

OIL PRICE IS HIGH AGAIN – WHAT HAS HAPPENED AND WHAT WILL OIL CO'S DO?

IMEMO – SELECTED SLIDES FROM THE PRESENTATION
MOSCOW, OCTOBER 25TH, 2018

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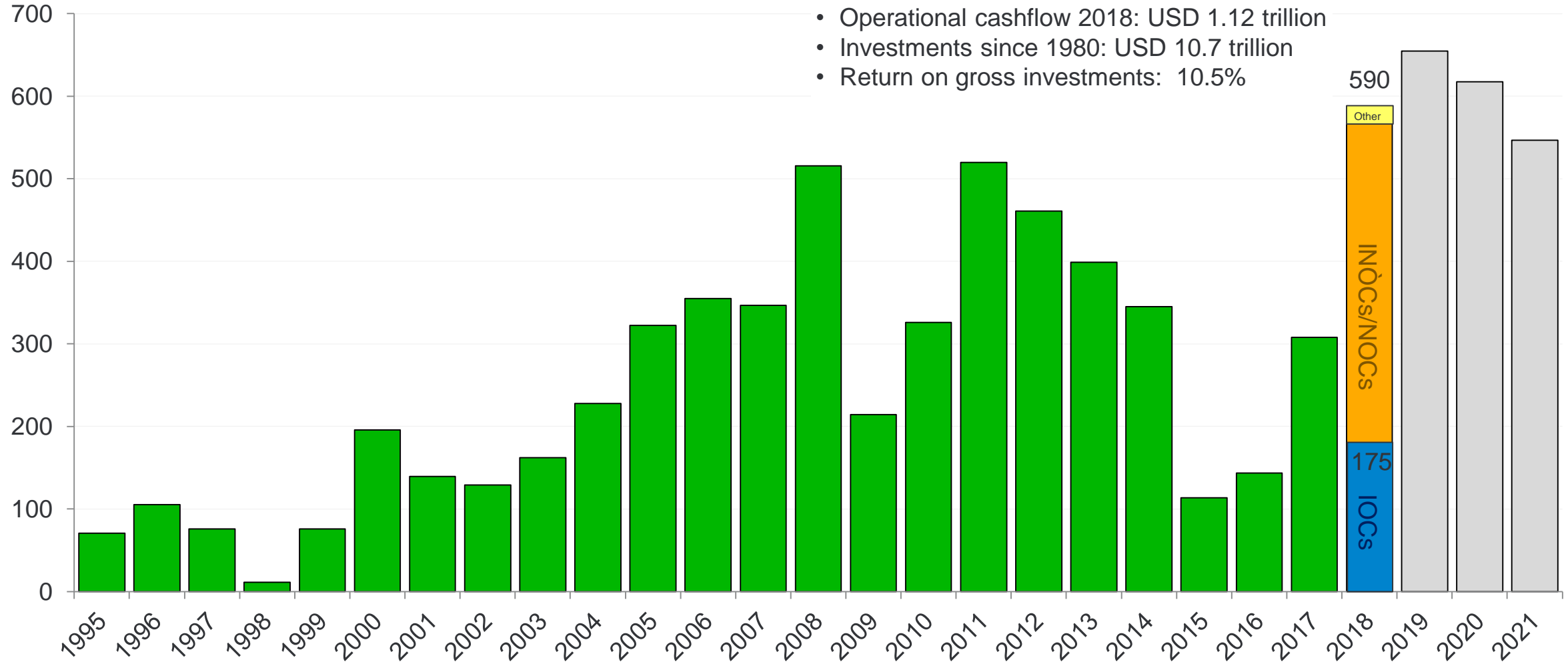


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Record high cashflow for global oil companies in 2018

Free cashflow after investments

USD billion nominal



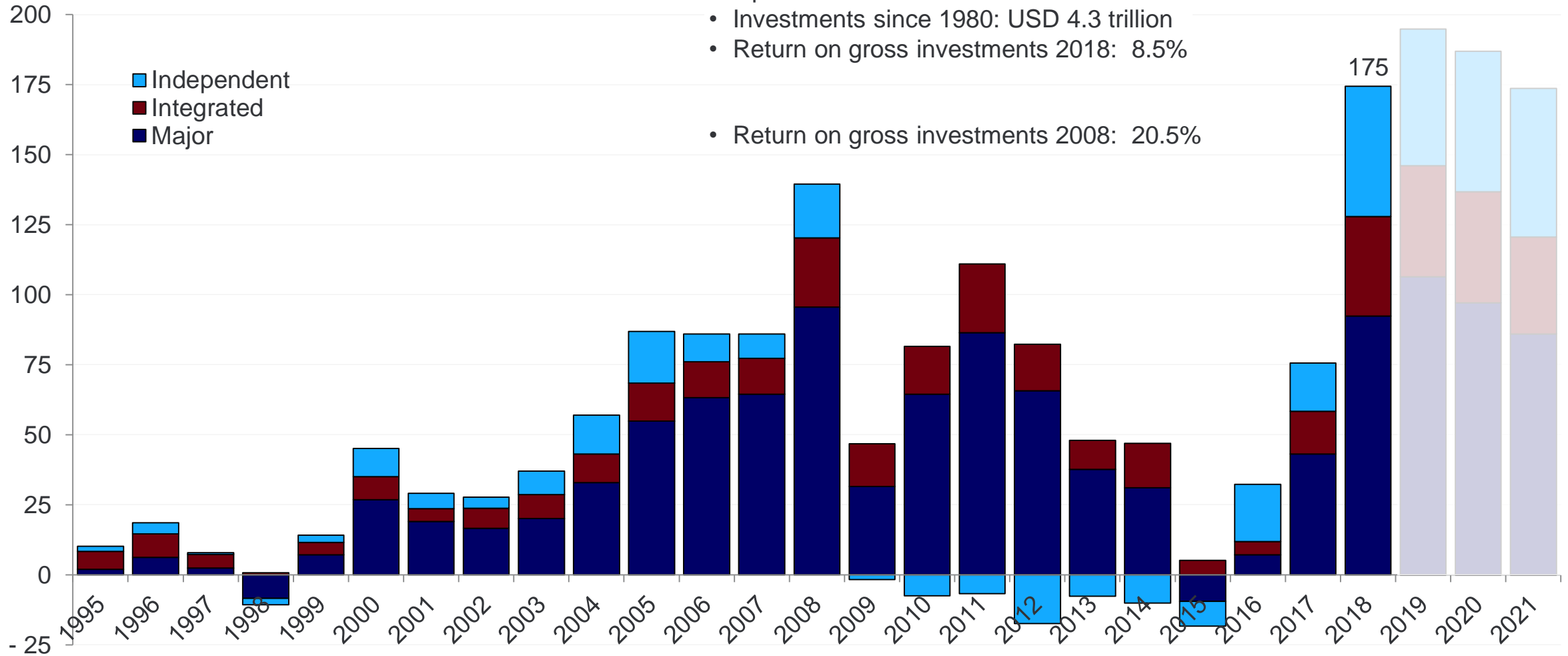
IOCs will also see piles of cash

Free cashflow after investments

USD billion nominal

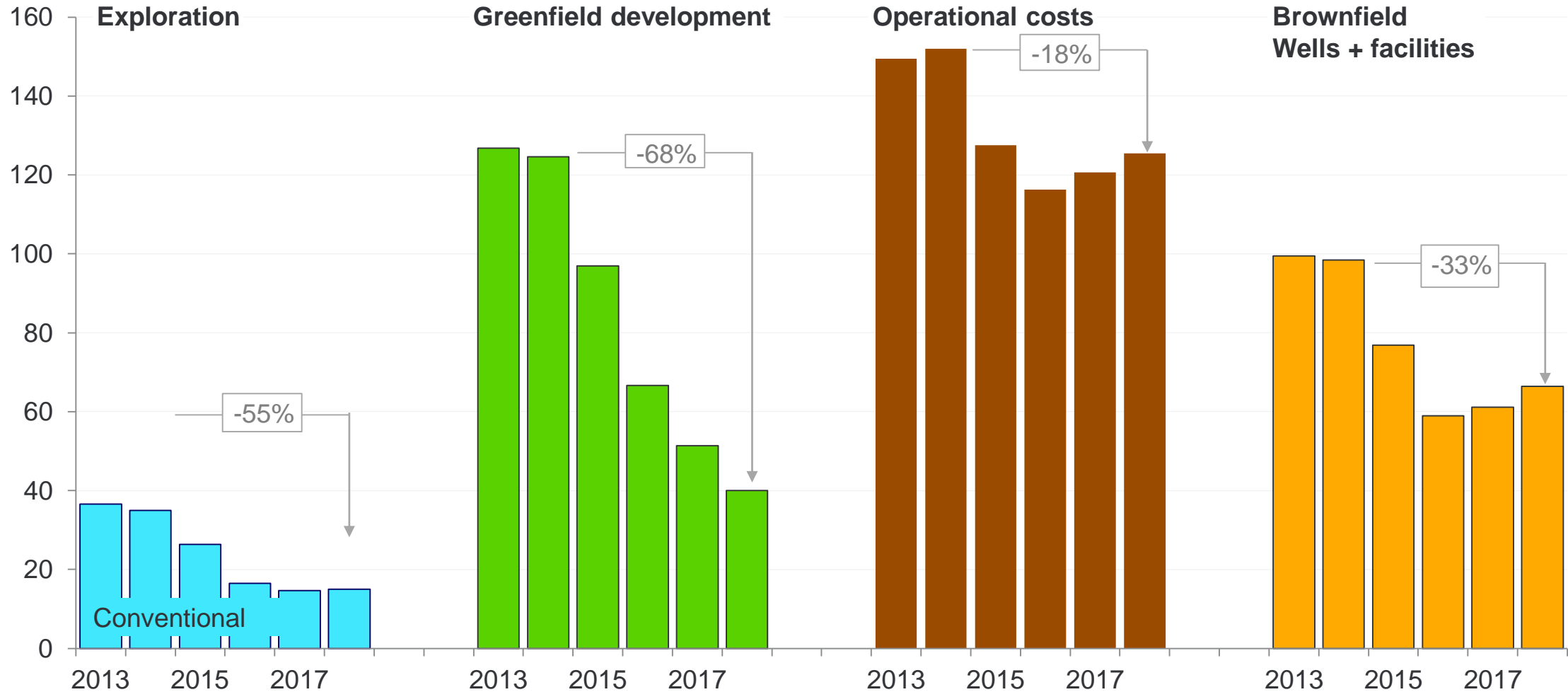
- Investments 2018: USD 190 b
- Operational cashflow 2018: USD 365 b
- Investments since 1980: USD 4.3 trillion
- Return on gross investments 2018: 8.5%

- Return on gross investments 2008: 20.5%



Spending for IOCs down from USD 410 to 240 billion in conventional

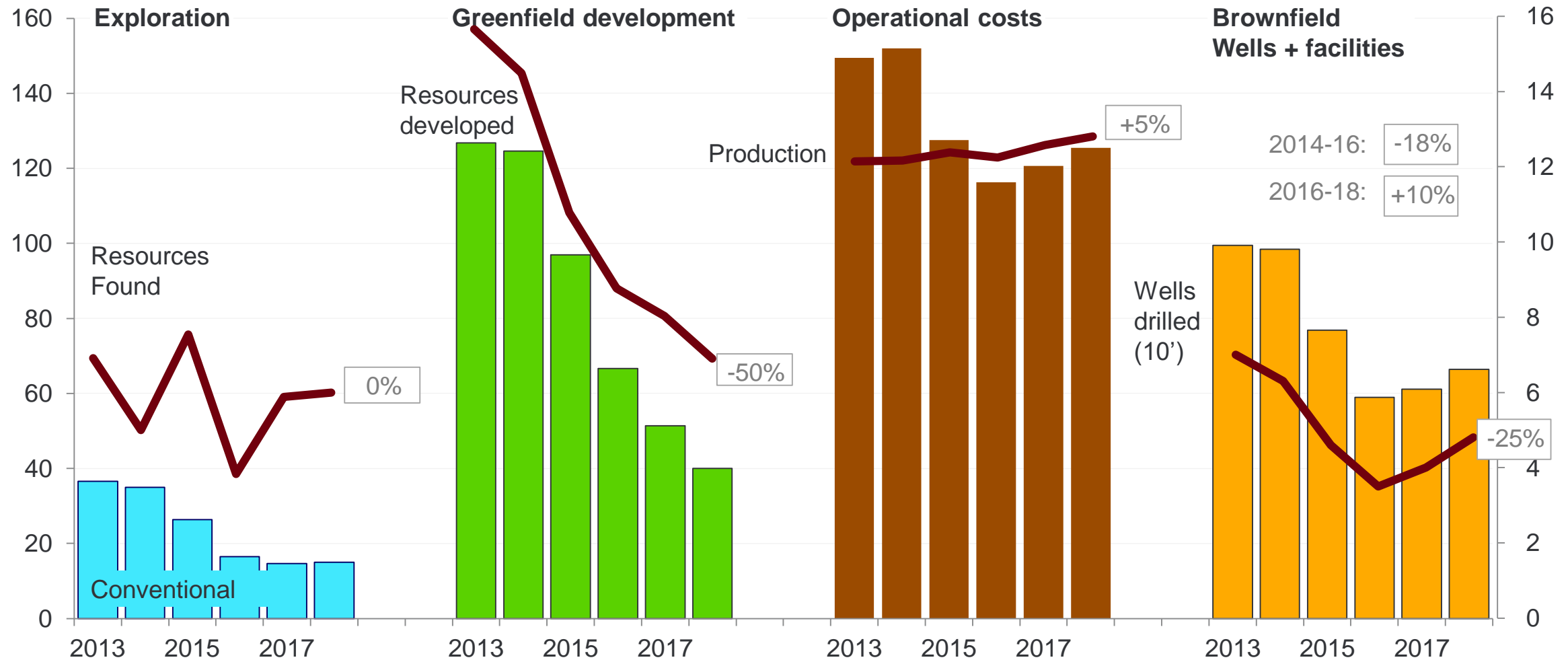
Spend for IOCs conventional resources along the value chain
USD billion nominal



... and activity was down 18% to 2016, then up 10%

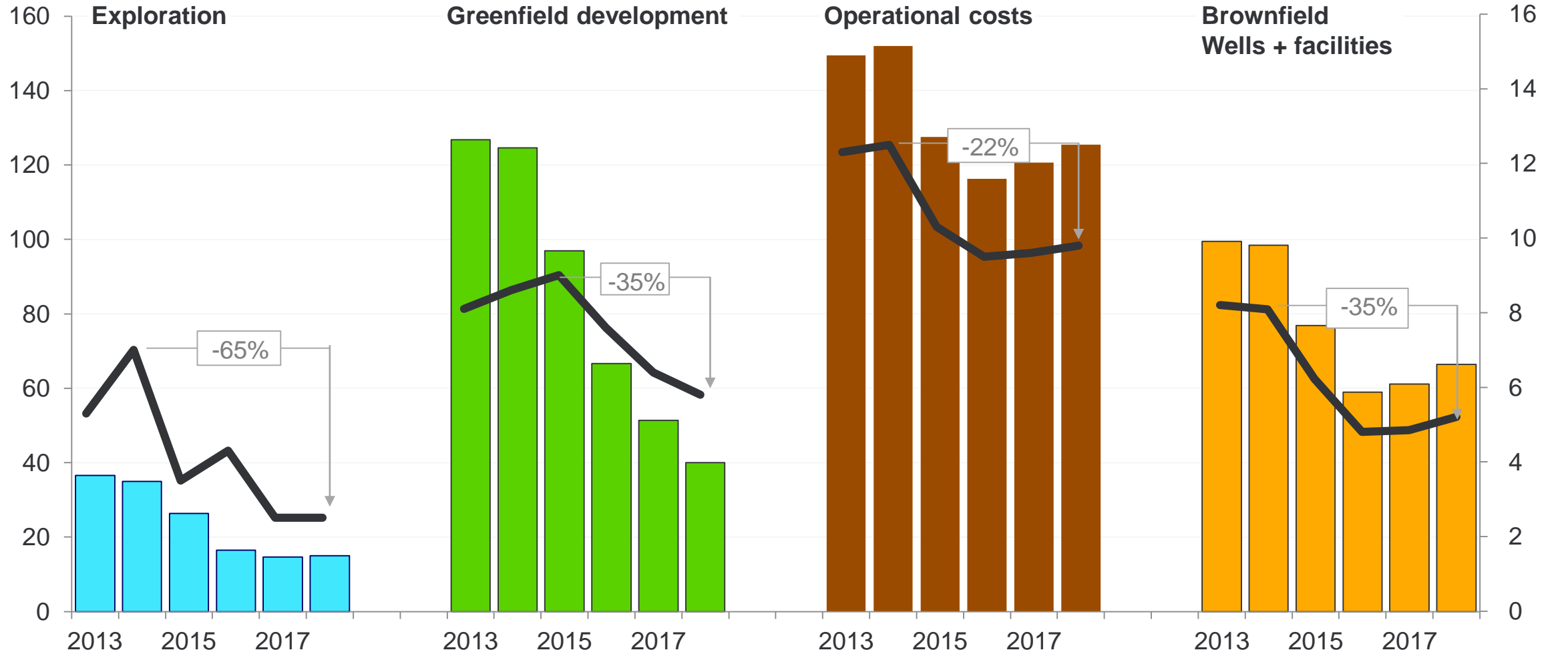
Spend and resources (brown line) for IOCs conventional resources along the value chain
 USD billion nominal

Resources
 Billion boe



IOCs unit cost from 34 to 22 USD/b (35%) for conventional resources

Spend and unit cost (black line) for IOCs along the value chain
USD billion nominal



IOCs shale spending from USD 154 to 74 (2016) and now 120 billion

Spend for IOCs along the value chain

USD billion nominal



IOCs shale activity down 39% (2016), then up 50%



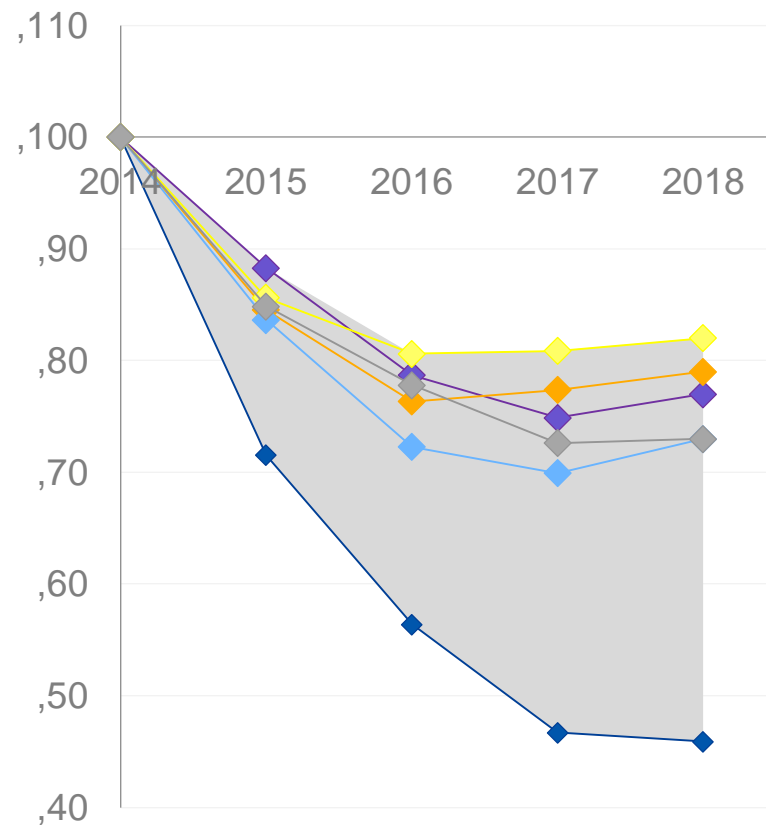
IOCs shale unit cost from 37 to 21 USD/boe, or 44% reduction

Spend and unit cost (black line) for IOCs along the value chain
 USD billion nominal

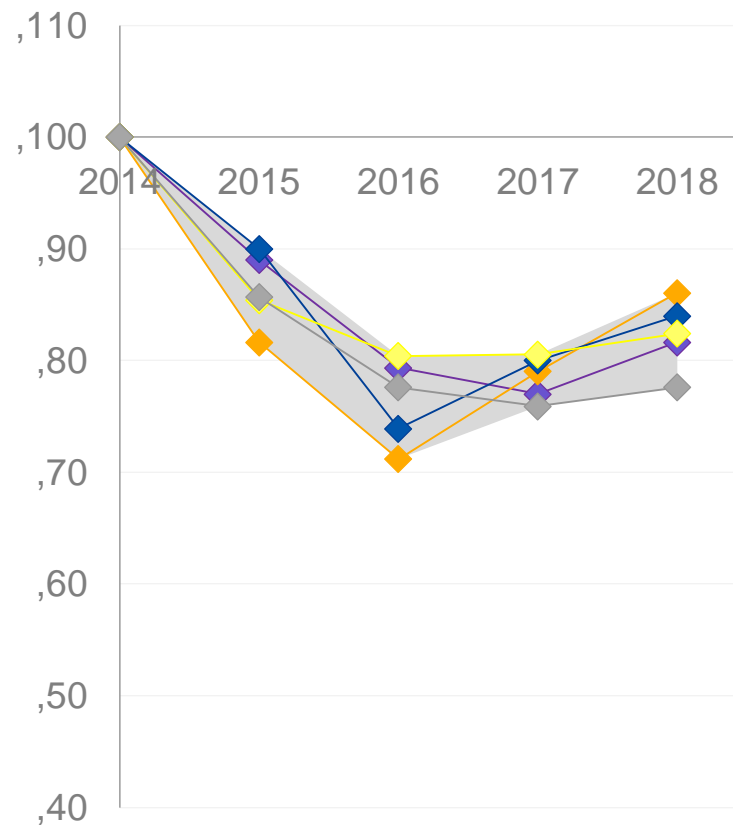


Oil service prices by award year reduced by 23%

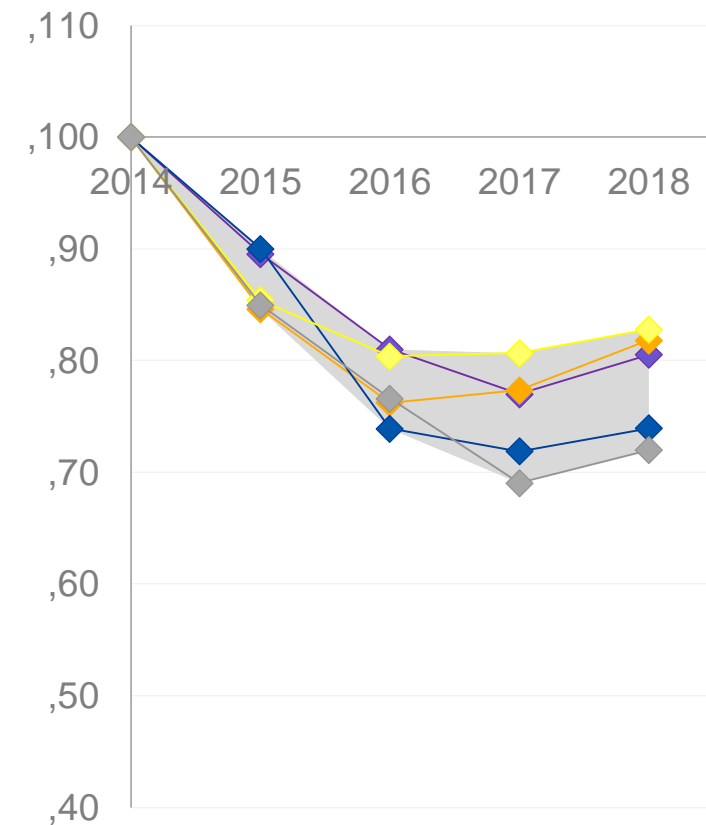
Offshore price index*
(by contract award year)



Shale price index*
(by contract award year)



Other onshore price index*
(by contract award year)

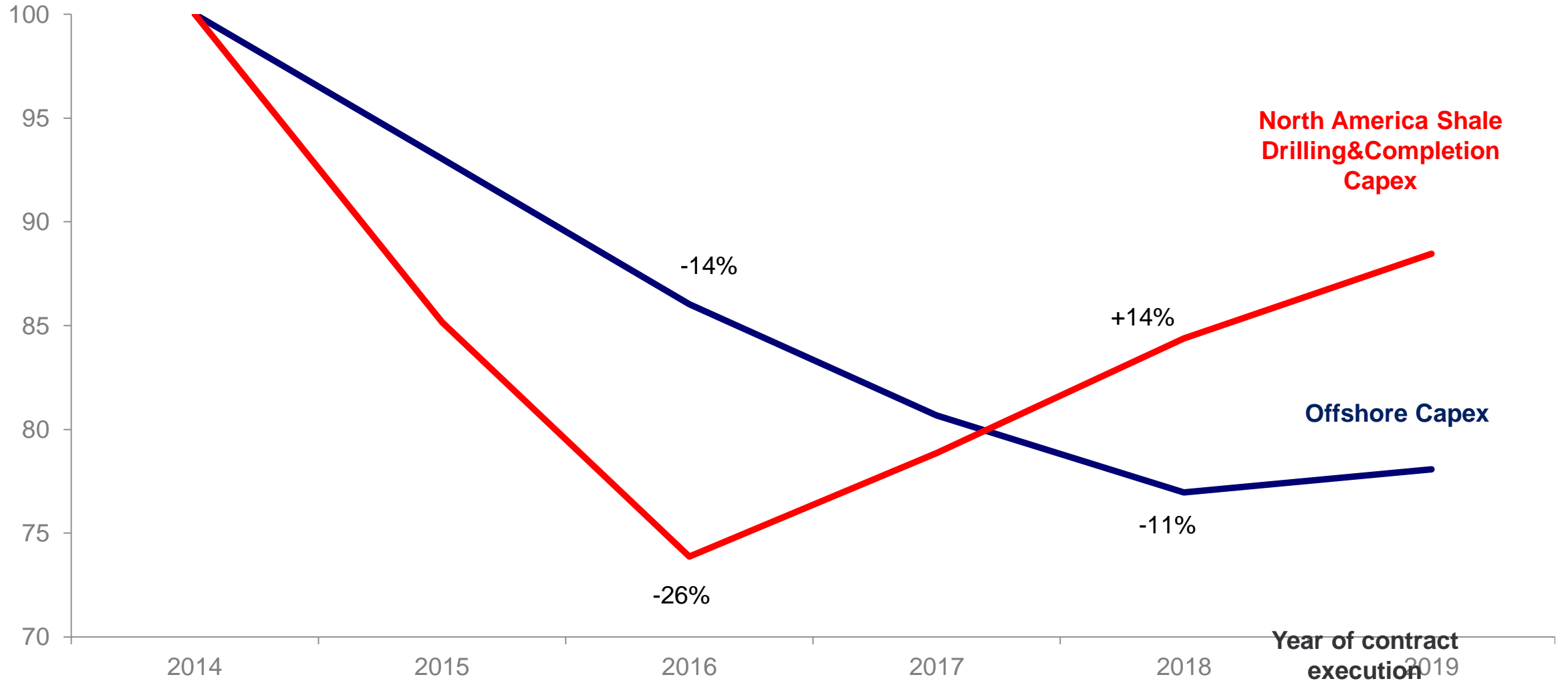


■ Maintenance and Operations
 ■ Well Services and Commodities
 ■ Drilling Contractors
 ■ Subsea
 ■ EPCI
 ■ Seismic

*price indices normalized to 2014=100
Source: Rystad Energy DCube

Shale prices hit the low in 2016; offshore 2018

Rystad Energy Service Price Index
Indexed to 2014

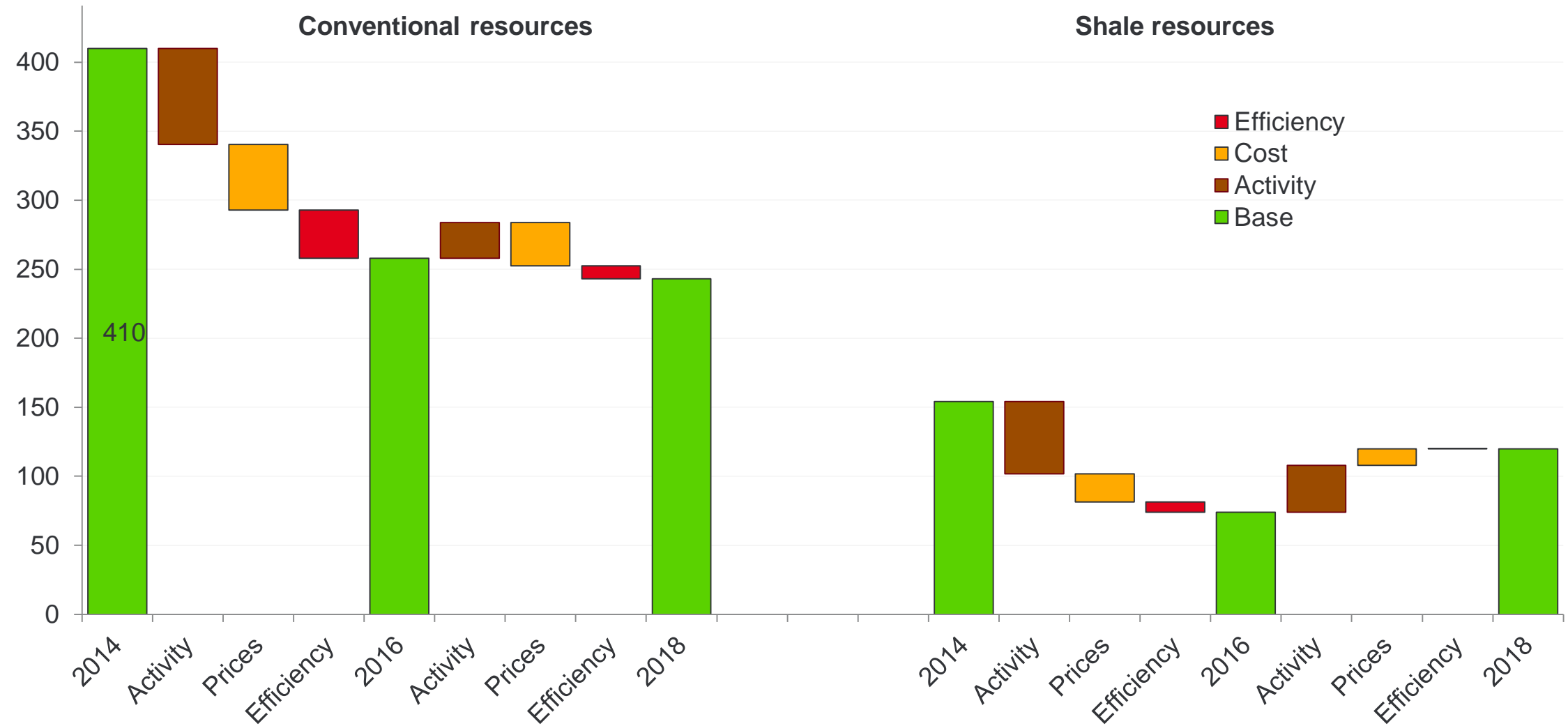


Source: Rystad Energy DCube

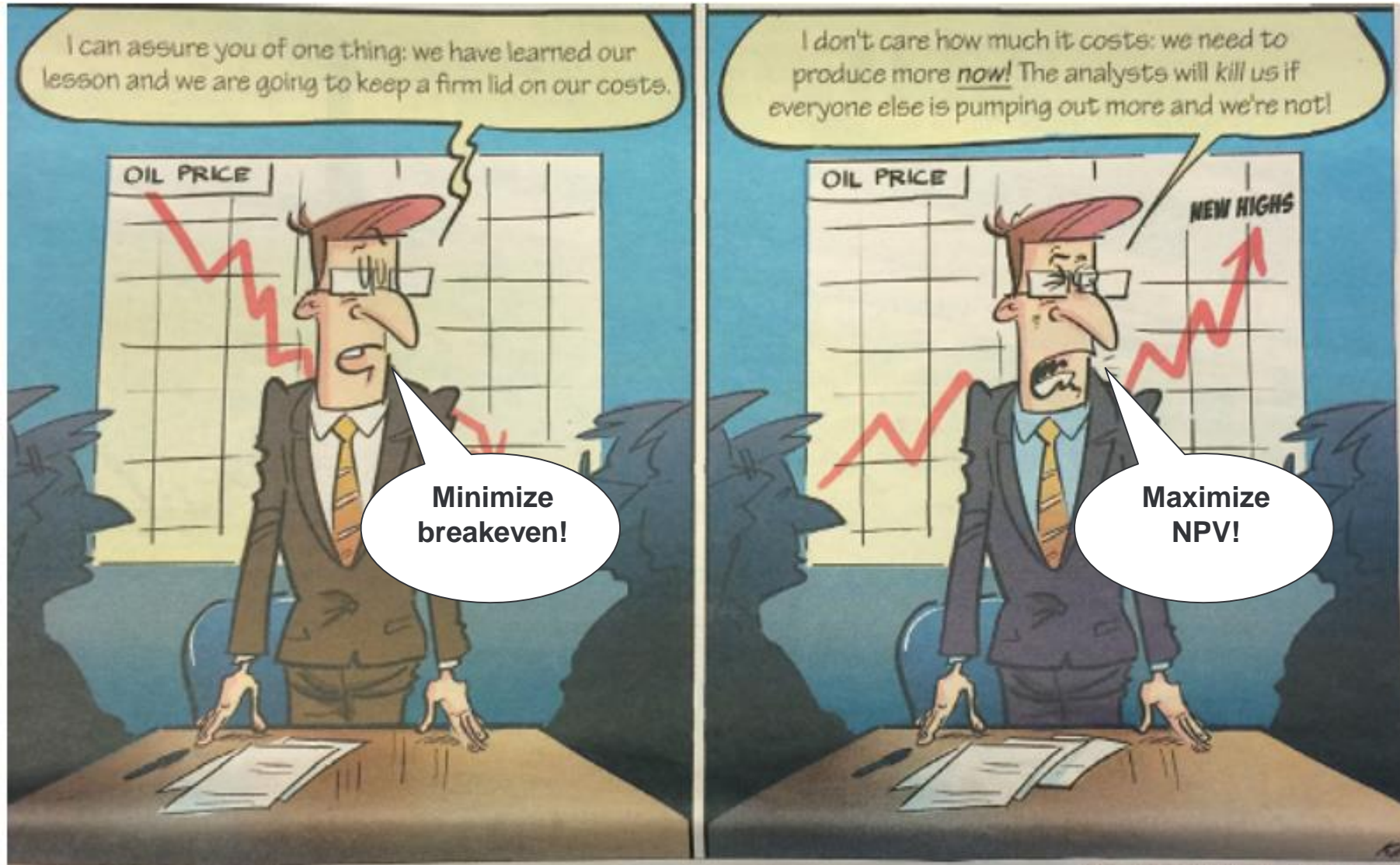
With this we can understand efficiency gains. Efficiency 26% of total

Root cause of change in spending for IOCs

USD billion nominal



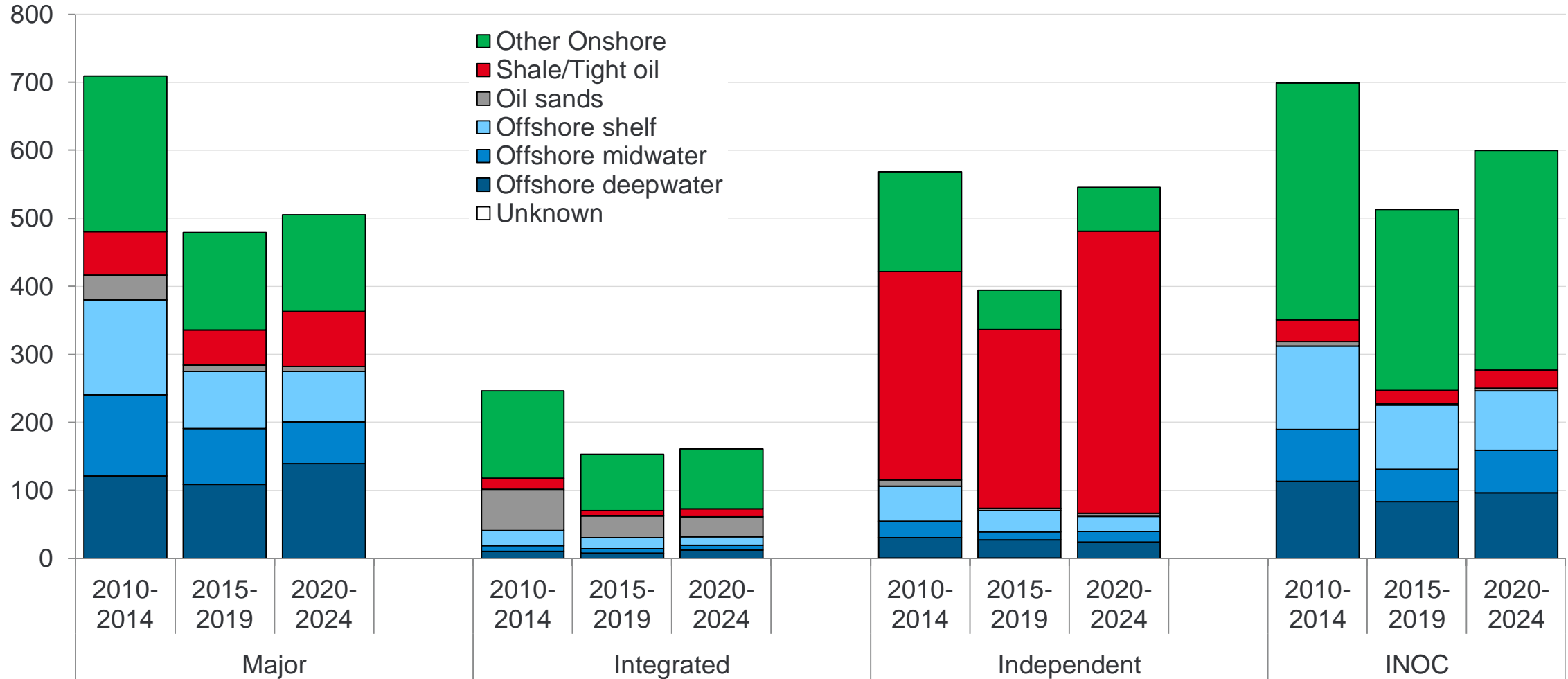
The oil business is about value creation



Investments: shale and deepwater grow more than average

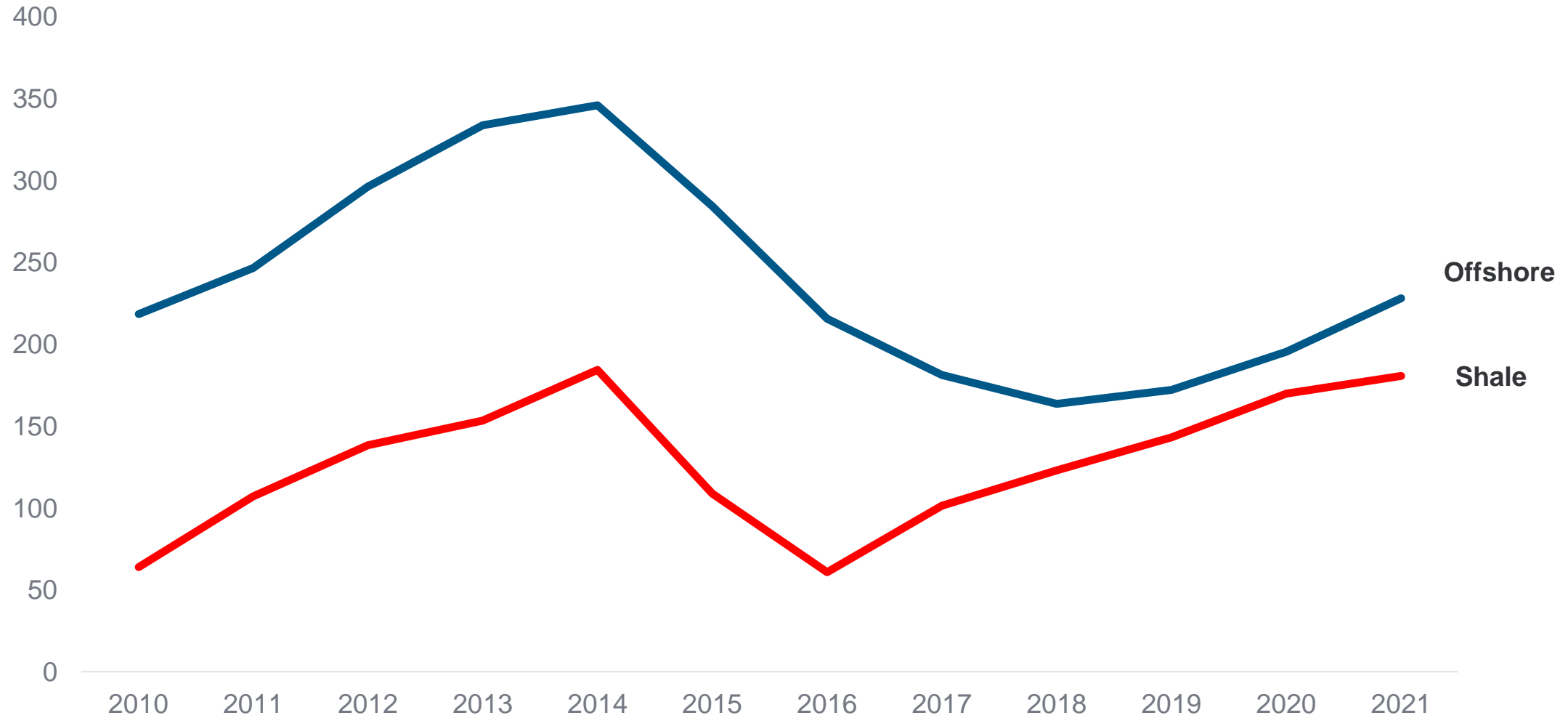
Five years investments for four oilco segments

USD billion



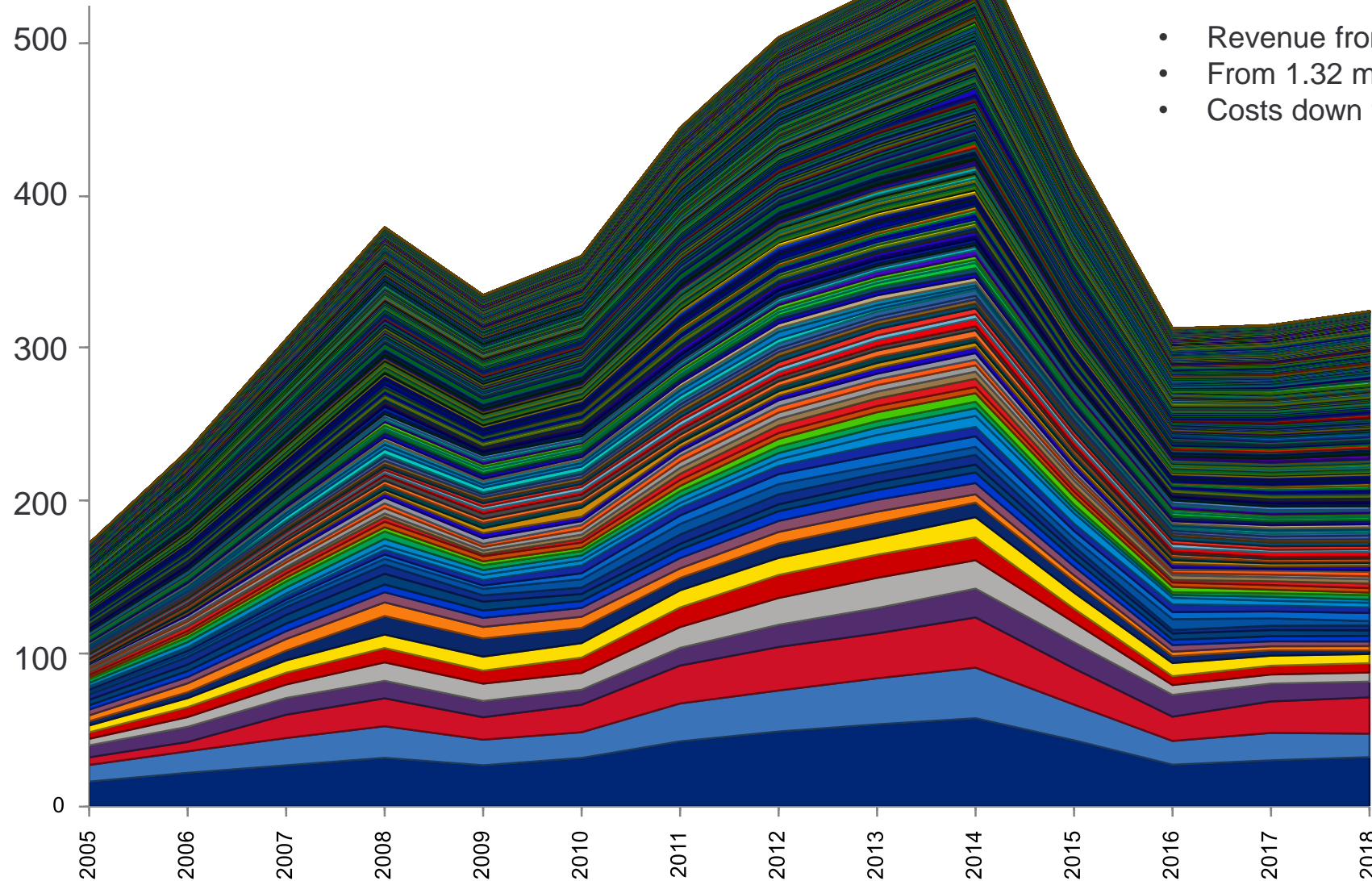
Offshore capex to still be ahead of Shale

Upstream investments by type
USD billion



Oil service companies revenue down 43% in two years

Revenue
USD billion



- Revenue from USD billion 570 to 330 (-42%)
- From 1.32 million employees to 820' (-38%)
- Costs down from USD 471 to 300 billion (-37%)

Top 10 of 450 companies

- Wood
- Aker Solutions
- Transocean
- Saipem
- Weatherford
- National Oilwell Varco (NOV)
- TechnipFMC
- Halliburton
- BHGE
- Schlumberger

Source: Rystad Energy SCube



THANK YOU



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*Consulting: Strategy, Benchmarking; Macro; Screening, Due Diligence,
Databases: Ucube (upstream), Dcube+Scube (oil service), ShaleWellCube, RigCube*