



BOSTON STRATEGIES INTERNATIONAL

Global growth. Guaranteed.



2010 Annual Report

Boston Strategies International Inc.
445 Washington Street • Wellesley MA 02482 USA • Phone: (1) (781) 250-8150
www.bostonstrategies.com • info@bostonstrategies.com

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1 FACTS AND FIGURES

Mission	<ul style="list-style-type: none"> • BSI facilitates strategic supply agreements that assure global quality and technology leadership and meet local content requirements.
Industry Focus	<ul style="list-style-type: none"> • National Oil Companies such as Saudi Aramco • International Oil Companies such as BP • Electric and Gas Utilities such as RG&E • Wind and Solar Power Providers such as Iberdrola • Suppliers to owners and operators, such as Cabot (chemicals) • Logistics and transportation providers to these industries
Value Proposition	<ul style="list-style-type: none"> • 10 times faster access to new markets or suppliers • 30% higher profit margin • 50+ times payback on consulting services
Core Solutions	<ul style="list-style-type: none"> • Supply Risk Mitigation • Partner Selection and Development • Negotiation Support • Operational Alignment
Organization	<ul style="list-style-type: none"> • Founded in 1998 • Privately held corporation • Headquarters in Boston, Massachusetts (US) • Representative office in Dubai (UAE) • Joint ventures in Bahrain, Qatar, and Saudi Arabia • 50 people including contractors and administrative support • Alliance partners with deep pool of consultants with category sourcing specialties and change management consulting experience
History and Financial	<ul style="list-style-type: none"> • Name changed from Boston Logistics Group Inc. to Boston Strategies International Inc. in 2008 • 30 blue-chip clients in the last five years • 30 engagements executed per year • 40% annual growth since 2005 • Profitable every year since inception¹ • No debt

¹ As a privately held US company, BSI is not required to disclose financial information.



2 LETTER FROM THE PRESIDENT

As the demand for energy rises worldwide, operators, suppliers, and policy setters are making unprecedented investments in capital equipment and services. This is driving shortages and extended delays in some segments of large or highly engineered equipment and components, which is putting pressure on operators to find capital procurement solutions that allow them to meet schedules while getting value for money paid to suppliers.

Decisions that involve substantial investment and risk are often difficult to make. Boston Strategies International's clients are often faced with questions such as: Which markets should we enter or buy from? Which suppliers or partners have capacity? What is the right price to pay? Should we partner, enter into a joint venture, or acquire?

Boston Strategies International's focus on sourcing and supply of capital equipment for energy producers and their technical equipment and service providers is adding 1-4% improvement in Return on Assets and a 5-7% increase in Economic Value Added (EVA) to the industry by:

- Preventing suppliers from increasing inflationary and unjustifiable price increases when markets are overheated. Taking the market price can significantly erode profitability.
- Accessing available capacity thanks to intelligence on specific suppliers' capacity availability
- Identifying new suppliers that have capacity and have good industry references
- Assuring lowest lead times
- Increasing throughput by implementing leading-edge technologies that pose minimal and acceptable risk



We continue to differentiate ourselves in the field of consulting through our energy industry focus, our supply management depth, our technical expertise, and our international network of clients and affiliates. For example, in the past year we have spoken at the Offshore Technology Conference (OTC), served on a board of the Institute for Supply Management, formalized our relationship with numerous technical experts, and begun negotiations with affiliates in 12 strategic "countries of interest" worldwide.

Clients have continued to deliver positive, feedback, as evidenced by these comments:

- "As always, your work is first class." -- Chief Procurement Officer, Oil and Gas Company
- "Brilliant...outstanding analytical capabilities...a remarkable company that delivers differentiating value to its customers." -- Manager, Global Supply Chain Solutions Provider
- "Excellent. Invaluable in supporting our planning." -- Procurement Strategy Director, National Oil Company
- "Boston Strategies did an outstanding job on our supply chain strategy project...their research and recommendations were thorough and data-driven...great results, expertise, and high integrity." --Director of Supply Chain, US Government Agency
- "Our negotiations have gone very well. Your assessments were spot on." -- Capital Acquisition Strategist, Oil Company

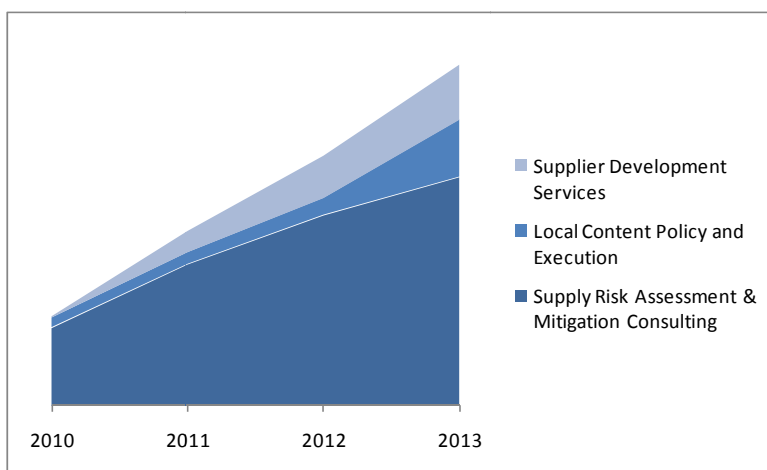
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- "Incredible research capabilities and current knowledge of market conditions." -- Finance and Systems Manager, Engineering Contractor
- "Exactly what we were looking for." -- Global Procurement Policy Coordinator, Electric and Gas Utility
- "The right mix of academic background and hands-on experience to get the job done." -- Director of Supply Chain Planning, Equipment Manufacturer
- "Amazing depth in multiple facets of materials management." -- Global Sourcing Manager, Process Equipment Manufacturer
- "I highly recommend Boston Strategies in solving your business challenges and or in developing your supply chain strategy." – Director of Supply Chain, Process Equipment and Services Company

Our sales trend reflects the value we are adding. Continued growth of the core consulting business, along with our growing businesses in Local Content and Supplier Development Services, and our expansion of the delivery partner network, will raise total revenue 25% by 2013.

Figure 1: Sales Trend



We are engaged in several initiatives to ensure success during this time of growth. We are adding senior partners, developing an international network of partner companies in target countries, installing a high-technology videoconferencing system, hiring at an intensified pace, and authoring another book on supply chain management, this time focused on the oil, gas, and power generation industries.

Continued capital investment in energy worldwide reaffirms our mission and our goals, so we look forward to a strong growth path in 2012 and 2013.

David Jacoby, CSCP, C.P.M, CTL, CIRM, CFPIM
President



3 STRATEGIC DIRECTION

Boston Strategies International is the world leader in supply chain management for the oil & gas, power generation, and renewable energy industries.

We offer capital procurement solutions for energy producers and their technical equipment and service providers. Our core services and solutions include:

- **Supply Risk Mitigation** – a market intelligence solution that saves buyers money and helps them avoid costly mistakes by recommending timely procurement actions and technology strategies for 172 industry-specific engineered products and services, including in rapidly changing supply markets, such as hydraulic fracturing.
- **Partner Selection and Development** – a solution that helps high-quality, proven suppliers meet buyers that need local content in emerging markets and emerging industries, such as wind energy.
- **Negotiation Support** – advisory services that combine analytics and industry experience to help leaders negotiate win-win framework agreements for external expenditures in categories such as offshore and deepwater drilling rig equipment and services.

Additional services include:

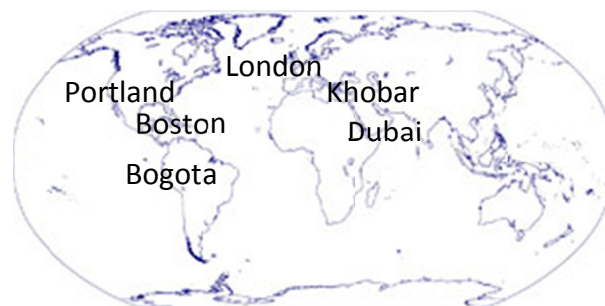
- Strategic Planning
- Operations Planning
- Operational Alignment
- Project Management
- Training & Skill Building
- Optimization Models
- Custom Metrics and Benchmarks
- Cost & Pricing Analysis
- Systems Integration

We are focused on the energy sector. The industries we serve include:

- Oil & gas
- Power generation
- Wind energy
- Logistics and Transport
- Suppliers of Equipment and Services

We serve a global client base, and maintain offices in the US, Europe, and the Middle East. We serve:

- The US through Boston
- Europe through London
- The Gulf Cooperation Council (GCC) through Dubai and affiliate offices in Bahrain, Qatar, and Khobar
- Latin America through Bogota



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Our focus on the energy industry and capital projects leads us to work with the industry majors in oil, gas, power, and sometimes petrochemicals and related process manufacturing.

Figure 2: Representative Clients of Boston Strategies International and its Partners



4 REPRESENTATIVE ONGOING & RECENT CLIENT PROJECTS



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“SUPPLY RISK ANALYSIS AND MITIGATION” CASE STUDY

"This is excellent work."
– Director of Purchasing



ABOUT THE CLIENT

Industry	Chemicals
Revenues	\$3 billion
Employees	About 5,000
Location	USA
BSI Service or Solution	Supply Risk Mitigation Service

Key Challenges

- One country representing over 95% of the world's supply for several minerals cut export allowances by 75% and increased export taxes by 25%, creating a drastic shortage of material.
- Prices of the mineral rose 20% - 700% worldwide.
- The client's tight specifications limited the number of potential processors.
- Supply was very high-priced and also uncertain.

Project Scope

- Sourcing of selected rare earths
- Processing / tolling
- US, Canada, China, and alternative countries

Operational Benefits Realized

- Immediate supply assurance through the use of a second, highly qualified supplier
- Resources that had been waylaid to deal with the supply crisis were freed up to resume normal duties.
- Internal alignment around the chosen path

Why BSI was Selected

- International industrial materials supply chain expertise
- Chinese language skills and resource network
- Trusted economic forecasting model
- Sourcing expertise
- Clear, simple, and pragmatic style delivers useful recommendations
- Proven history of performance with the client organization

Project Approach

- Identify suppliers capable of producing at the desired purity level
- Screen international distributors, importers and partners to design an optimal global supply chain
- Identify and evaluate alternatives
- Develop sourcing strategies and recommendations

Financial Benefits Realized

- Purchasing leverage gained through additional supply options
- Medium and long-term price stability assured through a plan to develop two additional strategic sources
- 25:1 payback expected on consulting expenditure

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“SUPPLY RISK ANALYSIS AND MITIGATION” CASE STUDY

"Your assessments were spot on."

– Capital Acquisition Director

"Exactly what we were looking for."

– Global Procurement Policy Coordinator

ABOUT THE CLIENT

Industry	Oil and Gas
Revenues	Over \$100 billion
Employees	Tens of thousands
Location	Middle East
BSI Service or Solution	Supply Risk Mitigation Service

Key Challenges

- Supplier price increases cost inflation
- Long lead time complex equipment enters production – plus, significant disparities in lead times and prices between buyers for similar products
- Lower production rates from outdated drilling, completion, and other technologies
- Shorter equipment life due to counterfeit products

Why BSI was Selected

- “Supply chain economists”
- Trusted economic forecasting model
- Fact-based, numbers-driven analysis
- Leading edge analytics
- Research/consulting synergies
- Thought leadership
- Clear, simple, and objective
- Proven accuracy and reliability
- Over 15 years of repeat engagements
- Baselines and targets, measurable improvement every time

Project Scope

- 50 sourced categories in 10 commodity groups
- Highly complex engineered equipment
- Global supply options

Project Approach

- Economic modeling and forecasting
- Primary and secondary market intelligence
- Sourcing recommendations
- Quarterly reports
- Online savings calculations and tools

Operational Benefits Realized

- Quicker delivery of equipment by identifying pockets of supplier capacity
- Lower inventory through local sourcing and lead time reduction
- Deployment of newer technologies

Financial Benefits Realized

- 30%+ higher profit from more capacity and from new capacity available sooner
- 5% lower upfront cost of major capital investments, while market prices rose 10% per year
- 2% less inventory holding cost
- 1% lower operating cost



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“NEGOTIATIONS SUPPORT” CASE STUDY

"Thank you again for letting us learn from your work."

– Chief Procurement Officer

ABOUT THE CLIENT

Industry	Electric and Gas Utility
Revenues	\$32 billion
Employees	32,000
Location	Europe
BSI Service or Solution	Framework Agreement Negotiation

<p>Operational Benefits Realized</p> <ul style="list-style-type: none"> • 75% reduction in the number of suppliers • Standardized products and pricing across operating companies reduced management overhead 	<p>Financial Benefits Realized</p> <ul style="list-style-type: none"> • 24% savings on purchased materials • Additional rationalization of the associated inventory and manpower • Material increase in shareholder value, which was important to subsequent merger activity
<p>Key Challenges</p> <ul style="list-style-type: none"> • Previous agreements were short-term, transactional, and loose • Suppliers expected an easy negotiation and routine price increases • Budget was running a deficit due to rising raw material costs 	<p>Why BSI was Selected</p> <ul style="list-style-type: none"> • Prior experience in negotiations • Track record of impressive savings from sourcing projects • Fact-based approach • Analytical depth and tools to handle a large number of items • Logistics experience (logistics was a key cost driver)
<p>Project Scope</p> <ul style="list-style-type: none"> • All US operations (6 operating companies) • Pipes, valves, fittings, corporate vehicles, and other capital and consumable materials • Capital and expense items • 47 stocking locations • Vendor-managed inventory and kitting 	<p>Project Approach</p> <ul style="list-style-type: none"> • Analysis of client spend by supplier and sourcing category • Analysis of suppliers' businesses, trends, and profitability • Preparation of negotiating strategies • Three rounds of team-based in-person negotiations per sourcing category • Contract awards • Finalization of terms and conditions • Transition to new suppliers

5 OUR ORGANIZATION

Boston Strategies International achieves extraordinary economic results in highly technical fields by pairing renowned technical and industry experts with consultants and economists who have proven their ability to deliver value through multiple and repeated client engagements.

We employed about 50 people including contractors and administrative staff during 2010, of which about 30 were full-time employees.

Recent hires include recent graduates from, among others:

- Babson
- Boston University
- ESADE
- London School of Economics
- MIT

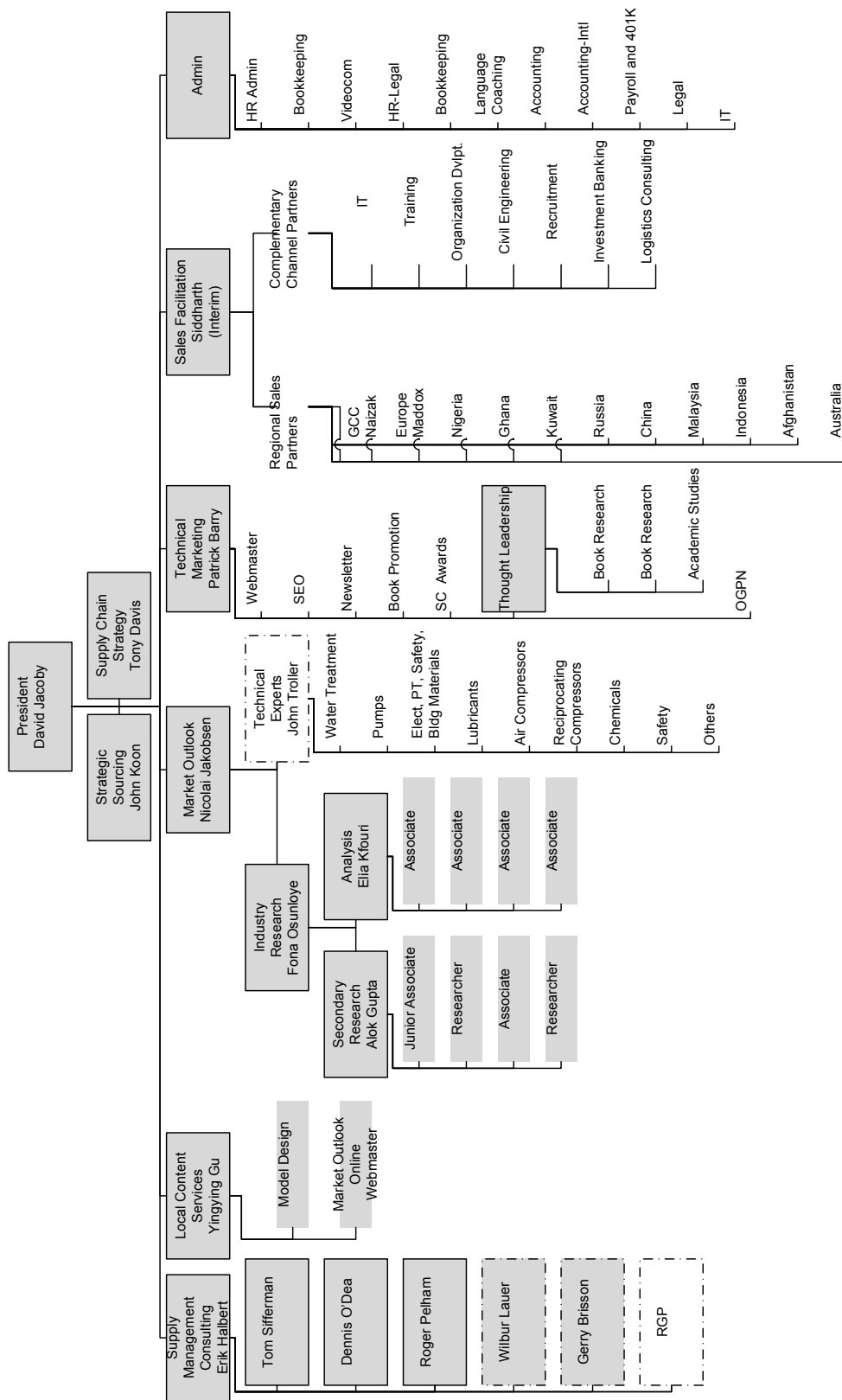
Our alliances with global firms allow us to access additional consultants with specialized category expertise and experience in change management consulting.

Marketing and Sales are in-sourced, while administrative services are outsourced.

Figure 3: Leadership Team



Figure 4: Boston Strategies International Organization Structure



6 INVESTING IN OUR FUTURE GROWTH

Supply Chain Awards



Each year our firm conducts an in-depth global oil and gas supply chain benchmark study in which diverse companies respond from countries as widespread as Australia, Germany, India, Italy, Nigeria, Norway, South Africa, and the United States. Winners are evaluated based on their demonstrated supply chain processes and performance on nine Dimensions: Supply Chain Strategy, Supply Chain Organization, Demand and Capacity Planning, Procurement, Production, Maintenance and Engineering, Logistics and Materials Management, Information Systems, Performance Feedback and Management.).

The winners of the 2010 awards were:

- Shell won based on its high-performing standardization program, which allowed it to reduce purchase prices by 30% for valves, cut variety by 50%, through use of its extensive Materials and Equipment Standards and Code (MESC) catalog.
- Chevron Corporation (USA) won for its effective in extending its internal Lean Six Sigma techniques to its suppliers.
- Baker Hughes won the award based on its supply chain transformation strategy and year-one achievements: the group has publicly declared \$100m in volume adjusted cost reduction per year for the next three years.

Other years' winners include GE Oil & Gas, Motiva, Freudenberg Oil & Gas, Qatar Fuel (Qatar), Bharat Petroleum (India), and FMC Kongsberg Subsea (Norway), to name a few.



MOTIVA



FMC Technologies

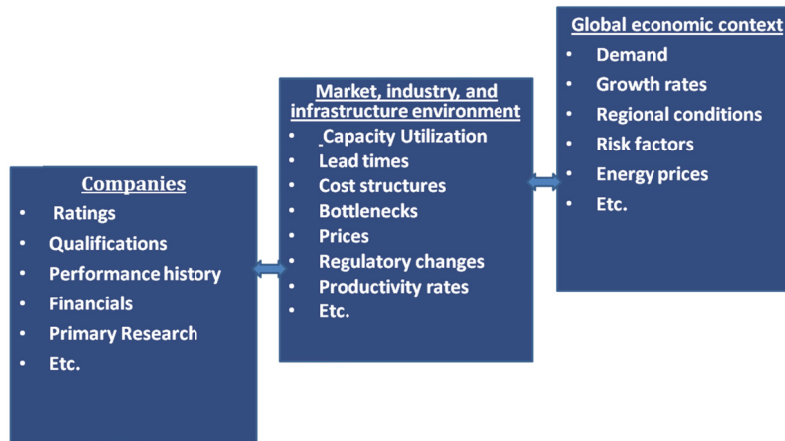
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Software and Process Upgrades

We recently completed a Supply Risk Mitigation forecasting model upgrade, improving its usability and accuracy, and improving the experience for our clients.

Figure 5: Supply–Demand Model Architecture



To improve our Negotiations Support capability, we improved the way we log and track negotiating and process improvement recommendations to increase the availability and the effectiveness of competitive information in negotiating situations for large, complex framework agreements.



We also benchmarked our simulation and optimization tools against best-in-breed approaches to simulating and optimizing risk factors in capital equipment sourcing and operating decisions. The exercise resulted in improvements to our decision support capability.

Figure 6: Online Custom Savings Calculator



Savings Calculator

Category:
Commodity:
Serial Number:
Recommendation:

Primary Framework: Lower Upfront Cost

Lower Upfront Cost ▾

Total Spend on Category over 5 Years	44,764,466
Total Spend on Category per Year	8,952,893
% Cost Savings (Conservative)	15
% Cost Savings (Aggressive)	20
% of Category Revenue Affected - Conservative	25
% of Category Revenue Affected - Aggressive	50
<input type="button" value="Calculate Savings"/>	
Relevant Category Spend per Year - Conservative	\$2
Relevant Category Spend per Year - Aggressive	\$4
Low End Savings	\$0
Medium Cost Savings	\$1
High End Savings	\$1

This year BSI developed a new customized online Market Outlook Portal that allows clients to view, download, and interact with, their own customized content for real-time access to powerful analysis and recommendations. The online tool includes, among other tools:

- Client-Specific Reports
- Customized Price Indices
- Real-Time Market Data
- Online Savings Calculator
- Discussion Forum
- Supplier Profiles

Figure 7: Market Outlook Online



The screenshot displays the 'Market Outlook Beta' web application. At the top, a navigation bar includes links for 'Reports, Analysis and Tools', 'Savings Calculator', and 'Discussion Forum'. A 'Log out' button is positioned in the upper right corner. The main header area features the 'Market Outlook Beta' logo on the left and a descriptive paragraph about BSI's hosted application in the center. Below the header, there are two navigation icons: a house icon for 'Downloads Home' and a magnifying glass icon for 'Search Document'. The 'Categories' section lists five file categories, each with a folder icon and a file count: 'Reports, Sections, Tables, and Graphs (471 Files)', 'Price Indices (3 Files)', 'Supplier profiles (148 Files)', 'Real-Time Market Data (7 Files)', and 'Sourcing Recommendations (19 Files)'. At the bottom, the Boston Strategies International logo is shown with the tagline 'Global growth. Guaranteed.' and a copyright notice for 2011.

Reports, Analysis and Tools Savings Calculator Discussion Forum






Market Outlook
Beta


Log out

BSI's hosted application, which is tailored to your externally purchased categories, product and service specifications, and geographies, provides needed information and allows market intelligence analysts and commodity managers to spend their time negotiating strategic supplier framework agreements. While most internal market intelligence groups manually assemble, integrate, analyze, and disseminate information, our hosted application reduces the workload of these precious resources.

 Downloads Home  Search Document

Categories

-  **Reports, Sections, Tables, and Graphs (471 Files)**
-  **Price Indices (3 Files)**
-  **Supplier profiles (148 Files)**
-  **Real-Time Market Data (7 Files)**
-  **Sourcing Recommendations (19 Files)**

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OGP Network

We also developed a Beta version of OGP Network (OGPN), an online portal that accelerates local supplier development to support oil, gas, and power generation projects in rapidly growing countries such as Bahrain, Brazil, China, India, Indonesia, Nigeria, Qatar, Russia and Saudi Arabia, where the choice of local suppliers may be limited and field service can be a challenge. OGPN provides buyers with independent ratings and analyst commentary about suppliers, by product and country leading to 10 times faster access to overseas partners than can be achieved through traditional sourcing and sales channels, and internet-based resources. OGP Network will generate additional revenues for supply chain optimization consulting, as well as reduce internal costs of supply market analysis.

Figure 8: OGP Network



International Alliance Network Project

We are partway through a strategic alliance initiative in which we will form agreements with partners in 11 target countries selected for the growth in their energy sectors and the need for large scale procurement activity related to infrastructure in oil, gas and power generation. We are investing in two types of relationships:

- Complementary channel partners in investment banking, recruitment, civil and electrical engineering, construction, IT, and academia
- Agent or distributor relationships with channel partners in Afghanistan, Russia, Kuwait, Nigeria, Ghana, Brazil, China, Indonesia, Australia, Malaysia, and Iraq

These efforts will be concluded by the end of 2011.



Boston Strategies International creates global growth opportunities through strategic supply chain management in capital intensive process industries that involve large commitments and long time horizons, such as Oil, Gas, and Power Generation. Our products and services, which are tailored to help make critical decisions that involve investment and risk, include:

- **Supply Risk Mitigation** – a service that saves buyers money and helps them avoid costly mistakes by recommending timely procurement actions and technology strategies for 172 industry-specific engineered products and services, including in rapidly changing supply markets, such as hydraulic fracturing.
- **Partner Selection and Development** – a solution that helps high-quality, proven suppliers meet buyers that need local content in emerging markets and emerging industries, such as wind energy.
- **Negotiation Support** – advisory services that combine analytics and industry experience to help leaders negotiate win-win framework agreements for external expenditures in categories such as offshore and deepwater drilling rig equipment and services.

Services, Products, and Solutions

Management Consulting Services	Cost, Price, and Market Analysis Products	Technology Solutions
<ul style="list-style-type: none"> • Best practices • Capital Investment Analysis • Entry & Exit Strategies • Merger & Acquisition • Organization Development • Policy Planning • Risk Mitigation Strategies • Supply Chain Strategies • Technology Strategies • Training 	<ul style="list-style-type: none"> • Benchmarks • Backlog and Lead Time Forecasts • Capacity Shortage Analysis • Cost Structures • Demand Projections • Market Outlooks • Price Forecasts • Supplier Assessment • Target Price and Should-Cost • Technology Outlooks 	<ul style="list-style-type: none"> • Advanced planning and scheduling • Asset management and pricing • Customer relationship management • Demand planning • Product life-cycle management • RFID • Supplier relationship management • Systems Integration • Transportation Management • Warehouse Management Systems

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