



Financing Technology in Difficult Times

May 20, 2009

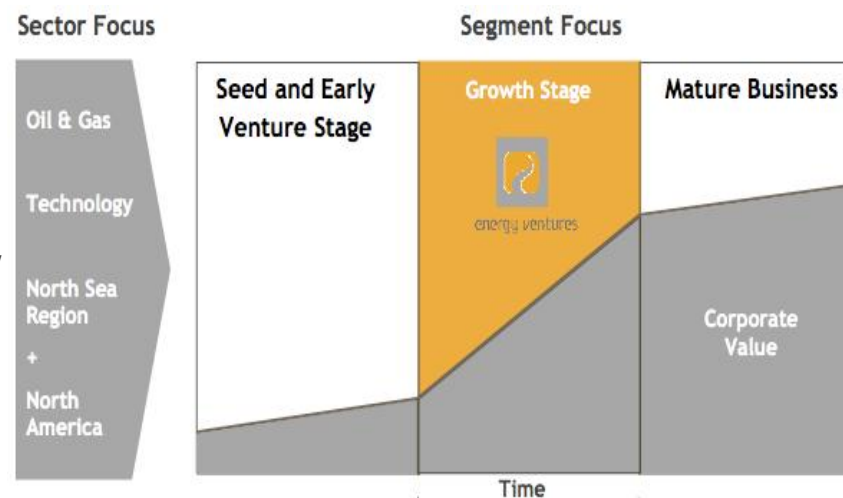
energy ventures 

Bob Schwartz

Energy Ventures, Facts and Differentiators

Fast Facts

Three VC funds (currently investing EV III - \$250 million)
Offices in SVG, ABD and HOU
\$400 Million USD under management
Focus: companies delivering unique technology services and/or products in the hydrocarbon value chain
The best specialist team in the industry



Key Differentiators

Smart specialist venture capital investors with a proven track record for providing:

- § In-depth industry knowledge
- § Value creating company stewardship
- § Transactional expertise
- § A wide-ranging network in the oil & gas industry
- § Top quartile financial returns

Global Macro Economic Outlook, May 2009

- Severe recession in main economies (US, EU, Japan)
- Negative growth in the OECD area in 2009, the first time since 1975
- Sharpest decline in economic growth in decades
- Massive fiscal stimulation packages announced (US, UK, Germany, Japan, China); up to 2% of global GDP

What happens in a downturn?

1. Technology budgets get cut
2. Work forces get reduced
3. Price becomes a major factor in buying decisions
4. New technology adoption slows
5. Management focuses on operations
6. Attention is distracted from new technology

I've a feeling we're not in Kansas anymore...



Technology to the Rescue



"I just invented fire and solved the energy crisis."

Many Opportunities Exist

- Energy prices have taken a much expected nose-dive. Touching bottom? May not see USD 100 oil for a while. But could see USD 60+ by year end 2009?
- OPEC decided not to cut back more than the 4.2 mill bbls p/d already shut in and focus on quota compliance first.
- Oil and gas supply down. Demand down too. Inventories up and spare capacity increasing. We see problems on the supply side when things are back to normal.
- The cost floor for new developments have risen considerably. The low prices result in delays and cancellation of projects. Increased pressure on margins.
- New technology and technology development is still very important.
- E&P spending down in most regions and for more companies.
- Still strong focus on alternative resources/ new energy, but affected by the downturn.
- Environmental issues call for a cleaner energy mix and for better energy efficiency.
- Energy security drives technology and new energy development.

But It Takes Discipline - Both Investors and Portfolio Companies



"Can anyone remember what our core business is?"

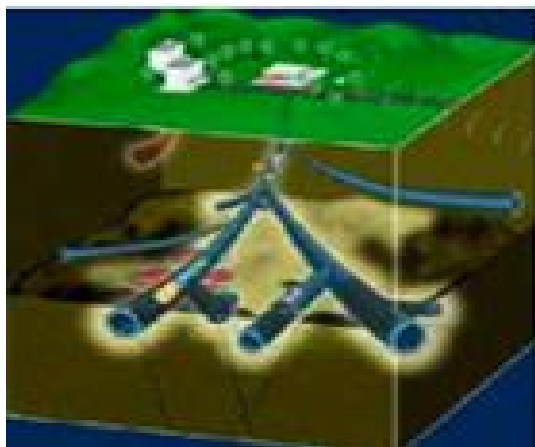
Technology Trends & the Energy Ventures Perspective



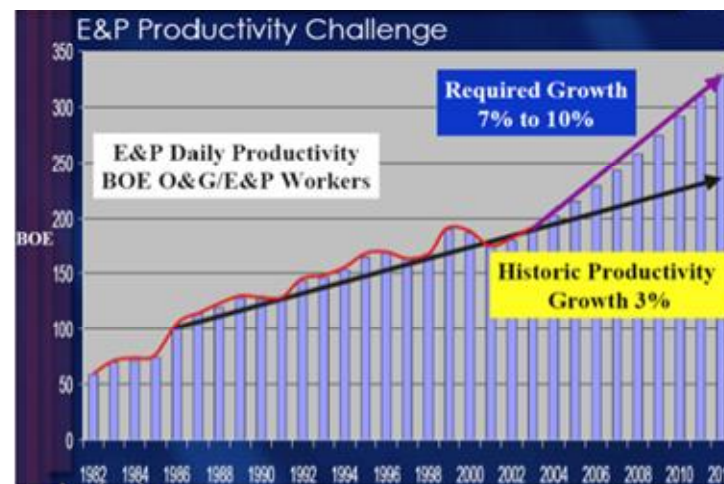
"I call my invention 'The Wheel', but so far I've been unable to attract any venture capital."

The Four Major Drivers for Energy

The Geology Drivers



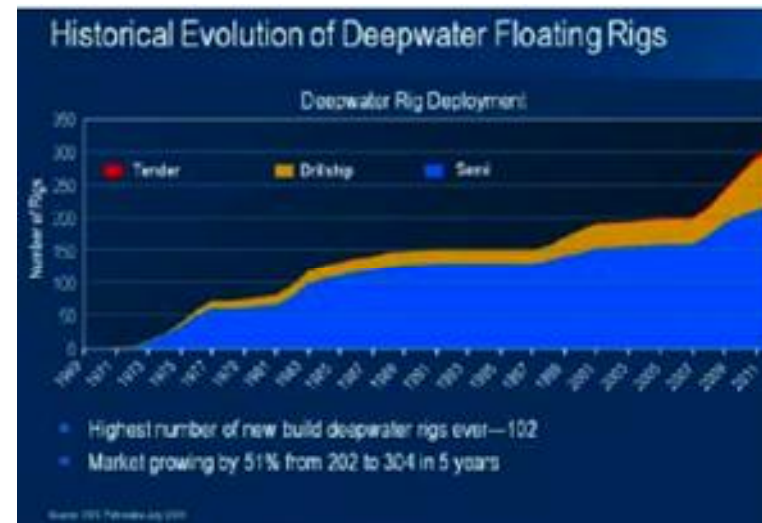
The Macro Business Drivers



The Lifecycle Drivers



The Key Emerging Themes



The Four Major Drivers

The Geology Drivers

- Smaller Fields
- Increasing Technical Risk
- Low Recovery Rates

The Macro Business Drivers

- Cost Efficiency and Productivity
- The Environmental Decision
- The Digital Oilfield
- Changing Business Environment

The Lifecycle Drivers

- Sub-surface Mapping and Exploration
- Drilling and Well Completions
- Field Development
- Life of Field

The Key Emerging Themes

- Unconventional Gas
- Heavy Oil
- Deepwater
- Carbonates

Strategic Consequences and Opportunities

Operational Consequences

- Liquidity in our assets (portfolio companies) is being reduced
- The holding period is becoming longer
- Financing is much more difficult
- Exit is more difficult and will in general take more time
- It takes longer time before we can distribute liquidity to investors

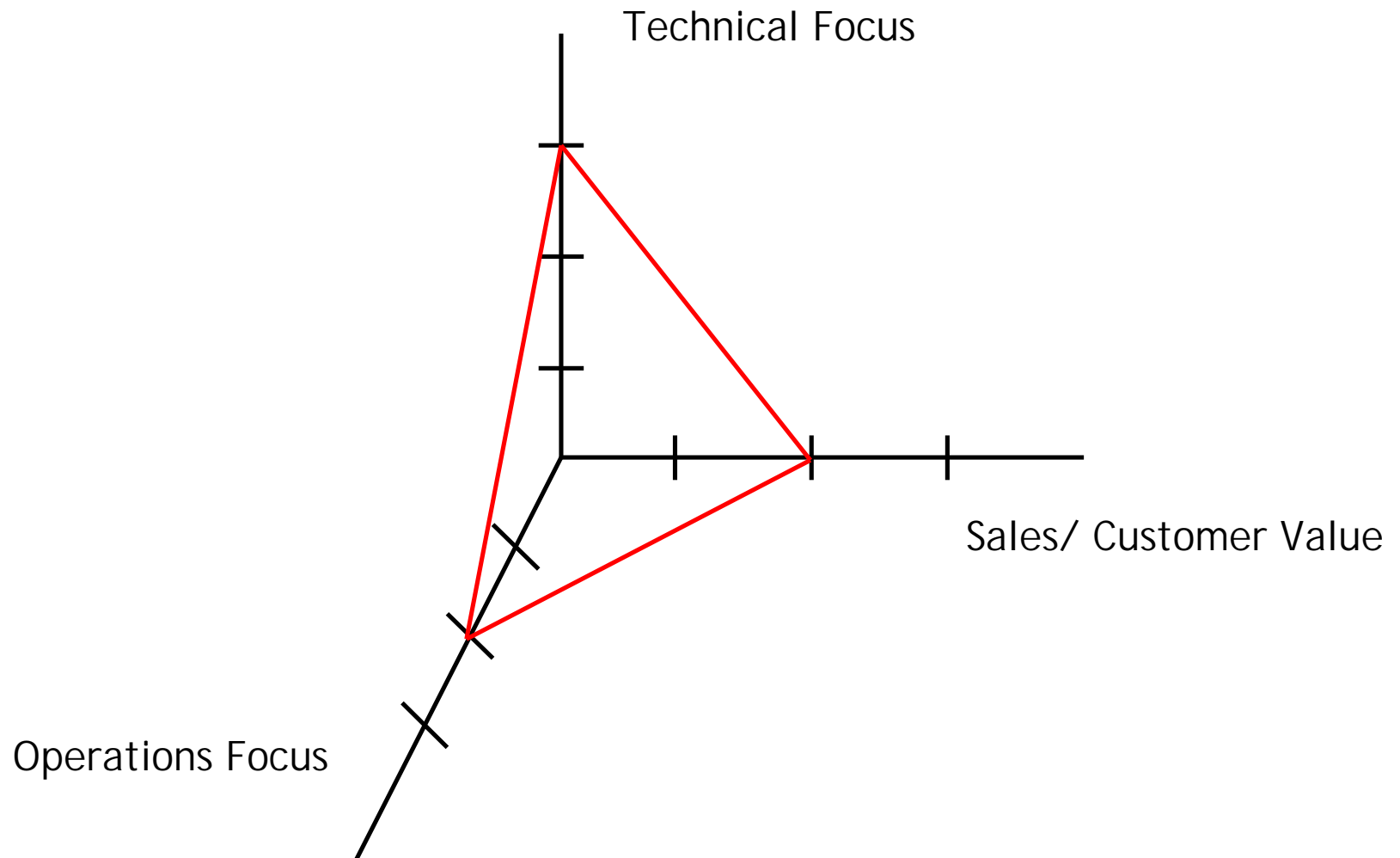
Opportunities

- Deals are becoming less expensive
- Competition for deals is less fierce
- More mature technology deals are available at affordable prices
- We can leverage on our brand to create new fund products
- Recruit people

How to succeed when market conditions are poor

- Quality sells even when the market is tough.
- Define the product and the value it can deliver to clients.
- Costs, efficiency and productivity matter more than gadgets, frills and the newest of technological advances.
- Use relationships for what they are worth to open markets.
- Spend time on the competitors' products and technologies.
- Undertake market research/analyses. Draw on outside resources if necessary.
- Get people with marketing expertise, experience and traction on the Boards.

The Challenge of Balance



How to Survive

Oxygen

- Do not run out of cash
- Financial planning
 - Co-investors/ EV equity
 - Experience from drip-feeding
 - Soft funding
 - Loans, but only if they can be served

How to Survive (2)

Maintain focus on what matters

- Technology
 - Priority on market makers and what is already in the market
 - Maintenance mode for future bread winners
 - Sell, dispose, get rid of or put on the shelf products with limited potential
 - Reduce pure R&D efforts on new products to a minimum
 - Set targets, plan and control execution to meet targets
- Human Resources
 - High grading of the organization
 - Nurture entrepreneurship
 - Strategy sessions focusing on the current situation
 - Scale down, reduce

And in summary

1. The energy industry is still the best industry to be in

2. Technology is still the sweet spot within the energy industry

3. Do we see a light at the end of the tunnel?

The End



"This is where our trails divide, Luke. You have my E-mail address, right?"

Thanks for your attention!



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