



# I.M. Skaugen SE

## 1H Result 2014

20 August 2014



**I.M. Skaugen SE**  
Innovative Maritime Solutions  
[www.skaugen.com](http://www.skaugen.com)

# I.M. Skaugen SE – 1H Report 2014

I.M. Skaugen SE' (IMSK) core business is liquefied gas transportation. The 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 1H 2014 of **USD 63.7 mill** of which **USD 38.8 mill** was IMS' share on a proportional consolidated basis reflecting IMS' share.

<i>USD mill (except per share data)</i>	2Q	1Q	4Q	1H		FY
1H14 Highlights	2014	2014	2013	2014	2013	2013
EBITDA	(2.3)	(4.3)	(2.1)	(6.6)	6.0	5.9
EBIT	(3.8)	(3.7)	(4.7)	(7.5)	29.0	23.6
Financial items, investments, associates and tax	(3.0)	(3.0)	7.0	(5.9)	(8.3)	(4.5)
Net result	(6.8)	(6.7)	1.7	(13.4)	20.7	18.4
Total assets	216.7	256.0	262.6	216.7	280.0	262.6
Net debt	97.7	90.9	94.2	97.7	135.6	94.2
Net interest bearing debt	121.3	111.6	110.7	121.3	160.7	110.7
Net interest bearing debt (incl. derivatives)	127.1	116.2	117.3	127.1	168.4	117.3
Interest rate coverage ratio **	(0.8)	(1.3)	(0.6)	(1.1)	1.0	0.2
Total liquidity	21.8	61.9	59.4	21.8	19.9	59.4
Equity ratio *	26.7%	25.2%	27.1%	26.7%	26.6%	27.2%
Book equity	57.9	64.6	71.3	57.9	74.5	71.3
Book equity per share - USD	2.14	2.39	2.63	2.14	2.75	2.63
EPS	(0.25)	(0.25)	0.06	(0.50)	0.77	0.68

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

<i>USD'000</i>	2Q	1Q	4Q	1H		FY
Segment reporting	2014	2014	2013	2014	2013	2013
Gross Revenue gas transportation activities managed by IMS	<b>34 108</b>	29 627	35 904	<b>63 735</b>	90 955	172 042
EBITDA gas transportation activities managed by IMS	<b>514</b>	(2 005)	(2 572)	<b>(1 491)</b>	15 838	21 451
Gross Freight Revenue-Gas Transportation Activity	<b>20 910</b>	17 931	21 056	<b>38 841</b>	61 580	110 652
<b>Revenues gas transportation activities</b>	<b>20 910</b>	<b>17 931</b>	<b>21 056</b>	<b>38 841</b>	<b>61 580</b>	<b>110 652</b>
Voyage related expenses	<b>(8 326)</b>	(7 103)	(7 700)	<b>(15 429)</b>	(20 598)	(37 939)
Other operating cost and charter hire	<b>(14 013)</b>	(14 433)	(14 811)	<b>(28 446)</b>	(33 785)	(64 306)
Depreciation and amortization	<b>(1 493)</b>	(1 495)	(1 967)	<b>(2 988)</b>	(5 502)	(9 574)
<b>Segment operating profit (EBIT) before restructuring</b>	<b>(2 922)</b>	<b>(5 100)</b>	<b>(3 422)</b>	<b>(8 022)</b>	<b>1 695</b>	<b>(1 167)</b>
Gains/losses from restructuring and sale of assets	-	2 086	2 359	<b>2 086</b>	28 516	31 783
<b>Segment operating profit (EBIT)</b>	<b>(2 922)</b>	<b>(3 014)</b>	<b>(1 063)</b>	<b>(5 936)</b>	<b>30 211</b>	<b>30 616</b>
Unallocated	<b>(891)</b>	(698)	(639)	<b>(1 589)</b>	(1 227)	(2 493)
Depreciation	-	-	(212)	-	-	(212)
Share of investments of non-strategic joint ventures/associates *	<b>612</b>	(495)	6 647	<b>117</b>	(1 454)	4 896
Net financial items **	<b>(2 962)</b>	(3 197)	(4 187)	<b>(6 159)</b>	(7 109)	(13 846)
Exchanges gain/(losses)	<b>(597)</b>	725	1 801	<b>128</b>	244	144
Other	-	-	(681)	-	-	(681)
<b>Net result</b>	<b>(6 760)</b>	<b>(6 679)</b>	<b>1 666</b>	<b>(13 439)</b>	<b>20 665</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 1H14 of USD 13.4 mill, compared to a positive USD 20.7 mill for 1H13. The 2Q14 result was negative USD 6.8 mill, compared to a negative USD 6.7 mill in 1Q14.

During 2Q14 the EBIT for the Norgas segment improved with USD 2.2 mill from a negative USD 5.1 mill in 1Q14 to a negative of USD 2.9 mill in 2Q14 (negative USD 3.4 mill in 4Q13).

**PERFORMANCE IN 1H14**

During the first six month we have seen the trading performance for our liquefied gas carriers in **Norgas Carriers** improving quarter on quarter. As a result the Norgas EBIT improved by USD 2.2 mill from 1Q14 to 2Q14. The EBIT result for the segment was negative USD 2.9 mill in 2Q14 vs negative USD 5.1 mill in 1Q14. We do at present expect to see some further improved trading conditions for our fleet in 2H14 vs 1H14. Improvements come from gradually lowering the number of non-revenue paying days for the fleet due to better scheduling and an improved cargo mix.



Our decision in 4Q13 not to renew a core contract of afreightment (COA) with a client for loading in the Gulf region from January 1<sup>st</sup>, combined with the prevailing US/EU sanctions against Iran, have reduced the available cargo in the GCC part of the Middle East region for our ships. This required a massive redeployment of our ships to find other better paying markets to avoid being dependent on loading in the Gulf region. By moving ships from “East of Suez” to “West of Suez” and to the Atlantic region in 1H14, we have now developed additional new business during 2Q14 and managed to lower the number of non-revenue paying days for our fleet. We currently can see an underlying improvement of the Norgas segment EBIT (excl. of gain on assets) in its trading operations since a low in 4Q13,

which was when we decided to start the repositioning exercise. This is the third quarter where we see a gradual improvement and we expect this trend to continue in 2H14.

Comparing the Group result for 1H14 with 1H13 there are a few underlying factors for the lower result. We now operate a smaller owned/controlled fleet (9 vs 14 vessels) and the average earnings for the fleet are about 20% lower in 1H14 vs 1H13. We also enjoyed a one-time gain in 1H13 due to restructuring of our composition of the fleet in 1H13. The further improvement achieved in SPT and the positive effects of repurchasing bonds have not been enough to off-set these factors. Even though we have re-purchased USD 17 mill of outstanding bonds we have generated a negative cash-flow from operations and this has caused an increase in net debt. Further savings on IMS Group overhead costs and lower interest cost, were negatively off-set by a one-off foreign exchange loss incurred while awaiting the repatriation of the net proceeds from the sale of Shenghui (RMB weakened vs USD), increased legal cost relating to the disputes with MAN Diesel & Turbo SE (MAN) and the recovery of funds embezzled in China in 2010 in regards to delivery of a ship.



Due to the change in the trade pattern of the commodities we transport, and as a result of being

more in the spot market and less reliant on long haul ethylene export from the Gulf region, our portfolio in terms of product type that our vessels transport has changed substantially (see fig. 1).

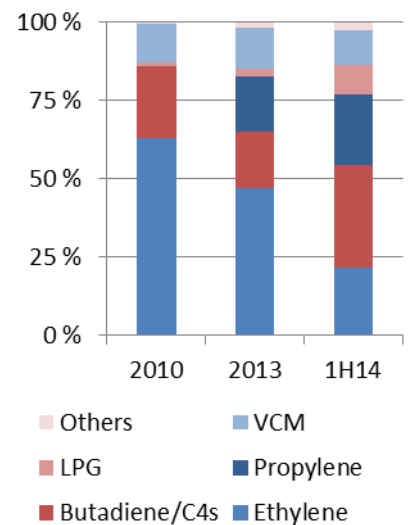


Fig. 1 Mix of cargoes transported. Source; Internal

Ethylene currently only makes up about 20% of total volumes transported vs 50-60% in previous years (see fig. 2). We have thus gone from mainly an ethylene transporter with occasional other products to being more balanced between ethylene, butadiene, propylene, VCM as well as LPG. In the near future we expect to supplement this cargo combination with LNG. With our advanced fleet of state of the art gas carries that can handle change of products transported effectively we can be an attractive transport provider in a market with increasing geographical imbalances.

Ethylene export out of the Gulf region (GCC and Iran) as well as the global ethylene trade remained subdued on a lower volume basis, but we saw a sharp increase in demand measured in “ton/miles” in



2Q14 due to arbitrage trade from Europe to Asia. The current levels of GCC exports stands only at about only 40% of recent historical levels of such exports and by adding to this the, for now, missing Iran exports (that used to be about 40% of global volumes for long haul trade), we note a level change during the last several years from the full Gulf region of about 1.4 million tons per year to 0.45 million tons per year now being exported. Going forward we do not expect the Gulf region's ethylene export to continue to decline in volume, but to recover some during 2H14 and especially when the EU/US sanctions on Iran will be cleared.

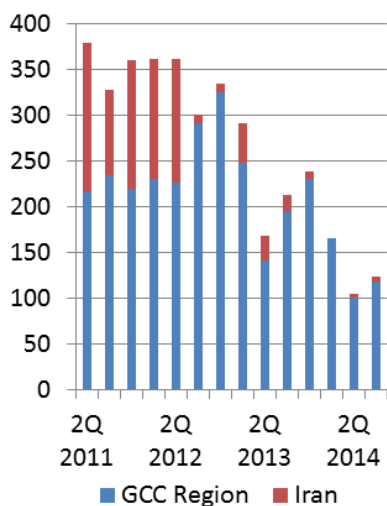


Fig 2. Quarterly export of ethylene from the Gulf region ('000 tons). Source; Internal tracking.

Shortage of supply for butadiene in the US drove local prices up and thus stimulated arbitrage trade from both Europe and Asia. Much of the tightness came from planned and un-planned production plant outages in the US. The US should remain structurally short on butadiene due to the increasing use of ethane as feed-stock which yields no butadiene and there should thus remain an underlying need for imports.

As a direct consequence of the shale oil and gas boom in the US there has been a sharp increase in LPG exports of mainly propane. This has now also led to a marked increase in the employment of the

short haul and smaller sized fleet of semi refrigerated vessels (in size range from 8-23,000 cbm) for short haul destinations for propane and butane. We gained a number of such LPG fixtures during 2Q14 which allowed our scheduling to improve by combining it with the trade of increased import of butadiene to the US. We expect the growing export of propane out of the US to continue and more so to the many short haul destinations.



Even though the many new orders for vessels, and much larger sized, LPG tonnage coming to the markets towards the end of next year, we expect most of it will be absorbed by the need for exporting LPG in line with the growth in shale gas production. As LPG sellers need to adjust their selling price of the product to develop new markets we see a growing market for smaller parcels fitting the size of ships in our fleet. With the current order book for new vessels of the size 12,000 cbm and smaller being quite low we can see positive signs for this segment of the market going forward.

We also experienced improved trading results from the SPT teams in 2Q14 vs 1Q14 and the company moved its 1H14 results into positive territory due to the 2Q14 performance. This is very encouraging and bodes well for the future as it is from SPT's new business activities outside SPT's former core business which was US Gulf ship to ship transfers of crude oil.

For SPT, the business' portfolio of LNG related terminal services and advisory contracts has continued to build upon its customer base during 2Q14. During this quarter the SPT team secured a number

of significant such contracts. Two relate to the provision of marine transfer contingency equipment for existing shore based LNG terminals along with design and engineering packages. The SPT team will also be providing various design and engineering elements, with the possibility for a much greater scope of services to be provided, for a planned shore based regasification facility that will be supplied by a floating storage vessel. Additional longer term contracts related to terminal management and LNG "ship to ship" transfers are actively under discussion.

The SPT group of companies US Gulf based crude oil lightering business, continues to contract as US domestic production continues to grow and imports are reduced. This is reflected in recently announced reports that US crude imports have fallen to approximately 7.3 million barrels per day. The crude oil imports to the US Gulf have declined with about 50% over the last years (see fig. 3).

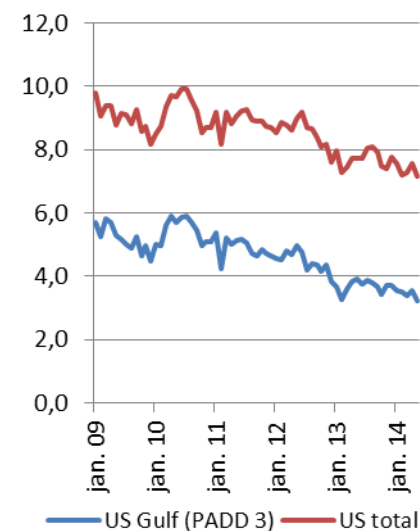


Fig 3. US and US Gulf imports of crude oil (million barrels per day). Source; EIA

Since June 2012 we have been working to resolve several outstanding issues with MAN, a German based marine diesel engine supplier. This included refund of prepayments on cancelled engines, warranty questions and compensation for malperformance of engines

installed and finally a compensation for their deliberate manipulation of Factory Acceptance Tests (FAT) on engines manufactured by MAN and supplied by them to our companies. The manipulation of the FATs have apparently, and according to MAN representatives, been going on for more than a decade and the MAN entity in question has in 2013 agreed to be given a fine by the German authorities for this unethical and fraudulent conduct. We had reached an overall agreement in August 2013 to resolve all our outstanding issues, but MAN suddenly and unexpectedly decided to contest the validity of the agreements reached and agreed upon after more than a year of negotiations. We are now seeking redress for this. In order to process our civil claims, as described, we have found it to be required to file criminal charges against the MAN company for its fraudulent concealment of the FAT manipulations. In the civil claims we have filed we have found it necessary to put forward well founded claims for losses on our purchases from MAN inclusive of losses regarding extended warranty for performance deficiencies on marine engines already delivered by MAN and compensation for excess fuel consumption of ships to which MAN has delivered engines. This compensation claim is based on MAN admitting to having manipulated FAT tests at their factory in Augsburg and thereby stating lower fuel consumption than what was actually achieved at the tests and higher than the agreed design specifications.



The total global order book for additional semi-refrigerated fleet (all sizes), now stands at 35% measured in cbm capacity of the sailing fleet, with the larger sized

vessels (18-23,000 cbm) representing more than 70% of this order book for new ships. This order book of larger vessels reflects mostly the expectation of further growth in longer haul export of LPG and Ethane from the US and is well surpassed by the planned three-fold growth in US LPG exporting capacity. In the smaller vessel segment suitable for regional and short haul trade of petrochemical gases and LPG the growth is marginal at present (see fig. 4). We do expect a sizable part of this new LPG to also move short haul which bodes well for our vessels involved in the growing regional trade of LPG.

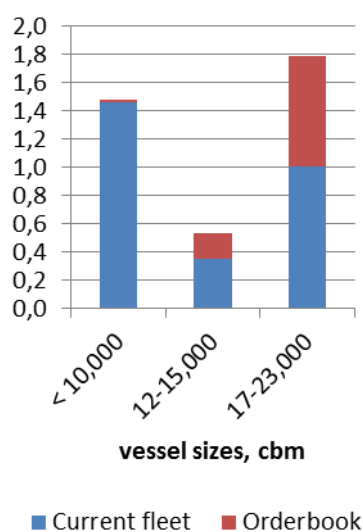


Fig 4. Size of current fleet and orderbook (million cbm) for different groups of vessel sizes. Source; Clarkson's and internal.

### CORPORATE ACTIVITIES

We have continued to use excess liquidity to buy back bonds in the market and during 2Q14 we bought bonds with a nominal value of NOK 28.4 mill or about USD 4.8 mill. The book value of our outstanding bond debt has now been reduced with USD 16.8 mill since end of 2013 and was USD 82.4 mill by the end of the second quarter of which about USD 35 mill is due in 2015. Our consolidated mortgage debt by the end of 2Q14 was USD 66.6 mill and our liquidity was USD 21.8 mill.

We remain compliant with all covenants for our loan and bond portfolio and all these are continuously monitored to ensure that pro-active steps are taken.

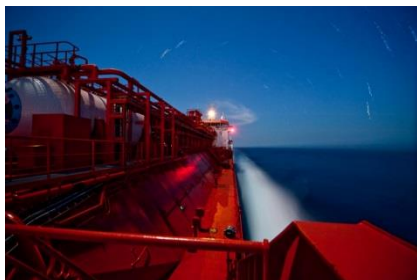
### AGREEMENTS IN AUGUST 2014.

We have in August 2014 agreed with our JV partners in **Skaugen Gulf Petchem Carriers Pte Ltd** (SGPC) in Bahrain (35% share) that they now will buy their second vessel; the Norgas Petaluma (8,556 cbm, built 2003). The agreed price of USD 24 mill reflects the vessel book value and it will be delivered in September 2014. The three shareholder partners in SGPC will be required to inject additional equity of USD 8 mill (100%) to allow for this purchase. SGPC will now have two ships that both will be financed by shariah compliant loan facilities from Bahraini based banks in the GCC region. The net proceeds, from the sale of Norgas Petaluma, of about USD 20 mill, will be used to reduce corporate debt associated with the vessel and other corporate purposes. The vessel will continue to be operated within the Norgas pool of ships.



As a next step in improving our efficiency further and to lower our operational costs, we have in August transformed our fleet management functions at Norgas Carriers into a newly established joint venture called **Skaugen OSM Ship Management Pte Ltd** in Singapore and (51% for IMS) in cooperation with the company OSM ([www.osm.no](http://www.osm.no)). OSM is a global leader in the field of fleet management and by combining our forces we expect material efficiencies to be gained in the management of gas carriers. The core of the team of professionals at Skaugen OSM Ship Management Pte Ltd come from the Norgas Carriers and all our seagoing team members will continue. The cost saving will thus not come from day to day operations of the ships, but come mainly from shared services and back up functions where we will benefit from the scale effects of OSM. We will also gain access to

a wider range of expertise to handle the many operational challenges a company like our has to struggle with. OSM will gain access to the Norgas know how re gas tankers and this could allow the joint venture company to expand its business. The expected cost savings we are seeking are material and achievable and will gradually be realized and with full effect from late 2014.



## FIVE YEARS OF TRANSFORMATION – 2009 to 2014.

The “2008 financial crisis” and the subsequent “Great Recession” made us re-think and re-focus our business towards what it is starting to look like today. We have gone from having global ambitions for three different business segments to having one core business segment focused on the markets for the handling and transportation of *liquefied gases*.

We have transformed from mainly being a *long haul* ethylene transporter with a focus on the Gulf region and “East of Suez” to a regional transporter of liquefied gases. We currently carry a balanced portfolio of all petrochemical gases, LPG and LNG and we operate both East and West of Suez. Our modern fleet of gas carriers with more flexibility and superior capabilities for cooling and changing between products transported has become an effective tool to capture opportunities from arbitrage trade. It has also helped improve efficiency by increasing the cargo carrying time for our vessels. The transformation is by no means finished, but we are getting where we want to be.

When the “2008 financial crisis” hit we were in the middle of a fleet expansion by newbuild of ships in China. The newbuildings were

delayed during construction and the process of making their delivery was more complicated than anticipated and much delayed. We managed to acquire all the ships combined at competitive cost, but not as competitive as expected. The expected lower cost we planned for were to compensate for the risks we took in the process. Due to the financial crisis as well as the delays the financing became more expensive and more complicated.

The challenge to secure debt financing was not the only challenge companies like ours were confronted with after the 2008 crisis. We took the necessary actions to secure long term finance solutions, but we and much of the rest of the industry also faced an “output gap”. The widening gap created by the increased supply capacity in the value chain, not only in the marine transportation segment, was based on pre-crisis analysis of future growth in demand. In many regions and in many industries and certainly within ours, this “output gap” is yet to be closed.



During our journey on this sea of change, the headwinds have sometimes been strong. The Iran sanctions by EU/US have made it more challenging, but the decline from GCC region itself has also been material and the trade now stands at less than half of what it used to be. The long-haul trade of petrochemicals, and especially that of ethylene out of the Gulf region that was our core business area, has thus been greatly reduced and has also to a great extent been substituted by more of a short-haul trade. This has led to a reduction in the ton-miles demand for the core petrochemical gas products we carry and chief amongst these are ethylene. Most

analysis and plans were for this trade to expand.



Another major change has been the stark decline in the import of crude oil to the US due to increased domestic oil production. This deteriorated the fundamental basis for the core business of SPT- the crude oil lightering business in the US Gulf based on long haul imports of crude oil. This market has been reduced to about 50% of its former size.

We have also encountered challenges by LNG not being available in the quantities expected. The shortage of LNG has made LNG costly and delayed the expected conversion from diesel for power generation and transportation that would allow our ships to serve these markets. We see LNG production expanding again in the years ahead and the price for LNG has become more affordable. This should make LNG more available for the redistribution purposes we are cultivating.

New opportunities have however emerged on the horizon during this journey and a prime example are the positive effects of the shale oil- and gas boom in the US, with growth in both export and import of most liquefied gases.

After having completed our fleet renewal program in 2010/11, we have successively divested all of our ship building activities in China as well as exited all other non-core business activities in China. The composition of our assets has thus changed as well. During this five year period we have gone from managing a diverse fleet of 41 vessels in all our segments to a fleet of 15 that is now aligned with



our liquefied gas strategy. We have sold 7 of our older and less efficient gas carriers, net proceeds from such sales are USD 34.5 mill and all with a gain compared to book value. Other non-core assets have realized USD 52.6 mill in net proceeds. We have continued to use excess liquidity to reduce our debts and to improve our balance sheet capacity. We have during this period reduced our bond debt with USD 107 mill (see fig 5).

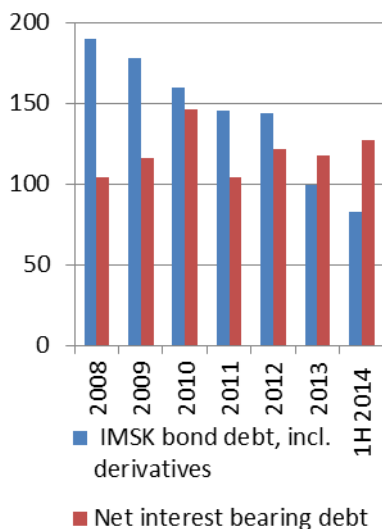


Fig 5. IMS SE bond- and net interest bearing debt development 2008 - 1H14 (USD mill)

Our shore based teams and organization has step by step been both centralized and simplified during this period and aligned with the reduction of business areas. The management of our core business is now based at our hub in Singapore with a small corporate office in Oslo to cover the functions needed. Our shore based staff has been reduced with more than 100 people or 60% and as a result of the strategic and operational changes made.

### FIVE YEARS FROM NOW?

We have continued our strategy to target and develop niche markets where we see potential for growth and higher margins and where we can use technology and innovation to position us as the cost and service leader. The small scale LNG markets is one such niche market where we believe we can leverage our fleet of innovative

LNG carriers with our knowledge of safely transferring liquefied gases as well as LNG terminal management.

Another growing market is the short haul market for handling and transportation of liquefied gases such as LPG and the wider range of petrochemical gases. These gases are petrochemical gases like ethylene, butadiene, propylene and VCM, all key intermediate products in the value chain for plastics and rubber products. LPG (liquefied petroleum gas, i.e. propane and butane) is an easily distributed fuel product but also a key feed-stock for the petrochemical industry. LPG is a by-product from oil- and gas processing and its markets are supply driven. LNG is natural gas that has been cooled down to its liquid form in order to transport it efficiently. At the point of use it will be heated up and turned into natural gas again and used mostly for power generation.

One thing that has not changed throughout this transformation is our firm belief that small scale LNG will become a key market for us. It has taken longer to achieve, but we do believe we will get there. During this period we have made substantial investments to develop our small scale LNG concept. The cargo system we developed for the MultiGas vessels is unique and contains many novel technologies. It can handle a wide range of gases including LNG and keep them cool during transport without any losses. We have also invested close to USD 15 mill in R&D as well as market- and concept developments. The latter includes equipment and systems for transferring (ship-to-ship), storing and re-gassing of LNG. The return on these investments has been slower than anticipated but we now see regional markets where tangible projects are under development.

In many countries state fiscal reasons do also require that fuel subsidies now need to be removed. This will ensure that gas is cheaper than diesel fuel and the economics for gas distributed as

LNG will be there for two key market segments. Firstly, remote power plants where more expensive diesel is the alternative fuel due to lack of gas supply through pipelines. Secondly, the transportation market as fuel for trucks, buses and cars as well as ships. Diesel and petrol are far too valuable products while abundant and lower cost gas should become the transport fuel of the future. Due to its composition, natural gas is the fossil fuel with the lowest emissions. Compared to conventional fuels it will generate no SO<sub>x</sub> emissions, reduce NO<sub>x</sub> emissions with 80-90% and reduce CO<sub>2</sub> emissions with 20-30%. For both these market segments, one of the key enablers will be the availability of small scale LNG supply chains where the gas is delivered in its liquid form and in smaller quantities to multiple locations. Our fleet of six LNG capable vessels could easily be deployed in LNG service as and when needed.



The SPT group of companies has been transformed from its total dependency on US oil imports with heavy commitments on leased crude tankers and into an “asset light” global service business for “ship to ship transfer” of liquefied gases, crude oil and petroleum products. The SPT teams has also during this period managed to develop a portfolio of LNG related clients – both for managing ship-to-ship transfer of LNG but also to provide LNG terminal management and advice for LNG terminal design. For many new entrants to the LNG trade there is a demand for the SPT experience and know-how for design and operations of LNG receiving terminals, Floating Storage Units with or without regasification as well as growing ship to ship transfers of LNG.

## I.M. Skaugen SE Consolidated

<i>USD'000</i>	2014	2013	2014	2013	2013
<b>Income Statements - Equity method</b>	<b>1.1. - 30.6</b>	<b>1.1. - 30.6</b>	<b>1.4. - 30.6</b>	<b>1.4. - 30.6</b>	<b>1.1. - 31.12</b>
Gross freight revenues	38 692	48 488	20 761	30 828	96 288
<b>Revenues</b>	<b>38 692</b>	<b>48 488</b>	<b>20 761</b>	<b>30 828</b>	<b>96 288</b>
Share of investments in strategic joint ventures/associates	149	3 315	149	(35)	1 984
Voyage related expenses	(15 429)	(15 831)	(8 326)	(10 399)	(32 562)
Charter hire	(11 412)	(11 412)	(5 706)	(5 706)	(22 730)
Depreciation and amortisation	(2 988)	(3 979)	(1 493)	(2 923)	(8 339)
Gains from sale of fixed assets	2 086	227	-	227	1 059
Gains from restructuring	-	28 289	-	-	30 724
Other operating expenses vessels	(17 034)	(20 461)	(8 307)	(11 688)	(40 077)
Other operating expenses/administration costs	(1 589)	(1 227)	(891)	(667)	(2 493)
Exchange gain/(losses) - Operations	-	-	-	-	(245)
<b>Operating profit</b>	<b>(7 525)</b>	<b>27 409</b>	<b>(3 813)</b>	<b>(363)</b>	<b>23 609</b>
Financial revenue	418	2 868	328	2 640	3 400
Financial expenses	(6 577)	(8 865)	(3 290)	(5 324)	(16 998)
Gains/losses on exchange	128	(119)	(597)	(119)	1 354
Share of investments in non-strategic joint ventures/associates	117	746	612	58	4 348
Gain from sale of shares in non-strategic joint ventures	-	(1 374)	-	(1 374)	3 393
<b>Net result before taxes</b>	<b>(13 439)</b>	<b>20 665</b>	<b>(6 760)</b>	<b>(4 482)</b>	<b>19 106</b>
Taxes	-	-	-	-	(681)
<b>Net result for the period</b>	<b>(13 439)</b>	<b>20 665</b>	<b>(6 760)</b>	<b>(4 482)</b>	<b>18 425</b>
Attributable to:					
Equity holders of the company	(13 439)	20 665	(6 760)	(4 482)	18 425
Earnings per share - basic and diluted	(0.50)	0.77	(0.25)	(0.19)	0.68

<i>USD'000</i>	2014	2013	2014	2013	2013
<b>Statement of Comprehensive Income</b>	<b>1.1. - 30.6</b>	<b>1.1. - 30.6</b>	<b>1.4. - 30.6</b>	<b>1.4. - 30.6</b>	<b>1.1. - 31.12</b>
<b>Net result for the period</b>	<b>(13 439)</b>	<b>20 665</b>	<b>(6 760)</b>	<b>(4 482)</b>	<b>18 425</b>
<b>Other comprehensive income:</b>					
Currency translation differences	-	(74)	-	-	(1 423)
Hedging reserve	-	92	-	46	146
Available for sale investments	-	-	-	-	97
<b>Other comprehensive income</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>46</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>46</b>	<b>174</b>
<b>Total comprehensive income for the period</b>	<b>(13 439)</b>	<b>21 765</b>	<b>(6 760)</b>	<b>(4 436)</b>	<b>18 599</b>
Comprehensive income attributable to:					
Equity holders of the company	(13 439)	21 765	(6 760)	(4 436)	18 599



<i>USD'000</i>					
<b>Balance Sheets - Equity method</b>	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>31.03.2014</b>	<b>31.03.2013</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	8 831	6 776	8 176	4 817	8 514
Tangible fixed assets	130 731	155 328	132 075	184 554	141 142
Investments in strategic associates and joint ventures	7 155	4 366	7 006	-	7 006
Investments in non-strategic associates and joint ventures	5 962	40 518	5 350	46 201	5 845
Non-current financial assets	447	523	447	2 045	447
<b>Total non-current assets</b>	<b>155 626</b>	<b>210 011</b>	<b>155 554</b>	<b>240 117</b>	<b>165 454</b>
<b>Current Assets</b>					
Receivables and other current assets	29 762	40 514	29 087	38 726	28 250
Other financial assets	9 500	9 500	9 500	9 500	9 500
Cash and Bank deposits	21 773	19 929	61 893	24 264	59 364
<b>Total Current Assets</b>	<b>61 035</b>	<b>69 943</b>	<b>100 480</b>	<b>72 490</b>	<b>97 114</b>
<b>Total Assets</b>	<b>216 661</b>	<b>279 954</b>	<b>256 034</b>	<b>312 607</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)	(20 855)	(28 900)	(16 419)	(22 221)
Other reserves	12 192	13 991	12 191	13 991	12 191
<b>Total Equity</b>	<b>57 852</b>	<b>74 455</b>	<b>64 610</b>	<b>78 891</b>	<b>71 289</b>
<b>Liabilities</b>					
Long term liabilities	98 029	173 675	128 476	204 851	158 980
Current interest bearing liabilities	45 026	6 968	45 061	8 419	11 061
Derivative financial instruments	5 866	7 652	4 565	3 685	6 653
Other current liabilities	9 888	17 204	13 322	16 761	14 585
<b>Total Liabilities</b>	<b>158 809</b>	<b>205 499</b>	<b>191 424</b>	<b>233 716</b>	<b>191 279</b>
<b>Total Equity and Liabilities</b>	<b>216 661</b>	<b>279 954</b>	<b>256 034</b>	<b>312 607</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. - 30.6</b>	<b>1.1. - 30.6</b>	<b>1.4. - 30.6</b>	<b>1.4. - 30.6</b>	<b>1.1. - 31.12</b>
<b>Equity at start of period</b>	<b>71 289</b>	<b>52 690</b>	<b>64 610</b>	<b>78 891</b>	<b>52 690</b>
Comprehensive income for the period	-	1 100	-	46	174
Net result	(13 439)	20 665	(6 760)	(4 482)	18 425
<b>Equity at end of period</b>	<b>57 850</b>	<b>74 455</b>	<b>57 850</b>	<b>74 455</b>	<b>71 289</b>

<i>USD'000</i>	2014	2013	2014	2013	2013
<b>Statement of Cash Flow</b>	1.1. - 30.6	1.1. - 30.6	1.4. - 30.6	1.4. - 30.6	1.1. - 31.12
<b>Cash Flow from Operations:</b>					
Received payments of gross revenues	33 590	29 266	17 366	29 266	94 411
Payments of operating expenses	(46 428)	(31 776)	(24 983)	(27 617)	(96 506)
Payment of taxes	-	-	-	-	(681)
<b>Net Cash Flow from Operations</b>	<b>(12 838)</b>	<b>(2 510)</b>	<b>(7 617)</b>	<b>1 649</b>	<b>(2 776)</b>
<b>Cash Flow from Investments:</b>					
Payments of purchase of fixed assets	(1 501)	(717)	(51)	(717)	(2 707)
Receipts from sale of fixed assets	11 058	27 328	50	27 328	39 034
Investment in associates	-	(2 500)	-	(2 500)	(5 039)
Restructuring	-	18 843	-	-	24 731
Proceeds from sale of shares and parts in other companies	-	943	-	943	45 624
Loan to others	-	-	-	-	4 030
<b>Net Cash Flow from Investments</b>	<b>9 557</b>	<b>43 897</b>	<b>(1)</b>	<b>25 054</b>	<b>105 673</b>
<b>Cash Flow from Financing:</b>					
Receipts from raising new long-term debt	34 000	-	-	-	3 850
Repayment of long-term debt	(61 923)	(39 544)	(29 402)	(26 488)	(54 635)
Received payments of interest	-	20	-	20	1 093
Payment of interest	(6 387)	(4 570)	(3 100)	(4 570)	(16 477)
<b>Net Cash Flow from Financing</b>	<b>(34 310)</b>	<b>(44 094)</b>	<b>(32 502)</b>	<b>(31 038)</b>	<b>(66 169)</b>
Net change in cash and cash equivalents	(37 591)	(2 707)	(40 120)	(4 335)	36 728
Cash and cash equivalents beginning of	59 364	22 636	61 893	24 264	22 636
<b>Cash and cash equivalents end of period</b>	<b>21 773</b>	<b>19 929</b>	<b>21 773</b>	<b>19 929</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 Karensløst 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)	1H14	1H13	FY2013
Loans from financial institutions - floating interest rate	55 742	69 705	66 594
Bonds	42 287	103 970	92 387
Derivative financial instruments	5 866	7 652	6 652
Current portion interest bearing debt (incl. Bonds)	45 026	6 968	11 061
<b>Total interest bearing debt</b>	<b>148 921</b>	<b>188 295</b>	<b>176 694</b>
Cash and cash equivalent	-21 773	-19 929	-59 364
<b>Net interest bearing liabilities</b>	<b>127 148</b>	<b>168 366</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

(USD'000)	1H14	1H13	FY2013
Net carrying amount beginning	141 142	27 048	27 048
Investment in non-current assets	1 501	159 160	160 407
Sale of non-current assets	-8 922	-26 901	-37 974
Depreciation and impairment	-2 990	-3 979	-8 339
<b>Net carrying amount end</b>	<b>130 731</b>	<b>155 328</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

(USD'000)	1H14	1H13	FY2013
Gross revenue	996	16 942	17 213
EBIT	153	3 106	3 296
Net result	149	3 315	1 984
Non-current assets	8 342	8 400	8 542
Current assets	1 176	2 635	742
<b>Total assets</b>	<b>9 518</b>	<b>11 035</b>	<b>9 284</b>
<b>Total equity closing balance</b>	<b>7 155</b>	<b>4 366</b>	<b>7 006</b>
Non-current liabilities	-	-	-
Current liabilities	2 363	6 669	2 278
<b>Total Liabilities</b>	<b>2 363</b>	<b>6 669</b>	<b>2 278</b>

### Non-strategic Joint Ventures

(USD'000)	1H14	1H13	FY2013
Gross revenue	14 137	46 761	63 896
EBIT	-244	3 809	8 147
<b>Net result</b>	<b>117</b>	<b>746</b>	<b>4 348</b>
Non-current assets	13 628	53 113	11 150
Current assets	8 712	89 134	8 414
<b>Total assets</b>	<b>22 340</b>	<b>142 247</b>	<b>19 564</b>
<b>Total equity closing balance</b>	<b>5 962</b>	<b>40 518</b>	<b>5 845</b>
Non-current liabilities	-	5 416	-
Current liabilities	16 378	96 313	13 719
<b>Total Liabilities</b>	<b>16 378</b>	<b>101 729</b>	<b>13 719</b>

## Note 6- Subsequent Events

I.M. Skaugen has in August 2014 agreed with its JV partners in Skaugen Gulf Petchem Carriers Pte Ltd (SGPC-35%) that SGPC will purchase Norgas Petaluma (100% owned by I.M. Skaugen Group) at an agreed price is USD24 mill. The vessel will be delivered in September 2014.

A joint venture called Skaugen OSM Ship Management Pte Ltd, of which IMS will own 51%, is established in Singapore in cooperation with OSM. Norgas fleet management functions have been transferred into the new joint venture as of August 2014.



## Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1<sup>st</sup> January to 30<sup>th</sup> June 2014 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole.

We also confirm, to the best of our knowledge, that the interim report includes a fair review of important events that have occurred during the first six months or the financial year and their impact on the condensed set of financial statements, a description of principal risks and uncertainties for the remaining six months of the financial year, and majority related parties transactions

Oslo, 20<sup>th</sup> August 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.*

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