

Shipowner Perspectives, Projects and Priorities for the Future of Offshore Vessels

OFFSHORE VESSEL AND RIG CONNECT ASIA

April 2016

PT Wintermar Offshore Marine Tbk



- Established in Indonesia in September 1970
- National company working to international standards
- Innovative and first mover in the market
- Listed in the Indonesian stock exchange in 2010
- First Indonesian shipping company to obtain certification for Integrated Management System from Lloyds Register Quality Assurance
- Wide variety of vessels and young fleet provide a range of services to clients



Understanding the OSV Market



**Where in the
World?**

Comparison of 1000 m² PSV of equivalent size and power



Built in China
Built Price : US 25 mil



Built in US
Built Price : US 45 mil



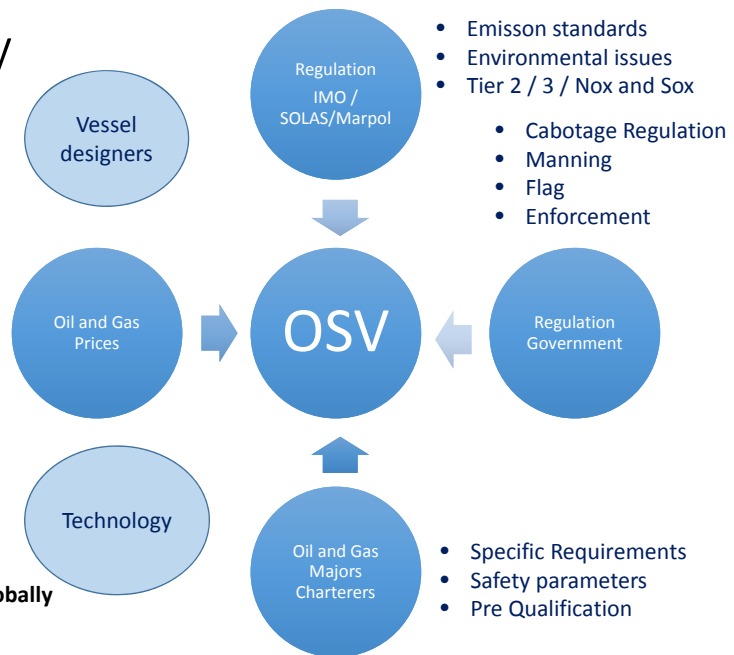
Built in Norway
Price : US 45 mil

What is driving this difference and how is it justified ?

Drivers of types OSV

How is the Oil and Gas Prices driving the demand and types of OSV ?

Huge disparity between various regions globally



Oil Price > US \$ 100 / barrel



Source : InfoMine.com

Oil was below US\$ 40 for almost 5 years

**INNOVATION
(2000-2005)
insignificant**



Source : InfoMine.com

Fuel Cost per day – Charterer's perspective

- PSV 3000 dwt drive for fuel efficiency savings

Before Crisis (US 1,000 / KL)	Diesel Engine	Diesel Electric	Hybrid
		30% less	40% less
Fuel Consumption (KL / day)	12 KL / day	8.5/day	7 KL / day
Fuel Cost (US\$ 1,000 / KL)	12,000	8,500	7,000
Charter Hire	20,000		

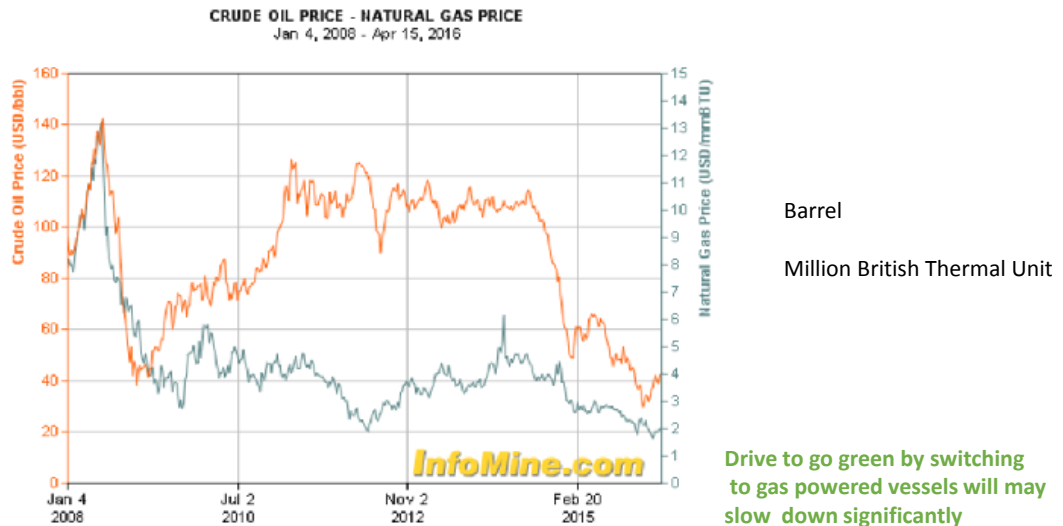
Savings
US\$ 5,000

Present (US 400 / KL)	Diesel Engine	Diesel Electric	Hybrid
Fuel Consumption (KL / day)	12 KL / day	8.5/day	7 KL / day
Fuel Cost (US\$ 400 / KL)	4,800	3,400	2,800
Charter Hire	9,000		

Savings
US\$ 2,000

Charter savings = USD 11,000

Gas as an alternative - significant infrastructure need to be in place



Source : InfoMine.com

Standardization vs Specialization

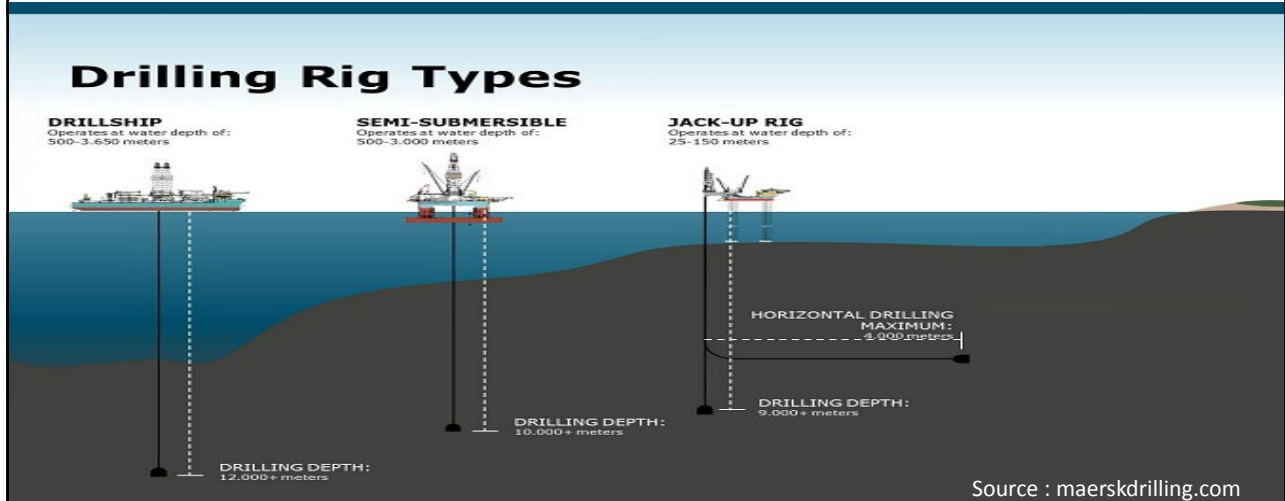
- Recent tenders in the middle east requesting specifications of AHTS and utility vessels that are not generally available – new builds are required
- Recent long term tenders in India allowing much older vessels to bid
- Very high end vessels are still being built



Deep water Vs Shallow Water

What is the cost of production ?

Will deepwater exploration stop ?



Investments vs Returns

(sampling AHTS 5150 HP)

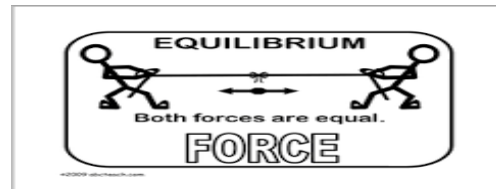
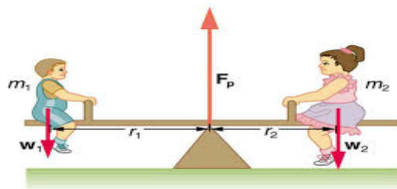
	Before Crisis	Present
Purchase Price	US 12 million	US 10 million
Charter Rate / day	US 10 K	US 4 K
Opex cost / day	US 3.5 k	US 2.5 K
Balance	US 6.5 k	US 1.5 K
Purchase price/balance	1846 days or abt 5 yrs	6666 days or abt 18 yrs

Is it still a viable business ?

More has to happen to reduce supply

- Owners voluntarily retiring / scrapping older fleet
- Banks not pulling the plugyet.....
- Reduction of players
- Stake holders need to cut losses
- The longer the oil price stays low the more sustainable is the recovery

Where is the New Equilibrium ?



Going Forward: Focus and Flexibility



- Focus on Target Market (home ground)
- Focus on Target Customer (as their operating philosophy can be very different)
- Ability to move in and out of protected markets (financiers support)
- Partnering with local players – blending in
- Payment of charters in non USD denominated currency
- Continue to focus on Training and building up competencies
- Focus on Production Support for stability

Conclusion (short and medium term)

- Number of OSV players will reduce
- Market Consolidation
- Local Players in respective regions will increase
- Financial support from banks will be challenging
- Drive to go green will continue but at a much slower pace
- Demand for older fleet will generally diminish
- R & D spendings / new innovation will decrease



Consolidate.