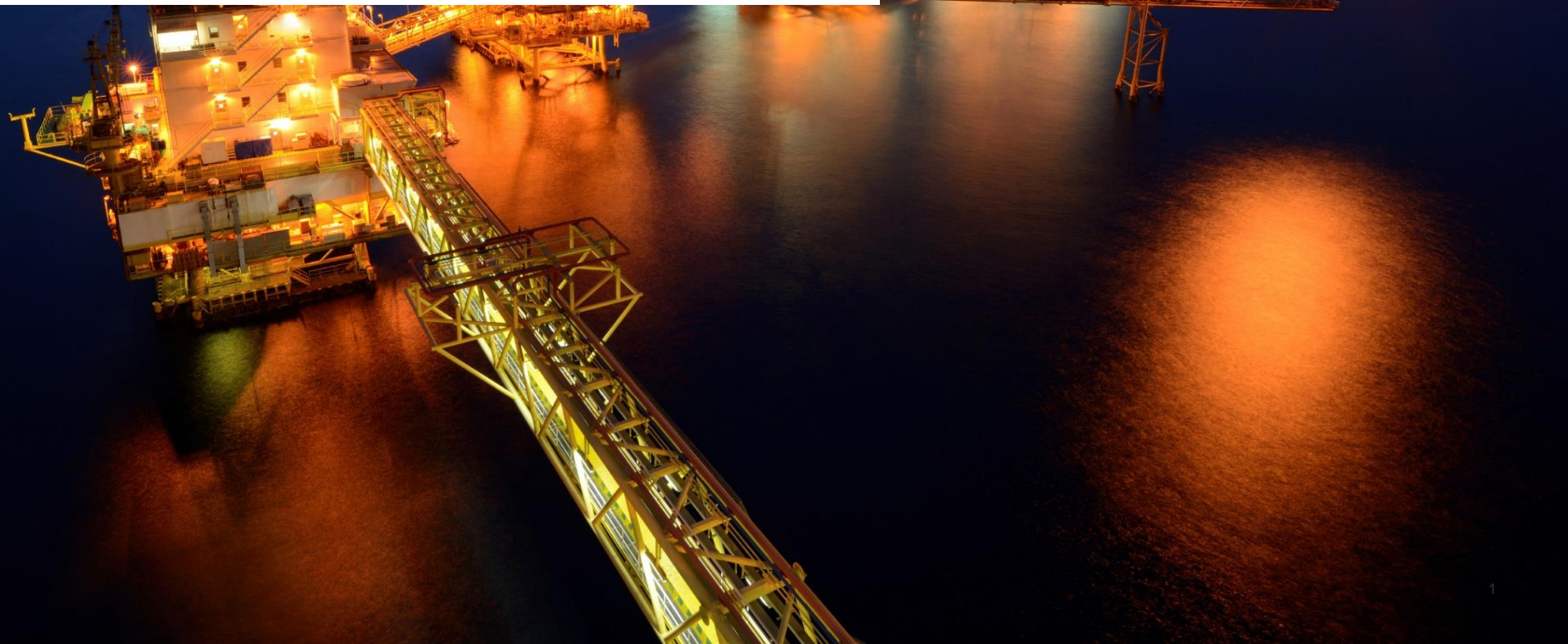


Deloitte.

Winning in Oilfield Services

Dutch Oil & Gas Conference

Vincent Oomes, Rotterdam 1 July 2014



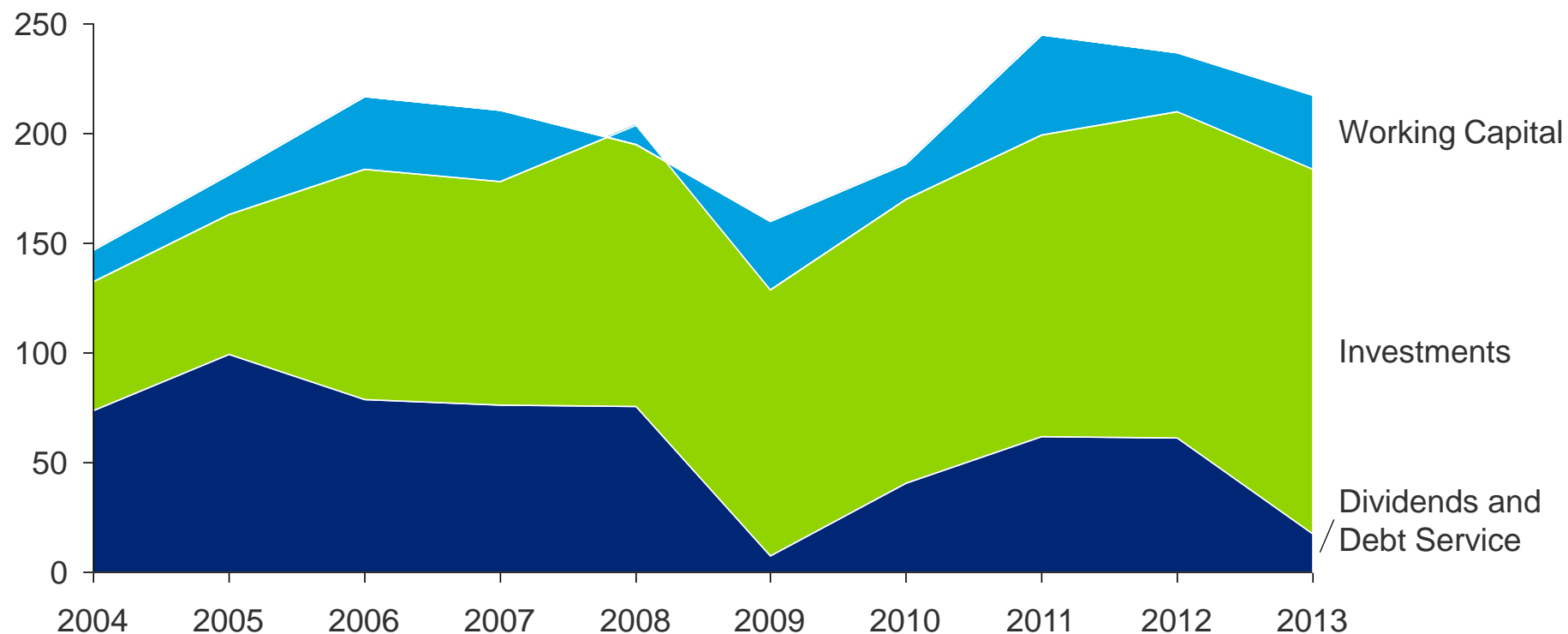
Five topics

- Market outlook
- Financial performance in the Oil & Gas sector
- Strategies for Logistics companies
- Strategies for Engineering & Construction companies
- Priorities for International Oil Companies

Market outlook

Lots of uncertainty now International Oil Companies (IOCs) have to cut CapEx to protect dividends

Distribution Operating Cash Flow for nine IOCs (€ bn)

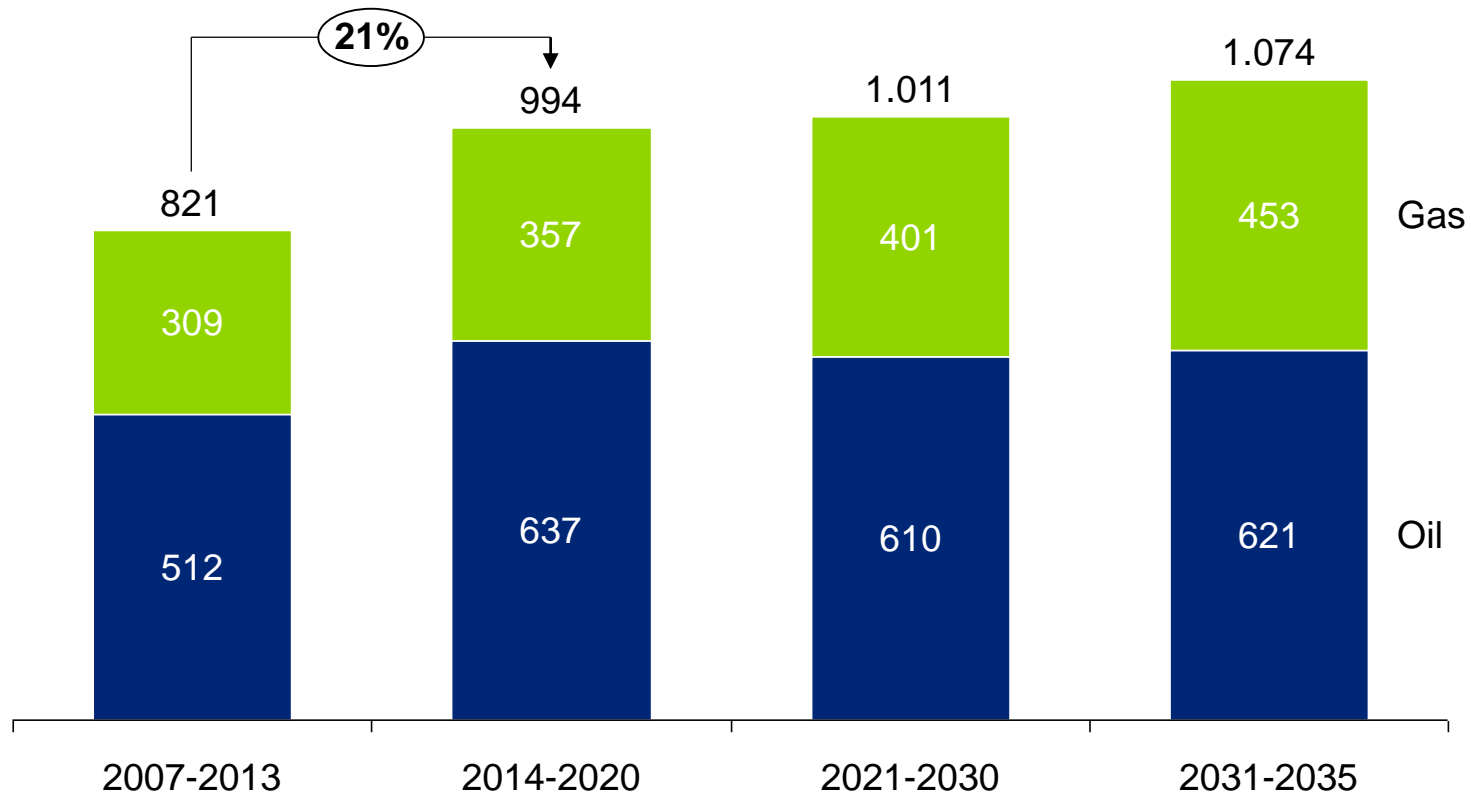


Note: Combined data from Shell, ExxonMobil, BP, Chevron, ConocoPhillips, Total, ENI, Statoil and Petrobras
Source: OneSource; Forms 10-K; Deloitte analysis

Market outlook

But the future is still bright

Global Annual Energy CapEx (\$bn in 2012 prices)

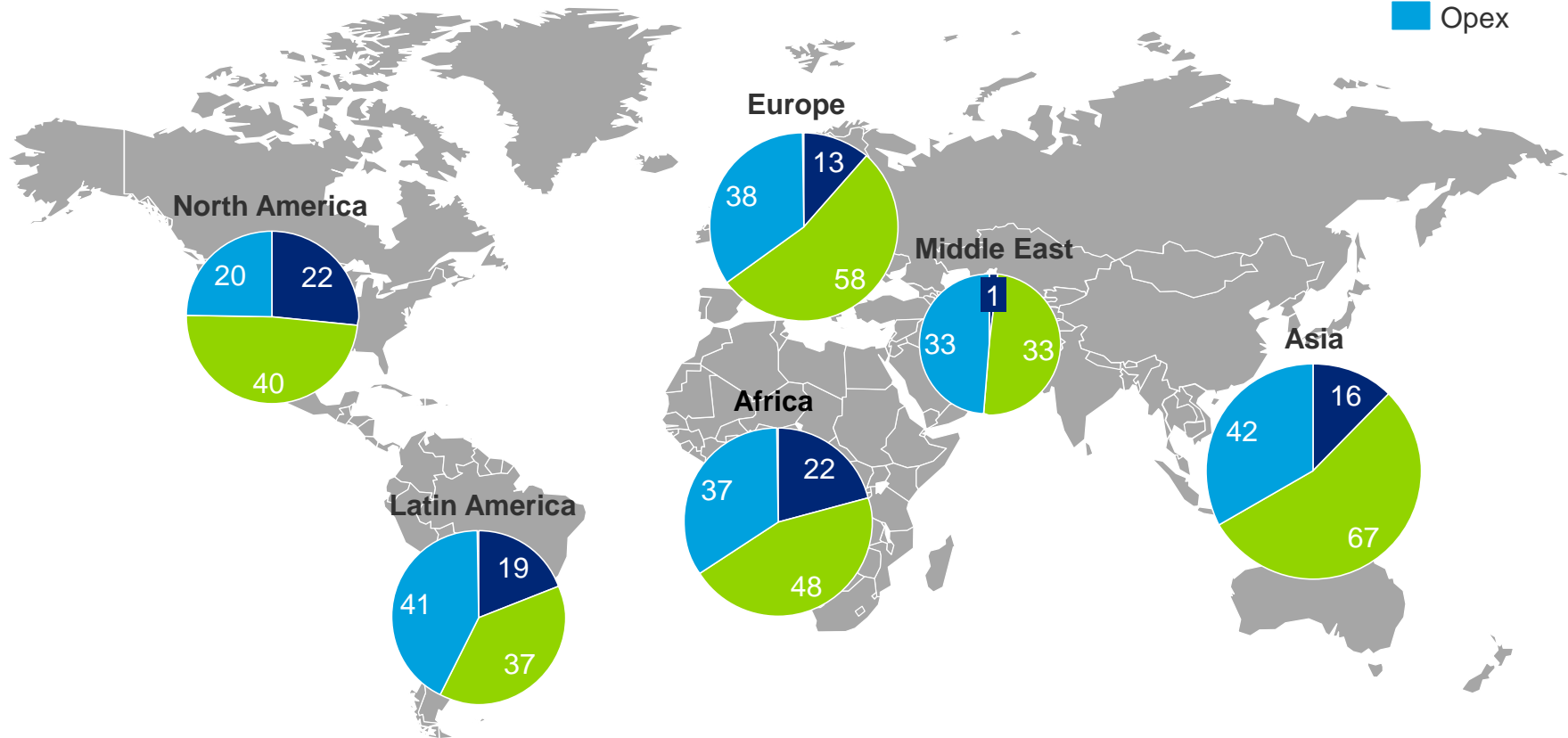
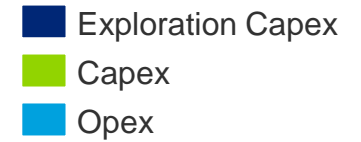


Source: IEA (June 2014)

Market outlook

Lots of money to be spent everywhere

Average annual offshore O&G spend per region over 2014-2016 (\$bn)

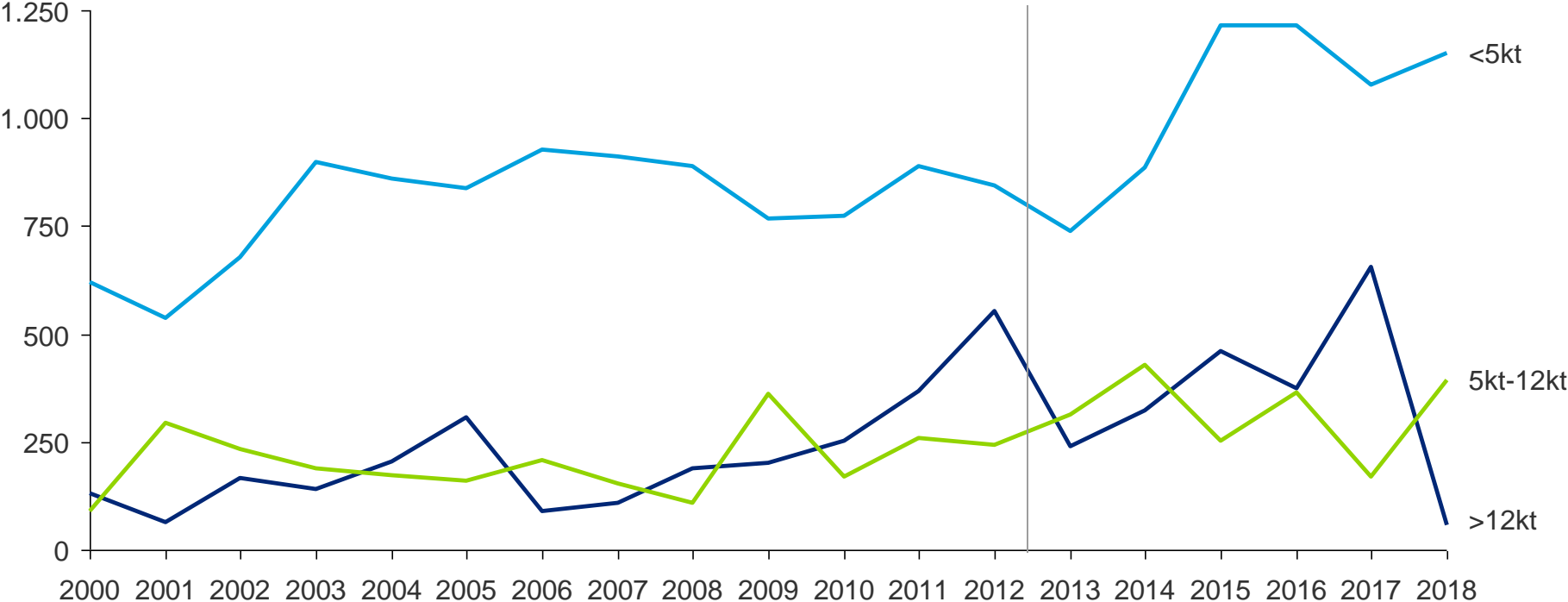


Source: Rystad Energy, Deloitte analysis

Market outlook

Spend on platform installations will still be strong

Fixed platforms installation spend by topside weight (\$m)

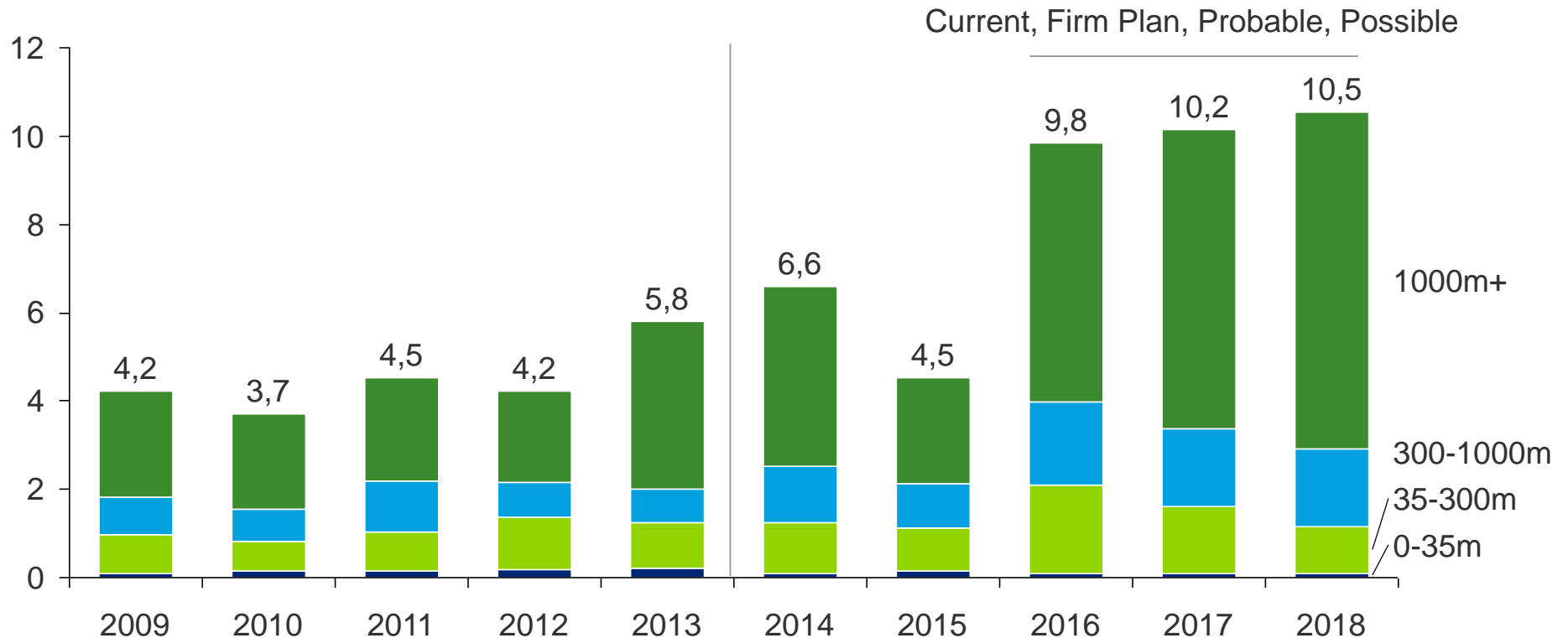


Source: Infield, Deloitte analysis:

Market outlook

And, with the market shifting to deep water, the outlook for SURF and subsea infrastructure looks even better

Heavy subsea installation spend by water depth (\$bn)

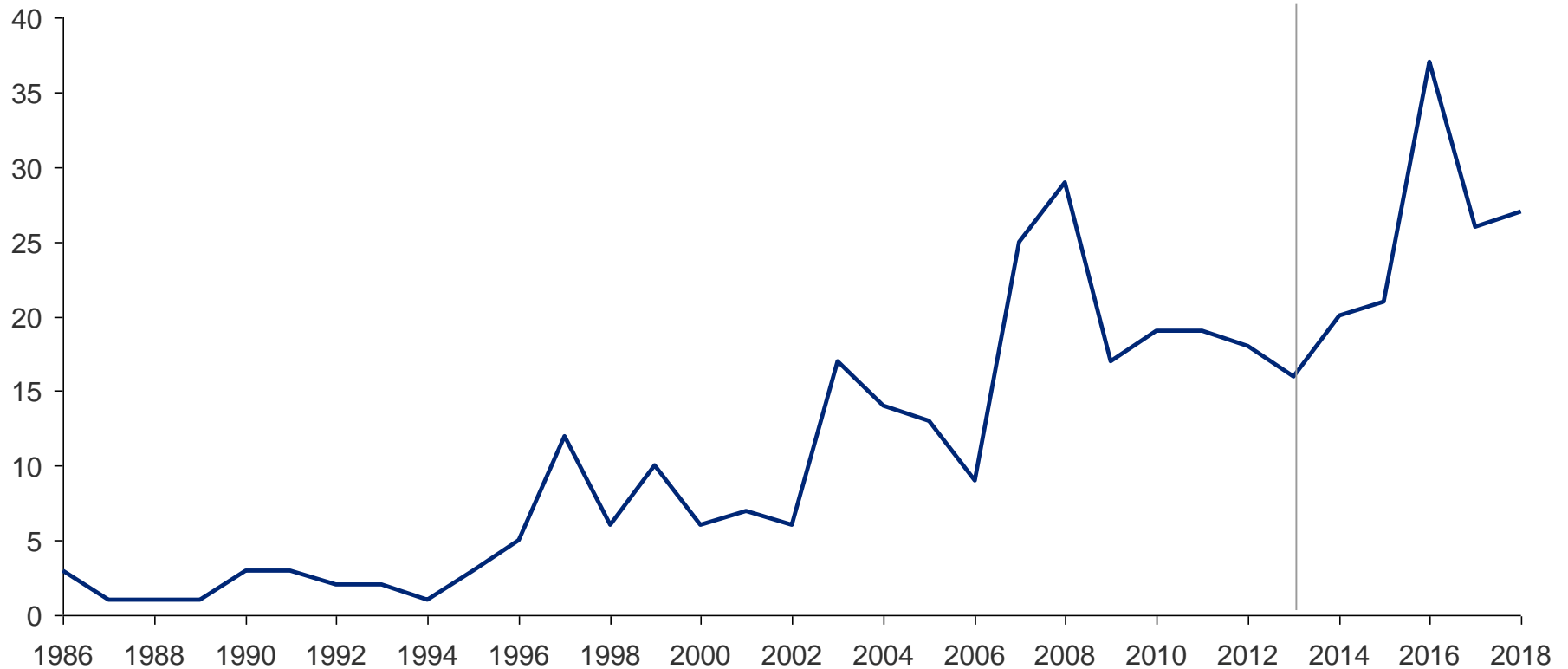


Note: SURF: Subsea Umbilical, Risers and Flowlines; this comprises all the flexible pipes and cables connecting a surface platform with sea bottom wells
Source: Infield 2013

Market outlook

As is the case for FPSOs

Number of F(P)SO Deliveries

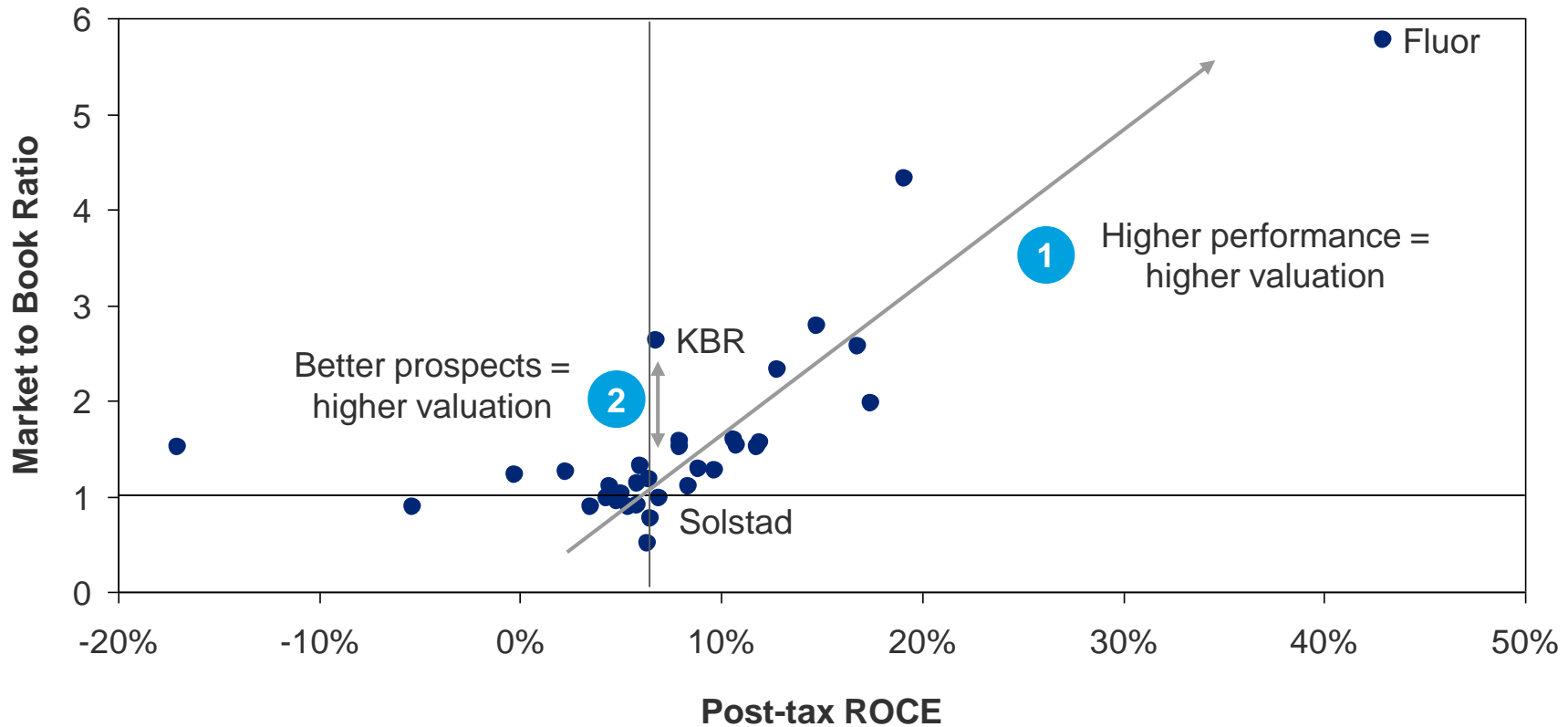


* Projects of which unknown whether they are newbuilds or converted oil tankers
Source: Infield, Deloitte analysis

Financial performance

But capital markets are not so sure and put highly diverse valuations on Oil & Gas companies

Oil & Gas companies financial performance (2013)

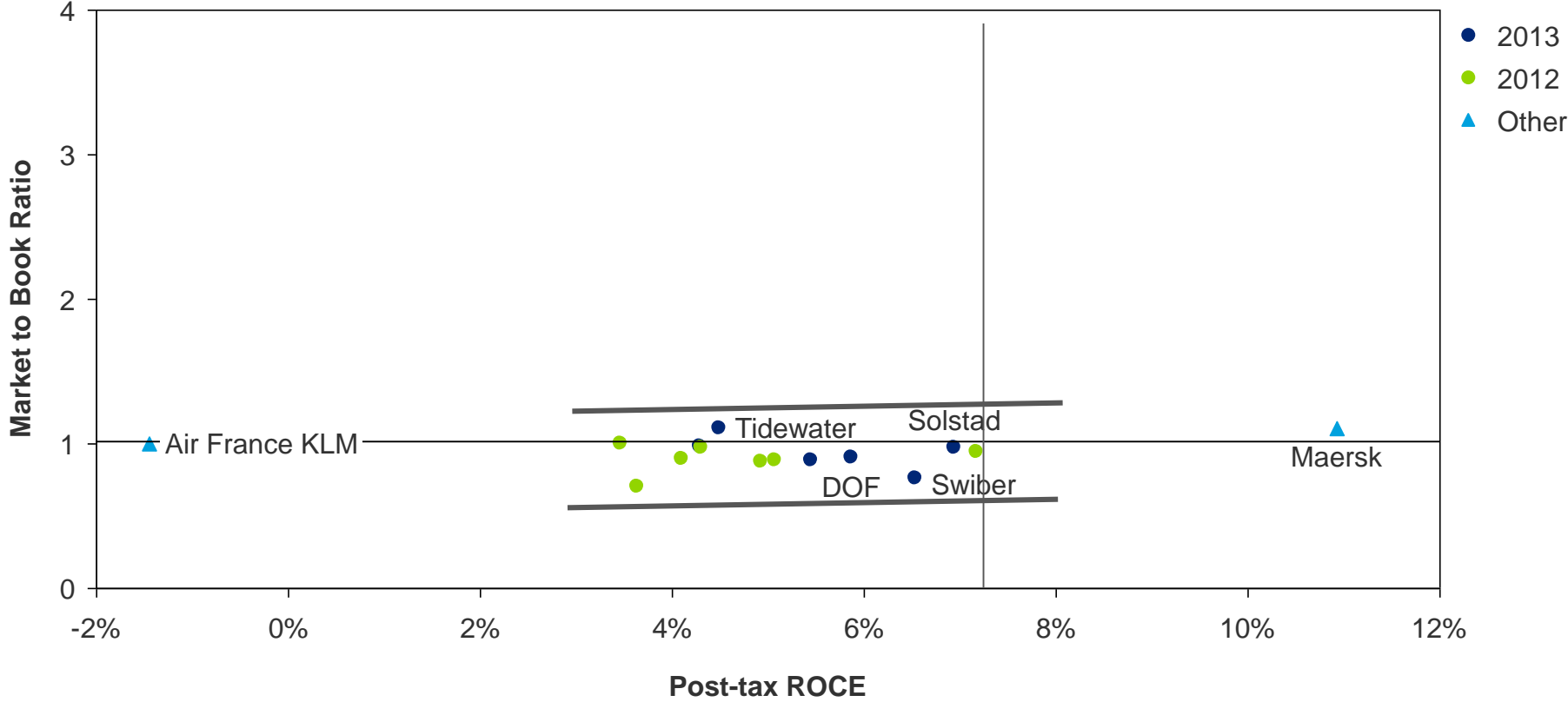


Market to Book = Enterprise Value / Capital Employed; ROCE = (1- tax Rate) * EBIT / Capital Employed
Source: CapitalIQ; OneSource; Bloomberg; Deloitte analysis

Logistics

Transport & Supply companies trade close to book value, no matter how they perform

Logistics companies financial performance

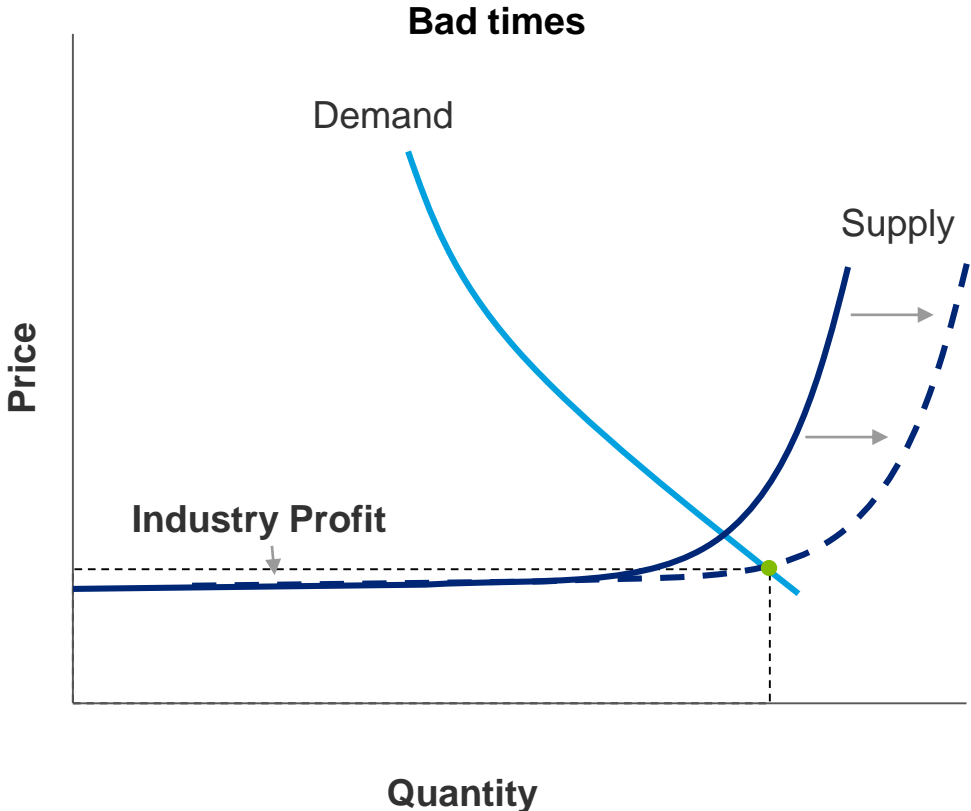
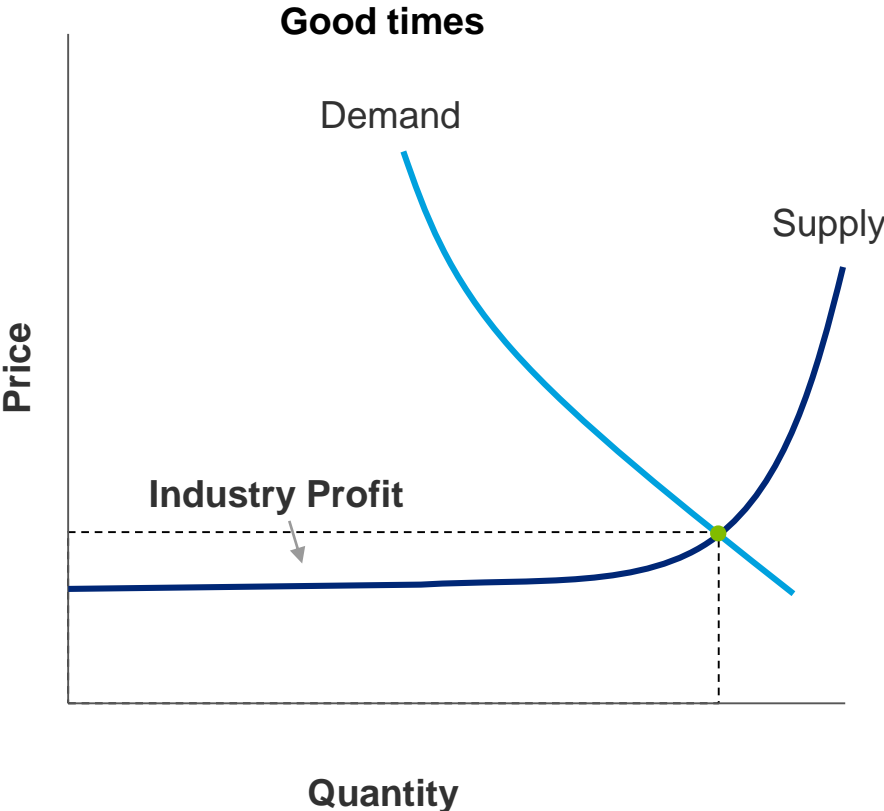


Source: CapitalIQ; OneSource; Bloomberg; Deloitte analysis

Logistics

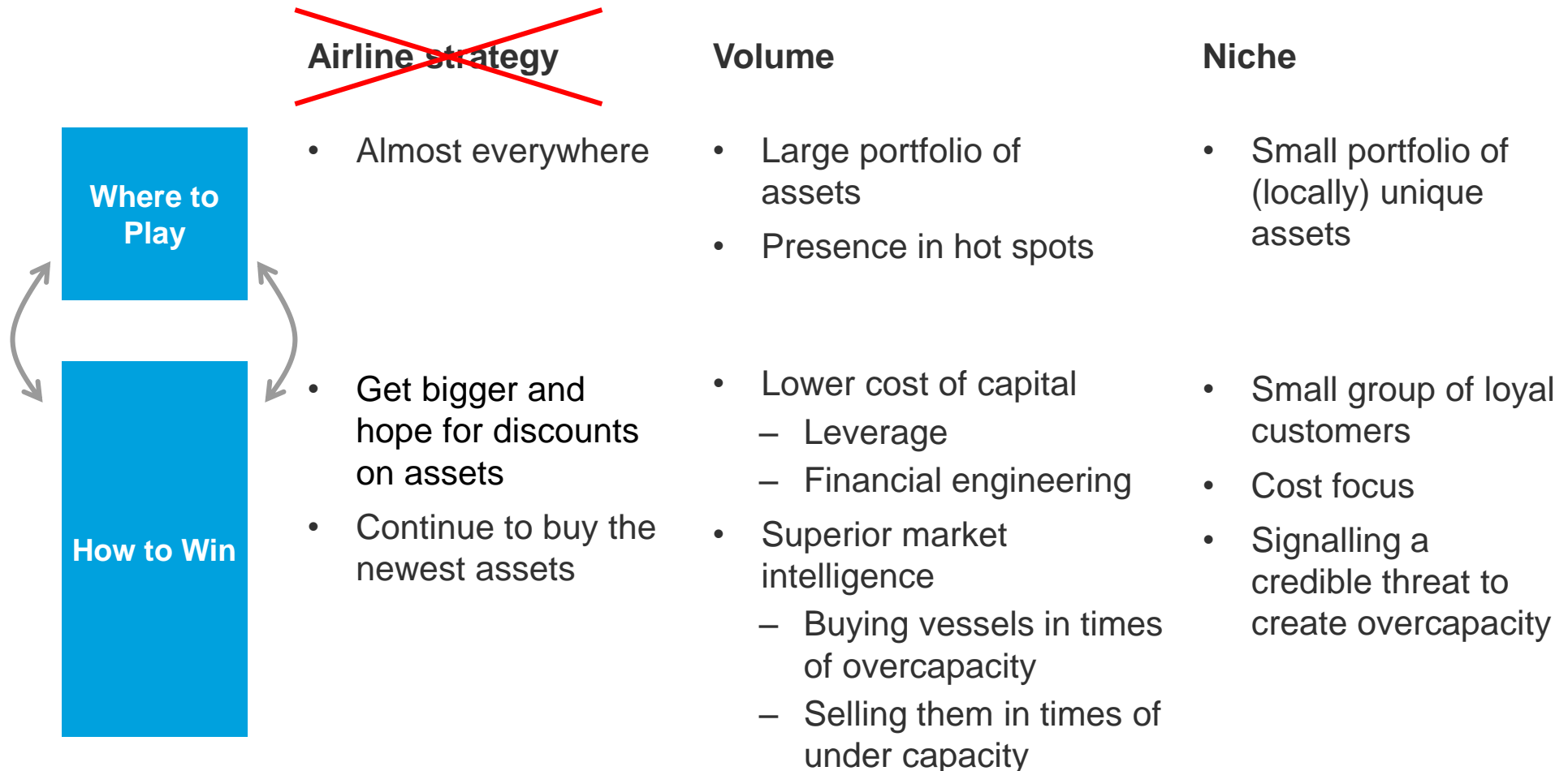
They suffer from the 'Airline Syndrome': competition with similar, easy to acquire, assets

Logistic vessels supply and demand - CONCEPTUAL



Logistics

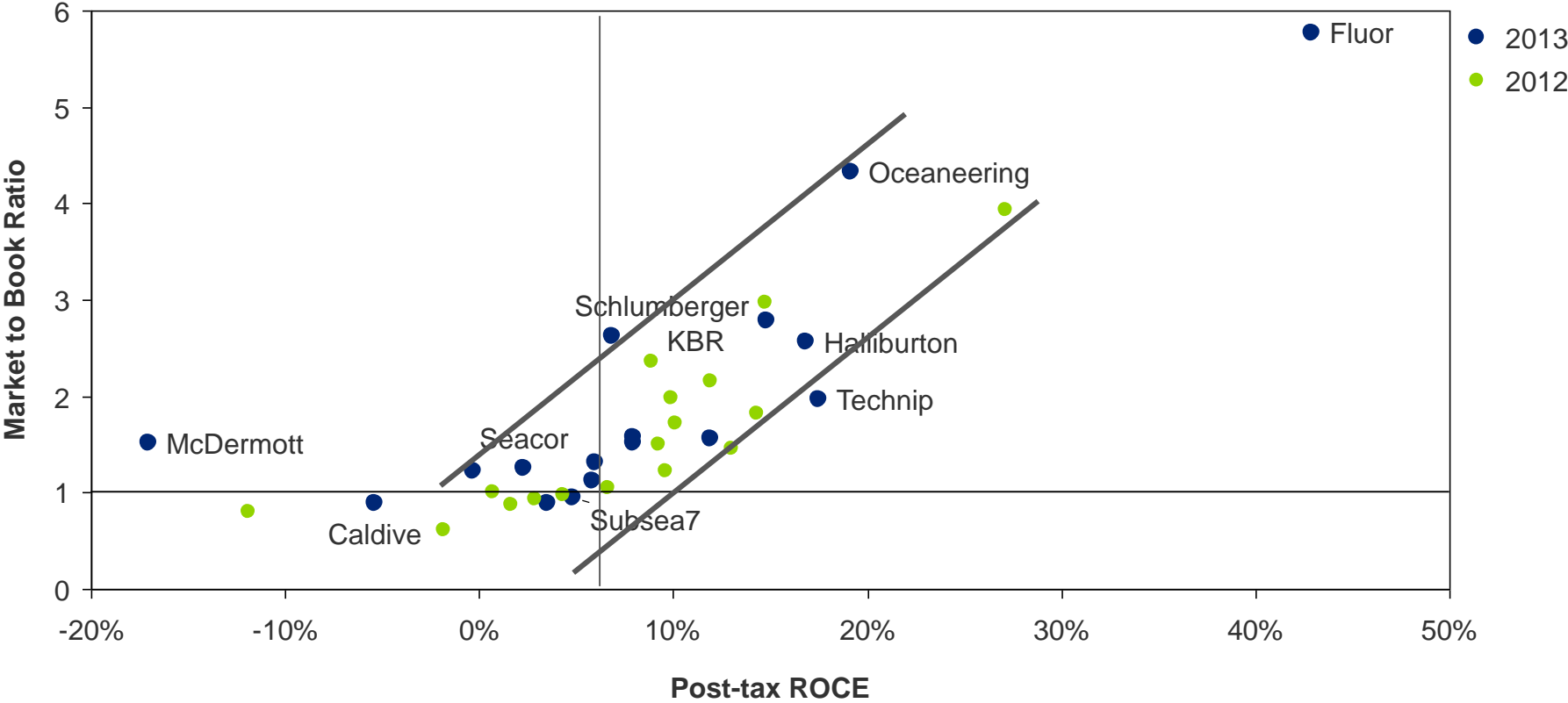
Airlines strategies won't work, but financial engineering or niche strategies are better ways to escape low margin businesses



Engineering & Construction

E&C companies get quite good, though more diverse, valuations

E&C company financial performance

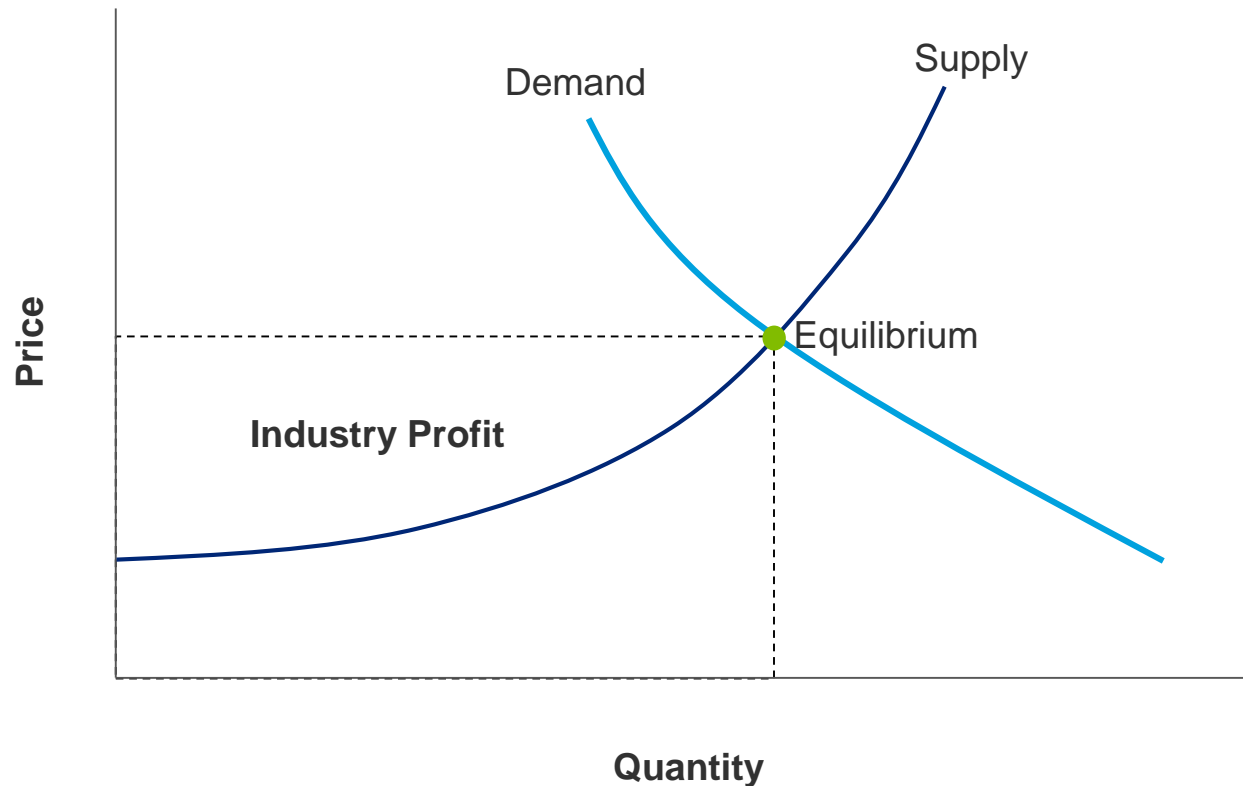


Source: CapitalIQ; OneSource; Bloomberg; Deloitte analysis

Engineering & Construction

With specialised skills, E&C companies can make a difference and hence tend to be much more profitable

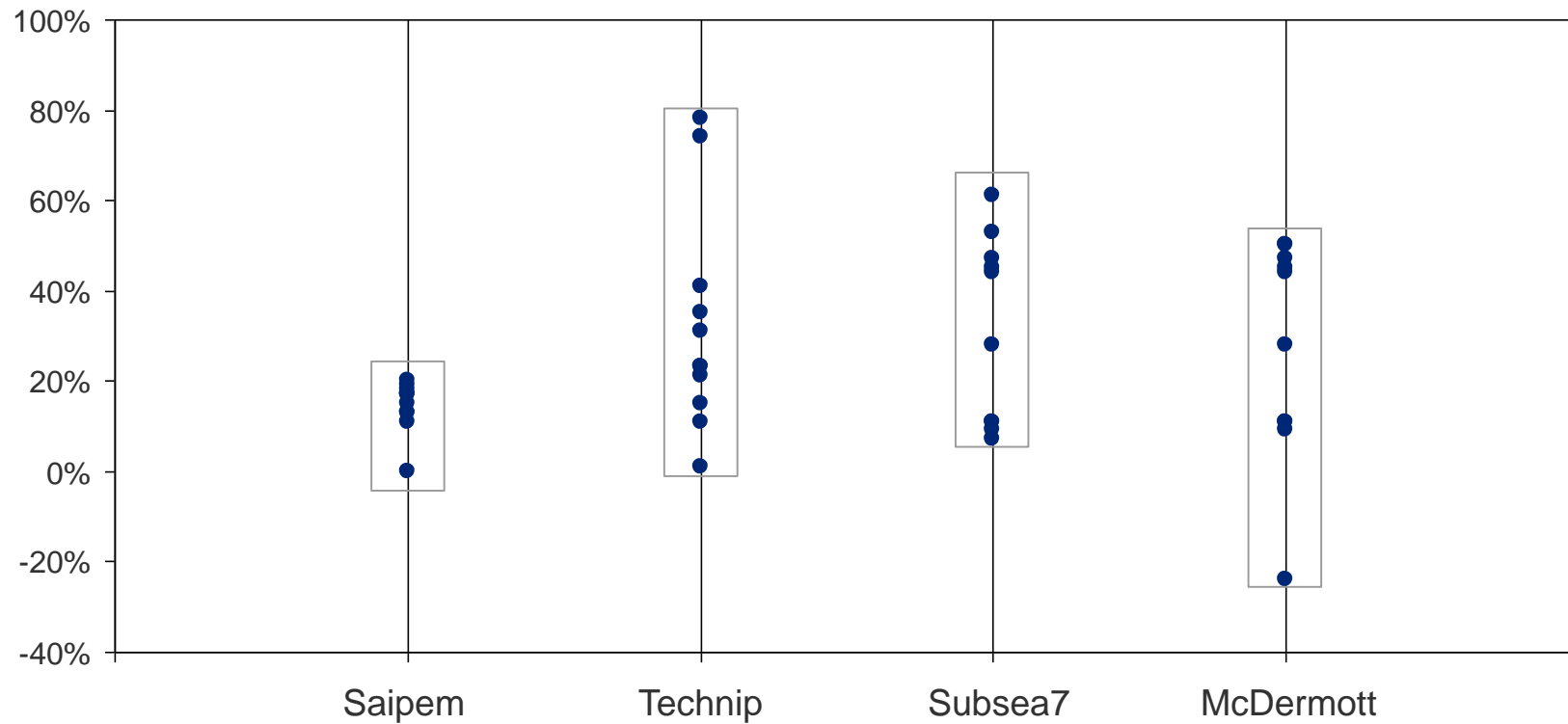
E&C supply and demand - CONCEPTUAL



Engineering & Construction

But with specialisation comes risk, even the largest players struggle with earnings volatility

ROCE selected E&C companies (2004-2013)

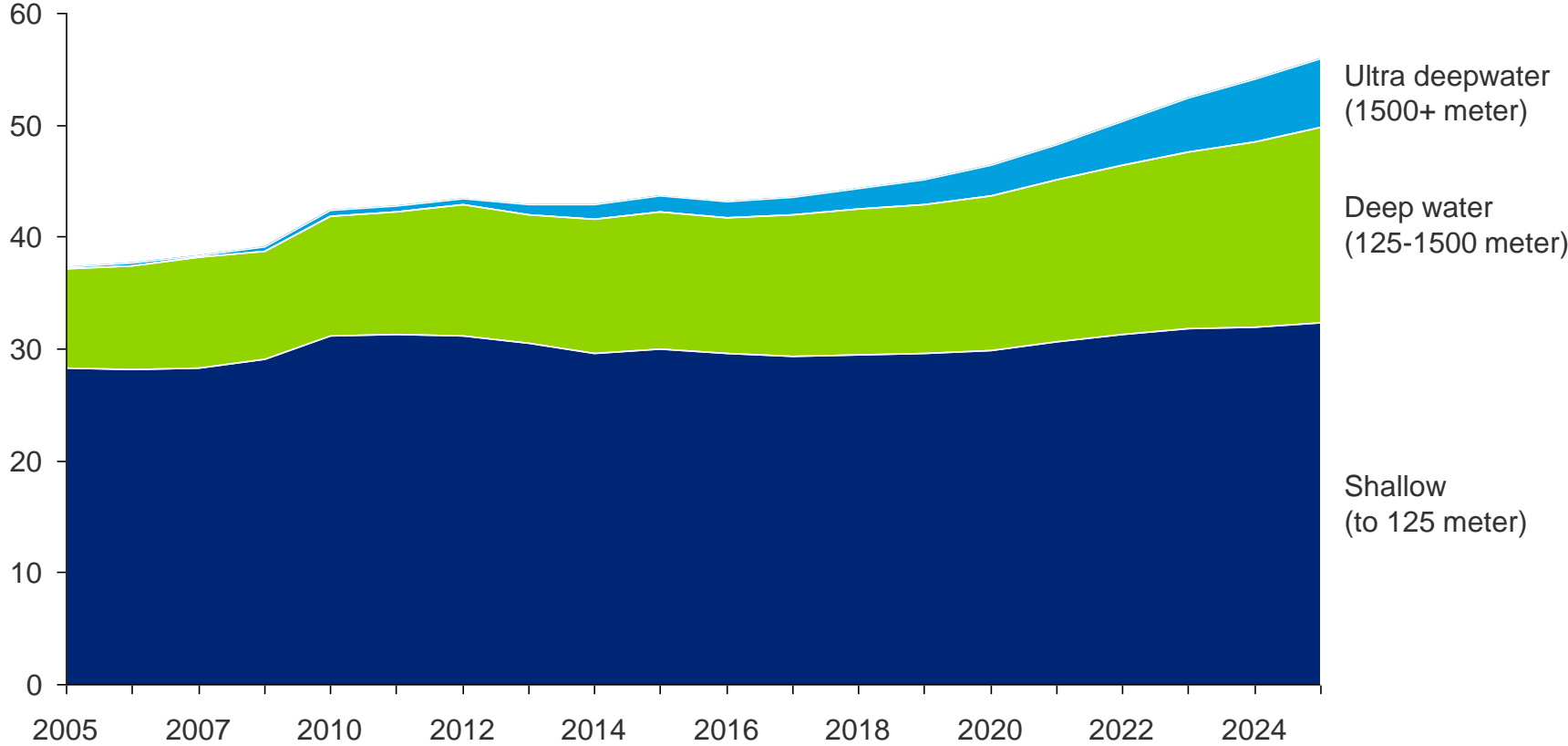


Source: CapitalIQ; OneSource; Bloomberg; Deloitte analysis

Engineering & Construction

These risks are likely to increase with the shift to large and complex deep water projects

Offshore Oil & Gas production (m BOE/day)

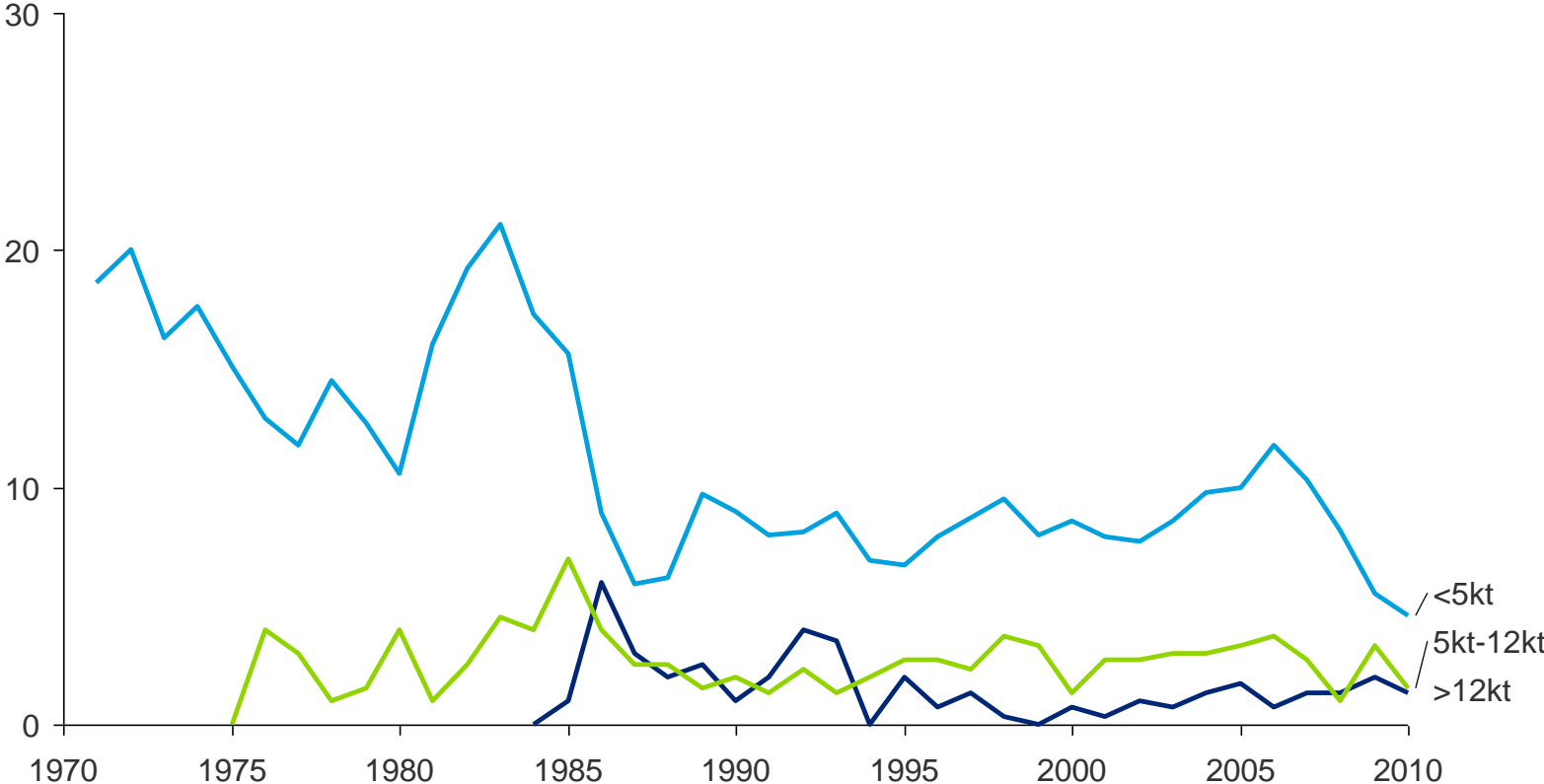


Source: IEA (June 2014); Deloitte analysis

Engineering & Construction

Furthermore, the threat of overcapacity continues to loom for E&C companies at the lower end

Number of topside installations per vessel per year



Source: Infield; Deloitte analysis

Engineering & Construction

Broad differentiation strategies make the most sense for listed E&C companies

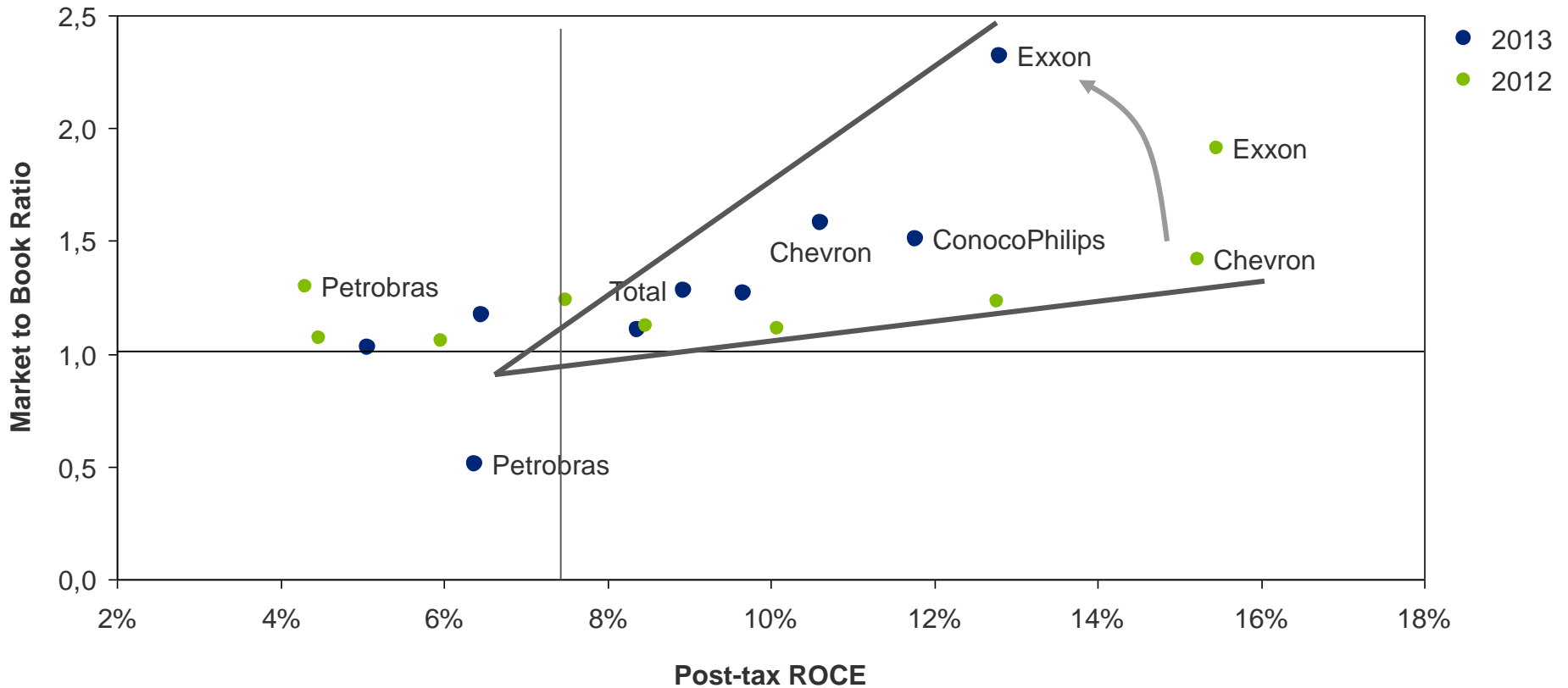


- Create a portfolio of powerful niches
 - Each large and growing (e.g. exposure to deep water and gas)
 - Differentiated technologies and solutions
- Build on unique Assets, Capacities and Enablers
- Leverage power to shift risk to other players in the value chain
 - Better contract terms with operators (reimbursement rather than lump-sum)
 - Better contract terms with commoditised subcontractors (lump-sum rather than reimbursement)
- Diversify the project portfolio
 - Size reduces risk (somewhat ...)
 - Acquisitions and organic growth

International Oil Companies

IOC get lower valuations than E&C companies, though capital markets already price in effects of better CapEx discipline

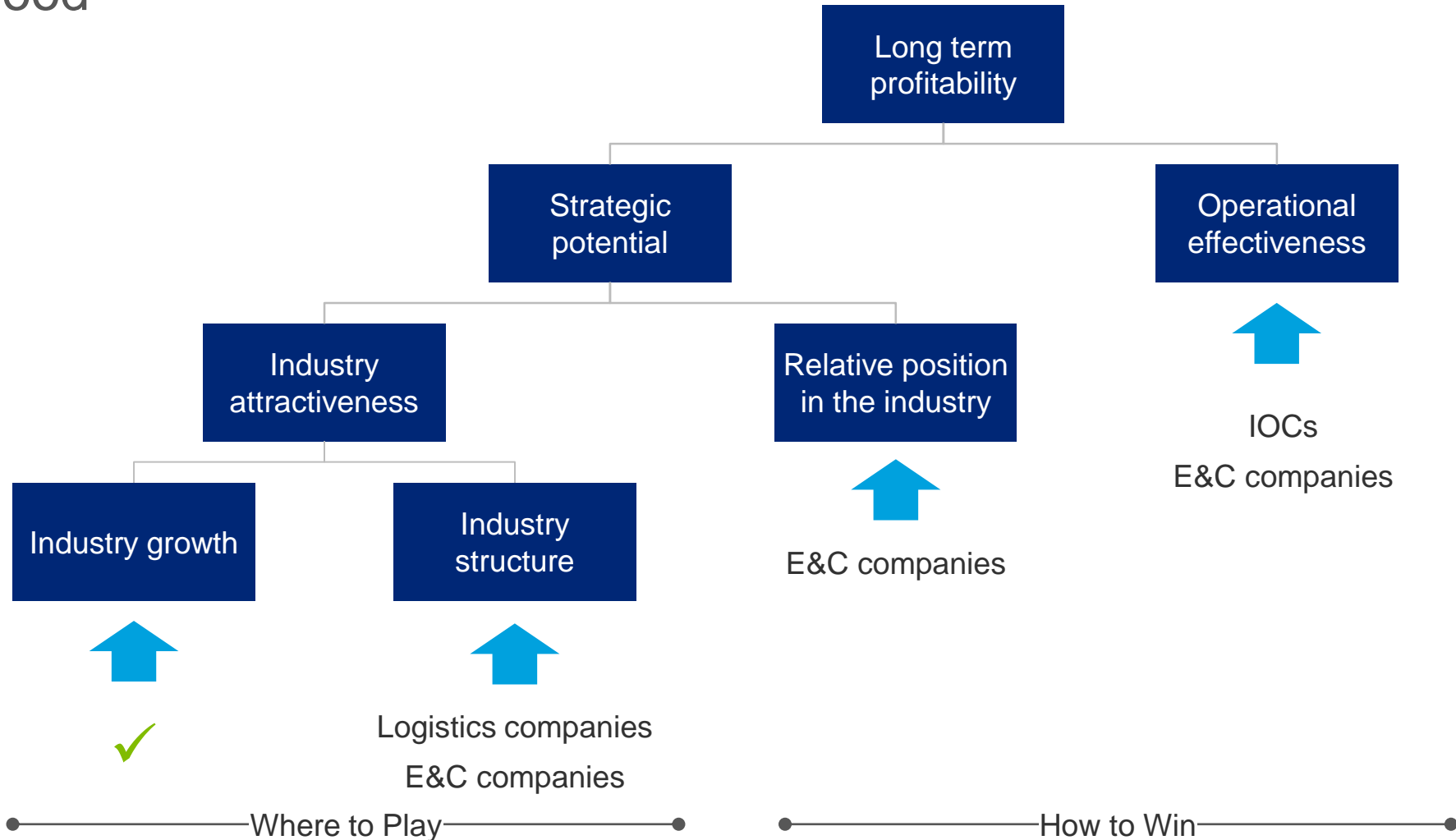
IOC financial performance



Source: OneSource; Bloomberg; Annual Reports; Deloitte analysis

Winning in Oil & Gas

Lots of work to be done, even as long term growth prospects are good





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