



# I.M. Skaugen ASA - Innovative Maritime Solutions -

Annual General Meeting

1 March 2007





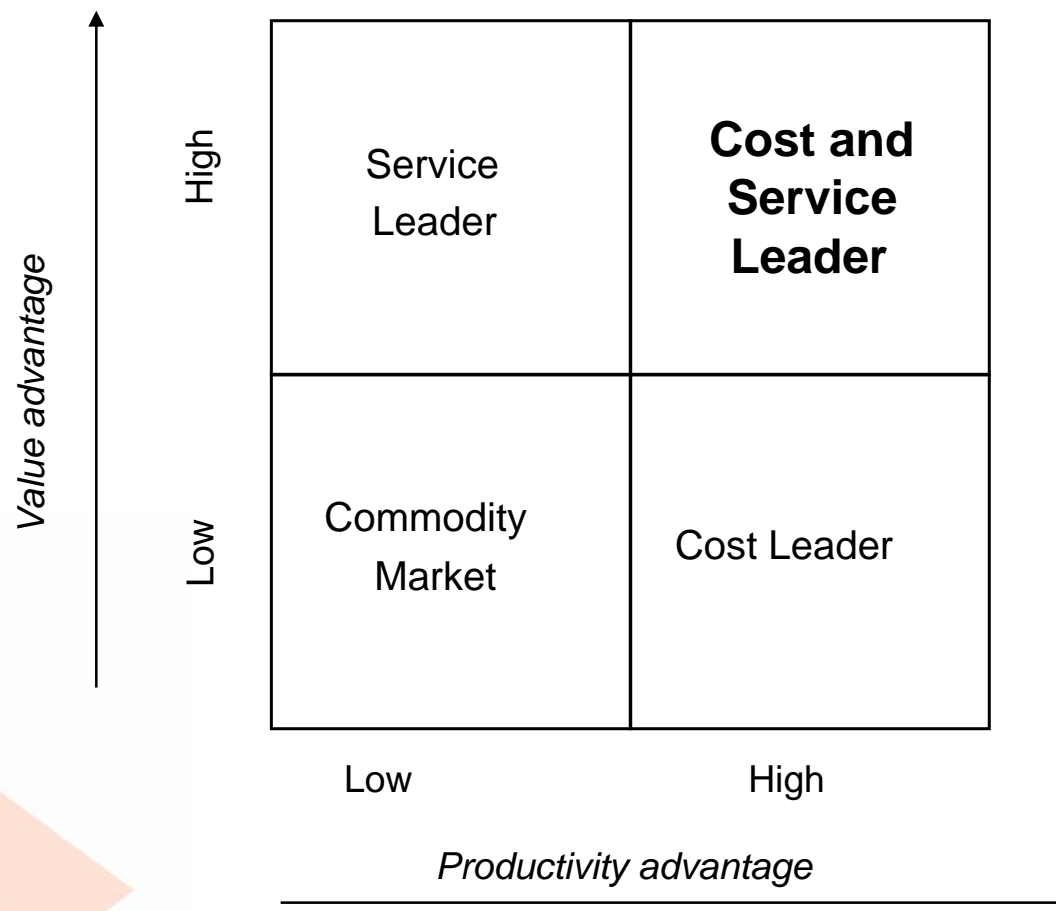
## Our business

- I.M. Skaugen is a **Marine Transportation Service Company** and operating globally in two core business segments - the transportation of petrochemical gases and liquefied petroleum gas (LPG) and ship-to-ship transfer (lightering) of crude oil and LNG. Our customers are large global companies operating in the oil and petrochemical industries served through our global presence with a multicultural team of professionals.
- IMS is a **fully integrated shipping company** that designs, builds, owns, and manages our own ships.
- Finally, the Company also undertakes investments in China to develop its “**Cost and Service leadership strategy**” and to develop core competence of carrying out business in China; with the aim of providing IMS core business activities in the country in the longer-term. The Group also undertakes industry-leading recruitment and training programs for seafarers through our training centers in China. These centers are crucial in order to secure a long-term supply base of well-trained officers and crew for our fleet.








## Maintaining our key strategic goal





## I.M. SKAUGEN GROUP

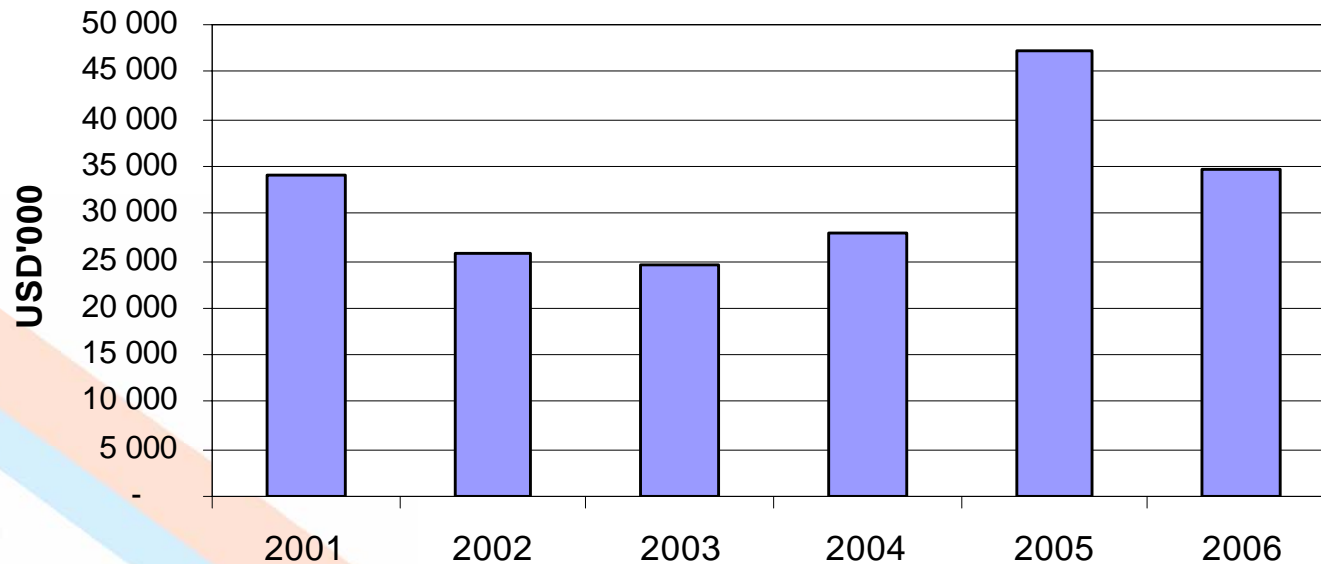
 <b>Norgas</b> Gas activities	 <b>SMC</b> Marine construction activities	 <b>SPT</b> Shuttle tanker activities
World-wide LPG and petrochemical gas transportation	Management of newbuilding related activities in China	World-wide ship to ship transfer of crude oil
IMS is part of the ENGC pool that controls 31 ethylene vessels of 282.880cbm	Acquired 50 per cent of a Chinese manufacturer that specialize in low temperature steel structures for the marine- and pet.chem. industry	SPT operates a LNG import facility for Exceletrate Energy in the US Gulf
IMS owns and operates 18 vessels in the 3-10.000 cbm range	JV with Chinese yard, with substantial investments in yard infrastructure	Expansion into Europe, Russia and Africa through SPT Marine Service
IMS has 16 gas carriers under order of which 12 are confirmed – 3*3.200cbm (1delivered), 3*5.800cbm, 6*10.000cbm (+4 yet to be confirmed)	To take delivery of 6 new special purpose Aframaxes on bb-charters	
The 10.000cbm Multigas vessels will be able to carry LNG, LPG, Ethylene and other petrochemical gases	Performed the world's first ship to ship transfer of LNG in August 2006	



## Group Results for 2006

- For the year, I.M. Skaugen Group (IMS) reported a net result of USD10.6 million and the result on an EBITDA basis was USD34.6 million
- Through the efforts made within our IMS business during 2006, we are well placed in 2007 to further develop our operations in Norgas, SMC and improve the performance of SPT.

**IMS Group - Annual EBITDA**





## Group Key Figures

USD million	IFRS	IFRS	IFRS	----- NGAAP -----			
	2006	2005	2004	2003	2002	2001	2000
Revenue	206,6	185,2	148,6	209,4	189,0	203,9	155,5
EBITDA	34,6	46,3	24,9	24,4	25,8	33,9	24,4
EBIT	21,1	34,4	12,3	9,7	13,8	17,5	7,9
Result before tax and variance on derivative	10,1	28,9	4,1	20,3	4,8	10,4	1,5
Total Assets	334,0	289,3	207,0	224,9	193,6	185,5	177,2
Liquid assets	81,2	83	19,8	39,2	32,4	35,6	14,7
Equity at book value	111,0	86,9	83,6	72	71,3	66,5	74
Net debt	78,7	83,4	76,5	91,1	64,0	55,8	63,8
Net interest-bearing debt	112,2	89,8	86,1	92,2	68,5	60	71,3
Dividend paid	1,3	17,4	5,8	16,7	5,5	4,6	1,3
Buy-back of shares / convertible bonds	4,4	3,3	10,2	0,0	0,7	2,8	2,1
Current ratio 1)	493 %	460 %	239 %	287 %	273 %	271 %	229 %
Equity ratio 2)	32,0 %	30,0 %	40,0 %	32,0 %	36,8 %	35,8 %	41,8 %
Interest coverage ratio 3)	3,06	5,16	2,68	3,3	5,42	6,57	3,62
EBITDA ratio 4)	16,7 %	25,0 %	17,0 %	11,6 %	13,5 %	16,4 %	15,3 %

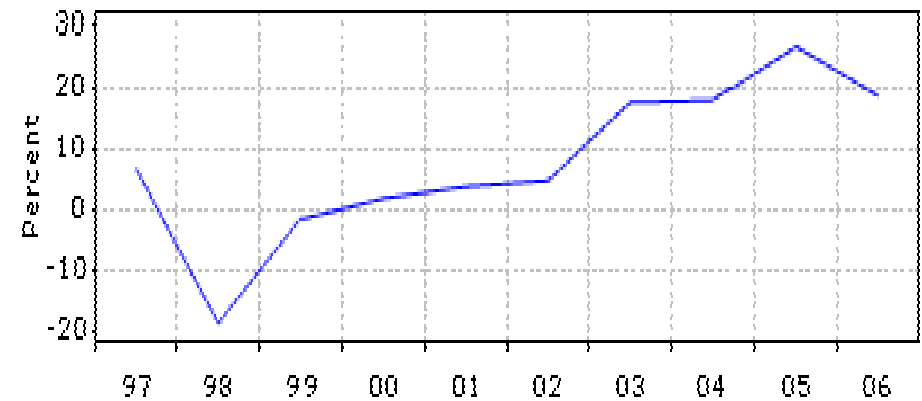


# Share Price Development

IMSK Share Price Jan. 1997- Feb. 2007



IMSK Share Accumulated Annual Yield Since 1997  
(including dividend) in %



Source: IMS

Proposed dividend in 2007: NOK1.75

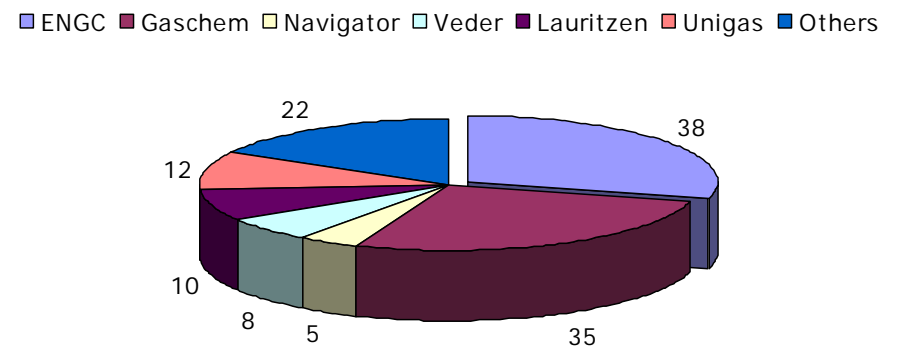




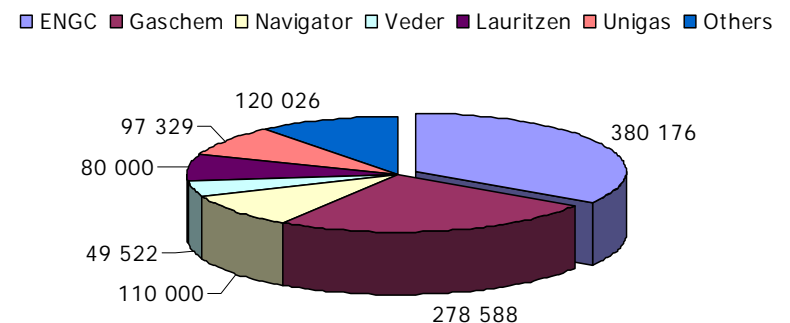
## Our leading position – gas transportation

- Norgas is, through the ENGC pool, the world's largest marine transporter of ethylene
- IMS is through TNGC the only non-Chinese company transporting LPG domestically in China
- Norgas plans to retain its market share through the current new building program
- Norgas will be the first company ever to offer 10.000 cbm vessels that have the ability to carry LNG, in addition to ethylene, LPG and other petrochemical gases

Main ethylene Pools/Operators - No.vsl's  
Existing fleet incl orders 2010



Main ethylene Pools/Operators - CBM  
Existing fleet incl orders 2010



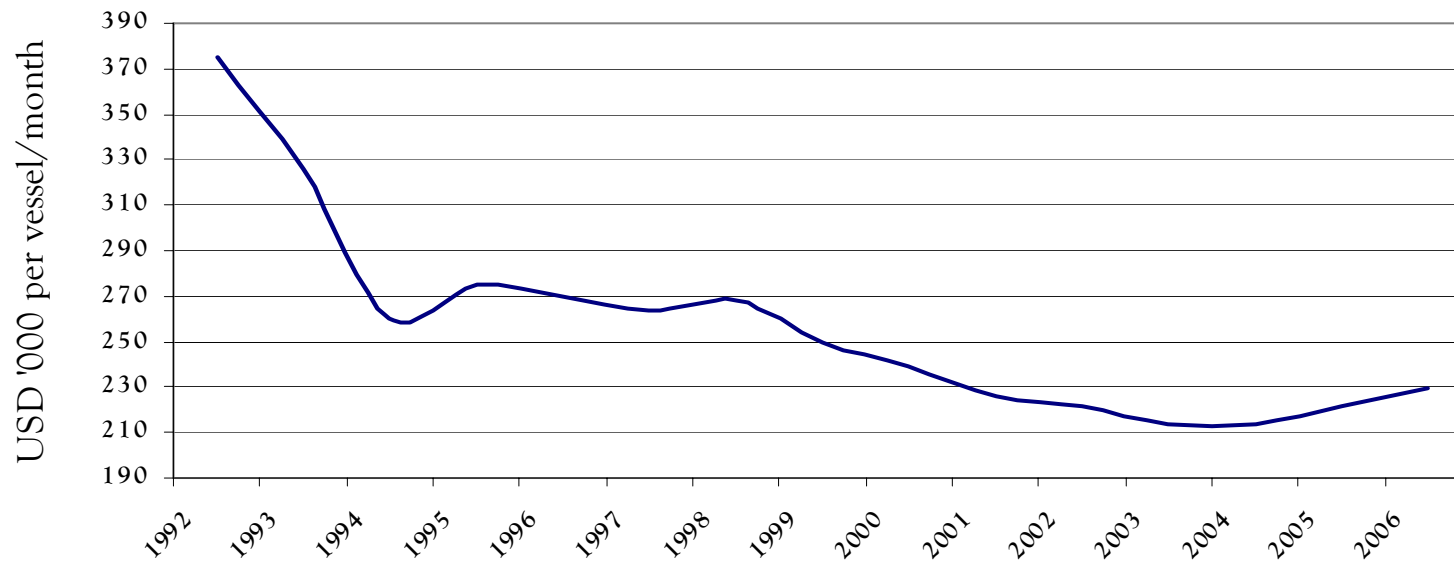




## Cost focus and EBIT B/E levels

- We expect the EBIT break even level to increase slightly in the years to come- especially due to crewing related cost pressures in the markets
- We believe that we are operating at a lower level of cost than our competitors -which enables us to maintain better operating margins.

The Norgas "EBIT Break even level





## Reasons why we believe in this gas transportation market

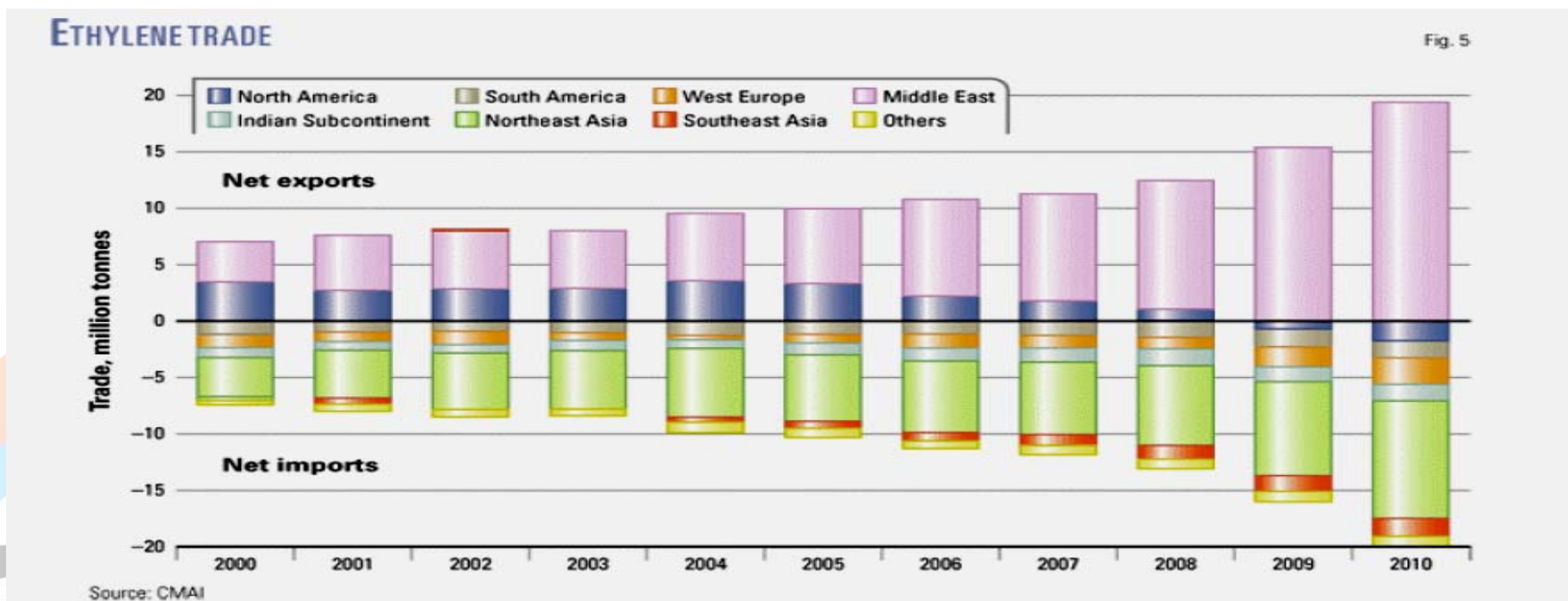
- **1. Increased ethylene shipments are expected, including rebirth of long haul trades, due to:**
  - Going forwards, USA and Europe will have reduced ethylene production, as they are under-investing in petrochemical complexes due to their cost disadvantage towards the Middle East and China
  - Increased investment and accelerating petrochemical production from the Middle East, destined principally for export shipping
  - Approximately 2/3 of all new petrochemical capacity will be built in the Middle East and approximately 1/3 in China, further increasing the need for maritime transport of products from these regions to net importing regions
- **2. Asian petrochemical demand is increasing, and will mainly be supplied by the Middle East due to their feedstock advantage**
- **3. Continued improvement in global economic indicators; global petrochemical demand has historically grown by 50 per cent more than the GDP growth**
- **4. Norgas gets a competitive advantage as we can produce vessels below what our competitors have to pay due to the lasting constrained shipyard & engineering capacity**





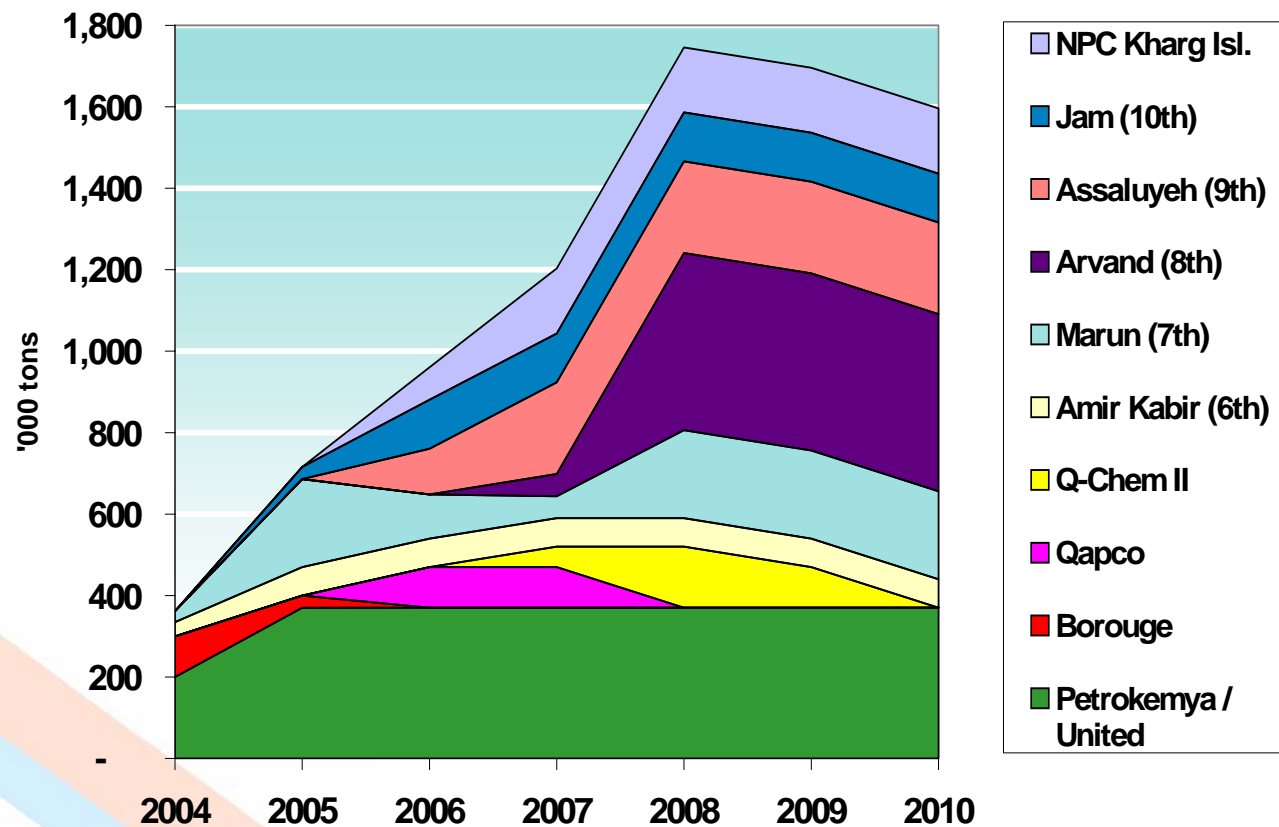
## Rapid expansion in the Middle East

- The main ethylene capacity additions will come in Asia (36%) and the Middle East (51%)
  - The Middle East will therefore increase its global market share of total ethylene capacity to about 20% by 2010, from around 9% in 2005 (Source: Oil & Gas Journal)
- The Middle East will become the only net exporter of ethylene





## Production capacity AG/PG in the coming years

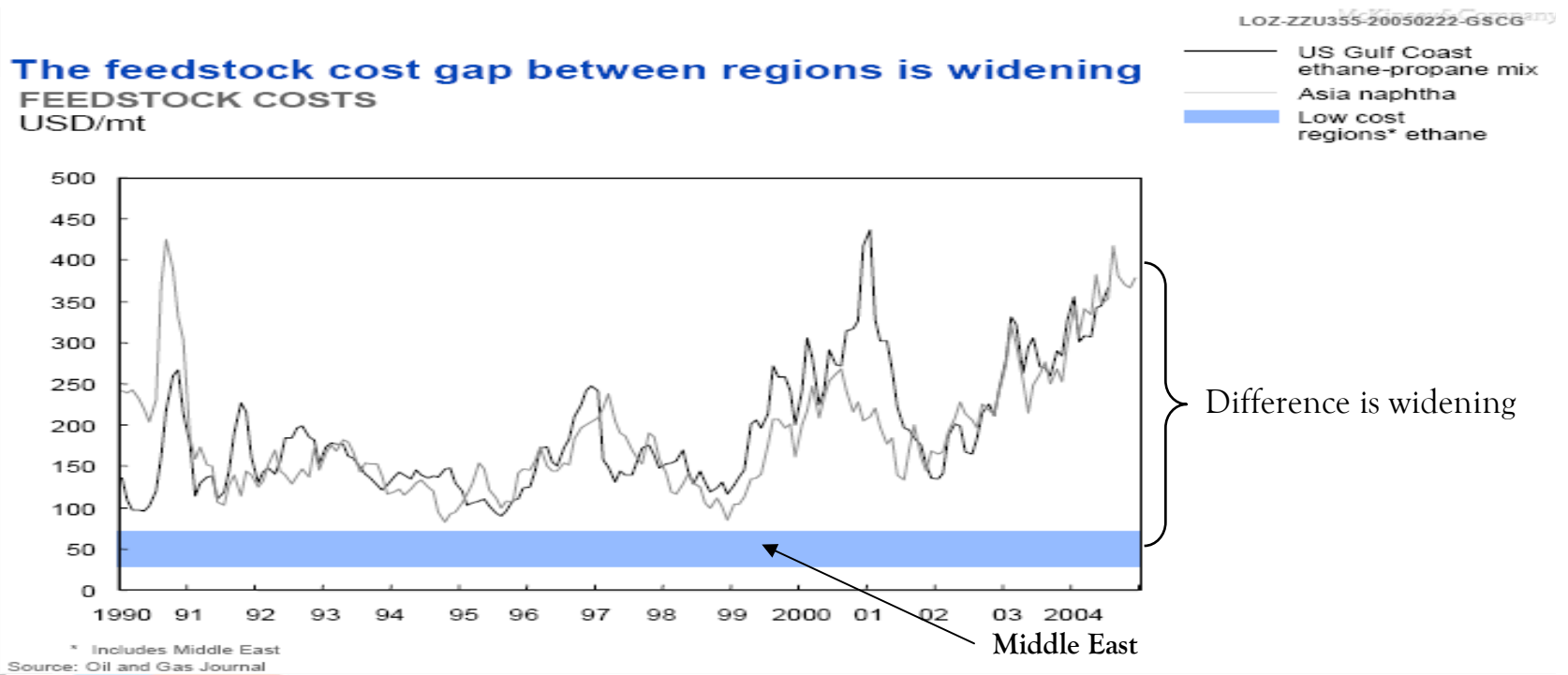


Source: Inge Steensland



## Feedstock Prices

- Global ethylene capacity is estimated to increase by 4,3% per year to 133 mt in 2010 (Source: Oil & Gas Journal)
- Middle East has an advantage through low feedstock prices set by the governments to stimulate petrochemical activity
- Even through periods of low oil prices, the Middle East's feedstock is still cheaper than in the US and Asia





## Supply of tonnage and cracker capacity

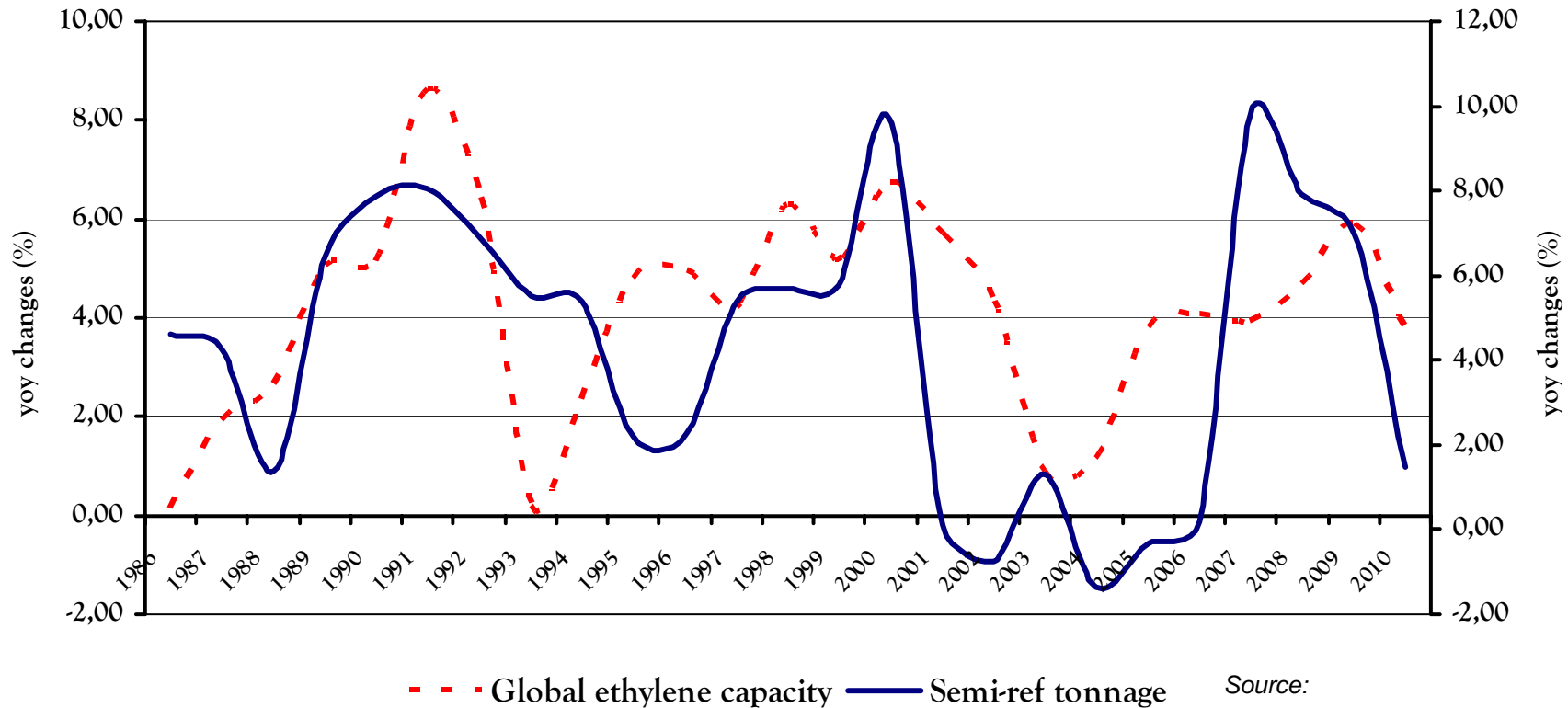
- We have studied the new cracker capacity and estimated production from these to establish the potential need for semiref tonnage and ethylene capable tonnage.
  - If the same % of all product made is shipped this analysis is valid.
  - The trade pattern for products will however change the "cbm mile" effects in a positive or negative way.
- => IMS believes that the new - latest technology - low feedstock crackers in the MEG will be cause a "petchem Tsunami" and will change the trading pattern and more will be "seaborne" than in the past. The new crackers in China are also very cost effective and may cause a similar ripple effect in East Asia. Europe and USA will become net importers of products. Thus a higher % of products will be subject to seaborne transportation than in the past.**





## Supply and demand balance – based on ethylene capacity vs. semi-ref tonnage

- If we look at the ethylene tonnage vs. the historical and forecasted ethylene capacity, it shows:
  - Historically there has been a higher supply of tonnage than ethylene capacity
  - Going forwards, the tonnage growth will be less than the production growth



--- Global ethylene capacity — Semi-ref tonnage

Source:

Ethylene capacity: Drewry Dec06

Tonnage: Norgas own database Dec06





January 2007,  
naming and delivery ceremony for  
Summargas #1, Mei Wen Ti

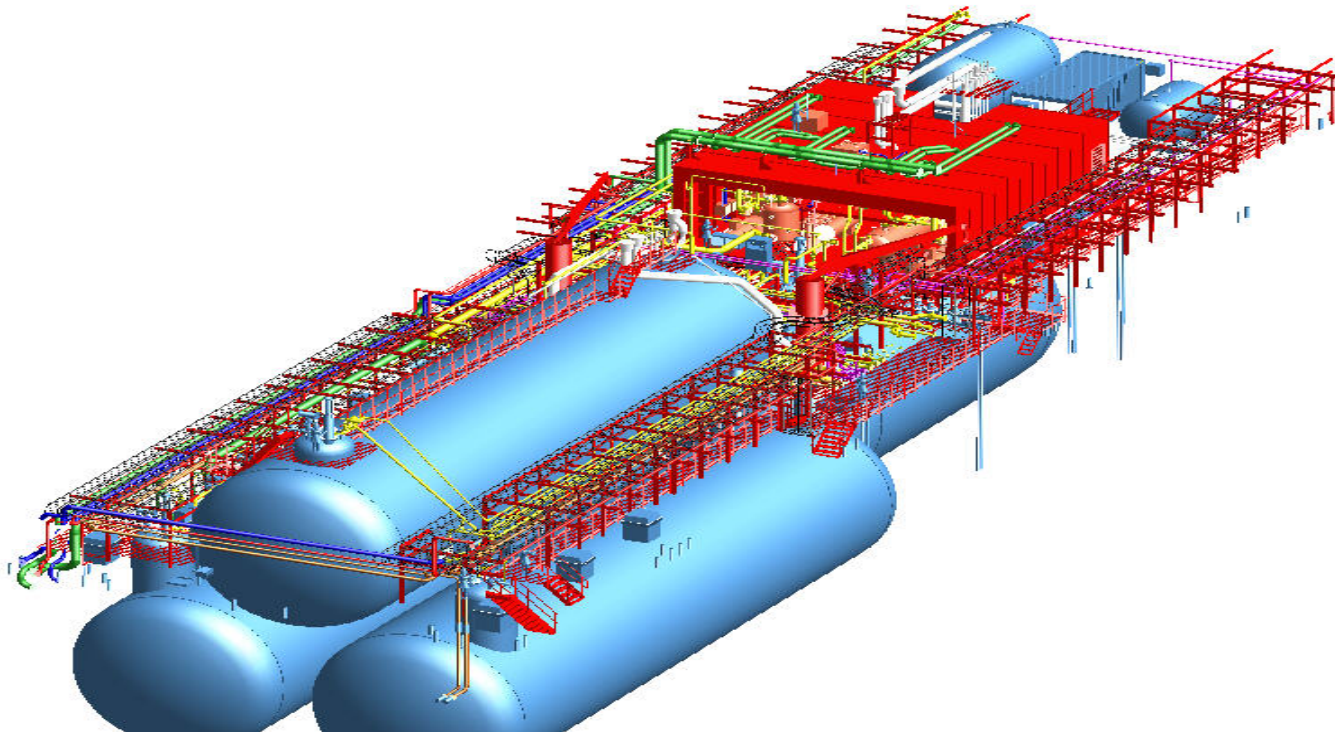






## Our Leading Position – Construction through SMC – *Ships More Competitive*

- In China we have set up a well functioning, flexible and effective process for producing quality gas carriers
- This has enabled SMC to construct innovative and flexible vessels at a cost well below market prices
- Consistent with IMS' corporate strategy this will give Norgas the ability to retain its cost- and service leadership within the gas transportation segment
- Our participation in Shenghui Gas and Chemical Systems may offer future opportunities in a region where the marine- and petrochemical industry is rapidly expanding

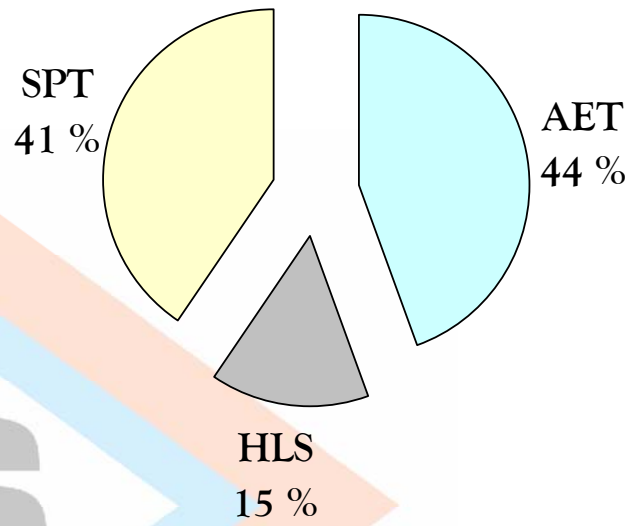




## SPT - A leading provider of lightering services

- SPT is one of the largest lightering company in the world - taking ashore 10% of US' seaborne crude oil imports or around 1 million barrels of oil every day
- SPT is expanding into the European, Russian and African markets through SPT Marine Services
- SPT performed the worlds first LNG ship-to-ship transfer in August, 2006

US Gulf Lightering Market Share (2006)

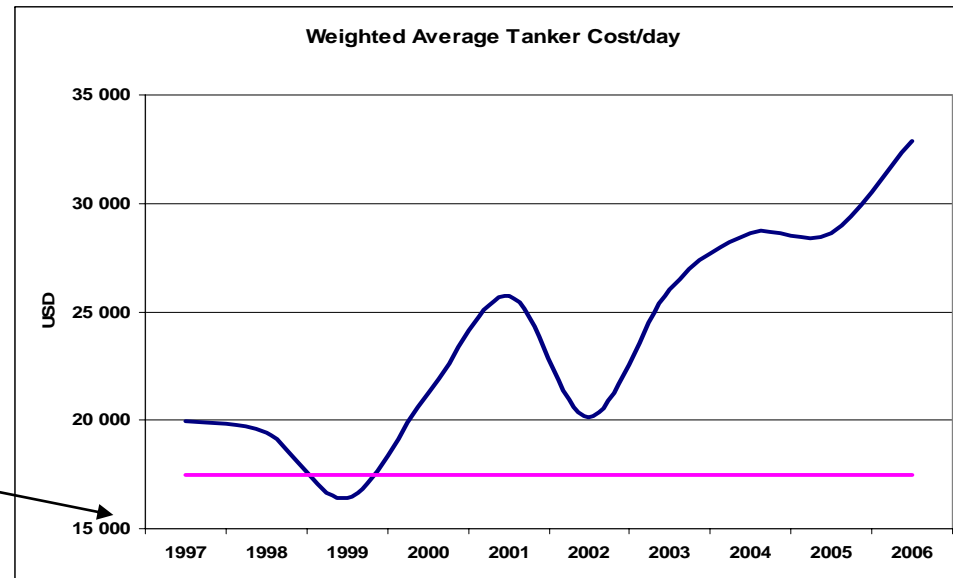




## An exiting future

- During 2007 SPT will take delivery of 6 new Aframax tankers, covering around 50% of its current needs for tonnage

- These vessels are secured at historically low tanker rates, giving SPT a competitive cost advantage in the market.



- SPT is positioning itself as a world leader in LNG transfers
- SPT is helping develop breakthrough technology for LNG Ship to Ship Transfer
- SPT will grow with the LNG industry





## SPT operation at Scapa Flow - LNG transfer





## IMS - An exciting future by Innovative Maritime Solutions

### Norgas:

- Has a very good customer coverage in the Middle East region
- Is positioned to take share of future Chinese gas transportation demands
- Will expand into short haul LNG transportation with our new and unique Multigas vessels

### SMC:

- Pioneering new build programme comprises 16 vessels, (12 confirmed and one delivered) at cost substantially below “market levels”, and with added capabilities that will offer greater flexibility
- Will start developing third party new building projects, being able to offer turnkey products
- Positioned for growth within Chinese petrochemical industry

### SPT:

- Has experienced margin pressure in 2006, but expect improvement in 2007 with new Aframax tankers that were ordered at a cost of 40MUSD vs. current market prices of 65-70MUSD
- Opportunities for growth in Europe and Asia through its various branches, and through its unique LNG ship-to-ship transfer knowledge