

Brazilian

August 2015 Issue: 48

Wave

WHERE NEXT?

Petrobras and the market
mulls the next move



3	Operator Update
4	Crisis, Not Just a Brazilian Privilege
8	Petrobras News
10	Vessel News
12	Drilling & Production
14	Look Ahead
16	Inside Story
18	Spotlight
20	É Isso Aí

TALLER THAN THE EIFFEL TOWER, THE TALLEST ENVIRONMENTAL RESEARCH TOWER WAS THIS MONTH UNVEILED DEEP IN THE HEART OF THE AMAZON. THE AMAZON TALL TOWER OBSERVATORY ALLOWS SCIENTISTS TO GATHER DATA ON THE EFFECTS OF CLIMATE CHANGE ON THE AMAZON FOREST.

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Special thanks this month to the team at IHS-Petrodata for contributions towards the Headline News article

PETROBRAS LEVERAGING

The 2Q/2015 results recently released by Petrobras are not very bright, as for instance the decline on the oil giant profit. The leveraging however, which is the relation between the net debt and net assets, calls special attention. According to the financial statement

the ratio is on 51%, 1% down from 1Q/2015, but far from the 40% one year ago and the 17% “comfort limit” or the 35% maximum limit established by the company. Insolvency?

SHELL CONCLUDES OSRV BID

Anglo Dutch Shell has recently released the award for its OSRV requirement issued in June this year for 6 months firm + 6 months options to support Bijupirá Salema and BC-10. The vessel Danko Tide owned by

Tidewater has been chosen by Shell after competing with around six vessels and will start the new contract in direct continuation of the existent one.

BG TO INVEST MORE IN BRAZIL

British BG has informed that 1/3 of its investments will be focused in Brazil this year, where the company aims to increase its production capacity in ultra-deep water in partnership with Petrobras and other oil companies. Despite the difficult moment and spending cuts, the

company keeps investing in production in the country, which has shown growth in recent months. In the first half, the company recorded a total income of USD 2.46 billion and the investment forecast for this year is estimated at between USD 6 billion and USD 7 billion.

KAROON STUDIES FARM OUT

Australian company announced that is analyzing a partial farm out of the Kangaroo area where it is the operator (65%) in partnership with the Canadian Pacific Rubilaes (35%). Karoon has informed that Brazilian assets are the priority in 2016 and is aiming an

estimated production of 10,000 boed in the Kangaroo and Echida discoveries, both in Santos Basin. On the other hand Pacific Rubiales is going through a period of cutting costs on operation, disinvestment and debt reduction.

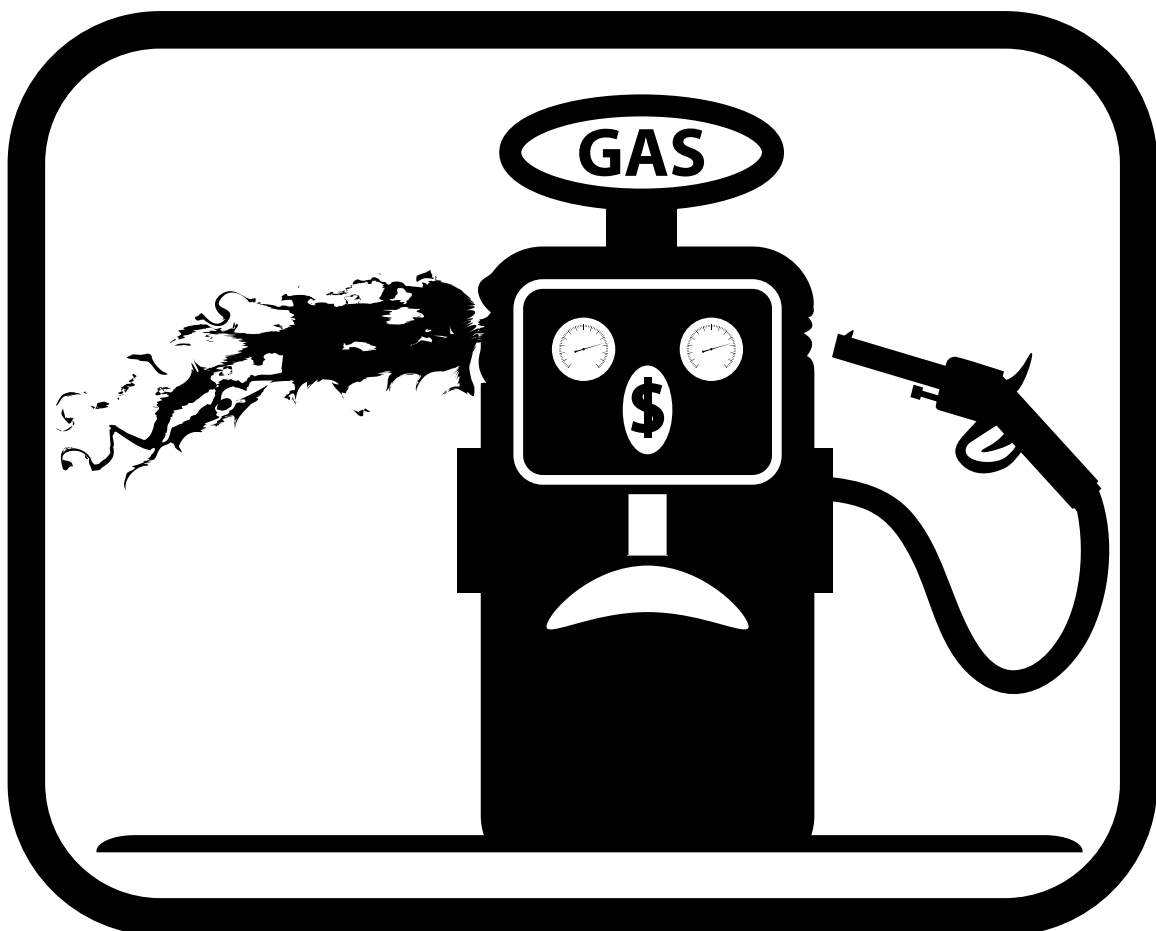
THE BIRTH OF EOS, THE NEW BRAZILIAN OIL COMPANY

The Eos has been founded through investments of the trading Mercuria, which has participation in production assets onshore and offshore in the US, Canada, Argentina, Nigeria and Romania, and the company Maverick, owned by Patricia Coelho from Asgaard Navegação, with 50% participation each. Eos is seeking assets in Campos, Santos and Espírito Santo

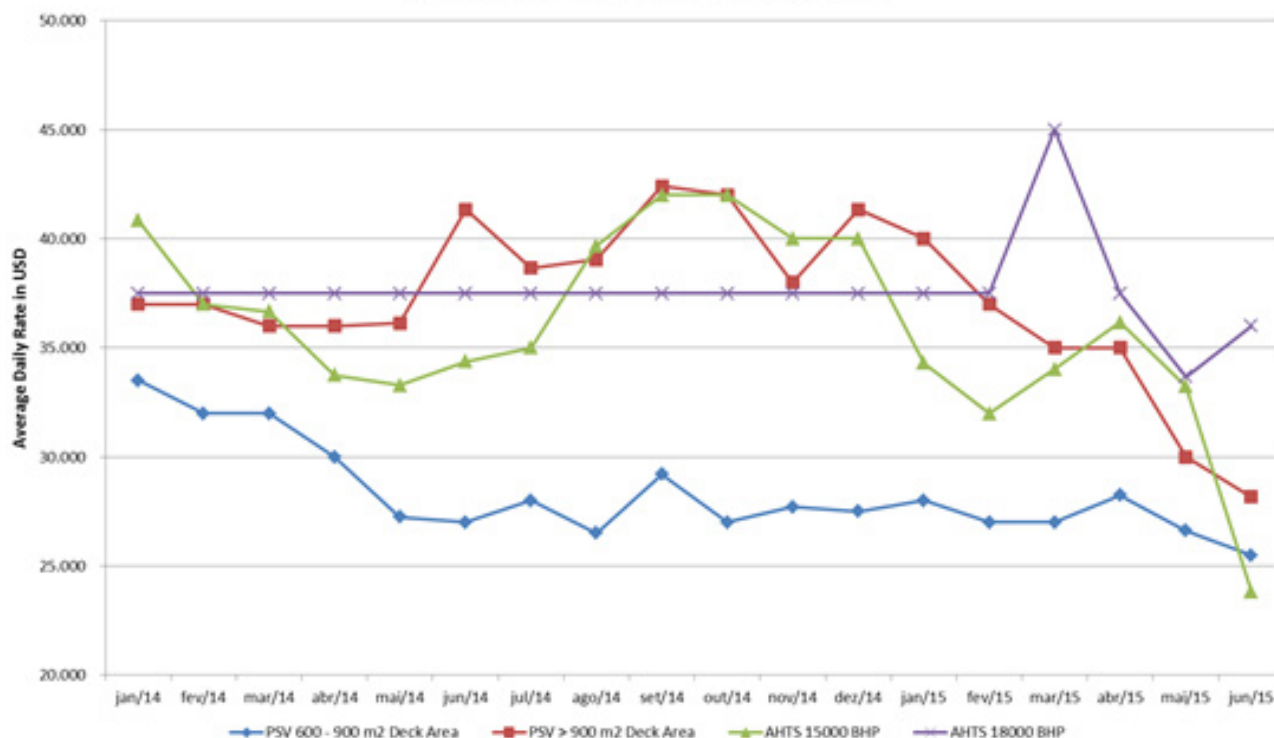
basins analyzing other production opportunities in the offshore market in Brazil including the disinvestment plan of Petrobras. In the middle term the company plans to assure a production of 100,000 boed. Notwithstanding, Eos' president Murilo Marroquim informed that negotiations with a third investor to join the group are well underway.

CRISIS, NOT JUST A BRAZILIAN PRIVILEGE

Corruption scandals and political turmoil have made for one almighty downturn in Brazil, so much so that for those IN Brazil, you could be forgiven for thinking it's a Brazilian specific problem. We take a look at the other oil hubs around the world, where fortunes are not fareing much better..



Daily Rates - Monthly Average (Brazil)



Over the last year the presidential elections took place and Dilma Rousseff was reelected, constant protests soon followed which are destabilizing the government allegedly due to an unpopular or even paradoxical agenda. Adding to this is the “Lava-Jato” investigation involving several major Brazilian companies and senior politicians, deeply impacting Petrobras businesses in the long term, and consequently the offshore support market. Locally many people blame the current crisis of the oil and gas and the OSV industry exclusively on the aforementioned issues, which in truth only apply to Brazil. Absorbed in our own “bubble”, sometimes it is hard to see beyond it and see that the entire world is going through tough times as well...

With the support of our global Westshore offices and IHS-Petrodata, we gathered information from the last 18 months about average OSV daily rates and supply/demand ratio to demonstrate the impact suffered by the industry. With regards to the oil price level, which is common to all the markets, the crude oil (brent) price

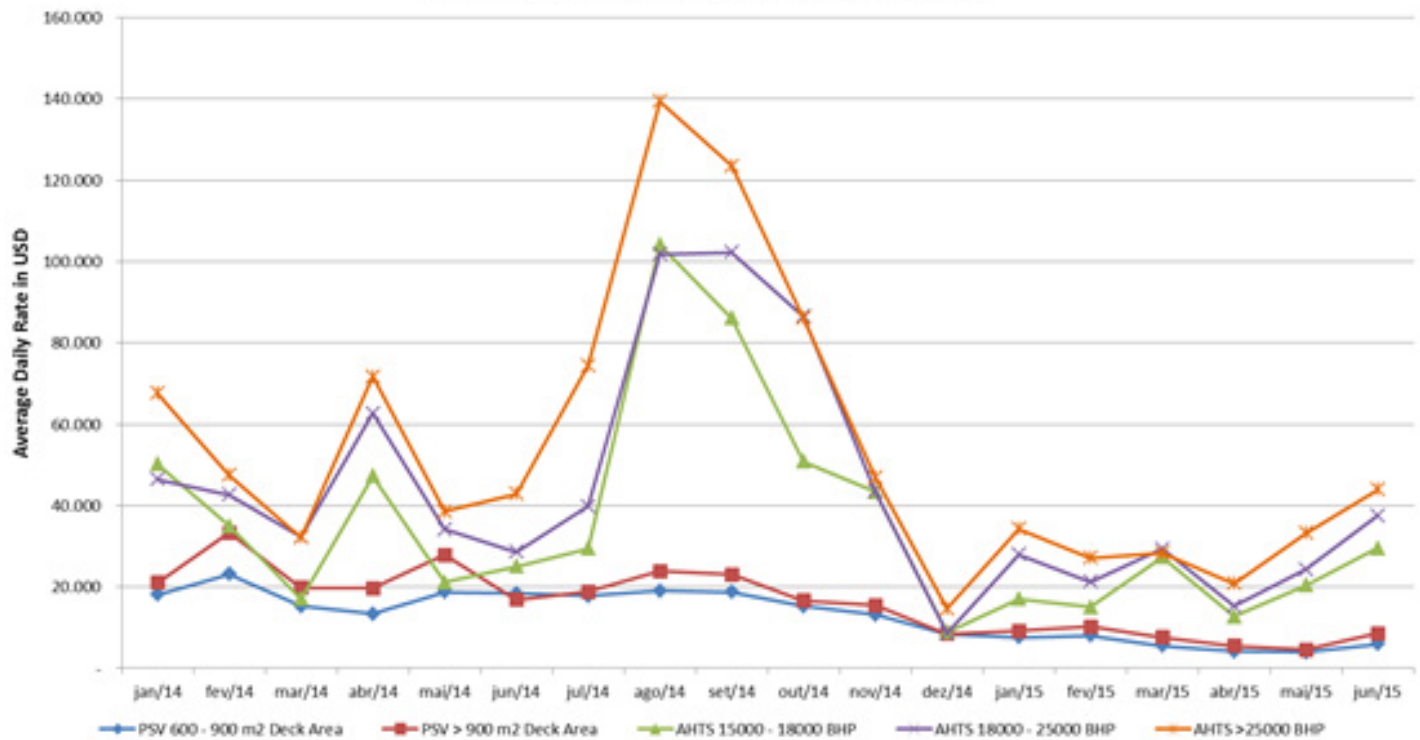
dropped from USD 110/barrel in Jan/2014 to USD 48/barrel in mid Aug/2015, which is far from the ideal investing scenario of most of the major oil companies. Now speaking of average OSV daily rates, what can they tell us about the situation of each key regional market? We have elected only PSVs between 600 and 900 square meters of free deck area, and PSVs above 900 square meters of free deck area, as well as AHTS with around 15000 BHP and AHTS with around 18000 BHP in order to focus on the most employed types of OSVs throughout those markets and to simplify our analysis.

BRAZIL

As cited before, our market has been facing all kinds of threats, including political crisis, corruption scandals and economic recession, which recently caused Moody's Investors Service to cut Brazil's credit rating to near-junk status, but keeping the country's coveted investment grade status safe “for now”. In this environment, Petrobras has not hired any vessels through tenders in the last eighteen months, even though it has a few slow paced tenders still open, to be concluded hopefully soon.

Therefore, the average daily rates of the PSVs and AHTSs shown below are exclusively from spot and term contract fixed with drillers, bunkering companies and IOCs. Demand has not been constant throughout this period, having activity peaks concentrated between Feb-June 2014 and May-June 2015, nonetheless the daily rates which were stable for a long while before 2014 are now facing a constant reduction. PSVs 4500 rates dropped 11.4% and PSV 3000 dropped 16.1%, while AHTS 15000 and 18000 rates dropped on the same pace of 14.3% due to larger tonnage availability and competition on the spot, after Petrobras flooded the market by releasing almost 30 vessels (most of them foreign flagged) after their contracts were not extended. Most of these vessels already left Brazil, as the low demand does not justify the high costs of keeping them here. The only aspect that may attenuate this scenario is the Brazilian Real depreciation in about -30%, which increases the shipowners' income even with the USD rate decrease, but not proportionally as there are many imported costs and some foreign personnel.

Daily Rates - Monthly Average (North Sea)

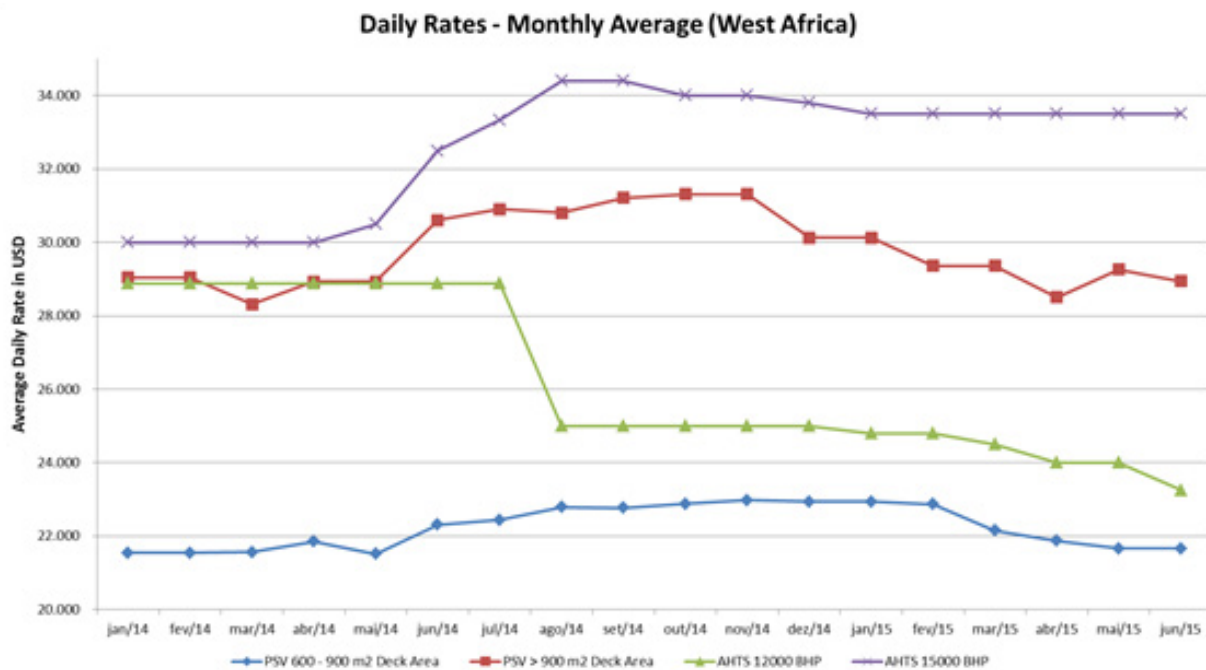
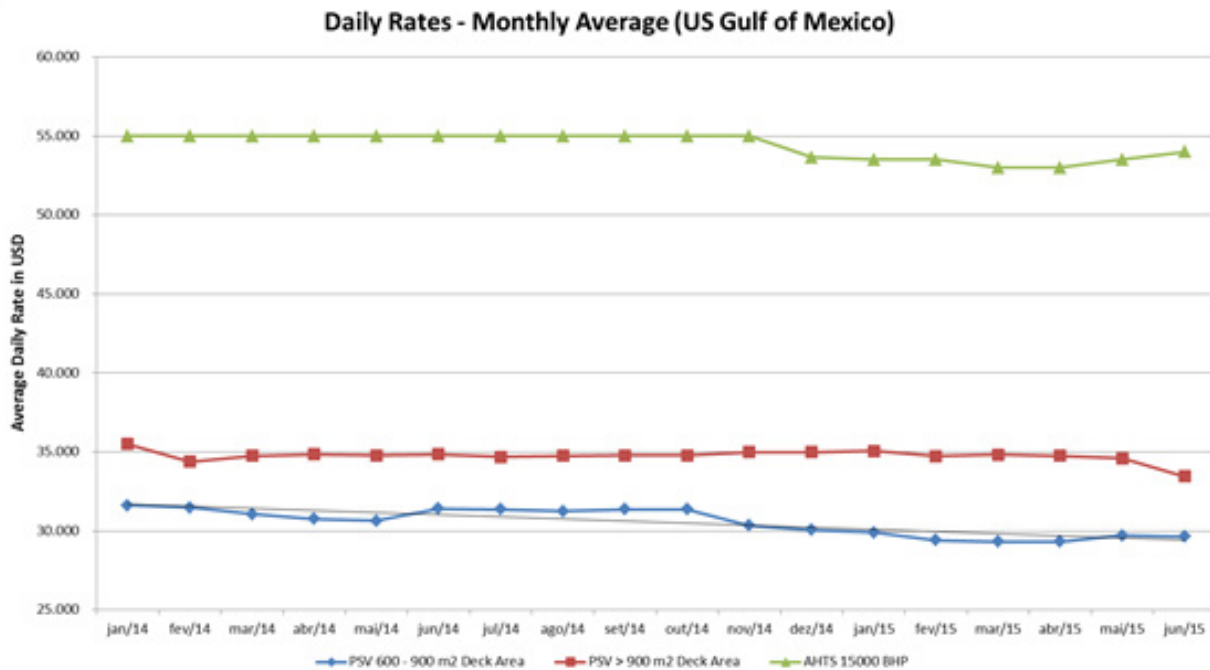


NORTH SEA

In the North Sea's reality, the rates show in the graph for the PSVs 3000 have decreased 77%, while the PSVs 4500 rates have shrunk 81%. Main reason why PSVs have suffered so much is increase in fleet. Some of this is attributable to newbuilds being delivered, but most has come from reduced demand for vessels on term contracts, which means fewer vessels on term contracts in the North Sea and other areas, like Brazil, West Africa etc. Some other critical projects were cancelled or delayed such as the Kara Sea, South Stream etc. so the twin factors of decreased demand and increased tonnage availability has created the perfect storm. Meanwhile, the AHTS numbers shows the very typical phenomenon of rate increase during summer time, since several projects in the North Sea are weather dependent. This means that some AHTS vessels get taken out of the spot market and do some project work for a few months, consequently reducing the fleet of spot vessels. The rate increases also because of more spot activity for operators looking to carry out short term work scopes that are practically impossible in the winter months. Nonetheless, AHTS have also suffered with overall rate decrease of about 46% in this period.

US GULF OF MEXICO

The US Gulf is saturated with large and small PSVs, thus some of the major US vessel owners have accepted relevant rate concessions on 3 to 5 year firm contracts with the large oil companies; as an example, some PSVs 4,000-6,000 came down from USD 35,000-37,000 to USD 27,000-29,000 this year. Also, many US vessels are being cold stacked and warm stacked, especially the ones that are 30 years old or more. The graph opposite shows a slight average decrease of around 1% for PSVs 4500 and the decrease of around 6.7% for PSVs 3000 (larger in number), even though declines in PSV rates had changes ranging from 3% to 35%. Meanwhile, since in the US Gulf there are very few AHTS managers and only about 20 AHTS, the drop in average rates was of circa 2%. The impact in rates is definitely not comparable to other markets like the North Sea, however lesser demand throughout this period also impacted and will keep impacting the fixtures in this region.

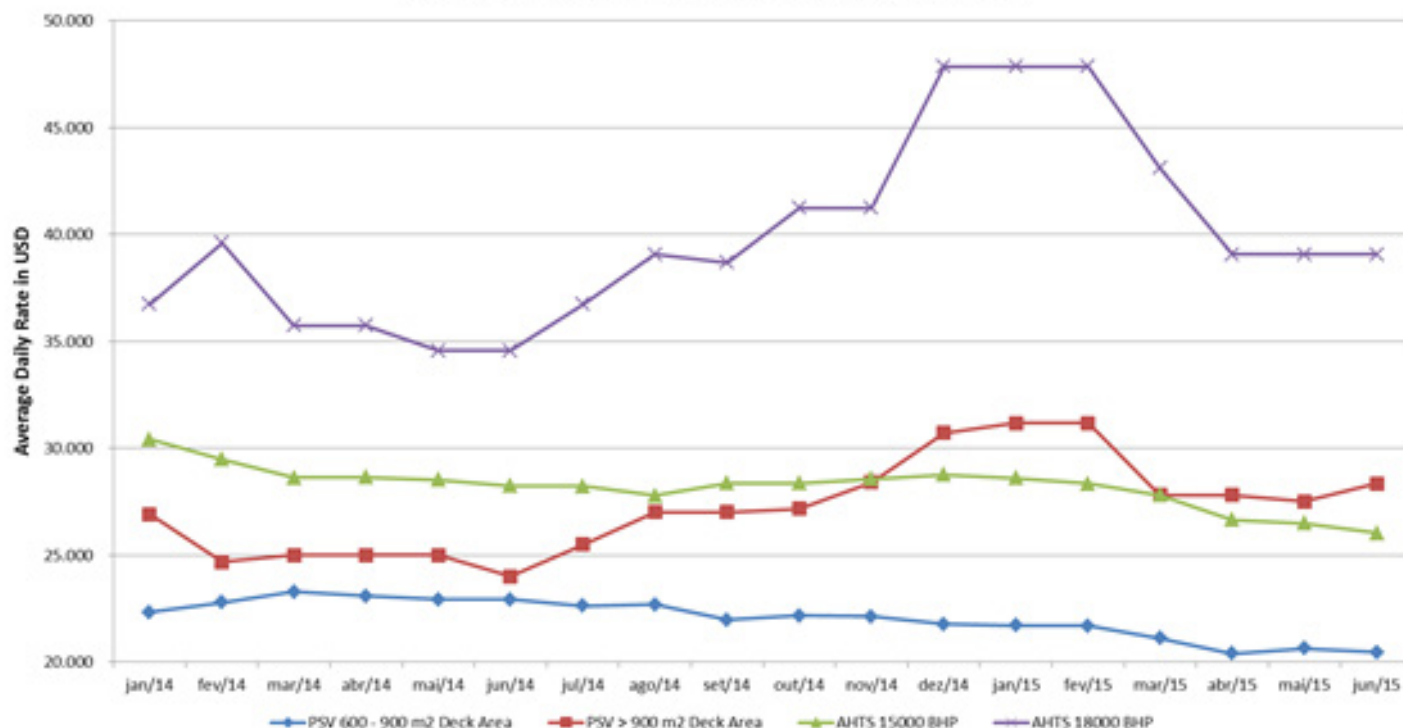


WEST AFRICA

The oversupply is the major challenge for shipowners in West Africa, with too many vessels competing for the available work, leading to lower day rates. Some long-term deals were fixed during the first semester of this year, showing that there is still plenty demand for OSVs in the region; however, the oversupply of tonnage, caused by more vessels coming in than going out of West Africa, has been keeping the daily rates low. The graph shows a steady trend line

for PSVs 4500 and a slightly increasing line for PSV 3000, but if we only see the rates from Dec/2014 until Jun/2015, they have decreased about 7%. In regard to AHTS, the demand has been steady, but with the arrival of more AHTS 12000, the rates have reduced in 22% for this vessel type, while for AHTS 15000 the rates increased until the end of 2014 and have been steady since then, as lesser vessels of this type are coming into the market.

Daily Rates - Monthly Average (Southeast Asia)



SOUTHEAST ASIA

The region has been slow in regard to demand, with vessels left idle or securing just short-term work. Vessel owners are under pressure to drop day rates, which in general have fallen by about 20-30%, but in some cases day rates have been lowered by up to 50%. As an example, an AHTS 18,000 was recently fixed for only USD 19,000 in Southeast Asia. Some vessel owners have also stated that contracts that were close to being secured have now been delayed indefinitely. Creating a perfect storm, new deliveries continue to

join the Southeast Asian market, so the long-term situation may worsen. To try to reverse the situation, 'protectionist' laws are being utilized more than ever, and local owners are even asking the governments to step up these laws. The graph above shows the rates going up for lesser "popular" large vessel types like PSVs 4500 and AHTSs 18000, even though they have recently stabilized, while the rate has been steadily decreasing for PSVs 3000 and AHTSs 15000 in about 10%, mainly due to oversupply.

In a nutshell, after analyzing the combination of the oversupply of OSVs, the down turn in oil prices, and the cut back on offshore spending, it is possible to say that the light in the end of the tunnel is not bright and close enough just yet. A sustained improvement in the price of oil, not expected by many specialists within the next two years or so, may induce an OSV market upturn only after 2017. And in Brazil, government and Petrobras should take this valuable time to do their homework and fight all the local issues. Then, when the right time comes, Brazilians will not be able to blame the country's peculiarities or the global crisis, and will finally focus on growth.

**SPECIAL THANKS TO
IHS-PETRODATA FOR
CONTRIBUTION TO
THIS ARTICLE**

PSV 1500 FOREIGN FLAG

PSV 1500 - INVITATION E&P 1685522148

Issued in December last year, Petrobras has finally released the commercial proposals for the PSVs 1500 type A (4 + 4 years contract) and B (2 + 2 years contract) as per below.

RANKING	SHIPOWNER	EBN	VESSEL	TYPE	YEAR BUILT	LOA (M)	BHP	POSITION	DAY RATE (USD)		TT (USD)
									PREVIOUS TENDER APR 2014 (INCL. MOB/4Y)	PRESENT TENDER	
1	Varada	Acamin	Varada Ipanema	A	2010	63,00	6 800	Brazil	-	USD 19 530,00	USD 19 530,00
2	Varada	Acamin	Varada Búzios	A	2010	63,00	6 800	Brazil	-	USD 19 530,00	USD 19 530,00
3	Pacific Radiance	OSM	Crest Mercury 1	A, B	2015	65,00	6 000	Singapore	-	USD 20 500,00	USD 20 500,00
4	Mosvold Marine AS	Acamin	VOS Olympian	A	2006	62,85	5 500	Thailand	-	USD 21 250,00	USD 21 250,00
5	Asgaard	Asgaard	MW 622-5 (Fujian Mawei)	A	2015	59,60	5 150	China	USD 22 814,00	USD 21 709,97	USD 21 709,97
6	Asgaard	Asgaard	MW 622-6 (Fujian Mawei)	A	2015	59,60	5 150	China	USD 22 814,00	USD 21 709,97	USD 21 709,97
7	Whitesea Shipping	Acamin	Saeb	A	2009	62,00	5 500	UAE	USD 26 483,00	USD 21 975,00	USD 21 975,00
8	Whitesea Shipping	Acamin	Saheb	A	2009	62,00	5 500	UAE	USD 26 483,00	USD 21 975,00	USD 21 975,00
9	Whitesea Shipping	Acamin	Saleh	A	2009	62,00	5 500	UAE	USD 26 483,00	USD 21 975,00	USD 21 975,00
10	Whitesea Shipping	Acamin	Samed	A	2009	62,00	5 500	UAE	USD 26 483,00	USD 21 975,00	USD 21 975,00
11	Whitesea Shipping	Acamin	Sarem	A	2009	62,00	5 500	UAE	USD 26 483,00	USD 21 975,00	USD 21 975,00
12	Tidewater	Mare Alta	Jonathan Roizer	A, B	2004	63,00	4 818	Suriname	-	USD 21 990,00	USD 21 990,00
13	GulfMark	Acamin	Grand Slam	B	2007	68,58	3 894	US GoM	-	USD 21 995,00	USD 21 995,00
14	GulfMark	Acamin	Slam Dunk	B	2008	68,23	3 894	US GoM	-	USD 21 995,00	USD 21 995,00
15	Vega	OSM	Vega Carrier	A	2015	59,25	5 150	China	USD 25 462,00	USD 22 748,00	USD 22 748,00
16	Mosvold Marine AS	Acamin	C1022 (Nantong)	A	2015	60,50	5 150	China	-	USD 22 750,00	USD 22 750,00
17	MCT Recoil	Acamin	Amazon Leader Z	A	2015	59,25	6 000	China	-	USD 22 800,00	USD 22 800,00
18	Vega	OSM	Vega Commander	A	2015	59,25	5 150	China	USD 25 003,00	USD 22 948,00	USD 22 948,00
19	Whitesea Shipping	Acamin	Meghna	A, B	2008	60,00	5 400	UAE	USD 23 464,00	USD 22 995,00	USD 22 995,00
20	Asgaard	Asgaard	Avenger (POET)	A	2015	64,80	5 092	China	-	USD 23 910,00	USD 23 910,00
21	Polskie Ratownictwo	Acamin	Onyx (Xin Yue Feng)	A	2015	63,00	5 150	China	-	USD 24 350,00	USD 24 350,00
22	Greatship	Acamin	Greatship Anjali	A, B	2008	64,35	7 180	S.AF	-	USD 24 950,00	USD 24 950,00



VESSEL NEWS

FARSTAD – Albeit currently available, Brazilian built and flagged AHTS BOS Turquesa has been kept busy in the last month, with two fuel runs being performed for World Fuel Services / Tramp Oil and one anchor handling fixture to Queiroz Galvão O&G.

CBO – Brazilian built and flagged CBO Campos is expected to commence its charter with DeepOcean in early September after conclusion of her adaptation at yard. The CBO Guanabara is currently going through regular docking and will be available in mid-September for spot and term opportunities together with also Brazilian built and flagged CBO Valentina, which has completed one cargo run on the spot market to Enasco.

CHOUEST – Brazilian built and recently delivered PSV Bram Hero has been delivered to Petrobras for the commencement of its 8 years firm contract.

TIDEWATER – Brazilian built and flagged OSRV Danko Tide has been extended on her term contract with Shell Brasil after a competitive process.

OCEANPACT – PSV Carmen has been fixed to Fugro in Brazil for a 10-day firm opportunity to support Metocean buoys launching in Campos Basin, for end client Repsol Sinopec.

VARADA – AHTSs 6000 Varada Ip-anema and Varada Buzios recently concluded their long term contracts

with Petrobras and are currently available in Brazil, searching opportunities. Vessels have 87 tons of bollard pull, DP2 and FiFi1.

WILSON SONS – Brazilian flagged PSVs 3000 Saveiros Albatroz, Saveiros Fragata and Saveiros Gaivota had their current contracts with Petrobras extended until October 2015. Meanwhile, the newbuilds PSVs 3500 Pardela and Pinguim were delivered this month by the shipyard in China and are in route to Brazil, with expected arrival in January and February 2016, respectively, and will be available for charter. Both vessels have DP2, FiFi1, Oilrec Class 1, 700m2 of free deck area, and accommodation for 48 people.



CHQUEST – Brazilian built and flagged PSV Campos Clipper and PSV Santos Sailor have been laid up in south Brazil after being redelivered by Petrobras.

DOF – After a competitive negotiation with alternative AHTS Statoil Brazil have decided to extend its current contract with Skandi Peregrino, DOF's multi-purpose vessel built for Statoil and named after its Peregrino field. The term of the new contract starts in December this year until December 2017.

BUMI ARMADA – AHTS Armada Tuah 104 has left Brazil after its contract with Petrobras came to the end of its 4 years firm.

OLYMPIC SHIPPING – Following the contract of PSV Olympic Progress, Olympic Promoter has also been released by Petrobras at the end of its 4 years firm. The Olympic Promoter however remains in Brazil until moment of writing.

CHQUEST – PSVs C-Promoter and C-Courageous have ended their contracts with Petrobras. While the latter has been laid up in south Brazil, the former has been relocated to the US in seek of opportunities. The C-Courageous is ready to work as OSRV and Chouest seeks opportunities for the vessel in Brazil.

6

AHTS spot fixtures in July

4

PSV spot fixtures in July



SEALION – PSV Toisa Crest has been released by Petrobras at the end of the term period of its contract and is en-route to Port Elizabeth where the vessel is expected to remain until future opportunity secured.

OCEANPACT – OSRV Maricá has become available after conclusion of her term contract with Repsol.

BRAVANTE – PSVs Bravante V and Bravante VII have been reflagged to Brazilian Flag (REB) and are ready for employment, also aiming opportunities with oil major Petrobras. Bravante VI and Bravante VIII remain under original foreign flag.

BRAVANTE – The Bravante VI has been fixed to Saipem on the spot market for 5 days firm late last month for cargo duties. The vessel is prompt available on the spot market.

FARSTAD – AHTS Far Sea and Brazilian built and flagged AHTS BOS Turquesa are readily available in Guanabara Bay. AHTS Far Senator has been released from her charter with Schahin and has left Brazil.

PROSAFE AWARDS CONTRACT WITH PETROBRAS

The Norwegian company won a three year contract with the Brazilian Petrobras for its new building accommodation SS Safe Eurus, which is under construction at Cosco yard in China. Prosafe was competing against 11 proposals and was the best placed company after offering a daily rate of USD 150,000. The contract is scheduled to start in the first quarter of 2017, the same year that its second unit, the Safe Concordia, will start working for the Brazilian company as well.

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LIBRA FPSOS SECURED

Brazilian Odebrecht Oil and Gas and Norwegian Teekay have recently concluded the financial contract of USD 803.7 million for the construction of the Libra FPSO. Seven banks from Europe, USA and Asia agreed to finance the construction of the unit scheduled to start operation in 2017 and due for delivery in the fourth quarter of 2016. The FPSO will have a capacity to produce 50,000 boed, to compress 4 million cbm/day of natural gas and be under charter for up to 12 years. Furthermore, Petrobras received green light from the board of directors to charter one unit for Sépia discovery and another one for Libra due to start operation in 2019 and 2020 respectively and with capacities of 180,000 boed each. The new tender shall be issued by September separately and the companies to be invited are: Bluewater, Bumi Armada, BW, Modec, Saipem, Teekay and Yinson (ex-Fred Olsen). Chinese CNOOC is also considered for the tender. Odebrecht, Queiroz Galvão and SBM will not be invited due to the investigations in the “Car Wash”.

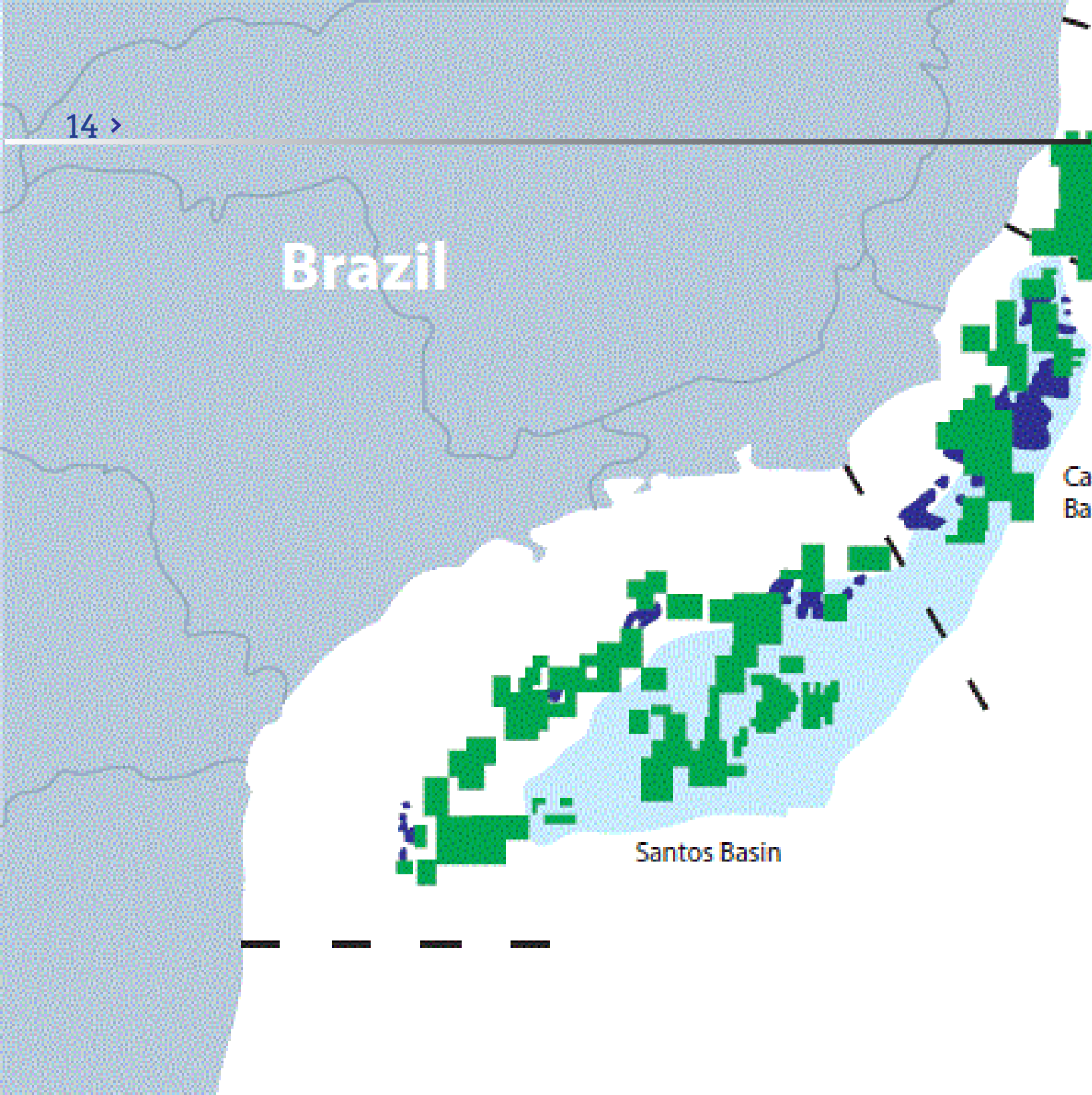


DRILLING RIG FOR PARQUE DAS CONCHAS

Shell is in the market for chartering a drilling rig for maintenance campaign of its Parque das Conchas in Campos basin where lies the fields Argonauta, Ostra, Abalone e Nautilus. The campaign's duration is 60 days firm plus up to 120 optional days and scheduled to start by June 2016.

ODFJELL DRILLSHIP FOR SALE

After completing a three year contract with Petrobras which expired earlier this year, the ultra-deep water drillship Deepsea Metro II has been put up for sale since then. The unit has been laid up since the conclusion of its operation with the oil company as no additional work has come up.



Will ANP succeed in offering blocks during an oil crisis?

No doubt the biggest challenge faced by ANP for the 13th round is to attract candidates to invest in concessions in Brazil while the world is facing a low oil price and the country fights an important political arrest. The economy, locally and globally is not helping either. In the middle of all that, August 11th was the deadline for candidates to subscribe to the oil round for new concessions in Brazil. On August 12th ANP released further information and 39 companies have enrolled in the process, more than on the 12th round.

fields

pre-salt reservoir

exploratory blocks

The ANP have until September 2nd to validate the subscriptions and confirm which companies fulfill the requirements to join the bid. The 13th round remains scheduled for 7th October in Rio de Janeiro, Brazil.

The blocks on this round are distributed in 10 oil basins, including high profile blocks as well as new exploratory areas to improve the exploratory margins. Areas in Espirito Santo and Campos basins are included.

In order to mitigate the economic and political scenarios and increase the interest of candidates, ANP has promoted some changes on the bid, amongst which reviewing the PEM (Minimum Exploratory Programme), reducing the guarantees demanded on the offer to lower costs and attract other players, and a timid but relevant reduction on the local content demand for drilling rigs now set at 10%.

Reducing the local content demand does not generate the needed impact, but demon-

strates that on the fight between the agency and the government, ANP has succeeded.

Other changes however have generated negative impact. ANP has removed the arbitration clause from the unification of blocks, under the perception that most discussions between companies deal with taxation, and that such discussions are not be held privately, but through Brazil's courts.

The National Petroleum Institute (IBP) demonstrated high dissatisfaction with the contract model of this oil round having classified it as "the worst contract model of all times".

ANP on the other hands believes that Brazil remains an attractive market for all companies, major and new players altogether, and that the round will be successful. "Companies have to replenish its reserves and access to oil resources. Companies are used to deal with oil fluctuations", said Magda Chambriard, ANP director, a few days ago.

THE LIKELY SCENARIO FOR PETROBRAS

we dare give an opinion



There's enough bad news surrounding the offshore support business and the Petrobras contracts. Indeed, not in recent history we have seen such arrest on vessel charter as the current blocking of foreign flagged ships and the Brazilian tonnage not anywhere near being contracted. As one local vessel may block as many foreign flag ships until it is employed, it's a recipe for disaster. The business plan released by Petrobras in June according to market experts has been published to satisfy a demand, and clearly does not deliver a realistic scenario for 2015. Petrobras is actively working on a new business plan to be approved by the board of directors in October and all going well by the counsel in November. Worst case scenario this will come out in December. Several points are being discussed, amongst the most polemic the internal restructuring, or for the lack of better wording, the streamlining of business. It is very likely that 3 logistics business units will co-exist, for Santos, Campos and Espírito Santo, with faster, non-centralized decisions being made. The contracts are also likely to be shortened to allow more flexibility to demobilize. This is not exclusively the

case for offshore support vessels, but a sourcing strategy for the whole oil major. As for vessel demand, considering that Petrobras is not divesting from any of the production assets in the short run – therefore maintaining the demand for offshore support; there is a dozen new production assets to come on stream. In 2016, 2017 and 2018 respectively, Petrobras will bring on stream 4, 5 and 8 FPSOs in each year – all contracted. For 2016 6 units are forecasted, 3 of which already contracted and 3 to go out for tender. The 3 units to be tendered are onerous section Sophia and Buzios, and yet another unit for the revitalization of Marlim. Production is cash for Petrobras and the highest priority for the company. 2015 with the release of several rigs on exploratory and development activities has been a very weak year, and will continue to be. Petrobras cannot afford to receive these many FPSOs and not have the wells live – considering that most of the equipment (well heads, WXTs etc) is also all purchased. To achieve these production targets, Petrobras will need to increase the exploratory and the development activity again by 3Q 2016. The math is yet simple. Considering 15 wells per unit, between

production and injection wells, we are likely to see over 200 wells in the expected fields. With average well days between 60 and 80 per well, each rig is capable of drilling around 6 wells per year. Around 35 rigs in service are needed. Petrobras estimates working with 40 on the business plan. For the contracted production projects alone, we forecast 100 vessels (large PSVs and AHTSs + OSRVs) are needed, complemented by another 100 on the already live campaigns – including permanent drilling rigs working on exploration in E&P. The reality is then, with practically one year gone by where no vessels were procured, all vessels to be renewed are being released and the activity has come to a historical low, Petrobras will have to compensate shortly to be ready to get back on track. Our sources seem very confident that the new business plan including the internal restructuring will come on stream by year-end and from this point onwards we shall see a deflection from the current scenario. It is hope aligned with real data in attempt to demonstrate how and when the crisis cycle may come to an end. The market and Petrobras really hope so.



NAUTILUS OFFSHORE SERVICES INC. TMS OFFSHORE SERVICES LTD.

Westshore profile's the Greek company that's successfully navigating Brazilian waters.

FNautilus Offshore Services Inc., a Marshall Island corporation, provides offshore maritime services and owns a fleet of 2 PSVs (platform supply vessels) and 4 OSRVs (oil spill response vessels), all of which are working in the offshore oil exploration and production market on time charter contracts with Brazilian oil giant – Petrobras, for four years firm plus four optional years.

The Technical management of all six Nautilus' vessels is performed by TMS OFFSHORE SERVICES LTD, a marine services company drawing on the expertise of the TMS Group with worldwide

presence in all sectors of shipping. TMS offer strong infrastructure and competitive advantage to support upstream and downstream companies.

TMS OFFSHORE headquarters is based in Greece employing a team able to offer personalized service and technical expertise in vessel management to monitor operations, performance and maintenance through an Integrated Management System (IMS). The central function is complemented by a planned maintenance system aiming efficiency of operations at optimum cost and total client satisfaction.

THE FLEET

PSVs

- Vega Crusader
- Vega Corona

OSRVs

- Vega Juniz
- Vega Jaanca
- Vega Emtoli
- Vega Inruda

ELIUS

THE INTERVIEW

HAVING SIX VESSELS PRESENTLY OPERATING ON LONG-TIME TIME-CHARTER WITH PETROBRAS, WHAT ARE THE MAIN CHALLENGES IN THE BRAZILIAN OFFSHORE MARKET?

The main challenge is that the contracts do not resemble internationally accepted charter party contracts. Also, the federal laws are interpreted differently by each party in each jurisdiction. The end-result is that operating costs in Brazil are much higher than need be for the same quality of service compared to international contracts. We understand this also impacts Petrobras. In a way they are also a victim of the current legal and contractual system in Brazil.

WHAT IS YOUR VIEW REGARDING DOWNTIME AND FINES APPLICATIONS ON THE LOCAL MARKET?

Overall the charterer becomes the arbiter of any contractual dispute, the charterer's commercial views prevail. In addition, certain fines are disproportional to the gravity

of the issues they address. There is low dialogue to resolve a fine that has been issued against the vessel and the contract managers do not seem to have the delegation from the charterer to withdraw. An environment is created whereby the owners act proactively to avoid issues, unavoidably at fear of receiving a fine, rather than focused on improving the service.

WHAT DO YOU EXPECT FOR THE FUTURE CONSIDERING SO MANY BLOCKAGES IN CURRENT SCENARIO?

The law must be respected. In the end of the day it is a commercial decision by the charterer to resolve the matter or terminate the foreign vessel's contract. Therefore it is a "solvable" problem. I trust that soon the situation will resolve itself as things return to normal and the oil price hopefully stabilizes at some level. However the uncertainty from the blockages will likely lead to higher charter rates being offered in future tenders by foreign owners.



AKIS TSIRIGAKIS

CEO

Mr Tsirigakis comes with significant shipping experience having been employed at senior and board level positions in firms such as Star Bulk Carriers, Dryships Inc, Ocean Rig and Oceanbulk Maritime. He has an MSc in Naval Architecture from the University of Michigan and also has seagoing experience. Mr Tsirigakis took the position of Chief Executive Officer at Nautilus in July 2011.

THE OLYMPIC GAMES IN NUMBERS

From August 05th to 21st, the Rio de Janeiro city will host the first Olympic Games in South America. Ten thousand athletes from 205 countries will be competing in 306 competitions with medals, being 136 for women, 161 for men and 9 mixed during 19 days. Sports like Golf and Rugby are back in the competition after 112 and 92 years, respectively, being out of the games. There will be 33 sites around Rio for the competition: 15 in Barra da Tijuca, 5 in Maracanã, 4 in Copacabana and 9 in Deodoro. Seven and a half million tickets are for sale and a total of 138,000 people will be working in the Rio Olympic Committee to make it happen.

Did you know...

ORGANISING THE RIO OLYMPIC GAMES TAKES..



11 MILLION MEALS



8400 SHUTTLECOCKS



40000 CHAIRS



60000 HANGERS



40000 BEDS



80000 TABLES



17760 TENNIS BALLS



MORE THAN 40 HORSES

