



OIL & GAS INDUSTRY SURVEY SANDVIK EXECUTIVE SUMMARY



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After three years of enduring prolonged low oil prices, the international oil and gas industry is looking to the future with a high degree of confidence.

From an oil price above US\$120 per barrel in mid 2014, the industry recognises that such levels are off the table for the foreseeable future. The phrase 'lower for longer' created by BP has evolved into Shell's mantra of 'lower forever.'

The current supply/demand imbalance remains the global industry's greatest concern, leading to a high degree of caution over anticipated commodity price forecasts to the end of this year.

However, there's a belief that the industry is in much better shape than it was at the start of the downturn in 2014. Resolute businesses recognised that permanent changes were necessary – and have made them. As a result, they are now in much better shape to succeed in a long-term lower oil price environment.

The need to adopt new technology and invest in research and development is also recognised, but industry calls for greater collaboration and an increased customer focus appear to have had limited impact to date.

These are among some of the findings from a recent survey conducted by Sandvik, a developer and producer of corrosion resistant alloys and other high-performance materials for the oil and gas industry.

The survey, conducted among almost 300 respondents covering a broad range of positions and disciplines, provides important insight into how the industry sees itself currently and what it needs to do to ensure a successful future.

The survey reveals that while respondents believe onshore oil, specifically US shale, will be the greatest growth sector this year, there is growing confidence in the revival of deepwater subsea activities and an anticipated surge in global gas production.

While there has been an industry-wide focus on cost cutting in the current downturn, our survey indicates that service quality is significantly more important than project costs.

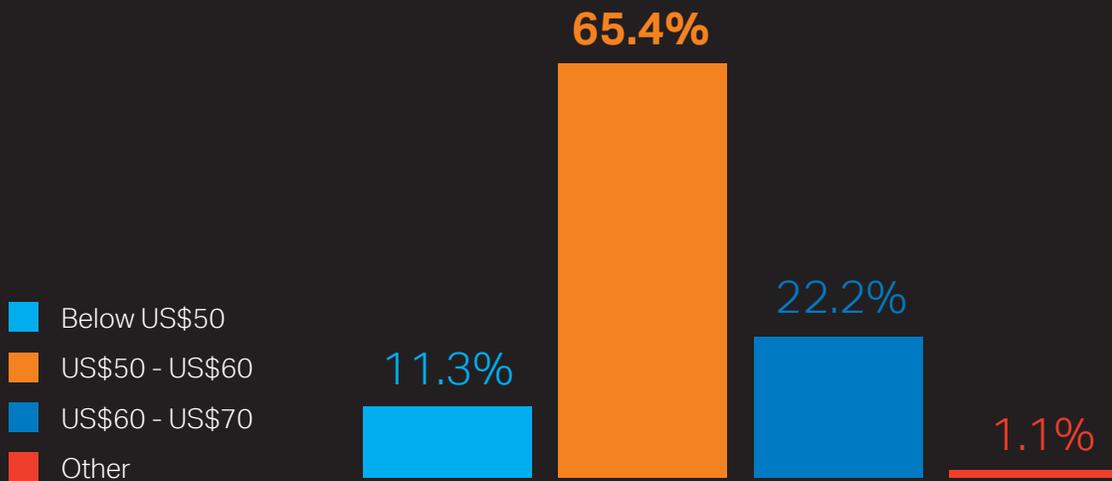
Nigel Haworth, Business Unit Manager, Oil and Gas, Sandvik, said: "The findings of our survey provide a very interesting snapshot of how the global oil and gas industry views itself right now. They also challenge some assumptions the industry may have had, particularly with regards to the cost/quality debate.

"The sanguine approach to the future suggests that, after three years of significant pain, we are seeing a reborn industry that has adapted to the current environment by becoming leaner and more efficient, and is ready to thrive once again.

"The industry has accepted the new and permanent reality of lower commodity prices and businesses across the board are poised to launch the fight back to increased profitability."

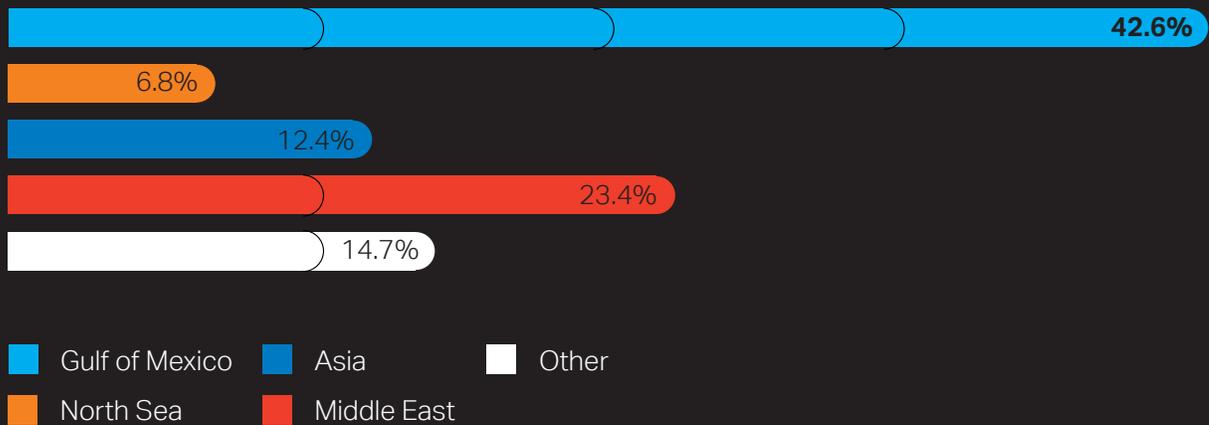
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WHAT DO YOU THINK THE PRICE OF OIL WILL BE AT THE END OF 2017?



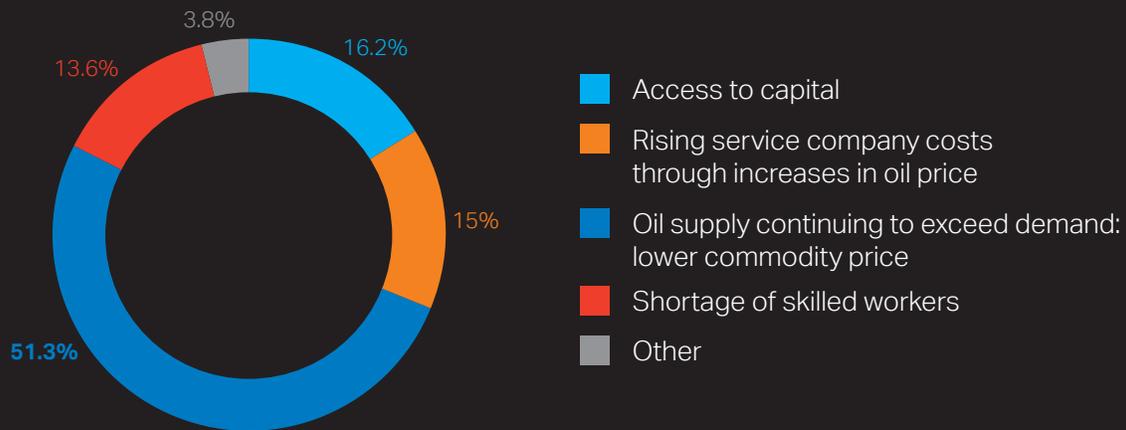
*While the majority of people are optimistic about the industry, the statistics show that they don't see growth coming from a significant upswing in oil prices, which suggests a **greater emphasis on increased operational efficiencies.***

WHERE DO YOU SEE THE BIGGEST AREA FOR GROWTH FOR YOUR BUSINESS IN 2017?



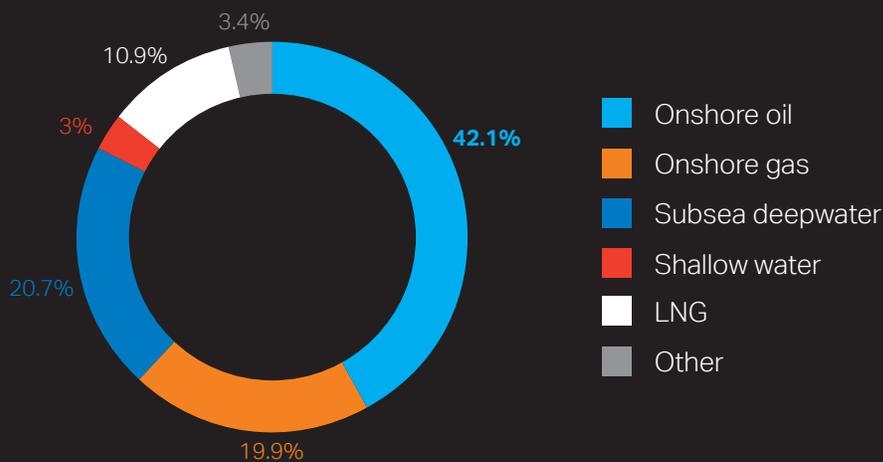
Interestingly, although **most saw the Gulf of Mexico as their biggest potential growth market for this year**, almost a quarter thought it would be the Middle East. Surprisingly, despite the predicted growth in Asia's energy demands, few saw this region as their prime growth target. Worryingly, the North Sea trailed behind the other regions by some distance. One respondent to this question commented: "Several areas but not the North Sea."

WHAT IS THE BIGGEST CHALLENGE FACING THE INDUSTRY THIS YEAR?



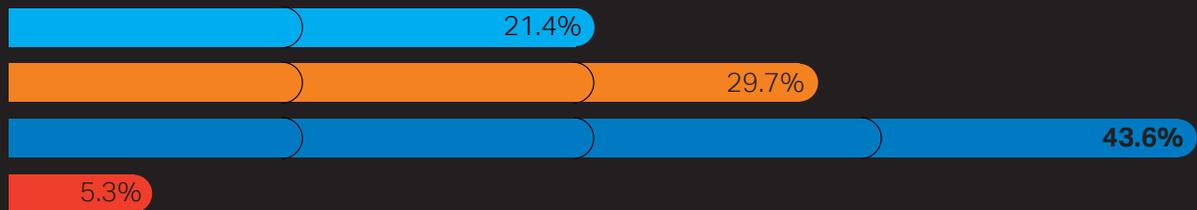
Despite OPEC's publicised production cuts, global supply continuing to outstrip demand continues to be the industry's biggest concern. **Company growth ambitions are being hampered by access to both capital and skilled labour.**

IN WHICH SECTOR OF THE OIL AND GAS INDUSTRY DO YOU EXPECT TO SEE GREATEST GROWTH IN 2017?



While 42 percent saw offshore Gulf of Mexico as the biggest geographic growth market, the same number also believed **onshore oil, specifically unconventional, would enjoy the largest expansion by sector.** There was growing confidence in increased gas production (onshore and LNG combined) and encouragement for subsea deepwater activities following reductions in operational costs over the last three years.

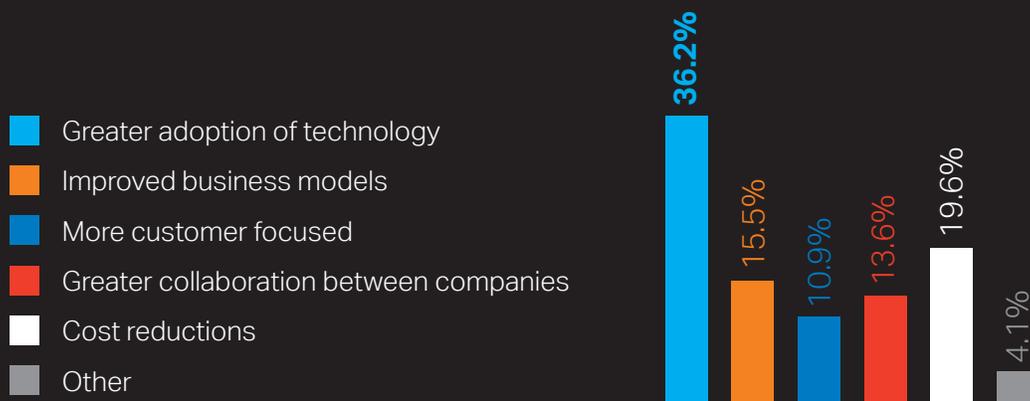
WHAT'S THE MOST IMPORTANT CRITERIA FOR YOU WHEN SELECTING A VENDOR?



- On the ground local support from vendor
- Project cost
- Quality of service: proper installation and welding of tubes/pipes
- Other

There has been a large focus on costs in the current downturn, however, **our survey respondents valued quality of service as significantly more important.** This is encouraging news for the service sector as it looks to re-establish viable cost relationships with operators.

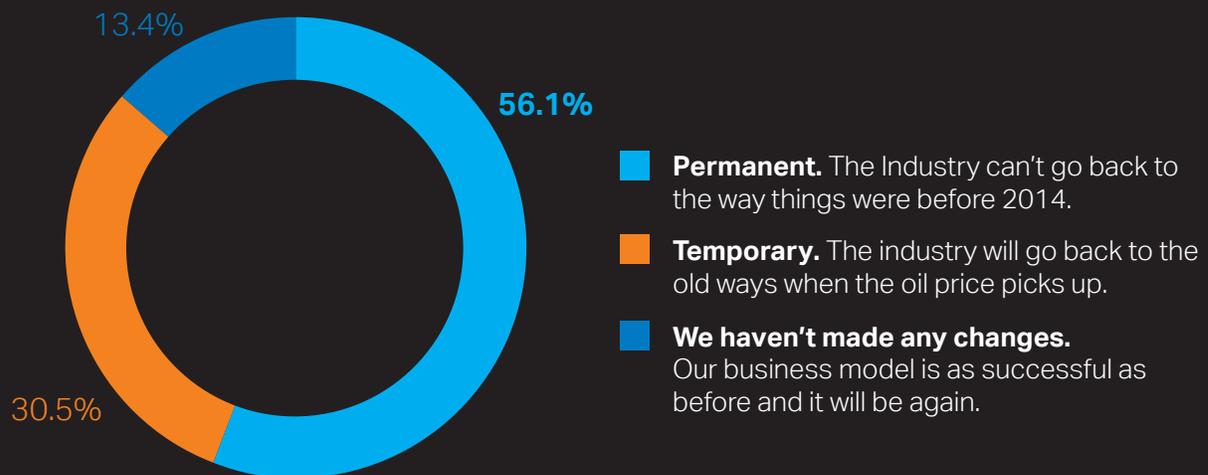
WHAT IMPROVEMENTS DO YOU THINK THE OIL AND GAS INDUSTRY HAS MADE TO SUBSEA ACTIVITIES SINCE 2014?



Encouragingly, respondents believe that industry-wide calls for enhanced technology adoption have been heeded.

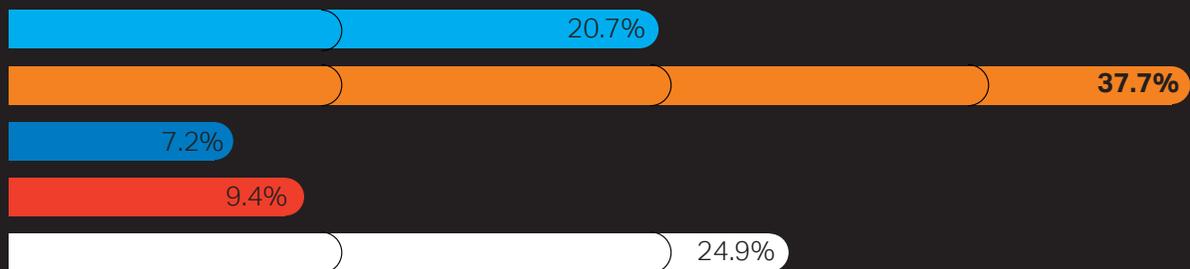
However, the low percentage of respondents that see the oil and gas sector as more customer focused, as well as the limited response to greater collaboration and cost reduction, is a significant concern.

IF YOU'VE MADE CHANGES TO YOUR BUSINESS SINCE 2014, THESE WILL BE:



This is a bold statement from the industry. **The majority of respondents believe it has grasped the magnitude of the problems it faced in 2014** and has changed forever. However, a significant number remain sceptical that the industry has learned its lessons from the latest downturn and will end the boom and bust cycle.

WHAT WOULD BE OF GREATEST BENEFIT TO THE OIL AND GAS INDUSTRY TODAY?

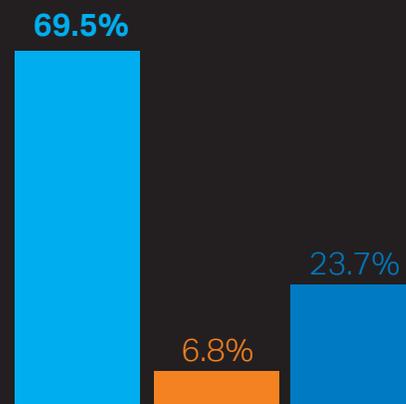


- Government policy support / tax incentives
- Company investment in new technology and R&D
- Industry-wide recruitment campaign
- Improved access to infrastructure
- A stable mechanism to offset the boom and bust cycle

The call for continued company investment in new technology, and research and development, indicates that **the industry recognises the most effective route toward a long-term future is innovation.**

WHICH BEST DESCRIBES YOUR VIEW ON THE INDUSTRY?

- Optimistic.** My company is in good shape. Business is improving and will continue to do so.
- Pessimistic.** I don't see a long-term future for my business in oil and gas and am exploring other markets.
- Neither optimistic nor pessimistic.** This is a cyclical industry, we just have to wait until high oil prices return.



A welcome indication that **respondents see an extremely positive view of the future from a leaner, more efficient and revitalised industry**, which has made necessary changes and is returning to confidence once again.



