

## Deep Sea Supply 2Q 2011 Financial Report

### FINANCIALS 2Q 2011 AND INTERIM SIX MONTHS 2011

#### Results

Deep Sea Supply ("DESS" or "Company") reports consolidated revenues of MUSD 26.4 in 2Q 2011 compared to MUSD 35.0 in 2Q 2010. Total operating expenses in 2Q 2011 were MUSD 21.4 and gains on sale and investment in associates were MUSD 24.2, compared to MUSD 20.9 and MUSD 1.5, respectively, in 2Q 2010. This resulted in EBITDA of MUSD 29.3 in 2Q 2011, compared to MUSD 15.6 in 2Q 2010. Net financial items were negative MUSD 7.8 in 2Q 2011. Pre-tax result was MUSD 14.9 in 2Q 2011 compared to MUSD 0.4 in 2Q 2010.

For the six months period ended 30 June 2011, the Company reports consolidated revenues of MUSD 50.4, EBITDA of MUSD 31.3 and pre-tax result of MUSD 0.6, compared to revenues of MUSD 61.1, EBITDA of MUSD 24.3 and pre-tax result of negative MUSD 5.4 for the same period in 2010.

#### Cash flow

Cash flow from operations was negative MUSD 0.1 for the six months period ended June 2011. Sale of vessels net of commissions generated MUSD 136.9. Net repayment of debt in the six months period was MUSD 70.2. In addition, Capex related to delivery of three new vessels and upgrading of vessels came in at MUSD 41.8. Interest paid was MUSD 11.0.

Cash and cash equivalents were MUSD 55.8 end of 2Q 2011 compared to MUSD 41.9 end of 4Q 2010. Net interest bearing debt was MUSD 370.8, reduced from MUSD 450.3 end of 4Q 2010.

#### Balance sheet

Book value of the fleet was MUSD 529.3 end of this quarter compared to MUSD 603.2 end of 4Q 2010. The change is explained by the sale of the vessels Sea Wolf 1, Sea Cougar, Sea Weasel and Sea Lion, partly offset by the delivery of three new AHTS vessels. Freight income not received was MUSD 28.0 mill, up from MUSD 26.0 end of 4Q 2010. At the end of 2Q 2011, the Company had total assets of MUSD 686.5 mill.

Total shareholders equity is MUSD 162.3 or 23.6% of total assets, and total number of outstanding shares in the Company is 126.997.194.

### OPERATIONS

#### Fleet

As per end of 2Q 2011, Deep Sea Supply had 12 AHTS vessels and 8 PSVs in operation, in total 20 vessels. The vessels were operating in the following areas:



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North Sea:	1 AHTS and 1 PSV
Brazil:	3 AHTS and 5 PSVs
West Africa:	1 PSV
Mediterranean:	1 AHTS
Asia:	7 AHTS and 1 PSV

### Freight revenues

Freight revenues for the AHTS fleet were MUSD 12.8 mill with a utilization ratio of 66% in 2Q 2011. The figures are negatively impacted by both low rates and low utilization in the period. In addition, special circumstances such as mobilization of vessels to commence new charter contracts and technical offhire related to a special survey also contributed negatively.

Freight revenues for the PSV fleet were MUSD 13.6 with a utilization ratio of 96%. 7 out of 8 PSVs are on long term contracts.

In 2011, the Company has secured medium term charter contracts for 4 AHTS vessels operating in Asia and 1 AHTS vessel operating in Mediterranean; "Sea Cheetah", "Sea Jaguar", "Sea Ocelot" and "Sea Hawk" (time chartered in from external owner for the purpose) have commenced on a 175 days option 60 time charter to Gazflot for operations in Sakhalin, and "Sea Bear" has been chartered to Mellittah Gas for operations in Mediterranean until January 2012. Furthermore, the Company has achieved several short term contracts in Asia, Brazil and the North Sea spot market.

### Ship management and operating expenses

The Company has established organizations in Singapore and Brazil for the purpose of doing technical and crew management of the DESS fleet. DESS is now technical manager for 15 vessels and crew manager for 6 vessels, and this will further increase throughout 2011.

Vessels' operating expenses increased from MUSD 18.2 in 2Q 2010 to MUSD 19.4 in 2Q 2011. This is largely explained by a shift in geographic mix as the Company has increased the number of vessels operating in Brazil from 1 to 8 in this period. Brazil remains a priority for the Company, however local content requirements increase the vessels operating expenses and specially the crew wages.

Good cost control is a priority for the Company, and DESS has taken many actions that will reduce the vessel's operating expenses going forward. Such actions include;

- In-house technical and crew management of the fleet
- Reduction of number of intermediaries



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- Local EBN status (Brazilian Shipping Company) that allows the Company to hold contracts directly with oil companies in Brazil.

DESS is building an organization that will enable significant growth, and as the Company assumes management of the vessels, more competence and experience is kept within the Company. However, until the newly established ship management organizations are fully utilized, the Company is experiencing some increase in the total operating expenses. The organizations in Singapore and Brazil will be fully utilized during the next six month period, and this is expected to reduce total operating expenses.

### **Newbuilding program**

During the first six months of 2011, the Company took delivery of 3 6.800 BHP AHTS vessels from ABG Shipyard in India. Another 2 vessels of the same type are expected to be delivered in 2011.

The Company has one 4,700 DWT PSV under construction in Brazil with expected delivery in 1Q 2012.

### **OUTLOOK**

Despite the current turmoil in the financial markets in Europe and US, DESS is well positioned. The Company's cash balance improved significantly following the sale of "Sea Lion" in 2Q 2011 and the Company has solid financials. In the near term, the spot exposure is limited. The Company is also benefiting from being well diversified geographically. The costs are under control and in line with expectations, however the Company works constantly and proactively to monitor and to reduce its operating costs.

DESS is positive about the long term outlook for the OSV sector. An active offshore rig market should drive demand for E&P and hence the demand for offshore supply vessels.

Limassol, 10 August 2011

Deep Sea Supply Plc



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(Unaudited figures in USD 1,000)</i>	Note	YTD 2011	YTD 2010	2Q 11	2Q 10
Operating revenue	4	50,360	61,103	26,401	35,037
Vessel operating expenses	4	-39,262	-35,223	-19,430	-18,195
Operating lease		-1,684	-717	0	-717
Other gains		204	0	132	0
Gain on sale		26,813	2,915	24,080	1,457
Other operating expenses	4	-5,145	-3,817	-1,921	-2,006
<b>Total operating costs</b>		<b>-19,074</b>	<b>-36,842</b>	<b>2,860</b>	<b>-19,462</b>
<b>EBITDA</b>		<b>31,286</b>	<b>24,262</b>	<b>29,260</b>	<b>15,574</b>
Depreciation	5	-13,517	-17,852	-6,592	-8,740
<b>EBIT</b>		<b>17,769</b>	<b>6,410</b>	<b>22,669</b>	<b>6,835</b>
Financial income		186	110	149	41
Financial expenses		-13,220	-13,271	-6,640	-6,925
Net currency items		-4,190	701	-1,265	110
Change in value of financial derivatives		12	610	-46	320
<b>Net financial items</b>		<b>-17,212</b>	<b>-11,850</b>	<b>-7,804</b>	<b>-6,455</b>
<b>Pre-tax result</b>		<b>556</b>	<b>-5,440</b>	<b>14,865</b>	<b>381</b>
Taxes		-6	-140	-0	-140
<b>Total comprehensive income</b>		<b>550</b>	<b>-5,580</b>	<b>14,865</b>	<b>241</b>

Average number of shares		126,863,860	126,863,860	126,863,860	126,863,860
Earnings per share	7	0.00	-0.04	0.12	0.00
Earnings per share diluted	7	0.00	-0.04	0.12	0.00
Cash flow per share 1)		0.14	0.09	0.18	0.07



<b>CONSOLIDATED BALANCE SHEET</b>			
<i>(Unaudited figures in USD 1,000)</i>	<b>Note</b>	<b>30.06.11</b>	<b>31.12.10</b>
<b>Non-current assets</b>			
Vessels cost	5	529,292	603,322
Construction contract	5	14,785	24,736
Equipment	5	674	659
<b>Total property, plant and equipment</b>		<b>544,751</b>	<b>628,717</b>
Deferred income tax		297	234
Other long term receivables		455	455
Investment in associates		480	0
CIRR deposit		44,669	43,693
<b>Total non-current assets</b>		<b>590,652</b>	<b>673,098</b>
<b>Current assets</b>			
Inventories		2,406	2,909
Other short term receivables		4,407	9,374
CIRR deposit		5,214	4,959
Freight income not received		28,034	26,017
Cash and cash equivalents		55,758	41,932
<b>Total current assets</b>		<b>95,818</b>	<b>85,191</b>
<b>Total assets</b>		<b>686,470</b>	<b>758,289</b>
<b>Liabilities</b>			
Borrowings	6	391,229	456,497
CIRR loan	6	44,620	43,647
Deferred gain		34,367	36,573
Long term tax liabilities		1,952	1,806
Other long term liabilities		12	11
<b>Total long term liabilities</b>		<b>472,180</b>	<b>538,534</b>
Borrowings	6	35,374	35,768
CIRR loan	6	5,214	4,959
Trade payables		5,422	11,519
Deferred gain		4,493	4,493
Tax payable		970	903
Other short term liabilities		517	529
<b>Total short term liabilities</b>		<b>51,990</b>	<b>58,171</b>
<b>Total liabilities</b>		<b>524,170</b>	<b>596,706</b>
<b>Net assets</b>		<b>162,300</b>	<b>161,584</b>
<b>Shareholders equity</b>			
Share capital, share premium and treasury shares		11,027	10,861
Retained earnings and currency translation		151,273	150,723
<b>Total shareholders equity</b>		<b>162,300</b>	<b>161,584</b>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD 1,000)	Share	Reverse	Share	Treasury	Other paid-	Retained	Currency	Total
	Capital	acquisition	premium	shares	in-equity	earnings	translation	
	reserves	reserves	reserves			differences		
Balance at 1 January 2010	2,599	-123,386	139,588	-9,787	1,720	160,739	-7,120	164,353
								0
Total comprehensive income for period ended 30 June 2010						-5,580		-5,580
Balance at 31 June 2010	2,599	-123,386	139,588	-9,787	1,720	155,159	-7,120	158,774
Balance at 1 January 2011	2,537	-123,386	129,863	0	1,846	157,841	-7,120	161,583
Exercise of share options	3		164					167
Total comprehensive income for period ended 30 June 2011						550		550
Balance at 30 June 2011	2,540	-123,386	130,027	0	1,846	158,391	-7,120	162,300



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
<i>(Unaudited figures in USD 1,000)</i>	June 2011	June 2010
<b>Cash flows from operating activities</b>		
Cash generated from operations	-59	17,341
<b>Net cash generated from operating activities</b>	<b>-59</b>	<b>17,341</b>
<b>Cash flows from investing activities</b>		
Acquisitions of vessels and construction contracts	-41,778	-4,962
Disposals of vessels and construction contracts	136,860	0
<b>Net cash used in investing activities</b>	<b>95,082</b>	<b>-4,962</b>
<b>Cash flows from financing activities</b>		
Interest paid	-11,028	-11,771
Proceeds from borrowings	28,212	19,822
Repayments of borrowings	-98,380	-10,114
<b>Net cash used in financing activities</b>	<b>-81,196</b>	<b>-2,063</b>
<b>Total changes in liquidity in the period/year</b>	<b>13,827</b>	<b>10,316</b>
Cash and cash equivalents at beginning of period/year	41,932	31,616
<b>Cash and cash equivalents at end of the period/year</b>	<b>55,758</b>	<b>41,932</b>

**1. General information**

Deep Sea Supply PLC (“the Company”) and its subsidiaries’, here after collectively (“the Group”) principal activities are to engage and invest, directly or indirectly, by itself or through subsidiaries or part-owned companies, partnerships or other forms of entities, in the international offshore supply vessel business.

The Company was incorporated as a public limited liability company on 7 November 2006 in Cyprus in accordance with the provisions of the Companies Law, Cap. 113.



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The Company was established for the purpose of acquiring all shares of Deep Sea Supply ASA.

The Company has its primary and only listing on the Oslo Stock Exchange.

These unaudited condensed consolidated financial statements have been approved for issue by the Board of Directors on 9th August 2011.

### **2. Basis of preparation**

These condensed unaudited consolidated interim financial information for the period ended 30 June 2011 have been prepared in accordance with IFRS as adopted by the E.U. applicable to interim financial reporting, IAS 34 'Interim Financial Reporting' and the regulations of Oslo stock exchange. The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRS as adopted by the European Union.

### **3. Summary of significant accounting policies**

#### **Accounting policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

At the date of approval of these financial statements a number of accounting standards were issued by the International Accounting Standards Board but were not yet effective. The effect of those standards is not expected to be material for the Group.

There has been no further impact on the measurement of the Group's assets and liabilities

### **4. Segment information**

The chief operating decision maker for the Group is the top management together with the board of directors in matters that concern the day to day running of the business and in matters concerning acquisitions and disposals of vessels. Day to day running of the business includes decisions on where the vessels should be located and duration of the contracts with the customers.



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Primary Segment - Area of Operations

The segment results for the period ended 30 June 2011 is as follows:

	Asia / North/South					Unallocated	Total
	North sea	Africa	Australia	America	Mediterranean		
Segment revenues	6,518	2,766	11,073	28,148	1,854	0	50,360
Vessel operating expenses	-6,519	-1,361	-8,037	-21,948	-1,397	0	-39,262
Operating lease	0	0	-5	-1,679	0	0	-1,684
Other gains	0	0	204	0	0	0	204
Gain on sale	0	0	0	0	0	26,813	26,813
Other operating expenses	-666	-283	-1,131	-2,875	-189	0	-5,144
<b>EBITDA per segment</b>	<b>-667</b>	<b>1,122</b>	<b>2,104</b>	<b>1,646</b>	<b>268</b>	<b>26,813</b>	<b>31,286</b>
<b>EBITDA margin per segment</b>	<b>N/A</b>	<b>41%</b>	<b>19%</b>	<b>6%</b>	<b>14%</b>		<b>62%</b>
Depreciation	-2,485	-361	-4,057	-5,751	-785	-78	-13,517
<b>EBIT per segment</b>	<b>-3,152</b>	<b>761</b>	<b>-1,953</b>	<b>-4,105</b>	<b>-517</b>	<b>26,735</b>	<b>17,769</b>
<b>EBIT margin per segment</b>	<b>N/A</b>	<b>28%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>		<b>35%</b>
Net Financial Items							-17,212
<b>Pre-tax result</b>							<b>556</b>
Taxes							-6
<b>Net Result</b>							<b>550</b>

The corresponding segment results for the period ended 30 June 2010 is as follows:

	Asia / North/South					Un-allocated items	Total
	North sea	Africa	Australia	America	Mediterranean		
Segment revenues	13,293	6,664	17,891	4,787	18,467	0	61,103
Vessel operating expenses	-9,971	-3,015	-8,553	-3,147	-10,538	0	-35,223
Operating lease	0	0	-717	0	0	0	-717
Gain on sale	0	0	0	0	0	2,915	2,915
Other operating expenses	-830	-416	-1,118	-299	-1,154	0	-3,817
<b>EBITDA per segment</b>	<b>2,492</b>	<b>3,233</b>	<b>7,503</b>	<b>1,341</b>	<b>6,775</b>	<b>2,915</b>	<b>24,262</b>
<b>EBITDA margin per segment</b>	<b>19%</b>	<b>49%</b>	<b>42%</b>	<b>28%</b>	<b>37%</b>		<b>40%</b>
Depreciation	-4,504	-1,713	-3,824	-1,520	-6,256	-35	-17,852
<b>EBIT per segment</b>	<b>-2,012</b>	<b>1,520</b>	<b>3,679</b>	<b>-179</b>	<b>520</b>	<b>5,795</b>	<b>6,410</b>
<b>EBIT margin per segment</b>	<b>N/A</b>	<b>23%</b>	<b>21%</b>	<b>N/A</b>	<b>3%</b>		<b>10%</b>
Net Financial Items							-11,850
<b>Pre-tax result</b>							<b>-5,440</b>
Taxes							-140
<b>Net Result</b>							<b>-5,580</b>



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### Secondary Segment - Type of Vessel

The segment results for the period ended 30 June 2011 is as follows:

	AHTS	PSV	Un-allocated items	Total
Segment revenues	24,822	25,538	0	50,360
Vessel operating expenses	-25,072	-14,190	0	-39,262
Operating lease	-1,684	0	0	-1,684
Other gains	204	0	0	204
Gain on sale	26,263	550	0	26,813
Other operating expenses	-2,536	-2,609	0	-5,145
<b>EBITDA per segment</b>	<b>21,997</b>	<b>9,289</b>	<b>0</b>	<b>31,287</b>
<b>EBITDA margin per segment</b>	<b>89%</b>	<b>36%</b>		<b>62%</b>
Depreciation	-9,270	-4,171	-77	-13,517
<b>EBIT per segment</b>	<b>12,727</b>	<b>5,118</b>	<b>-77</b>	<b>17,770</b>
<b>EBIT margin per segment</b>	<b>51%</b>	<b>20%</b>		<b>35%</b>
Net Financial Items				-17,212
<b>Pre-tax result</b>				<b>556</b>
Taxes				-6
<b>Net Result</b>				<b>550</b>



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The corresponding segment results for the period ended 30 June 2010 is as follows:

	Un-allocated			Total
	AHTS	PSV	items	
Segment revenues	39,556	21,548	0	61,103
Vessel operating expenses	-25,675	-9,547	0	-35,223
Operating lease	-717	0	0	-718
Gain on sale	2,223	692	0	2,915
Other operating expenses	-2,471	-1,346	0	-3,817
<b>EBITDA per segment</b>	<b>12,916</b>	<b>11,347</b>	<b>0</b>	<b>24,262</b>
<b>EBITDA margin per segment</b>	<b>33%</b>	<b>53%</b>		<b>40%</b>
Depreciation	-14,152	-3,664	-35	-17,852
<b>EBIT per segment</b>	<b>-1,236</b>	<b>7,682</b>	<b>-35</b>	<b>6,410</b>
<b>EBIT margin per segment</b>	<b>-3%</b>	<b>36%</b>		<b>10%</b>
Net Financial Items				-11,850
<b>Pre-tax result</b>				<b>-5,440</b>
Taxes				-140
<b>Net Result</b>				<b>-5,580</b>

### 5. Property, plant and equipment

	Vessels	Finance lease vessels	Vessels in progress	Vehicles & equipment	Total
<b>Opening net book value as at 1 January 2010</b>	<b>414,340</b>	<b>236,197</b>	<b>26,327</b>	<b>65</b>	<b>676,930</b>
Additions	2,115	365	2,220	263	4,962
Delivered new buildings	15,003	0	-5,309	0	9,694
Depreciation and amortisation	-11,525	-6,292	0	-35	-17,852
<b>Closing net book value as at 30 June 2010</b>	<b>419,932</b>	<b>230,269</b>	<b>23,238</b>	<b>292</b>	<b>673,732</b>
<b>Opening net book value as at 1 January 2011</b>	<b>386,904</b>	<b>216,412</b>	<b>24,737</b>	<b>659</b>	<b>628,712</b>
Additions	3,585	2,227	865	93	6,770
Disposals	-112,220	0	0	0	-112,220
Delivered new buildings	45,825	0	-10,817	0	35,008
Depreciation and amortisation	-8,426	-5,014	0	-77	-13,517
<b>Closing net book value as at 30 June 2011</b>	<b>315,667</b>	<b>213,625</b>	<b>14,785</b>	<b>674</b>	<b>544,751</b>



6. Borrowings and loans

	30 June 2011	30 June 2010
<b>Borrowings</b>		
Non-current	202,723	279,077
Current	20,245	28,136
	<u>222,968</u>	<u>307,213</u>
<b>Sale and leaseback and bareboat</b>		
Non-current	188,505	203,326
Current	15,129	14,822
	<u>203,635</u>	<u>218,147</u>
<b>CIRR Loan</b>		
Non-Current	44,620	41,695
Current	5,214	4,483
	<u>49,834</u>	<u>46,179</u>
<b>Total Borrowings</b>	<u>476,437</u>	<u>571,539</u>

Movement in borrowings are analysed as follows:

Period ended 30 June 2010

	Borrowings	Sale and leaseback	CIRR Loan	Total
Opening balance as at 1 January 2010	285,905	225,199	54,412	580,359
Proceeds from new loans	39,600	0	0	39,600
Repayment of loans	-12,781	-7,052	-2,242	-22,074
Borrowing costs	118	0	0	118
Currency translations	-5,629	0	-5,991	-11,620
<b>Closing amount as at 30 June 2010</b>	<u>307,213</u>	<u>218,147</u>	<u>46,179</u>	<u>571,539</u>



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Period ended 30 June 2011

	Borrowings	Sale and leaseback	CIRR Loan	Total
Opening balance as at 1 January 2011	281,239	211,025	48,607	540,870
Proceeds from new loans	28,212	0	0	28,212
Prepayment of loans	-79,972	0	0	-79,972
Repayment of loans	-11,019	-7,390	-2,679	-21,087
Borrowing costs	513	0	-342	171
Currency translations	3,994	0	4,248	8,242
<b>Closing amount as at 30 June 2011</b>	<b>222,968</b>	<b>203,635</b>	<b>49,834</b>	<b>476,437</b>

## 7. Earnings per share

Basic	YTD 2011	YTD 2010
Profit attributable to equity holders of the company	550	-5,580
Weighted average number of ordinary shares (thousands)	126,863,860	126,863,860
<b>Basic earnings per share (USD per share)</b>	<b>0.00</b>	<b>-0.04</b>

Diluted	Q2 2011	Q2 2010
Profit attributable to equity holders of the company	550	-5,580
Weighted average number of ordinary shares diluted (thousands)	128,994,855	128,285,521
<b>Diluted earnings per share (USD per share)</b>	<b>0.00</b>	<b>-0.04</b>

## 8. Sale and leaseback effect

The impact from the sale and leaseback transactions on the profit and loss is as follows:

	Six months ended	
	June 2011	June 2010
Interest paid	-8,127	-8,466
Deferred gain recognised in profit and loss	2,244	2,914
Depreciation charge of leased vessels	-4,098	-6,292



9. Events after the balance sheet date

There were no material events after the balance sheet date.