

# I.M. Skaugen ASA

## I.M. Skaugen ASA Preliminary Result 2004



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

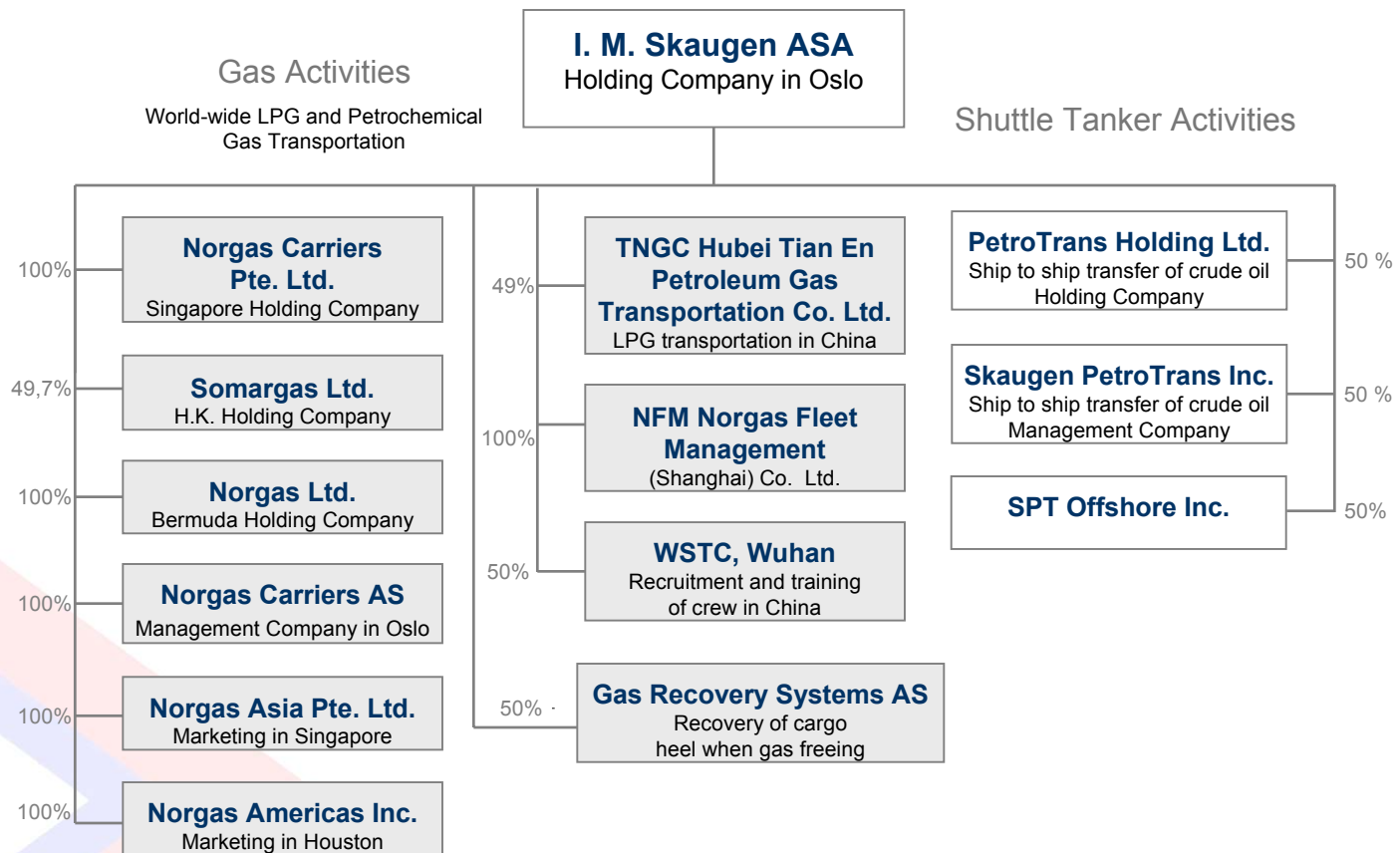
## I.M. Skaugen ASA

- I.M. Skaugen ASA is a Marine Transportation Service Company engaged in (i) the safe transport of petrochemical gases\* and LPG, and (ii) the ship-to-ship transfer of crude oil.
- Our customers are the well known companies in the oil and petrochemical industry, whom we serve on a global basis from our operational centers in Singapore, Dubai, Freeport, Houston, Nanjing, Oslo, Shanghai and Wuhan. I.M. Skaugen operates dedicated recruitment and training programmes in St. Petersburg, Russia and Wuhan, China for the safe crewing of its vessels.
- Listed on the Oslo Stock Exchange (IMSK), a Convertible Bond (IMSK00) and a FRN Bond (IMSK01). [www.skaugen.com](http://www.skaugen.com)

\* Petrochemical Gases: Raw materials used for production of plastics

# I.M. Skaugen ASA

## The I.M. Skaugen Group Corporate Structure



## I.M. Skaugen ASA

### Improved Results 2004

- For the year, I.M. Skaugen Group reported a pre-tax profit of US\$6 million in 2004 (US\$20.2 million in 2003, which included a net gain from sale of assets of US\$19.3 million). The result on an EBITDA basis is US\$ 28 million in 2004 (US\$24.4 million in 2003).
- With the current outlook for our business units, and based on both the contract coverage and spot market conditions, we think 2005 should become a year with good financial performance for the company and with significantly higher EBITDA earnings.
- At the Annual general meeting on 1st March 2005, the Board will recommend a dividend payment of NOK 7.50 per share (NOK7 in 2004 and NOK20 in 2003). This dividend represent approx 5 percent direct yield on the share price at year-end.
- The yield has been 13 percent (incl. dividend) the last 12 months.

# I.M. Skaugen ASA

<b>Key Figures</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<i>US\$ million</i>						
Gross Freight Revenues	149,5	209,4	189,0	203,9	155,5	133,4
EBITDA	28,0	24,4	25,8	33,9	24,4	14,9
EBIT	13,2	9,7	13,8	17,5	7,9	1,0
Pre-tax result	6,0	20,3	4,8	10,4	1,5	(6,2)
Total Assets	206,8	224,9	193,6	185,5	177,2	185,5
Liquid assets	25,0	39,2	32,4	35,6	14,7	21,6
Equity at book value	69,0	72,0	71,3	66,5	74,0	77,4
Net debt	89,8	91,1	64,0	55,8	63,8	69,6
Net interest bearing debt	86,2	92,2	68,5	60,0	71,3	71,2
Dividend	8,7	16,7	5,5	4,6	1,3	-
Buy-back of treasury shares/conv.bond	4,4	0	0,7	2,8	2,1	2,2
Current ratio 1)	181 %	287 %	273 %	271 %	229 %	251 %
Equity ratio 2)	33,0 %	32,0 %	36,8 %	35,8 %	41,8 %	41,7 %
Interest coverage ratio 3)	3,3	3,3	5,42	6,57	3,62	2,11
EBITDA ratio 4)	18,7 %	11,6 %	13,5 %	16,4 %	15,3 %	11,0 %

## I.M. Skaugen ASA

---

### **IMS Key Strategic Goals**

We will aim to create shareholder value through:

- An emphasis on achieving a 'cost and service leadership' position in all our market niches;
- Further development and growth of our core business units to enhance the future cash generating capability of the company;
- Adopting to the philosophy of 'making what is good even better';
- Capitalising on our commercial knowledge in China to develop long-term growth of our Chinese operations;

## I.M. Skaugen ASA

---

### **IMS Key Strategic Goals**

- We want to continue to develop the Group into a multi-cultural entity with a global presence and with a truly international profile. We will continue our policy of 'hiring the best people with the highest degree of enthusiasm and wherever we can find them in the world' to enhance our strategic and financial goals.
- Wherever possible, we utilise leading-edge information technology to improve co-operation and co-ordination within the global Group to enhance our business models and systems. By using state-of-the art solutions, we develop communications processes that simplify our contact with our customers - using these close relationships to our mutual advantage.

## I.M. Skaugen ASA

---

### **IMS Key Strategic Goals**

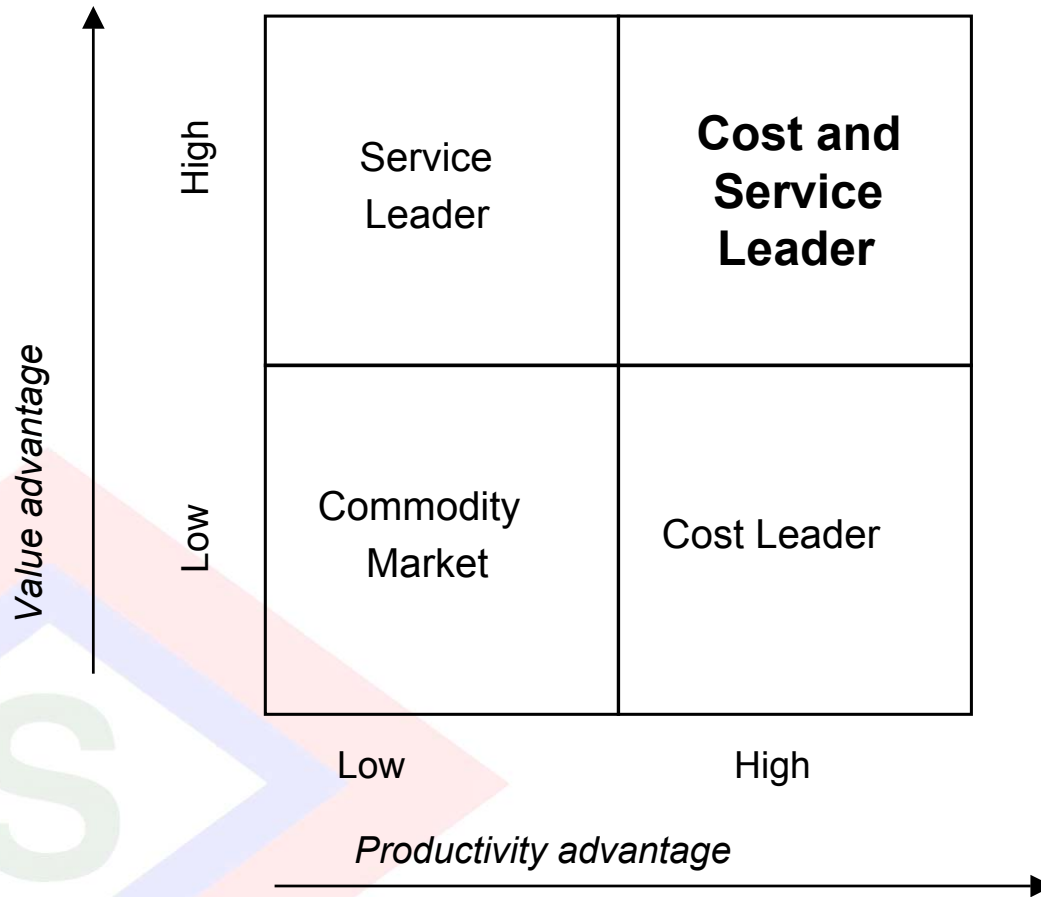
- We want to ensure that I.M. Skaugen also recognises that the privilege of conducting business in our communities demands excellence in our environmental, health, and safety performance. We are committed to the safe operation of our vessels and facilities, the welfare of our employees and community and the protection of the environment.





## I.M. Skaugen ASA

The below is our strategic thinking simplified. We feel strongly that all our resources and all our actions should reflect that we have the aim of delivering the best of service at lowest possible cost.



### **A clear strategy at I.M. Skaugen:**

We feel we have achieved the most “defensible position” in the matrix; the top right hand corner.

Companies that occupy this position have services that are distinctive in the value they offer as well as being cost competitive.

# I.M. Skaugen ASA

## Norgas – The Gas Carrier Activity



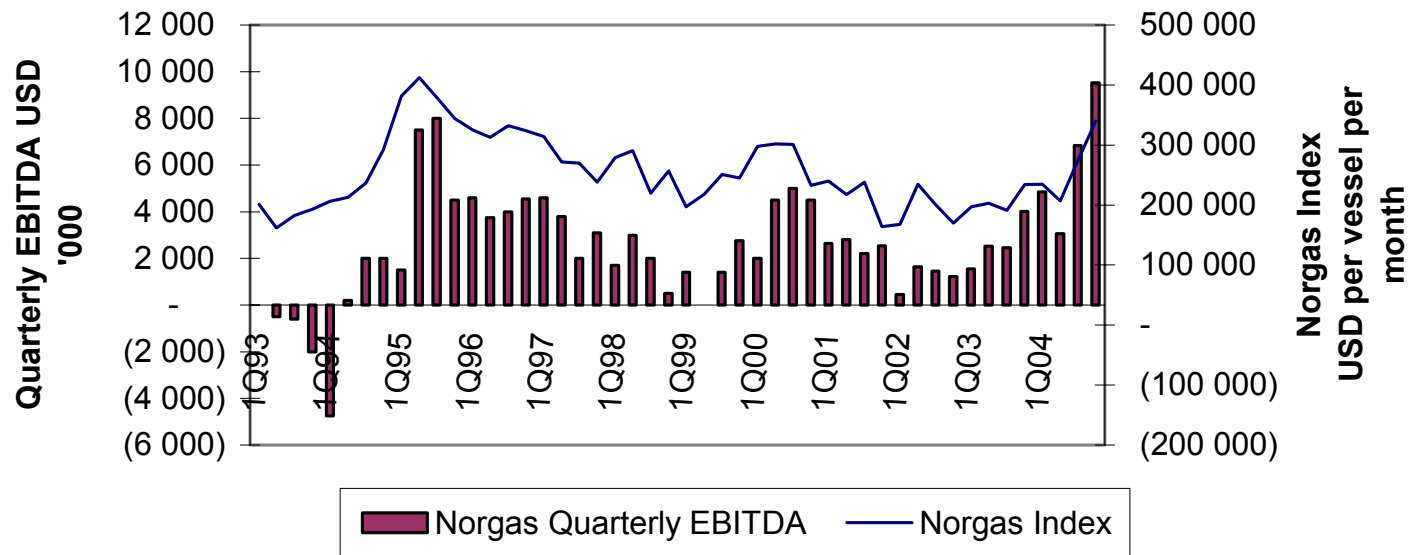
## I.M. Skaugen ASA

### **Improving Results in 2005 for Norgas**

- The gas carrier markets for Norgas, has seen improved earnings levels throughout 2004, particularly in the second half of the year.
- We think 2005 should become a year with good financial performance for Norgas and with significantly higher EBITDA earnings due to:
  - Improved economic condition (i.e. increased GDP growth)
  - More ethylene will be shipped in the coming years and a possible “rebirth” of certain long haul trades for petrochemical cargoes.
  - “Recycling of vessels” – this combined with a low orderbook for newbuildings. We also see constrained shipyard and engineering capacity and a dramatic increase in cost for newbuildings that have taken place
  - All our “state of the art” new-buildings are delivered
  - The establishment of MNGC for improvement in fleet utilization and service level

# I.M. Skaugen ASA

## Norgas Quarterly EBITDA and Norgas Index Earnings



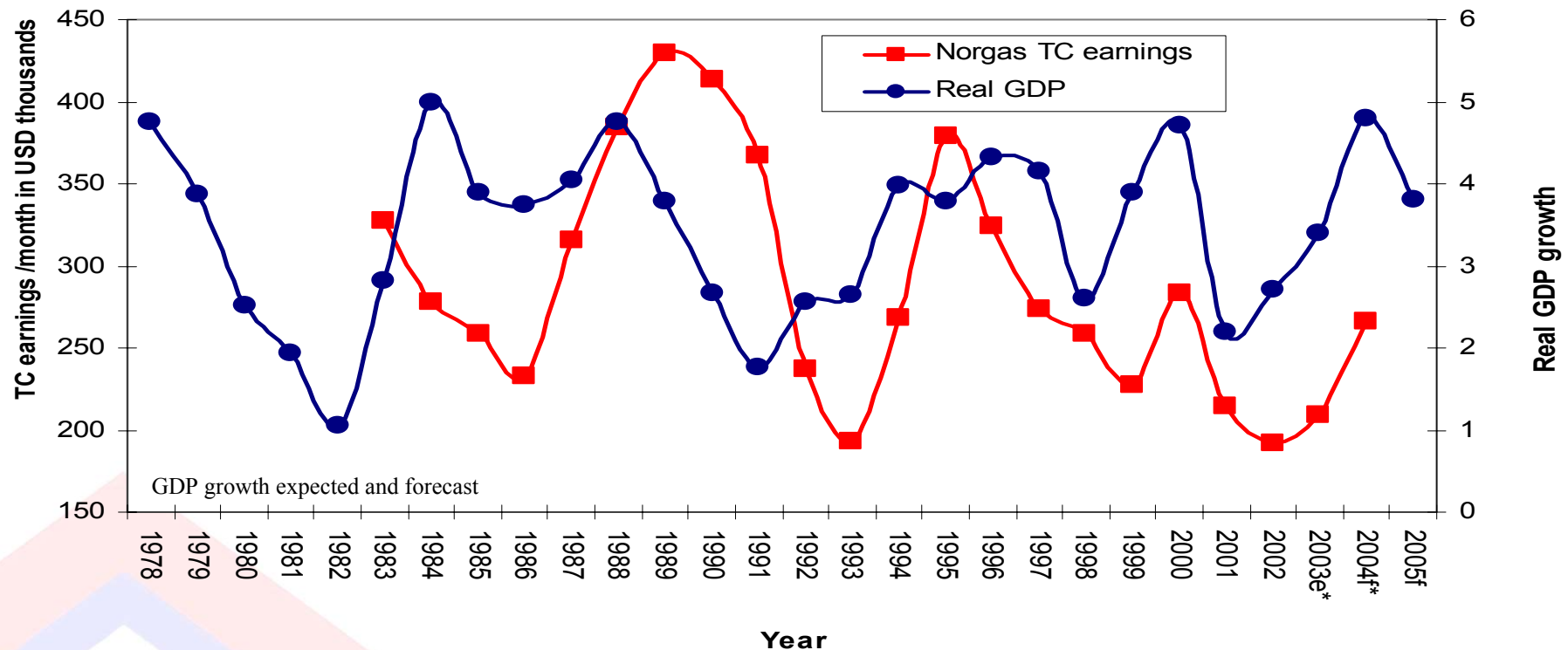
Due to our focus on cost and efficiency improvements we have seen a steady reduction in our “EBIT break-even level”. These efforts have improved our EBITDA generating capacity.

The earnings on t/c basis was in 4Q04 approx 20 percent lower than the peak 10 years ago. At these t/c earnings levels the EBITDA generating capacity of Norgas was approx 12 percent higher than corresponding figures at that period.

Source: Norgas Jan. 2005

# I.M. Skaugen ASA

## Norgas monthly TC earnings vs. Real GDP growth

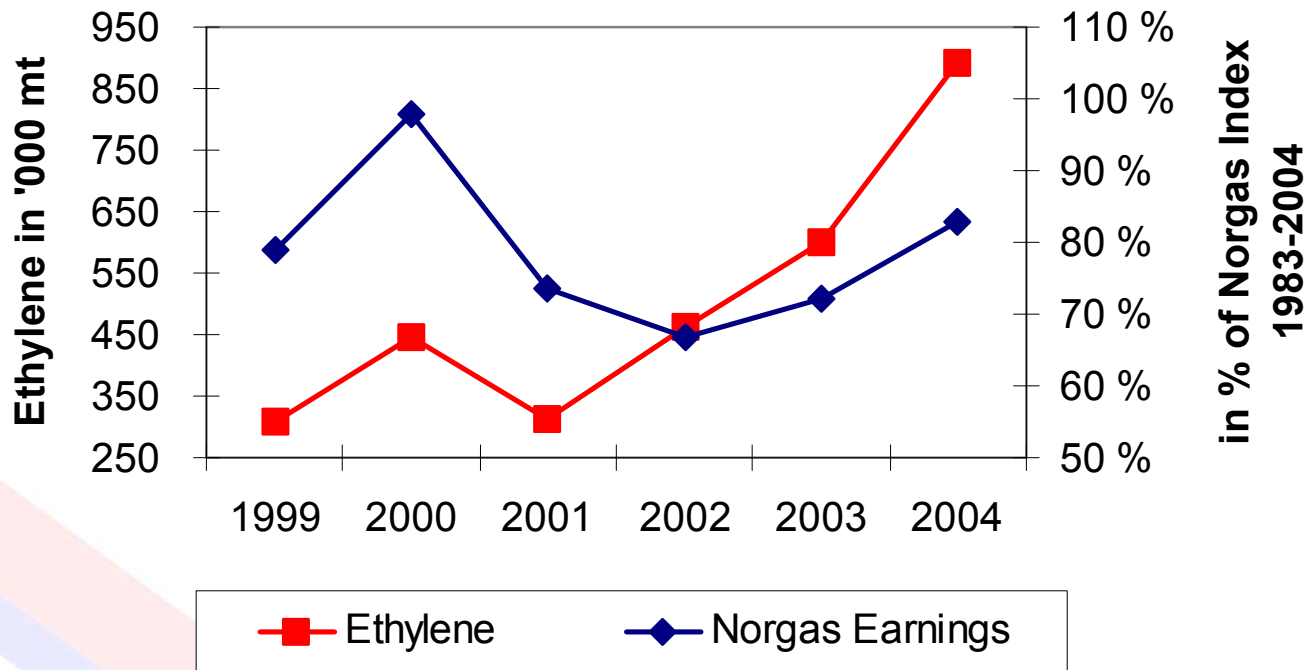


- The Norgas earnings are very driven of demand for transportation services.
- Historically the growth has ranged from 1.5 to 2 times the GDP growth.
- The changes in earnings of Norgas have historically had a good correlation with the fluctuations of the Industrial Production Index.

Source: Goldman Sachs Dec. 2004

# I.M. Skaugen ASA

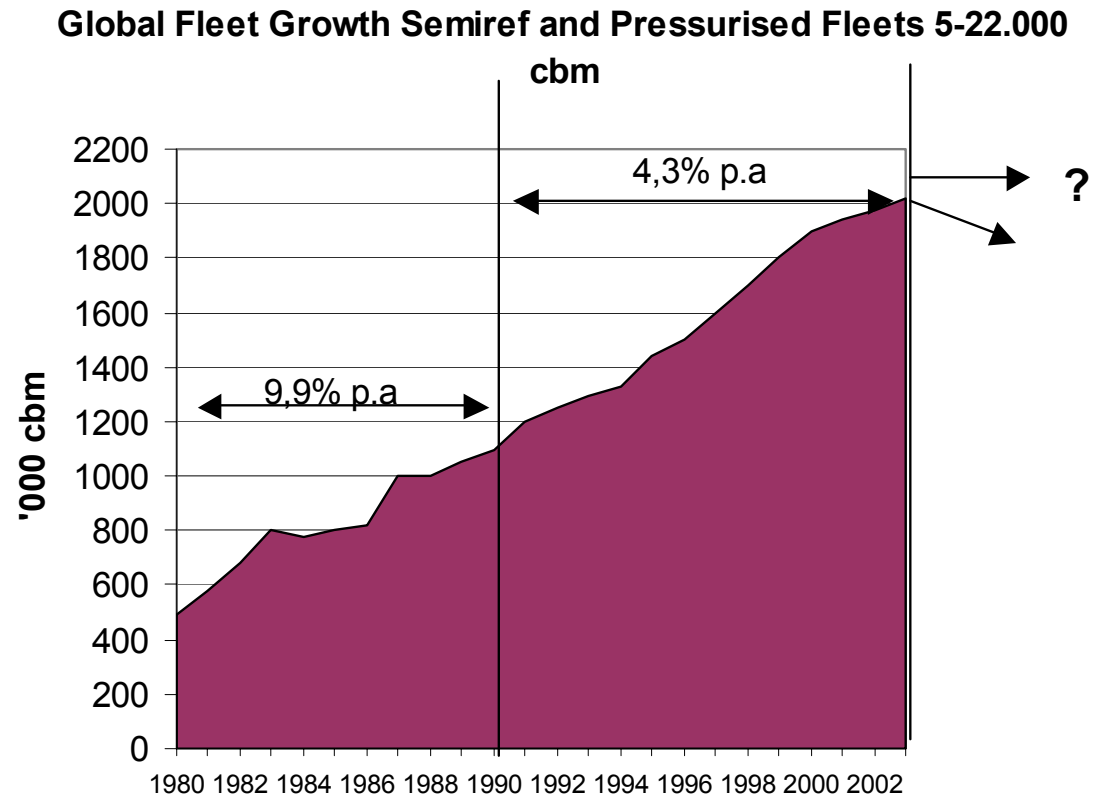
## Norgas Earnings vs. Ethylene lifted



\*) 2004 includes to total volume ethylene lifted YTD in the MNGC pool

# I.M. Skaugen ASA

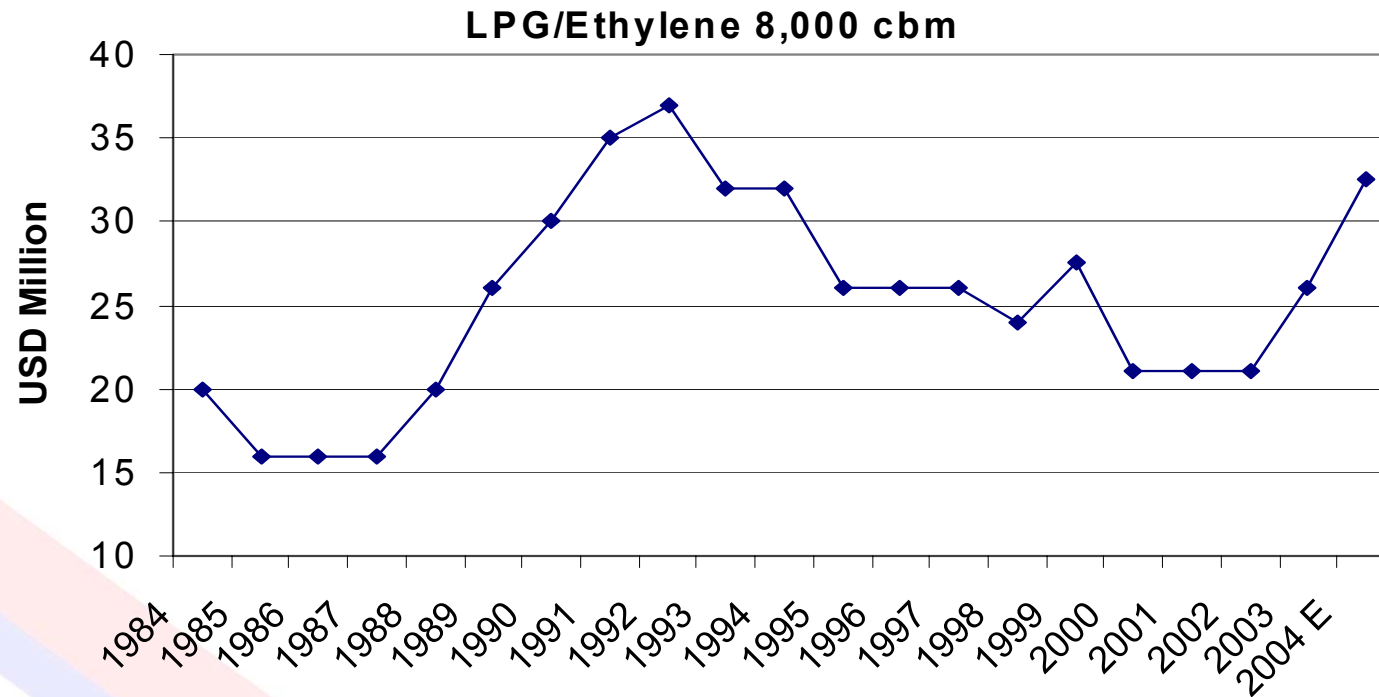
- Over the period 2003-06 the average fleet growth will be negative.
- During 2004, the total fleet decreased by 1.3 percent
- The firm orderbook now stands at 5.3 percent



Source: MSI 2004 report

# I.M. Skaugen ASA

## Estimated newbuilding price LPG/Ethylene vessels of 8.000 cbm



Based on our recent experience and updated research, we estimate that the delivered cost for building new vessels, equal size to the “Somargas” newbuildings, are about USD 32 million. “Somargas” cost about USD 21 mill - an all time low.

Source: Clarkson



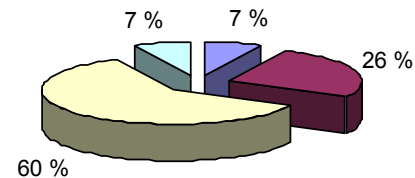
## I.M. Skaugen ASA

### MNGC Share of the Competing Ethylene Tonnage in Number of Vessels

- Within the specialized area of ethylene - the MNGC\*) controls 34 vessels (about 325 000 cbm) and more than twice the number of vessels than the "nr 2 operator"

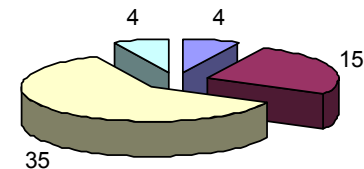
\* MNGC (Maersk Norgas Gas Carriers) - Alliance with A P Møller/Maersk and Norgas formed in October 2003.

Actual competing Ethylene tonnage in no. of vessels



■ A. Veder ■ Gaschem-Medgas ■ MNGC ■ Unigas

Actual competing Ethylene tonnage in no. of vessels



■ A. Veder ■ Gaschem-Medgas ■ MNGC ■ Unigas

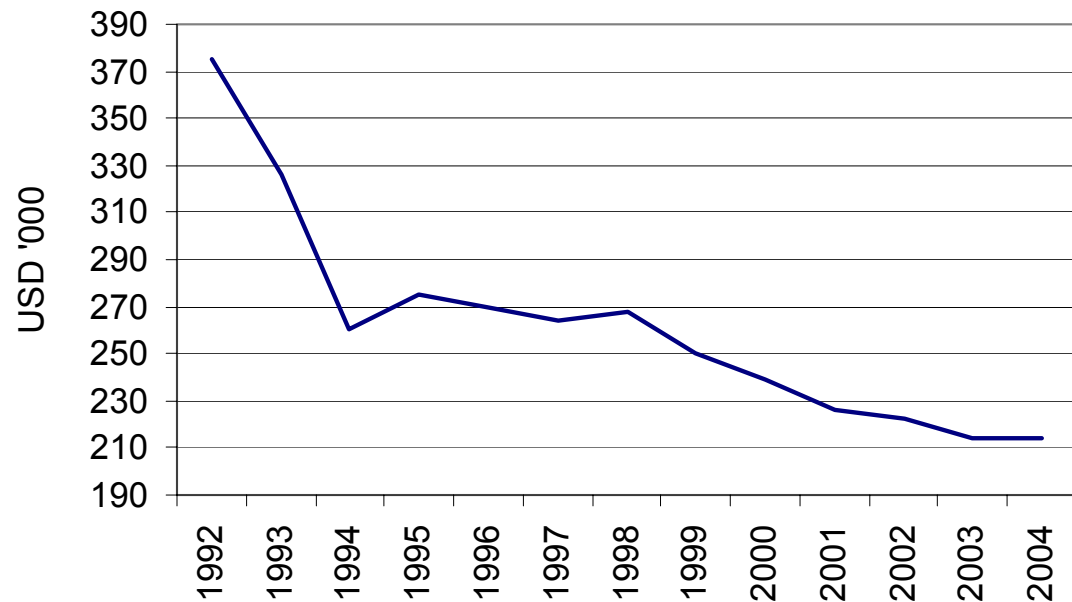
Source: Norgas Gas Fleet 2004

# I.M. Skaugen ASA

## Norgas Cost Leadership – our EBIT Break Even level

Continue to improve group profitability by focusing on EBIT margins and EBIT break-even levels within Norgas and the China Activities.

### Norgas EBIT Break even



EBIT B/E – what it takes of average earnings per month to cover all our admin, operating and the depreciation charges on our vessel.

# I.M. Skaugen ASA

## China Activities – TNGC, NFM, WSTC



## I.M. Skaugen ASA

### IMS has a decade of operational presence in China.

- China is more complex than just being a “growth story”
  - The important themes to remember are
    - (1) whatever China *cannot* produce is likely to become dearer,
    - (2) whatever China *can* produce is likely to become cheaper and
    - (3) competition may keep profits from investments in China low; even if the “growth” in China is high.
    - (4) Chinese demand growth and competitive position will affect your business in totally unrelated areas.
- China sustains global deflationary pressure
  - China’s 750 million labor force exceeds the total of the OECD. Only half of the country’s labor force has left the farmland; urbanization may take another three decades to complete. Investors should monitor international price trends for manufactured goods.

## I.M. Skaugen ASA

---

### **Our China Activities – a key part of the strategy**

- IMS believes that China's existing significant market potential for LPG, petrochemical gases, and chemicals; and the needs for transportation will substantially increase in the coming years. Through capital-efficient investment in China, we seek to take advantage of near-term opportunities while positioning ourselves for the longer term development of this market.
- IMS has achieved a unique entry point and is approved to carry out domestic transportation in China due to TNGC. We have a competent team in China - as well as an established China based organization to ensure a more efficient management of our fleets in Asia.
- Our strategy in China is both to develop the market potential for our services such as transportation of petchem gases and chemicals in China and exports and imports to / from China.

# I.M. Skaugen ASA

## SPT – The Shuttle Tanker Activity



## I.M. Skaugen ASA

---

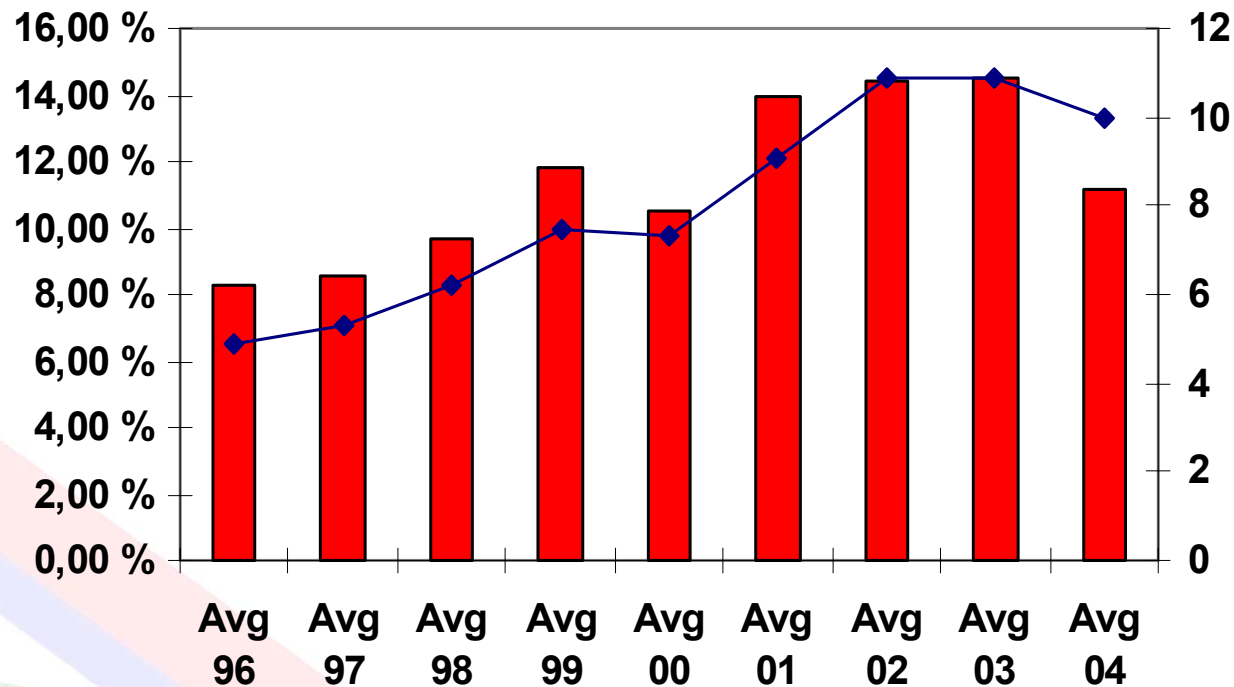
### SPT's Challenges today – “Ship to Ship Transfer”

- A. We have a great customer base.
- B. We suffer from the very volatile and strong tanker markets; both re price and availability of tonnage.
- C. We have a super core fleet in the pipeline with our 6 SPT Tankers (2007).

We need to build a bridge between these two!

## I.M. Skaugen ASA

SPT handles about 10 per cent of the total US seaborne crude import and approximately 1 million barrels per day



**% US seaborne crude import** — **Average no. of tankers**

Source: SPT updated Jan. 2005 **24**



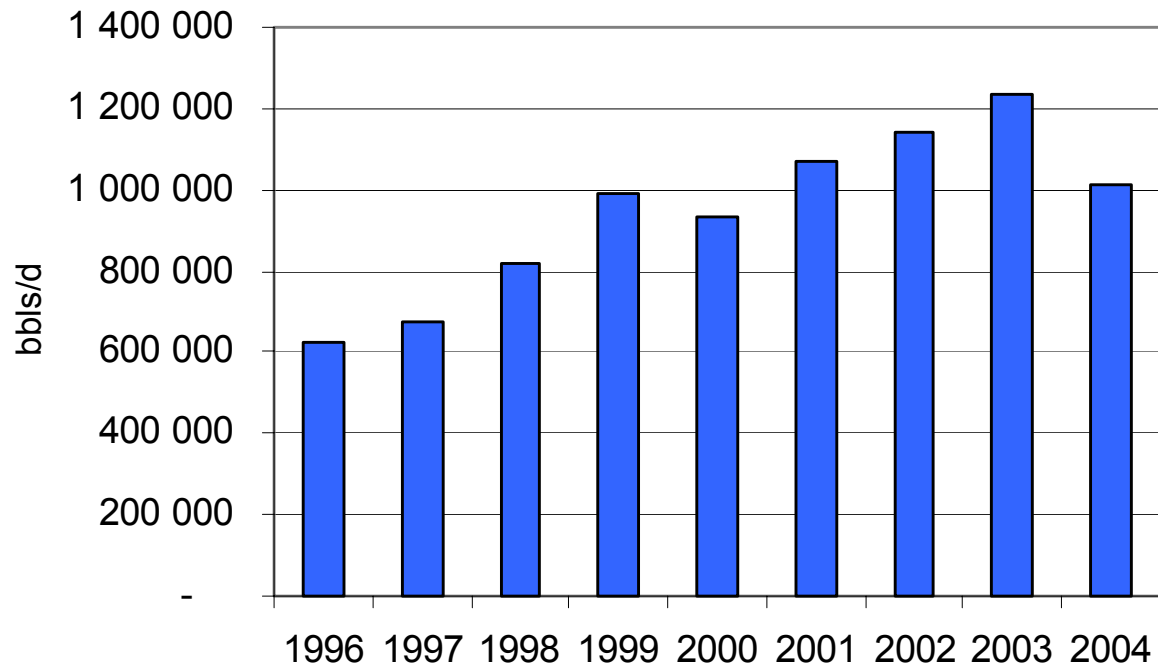
# I.M. Skaugen ASA

## SPT Daily Lightering Volume (bbls/d)

SPT has successfully increased its overall level of activity since mid 90's and now handle more than 1 mill barrels per day

Since 1995, SPT imports have grown by 31%, while the SPT volume has increased 70%.

**SPT Lightering volumes 1996- 2004**

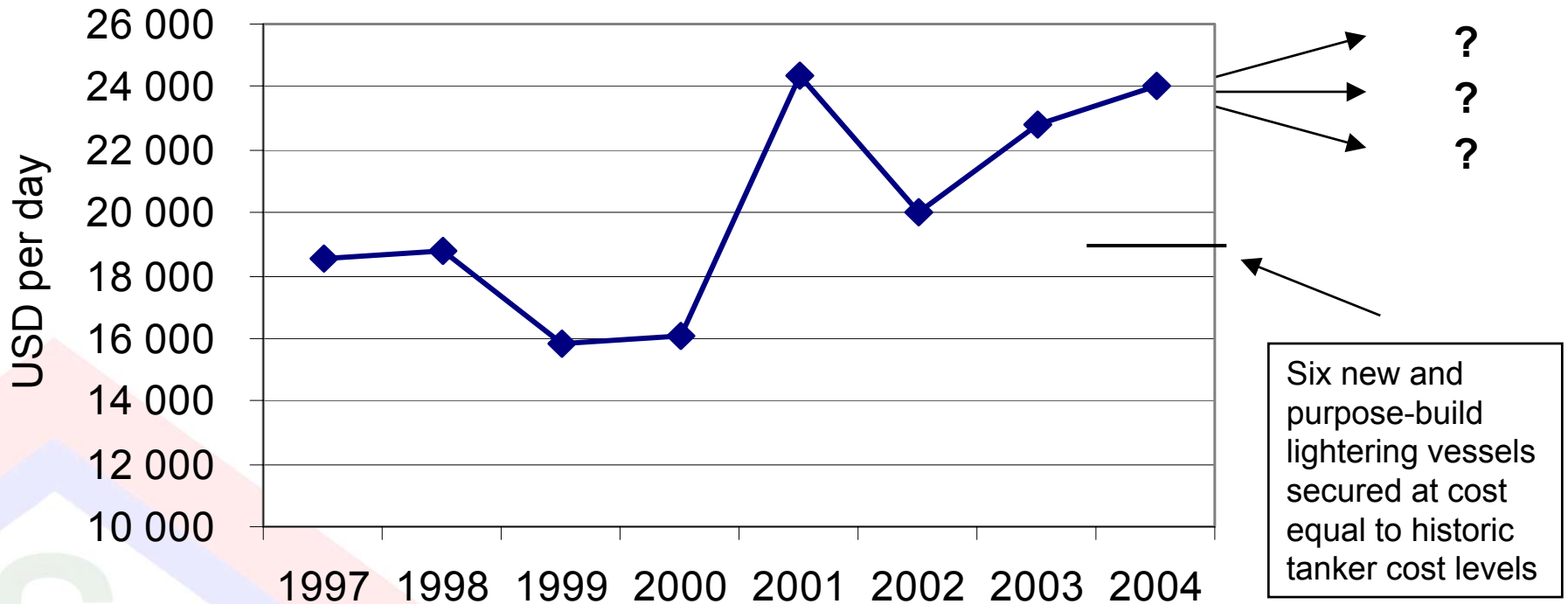


Source: SPT updated Jan 2005

# I.M. Skaugen ASA

**SPT - Average annual tanker cost in core fleet.**

**The trend-line has moved from \$18,000 a day to \$24,000 a day and is going up.**



Source: SPT updated Jan. 2005 **26**

## I.M. Skaugen ASA



Steady as she goes !