



IMS SKAUGEN SE ANNOUNCEMENT

The Board of Directors of I.M. Skaugen SE ("**IMSSE**") wish to announce that IMSSE, together with its wholly owned subsidiaries, SMIPL Pte Ltd ("**SMIPL**") and IMSPL Pte. Ltd. ("**IMSPL**") (collectively the "**IMS Scheme Companies**"), filed applications to the High Court of the Republic of Singapore (the "**Singapore Court**") on 31 May 2018 for a moratorium to commence the reorganisation of liabilities and businesses of the IMS Scheme Companies ("**Scheme Moratorium**").

With the filing of the Scheme Moratorium, the IMS Scheme Companies automatically qualify for protection from the Singapore Court under a 30-day moratorium that will apply against creditors' claims. In the weeks to come, the IMS Scheme Companies will seek approval from the Singapore Court to extend the moratorium.

The moratorium will provide much-needed space and time for the IMS Scheme Companies to complete their business transformation from seaborne transportation of LPG/Petrochemicals to regional distribution of LNG through its unique fast-track, low capex Small Scale LNG concepts; target areas for growth and pursue new business opportunities; and focus on the ongoing discussions with strategic investors.

IMS presented a restructuring plan on 4 April 2018 which had the support from most of its stakeholders. IMS is now seeking the assistance of the Singapore courts to complete this plan. The restructuring plan, if implemented, is in line with IMS' wishes to be in a position to be able to pay its liabilities in full with its upcoming cash flow matching an amended amortisation schedule of its liabilities. To achieve this, IMS will need the assistance of the Singapore Court through the scheme of arrangement process.

IMS Scheme Companies will subsequently file applications in the Singapore Court to commence a scheme of arrangement to reorganise the liabilities and businesses of the IMS Group. Details of the matters that brought about this situation as well as the proposed restructuring plan are set out in Annex [1]. The indicative timelines of a Singapore Court scheme of arrangement are set out in Annex [2]. An overview of the scheme of arrangement in Singapore is set out in Annex [3].

We are confident that the process will lead to a reinvigoration of the IMS Group and it will assist us to generate significant cash flow for the benefit of all stakeholders.

In the meantime, the IMS Group continues to pursue SSLNG opportunities, via Norgas Carriers AS, Norgas Carriers Pte Ltd, and Somargas II Pte Ltd, which the IMS Group has kept outside of the process described above. The IMS Group thanks its clients and key stakeholders for their continued support which is equally as important to the survival and success of the IMS Group as the process described above.

The IMS Group is committed to the clients and key stakeholders built over the years and will, in the spirit of corporate transparency, seek their opinions throughout the reorganization to achieve a swift and collaborative outcome amidst these trying times.

Should you have any further queries, please do not hesitate to contact us.



Annex 1

1. I.M. Skaugen SE ("**IMSSE**") is in the process of completing a business transformation, for the Group of companies shifting its focus from seaborne transportation of LPG/Petrochemicals to regional distribution of LNG through its unique fast-track, low capex Small Scale LNG ("**SSLNG**") vessels. In this regard, Norgas Carriers AS ("**NCAS**"), a subsidiary of IMSSE, has been in talks with parties to provide the logistics support for the supply of LNG to two power plants in West Africa. NCAS has further signed agreements reflecting a strategic cooperation with a major LNG producer in the region that is planning to expand the redistribution network to other locations in the region on basis of NCAS vessels and knowhow.
2. In the fourth quarter of 2017, Teekay Corporation, Teekay LNG Partners L.P. together with their respective subsidiaries/ affiliates ("**Teekay**") unilaterally terminated six charterparties with SMIPL Pte. Ltd. ("**SMIPL**"), commenced legal proceedings in Singapore and England against IMSSE and SMIPL (including to wind up SMIPL), and launched a competing "Teekay Multigas Pool" to compete against the IMS Group.
3. In addition, various entities of the Group headed by IMS (the "**IMS Group**") entered into several contracts with MAN Diesel & Turbo S.E. and MAN Diesel & Turbo Norge AS (collectively, "**MAN**") for the supply of diesel engines and turbo-machinery to the vessels operated by the IMS Group. In 2012, it was discovered that MAN had manipulated the performance tests and that the engines have been operating at higher fuel consumption levels than warranted. GATX Corporation, SMIPL, IMSPL Pte. Ltd. ("**IMSPL**") and Somargas II Pte. Ltd. ("**Somargas**") have assigned their claims to IMSSE, which initiated arbitration and legal proceedings in Norway, Denmark and Singapore. IMSSE has since expended about US\$ 8 million to pursue the claims and has made claims of approximately US\$ 70 million against MAN.
4. IMSSE is in advanced discussions with a white knight investor who will provide US\$ 3 million to NCAS for working capital and restructuring purposes. However, as a condition precedent to the investment, the white knight investor had requested that the IMS Group undertake a restructuring on the following broad terms, which are subject to further negotiations:
 - a. NCAS will purchase the two vessels necessary to support the SSLNG Contract from Somargas (the "**SOMARGAS Vessels**"), or shares of Somargas; and
 - b. IMSSE will assign its economic benefits under the MAN Claims to NCAS.
5. The details of the proposed restructuring plan are set out below.
6. IMS intends to implement a scheme of arrangement and compromise with the creditors on the following terms:
 - a. NCAS will either purchase:
 - i. Two vessels owned by Somargas II Pte Ltd ("**Somargas**"), a wholly owned subsidiary of SMIPL; or
 - ii. The shares of Somargas from IMSSE.
 - b. IMSSE will enter into an agreement with NCAS where the economic benefits due to IMS under the certain claims against MAN Diesel & Turbo S.E. and MAN Diesel & Turbo Norge AS (the "**MAN Claims**") will be assigned to NCAS.



- c. NCAS will, by way of novation, undertake to repay in full the two facilities provided by Nordea Bank Finland Plc, Singapore Branch ("**Nordea**") and Swedbank AB (Publ) ("**Swedbank**") to Somargas and IMSSE respectively, and which are secured by mortgages over the Somargas vessels, on terms to be agreed. The outstanding debt due under these two facilities stands at abt. US\$ 55 mill as of mid May 2018.
- d. NCAS will undertake to repay the unsecured creditors of IMSSE in full via a one-to-one conversion of their claims to two notes. The tentative terms of these two notes are:
 - i. A five-year note of approximately US\$ 32 million with a payment-in-kind interest of 3% per annum for the first three years, and cash interest of 7.5% thereafter; and
 - ii. An interest-free loan of approximately US\$ 25 million, which can be converted to 25% of the shares in NCAS on a fully diluted basis.

For the avoidance of doubt, the current unsecured creditors of IMSSE are: (i) the holders of the IMSK14 Bonds, which currently stands at approximately US\$ 57 mill, (ii) GasMar AS, which currently stands at approximately US\$ 950,000; and (iii) other unsecured creditors. There is a contingent claim by Teekay Group under the corporate guarantee provided by IMS for SMIPL which is disputed.

- e. The shareholders of IMSSE will be offered a 1 to 1 exchange of their shares in IMSSE with shares in NCAS, and these shares will constitute 50% of the share capital in NCAS.

Qualifications

7. The feasibility of the proposed restructuring plan as described above is contingent upon:
 - a. The amount of the claims that is eventually adjudicated by the scheme manager corresponds with the figures estimated above;
 - b. NCAS will be able to generate sufficient cashflow to sustain the obligations;
 - c. The formalisation of the agreement with the white knight; and
 - d. The terms of the scheme are in compliance with all applicable laws and regulations.
8. Please note that a scheme of arrangement is an agreement between a company and its creditors to assist the company to fulfil its debt obligations. The scheme is subject to the Court's supervision and sanction. This means that a scheme will be binding on all creditors if the Court approves of it.



Annex 2

1. The indicative timeline for a scheme of arrangement in Singapore is as follows:
 - a. Upon filing of an application for a moratorium pending a scheme of arrangement in the High Court of the Republic of Singapore (the "**Singapore Court**") by I.M. Skaugen SE ("**IMSSE**") and its wholly owned subsidiaries, SMIPL Pte Ltd ("**SMIPL**") and IMSPL Pte. Ltd. ("**IMSPL**") (collectively the "**IMS Scheme Companies**"), a 30 day automatic moratorium will be imposed which will, amongst others, restrain any further commencement or continuation of any proceedings against the IMS Scheme Companies. This moratorium may be extended if more time is needed for the IMS Scheme Companies to prepare their scheme proposals.
 - b. Thereafter, the IMS Scheme Companies will each file an application for the Singapore Court to grant leave for the IMS Scheme Companies to convene a meeting of their respective creditors.
 - c. The Singapore Court will hear the applications and decide whether the meetings of creditors should be convened. This could take place within 2-3 weeks of the filing of the applications by the IMS Scheme Companies to convene a meeting of creditors.
 - d. If the Singapore Court decides that a meeting of creditors should be convened, the IMS Scheme Companies will each send their respective scheme documents to the creditors and publish a notice of the application in the *Gazette* and in one English Singapore newspaper. This process will take a further 5 to 7 days.
 - e. Next, the adjudication of proof of debt process will begin. Creditors of the IMS Scheme Companies will have to file proof of debt within the time period, typically 7 days, as specified in the notice of the application. The Chairman of each respective scheme as appointed by the Singapore Court will send a copy of a list of creditors to every creditor who has filed a proof of debt. The adjudication of proof of debt process typically takes at least 28 days.
 - f. A creditors meeting will then be convened, whereby the approval of a majority in number representing 75% of the value of the creditors present either in person or by proxy at the meeting is required.
 - g. Finally, the IMS Scheme Companies will each file an application with the Singapore Court to seek the Singapore Court's approval of the respective schemes. If a scheme is approved, it will be binding on all creditors, including the creditors who did not approve of the scheme.



Annex 3

1. A scheme of arrangement is a procedure provided by the Companies Act (Chapter 50) of Singapore (the "**Singapore Companies Act**") for creditors and members of a company effect a compromise or arrangement so as to restructure the debts of a company that is on the brink of insolvency as an alternative to liquidation.
2. The procedure for a scheme of arrangement in Singapore are as follows:
 - a. **The formulation of a proposal of a scheme for consideration by creditors.** This proposal should be accompanied by an explanatory statement explaining the scheme of arrangement. Typically, a scheme proposed to creditors would include a proposal for the reduction of debts owing by the company or entity concerned.
 - b. **An application being made to court for approval to call a meeting of creditors.** The creditors should be divided into different classes if their interests are different. It is also common to apply for a stay of proceedings against the debtor company or entity to facilitate the consideration of the scheme.
 - c. **If the approval is granted, the creditors will then consider the proposal and vote on it during the meeting of creditors.** The majority of votes required is more than half in number representing three quarters in value of those present and voting at the meeting.
 - d. **If the requisite majority is obtained, the court must further sanction the scheme.** In general, the matters which the court will take into account in deciding whether or not to sanction a scheme includes a consideration of whether the statutory requirements to effect a scheme had been complied with, sufficient information had been given to the creditors and the terms of the scheme are reasonable.
3. Thereafter, if the Singapore Court sanctions the scheme of arrangement (and subject to certain administrative steps being taken), the scheme becomes binding as between the debtor company or entity and its creditors.
4. The Singapore Companies Act was recently amended in 2017 to introduce additional flexibility to enhance processes in schemes of arrangement in implementing debt restructuring, thereby bringing it closer to Chapter 11 of the United States Bankruptcy Code.
5. These enhancements include:
 - a. **Enhanced Moratorium.** The Singapore Court is now statutorily permitted to grant moratoriums against creditor action to confer greater protection on a Scheme Company and its corporate group for restructuring in the following ways:
 - (i) **Automatic moratorium** – A 30-day moratorium will automatically arise on filing of the moratorium application, if certain disclosure obligations are met and undertakings given.
 - (ii) **Scope of moratorium** – The scope of the moratorium was previously limited; it was restricted to actions or proceedings against the Scheme Company, and most importantly, did not prevent secured creditors from proceeding against their securities. Such enforcement actions are often disruptive to the on-going restructuring process, and have been identified as a key weakness of



the scheme of arrangement process. With the recent enhancements, the scope of the moratorium has been expanded, and now includes the ability to halt enforcement actions against secured assets.

- (iii) **Worldwide moratorium** – The Singapore Court is now able to restrain creditor action overseas, as long as the creditor is in Singapore or within the jurisdiction of the Singapore Court. This worldwide moratorium should extend to foreign creditors that participated in the scheme and/or foreign creditors with a business presence in Singapore. It, however, remains an open question as to how far the Singapore Courts would reach beyond its borders to determine that it has jurisdiction over a particular foreign creditor.
 - (iv) **Extension to related entities** – The moratorium in favour of the Scheme Company may be extended to related entities (i.e. subsidiaries, holding company and ultimate holding company) of the Scheme Company. This is especially relevant in complex restructurings involving the entire corporate group and bond restructuring situations (where the issuer is typically a special purpose vehicle and the obligations are performed and/or guaranteed by the holding company and/or other operative entities).
- b. **Rescue Financing.** The new rescue financing provisions allow new financing for the Scheme Company to be granted super priority over existing creditors' claims. Broadly, there are four levels of priority:
- (i) **Costs and expenses of winding up** – This would provide the rescue financing priority over claims of any debenture holder secured by a floating charge (which, as created, was a floating charge). However, the rescue financing would rank equally in priority among other costs and expenses of winding up.
 - (ii) **Priority over all preferential debts** – This would provide the rescue financing priority over all preferential debts, including costs and expenses of winding up, and by extension, priority over claims of any debenture holder secured by a floating charge (which, as created, was a floating charge). However, the Scheme Company must demonstrate that it would not have been able to obtain the rescue financing unless the debt arising from the rescue financing is given this priority.
 - (iii) **Secured over unencumbered assets or subordinate security over existing securities** – Likewise, to obtain this order with respect to the rescue financing, the Scheme Company must demonstrate that it would not have been able to obtain the rescue financing unless the debt arising from the rescue financing is given this priority.
 - (iv) **Same or higher priority over existing securities** – Apart from the Scheme Company demonstrating that it would not have been able to obtain the rescue financing unless the debt arising from the rescue financing is given this priority, the Scheme Company must also convince the Singapore Court that there is adequate protection *for the interests of the holder of that existing security interest.*