Global oil and gas transactions review 2013

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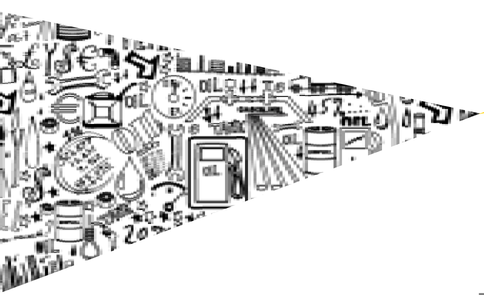
11 March 2014



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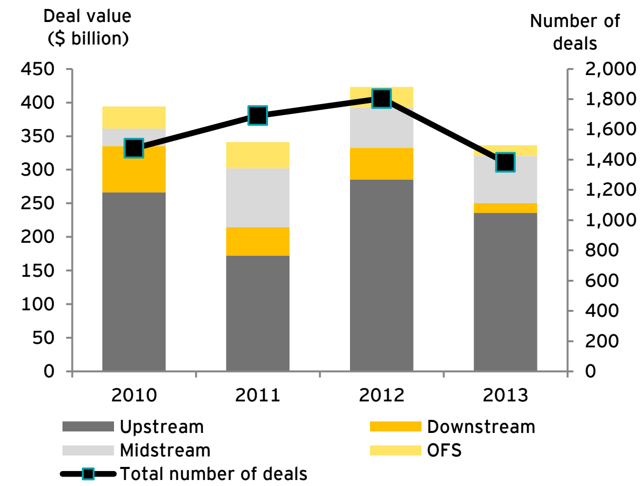
Contents

Transaction activity slowed in 2013

- An average of almost 4 transactions every day
  - But volumes were 23% lower than in 2012 (1,400 in 2013 vs. 1,800 in 2012).
- Total deal value down 21% from record high in 2012
  - $337 billion of deals announced (2012 - $423 billion)
- Reduced appetite for "mega" deals
  - Over $1 billion deals down at $241 billion (2012 - $284 billion)
  - Asset deals dominate
- Asset deals dominate (78% of total)
- Deal drivers: (a) NOCs continued to be active buyers; (b) North American consolidation (unconventional and midstream); (c) farm-down by capital constrained E&P Juniors; and (d) on-going portfolio rationalization by IOCs.

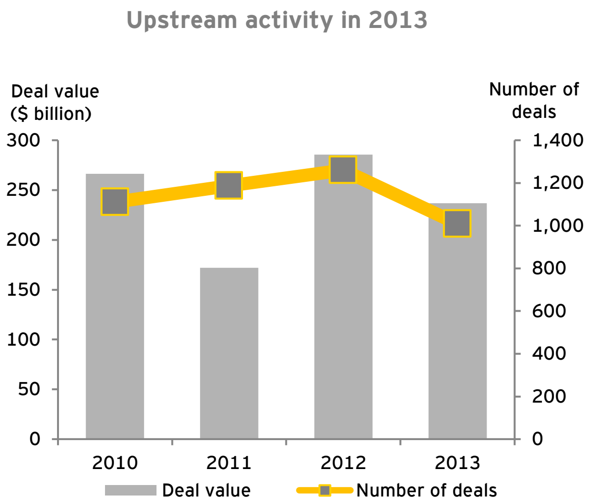
Total reported value by segment

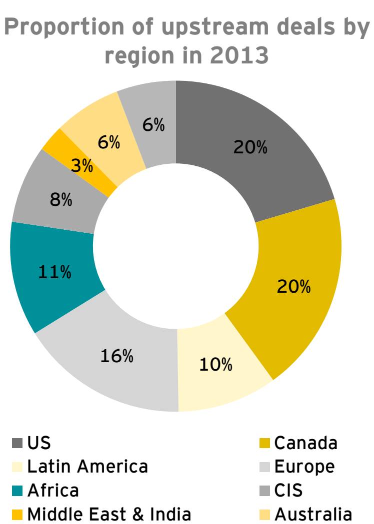


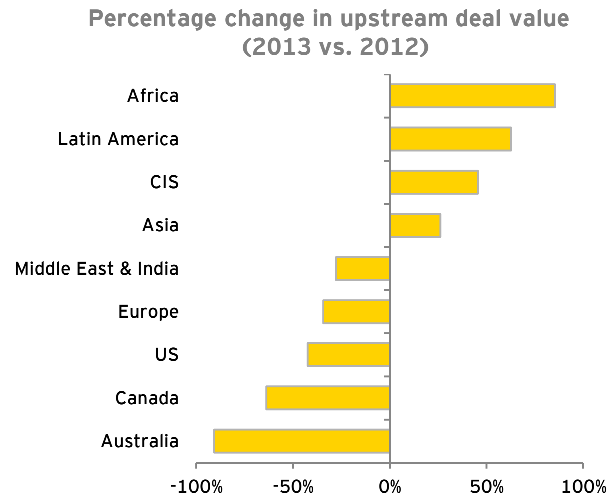
More subdued upstream deal market in 2013

Upstream remained dominant segment, with US$237billion (70% of total) transaction value from 1,009 deals (72% of total)

- Deal value and deal numbers were down by 17% and 20% compared to 2012
- North America continued as dominant for upstream activity – 50% of total volume and $81 billion in value, but lower compared to 2012 level
- Divergent regional trends on deal values, with Africa, Latin America, CIS and Asia leading the growth and US, Canada, Australia and Europe evidencing decline







Midstream bucks the downward value trend, but Downstream activity shrinks

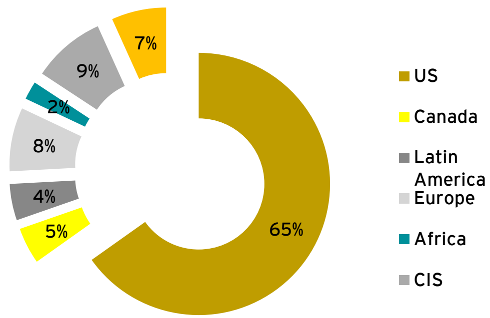
Midstream segment outstood in 2013, with transaction value reaching $70b (17% increase on 2012)

- US and Canada accounted for over 70% of global Midstream deals with its vibrant unconventional oil and gas boom and tax-advantaged MLP structures that promoted acquisition activity to grow.

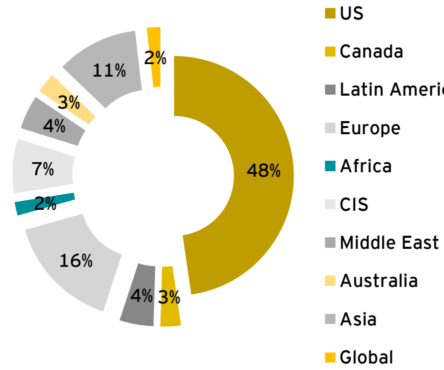
Downstream activity was down sharply to $14b in 2013, a 71% decrease from 2012

- Number of deals (109) were down 45% from 2012
- Deal drivers: (a) cautious demand growth prospects (b) ownership change in retail and refining in mature markets (c) On going portfolio rationalization by Majors for capital allocation optimization

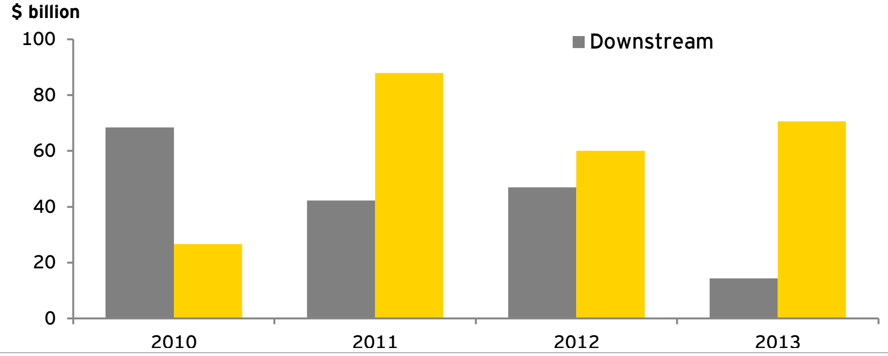
Proportion of midstream deals by region in 2013



Proportion of downstream deals by region in 2013



Midstream and Downstream deal value by year



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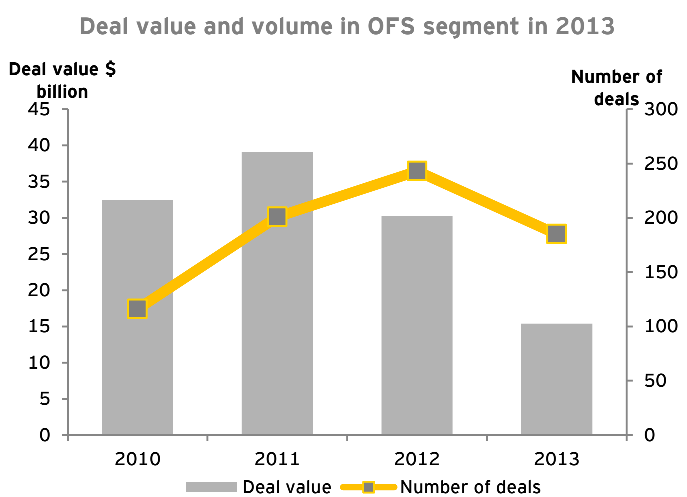
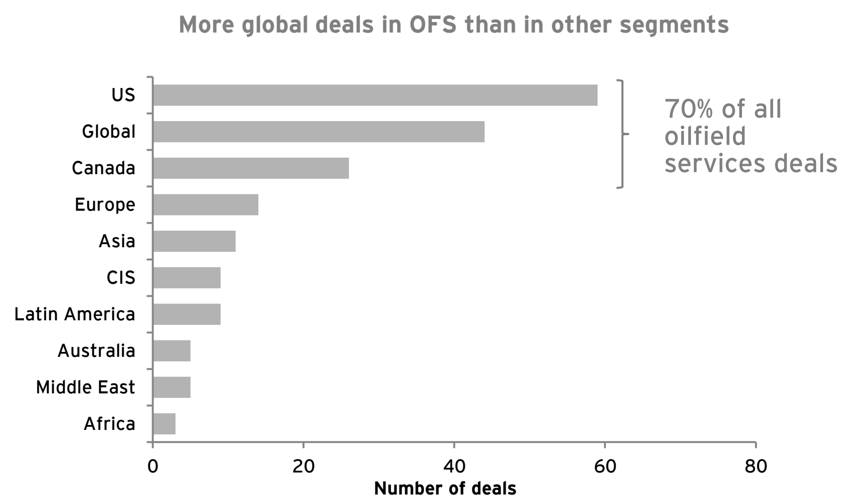
OFS segment struggled in 2013

Reported deal values declined by almost 50% to about US$15b, and the number of deals falling by almost 25% to 185

- The drop is a consequence of slowdown in deal activities among global diversified OFS, as well as a slowdown in deals in OFS acquisition market in North America market
- The notable exception — and the largest OFS deal in 2013 — was General Electric's acquisition of oilfield pump maker Lufkin Industries at $3.1 billion.





Natural gas and unconventional resources a key deal driver, but is Africa a game changer?

Traditional active markets such as Australia and Canada paled in 2013

- Value of oil and gas transactions in Australia declined dramatically from $16.4b to $1.4b due to concerns over cost blowouts of LNG projects and new supply coming from North America and Africa
- The significant decline in deal activity in Canada reflects the cautious approach by historically active foreign acquirers who may have been scared away by the uncertainty associated with the Canadian Government's announced position on foreign investment

Unconventional deals remain a key driver in North America

- Top four Midstream deals are gas related, total deal value amounting to almost $33b.

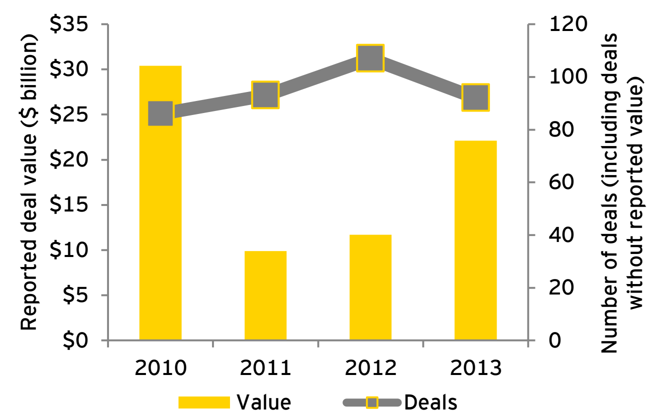
Africa witnessed the big ticket transactions driven by the significant gas discoveries in Mozambique and Tanzania (8 deals > $1 billion)

- CNPC's acquisition of 20% interest in Area 4 in Mozambique from Eni
- ONGC & Oil India's acquisition of Videocon's 10% equity in Area 1 in Mozambique, ONGC's acquisition of Anadarko's 10% equity in the same Block
- Pavilion Energy/Temasek Holding's recently announced acquisition of 20% interest in three Blocks in Tanzania from Ophir Energy
- Sinopec's farm-in for 33% WI in Apache's Egyptian Gas assets ($3.1 billion)

Top 5 Midstream deals are natural gas related

Buyers	Sellers	Nature of asset	Value (US$m)
Spectra Energy Partners LP	Spectra Energy Corporation	US gas transmission and storage assets	11124
Royal Dutch Shell	Repsol SA	Global LNG assets	6700
Regency Energy Partners LP	PVR Partners LP	US natural gas gathering systems	5497
Crosstex Energy LP	Devon Energy Corporation	US gas gathering and processing assets	4700
Kinder Morgan Energy Partners LP	Copano Energy LLC	US gas gathering and processing assets	4640

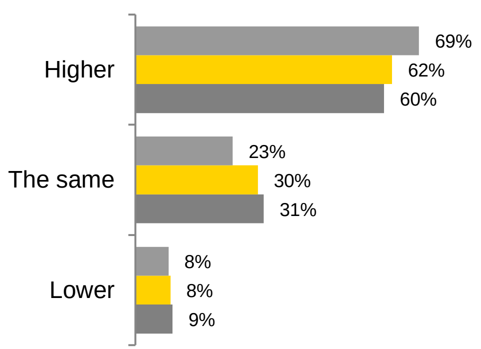
Africa oil and gas transaction activity in 2013



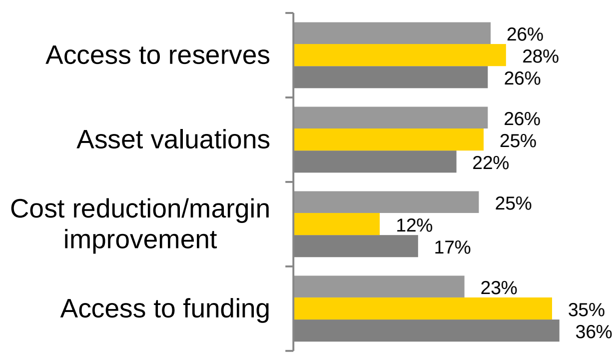
Our outlook for M&A in 2014

- Uncertainty over future oil & gas prices
- Ongoing funding challenges for junior E&P
- Capital discipline driving the IOC boardroom agenda
- Further outbound investment by NOCs
- Private Equity firms' broadening exposure to oil & gas
- Strategic portfolio review and rationalization by Sector players

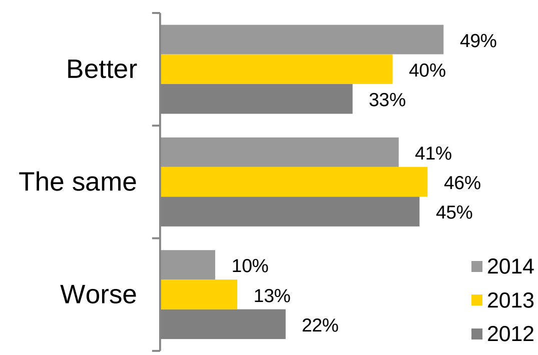
Compared to the previous year, do you think deal activity in the next year will be:



What do you think will be the main factor driving oil & gas deal activity in the next year?



Compared to the previous year, do you expect access to capital to be:



Source: Poll of attendees at EY's annual transactions review webcasts

Thank you – Any questions?

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