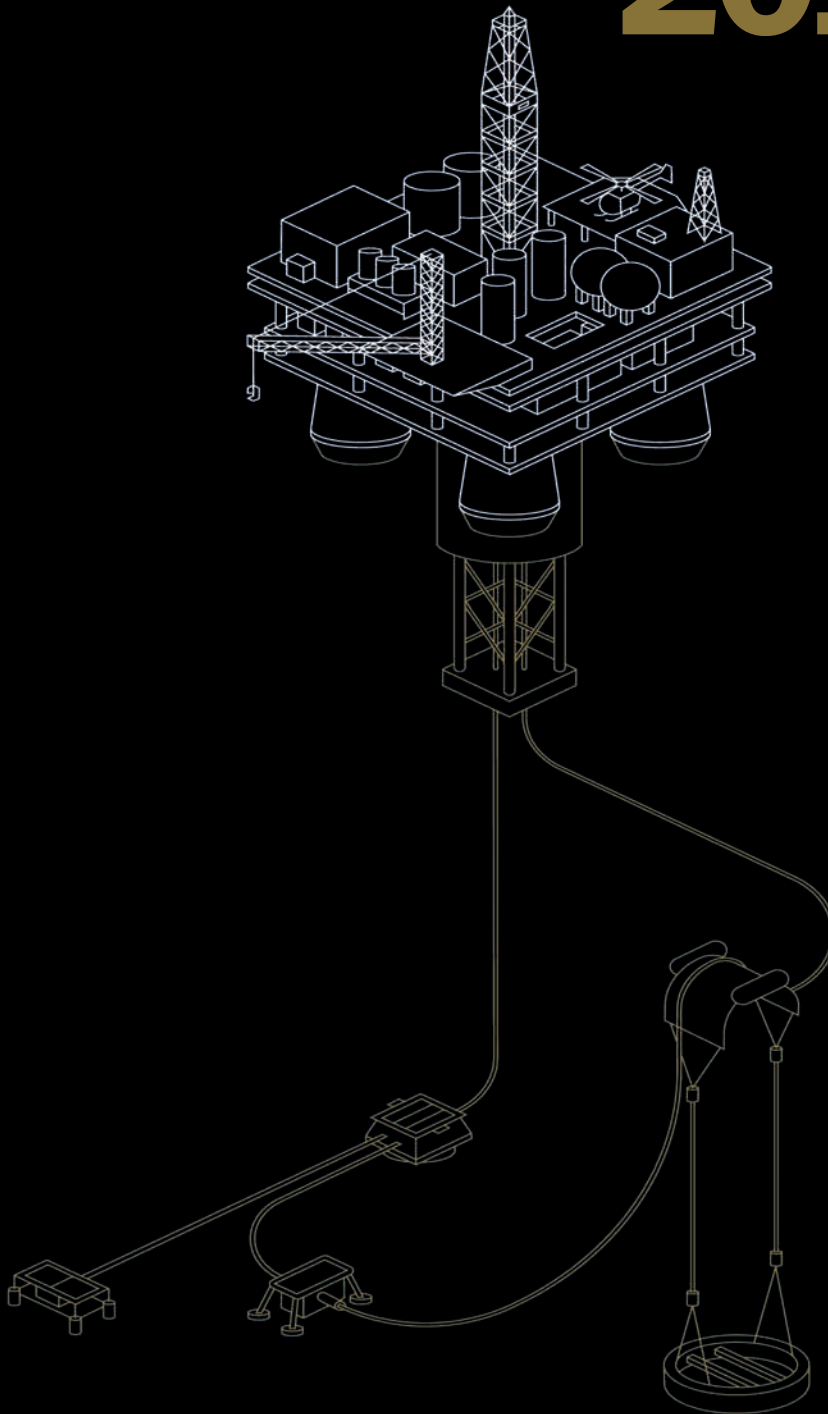


Next Level Report 2018





Reaching the next level

In today's cost-conscious, challenging market, Trelleborg's offshore operation wanted to investigate:

- How the offshore industry has changed in the last two years
- How the industry has evolved to overcome the lower standard oil price
- How moving forwards, localization and digitalization will have an impact on the industry

The following report summarizes views based on those of professionals across the offshore industry.

The Next Level report received 98 responses from an online survey. Respondents were directed from email campaigns, social media, our website and directly from customers.

The Next Level report is a regular offshore survey and report, this is the third Next Level report.

You can find all past reports at:
www.trelleborg.com/offshore

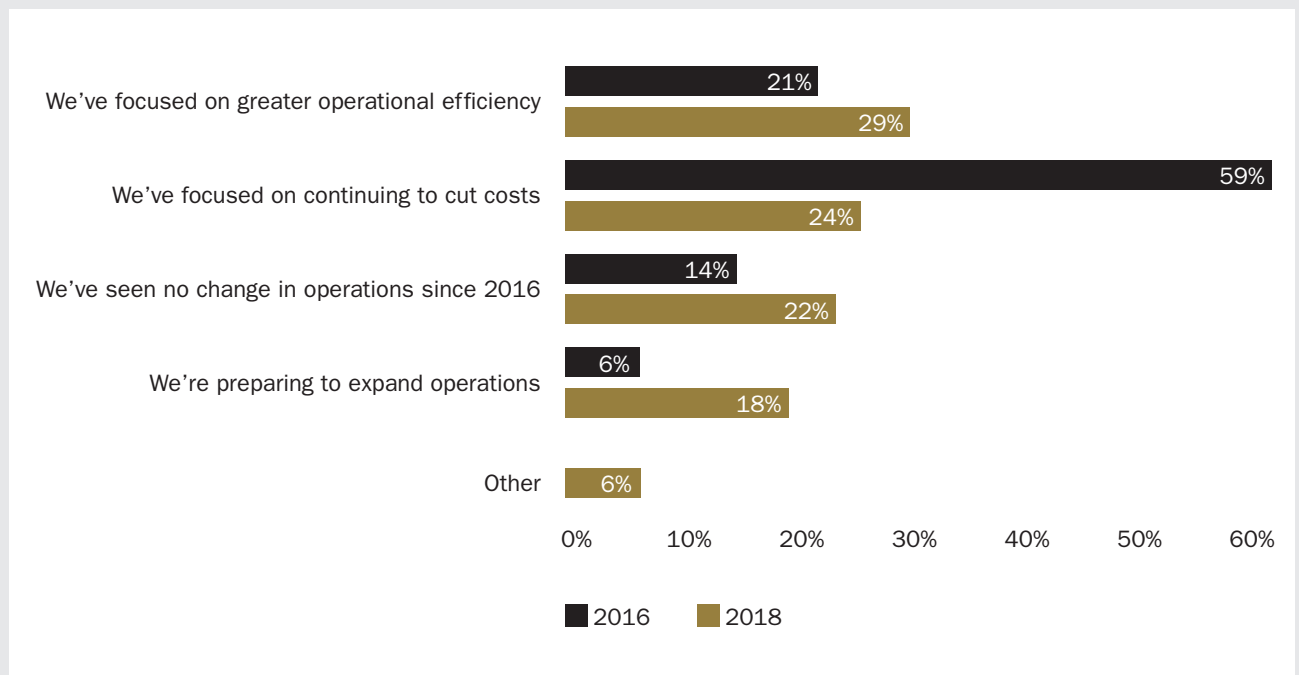
Greater operational efficiencies

With oil prices stabilized above \$60bbl (as of April 2018), 29% of respondents' operations remain focused on 'greater operational efficiencies' and 24% have a 'focus on continuing to cut costs'. Just under a quarter of respondents have not seen any changes in operations since 2016, but 18% of respondents' companies are 'preparing to expand their operations'.



When this is compared to the Next Level Report in 2016, there is a dramatic shift from focusing on cost cutting, with a decrease of 35% and an increase of 12% of operations that are preparing to expand.

The increased confidence of expanding operations is illustrated in near-term hiring decisions, where 34% of respondents' operations are preparing to or rehiring workers, 36% of respondents' operations are 'not hiring new workers but have stopped laying off workers', while only 7% are continuing to 'lay off workers'. Compared to the 2016 report, this is a significant shift, where 47% of respondents' operations were 'laying off workers' and only 4% were preparing to 'rehire workers'.



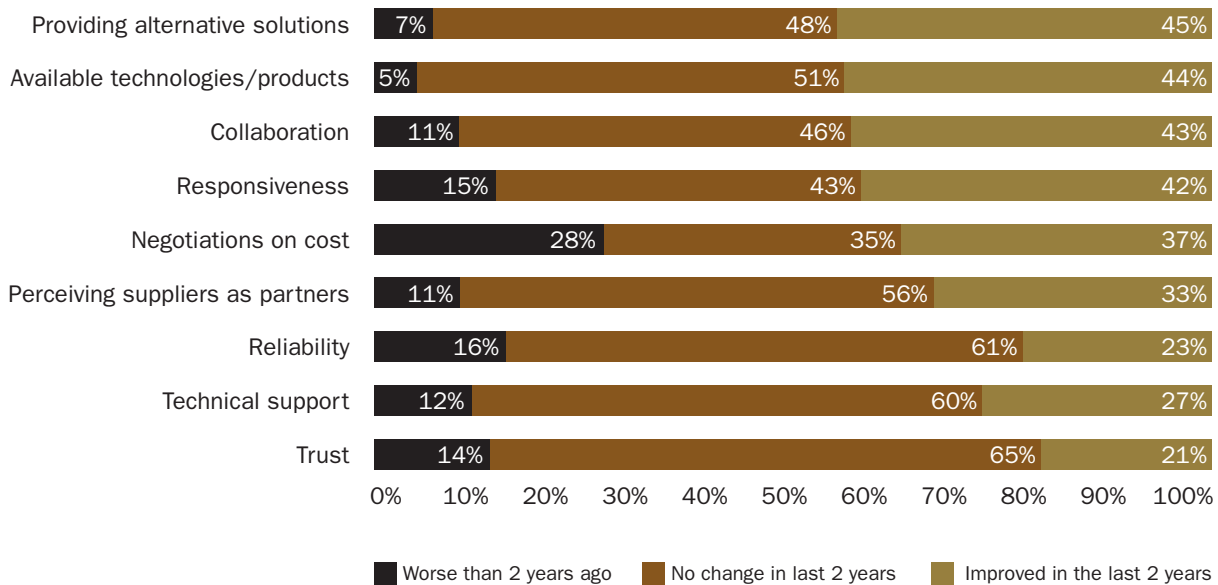
Supplier solutions improving



45% of respondents have observed improvements in the past two years in how their suppliers are 'providing alternative solutions' and 'available technologies/products' offered to them.

28% of the respondents perceived 'negotiations on costs' to be worse than two years ago.

Interestingly when the respondents were asked 'what is the one change that would improve their operation', the top changes were to have efficient suppliers and for 'the oil price to stabilize further'.



This was followed by being cost effective and having the right personnel within the operations.

Surprisingly, innovation, standardization and automation were at the bottom of the areas to improve.

Is this a reflection that change is already happening, and therefore the respondents did not see it as an area of improvement?

When asked to 'rate their company's use of automation' and to 'rate those of their suppliers', the top answers were the same... Their operations / suppliers 'aren't very automated, but personnel are studying the benefits it could offer' and this was the same response as the 2016 Next Level Report.

Smart Technologies perceived to reduce cost

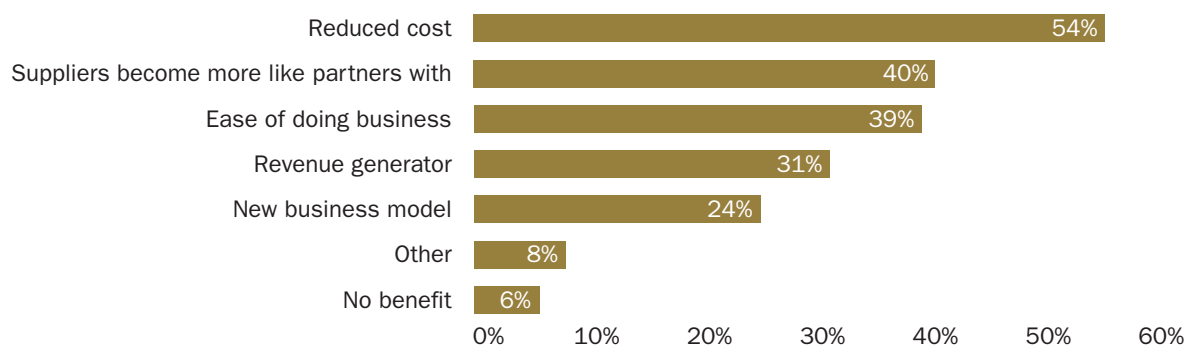
The key benefits that respondents observed for using Smart Technologies were 'reduced costs', 'suppliers to become like partners' and 'ease of doing business'. Very few respondents saw 'no benefit'.



23% of respondents' operations work with suppliers from the 'start of the idea to implement Smart Technologies', roughly the same amount (22%) of respondents; 'share their requirements but expect their suppliers to develop the technologies themselves' or the respondents companies 'design, create and manufacture all Smart Technologies in-house'.

16% of respondents have 'not implemented any Smart Technologies', nor plan to do so.

61% of respondents thought the use of Smart Technologies in the offshore industry in the future would be promising, 18% raised a concern that further development would be needed and only 2% responding negatively.



Decision makers are in-country



48% of respondents make all decisions in-country for their projects, 15% of respondents' operations do not make the decisions in-country. Interestingly 17% of respondents 'did not know' where the decisions were made or how much local content was necessary for their projects.

46% of respondents believe that their companies use more than 50% local content on all of their projects.

The key to success



- **Cost-effective**
- **Working smarter**
- **Innovate**
- **Digitalization**
- **Correct personnel**
- **Investing**
- **Diversification**
- **Standardization**
- **Partnership**
- **On-time delivery**
- **Automation**

Taking it to the next level

The picture that emerges here is one of an industry ready to move into the next chapter of its transformation. With the optimism of companies looking to expand their operations, focusing on improving operational efficiencies, rehiring and embracing the potentials that Smart Technologies and automation can bring to their operations.

Suppliers need to ensure that they are providing new and different solutions, that they are working in a smarter way to be more cost-effective and ensuring that collaboration and responsiveness is at the top of their priorities with their customers.



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