Douglas – Westwood

“Market Outlook”

Andrew Reid

CEO

Subsea UK 2012

Aberdeen

8 February

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Our Business

offshore


onshore


downstrean

History and Office Locations

- Established 1990 – 22 years of insight
- Global presence - offices in Europe, America and Asia

Activities & Service Lines

- Business strategy & advisory
- Commercial due-diligence
- Market research & analysis
- Published market studies

Large, Diversified Client Base

- 400 clients, 70 countries
- Leading global corporates
- Energy majors and their suppliers
- Investment banks & PE firms
- Government agencies


power

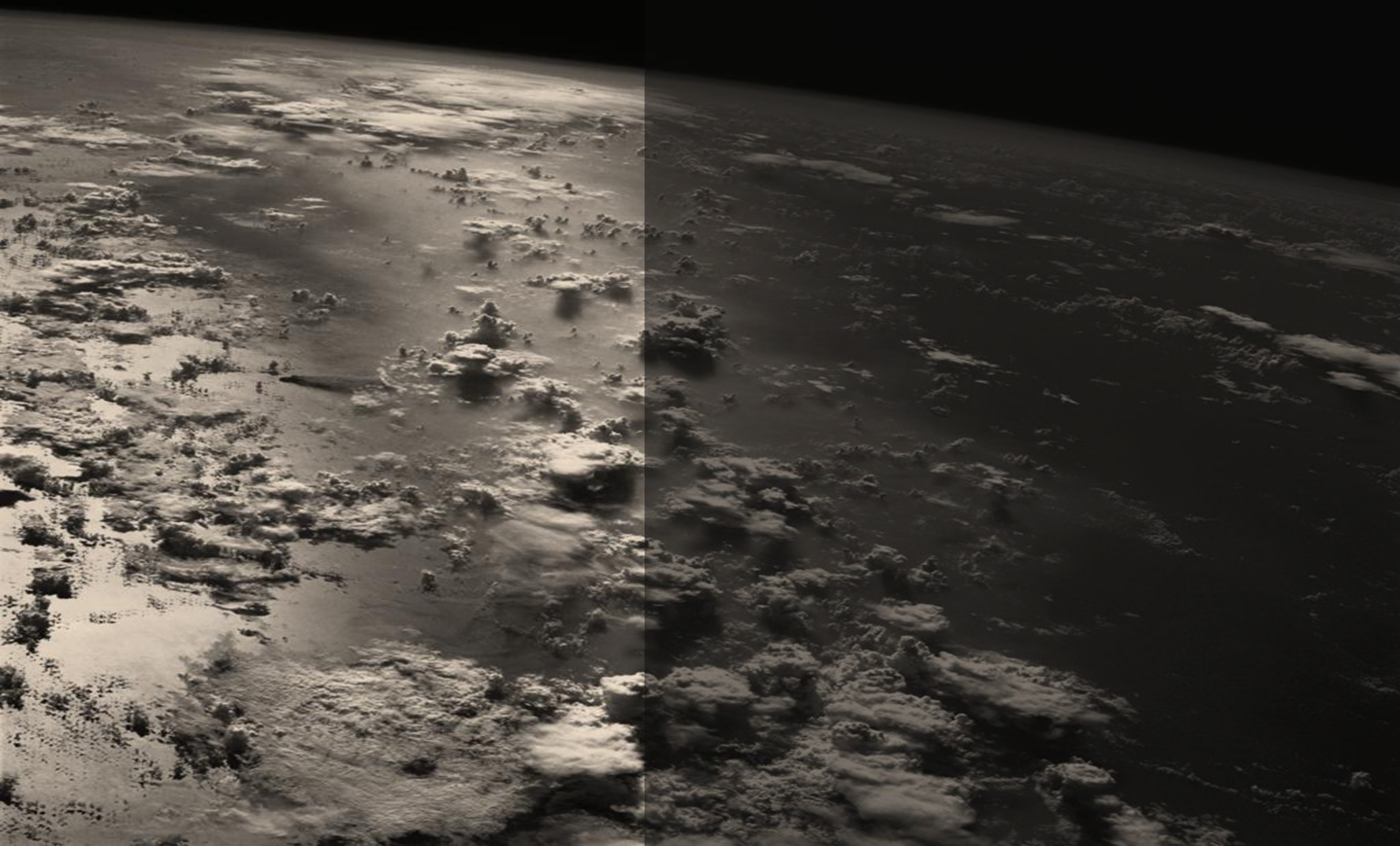
LNG


renewables

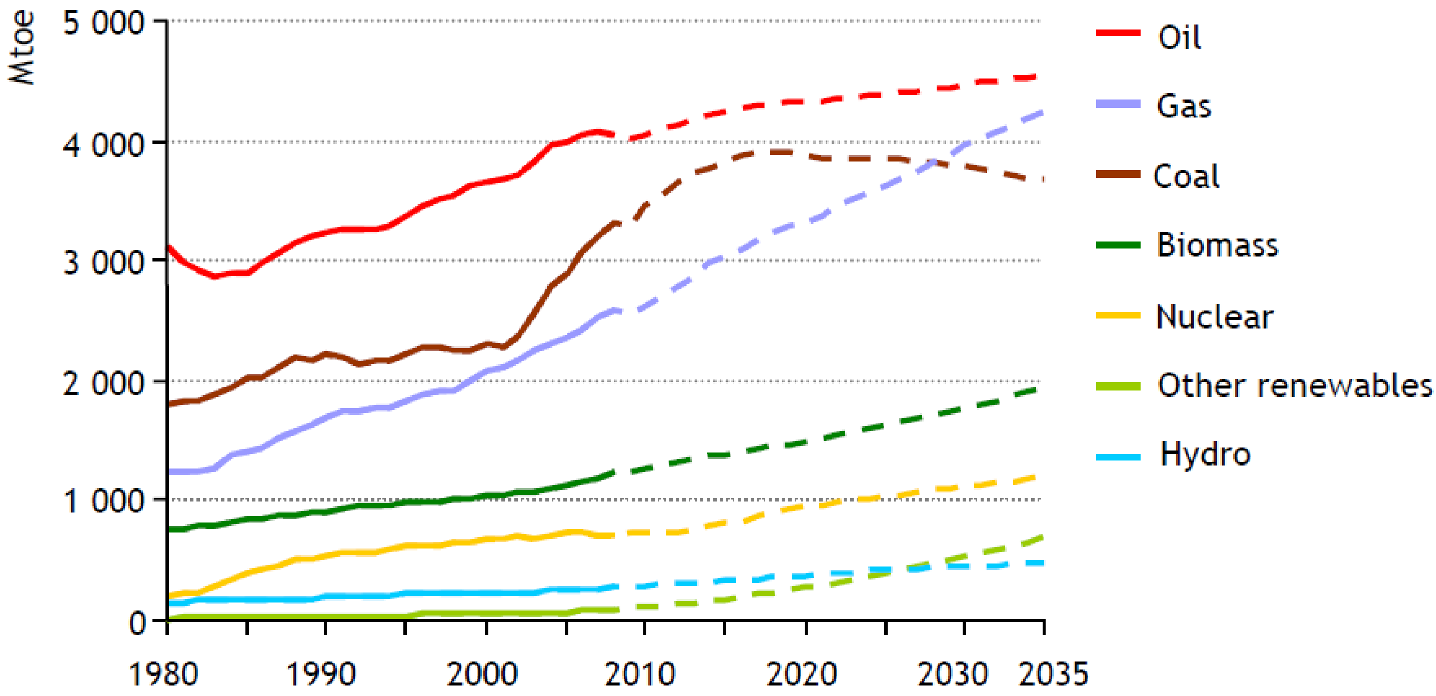
In Summary

- Energy demand will continue to grow in short to medium term
- Production will come from higher cost, more intensive areas;
  - Offshore
  - Deepwater
- Investment in oil services will be significant and will continue to grow
- Oil majors have increased capex budgets dramatically in some cases, more may follow
- Market growth will not be the challenge, operations will
- Competition for resources will dominate the next five years;
  - Capital equipment, Service provision, Personnel
- Price pressures are re-appearing, balance of negotiating power is moving back to technology and service providers

Energy Macro Factors

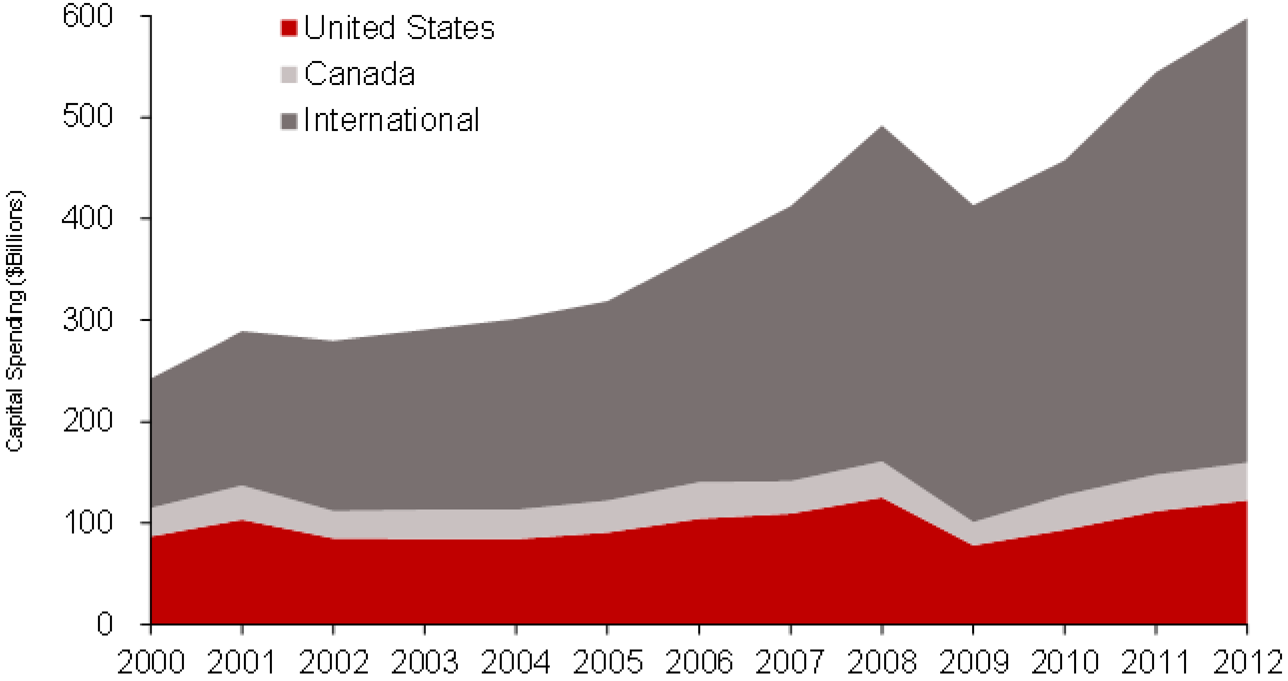


Hydrocarbon Based Energy Will Remain Material



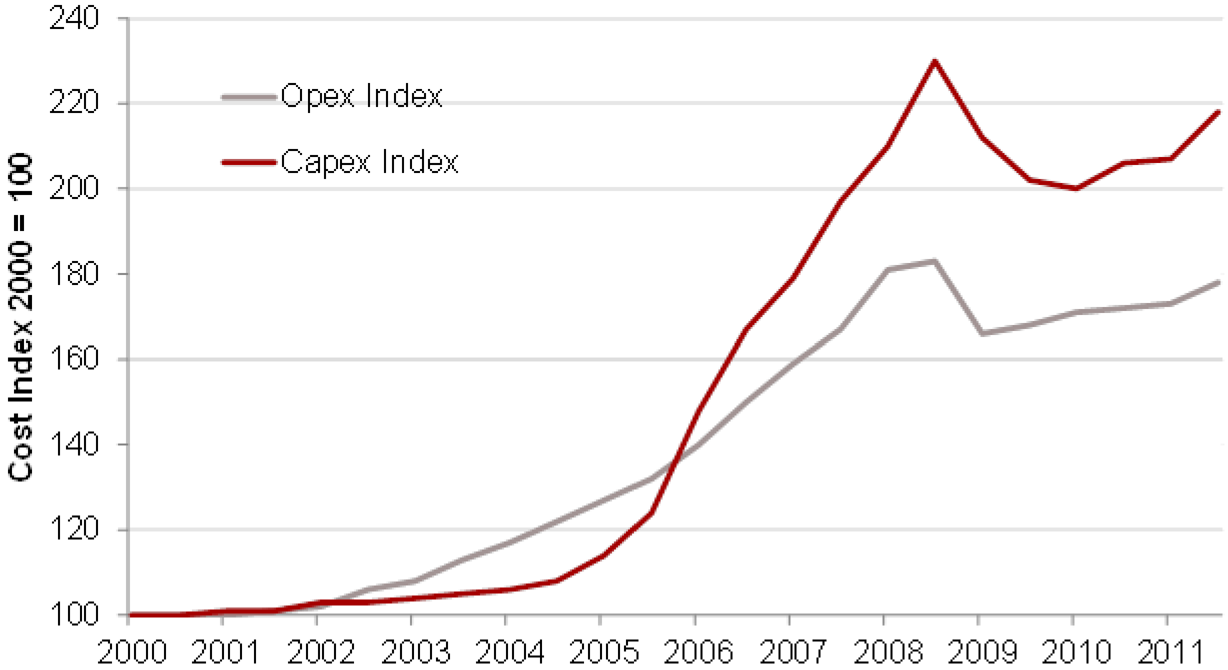
- Oil and gas to remain the fuel of choice through to 2035
- Biggest increase will be in gas usage over the period
- Coal consumption to reduce, replaced by renewable, hydro, nuclear
- Upward pressure on commodity prices to continue and support sector investment

Upstream Capex Continues To Increase



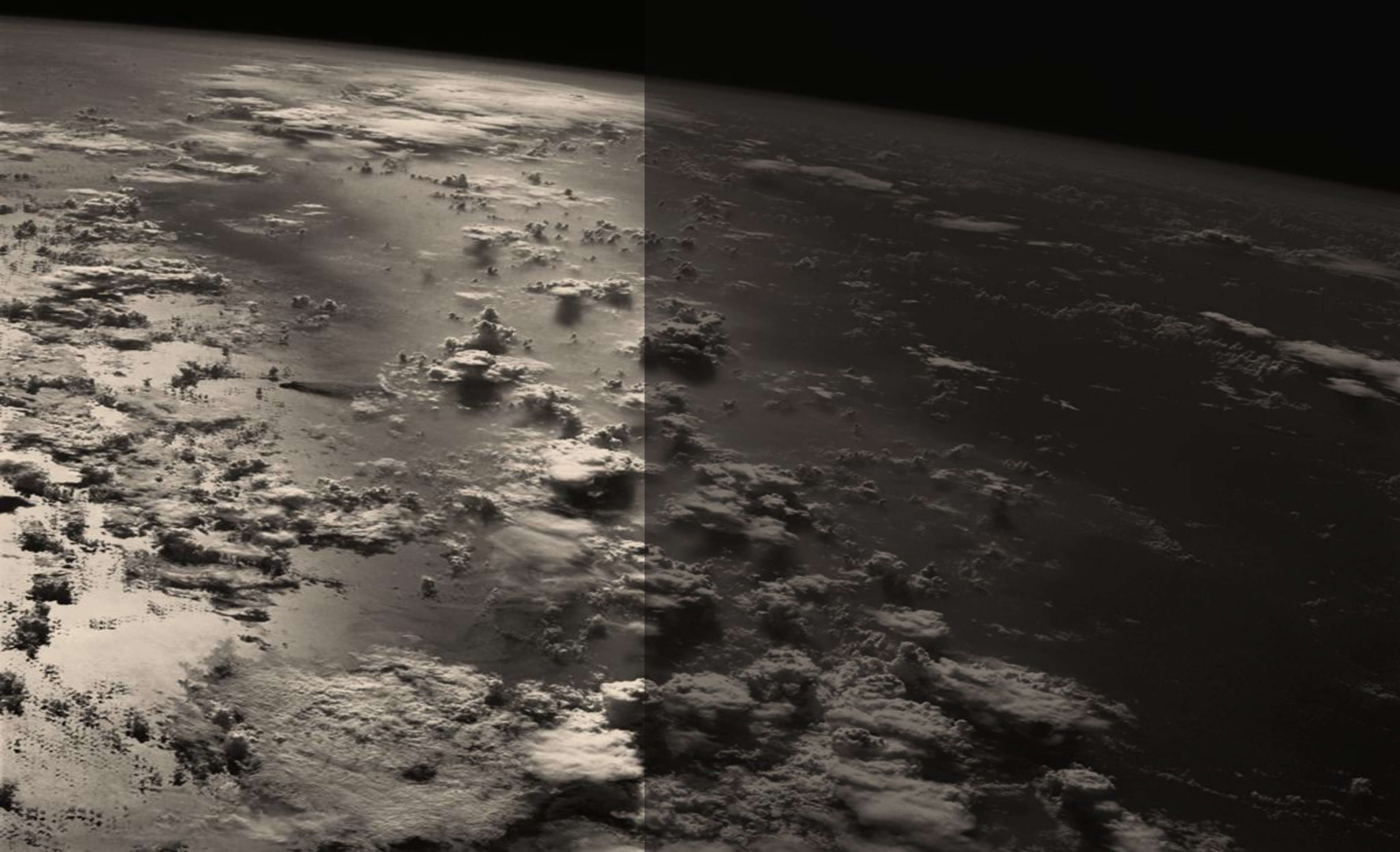
- Global spending to increase to $600 billion in 2012 – up 10% y/y
  - Building on the 19% increase witnessed in 2011, +$200bn since 09
- Budgets on an average oil price of $87 WTI and $98 Brent
- 2012 budgets are deemed conservative – potential upside

Cost Inflation Starting To Bite: May Get Worse

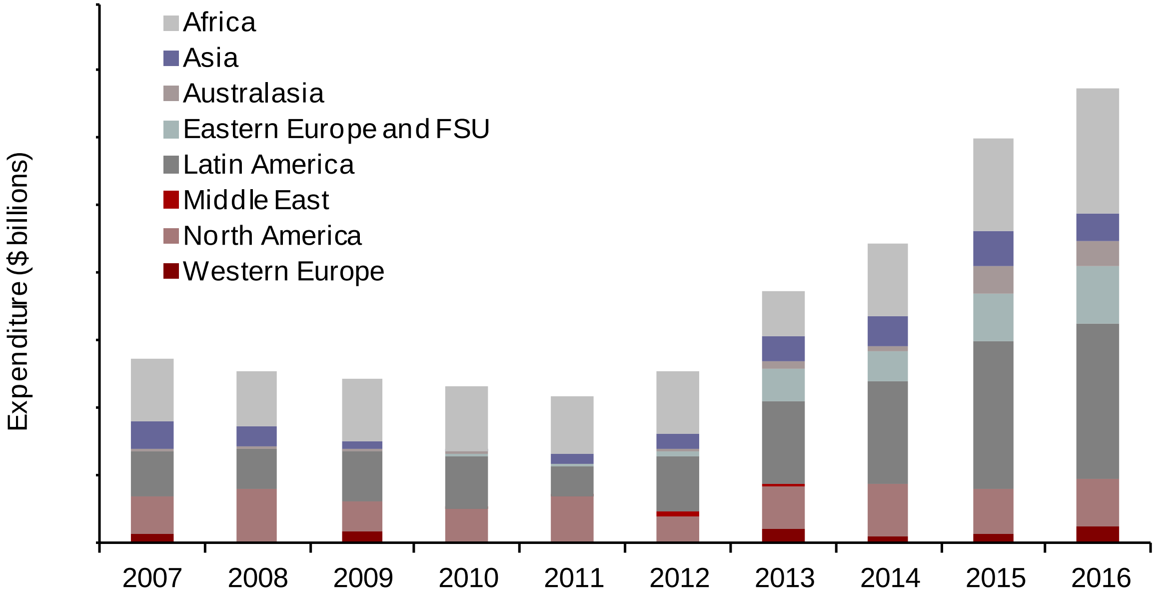


- Capex and Opex costs are starting to increase
- Increases of ~10% from 2010 to 2011
- Materials, input energy costs, personnel inflation driving increases
- Inflation will continue through 2012 – may increase rapidly due to shortages, operations issues starting to appear

Subsea And Deepwater Outlook

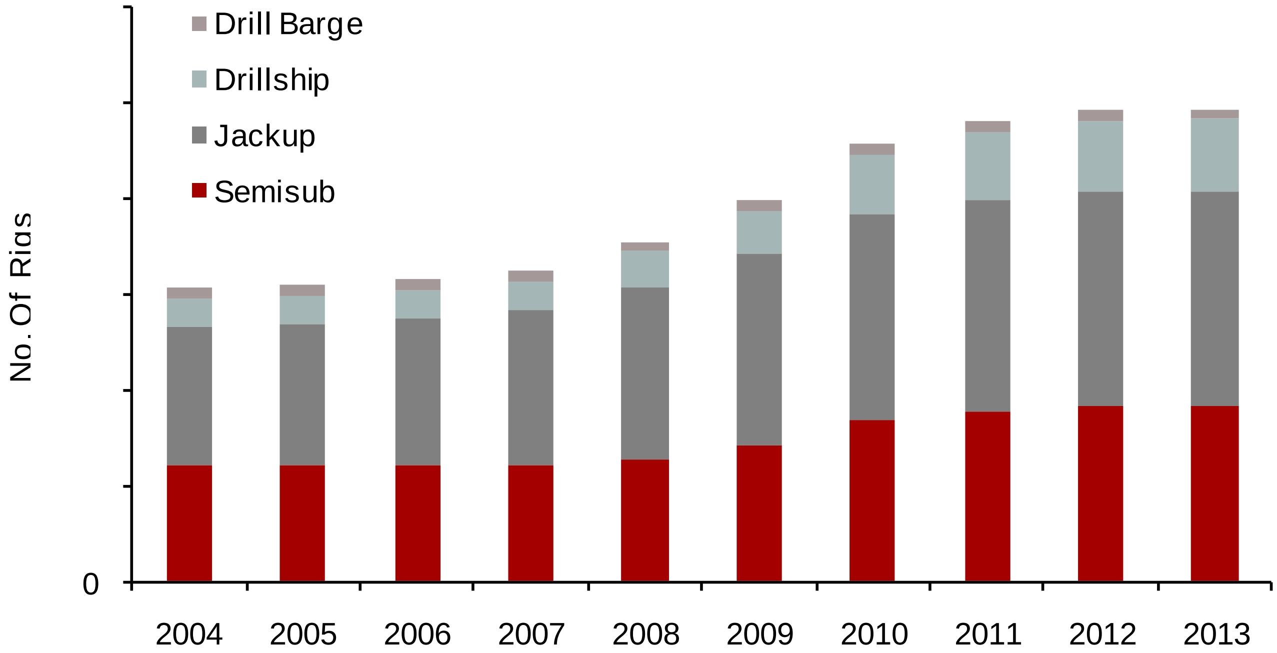


Deepwater Capex Demonstrates Big Growth Profile



- Dominated by Gulf of Mexico, Brazil and West Africa
- Shallow water growth 20% by comparison
- Increased demand for trees, subsea infrastructure, drilling and construction assets

Investment In Offshore Rig Fleet Is Warranted



- The majority of rigs will be Jackups and Semisubs, the number of drillships is scheduled to more than double
- Petrobras have taken a large number of rigs on long-term contract, including 22 of the newbuilds under construction

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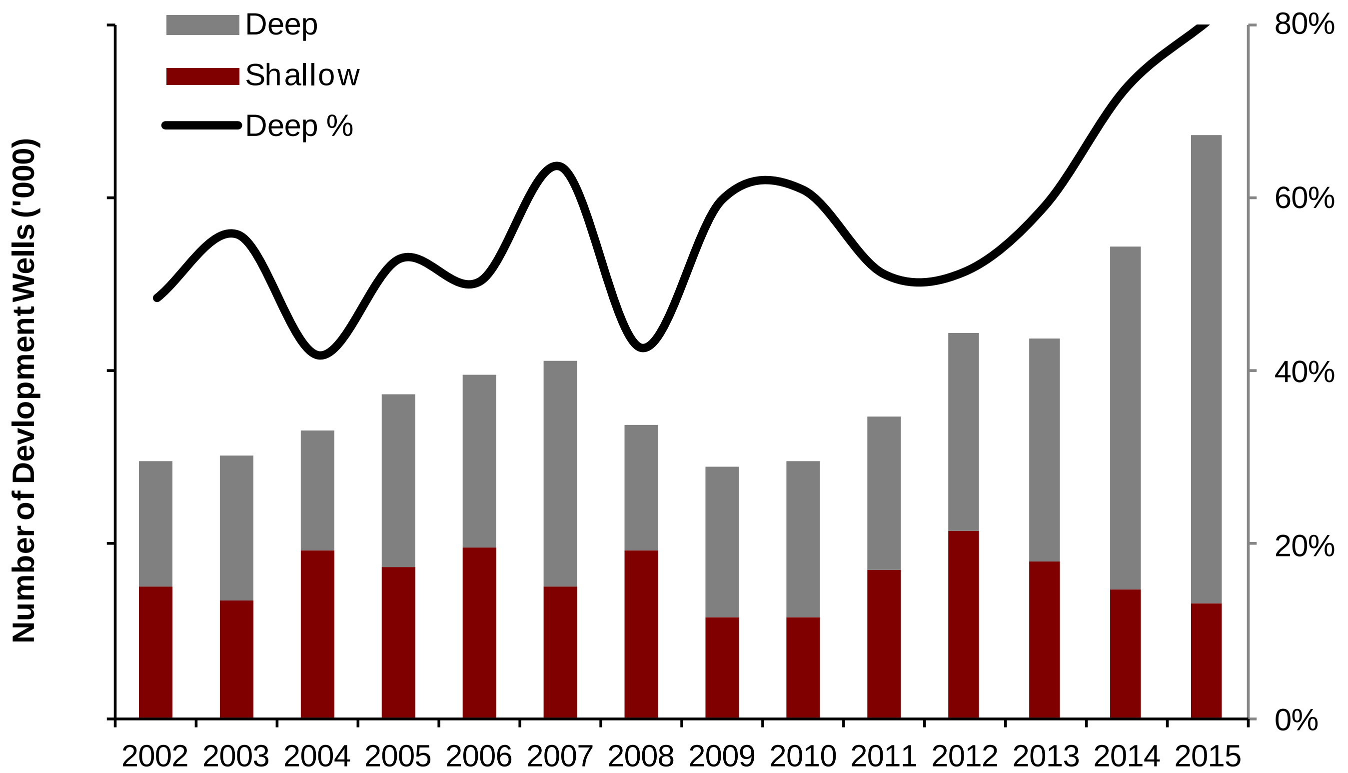
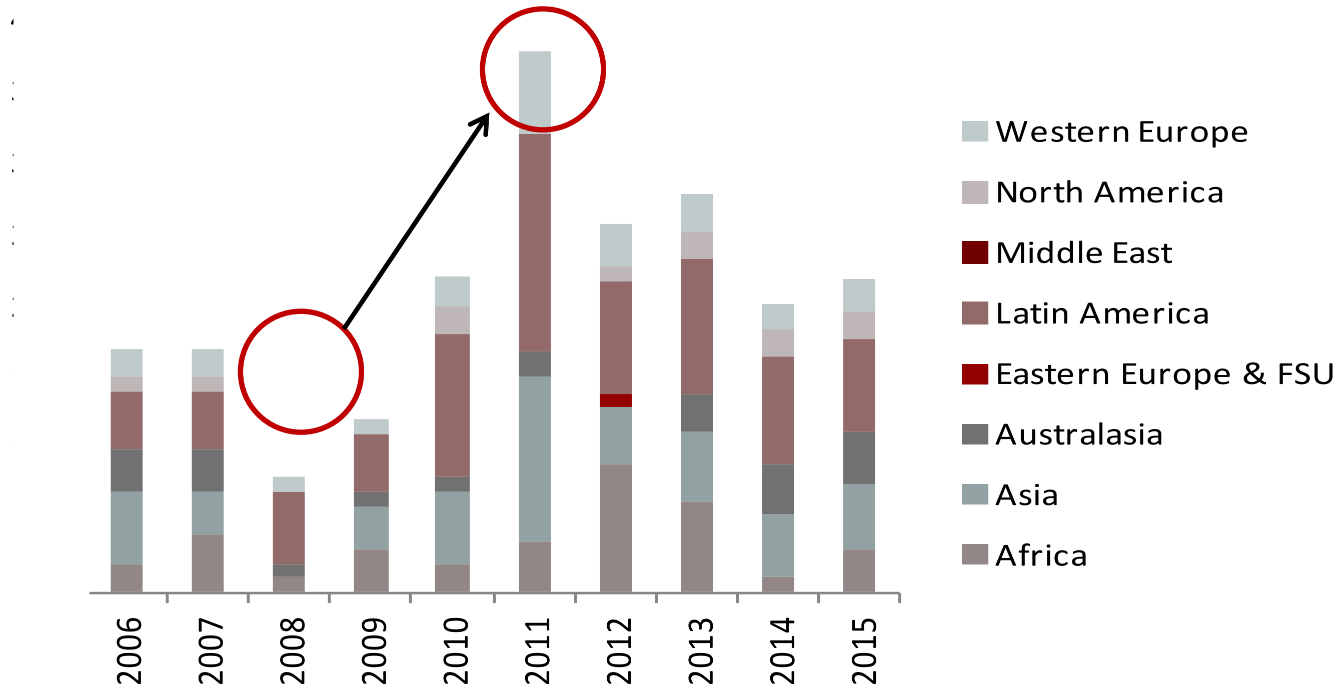
Deepwater Drilling To Dominate Development Wells



- Subsea development wells double to 2015
- Deep share to nearly 80% by 2015
- Full market recovery by 2012, high growth requirements through to 2015
- Pull on rigs, equipment, trees to be significant – inflationary pressures on services particularly

Lead Indication: FPS Order Increases



- 2011 looks to have been a record year for FPS orders
- Significant recovery from 2008 crater
- Strong indicator of requirements for construction, subsea hardware to follow

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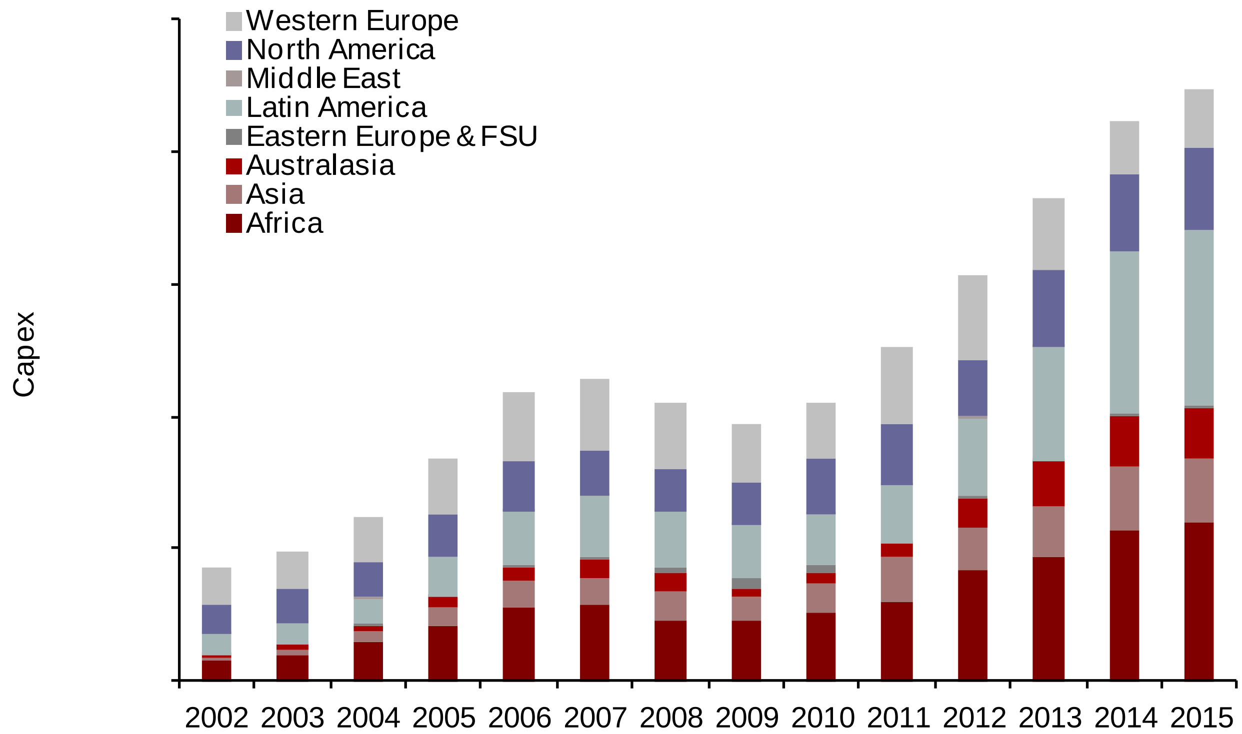
Subsea Hardware Requirements To Boom



- Capex recovers strongly after a relatively soft dip in 2009
- Latin America, Africa and Australasia showing high growth levels
- Western Europe, US, Asia to remain material markets

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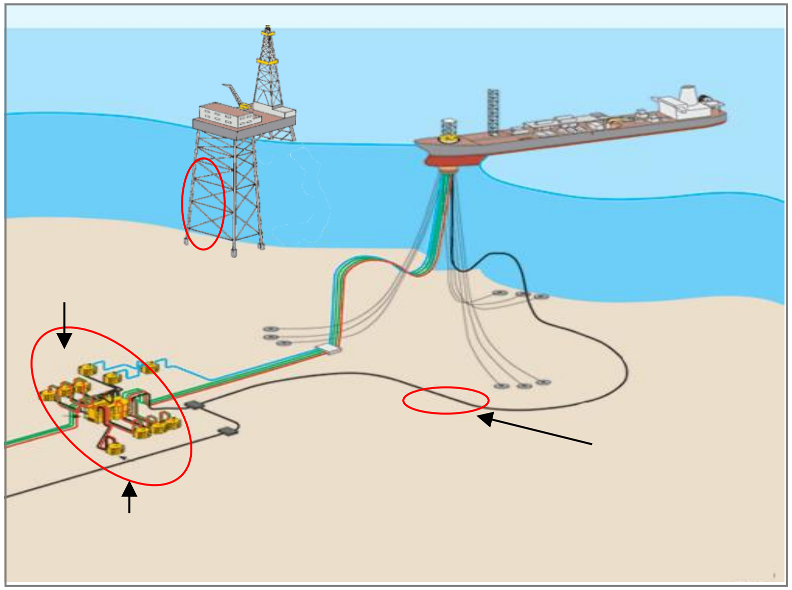
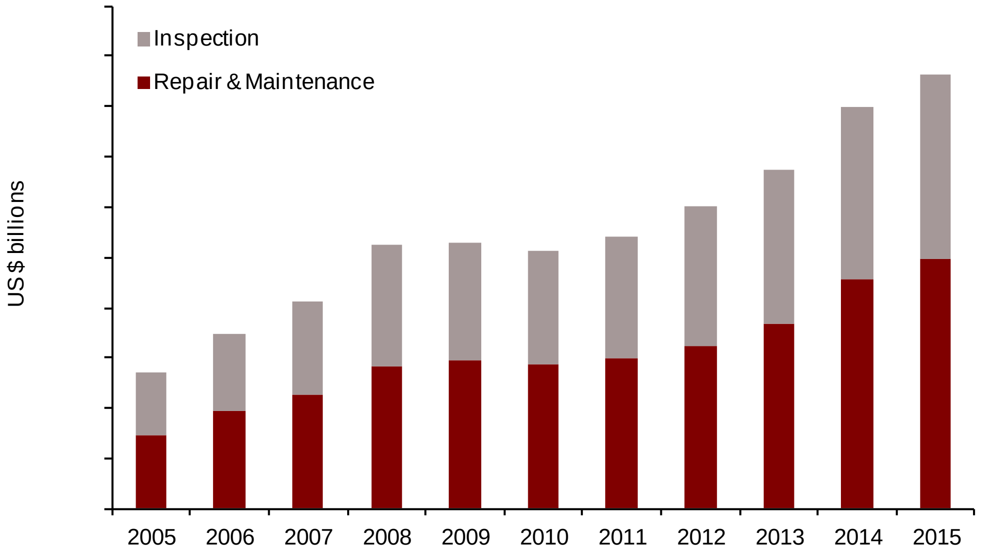
And We Need To Manage The Installed Infrastructure





- 10% annual growth, generally R&M faster than inspection
- Driven by aging infrastructure, new wells, tighter safety standards
- US to be largest market during next five years with fastest growth

Conclusions

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Thank you