



Fairstar

**FAIRSTAR HEAVY TRANSPORT NV
BOARD OF DIRECTORS' REPORT
FIRST HALF YEAR 2009**

- **FJORD MAINTAINS 100% UTILISATION**
- **FJELL CONVERSION SUCCESSFULLY COMPLETED**
- **FAIRSTAR ACHIEVES RECORD NET PROFIT OF USD 7.4 MILLION FOR FIRST HALF 2009 BOLSTERED BY USD 5.5 MILLION NET PROFIT IN Q2**

Fairstar Heavy Transport N.V. (Fairstar) is pleased to present the Directors' report for the first half year of 2009.

Health, Environment, Safety, Security (HESS)

Fairstar strives to maintain the highest standards of safety and security as a daily feature of our corporate culture. We always seek to ensure that the health and well-being of our personnel are consistent with the standards of our industry. The threat of piracy is a new feature in the ongoing management of our fleet. Fairstar is extremely sensitive to this issue and regularly reviews the policies and procedures in place to maintain the safety and security of our crews, vessels and cargoes. We are pleased to report that in this quarter there were no incidents resulting in injury to any of our employees nor any occurrences of damage to our vessels or clients' cargoes.

Fjell

On 17 May 2009 the Fjell left Malta. DNV Class Certification was received. The vessel successfully completed its sea trials including a submersion test in Valetta Harbour. Management is extremely satisfied with the performance of the Fjell. There are a number of unique performance characteristics Fjell shares with her sister Fjord. These characteristics will enable Fjell to compete successfully in the global semi-submersible heavy transport market.

Financials

With the Fjell now in operation, Fairstar enjoyed a significant increase in gross revenues. USD 25 million was achieved in the first six months of 2009, yielding time-charter equivalent revenues of USD 17 million.



Fjell arriving in Trapani, May 2009

Operating costs and G&A totalled to USD 5 million. This resulted in an EBITDA profit of USD 12 million and net income of USD 7.4 million.

Fairstar significantly strengthened its balance sheet throughout the first half. The company successfully placed 10.2 million new shares resulting in an increase of equity by USD 9.5 million. Management is determined to reduce leverage. The company has repaid the first principal installment due under its term facility with HSH Nord Bank. Fairstar has received a commitment from Fortis Bank for a USD 15 million, four year loan. The proceeds of this facility are for the refinancing of Fairstar's outstanding NOK 150 million bond. This loan is priced at a floating rate above LIBOR and is secured by a second mortgage over the Fjord and Fjell.



Operations

The Fjord has achieved 100% utilisation throughout the second quarter of 2009. Fjord is under contract to transport a series of high-value modules from Abu Dhabi to Nigeria. This contract is expected to complete in the fourth quarter of 2009. Fjord will then undertake the transport of FPSO components under construction in Angola to the DSME yard in Okpo, Korea. Fjord is expected to maintain 100% utilisation for the rest of 2009.

Fjell arrived in Trapani, Sicily, on 18 May for the transport and float-off of the 7,000 ton chemical tanker “Marettimo M”. This operation tested the performance of the Fjell very close to her operational limits. The open stern of the Fjell, the shallow draft and high weight-bearing capability of the hull as well as the ship’s sophisticated ballast system facilitated a smooth loading at quayside and a stable launch of the “Marettimo M” once Fjell was submerged to the necessary depth.



“Marettimo M” floating off Fjell in Trapani, May 2009

Immediately after completing the operation in Trapani, the Fjell sailed to Lobito, Angola to load various FPSO components for transport to DSME in Korea. Fairstar is currently in negotiation on a number of cargoes for transport by the Fjell in the third quarter.



Fjord in Nigeria, May 2009

Annual General Meeting

The company held its Annual General Meeting on 19 May 2009. At this meeting 80.2% of shareholders were represented. All resolutions were passed by the shareholders.

Outlook/ Market Guidance

There has been a significant increase in semi-submersible heavy transport capacity. The converted tankers in the global fleet now total ten. The transportation of drilling rigs has declined in 2009. There is clear evidence of aggressive discounting for rig transports. Fairstar expects this practice to continue. Fairstar will focus its marketing strategy on a core group of clients and avoid spot market exposure as much as possible. At this time we believe our time charter equivalent guidance of USD 80 thousand per day at an 80% utilisation rate can be met for the rest of 2009. There are a number of high-value projects within the energy industry that will require significant heavy transport resources in 2010-2014. Fairstar is actively positioning its fleet to participate in these projects.

Joint Management and Supervisory Board
Fairstar Heavy Transport NV
4 August 2009



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Fairstar Heavy Transport N.V.
Half Year Report 2009

In thousands USD unless otherwise indicated

Consolidated Condensed Balance Sheet	30/06/2009	31/12/2008
ASSETS		
Non-current assets	182,059	167,539
Current assets	3,495	8,103
TOTAL ASSETS	185,554	175,642
LIABILITIES		
Non-current liabilities	69,127	70,950
Current liabilities	54,254	59,215
Equity	62,173	45,477
EQUITY & LIABILITIES	185,554	175,642

Statement of changes in equity	
Balance sheet as at 31 December 2008	45,477
Issue of Equity (net of fees)	7,213
Change in Cash Flow hedge reserve	2,031
Change in option reserve	17
Result for the period	7,435
Balance sheet as at 30 June 2009	62,173

Consolidated Income Statement	Q2 2009 YTD	Q2 2008 YTD	Q2 2009	Q2 2008
Gross revenue	25,765	5,811	17,645	5,811
Voyage related costs	-8,769	-1,845	-6,882	-1,845
Time charter equivalent revenue	16,996	3,966	10,763	3,966
Other income	0	0	0	0
Vessel operating expenses	-2,582	-3,079	-1,509	-1,679
General and administrative expenses	-2,363	-3,387	-1,022	-1,603
Operating expenses, other than Depreciation	-4,945	-6,466	-2,531	-3,282
EBITDA	12,051	-2,500	8,232	684
Depreciation	-2,606	-1,087	-1,595	-1,066
Operating result before financing costs (EBIT)	9,445	-3,587	6,637	-382
Net financing costs	-2,010	-1,916	-1,159	-1,392
Result before tax	7,435	-5,503	5,478	-1,774
Income tax	0	0	0	0
Result after tax	7,435	-5,503	5,478	-1,774
Weighted average number of ordinary shares	43,179,547	32,990,000	43,179,547	32,990,000
Basic earnings per share	0.17	-0.17	0.13	-0.05



Consolidated Condensed Cash Flow Statement	Q2 2009 YTD	Q2 2008 YTD
Result after taxation	7,435	-5,503
Share-based payments	17	80
Change in valuation of derivate finanancial instruments	-2,665	303
Depreciation/Amortisation	2,606	1,087
Cash flows from operating activities	7,393	-4,033
Changes in working capital	-262	1,512
Net cash from operating activities	7,131	-2,521
Net cash from investing activities	-17,126	-19,715
Cash flow from financing activities	4,276	33,823
Net increase in cash and cash equivalents	-5,719	11,587
Cash and cash equivalent as per opening balance	6,807	4,912
Cash and cash equivalents per closing balance	1,088	16,499

Statement of Comprehensive Income	Q2 2009 YTD	Q2 2008 YTD
Result for the period	7,435	-5,503
Change in derivate financial instruments	2,031	311
Net expenses recognised directly in equity	-861	0
Total recognised income and expenses for the period	8,605	-5,192
Attributable to Equity holders	8,605	-5,192



Fairstar Heavy Transport N.V.

Notes

Accounting Principles

The unaudited interim financial statements for the first half 2009 comply with International Financial Reporting Standards (IFRS) and have been prepared in accordance with IAS 34 "Interim Financial Reporting". The Interim Report should be read in conjunction with the consolidated financial statements as at 31 December 2008. The same accounting policies and methods of computation are applied. The audited financial statements 2008 can be found on our website at www.fairstar.com.

Management Statement

Management hereby declares that, to the best of their knowledge, the semi-annual financial statements, which have been prepared in accordance with IAS 34 give a true and fair view of the assets, liabilities, financial position and profit or loss of Fairstar Heavy Transport NV and the undertakings included in the consolidation as a whole, and the semiannual management report includes a fair review of the information required pursuant to section 5:25d. subsections 8 and 9 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Condensed format

The interim financial information has been prepared in a condensed format, omitting most disclosures that are required to comply with IFRS when publishing a full set of financial statements, based on the assumption that the prior year's financial statement has been filed and that accounting principles have not been changed since then.

Share Capital

The authorised share capital of the Company is EUR 205,500,000 divided into 150 million ordinary shares with a nominal value of EUR 0.46, of which 43,179,547 shares have been placed.

Capital commitments

As per 30 June 2009, the Company has capital commitments amounting to less than USD 0.5 million which are not included in the balance sheet.

Related Party Transactions

The Supervisory and Management Board of the Company control 24.9% of the voting shares of the Company either directly or indirectly. Details are:

	30-06-09
F. van Riet, Chairman of Supervisory Board	0.155%
W. Dirkzwager, Vice Chairman of Supervisory Board	0.384%
R. Granheim (indirect via Torghatten), Supervisory Board member	23.435%
H. Verhagen, Supervisory Board member	0.155%
P. Adkins, Management Board member	0.278%
C. du Marchie Sarvaas, Management Board member	0.155%
W. Out, Management Board member	0.093%
Other Fairstar employees	0.224%

Management and Supervisory Board remuneration

Total board remuneration included in G&A (including share option cost) in USD	523,000
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Share-based payments

As per the end of the first quarter of 2009 the Company has 722,500 employee options outstanding of which 476,833 are fully vested. 233,000 options have been granted during the period with a strike price of NOK 10. The average exercise price of all outstanding options is NOK 6.23.