

The IMS group- a global company



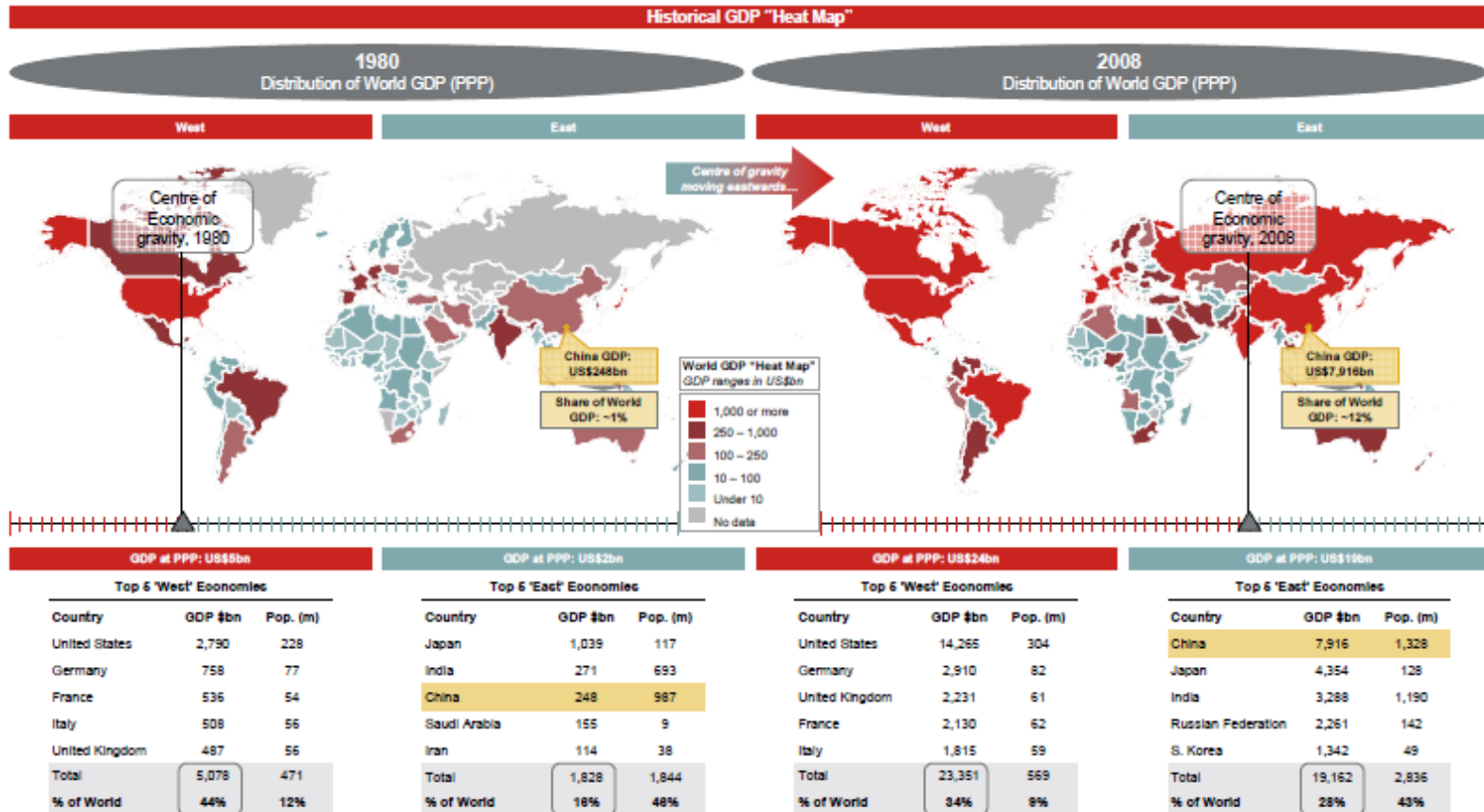
- **Structure:** Organized in three business segments and through strategic partnerships / joint ventures
- **Revenues: USD 500 million** in operating subsidiaries and JV's (all on 100% basis and not eliminating interco items)
- **Employees: 1850 employees** world wide, from 30 nations and over 1100 from China
- **Vessels: 43 in operations** - in gas and crude oil transportation and logistic services.



The rise of the East



Shifting Centre Of Gravity



Source: IMF.

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Et fantastisk 'eksperiment'



- Kina blomstret på kombinasjon av handlekraftig "autokrati" og en form for "kombikapitalisme" (statskapitalismen og privat kapitalisme hånd i hånd).
- "Autokratiet" avløses nå gradvis av en form for "demokratiseringsprosess"; styrt av medlemmene av en form for "frimurerlosje".
- Dette er et banebrytende 'eksperiment' som utfordrer ikke bare landet, men verden.

⇒ Foreløpig har dette lyktes over all forventning. Kanskje eneste regime i verden* som kan vise til at alle borgere har fått det bedre over de siste 20 år++.

* Singapore har en liknende styringsform og med tilsvarende resultat.

The China we have seen so far is nothing.....



- **The country's rural population may drop to 400 million from the current 900 million in the next three decades because of rising urbanization.**

The rural population currently stands at 720 million, the latest population figures have shown. But the number does not include the 180 million rural residents who have left their hometowns to live in cities for more than half a year

- **In the past 30 years, the urban population has increased by 400 million to 600 million. Of these people, 27 percent now live in cities, but are not permanent residents.**

Currently, one in four residents in the cities come from the rural population. The country has about 240 million migrant workers, with about half of them born after 1980 and 40 million of them born in the 1990's

China 2020



- Largest economy in world?
 - With largest capital markets
 - With the Largest FX reserves?
 - World's reserve currency?
- Most advanced talent pool?
 - Yet largest supply of low level talent?
 - The most Nobel prizes?
 - Only one with a permanent base on the moon?
- World's most environmentally friendly economy?

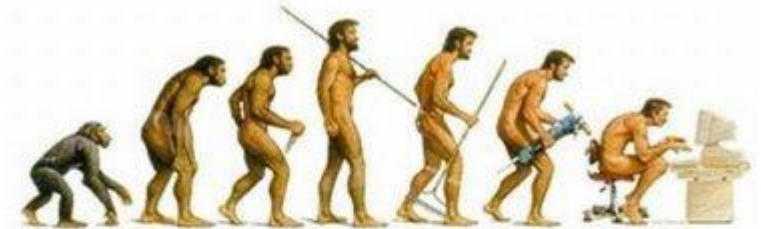


Why we can succeed in China Survival in a challenging world

- ***As per Charles Darwin we should thus keep in mind that:***

"- it is not the strongest of the species that survive, nor the most intelligent, but the most responsive to change."

Thus the future can be ours if we manage this well!



IM Skaugen: our Choice of strategy

Why China?



- Operational effectiveness means you're running the same race faster.
- But strategy is choosing “to run a different race because it's the one you've set yourself up to win. ”

Source: Michael Porter

Why China?



At IM Skaugen SE;

We try to recruit the people with the highest enthusiasm and best motivation

- and wherever we can find them in the world.



Outside the library at Nanjing University at freezing temperature from 0530 AM – it opens at 0730 AM.

The “Art of War” or “The Marketplace”



The “Art of War” is of vital importance to any company. It is a matter of “life and death”, a road to either safety or to ruin. Hence under no circumstance can it be neglected.

- If you know the enemy (read Customer and Competitors) and know yourself, you need not fear the result of a hundred battles.
- If you know yourself, but not the enemy (read Customers and Competitors), for every victory gained you will also suffer a defeat.

If you know neither the enemy (read Customer and Competitors) nor yourself, you will succumb in every battle.....

“Art of War” Chinese wisdom contd..



- The Salesman who wins a battle makes many calculations before a battle is fought.
- The Salesman who loses a business makes but few calculations beforehand.

Thus; do many calculations lead to business gained, and few calculations to business lost; how much more no calculation at all !

=> It is by attention to this point that I can foresee who is likely to win or loose

By Sun Tzu (about 500 years B. C.)

Rewritten by Morits Skaugen (2000 years A. D.)

”Asia for Dummies”



1. Everything is possible and 2. Nothing is Easy

- Western business logic does not apply
- It is a fun project if there is no deadline
- You must persist – Things will come your way eventually
- Patience is the essence of success
- “You do not know China” means they disagree
- “New regulation” actually means they found a new way to avoid doing something
- “Internal regulation” actually means they are mad at your company (or you)
- “Basically no problem” actually means it is a big problem

=> When you are optimistic, think about rule #2

=> When you are discouraged, think about rule nr #1

China Business culture in a snapshot



- Power distance is large. 5000 years of centralization results in a tradition of obedience
- Inequalities are expected and desired
- Less powerful people should be dependent on powerful who must protect them and take care of their careers/welfare
- Parents, teachers, bosses must all be obeyed
- Age brings seniority
- Search for virtue more important than search for truth
- Long term orientation and goals

China Business culture, corporate



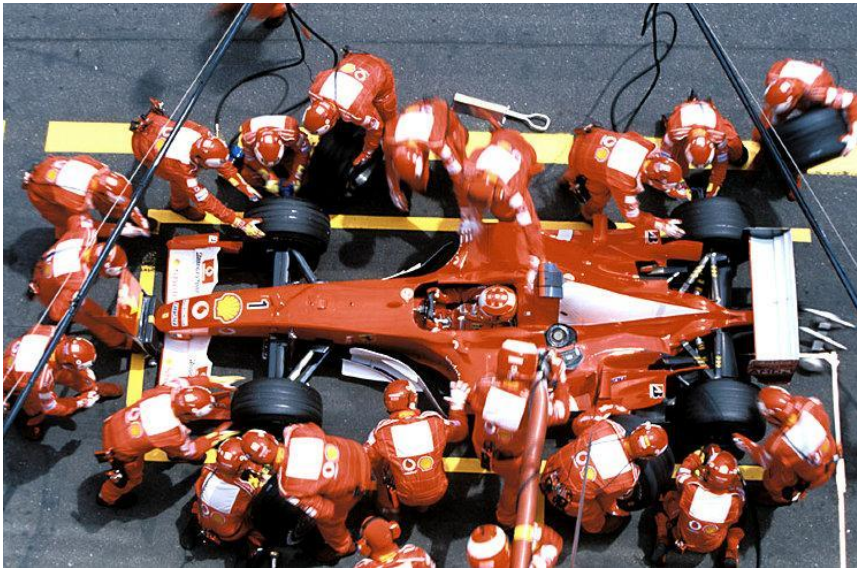
- Wide salary range between top and bottom of organization
- Ideal boss is benevolent autocrat
- Privileges for managers are expected and popular
- Subordinates expect to be told what to do
- Individualism taboo
- Relationships are more important than task
- Confrontation avoided, harmony and consensus are ultimate goals

Why do we have partners?



- If you want to go quickly, go alone
- if you want to go far - go together.

an old African proverb



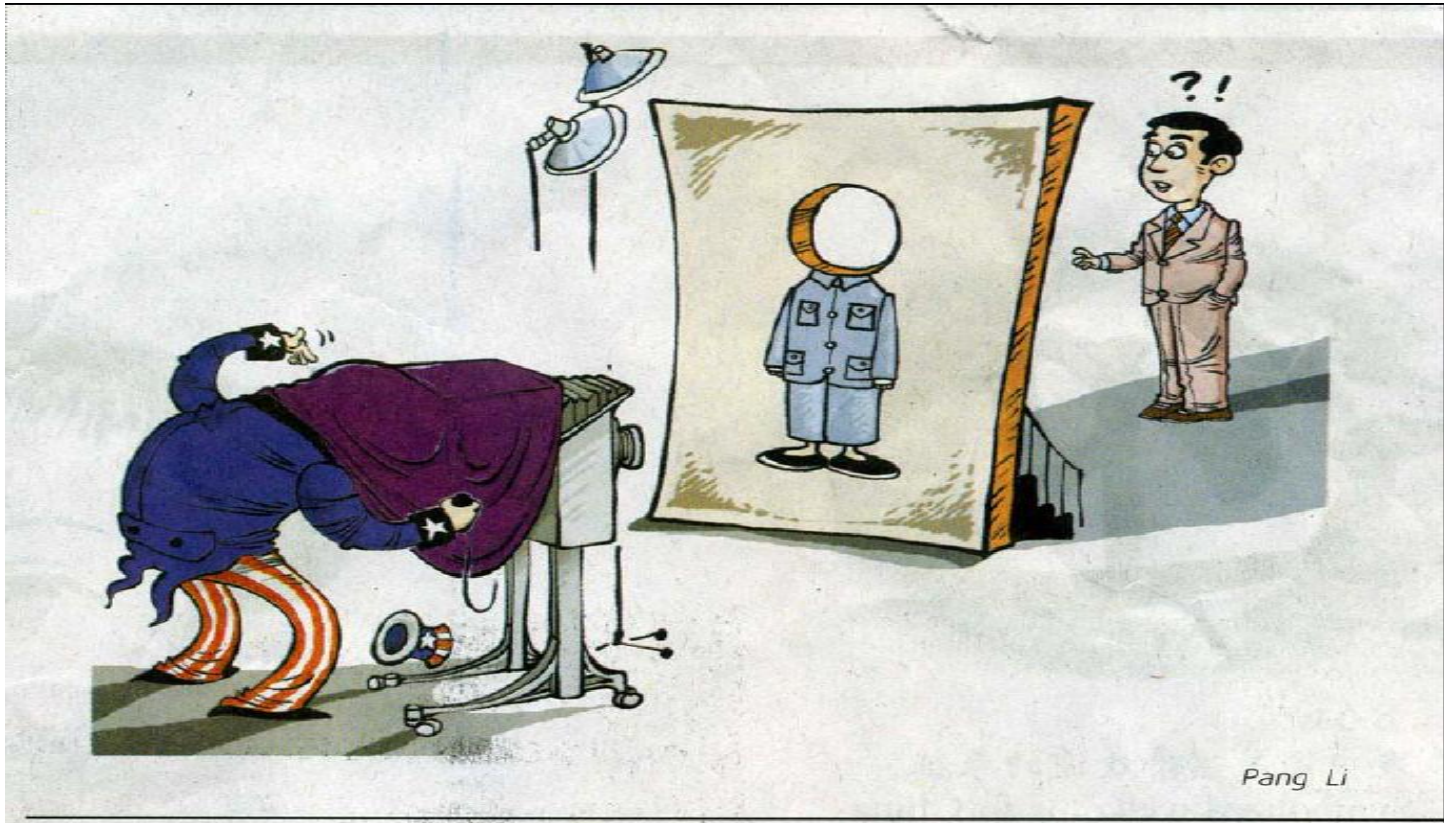
A good way in China



”Crossing the River by feeling the Stones”

- The Government(s) lays the foundation and will try different things in different places.
 - As the markets are so fragmented one can try different approaches in different places.
- => Also a good way to enter into China. Start with small steps and ”feel” your way.

What you see is not always reliable



How we learn?



- By three methods we may learn wisdom:

**First, by reflection, which is noblest;
Second, by imitation, which is easiest;
and third by experience, which is the bitterest.**

Confucius Chinese philosopher & reformer (551 BC - 479 BC)

- A journey in China can be characterized by friction, failure and the loss of millions of dollars. It could be treacherous and fraught with economic peril. Many lessons have been learned, and most of them have been learned the hardest way..... – by experience.



Staying power

- There is a difference between "***interest***" and "***commitment***".

When you are ***interested*** in doing something, you do it only when it is convenient. When you are ***committed*** to something, you accept no excuses, only results.

=> You will only succeed in China if you have this commitment. From owners, board and management.

How to succeed in Asia?



“The only place where success comes before work is in the dictionary”

1. Do not cross a river at foot that has an average of 1 meter depth.....
2. Key people must understand the Chinese culture and thus language. Make sure they also understand your culture.
3. “Expats” should be reduced and only to be used for transfer of special skills/know how. Most expats are not good at this.....
4. Make sure you trust your Chinese team members all the way – and trust your own team(s) and allow them to make mistake.
5. Ensure you have the commitment from the shareholders, the board and that you have Chinese in senior management positions.