Fairstar Heavy Transport N.V.

Annual Report 2011

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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Letter from the CEO

Dear Fellow Shareholders,

In our "Letter to Shareholders" in last year's Annual Report we articulated our view of the market for marine heavy transport services. We described a market characterized by an excess of ships and a shortage of cargoes. In 2011 the market continued to deteriorate. Most industry participants continued to engage in savage price cutting to win any available business. Fairstar identified this trend three years ago and we outlined a strategy that would allow our Company to escape the commoditization of our industry and position Fairstar to capture long term, sustainable profitability at levels significantly higher than any of our competitors. The "Red Box Strategy" answers the needs of a select group of clients in the Energy Industry. As energy infrastructure projects began to show a clear trend towards modularization, Fairstar focused all of our attention and resources on winning a significant share of the marine transportation contracts for the Gorgon LNG Project.

The initial contracts we were awarded in 2010 were extended in 2011. An additional contract for a third vessel in our fleet, the FJELL was signed. Gorgon now represents a total contract value of USD 120 million with the possibility of increasing to USD 200 million if the Chevron Gorgon JV exercises their options to extend the three contracts for FJORD, FORTE and FJELL. In 2011 we identified the Ichthys LNG Project as the next likely opportunity for Fairstar to continue to validate our "Red Box Strategy." Throughout 2011 our Team in Rotterdam was intensely engaged in the Ichthys LNG tender process. We were rewarded with two contracts to transport modules from Northern Asia to the Ichthys LNG site in Darwin, Australia. These contracts for FORTE and FINESSE are worth as much as USD 80 million to Fairstar and extend the certainty of our future contracts into 2016. This is a unique achievement in the marine heavy transport business.

The Golden Eagle contract award was also a reflection of our awareness of opportunities in off-shore projects that might not require as many voyages as on-shore LNG projects, but require a high level of involvement with the EPC companies engaged in the design, fabrication and installation of off-shore platforms and topsides. Winning these tenders is dependant on having the in-house knowledge and experience to solve complex technical questions accurately, efficiently and practically.

In 2011 Fairstar continued to invest in the human resources we need to compete for this business. I am certain this investment is sound and will continue to enhance our ability to create value for our clients. Fairstar is actively engaged in several other major on-shore and off-shore tenders that started in 2011 and will be awarded in 2012. We are confident our "order book" will continue to grow.

While building for our future in the "Red Box" during 2011, we still needed to generate revenue, pay down debt and invest in our business. Fairstar moved a lot of jack-up rigs in 2011. In spite of our strategic focus on the major E&P companies and EPCs, Fairstar has established itself as a safe and reliable transporter for the World's leading drilling companies. In 2011 we won a number of hard fought contracts, often at day rates HIGHER than those offered by our competitors. We are grateful for the work awarded to us by ENSCO, Hercules Offshore, Northern Offshore and Chevron. We have worked for all of these companies on multiple occasions in the past. Their confidence in Fairstar as a safe and reliable partner played a large part in their decisions to entrust us with their equipment. We have made it clear to our clients in the drilling industry that we will always be willing to serve them if we have a vessel available. While the "Red Box Strategy" may limit these opportunities, we have built valuable relationships that we will endeavor to maintain.

In 2010 our shareholders entrusted us with their capital to build two 50,000DWT semi-submersible vessels, FORTE and FINESSE. We made a promise to our shareholders that these two vessels would be delivered on time and on budget. Throughout 2011 we worked tirelessly towards this end. On May 23, 2012 the FORTE will be delivered to Fairstar, on schedule and on budget. FORTE will go "on contract" in July for Gorgon. FINESSE will be delivered to Fairstar in November, on schedule and on budget.I am pleased to report to shareholders that their trust was not misplaced. We also appreciate the support we have received from our other financial partners. In particular DNB Bank and ING Bank with whom we signed a new loan agreement in 2011 to finance our fleet.

Safety and Environmental stewardship two of the most important themes in our daily lives at Fairstar. Accordingly, we continued to invest heavily in establishing a Company-wide framework for Safe Practice. The "Fairstar 4STAR Safety Leadership Program" is a behavioral based approach to safety. It is an extension of four key individual commitments that everyone who works at Fairstar has made. ANTICIPATE*COMMUNICATE*COOPERATE*LEAD are core values that we all share. Our success to date has been achieved by a dedicated Team of marine heavy transport professionals. I would like to extend my thanks to them for their hard work and sacrifices in 2011. I would also like to congratulate them for their exemplary safety record in 2011.

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

Yours Truly,

Philip Adkins

Chief Executive Officer

12 April 2012

Supervisory Board Report

The Supervisory Board is pleased to submit to you the Annual Report 2011 including the financial statements of Fairstar Heavy Transport N.V. for the year ended December 31, 2011, 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 2011, as approved by the Supervisory Board in its Meeting of 12 April 2012.

The 2011 Financial Statements were carefully reviewed at a Joint Meeting of the Management and Supervisory Boards of Fairstar Heavy Transport N.V. on 12 April 2012. The Supervisory Board is of the opinion that the 2011 Financial Statements of Fairstar Heavy Transport N.V. correctly reflect the financial status of the Company and that the 2011 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 2011 Financial Statements as presented in this 2011 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 2011. Due to the loss recorded by the Company in 2011 no profits will be available for allocation.

Composition of the Supervisory Board

The Supervisory Board currently consists of Mr Frits van Riet (Chairman), Mrs Belle de Bruin, Mr Hans Verhagen and Mr Roger Granheim. 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	2015
Mrs	Belle de Bruin	Dutch	1973	2011	2015
Mr	Hans Verhagen	Dutch	1946	2006	2015
Mr	Roger Granheim	Norwegian	1964	2009	2012

Frits van Riet, Chairman

Mr van Riet (1943, Dutch) 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 is also Chairman of the Board of Nederlandse Beleggingsmaatschappij voor Zeeschepen NV and member of the Board of Stichting Nedlloyd Pensioenfonds.

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

Hans Verhagen

Mr Verhagen (1946, Dutch)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 2005 he holds the position as Managing Director for a number of companies in Curacao: Founder Scheepvaart Maatschappij (Curacao) N.V., Fairlift Shipping N.V., Stella Navigation N.V., Stella Offshore N.V., Founder Land Curacao N.V., and Board member of the foundations: SPFMirabella and SPF Fairlift.

Mr Verhagen directly and indirectly holds 66,718 shares and 90,000 options in shares 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 Group EVP of Torghatten ASA, an OTC-listed transportation Company with Headquarters in Norway. Torghatten has approximately 2,800 employees and operates 100 ships and 1000 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, Norgesbuss AS, Trønderbilene AS, Sørlandsruta AS, NBDS AS, IHF AS, Fjordveien AS, FVS AS and Board member of Havila Shipping ASA, Berg-Hansen Reisebyrå Trondheim AS, Kystekspressen ANS and NHO-RLF.

Mr Granheim’s employer holds directly and indirectly 13,605,053 shares. Mr Granheim personally holds 70,000 options in shares in Fairstar.

Belle de Bruin

Mrs de Bruin (1973, Dutch) started her career at Ecorys, where she worked as a consultant for many international corporations and travelled extensively through Eastern Europe. She was responsible for projects in amongst others Russia, Bosnia-Herzegovina and Romania. In 1999 Mrs de Bruin joined the Indofin Group, a globally operating investment group, founded in 1968, with investments in sectors such as shipping/shipbuilding, energy services, technology and media, natural resources, real estate and others. At Indofin Mrs de Bruin is responsible for running the Rotterdam office, she heads the Dutch transaction team and is also an executive member of the international transaction team. Mrs de Bruin has a lot of experience in International M&A and has worked on transactions such as Indofin’s acquisition of IHC Merwede BV (a manufacturer of dredging and offshore equipment with revenue of over € 1 billion), and Indofin’s participation in Real Software NV, a Belgian software service provider quoted on Euronext Brussels. Mrs de Bruin holds a Bachelor and Masters degree from the Rotterdam School of Management.

Mrs de Bruin’s employer currently holds directly and indirectly 9,092,728 shares in Fairstar.

Activities of the Board

Financial Year 2011 was characterized by a turbulent world economy and a very challenging financial environment. The spot market in 2011 was soft resulting in very low day rates and low utilization for both the Company and the marine heavy transport industry as a whole. The abundance of converted oil tankers into semi-submersible vessels best suited to transport the low value, spot market cargoes kept day rates at levels at or even below operating costs in 2011. We estimate global fleet utilisation at 60% or less. This destructive trend was identified by Fairstar already in early 2010, following which 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. This strategic survey led to the identification of what is now known as the “Red Box Strategy”. 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. Part of this annual symposium is a thorough discussion on the strategy of the Company, the most important risks associated with the Company and a review of the internal organization, communication and control practices within Fairstar.

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 contract award to Fairstar in May of 2010 was an important validation of the “Red Box Strategy”. This was further enhanced by the award of a third contract to FJELL in August 2011 and the extension of the contracts for FORTE and FINESSE. Total value of the Gorgon contract at the end of 2011 is now close to USD 200 million.

The recent award of the Ichthys contracts to Fairstar provides additional proof that Fairstar is successfully executing its Strategy. The award of the contracts for Gorgon and Ichthys validated the judgment of the Management Team’s decision in 2010 to order the 50,000DWT, open stern, semi-submersible vessels FORTE and FINESSE and 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 all Stakeholders.

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 2011, the Supervisory Board held six formal meetings, five of which were held together with the Management Board.

Throughout 2011, key areas of attention involved the progress of the construction of FORTE and FINESSE with GSI in China; the new bank facility 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 seven months. In anticipation of this development and the upcoming execution of the Gorgon and Ichthys contracts, the size of the office has almost doubled. We consider the most valuable assets at Fairstar to be our people both on board our vessels as well as in our Rotterdam Headquarters and elsewhere. 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 2011 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. Diversity in the composition of the Supervisory Board was assessed to be sufficient given the differences in age, nationality, gender and background of the members of the Supervisory Board. The Company currently has two supervisory directors who are not considered independent as they both have an affiliation with a (different) shareholder of the Company. These supervisory directors are Ms.

Belle de Bruin and Mr. Roger Granheim. The Company has been prepared to acknowledge these affiliations in order to retain qualified Supervisory Directors with substantial knowledge of the market in which the Company operates and who have the support of a large majority of the shareholders of the Company.

All members of the Supervisory Board participated in all meetings held in 2011. 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.

In 2011, the Supervisory Board appointed an audit committee, remuneration committee and a selection and appointment committee. For a full description of the committees we refer to the Corporate Governance section in this Annual Report.

No internal audit function has currently been established within the Company. Given the size of the Company the Supervisory Board, based on the advice of the Audit Committee, recommended to the Management Board that no internal audit function is required.

Remuneration policy

The Company'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 the past years the Remuneration Policy with respect to the remuneration of members of the Management Board has been reflective of the Company's growth from a start-up to a permanently established going concern. The levels of remuneration authorized by the Supervisory Board and approved by the Annual General Meeting of Shareholders were amended from time to time to take into account the increasing complexities of the business as well as the increasing levels of performance required from the Management Board. The current status of the Company requires an updated Remuneration Policy. This updated Remuneration Policy articulates the parameters employed by the Supervisory Board in setting levels of compensation for Managing Directors, consistent with the authority granted to the Supervisory Board by the general meeting at previous Annual General Meetings of Shareholders, as well as in the Company's Articles of Association.

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 in accordance with the Remuneration Policy. The award payout is a percentage of the base salary, contingent on (full) achievement of the individual's targets with a cap of 75% of the base salary, which targets will be based on creating value, acquiring customers, maintaining access to capital and maintaining a competitive sustainable advantage for the Company's ongoing business.

Furthermore, the updated Remuneration Policy articulates the parameters of compensation applicable for members of the Supervisory Board as is required to be approved by the general meeting.

Management Board

The Management Board is responsible for the day-to-day management of the business of Fairstar and the long-term strategy under supervision of the Supervisory Board. Based on the Articles of Association of Fairstar (the "Articles of Association"), The Management Board is required to keep the Supervisory Board informed and to consult with the Supervisory Board on important matters and to submit certain important decisions to the Supervisory Board for its approval as further set in Fairstar's Articles of Association, a copy of which can be obtained on the Company's website.

According to the Articles of Association, the Management Board consists of one or more managing directors but no more than seven managing directors. A Management Board consisting of more than one managing director is to pass its resolutions by an absolute majority of the votes cast. The Management Board will represent the Company. Representative powers will also accrue to two managing directors acting jointly. Fairstar's Management Board currently comprises of two members: the Chief Executive Officer (Mr. Phillip Adkins) and the Chief Operating Officer (Mr. Willem Out). The Chief Executive Officer is Chairman of the Management Board.

Philip Adkins (Chief Executive Officer and Chairman of the Management Board)

Over the years Mr Philip Adkins, Fairstar CEO since 2006, has played a pivotal role in where Fairstar stands today. Mr Adkins has been made available to Fairstar through an agreement between Cadenza Management Services and Fairstar. Mr Adkins was reappointed by Shareholders as a Managing Director in 2010 for four years with his term ending May 15, 2014. It has been agreed between Cadenza and Fairstar that ultimately twelve months before February 28, 2014 Cadenza and Fairstar will negotiate in good faith an extension of Services Agreement for a consecutive period of four years until February 28, 2018. Under the Agreement between Fairstar and Cadenza, Cadenza receives a fixed annual fee of USD 655 thousand and a discretionary performance-related amount of a maximum of USD 350 thousand per year starting from the financial year 2010. Mr Adkins is paid a remuneration of EUR 25 thousand in management compensation for his position as a Managing Director of a Dutch Company. In 2011 Cadenza was awarded a performance bonus of USD 350 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. The 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. In 2011 Cadenza was awarded a non-recurring lump sum of USD 100,000 as compensation for capping of the reimbursement of Cadenza for office expenses and the twenty exempted days per year not taken for the period since May 4, 2009.

Willem Out (Chief Operating Officer)

Mr Willem Out was reappointed by the General Meeting of Shareholders in 2010 for a consecutive period of 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. Mr Out now plays a leading role in the construction of the FORTE and FINESSE in China. Mr Out is employed through a Services Agreement. An additional amendment to the Services Agreement with Mr Out may be executed in 2012 based on any possible relocation of Mr Out to the Far East in light of his current duties as Chief Operating Officer. His 2011 remuneration consists of an annual fixed salary of EUR 315 thousand per year. 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 2011 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.

The other remuneration 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 addition of a third contract for Gorgon, the extension of the two existing Gorgon contracts, the timely progress of the construction of the two new 50,000DWT open stern, semi-submersible vessels, FORTE and FINESSE and the securing of a new bank facility for refinancing of the current bank debt were the highlights of another remarkable year for Fairstar Heavy Transport. We have a cautious view of the market in the short term. However, based on the current backlog of close to USD 300 million, represented by the contracts for Gorgon, Ichthys and Golden Eagle, we are convinced that Fairstar will reap the rewards for the investment that all Stakeholders of Fairstar have made over the last years. It is exceptional what our Fairstar Team has achieved over the past six 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, 12 April 2012

For the Supervisory Board,

Frits van Riet, Chairman

Management Board Report

Significant Events in 2011:

- In March 2011, steel cutting commenced in China for FINESSE.
- In April 2011, the Company achieves the keellaying milestone for FORTE
- In August 2011 FJELL joins the Fairstar's Gorgon LNG Project fleet.
- In September 2011 the contracts for FJORD and FORTE with Chevron are extended. With these extensions and the addition of FJELL to the Gorgon LNG Project fleet, total contract price with Chevron Australia now exceeds USD 110 million excluding options. Options for additional extensions are 9 months for all three vessels.
- Floatation of the FORTE in September 2011
- Keellaying of the FINESSE in September 2011, lowering the first of 272 blocks into the drydock
- In November 2011, the Company signed a USD 167 million 5 year bank facility with a bank syndicate lead by DnB Bank ASA, ING and HSH Nordbank
- In December 2011 Fairstar signed a USD 30 million bridge loan agreement with Bank of China for financing of the floatation payment for FORTE

Fairstar Market Overview

The financial year 2011 reflected a challenging pricing environment throughout the year. In spite of a shortage of available cargoes and an oversupply of vessels in the heavy transport market, Fairstar's FJORD and FJELL achieved 62% combined utilization for the year. Contracts with Grinaker, Brumby, Hercules Offshore, Nabors Drilling International, Oando Energy Services and Northern Offshore kept FJORD and FJELL focused on a series of tugs and jack-up drilling rig moves between Singapore, South America, West Africa, the Gulf of Mexico and Europe. The economics of the spot market have shown no signs of recovery in 2011.

Fairstar continued to qualify for additional Tenders in 2011 and is now actively engaged in over eleven tenders for on-shore and off-shore energy infrastructure construction and installation projects. At the end of 2011, Fairstar was short-listed for the Golden Eagle and Ichthys Projects. Two contracts for Golden Eagle were awarded to Fairstar in January 2012. Two contracts were awarded to Fairstar in March 2012 for Ichthys. These high-value, multi-voyage, long-term contracts are the foundation of Fairstar's "Red Box Strategy". The Gorgon, Golden Eagle and Ichthys Projects combined, would have a total contract value of as much as USD 300 million. Fairstar is carefully monitoring the status of other similar energy infrastructure projects requiring modern, asbestos free, open stern vessels less than fifteen years of age. Our modern, purpose built fleet gives us a significant competitive advantage over the significantly older, converted oil tankers that are not qualified to compete for this business. We intend to leave the spot market to these types of vessels and seek out predictable earnings from energy infrastructure projects where our vessels and project experience combine to create sustainable pricing power for the foreseeable future.

Fairstar had been contracted in 2011 to provide marine transportation of a modularized fertilizer train from Kenai, Alaska to a Greenfield site near the port of Koko, Nigeria. Fairstar will also be responsible for the interface management of the land transportation in both Alaska and Nigeria. The details and timing of this project have been of some concern to our Stakeholders. Fairstar continues to work closely with our client and remains optimistic that we will commence with our scope of work in April 2012. The deferral of revenues from this project from 2011 into 2012 had a significant impact on overall profitability for 2011. The global economic environment proved to be an extremely challenging period to arrange the finances required to pursue the project as originally planned. Nevertheless, Fairstar has stood by our client and continued to provide the resources and advice required to work through these challenges. We anticipate the FJELL will sail for Alaska in April.

Outlook

The marine heavy transportation market continues to evolve into three distinct segments. The spot market continues to be characterized by extreme price competition. Operating margins in 2011 were at levels close to or even below OPEX for most cargoes when more than one vessel was in the area. Fairstar successfully won business throughout 2011 at levels higher than our competitors were offering. This resulted from a number of factors including the operational superiority of the FJORD and FJELL as well as the consistent ability of Fairstar's in-house Engineering Team to develop loading and discharge solutions that provided our clients with demonstrably higher levels of security with respect to their true transportation costs. The commitment of Fairstar to transparency and reliability has been welcomed by our clients and rewarded Fairstar with a high level of repeat business over the last four years. Nevertheless, the spot market will continue to be dominated by downward pricing pressure. The barriers to entry will continue to be easily breached. Speculative tonnage from Asia will continue to be a significant threat to current market participants. The construction cost of a converted oil tanker today is about USD 45 million, significantly less than the USD 95 million levels reached as recently as two years ago. In this environment, Fairstar continues to believe the most valuable assets are our people. We continued to invest heavily in human resources in 2011. We now have a scalable business model that will allow us to provide our clients with the high levels of navigational expertise, precise engineering support and skilled project management by a Team of Fairstar Professionals committed to maintaining the highest standards of safe practise and environmental stewardship set by our clients in the Energy Industry.

In spite of the disappointing operating results for the current financial year, we believe that our Strategy is sound. We are confident that the FJORD, FJELL, FORTE and FINESSE will operate at minimum levels of 80% utilization at T/C revenues of at least USD 80,000 per day. EBITDA per vessel in the next four years should exceed USD 16 million per ship. The Gorgon and Golden Eagle Contracts will be followed by a series of additional Contracts that will be announced in 2012. Fairstar is determined to deliver predictable and consistent financial returns for our Stakeholders. We are confident that these returns are sustainable for at least the next five years and that Fairstar can maintain both its competitive advantage as well as its leadership in the marine heavy transport industry.

FORTE and FINESSE construction update

Progress on the FORTE and FINESSE continues on schedule and on the original projected cost. The FORTE is now well into the commissioning phase of its construction. Sea-trials are expected to begin in early April 2012 and the ship will be formally named and delivered to Fairstar on May 23, 2012. FINESSE is scheduled to be floated out of the dry-dock in April and will be delivered to Fairstar in October of 2012.

Financial highlights

Net loss for the year was USD 14.4 million (or USD 0.18 negative per share) on gross revenue of USD 25.5 million. This compares to a net profit 228 thousand (or USD 0.004 per share) in 2010 on sales of USD 35.7 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) totaled USD 5.5 million negative in 2011, down from USD 12.3 million positive in 2010.

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

Health, Environment, Safety and Security

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

Fairstar has developed a "behavioural-based" safety program in December for all Fairstar employees. The "4STAR SAFETY LEADERSHIP PROGRAM" is driven by the four CORE PRINCIPALS we use at Fairstar throughout our organization, namely, "ANTICIPATE" "COMMUNICATE" "COOPERATE" "LEAD". A natural, vibrant and permanent safety culture is essential in our industry. It is now commonplace for safety and risk management issues to be discussed frequently throughout Fairstar in a variety of formal and informal settings. The 4STAR SAFETY

LEADERSHIP PROGRAM is intended to foster a commitment by all Fairstar personnel to lead by example. We define leadership not as being charismatic behaviour, but based on a willingness to put the interests of our colleagues ahead of our own and to accept that sacrifice and selflessness will create a culture that will serve the interests of our Stakeholders while maintaining a fiercely competitive attitude towards the marketplace.

During 2011, there were no injuries to any Fairstar employees. There was no damage to the assets of our clients or to our vessels.

Legal update

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. ‘

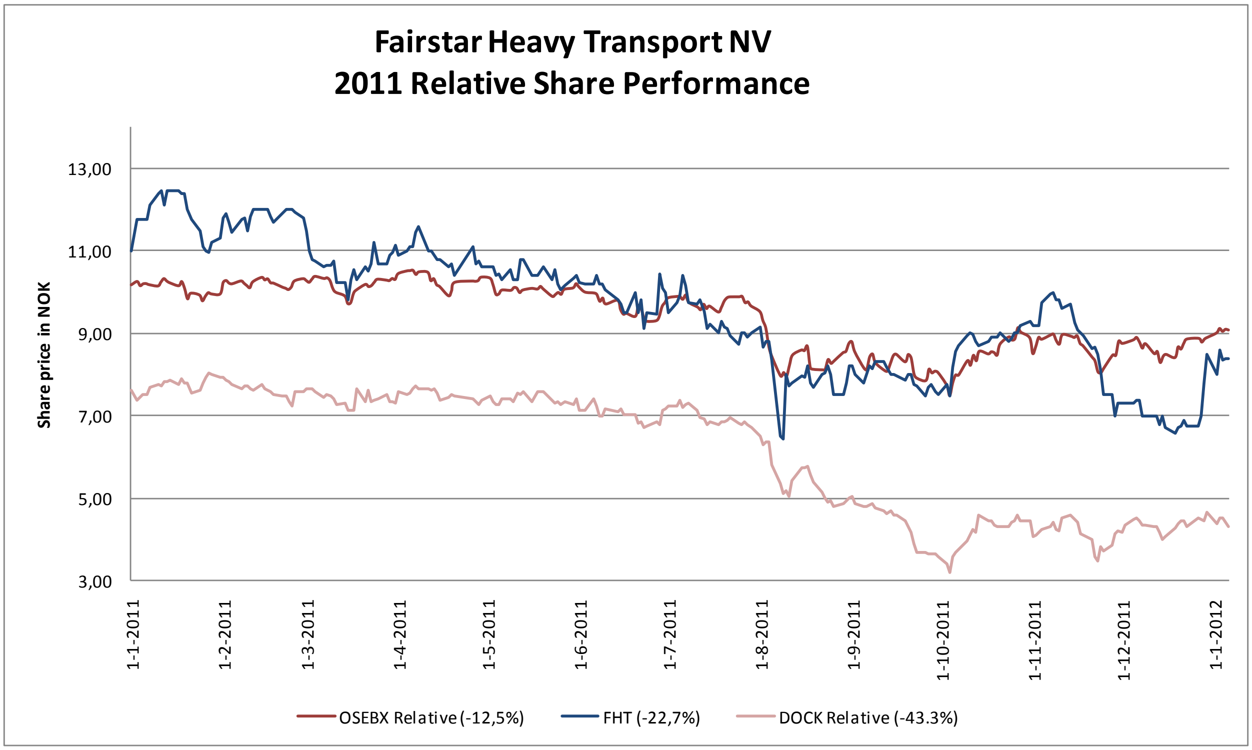
On 31 March 2011 the Arbitration action taken against Fairmount Marine was resolved. Fairstar failed to receive any award for damages and was liable for costs. The action against Fairmount Marine was based on the Management Agreement established with Fairmount Marine when Fairstar was originally established. Under the terms of this Management Agreement Farimount Marine was contractually obliged to complete the conversion of the FJORD and deliver it to Fairstar on December 1, 2006. Not only did Fairmount Marine fail to deliver the FJORD on December 1, 2006, a review of practices of Fairmount representatives responsible for the conversion revealed a long list of unapproved changes resulting in significant consequential costs and delays. A decision was made by Fairstar in early 2007 to terminate the Management Agreement with Fairmount Marine and remove them from further involvement in the FJORD and FJELL conversions. Fairstar took expert legal advice regarding the liability of Fairmount for damages associated with their failure to perform under the Management Agreement. Fairstar was advised that the Management Agreement did contain an indemnity clause that was extremely favourable to Fairmount and would require Fairstar to overcome a standard of “Gross Negligence” that was set extremely high by the Supreme Court of the Netherlands. Nevertheless, the risk/reward analysis of the claim justified our action. Unfortunately the clear culpability of Fairmount Marine has not been translated into liability through “Gross Negligence”. The matter is now closed.

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 2011	81,072,779



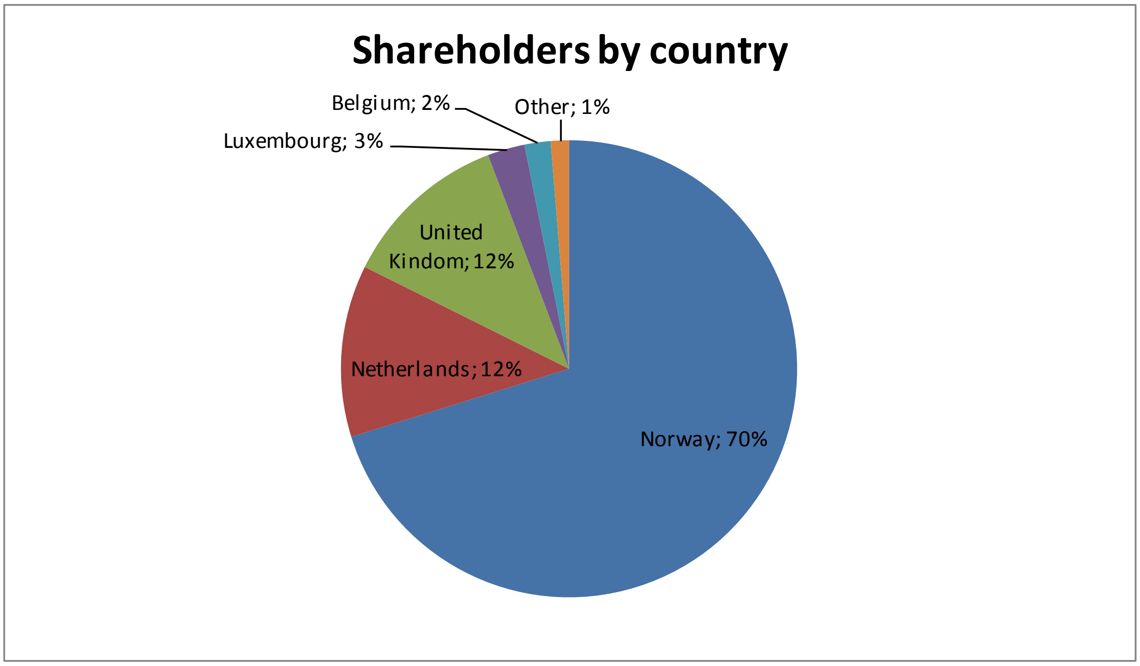
The Fairstar share price opened the year at NOK 11.00 and closed at NOK 8.50 a decrease of almost 22%. In 2011 Fairstar faced a challenging market that was reflected in its financial performance as well as in the development of the share price throughout the year. Throughout the entire financial year 2011 development of the share price developed fairly in line with its benchmark, the OSEBX. The development of the OSEBX is a reflection of the turbulent financial markets of 2011 resulting from the European sovereign debt crisis.

Share holders

At the end of 2011 Fairstar had 421 shareholders. The 25 largest shareholders hold approximately 91.0% of the outstanding share capital.

Type	Name	Country	Holding	Percentage
	OCEANUS INTERNATIONAL INVESTMENT A	NORWAY	23.725.181	29,3%
	TORGHATTEN ASA	NORWAY	10.534.947	13,0%
NOM	ABN AMRO GLOBAL CUSTODY N.V.	THE NETHERLANDS	8.370.556	10,3%
NOM	DEUTSCHE BANK AG LONDON	UNITED KINGDOM	6.349.319	7,8%
	SKAGEN VEKST	NORWAY	4.414.585	5,4%
	ODIN OFFSHORE	NORWAY	2.855.379	3,5%
	ODIN MARITIM	NORWAY	2.424.559	3,0%
	DNB NOR SMB	NORWAY	2.009.674	2,5%
NOM	SKANDINAVISKA ENSKILDA BANKEN S.A.	LUXEMBOURG	1.851.261	2,3%
NOM	BANK OF NEW YORK MELLON SA/NV	BELGIUM	1.297.781	1,6%
	HIFO INVEST AS	NORWAY	1.264.007	1,6%
	TORGHATTEN TRAFIKKSELSKAP AS	NORWAY	1.059.029	1,3%
	TOLUMA NORDEN AS	NORWAY	950.000	1,2%
	VERDIPAPIRFONDET DNB NAVIGATOR	NORWAY	851.085	1,0%
	KLP AKSJE NORGE VPF	NORWAY	717.285	0,9%
	STOREBRAND NORGE I	UNITED KINGDOM	645.518	0,8%
	VERDIPAPIRF.STOREB.NORGE INSTITUS.	NORWAY	598.086	0,7%
NOM	J.P. MORGAN BANK LUXEMBOURG S.A	UNITED KINGDOM	595.781	0,7%
	FAIRSTAR HEAVY TRANSPORT NV	THE NETHERLANDS	592.792	0,7%
NOM	MORGAN STANLEY & CO INTERNAT. PLC	UNITED KINGDOM	580.054	0,7%
	KOMMUNAL LANDSPENSJONSKASSE	NORWAY	506.000	0,6%
	BELEGGINGSMAATSCHAPPIJ OUDE MAASNV	THE NETHERLANDS	500.000	0,6%
	STOREBRAND VERDI	UNITED KINGDOM	441.185	0,5%
	STOREBRAND LIVSFORSIKRING AS	NORWAY	331.541	0,4%
MEG	AVANZA BANK AB	SWEDEN	307.600	0,4%
			73.773.205	**91,0%**

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 of the second barge 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. In March 2008 FJORD leaves the yard in Malta. In May 2009 FJELL departs from Malta.

	2011	2010	2009	2008	2007
(amounts in USD thousands)					
Gross revenue	25,488	35,655	50,672	15,698	8,280
Voyage related costs	-12,539	-8,670	-14,644	-5,632	-2,269
Time charter equivalent revenue	**12,949**	**26,985**	**36,028**	**10,066**	**6,011**
Other income	-	-	5,290	-	155
Other Expense	-	-	-3,960	-4	-
Vessel operating expenses	-7,588	-7,060	-7,676	-5,054	-4,193
General and Administrative expenses	-10,879	-7,660	-5,347	-5,254	-3,493
Operating expenses, other than D&A	**-18,467**	**-14,720**	**-13,023**	**-10,308**	**-7,686**
EBITDA	**-5,518**	**12,265**	**24,335**	**-246**	**-1,520**
Depreciation	-8,048	-8,016	-6,324	-3,045	-388
EBIT	**-13,566**	**4,249**	**18,011**	**-3,291**	**-1,908**
Net financing costs	-832	-4,021	-5,653	-4,476	2,139
Result before tax	**-14,398**	**228**	**12,358**	**-7,767**	**231**
Income tax	-	-	-	-	-
Result after tax	**-14,398**	**228**	**12,358**	**-7,767**	**231**
Basic earnings per share	-0.18	0.00	0.30	-0.24	0.01
Diluted earnings per share	-0.18	0.00	0.30	-0.23	0.01
Total non-current assets	267,562	225,497	179,687	167,538	133,281
Total current assets	4,911	41,634	11,170	8,105	6,366
Total assets	**272,473**	**267,131**	**190,857**	**175,643**	**139,647**
Current liabilities	65,583	38,977	58,938	33,884	16,726
Non-current liabilities	100,809	108,116	64,550	96,282	65,364
Total equity	106,081	120,038	67,369	45,477	57,557
Total equity and liabilities	**272,473**	**267,131**	**190,857**	**175,643**	**139,647**
Average number of fte's employed	68	54	39	29	17

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 30 to 66 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, 12 April 2012

The Fairstar Management Board,

Philip Adkins, CEO

Willem Out, COO

Governance Structure

Legal structure of the Company

Fairstar Heavy Transport N.V. ("Fairstar" or the "Company") is a public limited liability company (*naamloze vennootschap*) incorporated and governed by 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.

Management Board

The Management Board is responsible for the day-to-day management of the business of Fairstar and the long-term strategy under supervision of the Supervisory Board. Based on the articles of association of Fairstar (the "Articles of Association"), The Management Board is required to keep the Supervisory Board informed and to consult with the Supervisory Board on important matters and to submit certain important decisions to the Supervisory Board for its approval as further set in Fairstar's Articles of Association, a copy of which can be obtained on the Company's website.

According to the Articles of Association, the Management Board consists of one or more managing directors but no more than seven managing directors. A Management Board consisting of more than one managing director is to pass its resolutions by an absolute majority of the votes cast. The Management Board will represent the Company. Representative powers will also accrue to two managing directors acting jointly. Fairstar's Management Board currently comprises of two members: the Chief Executive Officer (Mr. Phillip Adkins) and the Chief Operating Officer (Mr. Willem Out). The Chief Executive Officer is Chairman of the Management Board.

Supervisory Board

In accordance with the Articles of Association, the Supervisory Board consists of at least one but not more than seven Supervisory Board members. The number of Supervisory Board members will be determined by the general meeting of shareholders. Supervisory directors will be appointed by the general meeting of shareholders for a period of four years. One third of the number of Supervisory Directors will retire every two years as at the close of the AGM. At that same moment, the same number of new Supervisory Board members will be appointed by the general meeting of shareholders. Supervisory Board members may at any time be suspended and dismissed by the general meeting of shareholders. 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 duties of the Supervisory Board are to: (i) supervise the policies of the Management Board and the general course of affairs within the Company and the business connected with it; and (ii) provide advice to the Management Board. In carrying out their duties, the Supervisory Board members will focus on the interest of the Company and the business connected with it.

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 Supervisory Board is, next to the general meeting of shareholders of the Company, authorised to suspend members of the Management Board at any time (article 18 par. 8 of the Articles of Association). 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 (article 14 par. 5 of the Articles of Association).

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

The Company currently has two supervisory directors who are not considered independent as they both have an affiliation with a (different) shareholder of the Company. These supervisory directors are Ms. Belle de Bruin and Mr. Roger Granheim. The Company has been prepared to acknowledge these affiliations in order to retain qualified Supervisory Directors with substantial knowledge of the market in which the Company operates and who have the support of a large majority of the shareholders of the Company.

The performance of the Supervisory Board as a whole and the Members of the Supervisory Board individually is reviewed ad hoc and on an informal basis.

For further information on the composition of the Supervisory Board, please be referred to the Supervisory Board Report.

Committees within the Supervisory Board

In line with Best Practice Provision III.5 the Supervisory Board has appointed an audit committee, remuneration committee and a selection and appointment committee. Duties have been assigned to the various committees as follows:

Audit committee

The Audit Committee focuses on supervising the activities of the management board in and assists the Management Board with an emphasis on operation of internal control systems, internal and external financial reporting, external audit and financing of the Company. This includes reviewing of the monthly management reports, the quarterly financial reports and the annual consolidated financial statements, advising on the appointment of the external auditor and reviewing of the effectiveness of internal controls.

The members of the audit committee are Hans Verhagen (Chairman) and Belle de Bruin.

Remuneration committee

The remuneration committee has been assigned the duty to propose the remuneration policy to the Supervisory Board, make a proposal for the remuneration of the individual members of the Management Board for adaption by the Supervisory Board and prepare the remuneration report in the Annual Report of the Company.

The members of the remuneration committee are Frits van Riet (Chairman) and Hans Verhagen.

Selection and appointment committee

The selection and appointment committee is responsible for drawing up selection criteria and appointment procedures for board members. The committee periodically assesses the size and composition of the board and assesses the performance of the individual board members. The committee furthermore makes proposals for appointments and reappointments and supervises the policy of the Management Board on the selection criteria and appointment procedures for senior management.

The members of the selection and appointment committee are Frits van Riet (Chairman), Hans Verhagen and Roger Granheim.

General Meeting of Shareholders

Introduction

In accordance with Dutch law and the Articles of Association, Fairstar is required to convene an Annual General Meeting of Shareholders within six months after the end of the financial year in order to adopt the financial statements. Extraordinary general meetings of shareholders may be convened at any time by the Management Board, each managing director individually, the Supervisory Board, each supervisory director individually and by one or more shareholders individually or jointly representing at least one hundredth of the Company's issued capital or the shares that they hold represent a market value of at least EUR 50,000,000.

Voting rights

Each share confers the right to cast one vote at the General Meeting. There are no restrictions, either under Dutch law or in the Articles of Association, on the right of non-residents of the Netherlands or foreign owners to hold or vote the shares, other than those also imposed on residents. Subject to certain exceptions provided by Dutch law or the Articles of Association, resolutions are passed by a simple majority of the votes cast unless Dutch law or the Articles of Association prescribed a greater majority.

Purchase of shares in the Company's own share capital

Subject to the authorization by the General Meeting and the approval of the Supervisory Board and subject to the provisions of Dutch Law and the Articles of Association, the Management Board may cause the Company to acquire fully paid-up shares in its own share capital, provided: (i) the Company's equity minus the acquisition price is not less than the aggregate amount of its issued and outstanding share capital and the reserves which must be maintained pursuant to Dutch law; (ii) the aggregate nominal value of the shares in its share capital acquired, held or held in pledge by the Company or by a subsidiary will not exceed fifty per cent of the Company's issued and outstanding share capital. These restrictions do not apply to the acquisition of shares for free.

The Management Board may be authorized to acquire shares in the Company's share capital for a maximum period of eighteen months. In this resolution, the General Meeting must provide the number of shares that the Company may acquire in its own share capital, how these shares may be acquired and the price range to be observed.

Shares held by the Company or one of its subsidiaries, are not taken into account for determining whether a quorum is present at a General Meeting. The may not be voted on and they do not entitle the Company or the subsidiary to any distributions. The same applies for shares of which the Company holds depositary receipts or interests.

At the AGM of April 20, 2011 the General Meeting resolved to authorize the Management Board for a period of the sooner of 18 months or the date of the next AGM, subject to approval of the Supervisory Board and within the limits of the law and the Articles of Association, to acquire up to a maximum of 10% of the issued and outstanding Share Capital of the Company for a purchase price between the nominal value of the shares and 110% of the opening price at the Oslo Stock Exchange on the date of acquisition.

Up to 31 December 2011 a total of 592,792 shares are held by the Company.

Adoption of Financial Statements and discharge of responsibility

The financial year of the Company runs from the first day of January of any given year up to and including the thirty-first day of December of the following year. The Management Board must prepare the financial statements within three months after the end of the financial year. This period may be extended by no more than six (6) months by the General Meeting on the grounds of special circumstances.

Dividends

After adoption of the financial statements which show that a distribution of profits is allowed, the Management Board must determine the amount of profit to be reserved. The profits that remain are at the free disposal of the General Meeting.

The Company may only make distributions to the shareholders and other persons entitled to distributable reserves.

Amendment of the Articles of Association; dissolution; legal merger; demerger and reduction of capital

A resolution to amend the Articles of Association may be adopted provided the proposed texts have been made available for review at the offices of the Company from the day on which the notice for the General Meeting was given until after the close of the AGM. The resolution requires an absolute majority of the votes cast or, if less than fifty per cent of the Company's issued and outstanding share capital is present or represented , by a majority of at least seventy-five per cent of the votes cast.

Liquidation

The General Meeting will be authorised to resolve to dissolve the Company. In the event of the dissolution of the Company, the balance remaining after all liabilities have been paid will be distributed among the shareholders in proportion to the nominal value of shares held. If the Company is dissolved pursuant to a resolution of the General Meeting and unless the General Meeting appoints one or more other liquidators, the members of the Management Board act as the liquidators of the Company, in which capacity they are supervised by the Supervisory Board.

Compliance with the Dutch Corporate Governance Code

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", a copy of which is available on the website of the Dutch government www.rijksoverheid.nl), 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 .

- The Company currently has two supervisory directors who are not considered independent as they both have an affiliation with a (different) shareholder of the Company. The Company has been prepared to acknowledge these affiliations in order to retain qualified Supervisory Directors with substantial knowledge of the market in which the Company operates and who have the support of a large majority of the shareholders of the Company (best practice provision III.2.1).
- 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, 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 two members: the Chief Executive 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. Fairstar introduced a safety and risk management framework throughout the company based on the three principals of "ANTICIPATE" "COMMUNICATE "COOPERATE". The "Incident and Injury Free" (IIF) programme championed by Chevron in addition will be a powerful tool in our overall safety and risk management skill set.

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.

Project (risk) management commences prior to contract signing through an Overall Risk Assessment. During this multi-discipline Overall Risk Assessment the Company assesses project risks, mainly in the areas of contractual risks, health, safety, environment and security risks, operational risks and financial risks. Risks, opportunities and control measures are identified and for medium and high risk areas identified mitigation actions are selected and assigned. Following contract signing this risk assessment is repeated with input required from all departments within the Company.

Specifically directed at identifying risks relating to the project at loading and discharging a Hazard Identification Study (HAZID) is done both during an onshore meeting as a meeting on board of the ship. A HAZID is a powerful tool for identifying occupational, facility and external hazards. This tool helps in organizing the health, safety and environment deliverables in a project and involves amongst others personnel from engineering, operations, project management and the crew.

Following completion of the project, a project close out is mandatory, which amongst others is designed at revisiting earlier risk assessments, evaluation of execution of the project and establishing lessons learned.

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 developments in the Oil and Gas industry and the willingness of companies within this industry to invest in exploration and production of new oil and gas fields. This willingness mainly depends on oil and gas price fluctuations which are largely affected by macroeconomic factors and geopolitical factors. As a consequence, the demand for heavy transport services is highly affected by business cycles and volatility. To reduce the exposure to the cycles and volatility Fairstar has designed the Red Box Strategy, which reduces the exposure to market volatility by establishing a 4 to 5 year pipeline of transportation contracts based on high-value, multiple voyage projects.

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.

During the last 2 to 3 years exposure to acts of crime, piracy, terrorism and war in certain regions, identified as 'war risk zones' by the Joint War Committee, has strongly increased. Ships within the heavy marine transport industry are particularly sensitive to this risk, due to the relatively low speed and freeboard of the ships and the relatively high value of the cargo. Project specific and vessel specific measures are implemented for every transit or loading and/or discharge operation inside a war risk zone.

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, mainly through Hull & Machinery cover, Protection and Indemnity (P&I) cover, standard War Risk cover and other ancillary P&I covers. When entering a war risk zone, Fairstar obtains additional war risk cover as required and for specific project obtains additional kidnap and ransom cover. Expenses in connection with required additional war risk cover are generally charged to the charterer.

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 in the form of either debt or equity 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.

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 Treasurer 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. The Supervisory Board recommends to the General Meeting the external auditor to be proposed for (re)appointment by the General Meeting. On April 20, 2011 the General Meeting appointed KPMG as the external auditor for the Company for the financial year 2011.

Consolidated Financial Statements 2011

Statement of Comprehensive Income

	Note	2011	2010
(amounts in USD thousands)			
Gross revenue		25,488	35,655
Voyage related costs		-12,539	-8,670
Time charter equivalent revenue		**12,949**	**26,985**
Vessel operating expenses	1	-7,588	-7,060
General and administrative expenses	2-3	-10,879	-7,660
Operating expenses, other than depreciation		**-18,467**	**-14,720**
Earnings before interest, Tax and Depreciation (EBITDA)		**-5,518**	**12,265**
Depreciation	6	-8,048	-8,016
Earnings before interest, Tax (EBIT)		**-13,566**	**4,249**
Financial income	4	6,658	2,143
Financial expense	4	-7,490	-6,164
Net financing income (expense)		**-832**	**-4,021**
Profit (loss) before tax		**-14,398**	**228**
Income tax expenses	5	–	–
Profit (loss)		**-14,398**	**228**
Change in valuation of derivative financial instruments	9	1,027	197
Net expenses recognised in equity	13	315	-2,478
Total comprehensive income and expense for the period		**-13,056**	**-2,053**
Weighted average number of shares		81,059,354	60,900,957
Fully Diluted average number of shares		82,791,354	63,116,957
Basic earnings per share (in USD)		(0.18)	0.004
Diluted earnings per share (in USD)		(0.17)	0.004

Statement of Financial Position

After appropriation of result

	Note	2011	2010
(amounts in USD thousands)			
ASSETS			
Vessels and vessels under construction	6	266,835	224,950
Office equipment and leasehold improvements		727	547
Total non-current assets		**267,562**	**225,497**
Inventories	7	1,453	1,350
Trade and other receivables	8	1,914	2,632
Derivative financial instruments	9	4	1,138
Cash and cash equivalents	10	1,540	36,514
Total current assets		**4,911**	**41,634**
TOTAL ASSETS		**272,473**	**267,131**
EQUITY AND LIABILITIES			
Bank overdraft	10	9,115	7,487
Trade and other payables	11	7,061	5,560
Short term part of long term loans	12	45,456	19,262
Derivative financial instruments	9	3,951	6,668
Current liabilities		**65,583**	**38,977**
Long term loans	12	100,809	108,116
Non-current liabilities		**100,809**	**108,116**
Total liabilities		**166,392**	**147,093**
Issued share capital	13	45,874	45,866
Share premium	13	74,707	74,684
Retained earnings		-11,241	4,089
Hedging reserve		-3,947	-4,974
Share-based payments reserve		688	373
Total equity		**106,081**	**120,038**
TOTAL EQUITY AND LIABILITIES		**272,473**	**267,131**

Cash Flow Statement

	2011	2010
(amounts in USD thousands)		
Profit (loss) after taxation	-14,398	228
Change in valuation of derivatives	-3,405	-1,279
Revaluation of loans in foreign currencies	-1,476	-
Depreciation/ amortisation	8,048	8,016
Share-based payments	315	191
	-10,916	7,156
Changes in working capital (excluding cash and cash equivalents, derivative financial instruments and long term loan)	3,070	-5,556
Net cash from operating activities	**-7,846**	**1,600**
Investments in New Builds (FORTE and FINESSE)	-49,075	-52,293
Investments in other non current assets	-1,039	-1,533
Net cash from investing activities	**-50,114**	**-53,826**
Issue of equity net of fees (issue and conversion)	31	52,053
Share buy backs	-932	-
Sale of derivative financial instruments	2,849	-
Proceeds from new facilities	30,156	64,828
Repayment of loans	-9,793	-31,417
Net cash from financing activities	**22,311**	**85,464**
Net (decrease)/increase in cash and cash equivalents	**-35,649**	**33,238**
Cash and cash equivalents at the beginning of the period	29,027	-4,211
Effect of exchange rates on cash and cash equivalents	-953	-
Cash and cash equivalents including bank overdraft at 31 December	**-7,575**	**29,027**

Statement of Changes in Equity

2011	Note	Issued share capital	Share premium	Retained earnings	Hedging reserve	Share-based payments reserve	Total
(amounts in USD thousands)							
Balance as at 1 January		45,866	74,684	4,089	-4,974	373	**120,038**
Issue of equity	13	8	23	-	-	-	**31**
Fair value changes hedges	9	-	-	-	1,027	-	**1,027**
Share based payments	4	-	-	-	-	315	**315**
Share buy back plan		-		-932	-	-	**-932**
Result for the period		-	-	-14,398	-	-	**-14,398**
Balance as at 31 December		**45,874**	**74,707**	**-11,241**	**-3,947**	**688**	**106,081**

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	13	22,388	32,334	-	-	-	**54,722**
Fees	13	-	-2,669				**-2,669**
Fair value changes hedges	9	-	-	-	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**

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 currently has two 50,000DWT open-stern semi-submersible vessels under construction with Guangzhou Shipbuilding International in China. These newbuild vessels will be owned and operated by Fairstar when they are delivered in 2012.

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 2011 the Company has 81,072,779 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 two 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.

In May 2010 the company entered into two shipbuilding contracts with Guangzhou Shipbuilding International for the construction of the two new vessels, FORTE and FINESSE. Delivery of these vessels is expected respectively on 23 May and in November 2012.

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 12 April 2012.

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 2011 the most important exchange rates were the Euro and the Norwegian Kroner.

	EUR	NOK
1 January 2010	1.4332	0.17272
31 December 2010	1.3375	0.17136
31 December 2011	1.2932	0.16686

Use of estimates and judgments

The preparation of the accounts of the Company in conformity with IFRS requires management to make judgments, 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 judgments 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 judgments 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 2011, but are not considered relevant for these consolidated financial statements:

- IAS 24 (amendment) 'Related party disclosures'
- IFRS 1 (amendment) 'First-time adoption of International Financial Reporting Standards'
- IFRIC 14 (amendment) 'Prepayments of a Minimum Funding Requirement (MFR)'
- IFRIC 19 (amendment) 'Extinguishing financial liabilities with equity instruments'
- IAS 32 (amendment) 'Classification of right issue'

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company:

- IAS 1 (amendment) 'Presentation of items of other comprehensive income' (effective from 1 July 2012)
- IFRS 9 'Financial Instruments' (effective from 1 January 2013)
- IFRS 10 'Consolidated Financial Statements' (effective from 1 January 2013)
- IFRS 11 'Joined Arrangements' (effective from 1 January 2013)
- IFRS 12 'Disclosure of Interests in other Entities' (effective from 1 January 2013)
- IFRS 13 'Fair value measurement' (effective from 1 January 2013)
- IAS 19 (amendment) 'Employee benefits' (effective from 1 January 2013)
- IFRS 1 (amendment) 'Severe hyperinflation and removal of fixed dates for first time adopters (effective from annual periods beginning on or after 1 July 2011)
- IFRS 7 'Transfers of financial assets' (effective from annual periods beginning on or after 1 July 2011)

- IAS 12 'Deferred tax: recovery of underlying assets' (effective from 1 January 2012)
- IFRIC 20 'Stripping costs in the production phase of a surface mine' (Effective from 1 January 2013)

None of these standards, amendments and interpretations that are not yet effective, are expected to have a significant effect on the consolidated financial statements of Fairstar, except for IFRS 9 Financial Instruments. This Standard 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.

Going concern

On 5 May 2012 the FJORD is scheduled to start on a long term contract for Gorgon. The final delivery of the FORTE is planned on 23 May 2012, this vessel is scheduled to start on a long term contract for Gorgon soon thereafter. Directly following the delivery of the FORTE, the Bank facility (as described in note 12 to the financial statements), arranged by a syndicate of banks lead by DNB Bank ASA will be drawn. The syndicate of banks has fully committed themselves to this bank facility, subject to standard market conditions precedent being fulfilled.

In November 2012, the delivery of the FINESSE is scheduled. The DNB Bank ASA facility agreement includes an additional tranche of up to USD 70 million for the purpose of providing post-delivery financing for FINESSE, secured by a first mortgage over the FINESSE. This tranche was subject to signing a contract for the FINESSE with a value of at least USD 25 million for a term of at least one year. Subsequent to the signing of the Ichthys LNG contract with the JKV Joint Venture, this condition has been met.

To fulfill the standard market conditions precedent for the bank facility, the Company needs to obtain additional financing, e.g. down payments from customers or by entering the capital market. With reference to IAS 1, the Company discloses this situation that indicates the existence of a material uncertainty which may cast doubt about the Company´s ability to continue as a going concern. Management of Fairstar is confident that the refinancing of the Company will successfully take place and the Company will fulfill its performance obligations of the Gorgon Contracts for FJORD, FORTE and FJELL as from May 2012, July 2012 and September 2012 respectively and has no reason to believe that there are any risks of delay to the schedule of payments due to be received under the terms of the Gorgon Contracts. Based on these expectations, management is of the opinion that the going concern assumption is justified for the 2011 financial statements.

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

Based on the requirements of IFRS 8, the Company has identified only one operating segment and consequently has not recorded separate segment information as required by IFRS 8. Given the limited number of vessels, Management looks at its operations on a detailed project-by-project basis.

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 and 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, canal dues, deck preparation and sea fastenings and deck cleaning. 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 construction of the vessels 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.

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 a 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 payment and/or contract terms are amended to mitigate the identified credit risks or a Letter of Credit is requested. Usually freight income is invoiced and paid before discharge of the cargo. Consequently, there are generally no substantial concentrations of credit risk on the Company's balance sheet.

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 principle to liquidity risk management is to maintain, as far as possible, sufficient liquidity to be able to meet the current and future liabilities.

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

The following are the contractual maturities of financial liabilities as currently recorded in the balance sheet at year end:

2011	Less than 3 months	Month 3-6	Month 7-12	Year 1-5	More than 5 years	Total
(amounts in USD thousands)						
Non-derivative financial liabilities						
Trade creditors	-4,355	-	-	-	-	-4,355
Accrued project expenses	-53	-	-	-	-	-53
Accrued interest	-1,391	-	-	-	-	-1,391
Other Accruals and Payables	-1,262	-	-	-	-	-1,262
Bank overdraft	-9,615	-	-	-	-	-9,615
Interest bearing debt	-10,600	-32,166	-3,200	-75,533	-26,400	-147,899
Derivative financial liabilities						
Interest rate swaps used for hedging	-	-	-646	-3,305	-	-3,951
Total	**-17,661**	**-41,781**	**-3,846**	**-78,838**	**-26,400**	**-168,526**

The Company has entered into a new facility with a bank syndicate lead by DNB Bank ASA. This new facility includes a committed loan of USD 142 million to be drawn down in May 2012 at the delivery of the FORTE. The purpose of this loan facility is to prepay the HSH Nordbank and ABN Amro facilities, to repay the bridge loan with Bank of China and to pay for the final yard installment for FORTE at delivery of the vessel in May 2012. When taking into account the contractual liabilities in connection with this refinancing, the interest bearing debt line at year end 2011 would change as follows:

2011	Less than 3 months	Month 3-6	Month 7-12	Year 1-5	More than 5 years	Total
(amounts in USD thousands)						
Interest bearing debt	-2,600	-1,000	-5,917	-186,016	-	-195,533

The contractual liabilities at year end 2010 were as follows:

2010	Less than 3 months	Month 3-6	Month 7-12	Year 1-5	More than 5 years	Total
(amounts in USD thousands)						
Non-derivative financial liabilities						
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
Derivative financial liabilities						
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**

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.

A 1% change in the interest rate as per balance sheet date would mean the result and shareholders' equity would increase or decrease by the amounts shown in the following table. These figures assume that all other variables, currency exchange rates in particular, remain constant. The same analysis was performed for 2010. At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

2011		Result		Shareholders' equity	
	Amount	1% increase	1% decrease	1% increase	1% decrease
(amounts in USD millions)					
Instruments with a variable interest rate:					
- Current	50.6	-0.5	0.5	-	-
- Non Current	106.9	-1.1	1.1	-	-
Total	**157.5**	**-1.6**	**1.6**	**-**	**-**
Interest rate swaps	39.0	0.4	-0.4	0.8	-0.8
Cash flow sensitivity (net)	**118.5**	**-1.2**	**1.2**	**0.8**	**-0.8**

2010		Result		Shareholders' equity	
	Amount	1% increase	1% decrease	1% increase	1% decrease
(amounts in USD millions)					
Instruments with a variable interest rate					
- Current	26.7	-0.2	0.2	-	-
- Non Current	108.1	-1.1	1.1	-	-
Total	**134.8**	**-1.3**	**1.3**	**-**	**-**
Interest rate swaps	49.0	0.5	-0.5	1.2	-1.2
Cash flow sensitivity (net)	**85.8**	**-0.9**	**0.9**	**1.2**	**-1.2**

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 large portion of its operating and general and administrative expenses are in EURO's. Furthermore, the Company has its assets valued in USD and a 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.

2011	Carrying amount USD 1,000	Of which: USD 1,000	EURO In EUR 1,000	Norwegian Kroner In NOK 1,000
(amounts in USD millions)				
Cash (net overdraft)	-7,575	-8,760	668	1,749
Trade receivables and other current assets	1,914	1,788	97	-
Trade payables and other current liabilities	-7,061	-3,648	-2,362	-1,683
Long term debt	-100,809	-51,850	-	-300,000
Short term debt	-45,456	-45,456	-	-
Total	**-158,987**	**-107,926**	**-1,597**	**-299,934**

2010	Carrying amount USD 1,000	Of which: USD 1,000	EURO In EUR 1,000	Norwegian Kroner In NOK 1,000
(amounts in USD millions)				
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**

Sensitivity analysis

The following table demonstrates the balance sheet exposure 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 2010.

2011	Effect on profit	Effect on Equity
(amounts in USD thousands)		
EUR stronger by 10%	-206	-
EUR weaker by 10%	206	-
NOK stronger by 10%	-4,991	-
NOK weaker by 10%	4,991	-

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

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. The 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, payment terms, timing, bunkers, insurances, weather and sea conditions.

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

Capital management

During 2011 the Company maintained its focus on a strong credit rating and a sustainable leverage ratio. 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.

	2011	2010
(amounts in USD thousands)		
Long-term borrowings	100,809	108,116
Current portion of debt	45,456	19,262
Less: cash and cash equivalents	7,575	-29,027
Net debt	**153,840**	**98,351**

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 Vessel operating expenses

A breakdown of the vessel operating expenses is as follows:

	2011	2010
(amounts in USD thousands)		
Crewing	3,893	3,129
Maintenance, stores and spare parts	2,551	2,505
Insurances	877	984
Other vessel operating costs	267	442
	7,588	**7,060**

2 General and administrative expenses

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

	2011	2010
(amounts in USD thousands)		
Remuneration of the Boards	2,300	2,436
Employee expenses	3,409	2,534
Temporary work staff and advisory costs	1,414	1,025
Costs arbitration settlement	1,311	-
Travel and Lodging expenses	548	336
Office and rent expenses	955	614
Costs relating to the listing on the Oslo Stock Exchange	130	215
Other general and administrative expenses	812	500
	10,879	**7,660**

The KPMG fee for auditing the Financial Statements has been included in the other general and administrative expenses and amounts to EUR 60,000 (2010: EUR 60,000). No other fees were paid to KPMG in 2011 (2010: EUR 38,350 opinion on prospectus June 2010)

3 Employee expenses

A breakdown of the employee expenses is as follows:

	2011	2010
(amounts in USD thousands)		
Wages and salaries	5,503	4,292
Social security contributions	406	375
Retirement benefits	451	405
Share-based compensation	80	26
	6,440	**5,098**

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

	2011	2010
(amounts in USD thousands)		
Employee expenses included in Operating expenses	2,643	2,052
Employee expenses included in General and administrative expenses	3,797	3,046
	6,440	**5,098**

A breakdown of the retirement benefits is as follows:

	2011	2010
(amounts in USD thousands)		
Contributions to the defined benefit plan (maritime crews)	229	188
Contributions to the defined contribution plan (staff)	222	217
	451	**405**

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 350,000 for 2012.

At the end of the year the Company employed a total 79 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:

	2011	2010
In Full Time Equivalent (FTE)		
Maritime crews	39	34
Shore-based staff, including members of the Board	29	20
	68	**54**

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. At year end 2011 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. No share option program for the Supervisory Board was proposed at the 2011 AGM and no options were granted to the Members of the Supervisory Board in 2011.

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

	2011 Number of options	2010 Number of options
Outstanding at 1 January	1,566,000	885,500
Exercised during the year	-30,000	-20,000
Forfeited during the year	-454,000	-38,500
Granted during the year	-	739,000
Outstanding at 31 December	**1,082,000**	**1,566,000**
Exercisable at 31 December	612,167	670,333
Average exercise price of options outstanding	NOK 7.89	NOK 7.84

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:

	2011	2010
(amounts in USD thousands)		
Share options granted in 2008	25	13
Share options granted in 2009	13	17
Share options granted in 2010	166	94
Total expense recognised during the year	204	124

4 Financial income and expense

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

	2011	2010
(amounts in USD thousands)		
Interest received on short term deposits	320	89
Changes in the fair value of hedging instruments	3,443	1,279
Foreign currency gains	2,895	775
Financial income	**6,658**	**2,143**
Interest paid on borrowings	-10,021	-6,196
Interest capitalised during the year relating to the conversion of the vessels	3,410	297
Other financial gains and losses	-879	-265
Financial expenses	**-7,490**	**-6,164**
Net financing costs	**-832**	**-4,021**

5 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 2011 is approximately USD 540,000.

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

Notes to the Consolidated Balance Sheet

6 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 2011	172,657	52,293	547	**225,497**
Investments	762	49,074	277	**50,113**
Depreciation	-7,951	-	-97	**-8,048**
Balance as at 31 December 2010	**165,468**	**101,367**	**727**	**267,562**
Composed as follows:				
Purchase price	192,087	101,367	1,003	**294,457**
Accumulated depreciation	-26,619	-	-276	**-26,895**
Balance as at 31 December 2011	**165,468**	**101,367**	**727**	**267,562**

At 31 December 2011, 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 and site team expenses incurred in relation to Fairstar's new build program.

7 Inventories

Inventories include bunker fuel and lubricants for both vessels, amounting to USD 1,453 thousand (2010: USD 1,350 thousand). No inventories are subject to retention of title clauses. In 2011 and 2010 no write-offs of inventories were accounted for.

8 Trade and other receivables

Details are:

	31 December 2011	31 December 2010
(amounts in USD thousands)		
Trade receivables	-	1,220
Tax receivable	119	104
Deferred project income	319	-
Accrued project expenses	-	223
Other current receivables	1,476	1,085
	1,914	**2,632**

9 Derivative financial instruments

At 31 December 2011, the Company holds five (2010: six) "floating-to-fixed" interest rates swap contracts and one (2010: 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-11	31-dec-11	31-dec-10	31-dec-10
	Asset	Liability	Asset	Liability
(amounts in USD thousands)				
Cap/ Floor	4	-	30	-
Interest rate swaps	-	3,951	-	5,004
Forward currency contracts	-	-	1,108	1,664
	4	**3,951**	**1,138**	**6,668**

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 1,027 thousand (2010: 197 thousand) is recognised in equity.

10 Cash and cash equivalents

The cash and cash equivalents amounted to USD 1,540 thousand (2010: USD 36,514 thousand). The Company's overdraft facility with HSH was fully utilised resulting in a net cash position of USD 7,575 thousand (2010: 29,027 thousand). No amount in 2011 is restricted due to guarantees or collateral provided (2010: USD 14.6 million).

11 Trade and other payables

Details are:

	31 December 2011	31 December 2010
(amounts in USD thousands)		
Trade payables	4,355	2,159
Tax and social securities	154	88
Deferred project income	-	729
Accrued project expenses	53	-
Accrued interest	1,391	1,427
Other accruals	1,108	1,157
	7,061	**5,560**

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.

12 Borrowings

Details are:

31 December 2011	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	46,131	46,250	5,000	41,250
USD 16 million, HSH Nordbank Jr. Term loan	LIBOR + 175	12,119	12,150	1,400	10,750
USD 15 million ABN AMRO term loan	LIBOR + 400	8,900	9,000	9,000	-
USD 30 million Bank of China bridge loan	LIBOR + 450	30,156	30,566	30,566	-
NOK 300 million, private debenture loan	NIBOR + 900	48,958	49,933	-	49,933
		146,265	**147,899**	**45,966**	**101,933**

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 150 million, private debenture loan	NIBOR + 900	49,916	51,409	-	51,409
		127,378	**129,209**	**19,400**	**109,809**

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.

Bank of China bridge loan

In December 2011 Fairstar entered into a bridge loan facility of USD 30 million with Bank of China. Purpose of the facility is payment of the third installment of USD 30 million for the new build vessel FORTE to the yard. This facility is secured with an assignment of the Shipbuilding Contract for FORTE and assignment of the Refund Guarantee of the third installment for FORTE. This bridge loan facility is priced at 3 months LINOR plus a spread of 450 basis points. The loan matures and is repayable at delivery of the FORTE.

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 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. For this facility ABN AMRO has a second mortgage on FJORD and FJELL. The facility has a four year profile 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 liquidity of USD 10 million
- Minimum Equity Ratio (Equity/Capital Employed) > 40%
- Maximum Leverage Ratio (NIBD/ EBITDA) < 3.0
- Minimum Interest Coverage Ratio (EBITDA / Finance Charges) >2.0
- Current Ratio (Current assets / Current liabilities) > 1.0

With regard to the bank loan of ABN Amro Bank N.V., as at December 31, 2011 the actual leverage ratio amounted to (27.9), whereas a maximum leverage ratio of 3.0 is required.

With regard to the bridge loan of Bank of China the minimum liquidity amounted to USD 10 million, whereas actual liquidity amounted to (USD 7.6 million). The interest cover ratio amounted to (4.8), whereas a minimum interest cover ratio of 2.0 is required. The current ratio amounted to 0.48, whereas a minimum current ratio of 1.0 is required. The equity ratio amounted to 39%, whereas a minimum ratio of 40% 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.

New Bank Facility

On 7 November 2011, Fairstar entered into a new five year facility agreement of USD 167 million with a bank syndicate lead by DNB Bank ASA. The facility will be secured by a first mortgage over the FJORD, FJELL and FORTE and consists of:

- A committed term loan facility of up to USD 142 million to retire the Company's current indebtedness with HSH Nordbank and ABN Amro, repay the Bridge Loan with Bank of China at delivery of the FORTE and fund the final payment due for the construction of the FORTE;
- An on-demand overdraft facility of USD 5 million for working capital purposes;
- A guarantee facility of up to USD 20 million for the issuance of performance bonds

The facility will be drawn at delivery of the FORTE that is expected in May 2012.

The facility agreement includes an additional uncommitted term loan facility of up to USD 70 million for the purpose of providing post-delivery financing for FINESSE, secured by a first mortgage over the FINESSE.

13 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 81,072,779 (2010: 81,047,779) shares have been placed.

During the year the Company's outstanding shares increased with 25,000 shares following exercising of employee share options by employees during 2011.

Following the share repurchase program in 2011, the Company holds 592,792 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

During 2011, the Company repurchased 592,792 shares. The purchase price of these repurchased shares has been deducted from retained earnings.

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 2011 and 2010.

14 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:

	2011	2010
(amounts in USD thousands)		
2011	-	40,740
2012	110,521	110,329
2013	408	268
2014	243	142
Thereafter	23	6
Total	**111,195**	**151,485**

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

15 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
- Fairstar Finesse B.V. (Rotterdam) – No transactions

The related parties of the Company and their immediate relatives control 27.08% (2010: 16.33%) of the voting shares of the Company either directly or indirectly. Details are:

	2011 %	Number of shares	2010 %	Number of shares
P. Adkins (CEO)	0.27	220,000	0.27	220,000
W. Out	0.05	40,000	0.05	40,000
B. de Bruin (indirect via Roosland Beheer)	10.2	8,266,728	-	-
R. Granheim (indirect via Torghatten)	16.2	13,164,653	15.7	12,719,603
F. van Riet	0.11	66,718	0.11	66,718
J. Verhagen	0.11	66,718	0.11	66,718
Other Fairstar employees	0.03	26,150	0.06	48,100

Remuneration of the Board

Details of the remuneration of the Management Board are:

	Remune ration	Bonus paid	Pension	Shares/ Options	Total 2011	Total 2010
(amounts in USD thousands)						
P. Adkins (CEO)	754	350	-	179	1,282	1,178
W. Out (COO)	463	48	41	29	580	678
M. De Haas (CFO)	34	61	5	6	106	362
	1,250	**459**	**46**	**214**	**1,969**	**2,218**

Mr Adkins has been granted 600 thousand shares of which 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. Mr Out was awarded 50 thousand shares that will vest during his contract term.

Mr de Haas joined the Management Board in May of 2010. His 2010 remuneration is stated on a full year basis.. Mr de Haas stepped down from the Management Board on February 28, 2011.

Details of the remuneration of the Supervisory Board are:

	2011 Fees	2011 Options	2011 Total	2010 Total
(amounts in USD thousands)				
F. van Riet (Chairman)	83	45	128	75
J. Verhagen	56	45	101	76
R. Granheim	56	34	90	49
B. de Bruin	39		39	-
W. Dirkzwager *	57	-	57	9
L. Aaker *	-	-	-	9
	291	**124**	**415**	**218**

*Mr Dirkzwager and Mr Aaker stepped down at the 2010 AGM. In 2011 a severance payment of EUR 45,000 was paid to Mr Dirkzwager.

**Mrs de Bruin was appointed during the 2011 AGM.

Fairstar Heavy Transport N.V. Financial Statements 2011

Company income statement for the year 2011

	2011	2010
(amounts in USD thousands)		
Company result	**-14,398**	**228**
Result subsidiaries	**–**	**–**
Profit (loss)	**-14,398**	**228**

Company balance sheet as at 31 December 2011

	Note	2011	2010
(amounts in USD thousands)			
Assets			
Property, plant and equipment	*1*	267,562	225,497
Investments in subsidiaries	*2*	494	470
Total non-current assets		**268,056**	**225,967**
Inventories	*3*	1,453	1,350
Trade and other receivables	*4*	1,570	2,606
Derivative financial instruments		4	1,138
Cash and cash equivalents	*5*	2,077	37,205
Total current assets		**5,104**	**42,299**
Total assets		**273,160**	**268,266**
Liabilities			
Bank overdraft		9,115	7,487
Trade and other payables	*6*	7,748	6,695
Short term part of long term loan		45,456	19,400
Derivative financial instruments		3,951	6,668
Current liabilities		**66,270**	**31,250**
Non-current liabilities		**100,809**	**107,978**
Total liabilities		**167,079**	**148,228**
Issued share capital		48,232	49,865
Share premium		74,707	74,684
Retained earnings		-13,599	90
Hedging reserve		-3,947	-4,974
Share-based payments reserve		688	373
Total equity	*7*	**106,081**	**120,038**
Total equity and liabilities		**273,160**	**268,266**

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 2011 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.

Going concern

On 5 May 2012 the FJORD is scheduled to start on a long term contract for Gorgon. The final delivery of the FORTE is planned on 23 May 2012, this vessel is scheduled to start on a long term contract for Gorgon soon thereafter. Directly following the delivery of the FORTE, the Bank facility (as described in note 12 to the financial statements), arranged by a syndicate of banks lead by DNB Bank ASA will be drawn. The syndicate of banks has fully committed themselves to this bank facility, subject to standard market conditions precedent being fulfilled.

In November 2012, the delivery of the FINESSE is scheduled. The DNB Bank ASA facility agreement includes an additional tranche of up to USD 70 million for the purpose of providing post-delivery financing for FINESSE, secured by a first mortgage over the FINESSE. This tranche was subject to signing a contract for the FINESSE with a value of at least USD 25 million for a term of at least one year. Subsequent to the signing of the Ichthys LNG contract with the JKV Joint Venture, this condition has been met.

To fulfill the standard market conditions precedent for the bank facility, the Company needs to obtain additional financing, e.g. down payments from customers or by entering the capital market. With reference to IAS 1, the Company discloses this situation that indicates the existence of a material uncertainty which may cast doubt about the Company´s ability to continue as a going concern. Management of Fairstar is confident that the refinancing of the Company will successfully take place and the Company will fulfill its performance obligations of the Gorgon Contracts for FJORD, FORTE and FJELL as from May 2012, July 2012 and September 2012 respectively and has no reason to believe that there are any risks of delay to the schedule of payments due to be received under the terms of the Gorgon Contracts. Based on these expectations, management is of the opinion that the going concern assumption is justified for the 2011 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 2011	172,657	52,293	547	**225,497**
Investments	761	49,074	277	**50,112**
Depreciation	-7,950	-	-97	**-8,047**
Balance as at 31 December 2011	**165,468**	**101,367**	**727**	**267,562**
Composed as follows:				
Purchase price	192,087	101,367	1,029	**294,483**
Accumulated depreciation	-26,619	-	-302	**-26,921**
Balance as at 31 December 2011	**165,468**	**101,367**	**727**	**267,562**

At 31 December 2011, 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), Fairstar FJELL B.V. (Rotterdam) and Fairstar FINESSE B.V. (Rotterdam).

Movements were as follows:

	2011
(amounts in USD thousands)	
Balance as at 1 January	470
Capital increase	-
Incorporation Fairstar FINESSE B.V.	24
Result subsidiaries	-
Balance as at 31 December	**494**

3 Inventories

Inventories include bunker fuel and lubricants amounting to USD 1,453,000 (2010: USD 1,351,000). No inventories are subject to retention of title clauses, in 2011 and 2010 no write-offs of inventories were accounted for.

4 Trade and other receivables

Details are:

(amounts in USD thousands)	**31-dec-11**	**31-dec-10**
Trade receivables	-	1,220
Tax receivable	119	104
Other receivables	1,451	1,282
	1,570	**2,606**

5 Cash and cash equivalents

The cash and cash equivalents amounted to USD 2,077 thousand (2010: USD 37,205 thousand). The Company's overdraft facility with HSH was fully utilised resulting in a net cash position of USD 7,038 thousand negative (2010: 29,718 thousand positive). No amounts were restricted due to guarantees or collateral provided (2010: USD 14.6 million).

Liabilities

6 Trade and other payables

Details are:

(amounts in USD thousands)	**31-dec-11**	**31-dec-10**
Trade creditors	4,080	2,043
Related parties	1,974	1,907
Tax payable	141	75
Accrued income	-266	729
Other accruals	1,819	1,941
	7,748	**6,695**

7 Equity

Statement of changes in equity

2011	Issued share capital	Share premium	Retained earnings	Hedging reserve	Share-based payments reserve	Total
(amounts in USD thousands)						
Balance as at 1 January	49,865	74,684	90	-4,974	373	120,038
Issue of equity	8	23	-	-	-	31
Fees	-	-				-
Fair value changes hedges	-	-	-	1,027	-	1,027
Share based payments	-	-	-	-	315	315
Share buy back plan	-	-	-932	-	-	-932
Translation difference on issued capital	-1,641	-	1,641	-	-	-
Result for the period	-	-	-14,398	-	-	-14,398
Balance as at 31 December	**48,232**	**74,707**	**-13,599**	**-3,947**	**688**	**106,081**

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**

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 81,072,779 (2009: 81,047,779) shares have been placed. At year EUR/USD rate of 1.2933 Issued Share Capital translates to USD 48,232 thousand.

Following the share repurchase program in 2011, the Company holds 592,792 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, 12 April 2012

The Management Board:

P.J. Adkins

W.A. Out

The Supervisory Board:

F.W. van Riet (Chairman)

B.H.C. de Bruin

J.J.H. Verhagen

R. Granheim

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 loss for 2011 of USD 14,398 thousand is deducted from 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 2011 of Fairstar Heavy Transport N.V., Rotterdam as set out on pages 30 to 66. 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 2011, 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 2011, 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 2011 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 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of uncertainty with respect to the going concern assumption

We draw attention to the notes to the consolidated financial statements (general information) and the company financial statements (general), which indicate that the Company needs to obtain additional financing to fulfill the standard market conditions precedent for the bank facility. This situation, which is further described in the notes to the consolidated financial statements and the notes to the company financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

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, 12 April 2012

KPMG ACCOUNTANTS N.V.

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