Overview of the Offshore Supply Vessel Industry
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Macro Drivers to Offshore Support Vessel Demand Growth

Offshore Support Vessel Industry - Overview

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* Asset Values
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Regional Outlook

* US GoM
* Latin America
* West Africa
* Middle East
* North Sea
* Asia Pacific

Market Outlook

Disclaimer
Offshore Support Vessel Demand - Macro Drivers
Macro Drivers prompting Offshore Support Vessel Demand

**Oil Consumption vs. GDP Growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth</th>
<th>Oil Demand Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>2006</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>2007</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>2008</td>
<td>-2%</td>
<td>2%</td>
</tr>
<tr>
<td>2009</td>
<td>-3%</td>
<td>0%</td>
</tr>
<tr>
<td>2010</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>2011</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>2012E</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>2013E</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

*Source: IMF, World Economic Outlook (April 2012)*

**WTI Crude Oil Prices**

Source: Bloomberg, EIA - Short Term Energy Outlook (March 2012)

- High Energy demand & Oil prices
- High E&P Capex
- Increasing Offshore activity as onshore fields mature
- Robust OSV Demand
E&P Spend by Major Oil and Gas Companies

**Top 10 Global E&P Spenders**

<table>
<thead>
<tr>
<th>US$ million</th>
<th>5,000</th>
<th>25,000</th>
<th>45,000</th>
<th>65,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petrochina</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exxon Mobil</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royal Dutch/Shell</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chevron Corp.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petrobras</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BP plc</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pemex</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eni Spa</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petronas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Company filings, Clarkson Capital Markets

» **Top 10 E&P spenders** globally accounted for **nearly 44% of the total E&P spending** in 2011

» All of them are expected to **increase capex during 2012, by an average 29%**
Offshore fields to provide increasing share in the global oil supply

Exploration trend shifting towards offshore oil fields and away from onshore fields:

- **Offshore oil production** contribution expected to grow ~37% by 2018, up from 35% in 2010, driven by *contribution from deepwater (water depths >= 600 feet)*

Deepwater Capex to reach new highs - fuelling the demand for OSVs

» Majority of Capex is directed towards Deepwater Activities:

- **Global Deepwater Capex** is forecasted to reach **$62 billion by 2015** from ~$22 billion in 2010, indicating a CAGR of ~23%, **driven by advancement in seismic and drilling technologies**

- Deepwater activity is mainly carried out in the **“Golden Triangle”** - West Africa, the US GoM and Brazil

### Exploration Trend - Deeper and Deeper

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Offshore Fields</th>
<th>Average Water Depth (feet)</th>
<th>Distance from Shore (km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>10</td>
<td>4,970</td>
<td>156</td>
</tr>
<tr>
<td>U.S.</td>
<td>25</td>
<td>4,751</td>
<td>173</td>
</tr>
<tr>
<td>Brazil</td>
<td>30</td>
<td>3,514</td>
<td>156</td>
</tr>
<tr>
<td>Nigeria</td>
<td>7</td>
<td>2,054</td>
<td>63</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8</td>
<td>1,171</td>
<td>99</td>
</tr>
<tr>
<td>Norway</td>
<td>18</td>
<td>761</td>
<td>141</td>
</tr>
<tr>
<td>Australia</td>
<td>7</td>
<td>499</td>
<td>149</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>14</td>
<td>361</td>
<td>122</td>
</tr>
<tr>
<td>India</td>
<td>16</td>
<td>230</td>
<td>100</td>
</tr>
<tr>
<td>China P.R.</td>
<td>7</td>
<td>226</td>
<td>38</td>
</tr>
<tr>
<td>Others</td>
<td>39</td>
<td>666</td>
<td>83</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>181</strong></td>
<td><strong>1,896</strong></td>
<td><strong>126</strong></td>
</tr>
</tbody>
</table>

» **Majority of the offshore activity is concentrated in the deepwater regions such as:** Angola, U.S., Brazil, Nigeria, Malaysia and Norway

Source: Clarkson Research, *The Offshore Oil Market* (March 2012)
Significant Hydrocarbon Discoveries in the Deepwater Regions

US GoM:
- Big Foot, Water depth 5,330 ft, Chevron
- Jack/St. Malo, Water depth 7,042 ft, Chevron
- Lucius, Water depth 7,168 ft, Anadarko
- Greater Chinook Area, Water Depth 8,877 ft, Petrobras
- Gunnison, Water Depth 3,138 ft, Anadarko
- Auger, Water Depth 2,878 ft, Marathon Oil

South America:
- Marlim Leste, Water depth 6,336 ft, Petrobas
- Barracuda, Water depth 3,630 ft, Petrobas
- Tupi, Water Depth 7,161 ft, Petrobas
- Guara Sul, Water Depth 7,065 ft, Petrobas
- Espadarte, Water Depth 2,805 ft, Petrobas
- Zaedyus, Water Depth 6,758 ft, Shell
- Albacora Leste, Water depth 200 ft, BPZ Energy

Europe - North Sea:
- Greater Norne Area, Water Depth 1,254 ft, Statoil
- Knarr (Jordbaer), Water Depth 1,320 ft, BG
- Esperanza, Water Depth 297 ft, BG
- Erne, Water Depth 5,562 ft, Antrim
- Ettrick, Water Depth 363 ft, Nexen

Europe - South Sea:
- Greater Norne Area, Water Depth 1,254 ft, Statoil
- Knarr (Jordbaer), Water Depth 1,320 ft, BG
- Esperanza, Water Depth 297 ft, BG
- Erne, Water Depth 5,562 ft, Antrim
- Ettrick, Water Depth 363 ft, Nexen

Africa:
- Makore, Water Depth 4,646 ft, Kosmos Energy
- Ten Cluster, Water Depth 3,788 ft, Tullow
- Narina, Water Depth 3,772 ft, African Petroleum Corp.
- Independence discovery, Water Depth N/A, Vanco
- Jupiter, Water Depth 21,335 ft, Anadarko
- Azul, Water Depth 3,046 ft, Maersk Oil

Asia Pacific:
- Gajah Baru, Water Depth 271 ft, Premier Oil
- Chim Sao, Water Depth 380 ft, Premier Oil
- Benjarong, Water Depth 10,626 ft, Coastal Energy
- Laverda, Water Depth 2,640 ft, Woodside
- Janglau, Water Depth 10,761 ft, Lundin

Offshore Oil Field:- Prospects, Discoveries (Drilled/Appraised), Under Development Fields (2011 – April 2012)

Source: SubseaIQ (division of Rigzone), Hornbeck Offshore – Investor Presentation (March 2012), Clarkson Capital Markets
Offshore Support Vessel Industry - Overview
OSV fleet growing, and growing younger…

Fleet Development, by number of vessels

» At March-end 2012, the total count of OSV fleet stood at 2,967 vessels compared to 2,830 at December-end 2011

» Young Fleet: Approx. 70% of the existing fleet is under 20 years of age

Age Profile, by number of vessels, At March-end 2012

Under 20 years Fleet, by vessel type, At March-end 2012

Source: MarineBase, Clarkson Capital Markets estimates
...as healthy orderbook promises future fleet growth...

Global Orderbook, by Yards, At March-end 2012

100% = 411 vessels

- Sinopacific: 12%
- ABG Shipyard: 5%
- Eastern Shipbuilding: 3%
- Bharati: 3%
- Remontowa: 2%
- Others: 74%

Source: MarineBase, Clarkson Capital Markets estimates

Annual Deliveries, by number of vessels

<table>
<thead>
<tr>
<th>Year</th>
<th>AHTS</th>
<th>PSV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>62</td>
<td>112</td>
</tr>
<tr>
<td>2008</td>
<td>97</td>
<td>128</td>
</tr>
<tr>
<td>2009</td>
<td>93</td>
<td>209</td>
</tr>
<tr>
<td>2010</td>
<td>87</td>
<td>198</td>
</tr>
<tr>
<td>2011</td>
<td>70</td>
<td>146</td>
</tr>
</tbody>
</table>

Source: MarineBase, Clarkson Capital Markets estimates

» Global OSV orderbook comprised over 14% of the fleet at March-end 2012

» Amongst yards, **Sinopacific holds the top position with 12% share**, or **48 newbuilds** on order placed by Bourbon and Deep Sea Supply, followed by **ABG shipyard with 5% share**
Historically, the OSV sector has witnessed low scrapping, except for 2009 where the demolitions touched a record high with 34 vessels.

Over the forecast period, we expect the demolitions to increase, driven by:

- NOCs’ demand for younger vessels for long-term charters
- Competition from higher specifications vessels

Source: Clarksons, MarineBase, Clarkson Capital Markets estimates
Asset values strengthened for newbuilds and modern 5-year old units…

» In 1Q 2010, the asset values strengthened for newbuilds and modern 5-year old units, while a contrary trend was observed for the 10 and 20 year old vessels.

» The 10 and 20 year old vessel values have either trended downwards and stayed nearly flat, indicating reduced relative demand for older vessels.

Source: Clarksons
… in contrast to a decline witnessed for their older counterparts

**Large AHTS (200t BP) Values**

<table>
<thead>
<tr>
<th>US$ million</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newbuild(NB): $62.6</td>
<td>10yr-old: $38.0</td>
</tr>
<tr>
<td>5yr-old: $56.4</td>
<td>20yr-old: $27.0</td>
</tr>
</tbody>
</table>

**Medium PSV (3,200t dwt) Values**

<table>
<thead>
<tr>
<th>US$ million</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newbuild(NB): $27.3</td>
<td>10yr-old: $14.0</td>
</tr>
<tr>
<td>5yr-old: $25.0</td>
<td>20yr-old: $9.9</td>
</tr>
</tbody>
</table>

**Very Large AHTS (240t BP) Values**

<table>
<thead>
<tr>
<th>US$ million</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newbuild(NB): $84.8</td>
<td>5yr-old: $78.1</td>
</tr>
<tr>
<td>$91.3</td>
<td>$79.0</td>
</tr>
</tbody>
</table>

**Large PSV (4,000t dwt) Values**

<table>
<thead>
<tr>
<th>US$ million</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newbuild(NB): $44.0</td>
<td>10yr-old: $24.2</td>
</tr>
<tr>
<td>5yr-old: $37.0</td>
<td>20yr-old: $12.5</td>
</tr>
</tbody>
</table>

Source: Clarksons
Market expected to turn in favor of vessel owners

OSV to Rig Ratio

CCM OSV Index(1) vs. WTI Crude Oil Prices

Indexed Price

Correlation = 0.94x, R-Squared = 0.84x

Source: ODS-Petrodata, Clarkson Capital Markets estimates

» **OSV to Rig ratio is expected to fall below 3.9 by 2014 from 4.1 as of March 2012**, reflecting a **tilt in market balance in favor of vessel owners**

1. CCM OSV index comprising of the four companies under our coverage - Tidewater, Gulfmark Offshore Inc, Bourbon and Hornbeck Offshore.

Source: Bloomberg; Clarkson Capital Markets
Regional Markets
US GoM is the most actively explored …

Leading Vessel Operators

» Potential deepwater discoveries (Jack/St. Malo and the Big Foot) would continue to drive E&P activity in the region

» Top 5 Operators: Shell, BP, Chevron, Apache and Anadarko

» Leading Managers: The contracting side is more top heavy with Seacor Marine and Edison Chouest constituting maximum share

Leading AHTS Players

Leading PSV Players

Source: MarineBase
Utilization: Utilization for AHTS remained volatile while that of PSV has increased.

Dayrates: AHTS rates are highest in the region. The AHTS dayrates improved strongly in 3Q 2011, and maintained those levels thereafter. However, an opposite trend was visible in the PSV rates which declined post 3Q 2011. For 2012, the OSV average dayrates would probably down.
Latin America is one of the important OSV markets…

» Continued development of Brazil’s large offshore basins like the Campos, Santos, Espirito de Santos, and prospects like the Atlantic Margins, to support the OSV demand

» Top 5 Operators: Petrobras, Pemex, BP, OGX and Shell

» Leading Managers: Tidewater, Maersk Supply and Edison Chouest
... given its huge growth potential over the next 10 years

» Utilization: The utilization levels in the region have remained fairly consistent

» Dayrates: Tend to be higher in Brazil relative to Mexico, as it is more expensive to work in Brazil. Overall, the dayrates have shown a gradual improvement over the last few years and are expected to maintain the trend in 2012

Source: Clarkson
West African region is both a shallow…

» The incremental demand for OSV activity is likely to come from deepwater projects in Angola, Nigeria and Ghana

» Top 5 Operators: Total, Chevron, ExxonMobil, ENI and Perenco

» Leading Managers: The vessels market is top heavy, with Tidewater, Bourbon and Sanko Line forming ~16 - 36% share of the market
Utilization - AHTS and PSV

» Utilization: The AHTS and PSV utilization in the region has declined gradually from high levels.

» Dayrates: The AHTS dayrates have nearly halved over the last two years. In contrast, the average dayrates earned by PSV stabilized after declining sharply.

Source: Clarksons
Middle East region is primarily…

» In the region, the *jack up rig count is a more important driver of OSV activity and demand*

» **Top 5 Operators:** Saudi Aramco, Iranian Offshore, Maersk, Qatar and Belayim

» **Leading Managers:** In the AHTS market, Zamil and Tidewater hold the majority share while the PSV market is significantly fragmented
... a shallow water play

» Utilization: Both the PSV and AHTS utilization levels have decreased gradually from high levels over the last few years

» Dayrates: Rates in this region are among the lowest in the world, due to shallow waters in the region and Saudi Aramco’s ability to dictate pricing

Source: Clarksons
North Sea is one of the oldest and most explored offshore...

» Application of enhanced oil recovery techniques is expected to drive future demand for OSVs in the region

» **Top 5 Operators:** Statoil, BP, Peterson, ConocoPhilips and Shell

» **Leading Managers:** Gulf Offshore, a subsidiary of Gulfmark, Simon Offshore and Siem Offshore

Source: MarineBase
Utilization: The AHTS and PSV utilization levels have remained volatile over the last few years.

Dayrates: While the average dayrates earned by AHTS have relatively subdued, the PSV dayrates have displayed consistency.

Source: Clarksons
Asia Pacific region offshore production has witnessed rapid growth over the years, driven by a wide array of geographic developments.

» **Offshore production** in the region has witnessed rapid growth over the years, driven by a wide array of geographic developments.

» **Top 5 Operators:** CNOOC, Petronas, Chevron, PTT and Vietsovpetro.

» **Leading Managers:** China Oilfield and Tidewater hold the majority share of the AHTS market, while the PSV market is fragmented.

*Source: MarineBase*
Utilization: The AHTS and PSV utilization have declined from moderately high levels and stayed broadly flat over 2011. However, over the next 12 months rates are expected to remain stable or tread downwards.

Dayrates: Post 1Q 2011, the average dayrates have declined, however, for 2012 they are projected to continue sideways to down.
Market Outlook
# AHTS: Strong outlook for 2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply</td>
<td>1,409</td>
<td>1,609</td>
<td>1,755</td>
<td>1,864</td>
<td>1,927</td>
</tr>
<tr>
<td>(\text{Growth %})</td>
<td>14%</td>
<td>9%</td>
<td>6%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Demand</td>
<td>1,098</td>
<td>1,128</td>
<td>1,297</td>
<td>1,586</td>
<td>1,624</td>
</tr>
<tr>
<td>(\text{Growth %})</td>
<td>2%</td>
<td>15%</td>
<td>22%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Utilization</td>
<td>78%</td>
<td>70%</td>
<td>74%</td>
<td>85%</td>
<td>84%</td>
</tr>
</tbody>
</table>

### AHTS – Global Demand and Utilization

We anticipate the AHTS market to tighten in favor of vessels in 2012.

Utilization is expected to reach peak levels from 2009-10.

Source: MarineBase, Clarkson Capital Markets estimates
# PSV: Robust in 2012

<table>
<thead>
<tr>
<th>PSV - Global</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012E</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supply</strong></td>
<td>969</td>
<td>1,026</td>
<td>1,075</td>
<td>1,155</td>
<td>1,259</td>
</tr>
<tr>
<td><strong>Growth %</strong></td>
<td>7%</td>
<td>5%</td>
<td>7%</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Demand</strong></td>
<td>703</td>
<td>721</td>
<td>776</td>
<td>898</td>
<td>937</td>
</tr>
<tr>
<td><strong>Growth %</strong></td>
<td>4%</td>
<td>8%</td>
<td>10%</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Utilization</strong></td>
<td>73%</td>
<td>70%</td>
<td>72%</td>
<td>78%</td>
<td>74%</td>
</tr>
</tbody>
</table>

Utilization to mount in 2012, however, the PSV market is expected to come under supply side pressure in 2013

Source: MarineBase, Clarkson Capital Markets estimates
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