

July 2017

NAVIGATOR

THE WESTSHORE NORTH SEA REPORT

THE BIG SHORT

What happens once the short term charters end?

LAY UP ANALYSIS

Class surveys loom, which vessels are in the clear?

VESSELSVALUE

Insight from the latest report



WESTSHORE
SHIPBROKERS AS

Contents

July.2017

- 4.** Spot Market
- 6.** The Big Short
- 8.** Layup Analysis
- 12.** Vessels Value

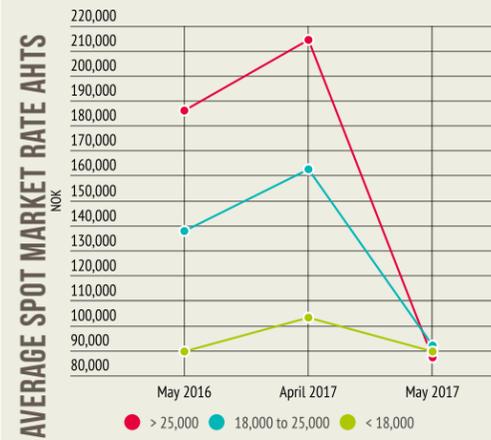


Written & Created by Inger-Louise Molver Offshore Analyst inger@westshore.no

www.westshore.no

This image and front cover image used with kind permission of Jarle Grande





▲ 57.7%

Average AHTS utilisation in May

▼ 81.8%

Average PSV utilisation in May

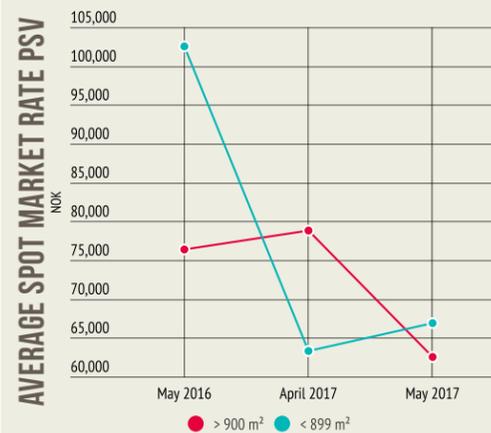
	April 2016	May 2016	April 2017	May 2017
Number of supply spot fixtures	64	78	62	61
Number of AHTS fixtures	52	53	44	36

🔴 11

Rig moves in May 2017

🔵 18

Rig moves in May 2016



MAY

The market took a definite dip in May resulting in very little activity. The number of rig moves plummeted and so did the number of fixtures. Utilization

hovered around previous month's levels but in general it was a slow month and rates were far from inspiring. In terms of the rig count new contracts are continuing to trickle through which is steadily reversing the trend of rigs rolling off contract and going into layup. Unfortunately May and sometimes June are historically slow months, add this to the woes of a depressed market and we end up with a situation like this.

For the PSVs activity showed very little change from the previous month. Rates and utilization levels managing to just keep their heads above the water. At the end of the month there were 82 PSVs in layup, a reduction of around 20 from its peak – very few of these have come out of layup speculatively however.



▲ 62.3%

Average AHTS utilisation in June

▼ 80.8%

Average PSV utilisation in June

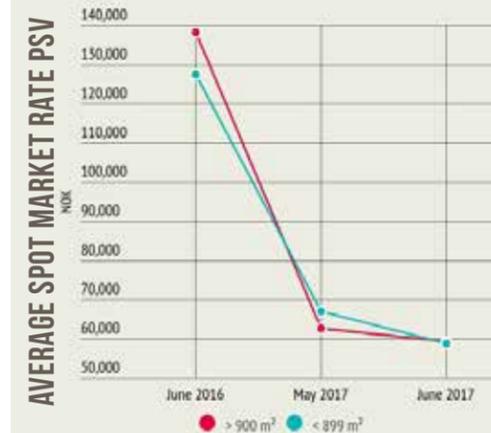
	May 2016	June 2016	May 2017	June 2017
Number of supply spot fixtures	78	49	61	78
Number of AHTS fixtures	53	55	36	38

🔴 14

Rig moves in June 2017

🔵 18

Rig moves in June 2016



JUNE

A slow start to the month as a slow May merged into a slow June. PSV activity picked up by the end of the month and ended up with a fairly decent

level of activity despite fixtures rates failing to climb very much. The main news for the PSV was the large number of term contracts that were awarded during June, notably for Statoil but also a few vessels picked up work with Ross Offshore and others. It was welcome news for the ship owners and questions regarding the amount of available tonnage there actually is started to appear, vessels are starting to come out of layup to fulfill work slots, it's so far not a lot – but it's a start. For the AHTS market there was a slight uptick on the previous month in terms of number of rig moves, this stagnation is expected to reverse in July and August. The rig contracting activity is steadily picking up on the Norwegian side, but I have some serious concerns about the winter months for the UK side.

THE BIG SHORT

There's been a wave of new short term fixtures this year, but is it a band aid on a market that once ripped off, will reveal a problem still very much untreated?



Cautious optimism is where we are at right now. But this sentiment has influenced the duration of new term fixtures we have seen so far this year, and there's been enough of them to necessitate vessels coming out of layup – both to fulfill requirements and speculatively to reactivate a vessel due to general market improvement. But many of these term fixtures are only a matter of weeks or a few months. What are we headed for when they are released from contract? The start of the year is usually the busy period operators to review and renew its vessel requirements from the term market. This year was no exception and happily saw a big improvement of 2016's numbers. At least 81 new term fixtures have been concluded in the North Sea so far in 2017, compared to less than half of that in 2016.* of the term fixtures concluded so far this year two thirds of them are for six months or less, many typically supporting drilling programmes of a well or two.

A handful of operators bucked the trend and by doing so secured tonnage for longer periods. This can be interpreted as these specific operators having a belief in the market that securing vessels on term is a safer bet than relying on the spot market going forward – does it mean they believe the market will tighten and spot tonnage prices will inflate? It's certainly one

interpretation. The main names on this list are Statoil and ConocoPhillips Norway, two companies that so far this year have secured no fewer than 11 vessels on term charter for periods of three, four and five years plus options.

The remainder of the fixtures are far shorter in duration and are in respect of a broader spectrum of operators on both the Norwegian and UK sides. Some of these new fixtures have allowed owners to take vessels out of layup in order to fulfill the contract. Uglund Offshore's Evita was taken out of layup after it secured a three month plus options charter with AkerBP which should keep it busy at least into the autumn if not further.

For others the perception of recovery has encouraged some owners to take tonnage out of layup. It's an understandable move for an owner that has had no income from a vessel for a period of months if not years. Moreover if the class survey is approaching, there's a strong argument that the vessel should be reactivated and out trading before the crunch decision of putting it through its class surveys hits the table. As our layup analysis shows, this will be an issue for several of the vessels currently in layup over the next 12 months. Dina Scout came back to the spot market earlier this summer after nearly two years in layup. Havila Borg was also taken out of layup earlier this year but has subsequently secured a short term charter with Peterson in the Dutch sector, firm until August.

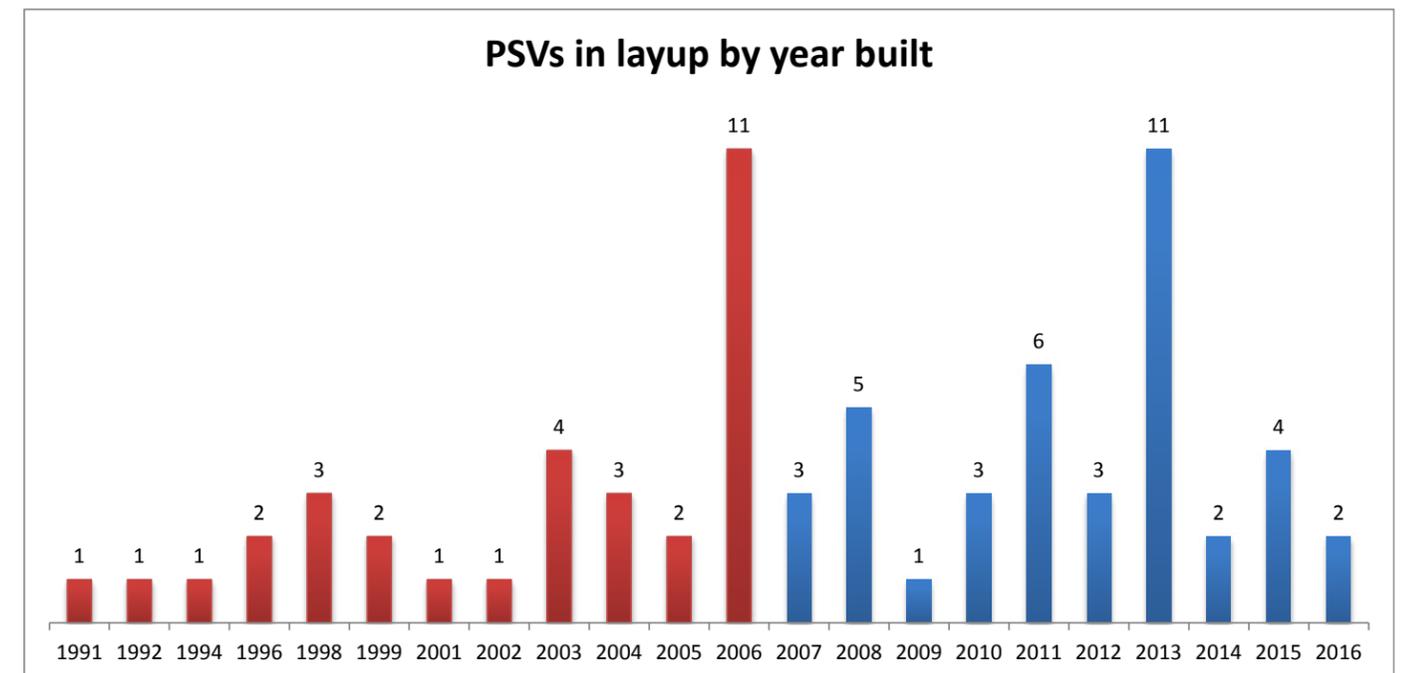
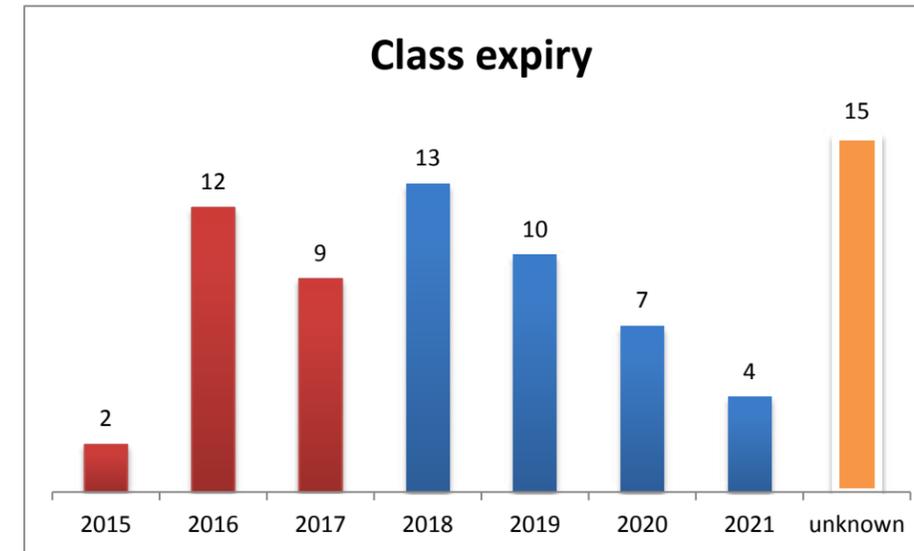
The big question is, although drilling and offshore activity in general is picking up (and as a consequence the level of term fixing), caution and reluctance to commit for anything longer than a few months could be just delaying the problem. If the market quietens down again at the tail end of the year – are we in for another heavy winter?

* Westshore classes anything over 30 days as a term fixture. If the vessel starts work on a spot charter and is extended beyond 30 days, this is still classed as a spot fixture.

Layup Analysis

.....Vessels are coming out of layup faster than you might imagine, one by one work is being found in the North Sea and other parts of the world plus others choosing to take the vessels out speculatively. From the high point back in January/February 2017 when there was over 150 PSVs and AHTS vessels laid up in the North Sea, that number is now 108 – a near 30% reduction. Of the vessels still in layup looming class surveys will be make or break for the fate of some vessels. Whether owners have the finances to class the vessel, or whether they need the vessel out trading before that decision becomes make or break. We take a look at what's left.....

- Of the 72 we know 23 of them have either expired class surveys or will expire within the next few months assuming no action is taken
- 15 vessels are classed by class societies where the current status is unknown, but it is estimated that of those 15, four of these vessels are likely to now be out of class
- That leaves 45 vessels in class and likely to be so out into 2018 or beyond (63% of vessels in layup with class surveys up to date)
- Of the 72 vessels, 40 are 10 years old or younger (55%)
- Of the 40 vessel younger than 10 years, 19 vessels have no class surveys due before 2018 (and a further eight believed to be so from vessels classified by a classification society NOT DNV-GL)
- Of the 33 vessels currently in layup that are younger than 10 years old and are in class, only nine have been in layup for less than a year, plus a further two potentials whose class survey in unknown.



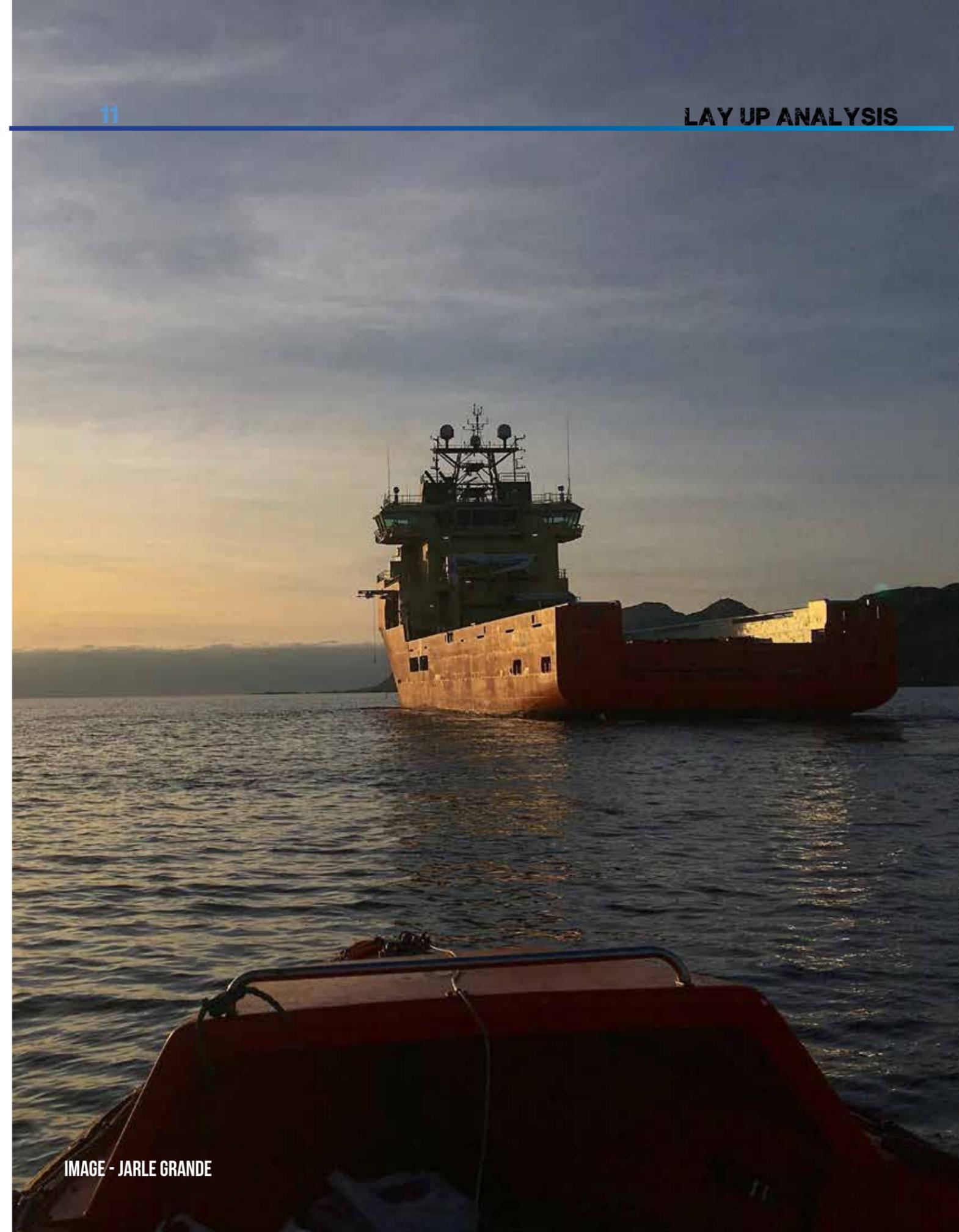
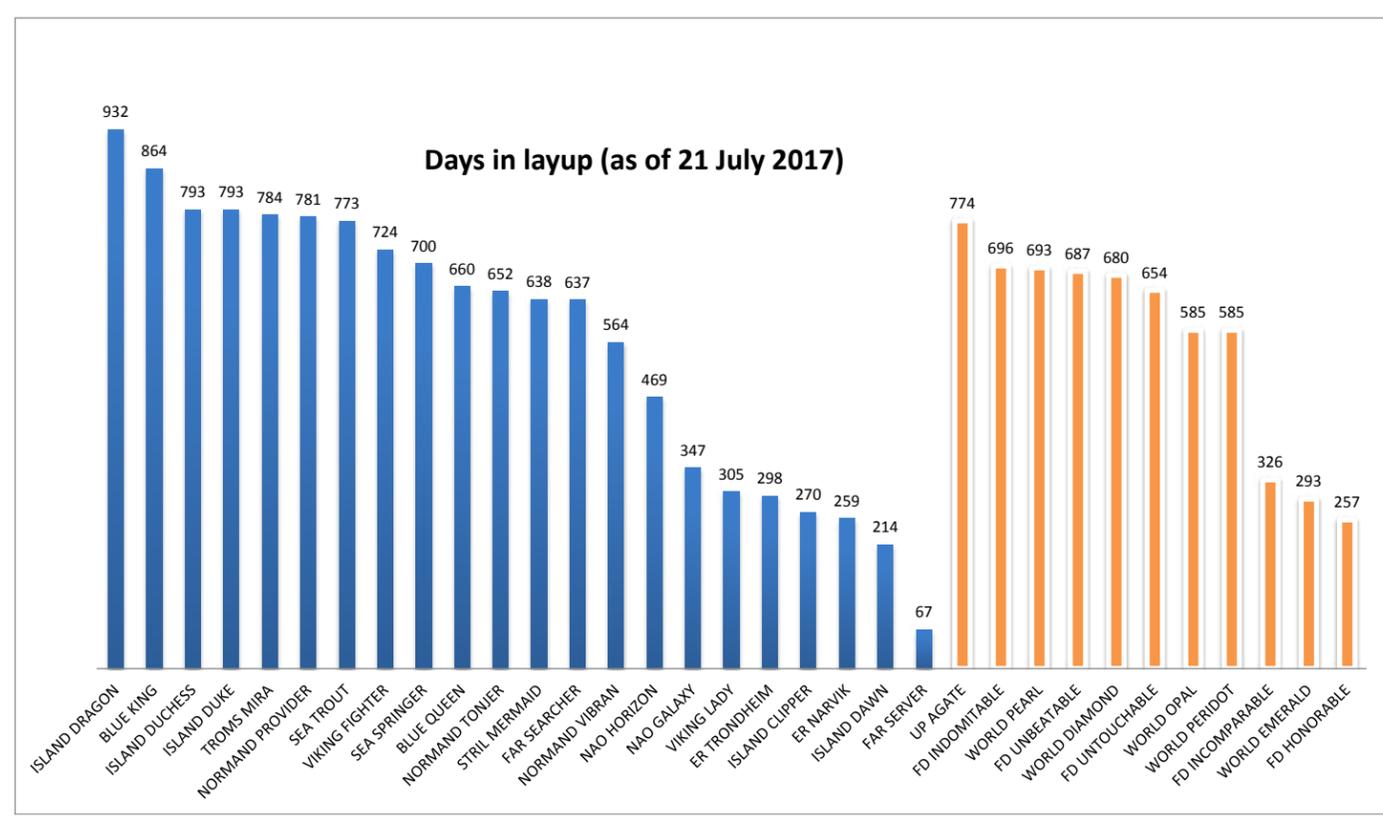
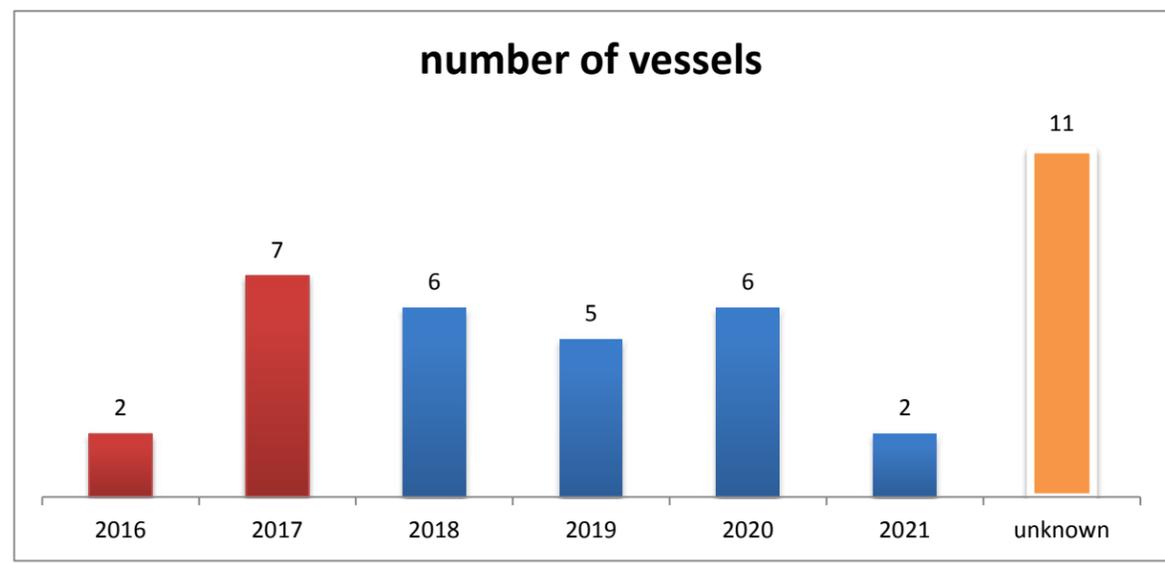


IMAGE - JARLE GRANDE

OSV

Values have continued to soften in both the AHTS/AHT and PSV sector this month.

This table shows the monthly % change in value from 1st to the 30th June 2017 for OSV vessels, by year of build.

YEAR OF BUILD	LARGE PSV	MEDIUM PSV	SMALL PSV	SUPER AHTS	MEDIUM AHTS	SMALL AHTS
	DWT	DWT	DWT	BHP	BHP	BHP
2017	-3.7%	-4.5%	-5.2%	-3.4%	-4.2%	-4.1%
	5.2k	3.6k	1.7k	24k	8.2k	5.5k
2016	-3.8%	-4.4%	-5.2%	-3.4%	-4.3%	-4.3%
	5.2k	3.6k	1.7k	24k	8k	5.2k
2015	-3.8%	-4.5%	-5.4%	-3.4%	-4.7%	-4.7%
	5.2k	3.6k	1.7k	24k	8k	5.2k
2014	-3.8%	-4.7%	-5.3%	-3.4%	-4.9%	-4.9%
	5.2k	3.4k	1.7k	24k	8k	5.2k
2013	-3.9%	-4.6%	-5.3%	-3.5%	-5.1%	-5.4%
	5.1k	3.3k	1.7k	24k	8k	5.2k
2012	-4.1%	-4.7%	-5.4%	-3.5%	-5.4%	-5.4%
	4.8k	3.3k	1.7k	24k	8k	5.2k
2011	-4.0%	-4.6%	-5.2%	-3.5%	-5.5%	-5.7%
	4.8k	3.3k	1.6k	24k	8k	5.2k
2010	-4.0%	-4.6%	-5.5%	-3.5%	-5.8%	-5.6%
	4.8k	3.3k	1.6k	24k	8k	5.1k
2009	-4.0%	-4.6%	-5.5%	-3.5%	-5.9%	-5.6%
	4.8k	3.3k	1.6k	24k	8k	5.1k
2008	-4.1%	-4.6%	-5.2%	-3.6%	-6.1%	-5.8%
	4.8k	3.3k	1.6k	24k	8k	5.1k
2007	-4.1%	-4.7%	-5.5%	-3.6%	-6.0%	-5.7%
	4.8k	3.3k	1.6k	24k	8k	5.1k
2006	-4.0%	-4.7%	-5.4%	-3.6%	-5.3%	-6.3%
	4.8k	3.3k	1.6k	24k	8k	5.1k
2005	-4.0%	-4.8%	-5.1%	-3.5%	-5.8%	-6.7%
	4.8k	3.3k	1.6k	24k	8k	5k
2004	-4.1%	-4.7%	-6.0%	-3.6%	-6.1%	-6.5%
	4.8k	3.3k	1.6k	24k	8k	5k
2003	-4.2%	-4.8%	-5.5%	-3.6%	-5.9%	-5.7%
	4.8k	3.3k	1.6k	24k	8k	5k
2002	-4.3%	-4.9%	-5.6%	-3.7%	-5.0%	-7.1%
	4.7k	3.3k	1.6k	24k	8k	5k

PSV

Softening in PSV values this month.

- 3 PSV sales have been concluded this month.
- NS Frayja and NS Orla (5,100 DWT, Sep/Jul 2014, Hyundai Mipo) were sold with 15 year (USD 17,253 per day) charter attached for USD 105.4 mil from BP Shipping to Ocean Yield.
- Blue Betria (2,500 DWT, Jun 1983, Ulstein Verft) was sold by Blue Star Line AS for conversion to FRU.

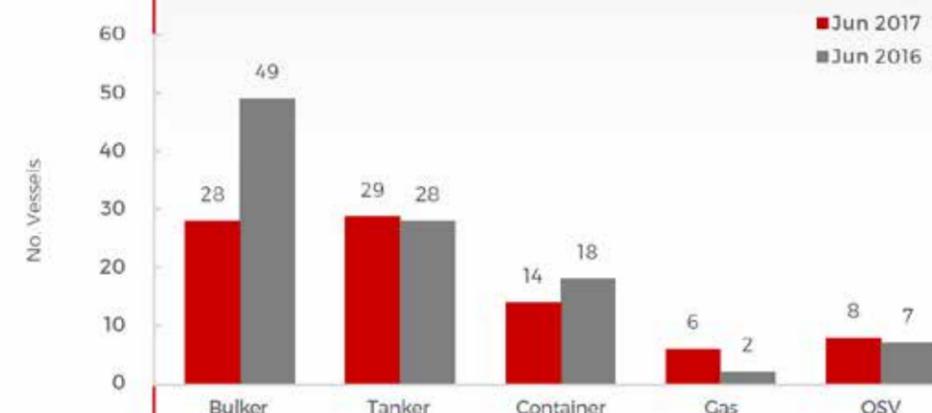
AHTS & AHT

Softening in all AHTS/AHT values this month.

- 5 AHTS/AHT sales have been concluded in June.
- Pacific 3, 33, 333 (6,960 BHP, Aug/Oct/Dec 2013, Pacific Richfield) were sold in a bank sale for a total of USD 9.9 mil to POSH.
- Baltic Explorer (5,000 BHP, Jul 2013, ASL Marine) was sold to a Russian Buyer from Swiscco for an undisclosed price.
- Mermaid Reliance (2,218 BHP, May 2010, East Star) was sold by MMA Offshore to Astro Offshore for an undisclosed price.

S&P No.

Number of 2nd hand sales taken place in June 2017 vs June 2016.



- Total sales by number count are down 18% for June 2017 compared to June 2016.
- Bulker and Containers sales are down for June 2017, Bulkers just under half the amount of sales have taken place compared to June 2016.
- There have been 8 OSV sales concluded this June compared to 7 last June, however no prices were disclosed in 2016.

