

Raising capital in today's world

IHS London Energy Symposium

15th April 2008



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Agenda

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- The credit crunch
- Debt capital markets
- Equity capital markets
- Private equity

2 How has this impacted the energy sector?

3 What are we seeing in the markets?

- Examples of successful capital raising in the energy sector

4 What are the key messages?

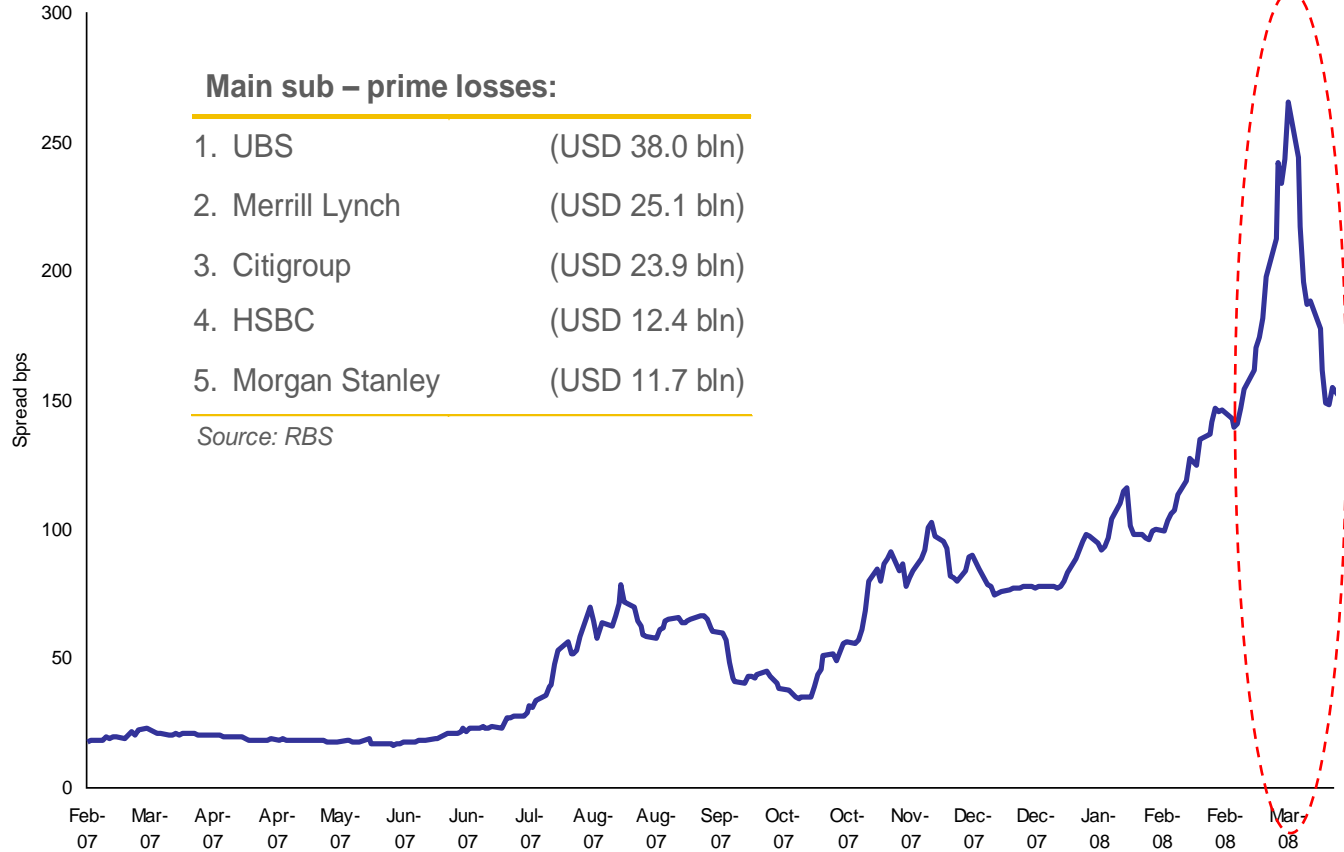
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What's happening in today's capital markets?

The credit crunch

Credit default swaps for major investment banks

Concerns over potential “hidden” problems in banks’ balance sheets led to a significant loss of confidence in the inter-bank markets, thus driving up bank funding costs or creating funding problems for banks



Source: The Banker, Annual reports, Press releases

Note: The above represents the average of CDS spreads for the following investment banks: ABN AMRO, Citigroup, Credit Suisse, Deutsche Bank, BoA, Goldman Sachs, JPM Chase, Lehman Brothers, Merrill Lynch, Morgan Stanley, RBS, UBS and Bear Stearns

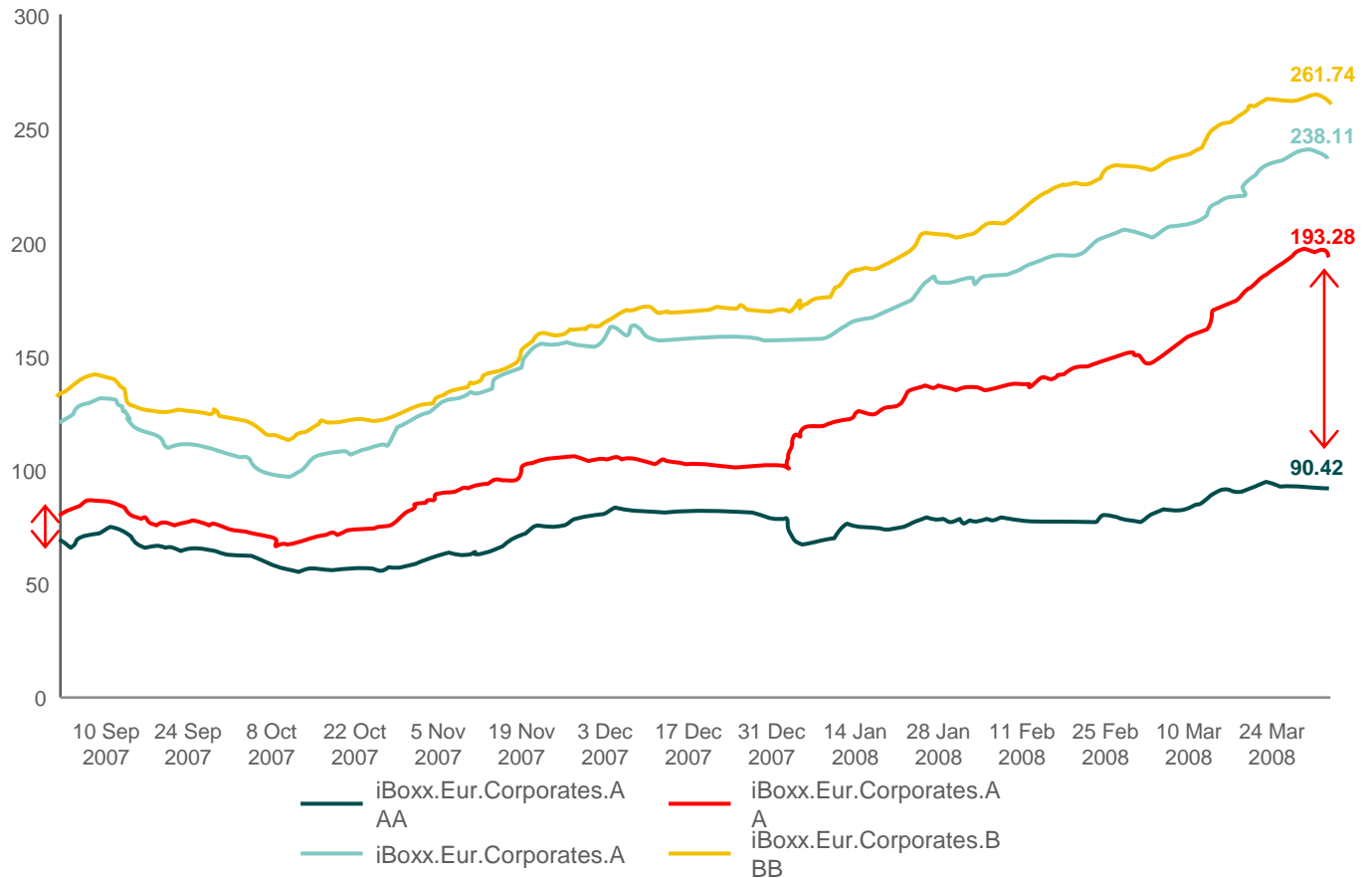
The credit crunch

Corporate bond spreads

The cost of BBB grade debt (low investment grade) has doubled

Critically, however, the gap between AAA and AA grade debt has also doubled

And even the spread on AAA grade debt has increased by c.25% over this period



Source: RBS

Debt capital markets

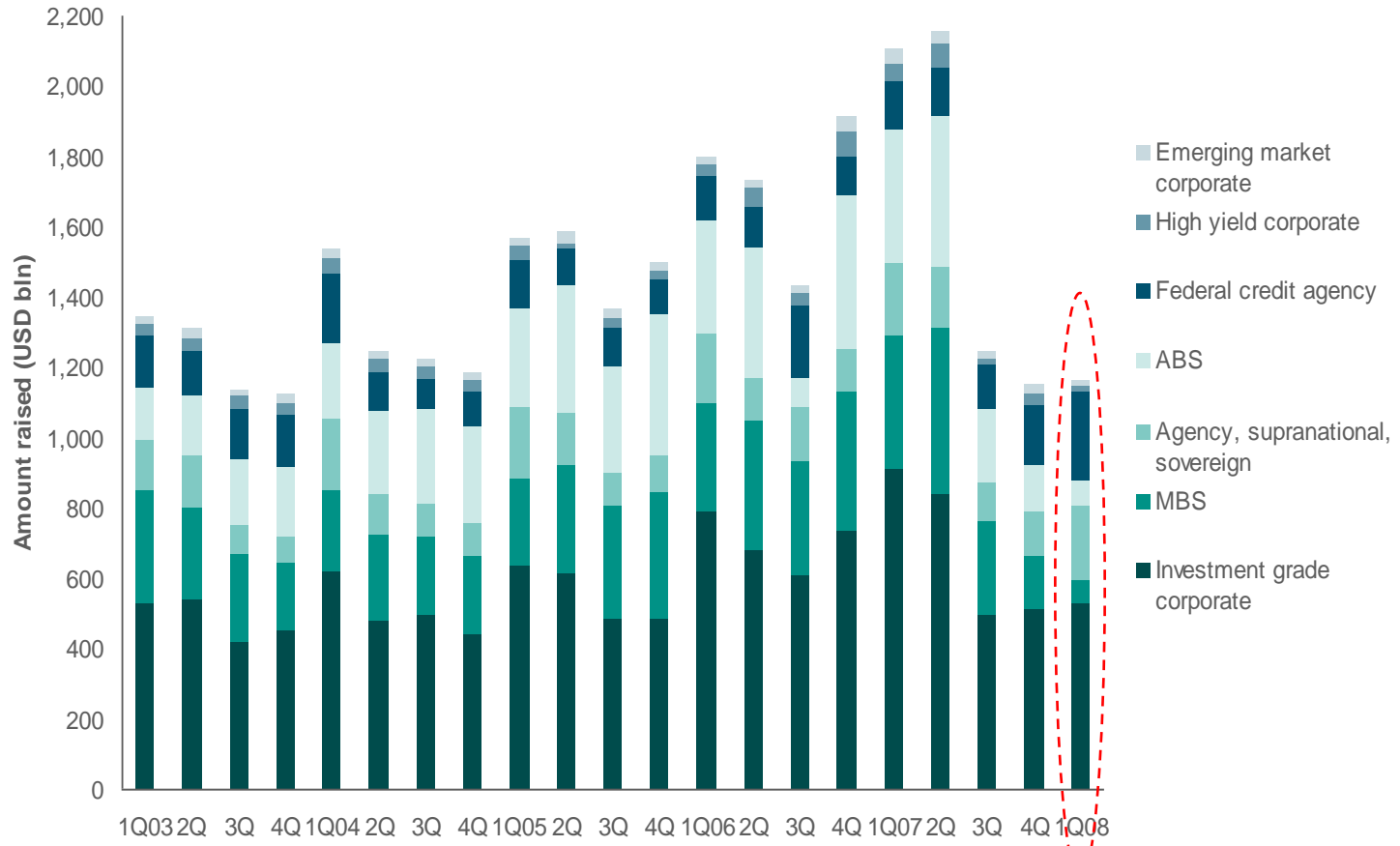
Global debt capital markets by asset class

Global debt volumes fell 45% compared with Q12007

Lowest dollar volume in five years

Significantly reduced M&A activity is a key driver

Corporates are not refinancing unless they have to



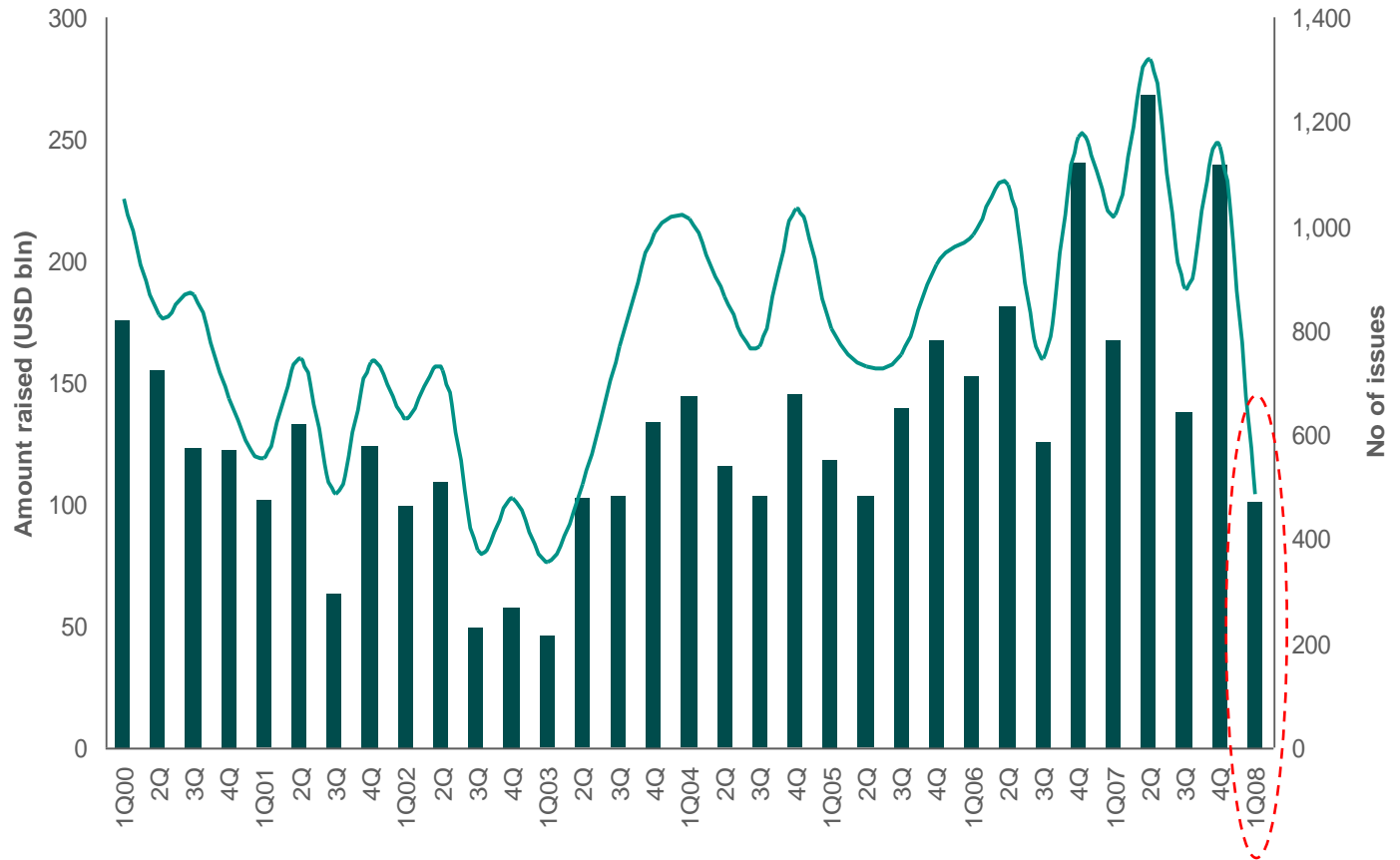
Source: Thompson

Equity capital markets

Global equity capital markets by quarter

Amount raised on global equity markets fell to its lowest quarterly level in five years

Much of the volume was driven by follow-on offerings



Source: Thompson

Equity capital markets

Volatility in global stock markets since summer 2007

Increased volatility in world stock markets led many issuers and underwriters to view market conditions as a signal to withdraw or postpone planned IPOs

– 60 deals representing US\$27 bln of planned proceeds were pulled in Q12008



Source: Bloomberg

Private equity

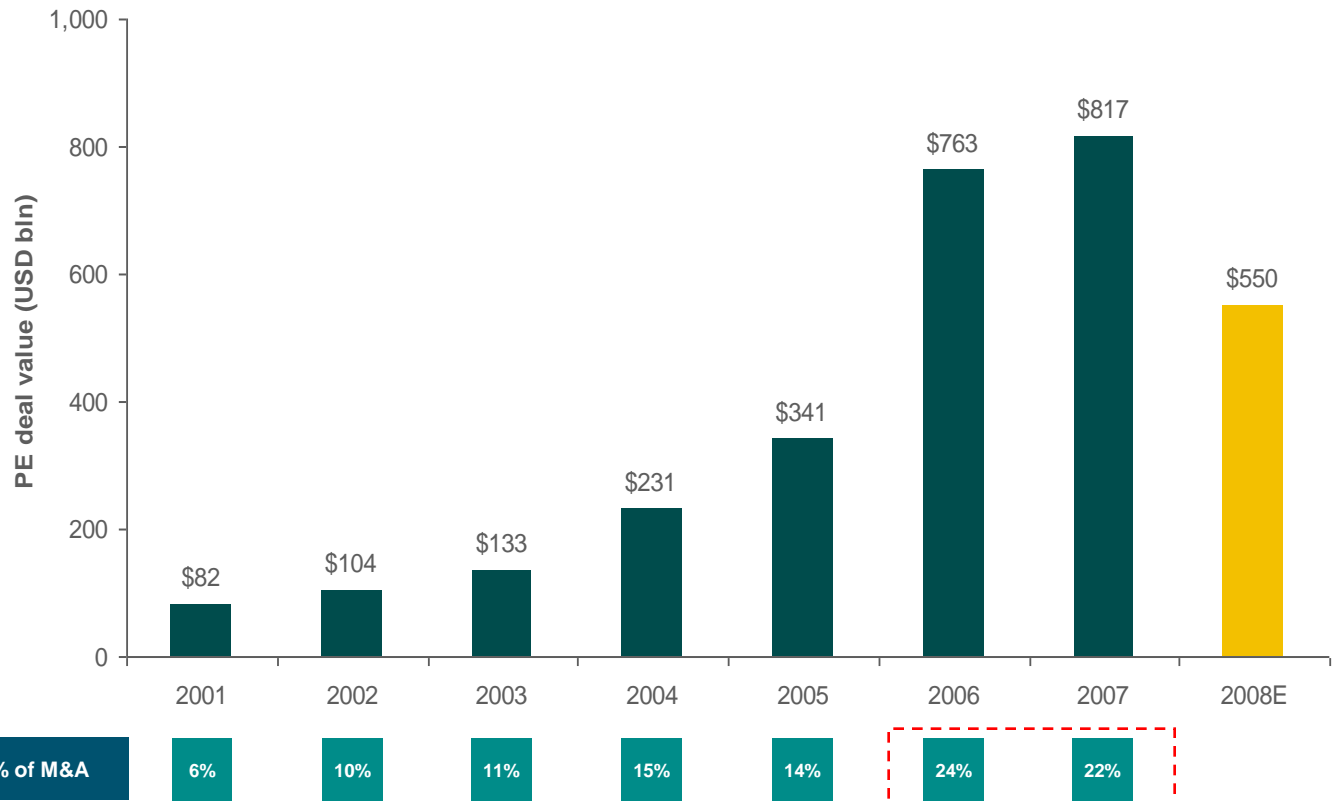
Global private equity volumes and forecast for 2008

Private equity remains active

In spite of significantly different terms now available in the leveraged finance market with reduced quantum and increased margins

No “mega” private equity deals

Activity focused on the mid-market



Source: Morgan Stanley, SDC, Thompson

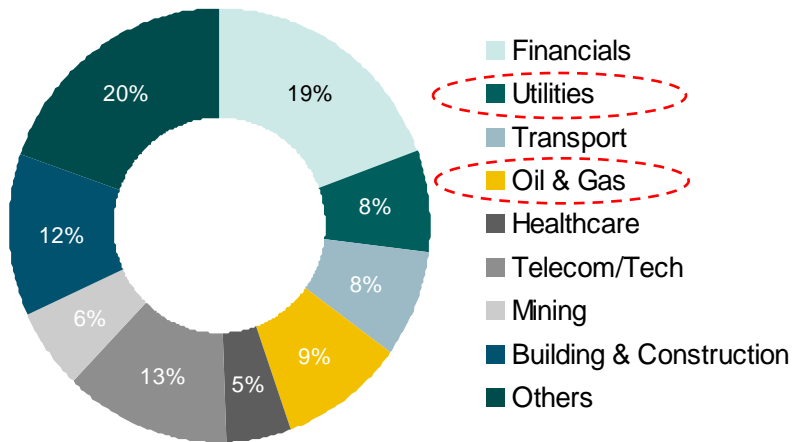
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Impact on the energy sector

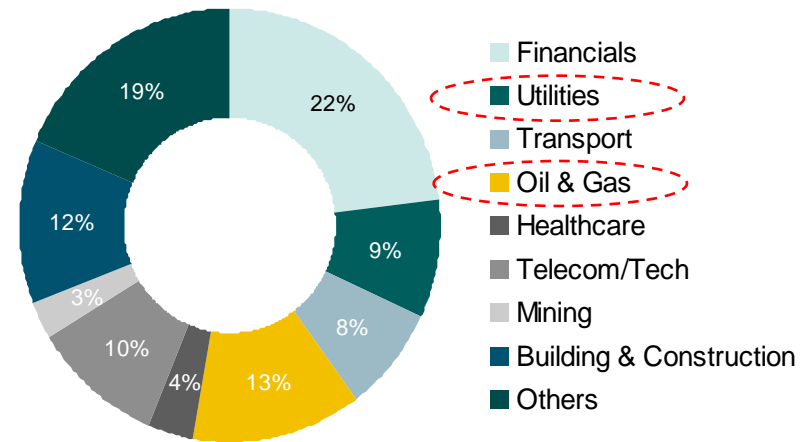
Debt capital markets for the energy sector

Debt issued in Europe by sector, FY 2007 and Q1 2008

Full year 2007



First quarter 2008



- Debt issues in the European energy sector in Q1 2008 represented a significantly larger proportion of the overall when compared to FY 2007

Source: Dealogic

Equity capital markets for the energy sector

European sector performance and valuation

European stock markets have declined by approximately 20% since the summer 2007

However, energy stocks have fared better than many other sectors

	Perf. since 16/07/07 ¹	Perf. 2008 YTD	PE est.	Yield est.
Chemicals	(5%)	-7%	13.8x	2.8%
Food & Bvge	(6%)	-8%	16.6x	2.8%
Utilities	(7%)	-14%	14.6x	4.0%
Telecom	(13%)	-19%	11.9x	5.6%
Pers. Goods	(16%)	-14%	14.8x	3.1%
Health Care	(19%)	-11%	13.5x	3.2%
Oil & Gas	(19%)	-15%	9.8x	4.1%
Insurance	(21%)	-7%	8.5x	4.9%
Auto	(23%)	-15%	9.0x	3.3%
Financials	(23%)	-12%	12.1x	3.5%
Ind. Goods	(24%)	-14%	12.8x	3.0%
Real Estate	(25%)	-1%	19.8x	4.2%
Construction	(25%)	-10%	11.2x	3.4%
Retail	(26%)	-16%	13.8x	3.4%
Technology	(28%)	-18%	14.5x	2.6%
Media	(28%)	-17%	12.3x	4.2%
Banks	(30%)	-14%	8.9x	5.8%
Travel & Les.	(35%)	-17%	11.5x	3.8%
DJ Stoxx 600	(21%)	-13%	11.3x	4.0%
DJ Small 200	(23%)	-10%	12.5x	3.3%
DJ Stoxx 50	(21%)	-14%	10.4x	4.5%

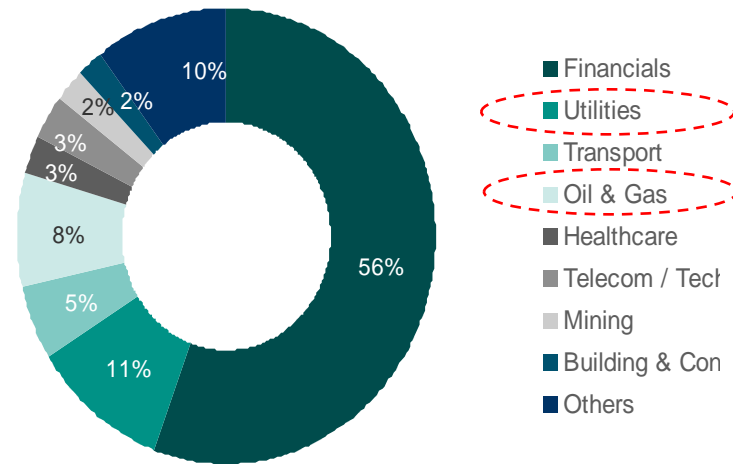
Source: Bloomberg

Equity capital markets for the energy sector

European ECM issuance breakdown by sector in 2008

European ECM issuance dominated by the financial sector (SocGen's rights issue)

Energy issuance represents the next largest



Source: Dealogic

- Of the top six European IPOs in 2008, three relate to energy companies
- Of the nine ECM deals pending in April 2008, three relate to energy or energy funds

Private equity in the energy sector

- Private equity is very active in the energy sector
- Specialist firms with a focus on upstream oil & gas and power & utilities as well as infrastructure funds
- Otherwise many PE firms looking at services related to the energy sector:
 - A bid for oil services company, Expro International, has been linked in the press to Candover and KKR amongst others
 - First Reserve's C\$1.5 billion acquisition of CHC Helicopter Corp
 - First Reserve's £900 million acquisition of Abbot Group Plc
 - FERD's US\$900m acquisition of Aibel
- A significant amount of funds have been raised or are planned to be raised with a specific focus on energy, infrastructure and renewables:
 - Carlyle/Riverstone's US\$6 billion global energy and power fund
 - Warburg Pincus' US\$12 billion general fund
 - KKR's US\$8 billion European general fund

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What are we seeing in the markets?

Babcock & Brown Wind Partners

Global refinancing – Babcock & Brown (August 2007)

Overview of BBW

RBS was lead arranger for BBW's refinancing

- Focused infrastructure fund – wind farms
- Activity – renewable energy
- Focused – Spain, France, Germany, USA and Australia
- Ownership – all of BBW's individual projects have been brought into one single multi-currency facility
- Debt size of deal – EUR1,031 mln

Features of Project Finance

- Diverse mix of assets both in offtake and geographical split of the portfolio
- Single financing of the portfolio reduces workload and borrowing costs for BBW
- Ability to add additional acquisitions to the overall financing
- Portfolio analysis of the wind resource across regions reduces the variance in the data and improves the quality of the P50 analysis (base of the debt structure)
- RBS acted as the Lead Arranger in BBW's Global Refinancing

Sargon Energias Photovoltaic Power Plant

Project Finance - Sargon Energias (October 2007)

Overview of Sargon Energias

RBS was sole mandated lead arranger in this deal

- Focused – solar
- Activity – Sargon renewable energy developer
- Ownership - 100% owned by Eolia Renovables (Eolia), a fund managed by Nmás1, a large Spanish Private Equity house
- Debt size of deal – EUR114.6 mln

Features of Project Finance

- RBS was mandated to underwrite 100% of the facilities to finance the construction of three photovoltaic power plants located in South-eastern Spain: Bonete (0.75MW), Mahora I (7.5MW) and Mahora II (7.5MW)
- Sargon Energias was the largest solar project financed by RBS and the second largest photovoltaic deal in the world. It is the fifth solar project financed by RBS and includes three types of facilities fully underwritten by the bank (Sole MLA role)
- The project will benefit from priority of dispatch available under Spanish regulation and fixed tariffs for 25 yrs
- Construction will be undertaken under fixed price, date certain EPC contract undertaken by City Solar

Valiant

Valiant Petroleum's IPO on AIM (March 2008)

Overview of Valiant Petroleum

- Focused – northern North Sea
- Balanced portfolio – development, appraisal, exploration
- Near term production – targeting 1H 2009 start up and 10,000 bopd by 2009
- 2P reserves of 23.1 mmbbl
- Experienced management team – ex RBS, Caledonia

Features of IPO

- Pre-IPO funding – a number of rounds of private placements totalling ca. £64 mln from a range of institutional investors from North America and the UK, including several hedge funds
- Expected market cap was sizeable at £197 mln on admission – £50 mln of new funds have been raised
- Significant existing debt funding of US\$245 mln

Bowleven

Bowleven's secondary placing on AIM (April 2008)

ABN AMRO Hoare Govett is joint broker to Bowleven and was joint bookrunner in the placing

Overview of Bowleven

- Focused – Africa (with particular emphasis on Gulf of Guinea)
- Balanced portfolio – exploration and production
- Near term production – First production is being forecasted for end 2008 / early 2009
- 2P reserves of 160 mmbbl
- Experienced management team – ex Cairn Energy

Features of placing

- The company raised c. £39 mln by the placing of new ordinary shares
- The placing represents approximately 15.98% of the issued share capital of Bowleven prior to the placing
- Dealings in the Placing Shares have commenced on 2 April 2008
- Bookrunners: Merrill Lynch and ABN AMRO Hoare Govett

FERD Private Equity

ABN AMRO was sole financial adviser to FERD, joint lead arranger and sole bookrunner in the related financing

FERD's acquisition of oil service company Aibel (June 2007)

Overview of Aibel

- Activity– leading position within services related to maintenance, modification and operations on the Norwegian continental shelf
- Operations – 16 countries, headquartered in Norway
- Key figures – over 7000 employees and a 2006 turnover of approximately 1.5 bln
- History - last remaining asset from the ABB Oil & Gas buy-out (2004), later re-named Vetco International, which was composed of Vetco Grey and Vetco Aibel. Vetco Grey was sold to GE in the beginning of 2007

Features of the acquisition

- An investor group led by FERD Private Equity acquired Aibel, a global oilfield services company
- Enterprise Value of the transaction: USD 900 mln
- Largest buy-out by a Norwegian-based private equity fund
- Selling shareholders: Candover, 3i and JPM Partners
- ABN AMRO was sole financial adviser to FERD

First Reserve

First Reserve's acquisition of Abbot Group (December 2007)

Overview of Abbot

RBS is joint arranger on the related financing

- Sector – international oil and gas service company
- Operations – Europe, North and West Africa, the Middle East, the Caspian area and Russia
- Key facts – largest offshore platform drilling contractor in the North Sea; owner and operator of mobile offshore drilling units and one of the largest international land drilling contractors; leader in drilling rig design and construction and manufacturer of land drilling rigs

Features of the acquisition

- £906 mln all-cash takeover from private equity firm First Reserves Corp.
- Director and chairman, Alisdair Locke, subscribed to £25 mln of shares of Turbo Cayman of part of the arrangement
- Largest private equity buyout in the drilling services industry and first and largest European oil field services take-private
- Amount of leverage finance: US\$2.16 bln

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The key messages

The key messages

- In an environment characterised by low liquidity, debt and equity markets remain open to quality energy businesses
 - “flight to quality”
- We may not see many capital raisings of significant scale for some time
- But private equity in particular remains very active in the energy market
- ABN AMRO/RBS is at the forefront of energy capital markets and provides strategic advice and financial solutions across a range of energy focused clients
 - “we are very much open for business”