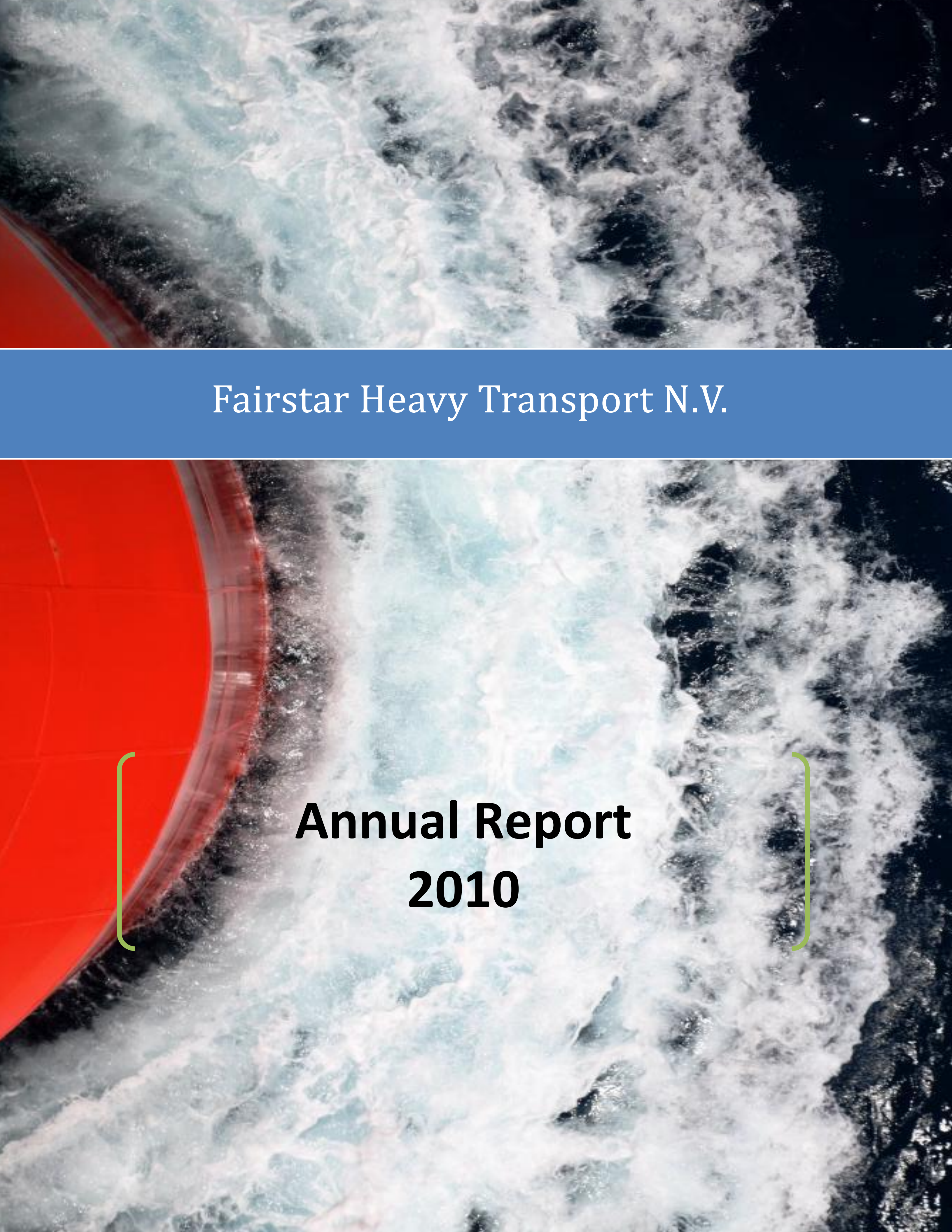

Fairstar Heavy Transport N.V.

Annual Report 2010

Fairstar Heavy Transport N.V.

Fairstar Heavy Transport N.V. is a leading provider of marine heavy transport solutions, specializing in high-value cargoes for the offshore and onshore energy and construction industries. Fairstar owns and operates two of the most modern semi-submersible heavy transport ships in the global fleet, FJORD and FJELL. The 50,000DWT, open-stern semi-submersible vessels FORTE and FINESSE are currently under construction with Guangzhou Shipbuilding International in China and will be owned and operated by Fairstar when they are delivered in 2012. Fairstar is based in Rotterdam and quoted on the Oslo Stock Exchange (ticker: FAIR).

Fairstar Heavy Transport N.V. is a Dutch public limited liability Company (*Naamloze Vennootschap*) duly incorporated under the laws of the Netherlands, on July 8, 2005. The Company's registration number is 24380374 with its registered address at Weena 316-318, 3012 NJ Rotterdam, The Netherlands. The Company's telephone number is +31 10 403 5333 and the web address is www.fairstar.com.

The objects and purposes of the Company are set forth in article 2 of the Articles of Association, which are available on the Company's website.

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Financial Report 2010

Letter from the CEO

Dear Fellow Shareholders,

2010 was a transformational year for Fairstar Heavy Transport. We have been well aware of the challenges and risks associated with operating a fleet limited to two vessels for quite some time. The marine heavy transport industry did not escape from the effects of the global economic downturn. The current market is characterized by significant over capacity and a shortage of spot market cargoes. If we had continued to focus on this segment of the market, Fairstar would not have survived. A two vessel fleet, dependent on the spot market is an unsustainable business model.

At the beginning of 2010, we began a thorough analysis of the present and future trends that we could see were emerging in the marine heavy transport industry and its relationship to the energy industry. The arrival in the spot market of ten converted oil tankers, the increase in demand for heavy transport services required by on-shore energy infrastructure projects and the shortage of modern, true open stern, asbestos free, semi-submersible ships to satisfy that demand formed the basis of our strategic analysis. Our strategic goal is to capture sustainable and permanent value for our shareholders. To achieve this goal we must have a sustainable competitive advantage.

We believe the Fairstar "Red-Box Strategy" provides all of our Stakeholders with a compelling vision of the opportunities we can capture and the associated value we will create. Multi-billion dollar energy infrastructure projects are being constructed by the modularization of the plant and equipment involved in packaging raw energy into transportable bundles. The complexity of these projects and the increasing standards of environmental awareness and safe practice demanded by the energy companies owning and operating them is apparent in the tender documents we regularly receive. The performance advantages of modern, true open stern, semi-submersible vessels operated by highly skilled crews working closely with a shore based project engineering and management group were overwhelmingly confirmed when Fairstar was awarded a multi-voyage contract worth USD 90 million for the Gorgon LNG Project in Australia in May of 2010. Gorgon is a perfect example of a "Red-Box" strategic target. We are certain there are many more to come. The award of the Gorgon contract to Fairstar shocked our competitors. I am especially proud of this achievement and know how hard our Team worked over many intensive months during the tender process.

The Gorgon award not only underscored the power of our "Red-Box Strategy", it provided us with the credibility in the financial markets to raise new capital and enlarge our fleet. In 2010 Fairstar raised almost USD 100million in new capital. Most of the capital has been invested in two 50,000DWT, true open stern, semi-submersible vessels. The FORTE and FINESSE will be delivered to Fairstar in 2012. FORTE will immediately go into service on Gorgon for a period of 18 months. We are confident that FINESSE will also be selected for a "Red-Box" project. From 2012 until 2015 we believe the Fairstar fleet will be fully employed. The financial returns over this period for our shareholders will provide them with the appropriate reward they deserve for investing in our company. This reward will be significantly higher than the returns available from our competitors.

I would be foolish to understate the most valuable asset of our company, namely, our people. The men and women who work at Fairstar today, on our ships and in our Rotterdam office, are well aware of the risks we face daily. Safety is a constant theme in whatever we do. Our safety culture at Fairstar is fundamentally based on the fact that we care deeply about each other. Fairstar is unique within the marine heavy transport industry as a company that will not hire short term "rent-a-crews" in order to cut costs. Our vessels proudly fly the Dutch flag and the Dutch officers and engineers on board are fiercely loyal to Fairstar. This loyalty has been demonstrated by their performance in the field, often in dangerous and uncomfortable locations. At Fairstar we know the commitment, loyalty and experience of our Team is a tremendous competitive advantage.

In the short term, the market for marine heavy transport will continue to be savaged by the cut-throat pricing policies of the converted tanker owners. Unless we see an immediate increase in spot market activity, the first half of 2011 shows no promise of improvement. While 2010 was on the whole a profitable year for Fairstar, the most meaningful results for our shareholders were reflected in our development of a powerful strategic agenda, the award of the largest contract in our industry's history and the investment in two additional ships that will be delivered to Fairstar in time to exploit the opportunities waiting for us in 2012.

On behalf of all of us at Fairstar, I would like to thank you for your support.

Philip Adkins

Chief Executive Officer

28 February 2011

Supervisory Board Report

The Supervisory Board is pleased to submit to you the Annual Report 2010 including the financial statements of Fairstar Heavy Transport N.V. for the year ended December 31, 2010, as prepared by the Management Board.

Adoption of the Financial Statements

The Supervisory Board submits to the Shareholders the Financial Statements and the report of the Management Board of Fairstar Heavy Transport N.V. for the financial year 2010, as approved by the Supervisory Board in its Meeting of 28 February 2011.

The 2010 Financial Statements were audited by KPMG Accountants N.V. The Independent Auditor's Report can be found on page 57.

The 2010 Financial Statements were carefully reviewed at a Joint Meeting of the Management and Supervisory Boards of Fairstar Heavy Transport N.V. on February 24, 2011. The Meeting was also attended by the Audit Partner of KPMG Accountants N.V., the Company's statutory auditor. The Supervisory Board is of the opinion that the 2010 Financial Statements of Fairstar Heavy Transport N.V. correctly reflect the financial status of the Company and that the 2010 Financial Statements are transparent and form a sufficient basis for the Supervisory Board to execute its duties and responsibilities in a proper manner.

We recommend that the Annual General Meeting of Shareholders adopts the 2010 Financial Statements as presented in this 2010 Report. We propose that Annual General Meeting of Shareholders grant discharge to each of the members of the Management Board and each of the members of the Supervisory Board for the financial year 2010. The Supervisory Board recommends that the 2010 profit is to be allocated to retained earnings in accordance with the Management Board's proposal.

Composition of the Supervisory Board

The Supervisory Board currently consists of Mr Frits van Riet (Chairman), Mr Hans Verhagen and Mr Roger Granheim. As per the 2010 AGM held in May 2010, Mr Willem Dirkzwager stepped down as a Member of the Supervisory Board. Mr Leif Aker, whose term expired at the last Annual General Meeting was not re-elected. The Supervisory Board members now represent a broad range of professional experience and skills which are of great value to Fairstar.

		Nationality	**Born**	**Member since**	**Term until**
Mr	Frits van Riet	Dutch	1943	2007	2011
Mr	Hans Verhagen	Dutch	1946	2006	2011
Mr	Roger Granheim	Norwegian	1964	2009	2012

Frits van Riet, Chairman

Mr van Riet has 42 years of experience in the marine transportation, heavy lift and offshore industries of which 32 years were spent with Royal Nedlloyd where he held a number of senior management positions. He has held the position of Director Nedlloyd Lines. In 1992 he was appointed Managing Director of Neddrill (an offshore drilling contractor) which he expanded, restructured, made very profitable and he initiated/completed a sale to Noble Drilling Corporation of Houston. After having completed a successful integration into Noble Drilling he rejoined Royal Nedlloyd in 1999. He was appointed CEO of Mammoet Transport (heavy lift and transport) and undertook the future positioning of the Mammoet Group. Like for Neddrill, after a successful turnaround, expansion and restructuring was made, Mammoet was sold to the Van Seumeren Group. Van Riet was subsequently appointed Managing Director/C.O.O. of Mammoet Holding and a.o. charged with the integration of the two former companies, introducing new policies and reporting systems and turning Mammoet towards more professionalism.

Mr van Riet directly and indirectly holds 66,718 shares and 90,000 options in Fairstar.

Hans Verhagen

Mr Verhagen was CFO of Kahn Scheepvaart B.V. and was responsible for the worldwide financial administration for the Kahn Group (Jumbo Shipping) until his retirement, after working for the group for 41 years. Mr Verhagen held the position as CFO of Kahn Scheepvaart B.V. since 1991. Since 1984 he also held the position of Vice-President. Mr Verhagen retired from Kahn-Jumbo Shipping in June 2005.

Mr Verhagen directly and indirectly holds 66,718 shares and 90,000 options in Fairstar.

Roger Granheim

Mr Granheim (1964) has been involved in the transportation and logistics industry in Norway for most of his professional career. Mr Granheim is currently the EVP of Torghatten ASA, an OTC-listed transportation Company with Headquarters in Trondheim. Torghatten has approximately 2,600 employees and operates 90 ships and 900 busses. Mr Granheim was previously at Ergo Group and NSB BA holding a number of senior positions. Educated at The Norwegian School of Management (BI), Mr Granheim holds Bachelor and Master Degrees in Business and Economics and has attended the Advanced Management Programme at Solstrand/AFF, BI as well. Mr Granheim is also Chairman of the Board of Torghatten Nord AS, Fosen Namsos Sjø AS, BASTØ FOSEN AS, NBDS AS, Kystekspressen ANS, IHF AS, Norgesbuss AS, Trønderbilene AS, FVS AS, FJORDveien AS and Board member of Havila Shipping ASA and Berg-Hansen Reisebyrå AS.

Mr Granheim's employer holds directly and indirectly 12,719,603 shares. Mr Granheim personally holds 70,000 options in Fairstar.

Activities of the Board

Financial Year 2010 was characterized by a downturn in revenues, utilization and profitability. The spot market for marine heavy transport throughout 2010 was noticeably short of cargoes. The abundance of converted oil tankers into semi-submersible vessels best suited to transport the low value, spot market cargoes resulted in a collapse in day rates during 2010 to levels at or even below operating costs. Neither of these destructive trends were overlooked by Fairstar. Early in 2010, the Supervisory Board instructed the Management Board to undertake a strategic survey of the short and long term trends apparent in the marine heavy transport industry. The Management Board was charged with the responsibility of articulating a clear strategy that would identify the best opportunities for Fairstar to capture value for shareholders and acquire the resources and assets necessary to maintain a sustainable competitive advantage for the next three to five years. The Management Board presented what is now referred to as the "Red Box Strategy" to the Supervisory Board in March. Dr. Benson Shapiro, Professor Emeritus of the Harvard University Graduate School of Business, played a significant role in both developing the "Red Box Strategy" as well as challenging its premises over the course of an intensive three day symposium involving the Fairstar Management Team and the Fairstar Management and Supervisory Boards. The essence of the "Red Box Strategy" is to focus the Fairstar fleet of modern, open stern, semi-submersible vessels on high value, multi voyage, energy infrastructure tenders that require significant in-house engineering and technical expertise as well as experienced and highly professional crews on board the ships to ensure compliance with increasingly higher safety, environmental and operational standards. The Gorgon LNG Project on Barrow Island, Australia is a perfect example of a "Red Box" Project. The USD 90 million contract award to Fairstar in May of 2010 was an important validation of the "Red Box Strategy." The decision to order the 50,000DWT, open stern, semi-submersible vessels FORTE and FINESSE extends our commitment to the "Red Box Strategy." The growing list of energy infrastructure tenders in Australia, Asia, North America, South America and the North Sea inspires us with confidence that Fairstar has a unique and compelling vision for the future and is well on the way to creating significant and sustainable returns for our shareholders.

Important management decisions as well as the strategy for Fairstar are discussed with, and approved by, the Supervisory Board. Acting in the interests of Fairstar and all its stakeholders, the Supervisory Board is responsible for monitoring the Management Board.

These responsibilities include, amongst others, supervising:

- The Company's Health, Environment, Safety & Security programs
- The corporate strategy and risks inherent to business activities
- Compliance with applicable laws and regulations
- How operational and financial objectives are achieved
- How internal risk management and control systems are structured and operated
- The main financial parameters and the financial reporting process

The Supervisory Board performed its duties in close co-operation with the Management Board. The Supervisory Board and the Management Board meet frequently both formally and informally. In 2010, the Supervisory Board held six formal meetings, five of which were held together with the Management Board.

Throughout 2010, key areas of attention involved the new build orders of FORTE and FINESSE with GSI in China; the award of the Gorgon transportation contract (USD 90 million); the issue of new share capital as well as various debt instruments in order to strive to maintain an optimal capital structure at the lowest possible cost; and other commercial, financial, legal and operational matters.

The Fairstar fleet will double in size in the next eighteen months. We consider the most valuable assets at Fairstar to be our people both on board our vessels as well as in our Rotterdam Headquarters. It is of prime importance to the success of our Company that we can continue to attract and retain highly motivated professionals who share our deeply felt desire to serve our Stakeholders faithfully and establish Fairstar as the dominant force in marine heavy transport for the foreseeable future.

The Supervisory Board met once in 2010 without the Management Board to discuss the composition and goals of the Management Board, remuneration issues and the functioning of the Management Board. During this meeting it was reconfirmed that the Supervisory Board is in full compliance with the profile of the Supervisory Board as laid down in the Corporate Governance section of the Company.

All members of the Supervisory Board participated in all meetings held in 2010. By way of frequent informal consultation, in between the regular meetings with the Management Board, the Supervisory Board, and particularly its Chairman, remains well informed about the general state of affairs within the Company in order to offer the Board of Management prompt and constructive advice. The Chairman of the Supervisory Board and the Chief Executive Officer meet formally at least once a month. The members of the Supervisory Board have frequent opportunities to pro-actively obtain any (additional) information they may feel is necessary to be fully informed about the day to day affairs of Fairstar, as well as the ongoing strategic and commercial goals.

Remuneration policy

Fairstar's remuneration policy has a clear objective, namely to provide remuneration in a form which will attract, retain and motivate the members of the Management Board as top managers of a publicly listed international Company, while protecting and promoting its mid and long-term objectives. In setting a policy in respect of the current members of the Management Board it is relevant that the Company was a de facto start up only four years ago. Without the benefit of ongoing cash flow from operations, the current Management Team successfully converted the FJORD and FJELL into two modern, competitive and valuable semi-submersible heavy transport ships. During these early years, the Company and its Management Board were confronted by a steady stream of formidable challenges, including an economic downturn of historical significance. Throughout this period, not only did Fairstar survive, it has prospered. The Fairstar Team, led by the CEO and COO have worked tirelessly to capture value for shareholders, while receiving remuneration that was below international market standards prior to 2010.

The remuneration policy set by the Supervisory Board was established to insure that the best interests of the Company will be served, the strategy of the Company will be executed and (foreseeable) risks in the execution of the business are mitigated in accordance with market practice and standards.

To ensure that remuneration is linked to clear performance milestones, a portion of the remuneration package is variable and dependent on the short and long-term performance of the individual Management Board Member and the Company. Annual and long term performance criteria are set by the Supervisory Board and include among others; timely delivery of FORTE and FINESSE, safe and successful execution of projects, organisational development and the conscientious stewardship of the Company's financial health and stability.

Management Board

Over the years Mr Philip Adkins, Fairstar CEO since 2006, has played a pivotal role in where Fairstar stands today. The Supervisory Board deemed it prudent to extend the Services Agreement for a further four years following a reappointment of Mr Adkins as Managing Director of Fairstar by the General Meeting of Shareholders in May 2010, with an option to extend the Services Agreement at its expiry in 2010 for an additional four years, in order to ensure Mr Adkins shall continue his important role as CEO to lead Fairstar going forward. In this respect, the Supervisory Board was pleased with the overwhelming support to re-appoint Mr Adkins by Shareholders at the 2010 Annual General Meeting. Mr Adkins is employed through a Services Agreement with Cadenza Management Limited. The remuneration now consists of a fixed annual fee of USD 655 thousand (which includes an amount of EUR 25 thousand in management compensation for his position as a Managing Director of a Dutch Company) and a discretionary performance-related amount of a maximum of USD 350 thousand per year starting from 2011. In 2010 Cadenza was awarded a performance bonus of USD 184 thousand. Cadenza has been granted 500 thousand Fairstar shares which shall vest in 2014 or in the event of a change in control of Fairstar. Cadenza was also awarded 100 thousand fully vested Fairstar shares in 2010 at the time the new Services Agreement was executed. The Services Agreement with Cadenza stipulates an arrangement for compensation in the event of involuntary termination or an event of change in ownership of Fairstar, resulting in the dismissal of Adkins as CEO, equal to four times the annual fee and four times the maximum amount of the annual discretionary bonus.

Mr Willem Out was reappointed by Shareholders in 2010 for four years with his term ending May 15, 2014. Mr Out has played a leading role in the successful conversion of the vessels FJORD and FJELL. Taking into consideration Mr Out's important role in the new building project of FORTE and FINESSE in China, the project management for the Gorgon transportation contract, management of the fleet and other duties, the Supervisory Board has entered into an extended services agreement reflecting his increased duties.

Mr Out was previously employed by the Company under a normal employment agreement, but as from May 15, 2010 a new four year term of Mr Out in the Management Board commenced and a Service Contract was agreed. An additional services agreement with Mr Out may be executed based on any possible relocation of Mr Out to the Far East in light of his current duties. His 2010 and 2011 remuneration consists of an annual fixed salary of EUR 312 thousand per year. In 2010 an additional performance bonus of EUR 75 thousand was awarded to Mr Out. For the years 2012, 2013 and 2014 his remuneration consists of EUR 475 thousand per year and bonuses based on very specific milestones. The first milestone is successful completion of the vessel FORTE. Mr Out has been awarded 100 thousand fully vested Fairstar shares in 2010 and 50 thousand shares are awarded conditional upon completing his four year term contract. Furthermore he holds 100 thousand share options prior to 2010 and participates in the shore-based staff pension scheme. The agreement with Mr Out stipulates an arrangement for compensation in the event of involuntary termination or an event of change in ownership of Fairstar resulting in the dismissal of Mr Out as COO equal to four times the annual salary plus the amount of agreed bonuses.

At the 2010 Annual General Meeting of Shareholders Mr Mark de Haas was appointed as a member of the Management Board of Fairstar Heavy Transport N.V. Mr De Haas's remuneration consisted of an annual fixed salary of EUR 150 thousand and a variable bonus of 40% of his base salary. In 2010 an additional performance bonus of EUR 75 thousand was awarded to Mr de Haas. Over the past two years Mr De Haas has been awarded 50 thousand fully vested share options. He participated in the shore-based staff pension scheme. Mr de Haas stepped down from the Management Board on February 28, 2011 and is no longer the Chief Financial Officer of Fairstar.

The other employment conditions are based on market standards. The members of the Management Board are not granted any loans, advances or guarantees. In accordance with the Dutch Corporate Governance Code, the Company has a restrictive policy with regard to positions outside the Company. The members of the Management Board require the explicit approval of the Supervisory Board before they may accept any other positions.

Please refer to the Notes to the Consolidated Income Statement in the Financial Statements for details on the remuneration cost incurred by the Company in the financial year.

Summary

The award of the Gorgon contracts, the order of two new 50,000DWT open stern semi-submersible vessels, FORTE and FINESSE and the receipt of almost USD 100million in new investment capital throughout 2010 were the highlights of another remarkable year for Fairstar Heavy Transport. We have a sober view of the market in the short term and a well considered and robust strategy to overcome the current downturn while at the same time preparing Fairstar to reap the clear rewards we are convinced will be evident from the second half of 2011 and continue into 2016. It is exceptional what our Fairstar Team has achieved over the past five years. Fairstar is now the dominant industry player for complex, high value, multi voyage energy infrastructure projects. The value of this achievement will be profound in years to come.

On behalf of the Supervisory Board of Fairstar Heavy Transport, I would like to thank all of our Stakeholders, specifically our employees, our shareholders, our bankers, our bondholders and our clients for the investment of their energy, enthusiasm, perseverance and trust in our enterprise. We are dedicated to serving you.

Rotterdam, 28 February 2011

For the Supervisory Board,

Frits van Riet, Chairman

Management Board Report

Significant Events in 2010:

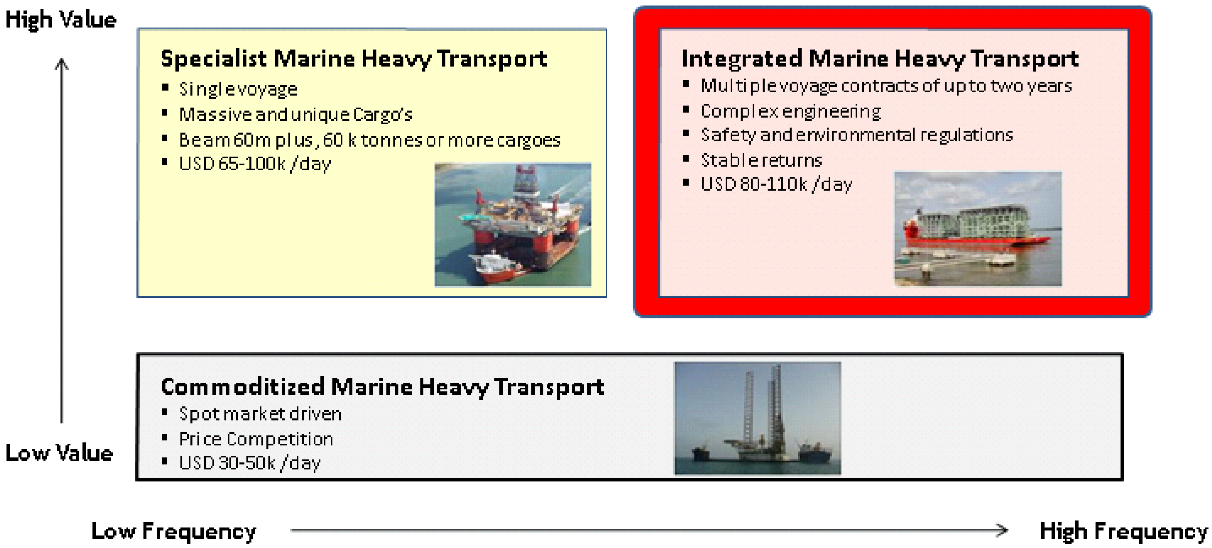
- In February of 2010, the Company successfully placed 4.3 million shares with a number of institutional investors. The proceeds were used to repay its NOK 150 million bond.
- In May of 2010 Fairstar was awarded the largest transportation contract in the history of the marine heavy transport industry for the Gorgon LNG Project on Barrow Island, Australia. The contract award will involve Fairstar and its vessels FJORD and FORTE for most of 2012 and 2013. The total contract price exceeds USD 90 million including the options.
- Shortly after receiving the Gorgon Contract, the Company announced it had signed a contract with Guangzhou Shipbuilding International to order two 50,000DWT true open stern, semi-submersible vessels. These new ships, to be named the FORTE and the FINESSE will be delivered to Fairstar in May 2012 and September 2012 at a fixed price of approximately USD 102 million per vessel.
- At the AGM in May 2010, the Management Board received authorisation to issue a maximum of 75% of new equity to finance the new build program.
- In June to November 2010 the Company subsequently placed 33.55 million new shares in three tranches at NOK 8.50
- In September 2010, steel cutting began in China for the FORTE.
- In November 2010 the Company successfully placed a NOK 300 million bond to finance the FINESSE and retire some of the Company's outstanding secured debt.

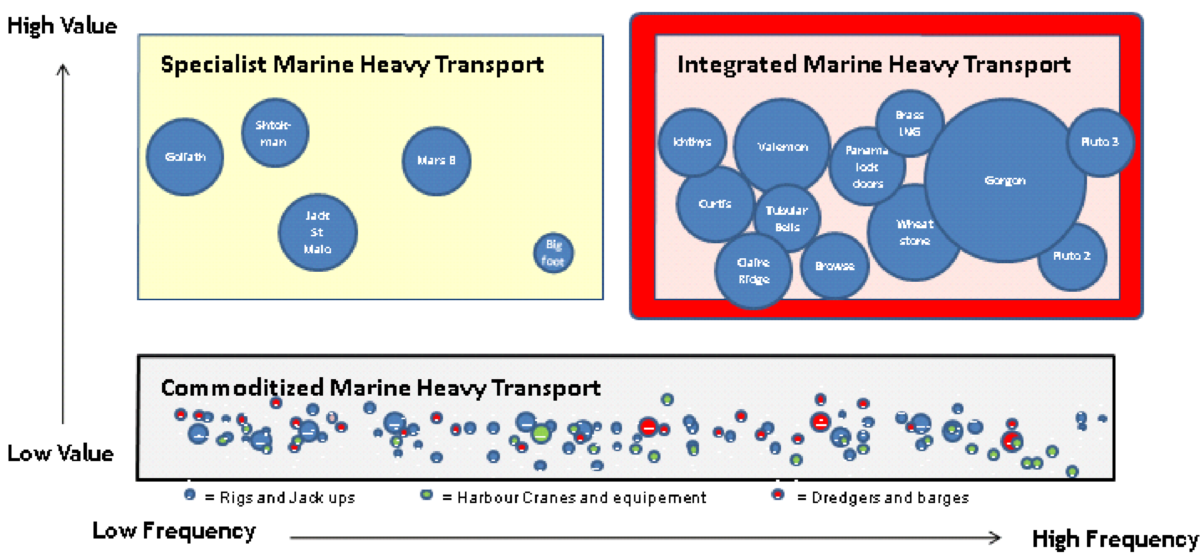
Fairstar Market Overview

Fairstar's primary objective is to create value for its shareholders by contracting its vessels in those projects where the unique performance characteristics of FJORD, FJELL, FORTE and FINESSE have a significant competitive advantage. The transport of high-value Modules, Spars. Jackets, Topsides and other related components for offshore and onshore energy infrastructure projects will be Fairstar's primary focus. Fairstar is currently participating in a wide range of tenders to provide marine heavy transportation services for onshore and offshore energy infrastructure projects in Australia, Asia, Africa, South America, North America and Europe. Fairstar intends to establish a 2 to 3 year pipeline of transportation contracts based on high-value, multiple voyage projects. This focus is the basis of our "Red Box Strategy" outlined in detail below. The "Red Box Strategy" was developed in 2010 to provide Fairstar with an answer to the competitive challenges created by the oversupply of marine heavy transport capacity which started in 2010. There are now fourteen converted oil tankers operating in the spot market. This excess capacity has resulted in a significant decline in time charter rates. The willingness of these converted tanker owners to operate at price levels close to or even below break-even has been exacerbated by high leverage against inflated vessel values. We believe long-term, permanent leverage should be maintained at no more than 50% of a ship's value. Excessive leverage in our industry adds an unacceptable level of additional risk. Fairstar believes the inflated valuation of our competitors' fleets is now exposed to increasing scrutiny regarding impairment write-downs. In summary the combination of excess capacity, high-leverage, inflated asset valuations and a crowded spot market will limit the ability of our competitors to compete effectively in the future. The Fairstar "Red Box Strategy" positions us to take maximum advantage of their vulnerability.

Fairstar "Red Box Strategy"

Fairstar will focus our resources on a clearly defined core group of clients seeking high-value, complex solutions to their marine heavy transport needs. Fairstar believes that a compelling opportunity exists in the future for its shareholders by transporting high-value modules for energy infrastructure projects to remote and frequently inaccessible locations. FJORD, FJELL, FORTE and FINESSE have unique performance capabilities within this niche that ensure Fairstar can maintain the pricing power necessary to achieve time charter equivalent guidance of USD 80,000 per day at an 80% annual utilisation rate. The long-term nature of the projects make long-term planning possible, creating more predictable cash flows for Fairstar.





FORTE and FINESSE construction update

On 2 June 2010, Fairstar announced that it had entered into a contract with Guangzhou Shipyards International Co. Ltd. ("GSI") and China Shipbuilding Trading Company Limited ("CSTC") as trading Company, to build two 50,000 DWT open stern, semi-submersible vessels at a fixed cost of USD 101,888,000 per ship. The contracts have a contractual delivery date of April 2012 for the FORTE and October 2012 for the FINESSE. The ships are based on a design approved by Det Norske Veritas (DNV). COSCO has already ordered two of these vessels from GSI in 2008, the first COSCO vessel has been delivered on schedule in December 2010. The second will be delivered in 2011. On 1 November Fairstar announced that the steel cutting for the Forte heavy transport ship commenced on 28 September 2010, on schedule. Both the FORTE and FINESSE are currently on schedule to be delivered within their contractual delivery date.

FORTE and FINESSE expected financial returns

Fairstar believes in an optimized capital structure of no more then 50% debt to value for any of the ships in our fleet. Fairstar intends to use its free future cash flow in 2011 and 2012 to repay fleet long term debt. Fairstar expects to realise this fleet debt to value in the first quarter of 2013. The projected internal rate of return (IRR) of FORTE and FINESSE assuming a 25 year economic life is projected to be in excess of 15% per annum.

Financial highlights

Net profit for the year was USD 228 thousand (or USD 0.004 per share) on gross revenue of USD 35.7 million. This compares to a net profit 12.4 million (or USD 0.301 per share) in 2009 on sales of USD 50.7 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) totaled USD 12.3 million in 2010, down from USD 24.3 million in 2009, the highest level the Company has achieved since 2005.

Utilisation for our fleet (FJORD and FJELL) was 62% using a calendar year of 365 days.

Health, Environment, Safety and Security

Health, Environment, Safety, and Security (HESS) as well as Quality Assurance (QA) are fundamental elements of Fairstar's business. Fairstar regularly reviews the policies and procedures it has established to maintain compliance with all areas of regulatory supervision it may be subject to. Fairstar believes that safety is a core human value and fundamentally relates to everything that we do in the performance of our responsibilities to our employees, clients and other Fairstar stakeholders. Fairstar is committed to establishing the "Incident and Injury Free (IFF)" programme throughout Fairstar. All employees will be trained and educated regularly in order to meet and exceed the standards and expectations of our industry and clients.

The safety of both crews and cargoes is of paramount importance to our Company. The nature of our business exposes our employees, assets, clients and their cargoes to extremely high levels of risk.

Management understands that our customers expect us to provide experienced and knowledgeable heavy transport professionals on the vessels. In spite of a worldwide shortage of experienced offshore energy personnel, the Company has been successful in securing experienced heavy transport professionals to support our business both on and off shore. The Company is pleased to report no incidents resulting in injury to any of our employees nor any occurrences of damage to clients' cargoes in the past year.

Legal update

On December 7, 2007, Oude Maas Beheer B.V, a company controlled by Mr Henk van den Berg, filed a request against the Company with the Enterprise Chamber 'Ondernemingskamer' of the Court of Appeals in Amsterdam. Prior to making this filing, Mr van den Berg had been removed from his involvement with Fairstar and the Management Agreement with his company Fairmount Marine had been terminated by Fairstar, citing mismanagement and gross negligence. Oude Maas Beheer B.V. requested the Court to take immediate action and suspend the members of the Management Board and Supervisory Board of Fairstar and order an inquiry into the affairs of Fairstar in an attempt to regain some of the control over Fairstar lost when his various arrangements with Fairstar were terminated. In February 2008, the Enterprise Chamber of the Court of Appeals heard arguments for both sides. On March 23, 2010 the 'Ondernemingskamer' issued its Judgement. All claims made by Mr van den Berg against Fairstar including the Supervisory Board, the Management Board and the CEO were denied. The Judgement was a total defeat for Mr van den Berg/Oude Maas Beheer B.V. and vindicated the actions of Fairstar leading up to the termination of Fairstar's involvement with Mr van den Berg and Fairmount Marine.

In June 2009, the Company initiated arbitration proceedings in Rotterdam with the Netherlands Arbitration Institute against Fairmount Marine B.V. for damages totalling EUR 43.6 million citing Fairmount Marine B.V. for mismanagement and gross negligence while Fairmount Marine B.V. had been acting as manager for the conversion of the FJORD at Malta Shipyards as well acting against the commercial interests of Fairstar in order to obtain special consideration for the interests of Fairmount Marine. The first hearing has been held in November 2010. A verdict is expected in the first half of 2011.

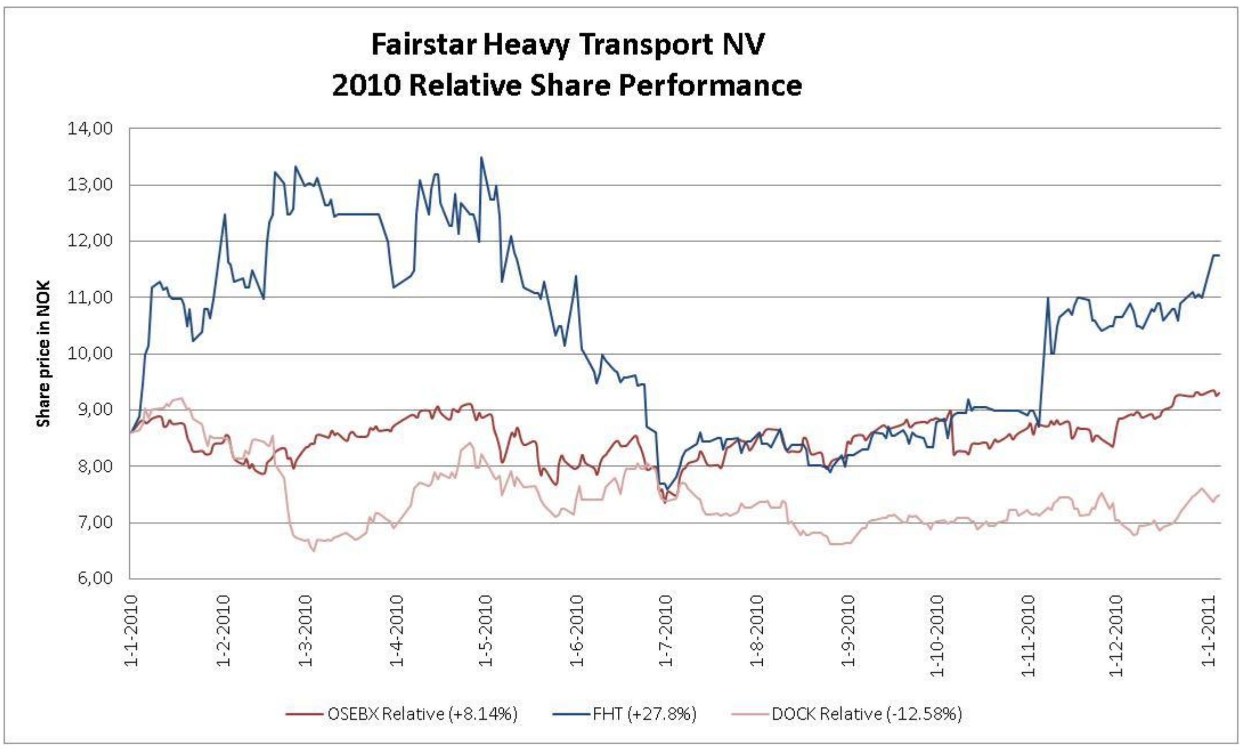
Shareholder Information

The Fairstar Management Board puts a lot of emphasis on a proactive, open and transparent dialogue with its stakeholders to optimize their understanding of Fairstar in terms of its strategy,its business model, competitive position and financials.

Share data

ISIN	NL0000026292
Registered	Oslo Borse (Norway)
Ticker Symbol	FAIR
Reuters Instrument Code	FAIR.OL
Bloomberg Instrument Code	FAIR:NO
Nominal Value	0.46 EUR
Reg. no. of shares as per 31 December 2010	81,047,779

In 2010 a number of initiatives were employed to improve the timing of the Company's releases. As a result of which, quarterly releases are now published within three weeks after the quarter closes.



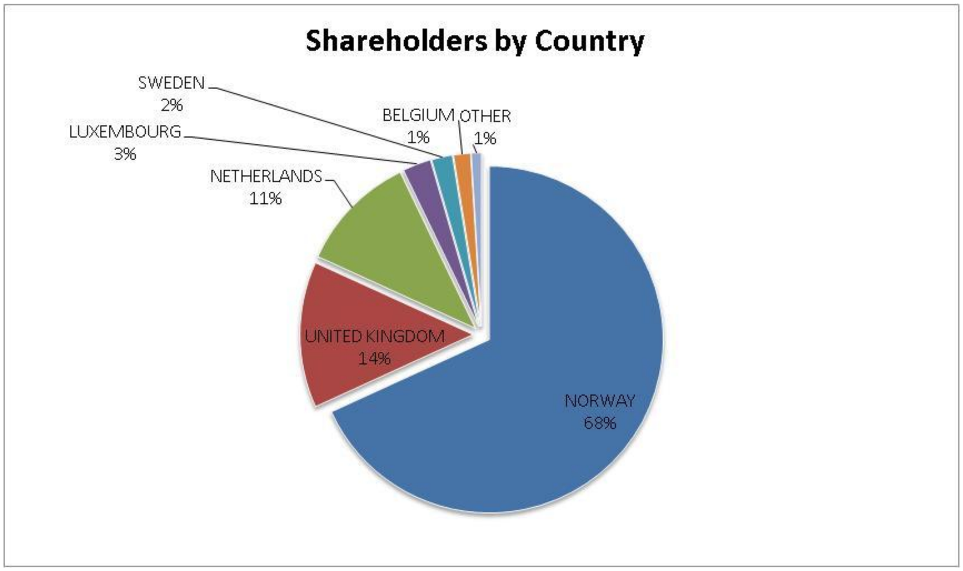
The Fairstar share price opened the year at NOK 8.60 and closed at NOK 11.00 an increase of almost 28%. In the first quarter of 2010 the share price significantly increased as a result of market expectations of Fairstar winning the Gorgon contracts. The share price declined in anticipation of the Company's intention to sell the new shares that would be required to finance the FORTE and FINESSE. By the end of the year the share price had risen back to levels well above the beginning of 2010. The market capitalization of Fairstar more than doubled throughout the year.

Share holders

At the end of 2010 Fairstar had 425 shareholders. The 25 largest shareholders hold approximately 87.12% of the outstanding share capital.

Type	Name	Country	Holdings	Percentage
	OCEANUS INTERNATIONAL INVESTMENT ASA	NORWAY	24.225.181	29,89%
	TORGHATTEN ASA	NORWAY	10.139.897	12,51%
	ROOSLAND BEHEER B.V.	NETHERLANDS	8.291.921	10,23%
NOM	DEUTSCHE BANK AG LONDON	UNITED KINGDOM	6.711.336	8,28%
	SKAGEN VEKST	NORWAY	3.699.645	4,56%
	ODIN OFFSHORE	NORWAY	2.531.379	3,12%
	ODIN MARITIM	NORWAY	1.774.559	2,19%
	DNB NOR SMB	NORWAY	1.720.705	2,12%
NOM	SEB PRIVATE BANK S.A. LUXEMBOURG	LUXEMBOURG	1.613.033	1,99%
NOM	SKANDINAVISKA ENSKILDA BANKEN	SWEDEN	1.361.075	1,68%
	HIFO INVEST AS	NORWAY	1.264.007	1,56%
NOM	JPMORGAN CHASE BANK	UNITED KINGDOM	1.129.400	1,39%
	TORGHATTEN TRAFIKKSELSKAP AS	NORWAY	1.059.029	1,31%
NOM	MORGAN STANLEY & CO INTERNAT. PLC	UNITED KINGDOM	990.679	1,22%
NOM	BANK OF NEW YORK MELLON SA/N.V.	BELGIUM	935.764	1,15%
	KLP AKSJE NORGE VPF	NORWAY	765.153	0,94%
	TOLUMA NORDEN AS	NORWAY	677.600	0,84%
	DNB NOR NAVIGATOR	NORWAY	623.562	0,77%
	KOMMUNAL LANDSPENSJONSKASSE	NORWAY	550.000	0,68%
	TVETERAAS EIENDOMSSELSKAP A/S	NORWAY	542.900	0,67%
			70.606.825	**87,12%**

A recent list of the Company's largest shareholders is available on the website (www.fairstar.com).



Key Financial information

The table below lists the (financial) key data. In 2006 and the first half of 2007, before the conversion started in Malta the Company was able to secure and successfully execute a number of contracts for (barge) FJELL. In 2007 the Company started to build up its own shore based organisation.

	2010	2009	2008	2007	2006
(amounts in USD thousands)					
Gross revenue	35,655	50,672	15,698	8,280	16,341
Voyage related costs	-8,670	-14,644	-5,632	-2,269	-10,363
Time charter equivalent revenue	**26,985**	**36,028**	**10,066**	**6,011**	**5,978**
Other income	-	5,290	-	155	129
Other Expense	-	-3,960	-4	-	-
Vessel operating expenses	-7,060	-7,676	-5,054	-4,193	-1,268
General and Administrative expenses	-7,660	-5,347	-5,254	-3,493	-2,968
Operating expenses, other than D&A	**-14,720**	**-13,023**	**-10,308**	**-7,686**	**-4,236**
EBITDA	**12,265**	**24,335**	**-246**	**-1,520**	**1,871**
Depreciation	-8,016	-6,324	-3,045	-388	-1,255
EBIT	**4,249**	**18,011**	**-3,291**	**-1,908**	**616**
Net financing costs	-4,021	-5,653	-4,476	2,139	243
Result before tax	**228**	**12,358**	**-7,767**	**231**	**859**
Income tax	-	-	-	-	-
Result after tax	**228**	**12,358**	**-7,767**	**231**	**859**
Basic earnings per share	0.00	0.30	-0.24	0.01	0.03
Diluted earnings per share	0.00	0.30	-0.23	0.01	0.03
Total non-current assets	225,497	179,687	167,538	133,281	95,592
Total current assets	41,634	11,170	8,105	6,366	17,635
Total assets	**267,131**	**190,857**	**175,643**	**139,647**	**113,227**
Current liabilities	38,977	58,938	33,884	16,726	4,637
Non-current liabilities	108,116	64,550	96,282	65,364	48,034
Total equity	120,038	67,369	45,477	57,557	60,556
Total equity and liabilities	**267,131**	**190,857**	**175,643**	**139,647**	**113,227**
Average number of fte’s employed	54	39	29	17	5

Directors' Statement of Responsibilities

In accordance with statutory provisions, the Directors state, to the best of their knowledge, that:

The Financial Statements, as shown on pages 25 to 56 of this report, provide a true and fair view of the assets, liabilities, financial position and result for the financial year of Fairstar Heavy Transport N.V. and its subsidiaries included in the consolidated Financial Statements;

- This annual report provides a true and fair view of the position at the balance sheet date and the business conducted during the financial year of Fairstar Heavy Transport N.V. and its subsidiaries, details of which are contained in the Financial Statements.
- The annual report provides information on any material risks to which Fairstar is exposed.

Rotterdam, 28 February 2011

The Fairstar Management Board,

Philip Adkins, CEO	Willem Out, COO	Mark de Haas, CFO

Governance

Introduction

Fairstar's corporate governance structure is based on the provisions of the Dutch Civil Code, the revised Dutch Corporate Governance Code as adopted in 2009 (the "Code"), the Company's Articles of Association (the "Articles of Association") and the rules and regulations applicable to companies listed on the Oslo Stock Exchange, complemented by several internal procedures and arrangements. These internal procedures and arrangements include risk management and control systems, as well as systems to assure compliance with applicable laws and regulations.

As a young and fast growing Company, Fairstar has been consistently adapting and improving its corporate governance standards in accordance with applicable laws and regulations. Most notable is the Code and its implementation rules. The Code contains principles and best practice provisions for Dutch companies whose registered offices are in the Netherlands and whose shares or depositary receipts have been listed and/or admitted to trading on a regulated market. Fairstar agrees and complies both with the general approach and with the vast majority of principles and best practice provisions of the Code. These principles and best practices are reflected in the Company's internal governance regulations, which are set out in this paragraph.

Deviations from the Code are explained in accordance with the Code's "comply or explain" principle. In this respect the following deviations from the Code apply to Fairstar:

- The current contracts with the members of the Management Board provide for remuneration clauses, which entitle the Management Board members – in the event of a dismissal – to a remuneration package which exceeds a one year's salary and which includes bonuses (Best practice provision II.2.8). The Supervisory Board considers these arrangements to be reasonable and prudent in light of Fairstar's development and the growth of its business over the past years, which has involved a substantial investment and commitment by the Management Board members including compensation packages that have been below international market standards for a substantial number of years.
- The Supervisory Board currently does not have the authority to recover variable remuneration awarded to a member of the Management Board (claw back) (Best practice II.2.11). So far, based on the nature of any variable remuneration package (fixed targets) a claw back has not been considered feasible. As the Company grows, a claw back provision might be considered in future Management Board member contracts.
- The (division of) duties and responsibilities of the Supervisory Board, other than the Code of Conduct for Management Board and Supervisory Board as posted on the Company's website, are not published in a specific "terms of reference" (Best practice III.1.1 and III.6.5). However, the duties and responsibilities of the Supervisory Board are included in the Articles of Association which are posted on the Company's website. The Company does not keep a detailed list with all Management Board members' holdings in securities other than securities issued by Fairstar
- In view of the (hands-on) and fast growing operations of the Company, as well as the size of the Company and the size and composition of the Supervisory Board (three industry expert members only), no formal Remuneration, Audit and Selection and Appointment committee has been established (best practice provision III.5). The activities of such Committees are currently executed by the Supervisory Board in its entirety. Please note that the Supervisory Board is currently reviewing the establishment of specific Committees as the operations of the Company grow.
- The current contracts with the members of the Supervisory Board provide for the possibility to be granted shares and/or rights to shares (Best practice provision II.7.1). Fairstar considers the allotment of shares and/or rights to shares to members of the Supervisory Board reasonable in light of the pro-active role of the Supervisory Board as Fairstar grows its business in a very dynamic market, and whereby the expertise of each of the Supervisory Board members is crucial. Also, in light of the fully international operations of Fairstar, including a listing in Norway, the allotment of shares and/or rights to shares to the Supervisory Board members is considered by Fairstar to be in conformity with international market practice standards.

- As Fairstar is a Dutch legal entity listed on the Oslo Stock Exchange and in order to allow trading on the Oslo Stock Exchange, the total outstanding share capital of Fairstar is held by DnB NOR Bank ASA as registrar and certificates of shares have been issued to the relevant VPS Shareholders (holders of certificates of shares) under a registrar agreement between Fairstar and DnB NOR Bank ASA (the "Registrar Agreement"). Based on the Registrar Agreement the voting rights of the holders of certificates of shares in Fairstar are not impacted by the certification as, at the request of the holders of certificates of shares, an instrument of proxy will be issued by DNB NOR Bank ASA to the relevant holder of certificates of shares to attend and vote at a general meeting (best practice provision IV.2).
- Given the size of the Company, the nature of its operations and the limited number of shareholders, there are no provisions set for the shareholders to follow presentations to analysts or investors in real time by webcasting, telephone conference or similar methods (best practice provision IV.3.1). Nevertheless, options in this respect are considered for the future.
- The Management Board and the Supervisory Board believe that the Company's corporate governance structure as described in this report has been the most appropriate for Fairstar so far. In light of the growth and development of the Company and its business and operations, amendments to the current structure may be suggested in the future.

The Management Board and the Supervisory Board may make amendments to the way the Code is applied as described below, if this is considered to be in the best interest of the Company and its stakeholders and only to the extent no prior approval of the Annual General Meeting of shareholders is required. If amendments are made, these will be reported and published in the annual report for the respective financial year.

Company Structure

Fairstar Heavy Transport N.V. is a public limited liability Company (*naamloze vennootschap*) established under the laws of the Netherlands. Fairstar has a two-tier board structure consisting of the Management Board and the Supervisory Board. The Company continuously focuses on measures to create and approve proper checks and balances within the Company.

The Supervisory Board consists exclusively of outside directors. The profile for the composition of the Supervisory Board, the Retirement Schedule and the Supervisory Board Regulations as well as the Code of Conduct and "Trading Rules for Primary Insiders" are available on the Company's website. The Supervisory Board is assisted by the Company Secretary. The Company Secretary ensures that proper procedures are observed and that any actions undertaken are in accordance with the relevant laws, and regulations as well as the Articles of Association.

The Management Board is responsible for the day-to-day management of the business of Fairstar and the long-term strategy. Based on the Articles of Association, Fairstar's Management Board currently comprises of three members: the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer. The Chief Executive Officer is Chairman of the Management Board.

The Supervisory Board is next to the general meeting of shareholders of the Company authorised to suspend members of the Management Board at any time. Also, the Supervisory Board will determine the remuneration of the members of the Management Board to which extent the Supervisory Board will submit a proposal to the general meeting of shareholders of the Company for its approval.

The Management Board and the Supervisory Board are accountable to the Annual General Meeting of Shareholders for the performance of their functions.

Rules on Inside Information and Code of Conduct

Inside Information

Each member of the Management Board and of the Supervisory Board is subject to the Fairstar Rules on Inside Information, which limit the opportunities of members of the Management Board and of the Supervisory Board to trade in Fairstar – and under certain circumstances – other companies' shares. Transactions in Fairstar shares, executed by members of the Management Board or members of the Supervisory Board, are notified to the Netherlands Authority for the Financial Markets (AFM) and/or other (financial) authorities in accordance with applicable laws and regulations, if necessary. Certain employees are subject to the same limitations under the Fairstar Rules on Inside Information. Directors and designated employees sign the rules on inside information for receipt and understanding. A list of primary insiders is available on the website of the Oslo Stock Exchange (www.OSE.no).

The Fairstar Rules on Inside Information provide that executing transactions in Fairstar securities is prohibited if the person concerned has inside information. The Compliance Officer may determine that members of the Management Board, members of the Supervisory Board and certain designated employees may not carry out transactions in Fairstar securities or other securities.

Code of Conduct

Fairstar demands that management and staff conduct themselves in an ethical manner at all times. The Company has a Code of Conduct for the Management Board and Supervisory Board as well as Rules of Conduct Related to Suspected Irregularities ("whistle-blower's regulations") Both are available on the Company's website.

Risks and Risk Management

Effective risk management is a fundamental business foundation. The integrated risk management process considers all relevant safety, environmental, social and (corporate) governance issues. The Management Board is responsible for the organisation and operation of the internal risk management and control systems. The purpose of these systems is aimed at the long-term sustainable management of its business activities and to minimise the principal risks to which Fairstar is exposed and to ensure compliance with legislation and regulations.

The risk management and control system has the continuous attention of the Management Board and forms an essential part of the management of Fairstar. Procedures have been put in place in key areas to manage risks, such as:

Project risks: As part of its business the Company regularly carries out high-risk projects. There are various risk areas, such as Health, Safety, Environment, Security and Finance. Proper project (risk) management is essential in managing these risks. The Board of Management identifies these risks on a project by project basis and defines specific risk control measures. The effects of these risk control measures are assessed during the project and adjusted if needed.

Market risks: The demand for heavy transport services in connection with exploration, development and production in the offshore oil and gas industry is particularly sensitive to oil and gas price fluctuations, low production levels and disappointing exploration results as well as possible geo-political influences. Demand for the Company's services may also be impacted by increased supply of similar or other vessels.

International operations: Operations in international markets are subject to risks inherent to international business activities, including, in particular, general economic conditions in each such market, overlapping differing tax structures, managing an organisation spread over various jurisdictions, unexpected changes in regulatory requirements, complying with a variety of foreign laws and regulations.

Insurance: The Company is insured against a number of risks. Risks related to occupational liability and general liability are covered. Tangible assets are insured at an appropriate level.

Financial risks: Exposure to credit, interest rate and currency risks arises in the normal course of Fairstar's business. Derivative financial instruments are used to hedge the vast majority of exposure to fluctuations in foreign exchange rates and interest rates. An extensive discussion on financial risk is included in the financial report.

Future capital needs: The Company may need to raise additional funds in the future in order to invest in or acquire complementary businesses, technologies, products or services. Any required additional financing may not be available on acceptable terms, or at all. If the Company raises additional funds by issuing equity securities, shareholders may experience dilution, and the newly-issued securities may have rights senior to current shareholders.

The Management Board is confident that the Risk Management and Internal Control Systems are in place to identify and mitigate material risks and that these systems provide an acceptable level of assurance that the Financial Statements do not contain any material misstatements and that these systems are operated properly.

For further information about the financial instruments and currency risk management, please refer to the policy notes in the Financial Statements.

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders is convened at least once every year. The Company's shareholders are entitled to attend, speak and vote at the Annual General Meeting of Shareholders. Each share entitles the relevant party to cast a single vote. The Shareholders' rights to attend the Annual General Meeting of Shareholders may be exercised by a person authorised in writing by the holder of the respective share(s). The power of attorney permitting the exercising of the rights to attend the Annual General Meeting of Shareholders must be registered with the Management Board at the latest on the day stated in the notice convening a meeting.

The principal areas in which the Annual General Meeting of Shareholders has authority, are discussed in the Articles of Association which are available on the Company's website.

Financial Reports and the Role of the Auditor

The Management Board is responsible for any financial announcement by Fairstar, under the supervision of the Supervisory Board. The Management Board has to prepare and publish the Company's Financial Statements. Procedures, implemented for the preparation and publishing of the Company's Financial Statements, are evaluated on a regular basis and amended where necessary. The Company's Financial Statements are prepared by the Chief Financial Officer and signed by the Management Board and the Supervisory Board. The Annual Report is adopted by the Annual General Meeting of Shareholders. The external auditor attends the Supervisory Board meeting at which the Annual Accounts are discussed.

The external auditor is appointed by the Annual General Meeting of Shareholders following a recommendation by the Supervisory Board. The appointment of the external auditor is discussed every year within the Board of Management and the Supervisory Board meeting. Once every four years, the external auditor's performance is subject to an in-depth review by the Supervisory Board and the Management Board. The Management Board reports to the Supervisory Board on any changes in the relationship with the external auditor, or regarding the external auditor's independence from the Company. In line with the applicable auditing professional standards the external auditor will report to the Management Board and the Supervisory Board on independence vis-à-vis Fairstar. The Company's external auditor can be requested to attend the Annual General Meeting of Shareholders allowing shareholders of the Company to place any queries on financial matters as reviewed by the external auditor.

Consolidated Financial Statements 2010

Statement of Comprehensive Income

	Note	2010	2009
(amounts in USD thousands)			
Gross revenue		35,655	50,672
Voyage related costs		-8,670	-14,644
Time charter equivalent revenue		**26,985**	**36,028**
Other income	1	-	5,290
Other expenses			-3,960
Vessel operating expenses	2	-7,060	-7,676
General and administrative expenses	3-4	-7,660	-5,347
Operating expenses, other than depreciation		**-14,720**	**-13,023**
Earnings before interest, Tax and Depreciation (EBITDA)		**12,265**	**24,335**
Depreciation		-8,016	-6,324
Earnings before interest, Tax (EBIT)		**4,249**	**18,011**
Financial income	5	2,143	5,594
Financial expense		-6,164	-11,247
Net financing income (expense)		**-4,021**	**-5,653**
Profit (loss) before tax		**228**	**12,358**
Income tax expenses	6	–	–
Profit (loss)		**228**	**12,358**
Change in valuation of derivative financial instruments	10	197	2,278
Net expenses recognised in equity	14	-2,478	-861
Total comprehensive income and expense for the period		**-2,053**	**13,775**
Weighted average number of shares		60,900,957	41,057,888
Fully Diluted average number of shares		63,116,957	41,580,221
Basic earnings per share (in USD)		0.004	0.301
Diluted earnings per share (in USD)		0.004	0.297

Statement of Financial Position

After appropriation of result

	Note	2010	2009
(amounts in USD thousands)			
ASSETS			
Vessels and vessels under construction	7	224,950	179,557
Office equipment and leasehold improvements		547	130
Total non-current assets		**225,497**	**179,687**
Inventories	8	1,350	1,506
Trade and other receivables	9	2,632	9,524
Derivative financial instruments	10	1,138	112
Cash and cash equivalents	11	36,514	28
Total current assets		**41,634**	**11,170**
TOTAL ASSETS		**267,131**	**190,857**
EQUITY AND LIABILITIES			
Bank overdraft	11	7,487	4,239
Trade and other payables	12	5,560	18,164
Short term part of long term loans	13	19,262	29,417
Derivative financial instruments	10	6,668	7,118
Current liabilities		**38,977**	**58,938**
Long term loans	13	108,116	64,550
Non-current liabilities		**108,116**	**64,550**
Total liabilities		**147,093**	**123,488**
Issued share capital	14	45,866	23,478
Share premium	14	74,684	45,019
Retained earnings		4,089	3,861
Hedging reserve		-4,974	-5,171
Share-based payments reserve		373	182
Total equity		**120,038**	**67,369**
TOTAL EQUITY AND LIABILITIES		**267,131**	**190,857**

Cash Flow Statement

	2010	2009
(amounts in USD thousands)		
Profit (loss) after taxation	228	12,358
Change in valuation of derivatives and NOK bond loan	-1,279	-1,368
Depreciation/ amortisation	8,016	6,324
Share-based payments	191	43
	7,156	17,357
Changes in working capital (excluding cash and cash equivalents, derivative financial instruments and long term loan)	-5,556	-10,611
Net cash from operating activities	**1,600**	**6,746**
Investments in New Builds (FORTE and FINESSE)	-52,293	-18,472
Investments in other non current assets	-1,533	–
Net cash from investing activities	**-53,826**	**-18,472**
Issue of equity net of fees (issue and conversion)	52,053	3,906
Proceeds from new facilities	64,828	–
Repayment of loans	-31,417	-3,200
Net cash from financing activities	**85,464**	**706**
Net increase in cash and cash equivalents	**33,238**	**-11,020**
Cash and cash equivalents at the beginning of the period	-4,211	6,809
Cash and cash equivalents including bank overdraft at 31 December	**29,027**	**-4,211**

Statement of Changes in Equity

2010	Note	Issued share capital	Share premium	Retained earnings	Hedging reserve	Share-based payments reserve	Total
(amounts in USD thousands)							
Balance as at 1 January		23,478	45,019	3,861	-5,171	182	**67,369**
Issue of equity	14	22,388	32,334	-	-	-	**54,722**
Fees	14	-	-2,669				**-2,669**
Fair value changes hedges	10	-	-	-	197	-	**197**
Share based payments	4	-	-	-	-	191	**191**
Result for the period		-	-	228	-	-	**228**
Balance as at 31 December		**45,866**	**74,684**	**4,089**	**-4,974**	**373**	**120,038**

2009		Issued share capital	Share premium	Retained earnings	Hedging reserve	Share-based payments reserve	Total
(amounts in USD thousands)							
Balance as at 1 January		56,242	5,042	-8,497	-7,449	139	**45,477**
Issue of equity (net of fees)		3,583	677	–	–	–	**4,260**
Conversion of bonds (net of fees)	13	2,479	474	–	–	–	**2,953**
Reduction of capital		-38,826	38,826	–	–	–	**–**
Hedge reserve		–	–	–	2,278	–	**2,278**
Share based payments	4	–	–	–	–	43	**43**
Result for the period				12,358			**12,358**
Balance as at 31 December		**23,478**	**45,019**	**3,861**	**-5,171**	**182**	**67,369**

Notes to the consolidated Financial Statements

General Information

Background

Fairstar Heavy Transport N.V. ('the Company') is a provider of long-distance ocean transportation services for the offshore and onshore industries. Fairstar operates two of the world's largest and most modern self-propelled semi-submersible heavy transport vessels, FJORD and FJELL. The Vessels transport valuable large floating and non-floating cargoes mainly used in the offshore oil and gas industry, such as drilling rigs, floating production platforms, modules, etc. on a contract-to-contract basis.

The Company was incorporated on 8 July 2005. Since 17 November 2006, the Company has been quoted on the official Oslo Stock Exchange (OSE) under the ticker FAIR. At year-end 2010 the Company has 81,047,779 shares outstanding.

The Company is domiciled in Rotterdam, the Netherlands.

Business description

The Company was incorporated on 8 July 2005. Shortly thereafter the Company successfully raised approximately USD 50 million in equity through a private placement. In August 2005, the Company purchased and took delivery of the Barges from BOA Offshore AS in Trondheim, Norway. Subsequently these barges were successfully converted to self propelled semi-submersible heavy transport vessels.

The FJORD entered into service in the offshore heavy transport segment in March 2008. The FJELL sailed away for its maiden voyage in May 2009.

Basis of preparation

The Financial Statements of the Company have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code using International Financial Reporting Standards (IFRS) as endorsed in the EU and its interpretations adopted by the International Accounting Standards Board (IASB).

The Financial Statements were authorised for issue by the Joint Boards on 28 February 2011.

Basis of measurement

The consolidated Financial Statements have been prepared on the historical cost basis except for derivative financial instruments that are stated at fair value and the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognised when they occur and reported in the Financial Statements of the periods to which they relate.

Functional and presentation currency

These Financial Statements are presented in USD, which is the functional currency of the Company. All financial information presented in USD has been rounded to the nearest thousand.

At year-end 2010 the most important exchange rates were the Euro and the Norwegian Kroner.

	EUR	NOK
1 January 2009	1.3919	0.14336
31 December 2009	1.4332	0.17272
31 December 2010	1.3375	0.17136

Use of estimates and judgments

The preparation of the accounts of the Company in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Management has made no judgements in the application of IFRS that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year.

Changes in Accounting Policies

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of Fairstar, except for IFRS 9 Financial Instruments, which becomes mandatory for Fairstar's 2013 consolidated financial statements and could change the classification and measurement of financial assets. Fairstar does not plan to adopt this standard early and the extent of the impact has not been determined.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and have been applied consistently by subsidiaries.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The figures of the subsidiaries are included in the Financial Statements from the date that control commences until such control ceases.

Foreign currency

Transactions in foreign currencies are translated into USD using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the balance sheet date are translated to USD at the applicable exchange rate ruling at that date. Exchange differences arising on translations are recognised in the income statement.

Segment reporting

Given the limited number of vessels, Management looks at its operations on a detailed project-by-project basis. Detailed financial project information is regarded as competition-sensitive. As a result no detailed segment information as required by IFRS 8 Operating Segments has been included in the Financial Statements.

Significant accounting principles

Revenue

Revenues include lump-sum freights including any demurrage payments generated by projects. Voyage revenue is estimated and recognised on a straight-line basis over the duration of the voyage. Probable losses on voyages are provided for in full at the time such losses can be estimated. Advance payments are recorded as deferred income.

The company recognizes revenue when the amount of revenue can be measured reliably, it's reasonably certain that the economic benefits will flow into the entity.

The time-charter equivalent revenue is calculated as revenues minus direct voyage related costs.

Voyage-related costs

Voyage-related costs are costs directly related to transportation projects, such as bunker fuel, port and harbor dues, deck preparation and sea fastenings, amongst others. These costs are matched with the related contracts and are accounted for on a historical cost basis.

Vessel operating expenses

Vessel operating expenses comprise the operating costs of the vessels as crew and crew related costs, repairs and maintenance, insurance, damage accruals and miscellaneous operating expenses directly attributable to the vessels.

Employee benefits

Defined-contribution plans

Pension scheme contribution liabilities under defined-contribution plans are recognised as an expense in the income statement when the contributions fall due. This is also the case for contributions paid to the multi-employer plan "Pensioenfonds voor de Koopvaardij". Although this industry pension fund has in fact characteristics of a defined-benefit plan, it is accounted for as a defined-contribution plan because the pension fund concerned does not supply sufficient information for defined-benefit accounting to be applied.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments transactions

All types of share based payments qualify as equity settled plans. The estimated total amount to be expensed over the vesting period related to share based payments is determined by reference to the fair value of the instruments determined at the grant date. Total cost for the period is charged or credited to the income statement, with a corresponding adjustment to equity. Fair value of share options is calculated using the Black & Scholes valuation model.

Financial income and expenses

Financial income comprises interest income on bank deposits, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financial expenses comprise of interest on borrowings, changes in the fair value of financial assets and hedging instruments recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis.

Borrowing costs that are directly attributable to the acquisition and construction of the vessels are capitalised as part of the cost of that asset.

Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Company has elected to be taxed on the basis of the Dutch tonnage regime for the qualifying vessels rather than on the basis of the taxable profits actually made. The taxable profit generated by each individual vessel is calculated for a book year according to the following sliding scale.

Net tonnage of ship	Fixed amount in EUR per 1000 net ton per day
First 1,000 net tons	9.08
For the excess up to 10,000 net tons	6.81
For the excess up to 25,000 net tons	4.54
For the excess up to 50,000 net tons	2.27
50,000 net tons or more	0.50

The taxable profits calculated on the basis of this schedule are subject to the normal Dutch corporate tax rate. The tonnage regime was awarded at the time the vessels went into conversion. FJORD (Net tonnage below 10,000 tons) as per 1 January 2006 and FJELL (Net tonnage below 10,000 tons) as per 1 July 2007.

Income tax on other income and income from transportation activities prior to the vessel conversion are levied in accordance with Dutch corporate income tax regulations, taking into account fiscal facilities and non-deductible expenses. Income tax is calculated at the nominal tax rates.

Deferred tax is recognised at the nominal tax rate using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, which in the case of Dutch tonnage regime is unlikely.

Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise of share options granted to employees, the Management Board and Supervisory Board and the Management shares.

Property, plant and equipment (PP&E)

In accordance with IAS 16 the Company has adopted the component approach for its two heavy transport vessels FJORD and FJELL. PP&E consist mainly of vessels and other equipment acquired by the Company. PP&E are stated at cost less accumulated depreciation and impairment losses, if any. Costs include expenditure that is directly attributable to the acquisition or conversion of the assets.

Interest costs on borrowings to finance the conversion and external management costs relating to the conversion are capitalised during the period required to complete and prepare the vessels for their intended use.

Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they occur. Any subsequent costs (such as major renovations) are included in the vessels' carrying amount when it is probable that the Company will derive future economic benefits in excess of the originally assessed standard of performance. Any major renovations are depreciated over the useful lives of such renovations.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the item and are included in operating profit. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less selling costs.

The vessels will undergo a survey typically every 5 years. The costs incurred for dry-docking of vessels are capitalised and depreciated over the period to the next dry-docking.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life. The two vessels are depreciated from the moment of completion of the conversion. When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment and depreciated over five to thirty years.

The estimated remaining useful life is as follows:

Hull and Accommodation	:	30 years
Ballast Systems	:	30 years
Engines	:	30 years
Electrical Machinery	:	25 years
Safety Equipment	:	25 years
Navigation Equipment	:	15 years
Survey and Docking	:	5 years

Useful lives, residual values and depreciation methods are, if not insignificant, reassessed annually.

Impairment of assets

The carrying amount of the Company's vessels and any other qualifying non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable, mainly independent, cash flows (cash-generating units). The recoverable amount is the greater of the asset's net selling price and its value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an extent higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years.

Inventories

Inventories mainly consist of bunker and lubricants on board of the vessels. The value of inventories is based on historical cost and includes expenditure incurred in acquiring and bringing the inventories to their existing location and condition. Inventories are stated at the lower of cost and net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprise of cash and petty cash on the vessels, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Provisions

A provision is recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligations, determined using the estimated risk free interest rate as discount rate. Where discounting is used, the carrying amount of provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognised as interest expense.

Borrowings (Long-term loans)

Borrowings are recognised initially at fair value minus direct transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

The Company uses derivative financial instruments to hedge its exposure to non-USD exchange, its floating interest rate risks and, in specific instances, commodities (bunkers). In compliance with the treasury policy, the Company does not hold or issue derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting principle regarding hedging).

Financial instruments carried at fair value are included in the "level two" category. This means that valuation of these instruments is based on a periodic valuation provided by financial institutions.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. When a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (for example, when interest income or expense is recognised). For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Company revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge financially the non-USD exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Equity

Share capital is classified as equity. The Company has issued one kind of shares. No preference shares have been issued.

External fees and expenses directly attributable to the issuance of new shares such as fees paid to investment banks, fees of the registrars, fees of the notary and expenses on printing and supply of prospectus, etc, are directly recognised in share premium.

Cash flow statement

The cash flow statement has been prepared applying the indirect method.

Financial risk management (IFRS 7)

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Management Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Supervisory Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company's exposure to credit risk is significantly influenced by the individual characteristics of project and/or customer. Management has a strict credit policy in place to control exposure to credit risk. Credit evaluations are performed on all customers before signing a contract, if needed specific contract terms are amended or a Letter of Credit is requested. On the balance sheet there are hardly ever any substantial concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The treasury function ensures stringent cash control. As a result of the Company's inherent project limitations (project income is usually received in two or three instalments, while an average project can take up to three or more months) the Company has USD 8 million overdraft facility for working capital at its disposal.

The following are the contractual maturities of financial liabilities:

2010	Less than 3 months	Month 3-6	Month 7-12	Year 1-5	More than 5 years	Total
(amounts in USD thousands)						
Trade creditors	-2,159	-	-	-	-	-2,159
Deferred project income	-	-	-729	-	-	-729
Accrued interest	-1,427	-	-	-	-	-1,427
Other Accruals	-676	-234	-335	-	-	-1,245
Interest bearing debt	-14,600	-1,600	-3,200	-70,609	-39,200	-129,209
Interest rate swaps used for hedging	-135	-	-	-2,478	-2,361	-4,974
Foreign exchange contracts used for hedging	-1,664	-	-	1,108	-	-556
Total	**-20,661**	**-1,834**	**-4,264**	**-71,979**	**-41,561**	**-140,299**

2009	Less than 3 months	Month 3-6	Month 7-12	Year 1-5	More than 5 years	Total
(amounts in USD thousands)						
Trade creditors	-7,374	-	-1,761	-	-	-9,135
Deferred project income	-5,297	-	-946	-	-	-6,243
Accrued interest	-980	-	-	-	-	-980
Other Accruals	-993	-731	-82	-	-	-1,806
Interest bearing debt (net accrued fees)	-24,617	-1,600	-3,200	-19,200	-45,800	-94,417
Interest rate swaps used for hedging	-	-	-	-3,214	-1,956	-5,170
Foreign exchange contracts used for hedging	-	-1,835	-	-	-	-1,835
Total	**-39,261**	**-4,166**	**-5,989**	**-22,414**	**-47,756**	**-119,586**

Interest rate risk

Based on the various scenarios, the Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Company raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Company borrowed at fixed rates directly. Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	31-Dec-10	31-Dec-09
(amounts in USD thousands)		
Fixed rate financial liabilities (floating swapped to fixed)	48,985	48,985
Variable rate Financial liabilities	78,393	44,982
Total Interest bearing liabilities	**127,378**	**93,967**

An increase of 100 basis points in interest rates as per balance sheet date would have increased equity with USD 1.2 million (31 December 2009: USD 1.2 million) and decrease Net Income with USD 7.8 million (31 December 2009: USD 4.8 million). A decrease of 100 basis points in interest at 31 December would have had the equal but opposite effect. The analysis is performed on the same basis for 2009.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates. Exposure to this risk is primarily caused by the fact that the Company’s functional currency is USD, while a portion of its operating and general and administrative expenses are in EURO’s. Furthermore, the Company has its assets valued in USD and the portion of its debt in Norwegian Kroner.

In respect of other monetary assets and liabilities held in currencies other than the USD, the Company ensures that the net exposure is kept at an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. When necessary, forward exchange contracts are entered into.

The Company's exposure to foreign currency risk was as follows based on notional amounts.

2010	Carrying amount USD 1,000	Of which: USD 1,000	EURO In EUR 1,000	Norwegian Kroner In NOK 1,000
Cash (net overdraft)	29,027	-4,338	3,268	169,199
Trade receivables and other current assets	2,632	2,632	0	0
Trade payables and other current liabilities	-5,560	-4,007	-3,173	-1,080
Long term debt	-108,116	-56,708	0	-300,000
Short term debt	-19,262	-19,262	0	0
Hedged with Forward contracts	-556	-	-	350,000
Total	**-101,835**	**-81,683**	**95**	**218,119**

2009	Carrying amount USD 1,000	Of which: USD 1,000	EURO In EUR 1,000	Norwegian Kroner In NOK 1,000
Tax receivable	128	-	89	-
Cash	-4,239	-4,196	-123	998
Trade creditors	-9,148	-3,564	-5,058	-1,561
Tax payable	-110	-	-77	-
Accruals	-8,919	-7,844	-	-6,223
Short term debt	-29,417	-8,000	-	-124,000
Hedged with Forward contracts	-1,835	-	-	150,000
Total	**53,540**	**-23,604**	**-5,169**	**19,214**

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable potential change in the EUR and NOK rate against the USD. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

2010	Effect on profit	Effect on Equity
(amounts in USD thousands)		
EUR stronger by 10%	-952	-311
EUR weaker by 10%	952	311
NOK stronger by 10%	146	3,738
NOK weaker by 10%	-146	-3,738

2009	Effect on profit	Effect on Equity
(amounts in USD thousands)		
EUR stronger by 10%	-1,664	-1,664
EUR weaker by 10%	1,664	1,664
NOK stronger by 10%	185	185
NOK weaker by 10%	-185	-185

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimising the return on risk.

Risk assessment and adherence to sound working principles play an integral part in all of the Company's activities. Risk Management process starts early in the proposal phase, evaluating every item with great scrutiny including but not limited to: cargo and legal position, counterparty, timing, bunkers, insurances, weather and sea conditions.

Every cargo operation is carefully planned and simulated in advance by experienced engineers.

Capital management

During 2010 the Company maintained its focus on a strong credit rating and sustainable capital base. Management strives to provide the market with high-quality information about developments at Fairstar, ensuring that relevant information is equally and simultaneously provided and accessible to all interested parties. The Management Board spends significant efforts to maintain its long standing relations with investors, bankers and key suppliers to sustain future development of the business.

There were no significant changes in the Company's approach to capital management during the year.

	2010	2009
(amounts in USD thousands)		
Long-term borrowings	108,116	64,550
Current portion of debt	19,262	29,417
Less: cash and cash equivalents	-29,027	4,211
Net debt	**98,351**	**98,178**

Other than our financial covenants which are discussed in the report, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the consolidated Income Statement

1 Other Income and Expense

Other income and other expense 2009 related to claims the Company issued in relation to the thruster damage of the FJORD in 2009.

2 Vessel operating expenses

A breakdown of the vessel operating expenses is as follows:

	2010	2009
(amounts in USD thousands)		
Crewing	3,129	3,633
Maintenance, stores and spare parts	2,505	2,027
Insurances	984	1,483
Other vessel operating costs	442	533
	7,060	7,676

3 General and administrative expenses

A breakdown of the general and administrative expenses is as follows:

	2010	2009
(amounts in USD thousands)		
Remuneration of the Boards	2,436	1,117
Employee expenses	2,534	1,393
Temporary work staff and advisory costs	1,025	1,273
Travel and Lodging expenses	336	673
Office and rent expenses	614	525
Costs relating to the listing on the Oslo Stock Exchange	215	111
Other general and administrative expenses	500	255
	7,660	**5,347**

The KPMG fee for auditing the Financial Statements has been included in the other general and administrative expenses and amounts to EUR 60,000 (2009: EUR 60,000). Other fees paid to KPMG relate to an opinion in respect to the June prospectus and amounted to EUR 38,350 in 2010 (2009: ICT security amounted to EUR 15,760).

4 Employee expenses

A breakdown of the employee expenses is as follows:

	2010	2009
(amounts in USD thousands)		
Wages and salaries	4,292	2,623
Social security contributions	375	352
Retirement benefits	405	284
Share-based compensation	26	25
	5,098	**3,284**

The employee expenses are included in the following items of the consolidated income statement:

	2010	2009
(amounts in USD thousands)		
Employee expenses included in Operating expenses	2,052	1,891
Employee expenses included in General and administrative expenses	3,046	1,393
	5,098	**3.284**

A breakdown of the retirement benefits is as follows:

	2010	2009
(amounts in USD thousands)		
Contributions to the defined benefit plan (maritime crews)	188	157
Contributions to the defined contribution plan (staff)	217	127
	405	**284**

For its Shore based staff, the Company entered into a pension arrangement with “De Amersfoortse” in 2008. The pension scheme is a defined contribution plan. Employees are charged 20% of their pension cost, the Company pays 80% of the pension cost.

The contributions to the defined-benefit plan relate to the multi-employer plan “Pensioenfonds voor de Koopvaardij”. The Company accounts for this multi-employer plan as if the plan is a defined-contribution plan. The Company does not have access to information about this plan in order to account for this plan as a defined-benefit plan. The expected contribution to the defined-benefit plan amounts to USD 250,000 for 2011.

At the end of the year the Company employed a total 52 employees. Maritime crews are employed by Fairstar Maritime Services B.V., Shore based staff is employed by Fairstar Heavy Transport N.V.

The average number of employees is as follows:

	2010	2009
In Full Time Equivalent (FTE)		
Maritime crews	34	27
Shore-based staff, including members of the Board	20	12
	54	**39**

Since FJORD and FJELL sail the Dutch flag, all employees, including Maritime Crews are employed inside the Netherlands.

Share Option expense

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. At the annual meeting the Boards have received authorisation to grant a certain number of options for that specific fiscal year. As per the end of 2010 a total of 1,674 thousand share options have been issued to employees, including members of the Management and Supervisory Board.

Options vest in three equal instalments 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 paid in cash the consideration per share over the exercise price.

The option program for Members of the Supervisory Board was approved at the 2010 AGM. These options are covered by the general employee option plan, have a five year life and vest during the current individual member's term. As per the end of 2010, 250 thousand options have been granted.

The number and weighted average exercise prices of share options are as follows:

	2010 Number of options	2009 Number of options
Outstanding at 1 January	885,500	722,500
Exercised during the year	-20,000	–
Forfeited during the year	-38,500	-70,000
Granted during the year	739,000	233,000
Outstanding at 31 December	**1,566,000**	**885,500**
Exercisable at 31 December	670,333	522,333
Average exercise price of options outstanding	NOK 7.84	NOK 6.22

The fair value of share options granted is measured using a standard Black & Scholes model, with the following inputs:

	2010 Employees	2010 Supervisory Board	2009
Fair value per option in USD	0.28	0.58	0.21
Number of options granted	489,000	250,000	233,000
Share price at grant date in NOK	7.25	10.98	8.35
Exercise price in NOK	10.00	12.10	10.00
Expected volatility	40%	40%	20%
Option life	5	5	5
Expected dividends	0%	0%	0%
Risk-free interest rate	2.00%	2.00%	3,70%

The breakdown of the share option expense is as follows:

	2010	2009
(amounts in USD thousands)		
Share options granted in 2008	13	35
Share options granted in 2009	17	8
Share options granted in 2010	94	-
Total expense recognised during the year	124	43

5 Financial income and expense

A breakdown of the financial income and expenses is as follows:

	2010	2009
(amounts in USD thousands)		
Interest received on short term deposits	89	34
Changes in the fair value of hedging instruments	1,279	5,560
Foreign currency gains	775	–
Financial income	**2,143**	**5,594**
Interest paid on borrowings	-6,196	-7,325
Interest capitalised during the year relating to the conversion of the vessels	297	1,313
Changes in the fair value of hedging instruments	-	-4,860
Foreign currency losses	-	-375
Other financial gains and losses	-265	-
Financial expenses	**-6,164**	**-11,247**
Net financing costs	**-4,021**	**-5,653**

6 Income tax expenses

No income tax is recognised in the profit for the reporting period. It is expected that accumulated taxable results will be negative in the foreseeable future due to the fact that start-up losses in the period until conversion are tax-deductible, whereas results in the years after conversion of the barges will be taxed in accordance with the Dutch tonnage tax regime. Total amount of carry-forward losses at the end of 2010 is approximately USD 600,000.

Due to the tonnage regime no material losses are carried forward on the balance sheet.

Notes to the Consolidated Balance Sheet

7 Property, plant and equipment

The movements can be shown as follows:

	Heavy Transport Vessels	Assets under construction	ICT and office equipment	Total
(amounts in USD thousands)				
Balance as at 1 January 2010	179,557	-	130	**179,687**
Investments	1,037	52,293	496	**53,826**
Depreciation	-7,937	-	-79	**-8,016**
Balance as at 31 December 2010	**172,657**	**52,293**	**547**	**225,497**
Composed as follows:				
Purchase price	191,326	52,293	752	**244,371**
Accumulated depreciation	-18,669	-	-205	**-18,874**
Balance as at 31 December 2010	**172,657**	**52,293**	**547**	**225,497**

At 31 December 2010, the Company's two Heavy Transport Vessels FJORD and FJELL are subject to registered mortgages to secure bank facilities. Assets under construction mainly relate to yard payments made in relation to Fairstar's new build program.

8 Inventories

Inventories include bunker fuel and lubricants for both vessels, amounting to USD 1,350 thousand (2009: USD 1,506 thousand). No inventories are subject to retention of title clauses. In 2010 and 2009 no write-offs of inventories were accounted for.

9 Trade and other receivables

Details are:

	31 December 2010	31 December 2009
(amounts in USD thousands)		
Trade receivables	1,220	6,247
Tax receivable	104	128
Accrued project expenses	223	1,771
Other current receivables	1,085	1,378
	2,632	**9,524**

10 Derivative financial instruments

At 31 December 2010, the Company holds three forward exchange contract designated as hedges for the 300 million NOK bond. In addition, the Company holds a forward contract originating from the 150 million NOK bond that was repaid in February 2010. Similar to the revaluation of the NOK bond, these forward contracts are mark-to-market via the income statement.

Furthermore, the Company holds six (2009: six) "floating-to-fixed" interest rates swaps contracts and one (2009: one) "cap/ floor". These derivates are designated as hedges of underlying variable interest rate (LIBOR) on the HSH debt.

The fair value of the derivative financial instruments included in the balance sheet can be summarised as follows:

	31-dec-10	31-dec-10	31-dec-09	31-dec-09
	Asset	Liability	Asset	Liability
(amounts in USD thousands)				
Cap/ Floor	30	0	112	–
Interest rate swaps	0	5,004	–	5,283
Forward currency contracts	1,108	1,664	–	1,835
	1,138	**6,668**	**112**	**7,118**

The Cap/ Floor and the Interest Rate Swaps are both designated as cash flow hedges against the HSH Senior and Junior loans. The positive change in fair value of USD 197 thousand (2009: 2,278 thousand) is recognised in equity.

11 Cash and cash equivalents

The cash and cash equivalents amounted to USD 36,514 thousand (2009: USD 28 thousand). The Company's overdraft facility with HSH was fully utilised resulting in a net cash position of USD 29,027 thousand (2009: 4,211 thousand negative). An amount of USD 14.6 million (2009: nil) is restricted due to guarantees or collateral provided.

12 Trade and other payables

Details are:

	31 December 2010	31 December 2009
(amounts in USD thousands)		
Trade payables	2,159	9,135
Tax and social securities	88	110
Deferred project income	729	6,243
Accrued interest	1,427	980
Other accruals	1,157	1,696
	5,560	**18,164**

Trade payables are non interest bearing and usually settled on a fifty to sixty days term. Tax and social securities are normally settled on a monthly basis throughout the financial year.

13 Borrowings

Details are:

31 December 2010	Pricing (bps)	Carrying Value	Fair Value	Current amount	Non-current amount
(amounts in USD thousands)					
USD 60 million, HSH Nordbank Sr. Term loan	LIBOR + 125	51,092	51,250	5,000	46,250
USD 16 million, HSH Nordbank Jr. Term loan	LIBOR + 175	13,508	13,550	1,400	12,150
USD 15 million ABN AMRO term loan	LIBOR + 400	12,862	13,000	13,000	-
NOK 300 million, private debenture loan	NIBOR + 900	49,916	51,409	-	51,409
		127,378	**129,209**	**19,400**	**109,809**

31 December 2009	Pricing (bps)	Carrying Value	Fair Value	Current amount	Non-current amount
(amounts in USD thousands)					
USD 60 million, HSH Nordbank Sr. Term loan	LIBOR + 125	57,302	57,500	6,250	51,000
USD 16 million, HSH Nordbank Jr. Term loan	LIBOR + 175	15,248	15,300	1,750	13,550
NOK 150 million, private debenture loan	NIBOR + 600	21,417	21,417	21,417	-
		93,967	**94,217**	**29,417**	**64,550**

HSH Nordbank

From 2006 HSH Nordbank AG in Hamburg has been Fairstar's senior lender. For these facilities HSH Nordbank has received a first mortgage on both Fairstar's operational vessels, FJORD and FJELL.

HSH Nordbank Senior Term loan

In October 2005, Fairstar entered into a 12-year facility with the HSH Nordbank AG in Hamburg for the original financing of the conversion. During the years 2005, 2006 and 2007 Fairstar drew down a total of USD 60 million in various tranches. The term loan shall be repaid in 31 consecutive quarterly instalments of USD 1,250,000 with a final instalment of USD 21,250,000 in March of 2017.

HSH Nordbank Junior loan

In 2006 this facility was established with the HSH Nordbank AG in Hamburg. During 2007 and 2009 Fairstar drew down a total of 16 million USD in various tranches. The junior facility shall be repaid in 31 quarterly instalments of USD 350,000 with a final instalment of USD 5,150,000 in March 2017.

HSH Nordbank credit facility

Fairstar has a committed overdraft facility available of USD 8 million. This revolving credit facility for liquidity back-stop and working capital financing purposes was entered into in October 2005 with HSH Nordbank AG. Amounts drawn under the overdraft credit facility carry a variable interest rate based on Fedfund Rate plus 275 basis points.

Private placement debenture loan

In February of 2010 Fairstar repaid NOK 124 million (originally NOK 150 million) private debenture loan at 103%. In November of 2010 the Company placed a new bond, totaling to NOK 300 million. This senior unsecured facility is priced at 3 months NIBOR plus a spread of 900 basis points. The bond matures and is repayable in one term at 18 November 2013.

Bank loan ABN AMRO Bank N.V. (Formerly Fortis Nederland B.V.)

Fairstar has a bank facility from Fortis Nederland B.V. for USD 15 million. This facility has been drawn down in February 2010 to repay the remaining amount outstanding under the private placement of NOK 124 million. The facility has a four year loan and is repayable in 15 equal quarterly installments.

Financial Covenants

The Company is subject to financial covenants, which are customary for these kinds of financing facilities. Covenants are monitored on a monthly basis as part of the Company's regular management reporting process. The following covenants are in place:

- Minimum Vessel Value (market value vessels/ loans) > 150% loans
- Minimum Equity (Equity/Capital Employed) > 30%
- Maximum Leverage (NIBD/ EBITDA) < 3.5
- Minimum Interest Coverage (EBITDA / Net Interest) >1.75

With regard to the bank loan of ABN Amro Bank N.V., as at December 31, 2010 the actual leverage ratio amounted to 8.0, whereas a maximum leverage ratio of 3.5 is required.

Fairstar is currently re-negotiating its long and short term debt facilities with HSH Nordbank and ABN Amro. Fairstar intends to replace these facilities with a new five year facility secured by a first mortgage over the FJORD/FJELL/FORTE and FINESSE. Any temporary breach in the covenants above will be remedied by the Company prior to such a breach resulting in a formal default under the current loan agreements.

14 Equity

Issued share capital

The authorised share capital of the Company amounts to EUR 98,900,000, divided into 215,000,000 shares of EUR 0.46, of which at year-end 81,047,779 (2009: 43,179,547 at EUR 0.46) shares have been placed. The Company held its AGM on 7 May 2010. Among others a resolution passed that granted the joined Boards authority to issue up to 75% of new equity. The proceeds were only to be used for investments in new assets (Resolution 7).

During the year the Company's outstanding shares increased with 88%. The Company placed a total of 37,868,323 new shares in four separate placements.

	Closing Date	Issue price (in NOK)	Number of shares issued	Gross Proceeds	Share issue fees
				(* USD 1,000)	(* USD 1,000)
10% Private Placement	23-Feb-10	12.50	4,317,500	9,096	450
Res. 7 Private Placement I	28-Jun-10	8.50	25,000,000	32,886	2,101
Res. 7 Repair Issue	23-Jul-10	8.50	284,004	374	30
Res. 7 Private Placement III	9-Nov-10	8.50	8,266,728	12,366	88
Total			**37,868,232**	**54,722**	**2,669**

The Company does not hold any Depository Receipts or Registered Shares in its own capital.

Share premium

The share premium equals the proceeds of share placements insofar as these exceed the nominal amount of the shares (proceeds above par) less expenses attributable to the issuance of the shares.

Other Reserves

The hedging reserve consists of the effective portion of the cumulative net change in fair value of cash flow hedging instruments (Cap/Floor and the Interest Rate Swaps). Effectiveness is tested on a quarterly basis. All hedges were effective in 2009 and 2010.

15 Commitments and Contingencies

The Company leases office space and cars. Furthermore, the Company has a long term service contract for ICT infrastructure and related services. The minimum commitments under these arrangements are as follows:

	2010	2009
(amounts in USD thousands)		
2010	-	105
2011	40,740	43
2012	110,329	16
2013	268	6
Thereafter	148	5
Total	**151,485**	**175**

The USD 40 million in 2011 and USD 110 million in 2012 mainly relate to fixed yard payments for New Build FORTE (USD 70 million) and the FINESSE (USD 80 million).

16 Related Party Disclosures

Fairstar Heavy Transport N.V. has the following fully owned (100%) subsidiaries;

- Fairstar Maritime Services B.V. (Rotterdam) – Employs all Fairstar's Maritime Crew
- Fairstar Beheer B.V. (Rotterdam) – No transactions
- Fairstar FJORD B.V. (Rotterdam) – No transactions
- Fairstar FJELL B.V. (Rotterdam) - No transactions
- Fairstar FORTE B.V. (Rotterdam) - No transactions

The related parties of the Company and their immediate relatives control 16.33% (2009: 24.737%) of the voting shares of the Company either directly or indirectly. Details are:

	2010		2009	
	%	Number of shares	%	Number of shares
P. Adkins (CEO)	0.27	220,000	0.28	120.000
W. Out	0.05	40,000	0.09	40.000
M.de Haas	0.03	25,000	0.07	25,000
R. Granheim (indirect via Torghatten)	15.7	12,719,603	23.59	10.185.033
F. van Riet	0.11	66,718	0.16	66.718
J. Verhagen	0.11	66,718	0.16	66.718
Other Fairstar employees	0.06	48,100	0.16	68.100

Remuneration of the Board

Details of the remuneration of the Management Board are:

	Remunera-tion	Bonus paid	Pension	Shares/ Options	Total 2010	Total 2009
(amounts in USD thousands)						
P. Adkins (CEO)	569	387	-	222	1,178	691
W. Out (COO)	307	166	61	144	678	320
M. De Haas (CFO)	199	135	24	4	362	0
C.J.C. Du Marchie Sarvaas	-	-	-	-	-	81
	1,075	**688**	**85**	**370**	**2,218**	**1,092**

Mr de Haas joined the Management Board in May of 2010. His remuneration is stated on a full year basis.

Mr Adkins has been granted 600 thousand management shares of which 100 have been issued in 2010 as a sign-on bonus. The remaining 500 thousand shares shall vest during his current contract term and will be transferred to Cadenza on the termination date or any termination event, whichever date is earlier. The fair value of these shares is NOK 8.50 per share (USD 655 thousand for the total grant). Mr Out was awarded 150 thousand management shares of which 100 thousand at contract signing date. The remaining 50 thousand shares will vest during his contract term.

Details of the remuneration of the Supervisory Board are:

	2010 Fees	2010 Options	2010 Total	2009
(amounts in USD thousands)				
F. van Riet (Chairman)	54	21	75	51
J. Verhagen	38	38	76	36
R. Granheim	38	11	49	36
W. Dirkzwager *	9	-	9	36
L. Aaker *	9	-	9	36
	148	**70**	**218**	**195**

*Mr Dirkzwager and Mr Aaker stepped down at the 2010 AGM.

Fairstar Heavy Transport N.V. Financial Statements 2010

Company income statement for the year 2010

	2010	2009
(amounts in USD thousands)		
Company result	**228**	12,358
Result subsidiaries	**–**	–
Profit (loss)	**228**	12,358

Company balance sheet as at 31 December 2010

	Note	2010	2009
(amounts in USD thousands)			
Assets			
Property, plant and equipment	*1*	225,497	179,687
Investments in subsidiaries	*2*	470	445
Total non-current assets		**225,967**	**180,132**
Inventories	*3*	1,350	1,506
Trade and other receivables	*4*	2,606	9,546
Derivative financial instruments		1,138	112
Cash and cash equivalents	*5*	37,205	28
Total current assets		**42,299**	**11,192**
Total assets		**268,266**	**191,324**
Liabilities			
Bank overdraft		7,487	4,270
Trade and other payables	*6*	6,695	18,600
Short term part of long term loan		19,400	29,417
Derivative financial instruments		6,668	7,118
Current liabilities		**31,250**	**59,405**
Non-current liabilities		**107,978**	**64,550**
Total liabilities		**148,228**	**123,995**
Issued share capital		49,865	28,467
Share premium		74,684	45,019
Retained earnings		90	-1,128
Hedging reserve		-4,974	-5,171
Share-based payments reserve		373	182
Total equity	*7*	**120,038**	**67,369**
Total equity and liabilities		**268,266**	**191,324**

Notes to the Company Financial Statements

General

The Company uses the option provided in section 2:362 (8) of the Netherlands Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company Financial Statements are the same as those applied for the consolidated Financial Statements. These consolidated Financial Statements are prepared according to standards laid down by the International Accounting Standards Board and adopted by the European Union (referred to as EU-IFRS). Reference is made to the consolidated Financial Statements for the principles used. Investments in subsidiaries over which significant influence is exercised, are stated at net asset value.

The Company Financial Statements are part of the 2010 Financial Statements of Fairstar Heavy Transport N.V. With reference to the Company income statement of Fairstar Heavy Transport N.V., the exemption pursuant to section 402 of Book 2 of the Netherlands Civil Code has been used.

For items where no differences between the Company and consolidated Financial Statements are applicable, we refer to the notes to the consolidated Financial Statements.

Notes to the Company balance sheet

Assets

1 Property, plant and equipment

	Heavy Transport Vessels	Assets under construction	ICT and office equipment	Total
(amounts in USD thousands)				
Balance as at 1 January 2010	179,557	-	130	**179,687**
Investments	1,037	52,293	496	**53,826**
Depreciation	-7,937	-	-79	**-8,016**
Balance as at 31 December 2010	**172,657**	**52,293**	**547**	**225,497**
Composed as follows:				
Purchase price	191,326	52,293	752	**244,371**
Accumulated depreciation	-18,669	-	-205	**-18,874**
Balance as at 31 December 2010	**172,657**	**52,293**	**547**	**225,497**

At 31 December 2010, the Company's two vessels FJORD and FJELL are subject to registered mortgages to secure bank loans and guarantees.

2 Subsidiaries

This refers to 100% participations in Fairstar Beheer B.V. (Rotterdam), Fairstar Maritime Services B.V. (Rotterdam), Fairstar FORTE B.V. (Rotterdam), Fairstar FJORD B.V. (Rotterdam) and Fairstar FJELL B.V. (Rotterdam).

Movements were as follows:

	2010
(amounts in USD thousands)	
Balance as at 1 January	445
Capital increase	-
Incorporation Fairstar FORTE B.V.	25
Result subsidiaries	-
Balance as at 31 December	**470**

3 Inventories

Inventories include bunker fuel and lubricants amounting to USD 1,351,000 (2009: USD 1,506,000). No inventories are subject to retention of title clauses, in 2010 and 2009 no write-offs of inventories were accounted for.

4 Trade and other receivables

Details are:

	31-dec-10	**31-dec-09**
(amounts in USD thousands)		
Trade receivables	1,220	6,247
Tax receivable	104	128
Other receivables	1,282	3,171
	2,606	**9,546**

5 Cash and cash equivalents

The cash and cash equivalents amounted to USD 37,205 thousand (2009: USD 28 thousand). The Company's overdraft facility with HSH was fully utilised resulting in a net cash position of USD 29,718 thousand (2009: 4,242 thousand negative). An amount of USD 14.6 million (2009: nil) is restricted due to guarantees or collateral provided.

Liabilities

6 Trade and other payables

Details are:

	31-dec-10	31-dec-09
(amounts in USD thousands)		
Trade creditors	2,043	9,135
Related parties	1,907	1,429
Tax payable	75	96
Accrued income	729	6,243
Other accruals	1,941	1,697
	6,695	**18,600**

7 Equity

Statement of changes in equity

2010	Issued share capital	Share premium	Retained earnings	Hedging reserve	Share-based payments reserve	Total
(amounts in USD thousands)						
Balance as at 1 January	28,467	45,019	-1,128	-5,171	182	67,369
Issue of equity	22,388	32,334	-	-	-	54,722
Fees	-	-2,669				-2,669
Fair value changes hedges	-	-	-	197	-	197
Share based payments	-	-	-	-	191	191
Translation difference on issued capital	-990		990			-
Result for the period	-	-	228	-	-	228
Balance as at 31 December	**49,865**	**74,684**	**90**	**-4,974**	**373**	**120,038**

2009	Issued share capital	Share premium	Retained earnings	Hedging reserve	Share-based payments reserve	Total
(amounts in USD thousands)						
Balance as at 1 January	62,908	5,042	-15,163	-7,449	139	45,477
Issued of new Equity	3,583	677	-	-	-	4,260
Conversion of Bonds	2,479	474				2,953
Reduction of Capital	-38,826	38,826				-
Share based payments					43	43
Cash flow and fair value hedges				2,278		2,278
Translation difference on issued share capital	-1,677		1,677			-
Result for the period			12,358			12,358
Balance as at 31 December	**28,467**	**45,019**	**-1,128**	**-5,171**	**182**	**67,369**

Issued share capital

The authorised share capital of the Company amounts to EUR 98,900,000, divided into 215,000,000 shares of EUR 0.46, of which at year-end 81,047,779 (2009: 43,179,547) shares have been placed. At year EUR/USD rate of 1.3375 Issued Share Capital translates to USD 49,865 thousand.

The Company does not hold any Depository Receipts or Registered Shares in its own capital.

Share premium

The share premium equals the proceeds of share placements insofar as these exceed the nominal amount of the shares (proceeds above par) less expenses attributable to the issuance of the shares.

Other Reserves

The hedging reserve consists of the effective portion of the cumulative net change in fair value of cash flow hedging instruments (Cap/Floor and the Interest Rate Swaps). Effectiveness is tested on a quarterly basis. All hedges were effective in 2009 and 2010.

Rotterdam, 28 February 2011

The Management Board: The Supervisory Board:

Other information

Provisions in the Articles of Association governing the appropriation of result

Under article 25 of the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit insofar as the shareholders' equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

Appropriation of the result

The profit for 2010 of USD 228 thousand is added to the retained earnings.

Events after balance sheet

There are no significant subsequent events after balance sheet date.

Independent auditor's report

To the Annual General Meeting of shareholders of Fairstar Heavy Transport N.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of Fairstar Heavy Transport N.V., Rotterdam as set out on pages 25 to 56. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2010, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fairstar Heavy Transport N.V. as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Fairstar Heavy Transport N.V. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 28 February 2011

KPMG ACCOUNTANTS N.V.

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