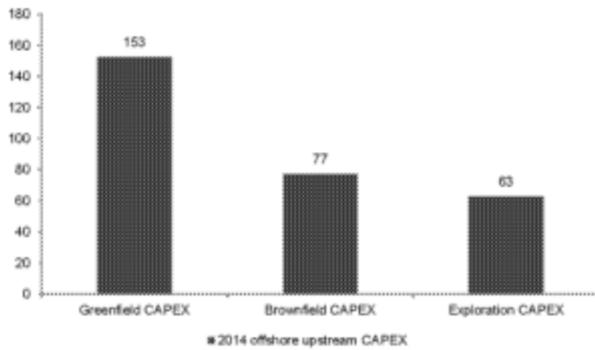


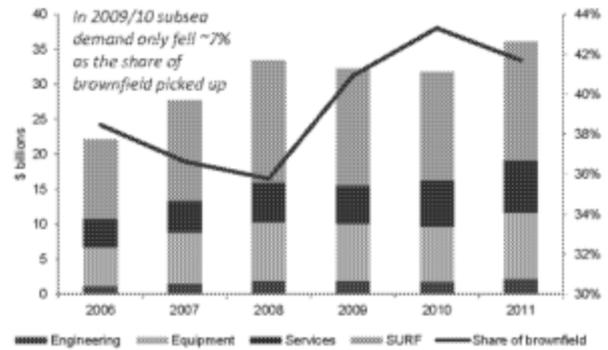


Figure 26: Greenfield spending will undoubtedly be challenged through 2015; however, offshore short-cycle brownfield spending is expected to be curtailed far less



Source: Re-printed from our European Oil Service counterparts April 9 publication

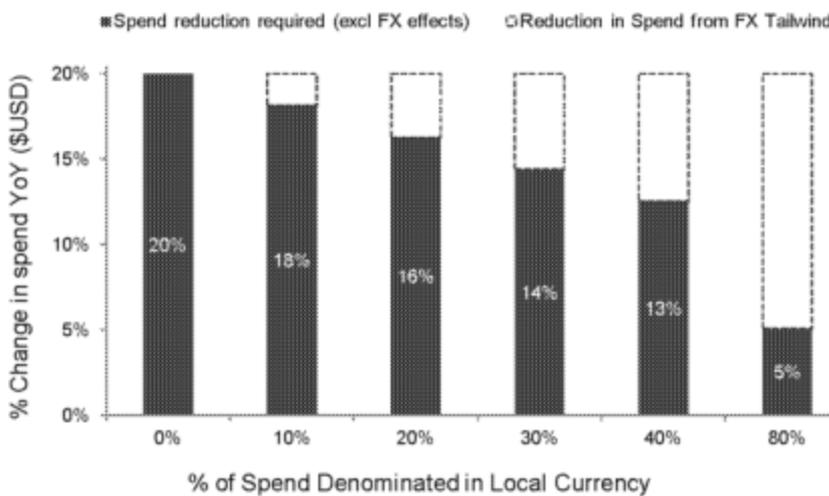
Figure 27: While a new deeper trough in Greenfield spending is expected this time around, it's worth noting that prior cycle's SUBSEA demand fell only ~7% as brownfield activity replaced greenfield



Source: Re-printed from our European Oil Service counterparts April 9 publication

In our view, brownfield spend is likely to benefit from local currency devaluations. If we look at Norway as a example, our FX team forecasts a NOK to USD exchange rate of 8.2 for 2015 a drop of ~25% in the value of the Krone YoY. If we assume that 20% of spend in the NCS is denominated in local currency (a rough estimate used by Wood Mackenzie for offshore fields driven chiefly by labor costs) the FX tailwinds from the devalued NOK will contribute ~4% of a targeted 20% (as an example) reduction in capital spend. For illustrative purposes if the NOK comprised ~80% of NCS spend then the devaluation would contribute ~15% of the targeted 20% reduction. For onshore fields with material local content requirements (i.e. Russia), Wood Mackenzie places the % of spend denominated in local currency closer to 80%.

Figure 28: Stronger dollar to soften spending declines – An illustrative example using the NOK (assumes target 20% \$USD capex cut from 2014)



Source: Deutsche Bank, Wood Mackenzie, Above Analysis Assumes Target 20% YoY Capex Cut to NCS Spend