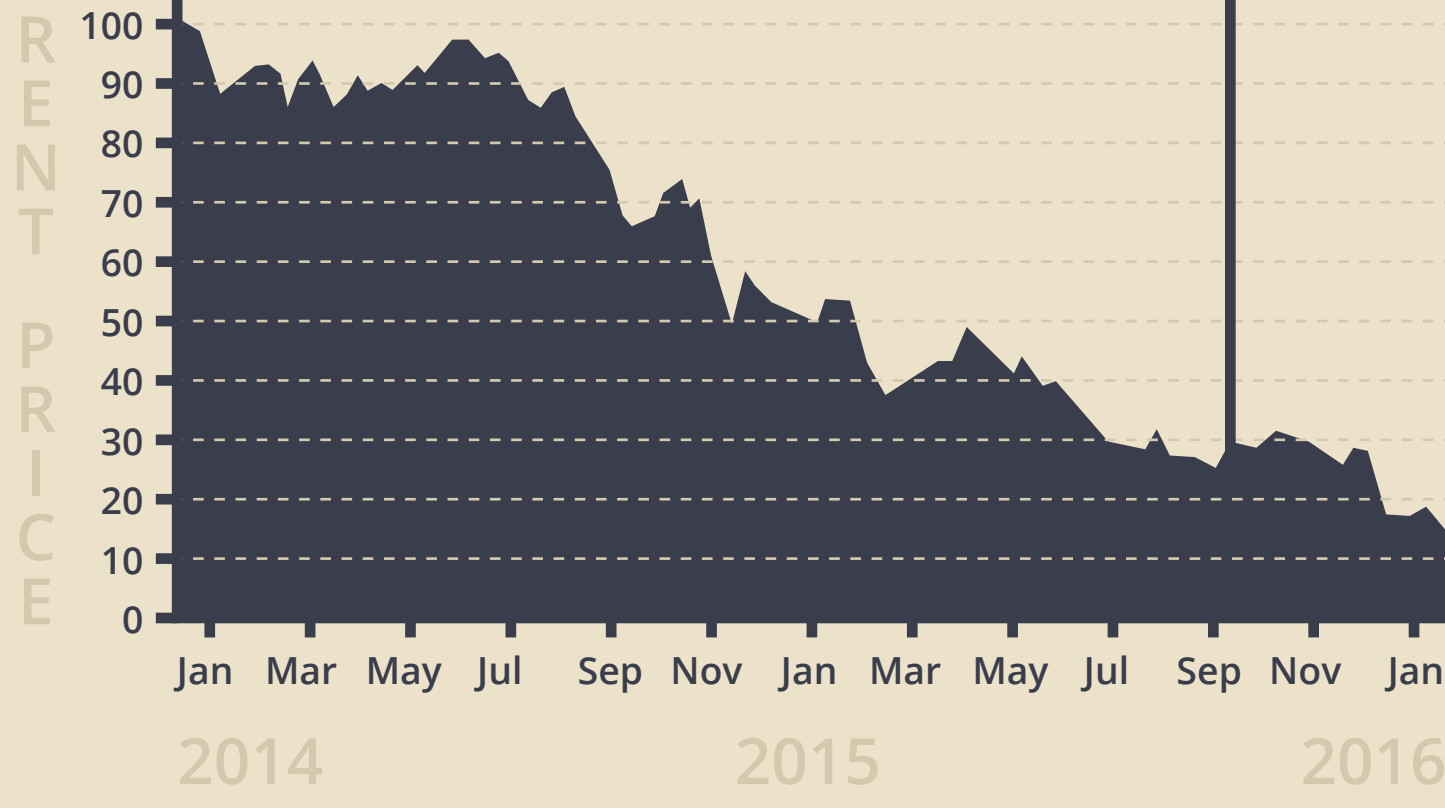


# MURKY WATERS FOR OFFSHORE RIGS:

## Offshore drilling market overview and projections



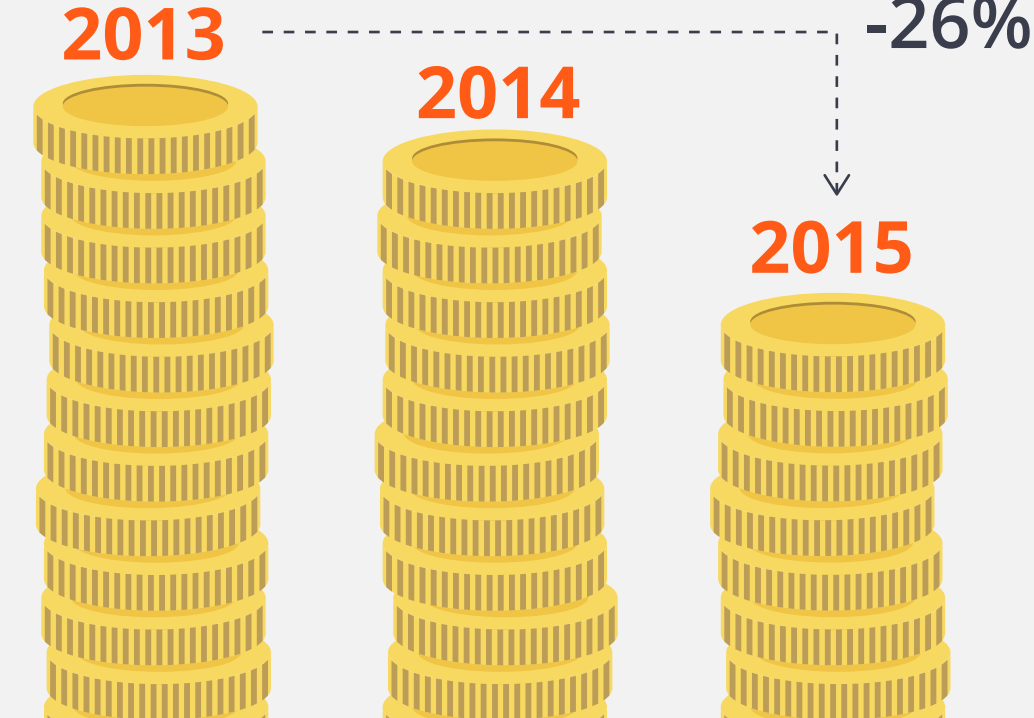
Since the rapid decline in oil prices starting in mid 2014, the offshore drilling market has experienced a significant decline in contract volume and duration. The result? Massive downward pressure on rig owners' revenue streams.



WHAT ARE THE CONTRIBUTING FACTORS THAT HAVE LED US TO THIS POINT – AND WHAT DOES THE FUTURE HOLD?

### CAPEX HAS DECLINED SIGNIFICANTLY

Operators have cut capex due to cash constraints and uneconomical projects under low commodity prices, resulting in suspension or cancellation of new offshore projects.

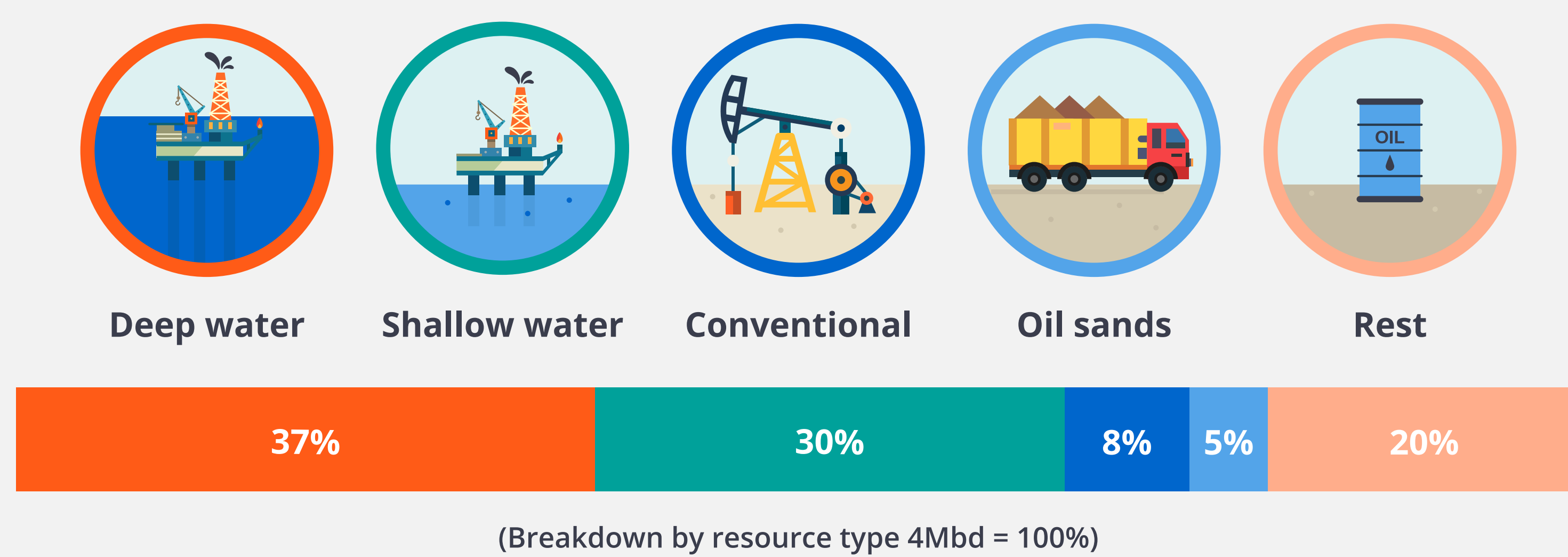


We expect capex to be cut by a further 20-30% between 2015 and 2016

### GREENFIELD PROJECTS HAVE BEEN DELAYED

Delays in greenfield projects will take significant production out of the market, with a projected 4Mbd in delayed production by 2025

PROJECTED DELAYS IN PRODUCTION FROM GREENFIELD PROJECTS BY 2025:

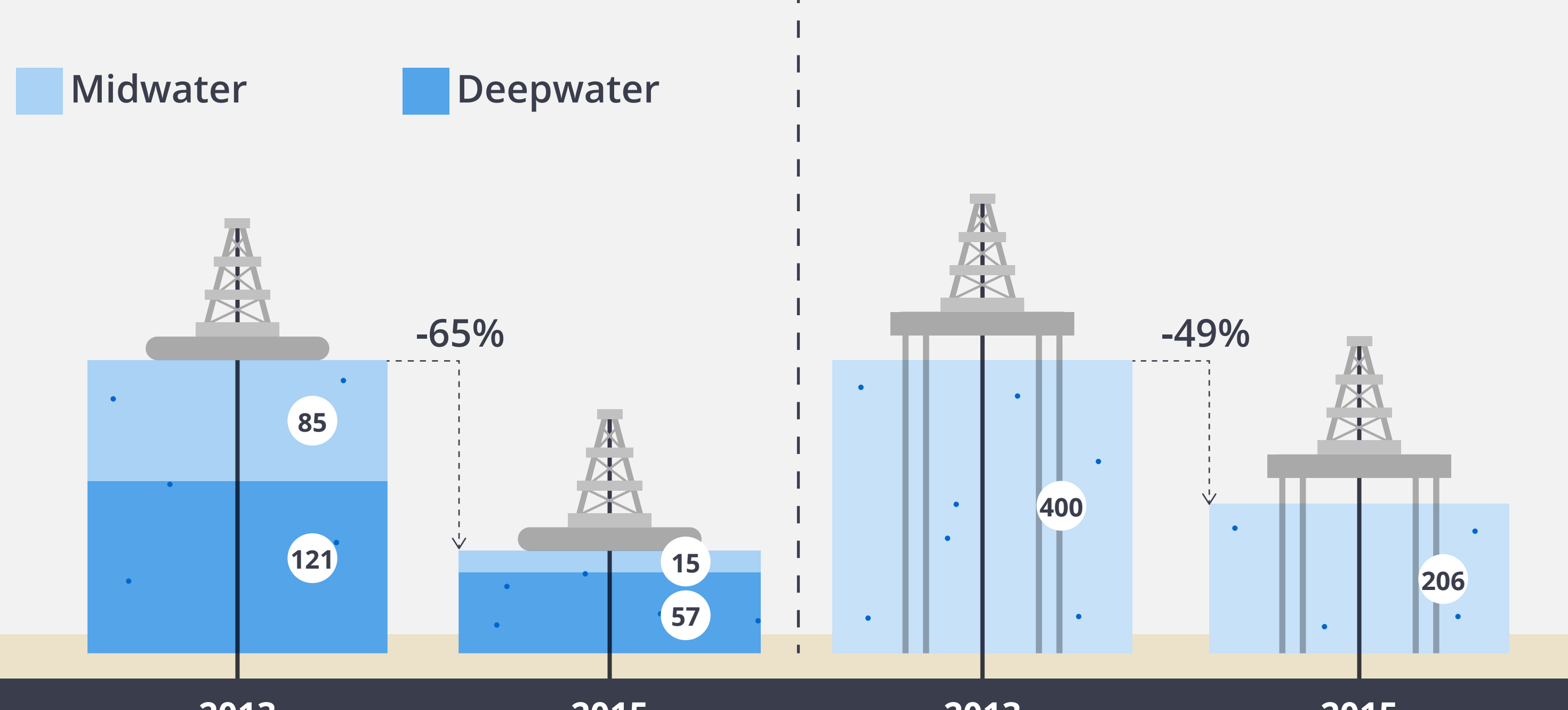


### THE CONTRACT ENVIRONMENT HAS BECOME INCREASINGLY CHALLENGING

New contract volume declined by more than 50% between 2013 to 2015. In addition to the drop in contract volume, average contract duration has seen significant declines since the period of high oil prices.

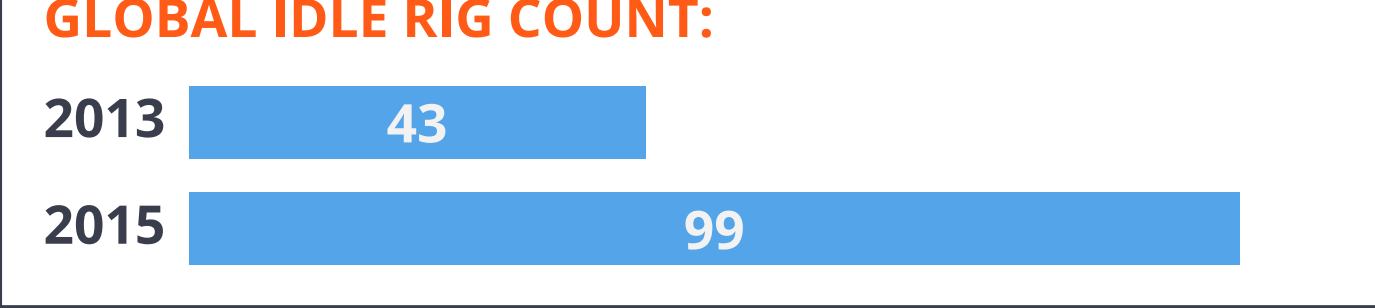
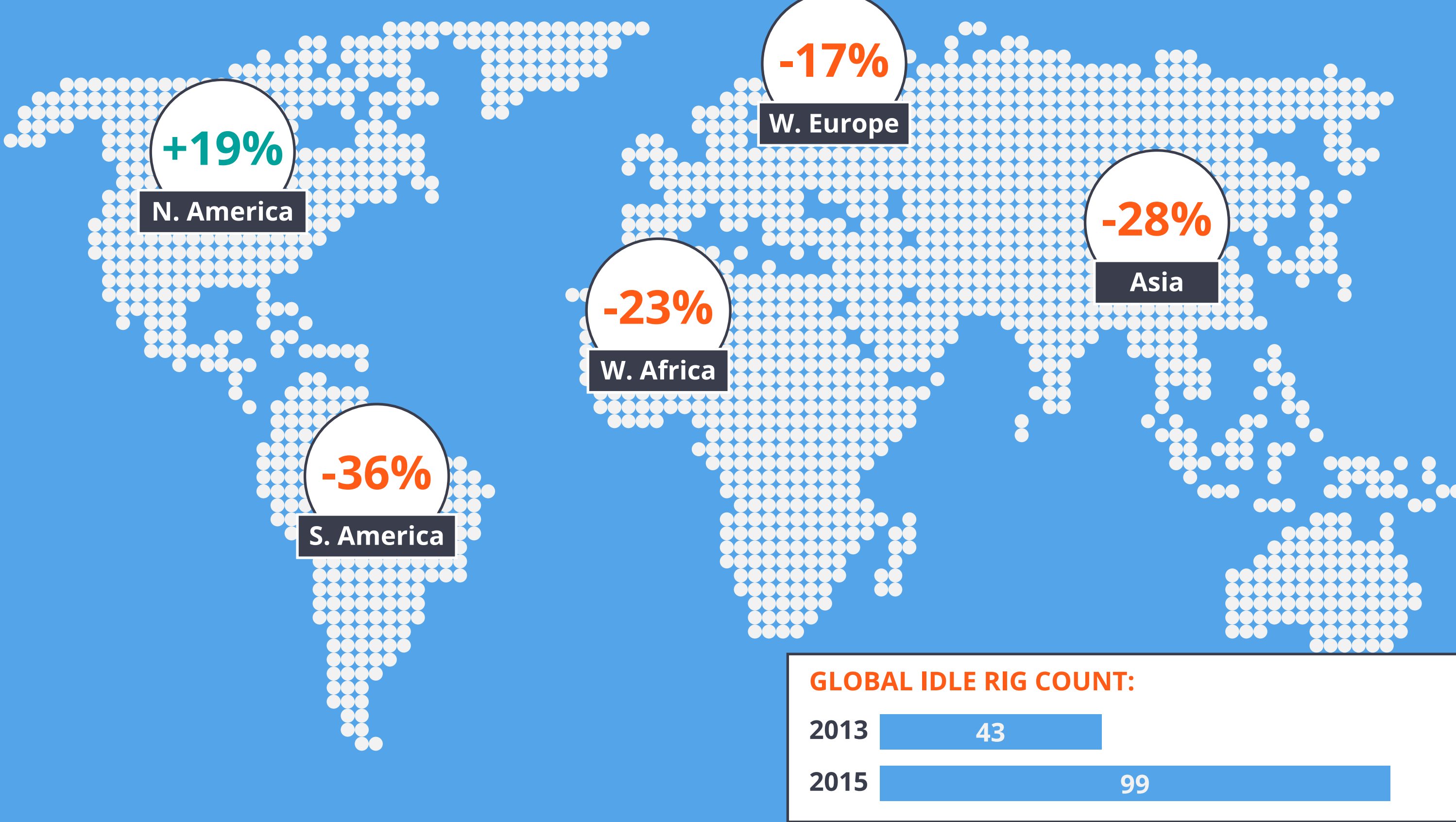
NEW FLOATER RIG CONTRACTS SIGNED ANNUALLY

NEW JACKUP RIG CONTRACTS SIGNED ANNUALLY



### THE SHARE OF ACTIVE RIGS HAS DECREASED

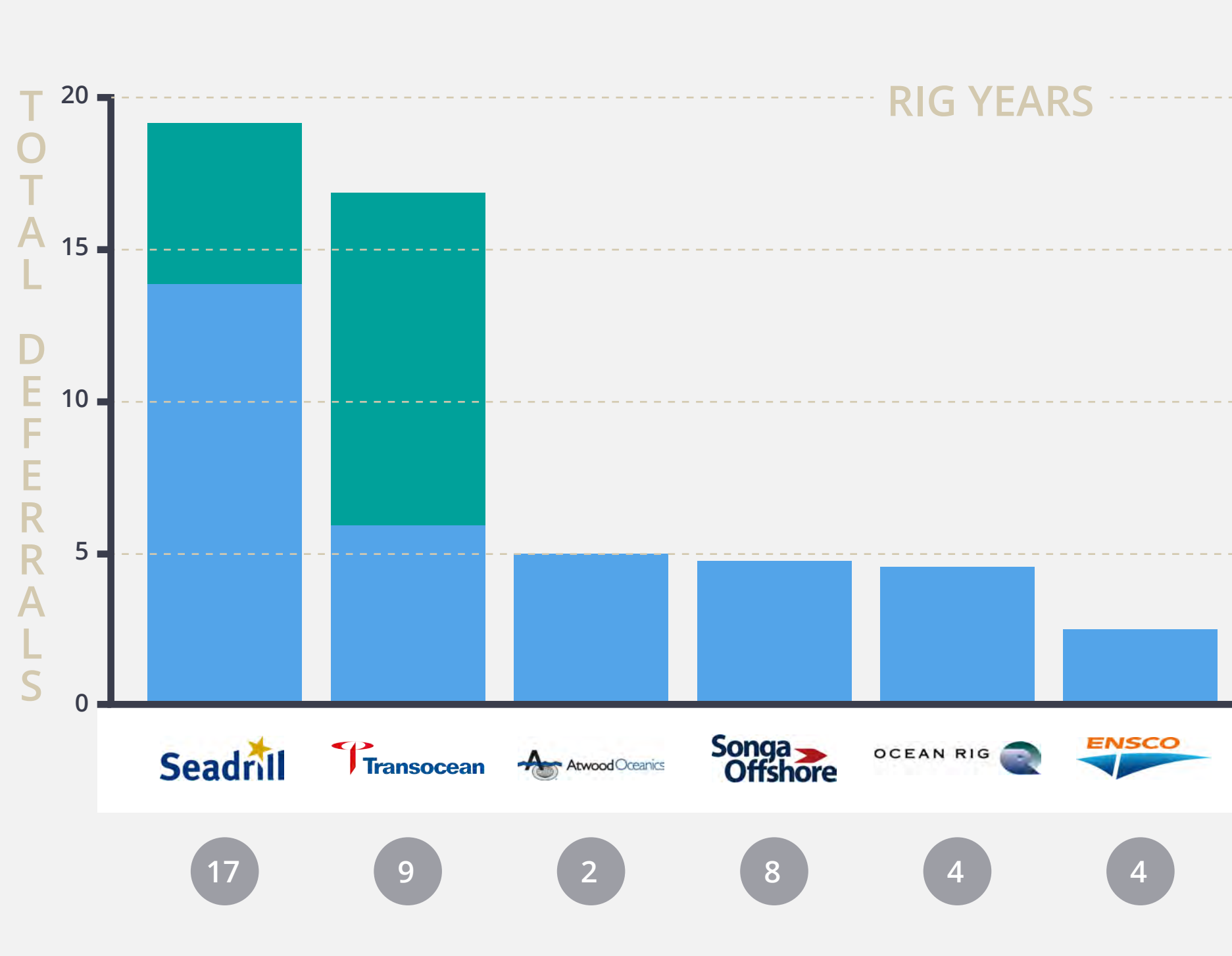
Jan 2013 - Dec 2015



### RIG OWNERS ARE DEFERRING DELIVERY OF NEW BUILDS

Rig owners are renegotiating day rates and deferring delivery of new builds to maintain liquidity.

In the new price environment, 33% of the jackups expected in 2015 were delayed past 2016 or cancelled, compared with 46% for floaters.



### SO WHAT COULD THE ROAD TO RECOVERY LOOK LIKE?

Understanding the dynamics of market recovery is critical to survival in these uncharted waters. There are multiple market scenarios:

Low likelihood scenario  
El standard scenario  
Medium likelihood scenario

