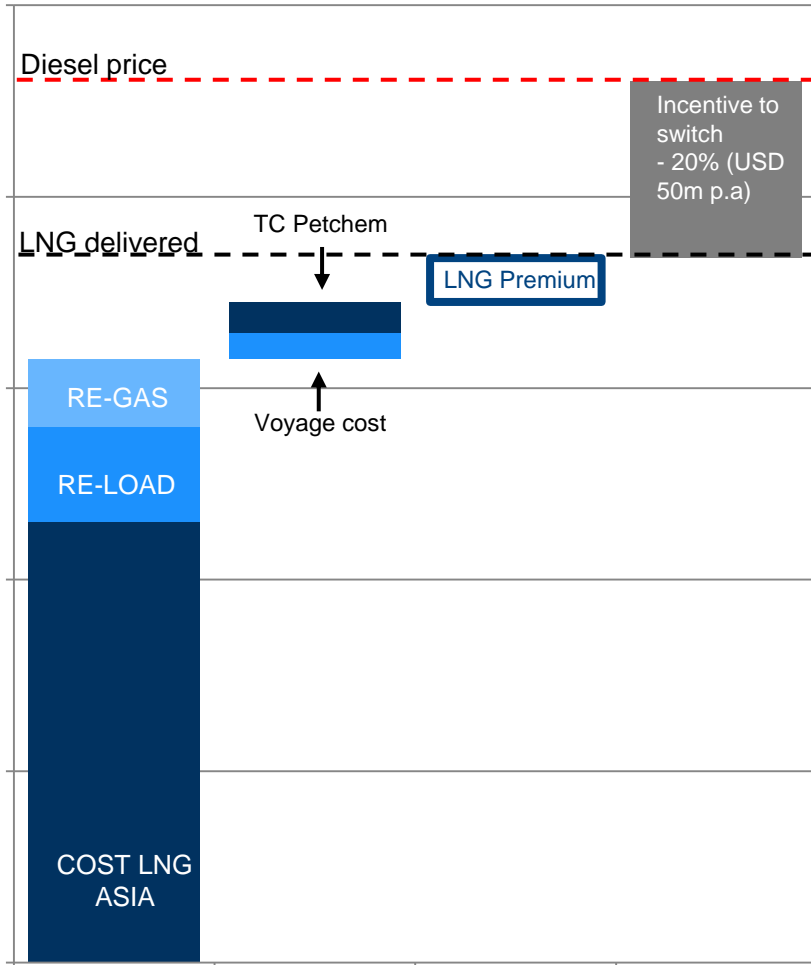


- *Growing energy demand and lowering of fuel subsidies*
- *Lack of pipeline infrastructure*
- *Import terminals ready for re-loads*

Example of potential in Asia

The potential for a LNG premium is real and achievable – A 250 MW power plant switching from diesel to gas (LNG)

Value chain economics in Asia



IMS offering

- IMS offers an integrated logistics solution commanding a premium:
 - Ships available when needed and capacity easily adjusted to client's demand – up or down, using our pool of LNG vessels.
 - Develop, design and operate all interfaces (loading/discharge) as well as LNG terminals
 - Long experience of ship to ship transfer of LNG, enlarging the pool of potential LNG sources beyond conventional terminals – ready for LNG bunkering as next step

US shale development impacting our line of business

Already have and will provide more opportunities in the future

Surplus of all gasses

- **Surplus of LPG**

- Fast growing export requiring more and more gas carriers – also smaller tonnage
- Growth in new PDH plants (propylene directly from LPG) both in the US and Asia – increased trade in propylene

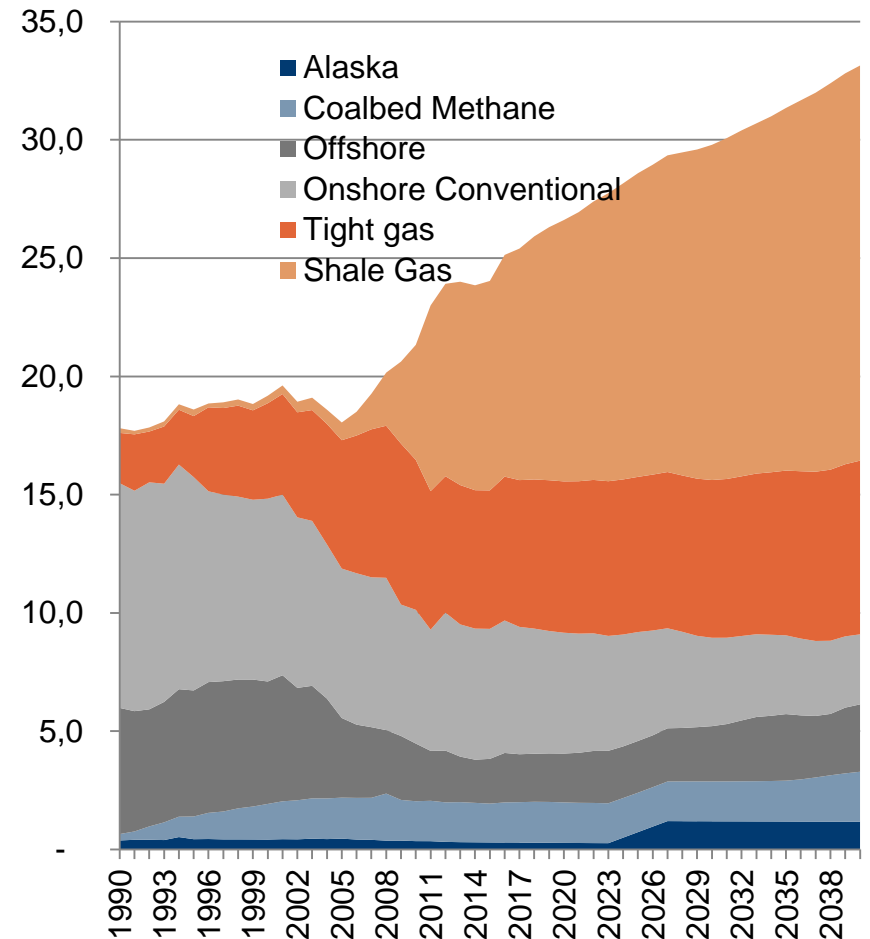
- **Surplus of ethane**

- Driving investment in new ethylene plant capacity and export of ethylene
- Which leads to structural shortage of butadiene – to be imported
- Regional exports of ethane as feed stock or as fuel for power plants

- **Surplus of natural gas**

- Provides source for future export of LNG regionally

US natural gas production by source (tcf)

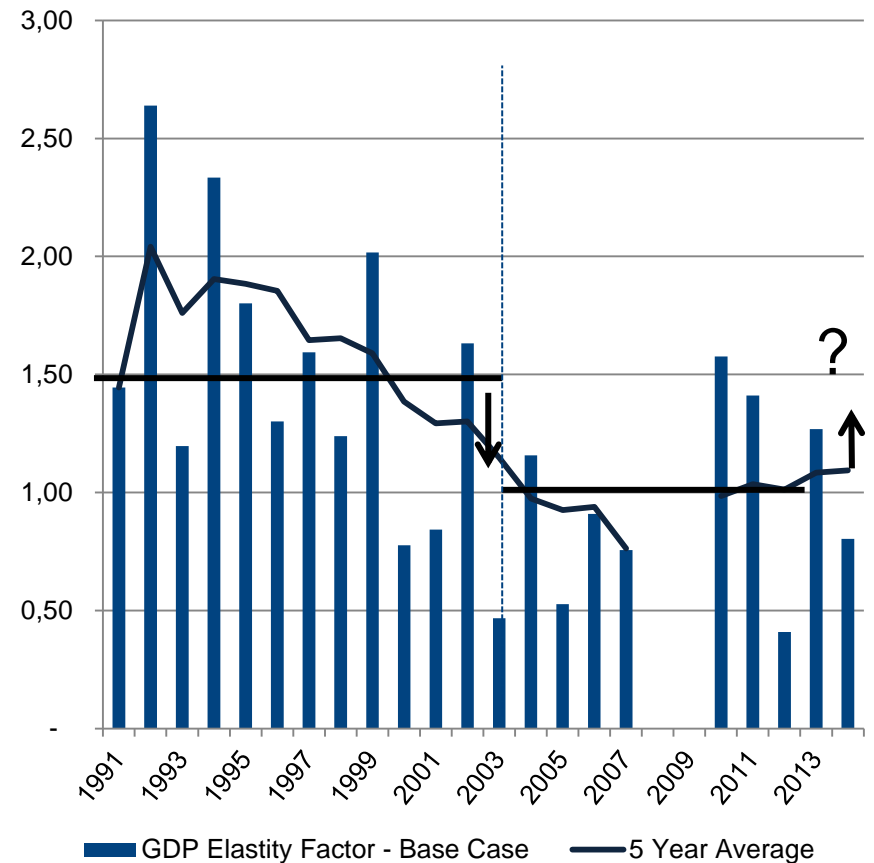
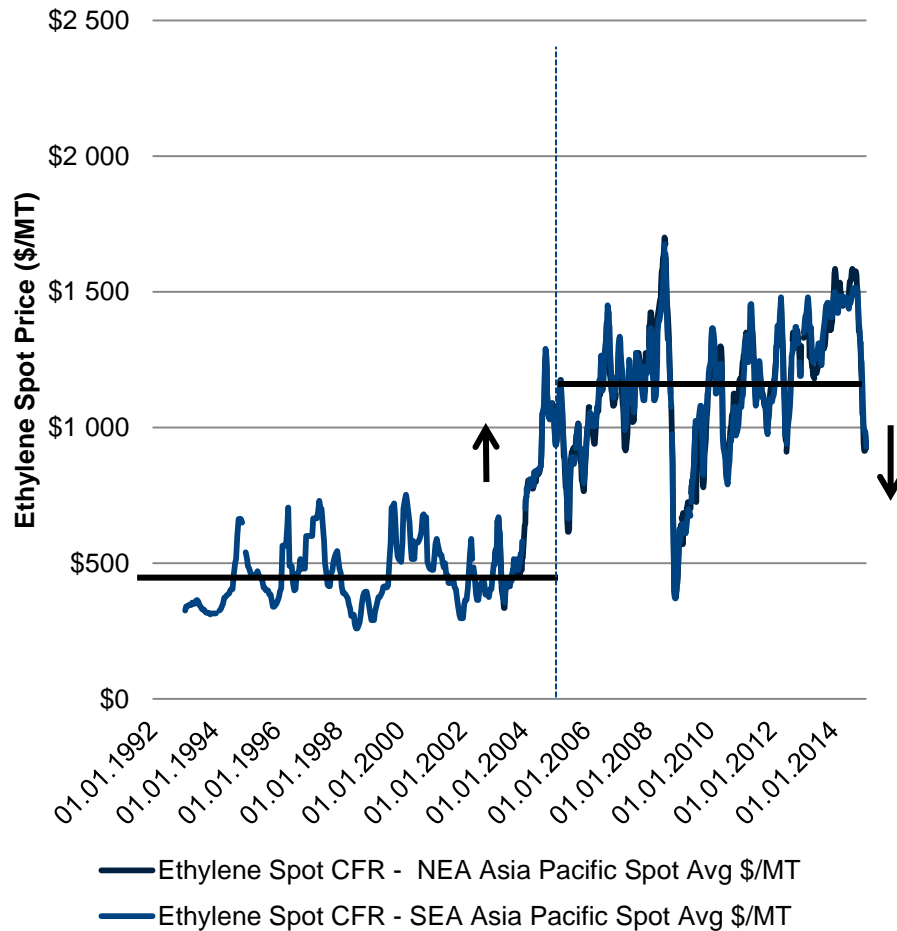


Lower oil price should be positive for petchem demand

Leading to higher trade volumes for IMS vessels

Demand destruction due to 2x higher prices

Ratio of World GDP growth to World Ethylene demand growth



No competition from newbuilds within core segments

Limited orderbook for smaller ethylene carriers and small scale LNG

Comments

- The current order book for the entire ethylene fleet is at ~50%, but the vast majority of this is related to the larger vessel types, over 12,000 cbm. We expect the majority of these vessels to transport LPG initially (like the Navigator Gas vessels) rather than to compete in the ethylene trades
- IMSK's fleet is focused towards the smaller vessel types, mainly 5,000-10,000 cbm, which is a segment with no new vessels on order
- IMSK is the predominant player within small-scale LNG, with its fleet of 6 vessels in the 10,000-12,000 cbm segment. There are currently no vessels on order within this segment

Fleet and orderbook global ethylene capable fleet

Ethylene Fleet & orderbook	Sailing			Orderbook			
	No.	Cbm	Avg. built	No.	Cbm	OB %	Built
>20,000 cbm	7	152 465	2004	20	485 060	318%	2016
15-20,000 cbm	10	169 700	2008	4	68 000	40%	2016
~12,000 cbm	12	145 068	2007	11	132 000	91%	2015
~10,000 cbm	11	113 652	1998	0	0	0%	
8-10,000 cbm	43	368 439	2005	0	0	0%	
5-7,000 cbm	38	244 217	2005	0	0	0%	
Below 5k	33	107 674	1992	0	0	0%	
TOTAL	154	1 301 215	2002	35	685 060	53%	2016

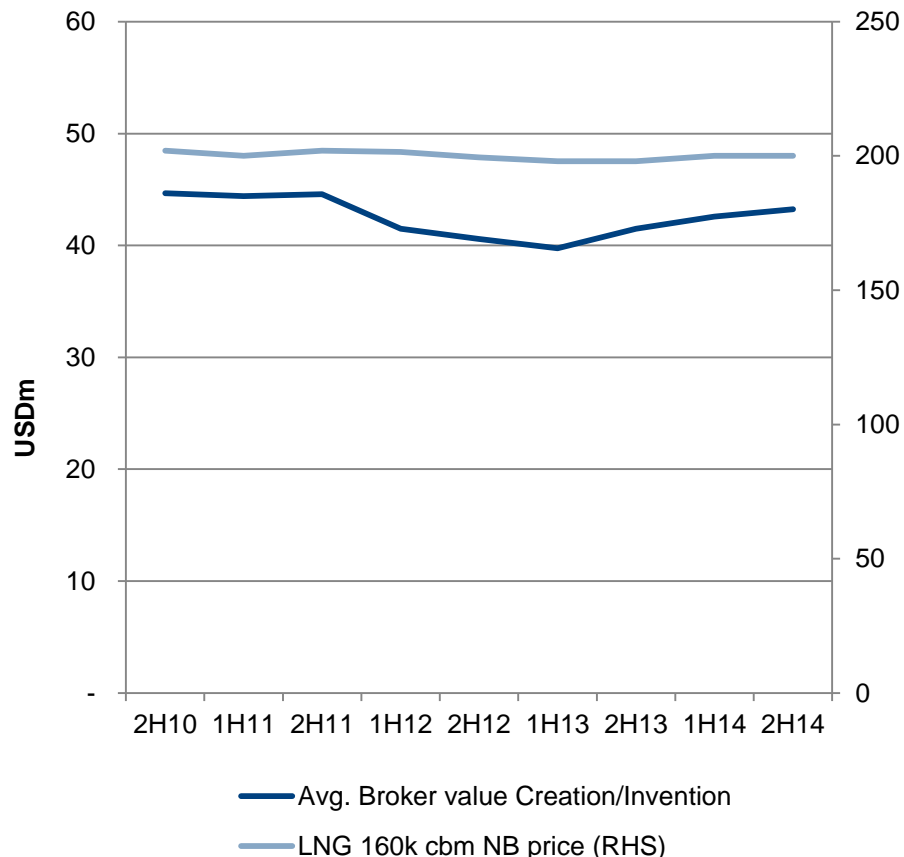
Fleet and orderbook global LNG fleet

LNG Fleet & orderbook	Sailing			Orderbook			
	No.	Cbm	Avg. built	No.	Cbm	OB %	Built
>100,000 cbm	169	29 391k	2010	129	21 719k	74%	2016
20-100,000 cbm	1	75 558	2008	14	416 000	551%	2016
14-20,000 cbm	1	15 600	2012	1	14 000	90%	2015
~12,000 cbm	2	24 022	2011	0	0	0%	
~10,000 cbm	4	40 120	2011	0	0	0%	
5-8,000 cbm	2	14 000	2011	2	11 600	83%	2017
Below 5k	5	11 336	2003	1	2 200	19%	2016
TOTAL	184	29 572k	2004	147	22 163k	75%	2016

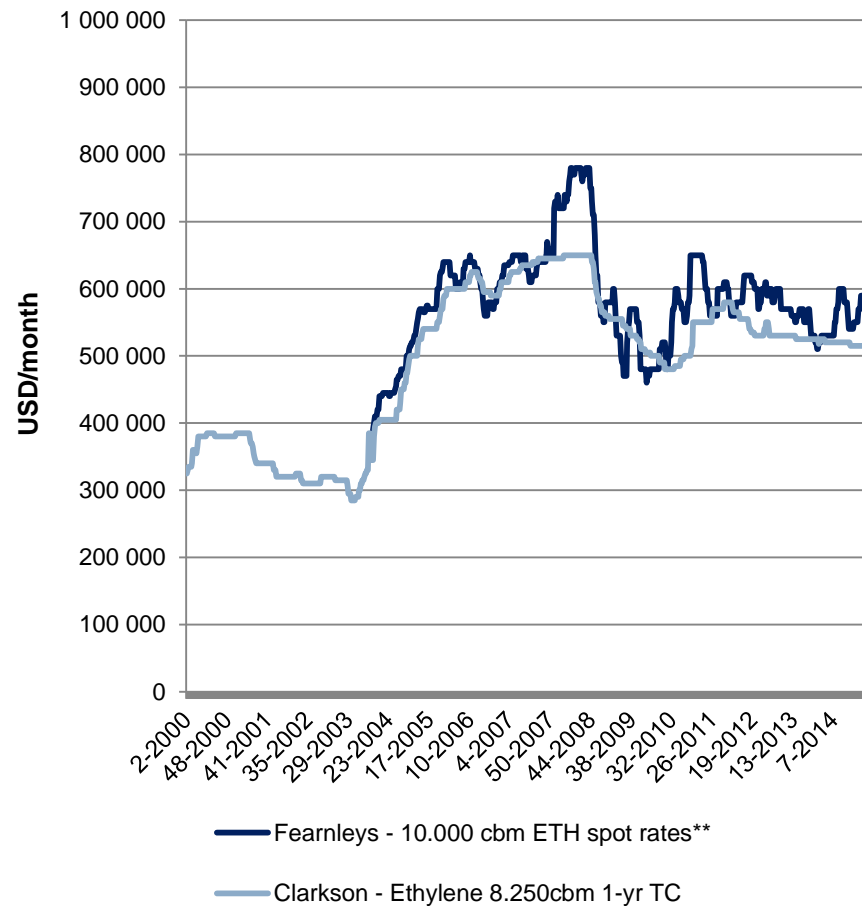
Stable ship values and freight rates

Ship values more stable than earnings and linked to NB parity. Historical petchem freight rates show low volatility

Historical ship values (IMSK assets and LNG ships)



Ethylene freight rates



** Reflects average spot market, Petchems and LPG (segment 8,200/12,500 cbm)

The Norgas Fleet – young and versatile

Norgas Fleet

No.	Vessel	CBM	Built	Age	DWT	LOA	Beam	No.of tanks	Vessel type	Press Bar (Max)	Temp (Min)	Flag	Country of build	CS	Owner	Charterer
1	Norgas Unikum	12,000	2011	3	12,570	152.3	19.8	2	SR/E/LNG	5.2	-163	Singapore	China	GL	Teekay	IMS
2	Bahrain Vision	12,000	2011	3	12,570	152.3	19.8	2	SR/E/LNG	5.2	-163	Singapore	China	GL	Teekay	IMS
3	Norgas Invention	10,000	2011	3	10,609	137.1	19.8	2	SR/E/LNG	5.2	-163	Singapore	China	GL	IMS	
4	Norgas Conception	10,000	2011	3	10,609	137.1	19.8	2	SR/E/LNG	5.2	-163	Singapore	China	GL	GATX	
5	Norgas Camilla	5,820	2011	3	10,200	109.5	21	4	SR/E/CHEM	3	-104	Singapore	China	GL	Teekay	IMS
6	Norgas Innovation	10,000	2010	4	10,609	137.1	19.8	2	SR/E/LNG	5.2	-163	Singapore	China	GL	GATX	
7	Norgas Creation	10,000	2010	4	10,609	137.1	19.8	2	SR/E/LNG	5.2	-163	Singapore	China	GL	IMS	
8	Norgas Pan	5,820	2009	5	10,200	109.5	21	4	SR/E/CHEM	3	-104	Singapore	China	GL	Teekay	IMS
9	Norgas Cathinka	5,820	2009	5	10,200	109.5	21	4	SR/E/CHEM	3	-104	Singapore	China	GL	Teekay	IMS
10	Norgas Shasta	10,098	2003	11	10,770	137.1	19.8	2	SR/E	7	-104	Singapore	China	GL	GATX	
11	Norgas Napa	10,098	2003	11	10,770	137.1	19.8	2	SR/E	7	-104	Singapore	China	GL	Teekay	IMS
12	Norgas Alameda	8,461	2003	11	9,260	124.9	19.8	2	SR/E	7	-104	Singapore	China	GL	GATX	
13	Norgas Petaluma	8,461	2003	11	9,260	124.9	19.8	2	SR/E	7	-104	Singapore	China	GL	GasMar	IMS
14	Norgas Sonoma	8,461	2003	11	9,260	124.8	19.8	2	SR/E	7	-104	Singapore	China	GL	SGPC	
15	Norgas Orinda	8,461	2002	12	9,260	124.9	19.8	2	SR/E	7	-104	Singapore	China	GL	GATX	

- *Vessel type: SR = Semi Ref, E = Ethylene, LNG, CHEM = Chemicals*
- *In addition to the gas tank, there are 7 coated tanks for chemical carriage on the Wintergas vessels Norgas Pan, Norgas Cathinka and Norgas Camilla. Total chemical tank capacity of 3,870 cbm*

Agenda

Company overview

Financials



IMS in the Norwegian bond market

The Company has always honored its debt obligations and never defaulted on any interest or principal payments.

Comments

- IMS has been active in the Norwegian bond market since 2001.
- The Company has always honored its debt obligations and never defaulted on any interest or principal payments.
- During the last five years bond debt has been reduced from USD 178m to USD 82m.

IMS historical bonds

Year	Name	Ticker	Int.	Mat.	Call	Curr.	Amount
2012	I.M. Skaugen SE 12/17 FRN C	IMSK13	FRN	Apr-17		NOK	256 000 000
2012	I.M. Skaugen SE 12/15 FRN	IMSK12	FRN	Feb-15		NOK	209 000 000
2011	I.M. Skaugen SE 11/13 FRN		FRN	Mar-13	Called	NOK	Repaid
2011	I.M. Skaugen SE 11/13 FRN	IMSK10	FRN	Mar-13		NOK	Repaid
2010	I.M. Skaugen SE 10/12 FRN	IMSK09 PRO	FRN	Sep-12		NOK	Repaid
2009	I.M. Skaugen SE 09/11 FRN	IMSK08 PRO	FRN	Jul-11		NOK	Repaid
2009	I.M. Skaugen SE 09/10 FRN	IMSK06 PRO	FRN	Apr-10	Called	NOK	Repaid
2009	I.M. Skaugen SE 09/10 FRN USD	IMSK07 PRO	FRN	Apr-10	Called	USD	Repaid
2008	I.M. Skaugen SE 08/11 10,50% C	IMSK05 PRO	Fixed	Sep-11		NOK	Repaid
2007	I.M. Skaugen SE 07/12 FRN C	IMSK04	FRN	Jun-12		NOK	Repaid
2006	I.M. Skaugen ASA 06/09 FRN Call	IMSK03	FRN	Jun-09		USD	Repaid
2005	I.M. Skaugen SE 05/10 FRN USD C	IMSK02	FRN	Dec-10		USD	Repaid
2004	I.M. Skaugen ASA 04/09 FRN	IMSK01	FRN	Jun-09	Called	NOK	Repaid
2001	I.M. Skaugen SE 01/08 11% SUB CONV		Fixed	May-08	Called	NOK	Repaid

Company debt overview

Debt overview

	Annual Coupon	4q14	1q15	Semi-Ann. Amort.	Security	Maturity
Bond Loans						
IMSK12	N + 825bps	27.5	-	-	Sen. Unsec.	27.02.2015
IMSK13	N + 900bps	33.7	33.7	-	Sen. Unsec.	11.04.2017
Derivatives	-	17.9	-	-	Sen. Unsec.	27.02.2015
Amended IMSK12	N + 825bps	-	[19.6]	-	Sen. Unsec.	30.06.2016
Bank Loans						
Bank Facility	L + 325bps	43.2	41.2	2.0	1st Lien	1Q'2017
Sec. derivatives	-	-	17.9	-	2nd Lien	30.06.2016
Total		122	112			

* All calculations assuming USD/NOK rate of 7,60

Amended maturity profile

