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MARINE ENGINEERING





DAMEN
DAMEN SHIPYARDS SHARJAH (FZE)



YOUR PARTNER FOR MARITIME & OFFSHORE PROJECTS







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**Outlining practical options for older tonnage in the market
Convert or Upgrade to avoid lay-up**

ABOUT DAMEN



FACTS & FIGURES 2015

| | |
|-------------------------------------|-----------------------------|
| ANNUAL TURNOVER: | € 2 bn |
| ANNUAL DELIVERIES: | 200 |
| ANNUAL REPAIR JOBS | 1,500 |
| THE DAMEN FAMILY: | 9,000 |
| GLOBAL PRESENCE: | 32 YARDS |
| THE DAMEN STANDARD: | STOCK HULLS > 200 |
| VESSELS DELIVERED SINCE 1969 | > 5,000 |



Operations in Dubai, Fujairah and Sharjah

Some repair/newcon figures for Damen Sharjah:
In our first year operation (2014) we carried out 150 drydockings and delivered 8 newbuilds

In 2015

- 165 dry dockings
- 2 conversions
- 50 major afloat repairs
- 500+ smaller fabrication/supply jobs
- 8 newbuilding deliveries



PSV market heavily affected

Pareto : Times are not just tough – they are brutal.

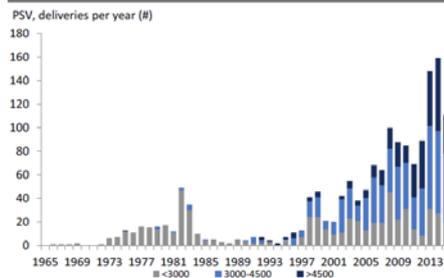
Roy Donaldson : [OSV Industry, Resurfacing May not be Pretty.](#)

Vivek Seth : There is light at the end of the tunnel

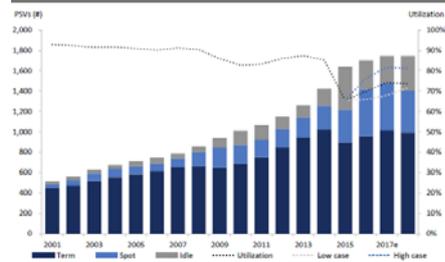
René Kofod-Olsen : “very upbeat” about the OSV market in the medium term but only if the troubled sector undertakes major consolidation now.

1,616 PSVs in current fleet, with around 200 on order, 80 more are expected to be delivered in 2016. A total of 750 OSV/PSV/AHTS idle globally.....

Global PSV fleet profile



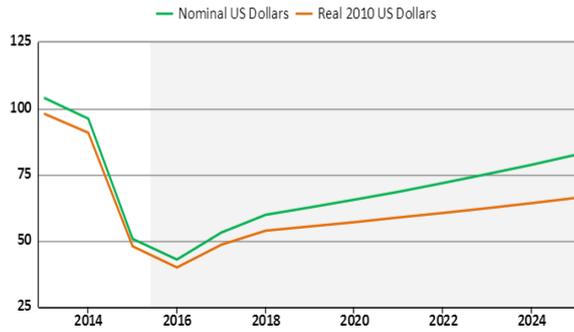
PSV supply/demand model



The new reality of lower oil prices - Huge effects on O&G industry

World Bank Oil Price Forecast

Crude oil, avg. spot (\$/bbl)



- Offshore spending cut 25% in 2016 and 0-10% in 2017 -
- Working rig count – bottom in sight but not there yet -
- Slowly shrinking OSV orderbook – no new orders. Tsunami of NB's awaiting delivery -
- OSV utilization and rates still falling – Cash flow declining -
- Tender activity across offshore sectors is very slow -
- Oil fundamentals showing "silent recovery" +
- We have entered a "Credit Void" for offshore debt. -
- Oil service stocks: testing all time lows -
- Oil demand robust - Depletion of cash positive fields- Oil market rebalancing +
- Restructuring has started –new equity getting ready to enter. +
- Cost optimisation - project re-evaluation gathering pace +

Too much oil, too many ships... what are the options?

In 2015-2016 the logical reaction from O&G value chain was trying to cut cost on all levels while maintaining safety, reliability, uptime and competent crews.

With the crisis deepening more drastic actions will be needed
Recovery is not expected before 2018.....

- Are lay-ups financially viable?
- Revaluating purposes of older tonnage in the current market
- What options are available for PSV/OSV tonnage in other marine sectors
- Scrapping – is this a cost-effective measure to minimize obsolete fleet?
- What are the options to a cost-effective scrapping process in the UAE



Owners grinding out survival strategies

Tue 30 Aug 2016 by David Foxwell



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REM Offshore could lay up three more PSVs

SEPTEMBER 23RD, 2016 HOLLY BIRKETT EUROPE, OFFSHORE

SHIPPINGWATCH 25 September 2016

FRONTPAGE CARRIERS SUPPLIERS SERVICES OFFSHORE



Photo: Maersk Drilling

Maersk Supply to scrap every sixth vessel in the fleet

Are cold lay-ups financially viable?

Financial considerations: OPEX versus Lay-up cost

- Holistic view on lay up cost and reactivation costs
- Daily lay-up cost + reactivation cost is less than possible negative gross margin if owners choose to work below OPEX.
- Timeline of layup....

Other concerns

- Safety concerns
- Is cold stacking allowed
- Risk of asset deterioration



2017...If you don't layup will you ruin your future market with low rates?

Is scrapping an option or a necessity?

The reality:

- Without major scrapping it will take at least 10 years before the market regains balance.
- Some charterers now have a 15 year rule in tenders. Any vessel older than 15 years old now is likely to be 20 years old when coming out of lay up.

However financials are not positive:

- Dependent on depreciation model
- OSVs have very little steel weight/scrap value so there is no financial incentive for owners to scrap vessels.
- The cost of fuel/towage to a scrapyard will likely be more than the scrap value



Is scrapping an option or a necessity?



- Owners who have been depreciating assets conservatively are in a better position to scrap
- Highly geared companies are facing difficulties as well as companies whose ownership changed during the boom times given that asset values would be reset.
- Only very few companies take ownership to restore balance in a market.
- In a diversified market like the OSV segment this is extra difficult.

What are the options for
Cost-effective scrapping process in the UAE

- Green scrapping would add to UAE image as responsible shipping hub
- Cash buyers and re-sellers of equipment are already active in UAE
- Especially scrapping of obsolete GCC OSV fleet would be cost effective compared to transportation to Asia



However

- Image issues associated with scrapping
- Need for dedicated site ideally with graven dock/shiplift
- Cost effective would need a smelter close by
- Fornaes in Denmark is succesful

For UAE - Abu Dhabi, Emirates steel in Mussaffa could be an option?

DAMEN Recent offshore developments



Walk 2 work vessel



PSV 6000 IRM (light)



Fast IRM vessel



AHTS - 180



LNG AHTS



CSV - Air dive vessel

Bibby Marine Orders Purpose-Built Wind Farm Service Vessel

January 18, 2016 by I



Bibby Marine Service's Bibby WaveMaster 1. Image credit: Damen Group

Bibby Marine Services has placed an order for a purpose-built walk-to-work vessel to serve exclusively in the offshore wind market in the North Sea.

The order was placed at Dutch shipbuilder Damen Shipyards for construction at Damen Shipyards Galati in Romania.

Conversion ideas for existing OSV's

Offshore decommissioning market is worth 40 Billion USD until 2040..
In North Sea Alone...

Pioneering Spirit:
First project completed



Damen is developing solutions for smaller projects



Conversion ideas for existing OSV's



Expedition cruises is a growing market

Conversion or a New build?

Some high spec Offshore vessels may be suitable for conversion to expedition cruise vessel.



Conversion ideas for existing OSV's



Is Fish stock the new oil?

OSV's to service offshore fishfarms?

Damen nets order for cost saving fish farm concept

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NOVEMBER 16, 2015 — Damen Shipyards has booked a contract that promises to significantly reduce the operational costs of fish farming.

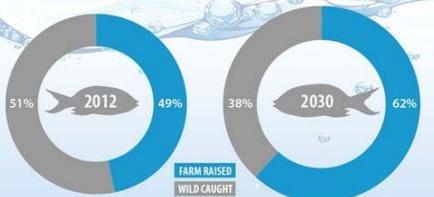
Signed last month, the contract will see Damen Shipyards Gorinchem deliver a Stan Pontoon 4113 (YN 523702) and a Multi Cat 2712 (YN 571725) to Norway's Frøy Vest AS.

According to Remko Hottentot, Damen Manager Sales Norway, the Damen-developed combination of a Multi Cat and a Stan Pontoon is an entirely new concept in the fish farm industry. In the past no fewer than four vessels were used for fish-farming operations, but the combination of one Multi Cat and a Stan Pontoon is a guarantee that the operational costs for the client are reduced considerably.

Buy using one Multi Cat and one Stan Pontoon, new concept promises major savings on traditional fish farm operations using four

GLOBAL SEAFOOD CONSUMPTION

NOW vs FUTURE



SPLASH24/7

HOME SECTOR REGION MARITIME CEO CONTRIBUTIONS OPINION MAGAZINE

Maersk Supply sells two anchor handlers to Karadeniz for conversion into floating power plant



SHIPPINGWATCH 25 September 2016
FRONTPAGE CARRIERS SUPPLIERS SERVICES OFFSHORE



Photo: Maersk Drilling

Maersk Supply to scrap every sixth vessel in the fleet

Conclusions

- Too much oil, too many ships, too many shipyards....
- Overcapacity of the Offshore fleet will hamper recovery going forward, even with rising oil prices
- Cold stacking vessels over 15 years old may not make technical sense, but may be the only option for owners looking to avoid excessive write off
- Serious consideration should be given to convert younger high spec vessels designed for deep/cold as this segment may be the last one to recover.
- Oil field decommissioning may offer opportunities for owners willing to specialize.
- Scrapping smaller tonnage in UAE may be an option providing it is done Green and supported by government.

Thank you for your attention
Any questions?

Willem Moelker
Head of Sales and Marketing

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