Fairstar

FAIRSTAR HEAVY TRANSPORT NV BOARD OF DIRECTORS' REPORT Q2 AND FIRST HALF YEAR OF 2012

HIGHLIGHTS Q2 2012

- **FAIRSTAR FLEET ACHIEVES 70% UTILIZATION IN THE SECOND QUARTER OF 2012**
- **FORTE DELIVERED, FINESSE LAUNCHED AND ON SCHEDULE FOR DELIVERY IN OCTOBER 2012**

POST Q2 2012 EVENTS

- **FORTE UNDER CONTRACT FOR GORGON PROJECT**
- **FAIRSTAR RECOMMENDS DOCKWISE OFFER TO SHAREHOLDERS FAIRSTAR**

In the second quarter of 2012 Fairstar achieved 70% utilization for its vessels FJORD and FJELL, bringing half year utilization to 76%. This resulted in revenues of USD 9.5 million, bringing revenues for the first half year to USD 17.8 million. In the second quarter of 2012, FJELL transported concrete barges and started its journey with Seadrill Offshore Vigilant from Trinidad to Vietnam. FJORD safely completed the CLOV project and started docking to prepare for the Gorgon project.

Following delivery end May 2012, FORTE started operations for the multi-voyage Gorgon project in Australia.

FINANCIAL RESULTS

Key figures Fairstar:

Q2 2012	Q2 2011	*(x USD 1000,000 unaudited)*	H1 2012	H1 2011
9.5	9.3	Revenue	17.8	10.5
(18.1)	0.1	EBITDA	(18.1)	(4.0)
0.1	0.1	Adjusted EBITDA[1]	0.1	(4.0)
(33.0)	(2.9)	Net profit / (loss)	(39.2)	(9.4)
(2.0)	(2.9)	Adjusted net profit / (loss)[2]	(8.2)	(9.4)

[1)] Mainly excludes the costs relating to the change of control payments in H1 2012 and advisory fees;
[2)] Mainly excludes the cancelation fees from the non-proceeded financing arrangements and the loss of the ineffective cash flow hedge in 2012.

Fairstar made an EBITDA loss of some USD 18 million in the second quarter of 2012, bringing total loss from EBITDA for the first half year of 2012 at USD 18 million, compared to EBITDA loss of USD 4 million in the first half year of 2011. Q2 2012 adjusted EBITDA amounted to some USD 0.1 million.

The increased losses, which are excluded from adjusted EBITDA, are mostly reflecting non-recurring expenses like advisory costs, Management Board remunerations and change of control payments.

Net finance costs increased to USD 12 million in Q2 2012 from USD 1 million in Q2 2011, bringing net finance costs to USD 16 million for the first half year of 2012. Main reasons for the increase were the new – ING led – one year USD 247 million facility, which has interest costs of 4% - 6% margin on top of 3 months USD LIBOR, impairment losses on the previous loan facility, loss from non-effective derivatives and costs from non-proceeded financing arrangements.

FINESSE AND THIRD NEW BUILD VESSEL CONSTRUCTION UPDATE

FINESSE is on schedule to be delivered in October 2012. In May 2011 a building contract for a third new build vessel (identical design as FORTE and FINESSE) was agreed with GSI (Guangzhou Shipyard International Company Limited). Some 40% of the blocks have been fabricated by subcontractors of GSI and engines have been ordered from Wartsila. By the end of the second quarter USD 2 million was paid and more than USD 30 million installments were overdue. Fairstar is discussing different options with the yard, including a change of the design to a larger type vessel.

HEALTH, ENVIRONMENT, SAFETY, SECURITY (HESS)

Fairstar believes that safety is a core human value and fundamentally relates to everything we do in the performance of our responsibilities to our employees, clients and other Fairstar stakeholders. The nature of our business exposes our employees, assets, clients and their cargoes to high levels of risk. The appropriate management of these risks as well as any environment we operate in demands a consistent and ongoing commitment to maintaining the integrity of our ships and the systems we have developed to ensure that we never compromise our commitment to the proactive management of any risk involving safety, security and environmental awareness.

OUTLOOK

For the second half of 2012 Fairstar expects Capital Expenditure (CAPEX) of some USD 50 million (excluding CAPEX for the third new build vessel), bringing the total full year CAPEX at some USD 132 million. Utilization is expected to increase on the first half year of 2012 since Fjord and Forte will be on time-charter contracts for the Gorgon contract where they will be joined by Fjell from October 2012.

Following an offer for all outstanding Fairstar shares, more than 99% of the shares are now in the hands of Dockwise White Marlin B.V. This offer was recommended by the Boards of Fairstar on 15 July 2012. Dockwise White Marlin B.V. will start a compulsory buy out procedure for the remaining shares and during an Extraordinary General Meeting of Fairstar shareholders it was approved to delist the company from the Oslo Stock Exchange. As from July 2012, Fairstar results will be consolidated in the results of Dockwise Ltd.

Joint Management and Supervisory Board
Fairstar Heavy Transport N.V.
30 August 2012

First Half Year 2012 Report

Consolidated Income Statement

*Amounts * USD 1,000 unaudited*	Q2 2012	Q2 2011	H1 2012	H1 2011
Revenue	9,494	9,346	17,830	10,457
Contract related expenses	(5,160)	(3,845)	(9,121)	(4,618)
Vessel operating expenses	(2,931)	(1,850)	(4,680)	(3,828)
Depreciation and impairment loss	(2,764)	(2,014)	(4,790)	(4,029)
Direct costs	**(10,855)**	**(7,709)**	**(18,591)**	**(12,475)**
Gross profit	**(1,361)**	**1,637**	**(761)**	**(2,018)**
Administrative expenses	(19,549)	(3,561)	(22,103)	(5,973)
Results from operating activities	**(20,910)**	**(1,924)**	**(22,864)**	**(7,991)**
Finance income	2	183	6	269
Finance costs	(12,100)	(1,196)	(16,365)	(1,638)
Net finance income / (costs)	**(12,098)**	**(1,013)**	**(16,359)**	**(1,369)**
Profit / (Loss) before income tax	**(33,008)**	**(2,937)**	**(39,223)**	**(9,360)**
Income tax credit / (expense)	-	-	-	-
Profit / (Loss) for the period	**(33,008)**	**(2,937)**	**(39,223)**	**(9,360)**
Attributable to:				
Owners of the Company	(33,008)	(2,937)	(39,223)	(9,360)
Profit / (Loss) for the period	**(33,008)**	**(2,937)**	**(39,223)**	**(9,360)**
Earnings per share:				
Weighted average number of shares			85,122,779	78,040,272
Weighted average number of shares (diluted)			85,122,779	80,125,272
Basic earnings per share (in USD)			(0.46)	(0.12)
Diluted earnings per share (in USD)			(0.46)	(0.12)

Consolidated Statement of Comprehensive Income

	Q2 2012	Q2 2011	H1 2012	H1 2011
*Amounts * USD 1,000 unaudited*				
Profit / (Loss) for the period	**(33,008)**	**(2,937)**	**(39,223)**	**(9,360)**
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	301	(54)	652	489
Net change in fair value of cash flow hedges reclassified to or from profit or loss	3,079	-	3,079	-
Other comprehensive income, net of income tax	**3,380**	**(54)**	**3,731**	**489**
Total comprehensive income for the period	**(29,628)**	**(2,991)**	**(35,492)**	**(8,871)**
Attributable to:				
Owners of the Company	(29,628)	(2,991)	(35,492)	(8,871)
Total comprehensive income for the period	**(29,628)**	**(2,991)**	**(35,492)**	**(8,871)**

Consolidated Balance Sheet

	30 Jun 2012	31 Dec 2011	30 Jun 2011
*Amounts * USD 1,000 unaudited*			
ASSETS			
Non-current assets			
Vessels	270,320	165,468	168,689
Vessels under construction	105,759	101,367	64,721
Office equipment, computers, cars	601	727	530
Property, plant and equipment	376,680	267,562	233,940
	376,680	**267,562**	**233,940**
Currents assets			
Inventories	3,320	1,453	1,414
Derivative financial instruments [1]	-	4	4,580
Trade and other receivables	3,861	1,914	2,395
Cash and cash equivalents [2]	7,943	1,540	14,238
	15,124	**4,911**	**22,627**
TOTAL ASSETS	**391,804**	**272,473**	**256,567**
EQUITY			
Equity attributable to owners of the company	**81,759**	**106,081**	**111,365**
LIABILITIES			
Non-current liabilities			
Non-current interest-bearing borrowings	34,521	100,809	109,486
	34,521	**100,809**	**109,486**
Current liabilities			
Bank overdraft	-	9,115	7,465
Current maturities of interest-bearing borrowings	207,291	45,456	17,400
Trade and other payables	64,329	7,061	6,353
Derivative financial instruments	3,904	3,951	4,498
	275,524	**65,583**	**35,716**
EQUITY & LIABILITIES	**391,804**	**272,473**	**256,567**

[1)] as per 30 June 2011 this includes a USD 3.5 million gain on NOK forward contracts entered into in connection with the bond loan;

[2)] as per 30 June 2012 USD 7.5 million is not available for use by the Company.

Consolidated Statement of Cash Flows

	Q2 2012	H1 2012	H1 2011
*Amounts * USD 1,000 unaudited*			
Cash flows from operating activities			
Profit / (Loss) for the period	**(33,008)**	**(39,223)**	**(9,360)**
Adjustments for:			
- Depreciation and impairment losses property, plant and equipment	2,764	4,790	4,029
- Equity settled share based payments	(182)	(86)	198
- Net finance costs	12,098	16,359	1,369
Operating cash flow before movements in working capital	**(18,328)**	**(18,160)**	**(3,764)**
Changes in:			
Decrease / (Increase) inventories	(1,285)	(1,867)	(5,186)
Decrease / (Increase) current receivables	836	(1,947)	237
(Decrease) / Increase current liabilities	25,192	26,200	793
Cash generated from operating activities	**6,415**	**4,226**	**(7,920)**
Interest (paid) / received	(8,410)	(12,671)	(1,369)
Net cash from operating activities	**(1,995)**	**(8,445)**	**(9,289)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	(79,372)	(81,908)	(12,473)
Net cash used in investing activities	**(79,372)**	**(81,908)**	**(12,473)**
Cash flows from financing activities			
New loan facilities net of bank fee	191,989	192,198	-
Repayment of borrowings	(96,651)	(96,651)	(492)
Proceeds of issue of share capital	-	10,324	-
Net cash from / (used in) financing activities	**95,338**	**105,871**	**(492)**
Net increase / (decrease) in cash and cash	**13,971**	**15,518**	**(22,254)**
Cash and cash equivalents at beginning of the period	(6,028)	(7,575)	29,027
Cash and cash equivalents at end of the period	**7,943**	**7,943**	**6,773**

Consolidated Statement of Changes in Equity

	Attributable to owners of the company						
	Issued share capital	Share premium	Hedging reserve	Reserve own shares	Retained earnings	Unappro-priated result	Total equity
*Amounts * USD 1,000 unaudited*							
Balance at 1 January 2011	45,866	74,684	(4,974)	-	4,234	228	120,038
Total comprehensive income for the period							
Profit or loss	-	-	-	-	-	(14,398)	(14,398)
Other comprehensive income for the period							
Effective portion of changes in fair value of cash flow hedges	-	-	1,027	-	-	-	1,027
Net change in fair value of cash flow hedges reclassified to or from profit or loss	-	-	-	-	-	-	-
Total other comprehensive income for the period, net of tax	-	-	1,027	-	-	-	1,027
Total comprehensive income for the period	-	-	1,027	-	-	(14,398)	(13,371)
Transactions with owners of the Company, recognized directly in equity							
Contributions by and distributions to owners of the Company							
Issue of ordinary shares related to direct placement	8	23	-	-	-	-	31
Share-based payment transactions	-	-	-	-	315	-	315
Own shares acquired	-	-	-	(932)	-	-	(932)
Addition to reserves	-	-	-	-	228	(228)	-
Total contributions by and distributions to owners of the Company	8	23	-	(932)	543	(228)	(586)
Total transactions with owners of the Company, recognized directly in equity	8	23	-	(932)	543	(228)	(586)
Balance at 31 December 2011	45,874	74,707	(3,947)	(932)	4,777	(14,398)	106,081

	Attributable to owners of the company						
	Issued share capital	Share premium	Hedging reserve	Reserve own shares	Retained earnings	Unappro-priated result	Total equity
*Amounts * USD 1,000 unaudited*							
Balance at 1 January 2012	45,874	74,707	(3,947)	(932)	4,777	(14,398)	106,081
Total comprehensive income for the period							
Profit or loss	-	-	-	-	-	(39,223)	(39,223)
Other comprehensive income for the period							
Effective portion of changes in fair value of cash flow hedges	-	-	652	-	-	-	652
Net change in fair value of cash flow hedges reclassified to or from profit or loss	-	-	3,079	-	-	-	3,079
Total other comprehensive income for the period, net of tax	-	-	3,731	-	-	-	3,731
Total comprehensive income for the period	-	-	3,731	-	-	(39,223)	(35,492)
Transactions with owners of the Company, recognized directly in equity							
Contributions by and distributions to owners of the Company							
Issue of ordinary shares related to direct placement	4,918	5,406	-	-	-	-	10,324
Share-based payment transactions	-	-	-	-	(86)	-	(86)
Own shares sold	-	-	-	932	-	-	932
Addition to reserves	-	-	-	-	(14,398)	14,398	-
Total contributions by and distributions to owners of the Company	4,918	5,406	-	932	(14,484)	14,398	11,170
Total transactions with owners of the Company, recognized directly in equity	4,918	5,406	-	932	(14,484)	14,398	11,170
Balance at 30 June 2012	50,792	80,113	(216)	-	(9,707)	(39,223)	81,759

Notes to First Half Year 2012 Report

In thousands of USD unless indicated otherwise

1. Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union and comprise Fairstar Heavy Transport N.V. and its subsidiaries (together referred to as "the Group"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These condensed consolidated interim financial statements were approved by the Board of Directors on August 29, 2012.

The condensed consolidated interim financial statements have neither been reviewed nor audited. All financial information is presented in thousands of USD unless stated otherwise, and has been rounded to the nearest thousand.

2. Use of Estimates and Judgments

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

3. Significant Accounting Policies

General

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

4. Shareholders' Equity

Share capital

The authorized share capital of the Company amounts to EUR 98,900,000 divided into 215,000,000 shares of EUR 0.46 of which 89,172,779 shares have been placed and fully paid up as at 30 June 2012. The holders of ordinary shares are entitled to one vote per share at meetings of shareholders of Fairstar.

	Amount	# of ordinary shares
*Amounts * USD 1,000 unaudited*		
Balance as per 1 January 2012	45,874	81,072,779
Issue of ordinary shares	4,918	8,100,000
Balance as per 30 June 2012	**50,792**	**89,172,779**

As at 30 June 2012 the Company holds no Depository Receipts or Registered Shares in its own capital.

5. Share options

In 2008 the Company issued an Equity incentive program, under which options or shares can be awarded to employees, members of the Management Board and Members of the Supervisory Board.

Options vest in three equal installments over a period of three years and have a five year life. The options are equity settled, but can be cash-settled if this is more efficient. In the event of change in control all outstanding options will be cancelled and will be settled in cash (consideration per share over the exercise price).

	Number of options	Weighted average exercise price (NOK)
Unaudited		
Outstanding at the beginning of the year	**1,082,000**	**7.89**
Granted	325,000	8.00
Forfeited	(3,000)	10.00
Cancelled	(1,404,000)	9.00
Outstanding at the end of the period	**-**	**-**

In Q2 2012 a change of control event has occurred which resulted in a cancellation of all outstanding options. Of the 1.4 million outstanding options, 840 thousand share options were out of the money. The remaining outstanding share options are settled in cash in July 2012 for approximately USD 0.3 million, which is presented as a current liability as at 30 June 2012

6. Share Based Payments

The following share based payments have been settled in Q2 2012:

- 500,000 shares were granted to Mr. P. Adkins, of which 492,792 treasury share are transferred in Q2 2012 to Mr. P. Adkins following the change of control agreement with Mr. P. Adkins and the remaining shares have been settled in cash;
- In H1 2012 100,000 treasury shares were transferred to Mr. W. Out.

For further information on share based payments, see the consolidated financial statements as at and for the year ended 31 December 2011.

7. Remuneration of the Board

Details of the remuneration paid of the Management Board are:

	Base salary H1 2012	Other payments[1]	Shares	Total H1 2012	Full year 2011
*Amounts * USD 1,000 unaudited*					
P. Adkins (CEO)	359	4,851	784	5,994	1,282
W. Out (COO)	322	4,615	157	5,094	580
TOTAL	**681**	**9,466**	**941**	11,088	**1,862**

[1] Other payments include change of control payments

In Q2 2012 a change of control event has occurred which resulted in a change of control payment of approximately USD 10 million to the Management Board, which is partially paid in Q3 2012.

8. Debt position

The existing loan facility of Fairstar, excluding the bonds, was refinanced on 18 May 2012 by a USD 247 million syndicate loan facility led by ING Bank. The facility has a one year term and is priced for the first nine months at LIBOR plus 400 basis points, rising to LIBOR plus 600 basis points after nine months. The banks hold first mortgages over the Fairstar fleet once funding has been made.

In Q3 2012 Dockwise White Marlin B.V. bought NOK 121.5 million of the bonds in Fairstar. In total NOK 141.5 million of the bonds are owned by Dockwise White Marlin B.V. In Q3 2012 NOK 90.5 million was repaid on the bonds by Fairstar as a result of the change of control event.

The announced refinancing of the company by means of a bonds issue as announced at 12 July 2012 was cancelled in Q3 2012. Dockwise White Marlin B.V. has made funds available to Fairstar to honour its commitments.

Fairstar has received a default notice in July 2012 from ING Bank N.V., as agent under the loan facility, describing that certain events of default and/or potential events of default have occurred under the loan facility agreement. The default notice relates to entering into the third new build vessel shipbuilding contract and the acquisition by Dockwise White Marlin B.V. of nearly all of the shares of Fairstar. The lenders under the loan facility agreement have waived till 29 September 2012 such events of default and not declared the financial indebtedness under the loan facility agreement to be due and payable.

Fairstar is, in close relationship with Dockwise White Marlin B.V., reviewing the current and future financing of the company.

9. Trade and other payables

*Amounts * USD 1,000 unaudited*	30 Jun 2012	31 Mar 2012	31 Dec 2011	30 Jun 2011
Capital commitments	32,354	-	-	-
Trade payables	15,249	5,631	4,355	2,675
Tax and social securities	340	308	154	446
Deferred project income	1,204	-	-	1,107
Accrued project expenses	410	-	53	-
Accrued interest	1,776	910	1,391	1,378
Other accruals	12,996	1,221	1,108	747
TRADE AND OTHER PAYABLES	**64,329**	**8,070**	**7,061**	**6,353**

The capital commitments relates to the original shipbuilding contract of the third new build vessel, of which USD 10 million was paid in Q3 2012. Other accruals include change of control payments due (paid in Q3 2012), accrued advisory costs relating to the acquisition by Dockwise White Marlin B.V. and refinancing of the company.

10. Subsequent Event Disclosure

- In July 2012 Dockwise White Marlin B.V. acquired an additional 38.6% interest in Fairstar increasing its ownership from 60.4% to 99%;
- At 16 July 2012 Mr. W. Out and Mr. P. Adkins resigned from the Management Board;
- At 16 July 2012 Mr. R. van Acker was appointed to the Management Board and at 29 August 2012 Mr. E. Hoogeveen was appointed to the Management Board;
- At 16 July 2012 Dockwise announced steps to delist the Shares in Fairstar from the Oslo Stock Exchange and the offer of NOK 10 for each remaining share, which was valid until 10 August 2012;
- At 3 August 2012 a note was added to the Annual Report 2011 regarding a capital commitment for a third new build vessel of USD 110 million which was not disclosed in the Annual Report 2011;
- At 28 August 2012 Mr. F. van Riet and Mr. J. Verhagen resigned from the Supervisory Board;
- At 29 August 2012 Mr. A. Goedée, Mr. M. Adler and Mr. P. Wit were appointed to the Supervisory Board.

11. Commitments and Contingent Liabilities

Capital commitments

At the end of the period the Company has capital commitments, which are not included in the balance sheet, amounting to approximately USD 130 million, for which some USD 80 million relates to the shipbuilding contract of the third new build vessel and some USD 50 million to the MV FINESSE.

Bank Guarantees

At 30 June 2012, the Company has bank guarantees with a total amount of USD 17 million outstanding.

Litigation

Some Group companies are, as a result of their normal business activities, involved either as plaintiffs or defendants in claims. Based on the information presently available and management's best estimate the financial position of the Group is not likely to be significantly influenced by any of these matters. Should the actual outcome differ from the assumptions and estimates, the financial position of the Group would be impacted.

Operating leases

	30 Jun 2012	31 Mar 2012	31 Dec 2011	30 Jun 2011
*Amounts * USD 1,000 unaudited*				
Less than one year	479	509	521	378
Between one and five years	483	559	676	702
More than five years	-	-	-	-
TOTAL OPERATING LEASES	**962**	**1,068**	**1,197**	**1,080**

Contingent assets

The company has obtained as refund guarantee for the USD 61 million down payments to the yard during the construction period of the MV FINESSE.

Other contingencies

Cash and equivalents include an amount of USD 7.5 million that has been collateralized under the USD 247 million syndicate loan facility. As per 1 August 2012 it is required under the USD 247 million syndicate loan facility that USD 15 million is collateralized.

12. Assets and CAPEX

CAPEX in Q2 2012 came in at USD 79 million bringing total CAPEX for H1 2012 to USD 82 million, which mainly relates to investment in the MV FORTE (some USD 46 million) and investment in the MV FINESSE (some USD 35 million). CAPEX in H1 2012 is excluding the USD 32 million capital commitments of the third new build vessel.

13. Related Party Transactions

There were no transactions with related parties in the first half year 2012 other than for the remuneration of the Management Board. All transactions with Group companies are made at arms' length. During the first half year 2012 the Group received no charges from related parties and neither did the Group recharge certain amounts to related parties.

Statement by the Management Board

In accordance with the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), section 5.25d, paragraph 2 sub c, we confirm that, to the best of our knowledge:

- The interim consolidated financial statements for the six months ended on 30 June 2012 have been prepared in accordance with IAS 34 (Interim Financial Reporting) as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of Fairstar Heavy Transport N.V. and its consolidated companies (jointly referred to as the 'Group'); and
- The interim management report for the six month ended at 30 June 2012 gives a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act.

Rotterdam, 30 August 2012

The Management Board

Mr. R. van Acker

Mr. E. Hoogeveen