Subsea 09

‘A Matter Of Confidence’

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Photo: Aker Solutions pre-configured tree system, RapidSolution™
Analysis of profit warnings

DWL commissioned by Subsea UK to review:

- Profit warnings of Subsea related public companies
- Review of top 20+ companies with subsea exposure across all service/product areas
- Analysis of any earnings change and review of magnitude of change
- Examined by sector (drilling, services, equipment & construction)
- Quarterly review to be issued to Subsea UK membership over 2009
Initial review included 24 companies

Collective market capitalisation of $150 billion

Few are ‘pure play’ subsea businesses

Preliminary analysis completed February 2nd (prior to earnings season), updated review to be issued

Used Equity Analyst consensus earnings and buy recommendations

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<table>
<thead>
<tr>
<th>Category</th>
<th>Earnings</th>
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</thead>
<tbody>
<tr>
<td>Other (3)</td>
<td>$4,011</td>
</tr>
<tr>
<td>Integrated Oilfield Service (4)</td>
<td>$82,080</td>
</tr>
<tr>
<td>Offshore Construction (7)</td>
<td>$16,749</td>
</tr>
<tr>
<td>Equipment Manufacturers (5)</td>
<td>$11,708</td>
</tr>
<tr>
<td>Drilling Contractors (5)</td>
<td>$39,407</td>
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</tbody>
</table>

Total: $150 billion, (24) Companies
Drilling companies are usually early cycle movers
No profit warnings or negative guidance issued
Consensus estimates of 10% increase in EPS expected to March
Driven by;
  new rigs entering company portfolios
  supply constraints still exist for high end deepwater rigs
  long term contracts
  Financial barriers to new entrants
Jackup - demand to weaken and beset by increased capacity
Another early cycle group
Less subsea orientated, large integrated and multi-sector offerings
Being hit hard by wider drilling and related services reduction
Mainly in onshore markets
North American and Russian weakness
Earnings off 16% sequentially to March 09
50% of group issuing profit warnings or negative earnings outlook during 4Q08
Mid cycle companies, highly subsea orientated in capex and opex activities

Hardest hit of groups – 7% reduction in 2009 earnings
    and 20% sequentially to March
No profit warnings although Analyst expectations amended

Concerns over;
    project delays
    supply growth
Positive towards IMR work
Concerns over emerging market new entrants
Falling procurement levels (and pass through margin)
Mid cycle impact
Sequential earnings growth to March remains positive at 3%, partly due to backlog
No profit warnings although Analysts expect backlog build to come under near term pressure
Recurring short term issues;
    Project delay
    Less technology led developments
    Marginal project delay and higher reliance on large scale, lumpy developments
New manufacturing capacity
Short term concerns remain, medium term is positive

Although short-term weakness is expected, medium to long term views are positive given increased drive towards deepwater;

**Drilling:** short term weakness in jackup market, constraints in deepwater securing activity

**Integrated:** significant weakness in onshore markets and some large spending geographies, medium term growth dependent on commodity price recovery and penetration of NOC territories

**Construction:** delay creep and year over year growth difficulties, increased activity in golden triangle medium term

**Equipment:** short term growth to moderate, deepwater importance and increased maintenance led activity to drive medium term opportunities

Commodity price recovery key to driving earning enhancement and activity

Analysts most supportive of oilfield stocks with offshore/deepwater exposure

Uncertainty will continue to be a key theme in 1H09 however...
Thank you