



# IH09



**DEEP SEA SUPPLY PLC**  
12th of August 2009

Complete version



# DEEP SEA SUPPLY PLC – HALF-YEARLY FINANCIAL REPORT 2009

Deep Sea Supply Plc (DESSC or Company) is an offshore supply company with a modern fleet operating world-wide. The fleet can be divided into two segments; Anchor Handling Tug Supply Vessels (AHTS) and Platform Supply Vessels (PSVs).

## Deep Sea Supply today announces strong half year results; Improved Revenues and EBITDA

Total revenues for 1H09 were USD 91.6 mill. compared to USD 85.6 mill. for 1H08 or an increase of 7%. EBITDA was USD 56.4 mill. compared to USD 52.4 mill. in 1H08. The pre-tax profit in 1H09 was USD 29.3 mill. compared to USD 32 mill. for 1H08.

Total revenues for 2Q09 were USD 47.4 mill. or an increase of 10% from 2Q08 when total revenues were USD 43 mill. EBITDA in 2Q09 improved to USD 28.4 mill. from USD 27.0 mill. in 2Q08. The pre-tax profit in 2Q09 was USD 15.6 compared to USD 14.7 mill. in 2Q08.

Deep Sea Supply has committed financing in place for its newbuilding program currently consisting of 7 AHTS to be delivered in 2009 and 2010 from ABG Shipyard.

The Board suggests no dividend distributions in Q209 as the cash situation following the acquisition of "Sea Eagle 1" does not allow for such and because the current market situation and the financial markets are still uncertain. It is the Company's intention to revert to its former dividend strategy as and when the markets show more visibility.

## Earnings and market conditions

Market conditions for AHTS vessels and PSVs have been negatively affected following the international financial crisis starting in the second half of 2008. This has reduced the activity level and the rates. The North Sea spot market is still very volatile and has seen big "ups and downs" in 2Q09 with rates for AHTS varying from approximately GBP10,000 to GBP 60,000 per day.

### AHTS vessels:

DESSC has 13 AHTS vessels in operation of which 3 have operated in the North Sea spot market and the remaining 10 in the international term market. In addition, DESSC has 7 AHTS vessels on order/under construction.

### Freight revenues

Compared with 1H08, total revenues from the AHTS vessels reduced by 13%. The reduction in revenues from the AHTS vessels was mainly due to (i) lower rates especially in the North Sea spot market and (ii) weaker Euro and GBP for vessels chartered out in these currencies. This impact was partly offset by the impact of new AHTS vessels and better utilization of the fleet. Freight revenues for the AHTS vessels in Q209 reduced by 7% compared to Q208.

From 1Q09 to 2Q09, DESSC's total revenues from the AHTS fleet increased by 10% mainly due to the one new AHTS vessel, slightly improved rates and stronger EURO and GBP.

### PSVs:

DESSC has 8 PSVs in operation, all committed on long term charters.

### Freight revenues

In 1H09 the freight revenues for DESSC's PSVs increased with 87% compared to 1H08 mainly due to an increased fleet. Freight revenues in Q209 for the PSVs increased by 73% compared to Q208 mainly due to an increased fleet.

From 1Q09 to 2Q09, DESSC's total revenues from the PSVs improved by 3% mainly due to stronger GBP and EURO.

## Vessel operation and construction supervision:

### Vessel's operating expenses:

Vessel's operating expenses in 1H09 were USD 31.9 mill. compared to USD 28.8 mill. in 1H08. Adjusting for fleet growth, the operating expenses have reduced by 12% in 1H09 compared to 1H08. Adjusted for fleet growth, the operating expenses have reduced by 2% in Q209 compared to Q208.

Adjusting for fleet growth, the Vessels' operating expenses have increased with 17% from Q109 to Q209 due to repair and maintenance expenses done in combination with 10 years' special survey of one vessel, upstoring of "Sea Eagle 1" and "Sea Ocelot" for their operations in Sakhalin, a "one off" incident on another vessel and a small general increase for several of the vessels during Q209.

### Vessel operations:

The fleet of 21 vessels have been employed worldwide in 1H09 and by end of the quarter, the Vessels operated in the following geographical areas;

North Sea	: 4 vessels
Mediterranean	: 8 vessels
West Africa	: 2 vessels
Asia and Australia	: 6 vessels
South America	: 1 vessel

Deep Sea Supply has chartering departments in Singapore and Norway responsible for the marketing and chartering of the vessels.

Of the 21 vessels, by end of Q209 14 vessels had Cyprus flag, 6 vessels had Norwegian flag and 1 vessel had Singapore flag. The NOR flagged vessels are primarily crewed with Norwegians and EU seafarers. The Cyprus' flagged vessels have full Filipino crew, a combination of Filipino crew and European Officers or a combination of Filipino and Indonesians.

"Sea Lynx" and "Sea Wolf" has completed their 10 years full survey in 1H09. The costs involved is balanced and depreciated over 2.5 years which is the time for their next scheduled intermediate survey. "Sea Cougar" will do her full 10 years survey in 3Q09 completing the 10 years survey for the fleet of 10 year old vessels..



#### Vessels under construction - Construction supervision:

DESSC has vessels under construction at ABG Shipyard. An external management company is responsible for the construction supervision and has a team located at the shipyard. This team is monitored by our Fleet Managers who regularly visit the shipyard.

#### Technical management of the Fleet:

DESSC's vessels are managed by external ship management companies. Their performance is monitored by Fleet Managers employed with DESSC. DESSC considers it vital to do proactive maintenance and ensure the vessels are safe and in a technical good condition. At the same time, we focus a lot on reducing the operating expenses. This is done by imposing restrictions on the managers, by better planning and control and by selecting the right manager for the right vessel based on experience. This will be a continuous task.

#### **Other expenses**

##### Other operating expenses:

These are general and administration expenses for the offices in Cyprus, Singapore and Norway.

##### Depreciations:

All vessels are depreciated to zero when they are 30 years old.

##### Other gains:

The Company owns approximately 35 mill. shares or just below 5% of the total shareholding in CH Offshore, Singapore (a public listed offshore supply company). The value of these shares have improved in 1H09 with an excess of USD 5 mill.

##### Gain on sale:

This consists mainly of USD 2.3 mill. gain on related to the sale of vessels to Ship Finance International in 2007 and 2008 where the gain on sale is recorded as revenue over a period of 12 years.

#### Net financial items:

Interest expenses are related to interest on the senior bank loan facility financing most of the Company's vessels and the interest portion of the bareboat paid to Ship Finance International regarding the vessels on sale and leaseback.

"Sea Eagle 1" was on bareboat to the Company from delivery (20 April 2009) and included in the interest payments is a calculated interest element of such bareboat of USD 308,970. The remaining bareboat payment is considered part of the construction cost of the vessel and will be added to the cost price of the vessel.

Net currency items consist mainly of unrealized currency losses on a NOK loan of and on customers and payables.

#### Change in value of financial derivatives:

The Company has entered into two interest rate swaps related to its senior bank loan facility and two currency hedging transactions, all for hedging purposes. The market value of these transactions are measured at the end of every quarter resulting in an increase in 1H09 of USD 3.2 mill. The total value of these transactions are still negative (USD 2.333 mill) as can be seen in under "Financial derivatives" in the Balance sheet

#### **Cash, cash flow and equity**

The Company's cash balance by the end of 1H09 was USD 65.8 compared to USD 33.8 mill. by end of 2008. The increase in cash of USD 33.8 mill. in 1H09 is explained by USD 55.9 mill. from operating activities less USD 3.5 mill. used in investment activities and less USD 20.3 mill. used in financing activities (loan and lease instalments).

Total Equity by the end of 2008 was USD 112.2 mill. This is increased to USD 143.6 mill. by end of 1H09 due to retained earnings generated in 1H09.

#### **Balance sheet**

##### Trade and other receivables:

Total receivables from customers were USD 32.1 mill. or a significant reduction from USD 47.9 mill. by end of 2008 and USD 37.4 mill. by the end of Q109. Of the total receivables, 81% was less than 1 month old and 19% between 1 and 4 months old.

##### CIRR Loans:

In 2008 the Group applied for Commercial Interest Reference Rate (CIRR) loans from the Norwegian Export Credit Agency. The total loan amount was USD 48.9 mill. The duration of the loans is 12 years and the cash proceeds from the loans have been deposited in fixed deposit account with a Norwegian bank at a higher interest rate than that of the loans. The agreed period of the deposits is identical with the one of the loans. The loans and the interest thereof will be repaid from that account and the difference has been recognized as deferred gain and will be amortized over the period of the life of the loans.

##### Currencies of revenues and costs:

Revenues are in USD, Euro, GBP and NOK. Operating expenses are mainly in USD with the exception of NOK salaries on the NOR flagged vessels. Financial expenses are in USD and NOK.

#### **Events after 1H09**

##### *Acquisition of "Sea Eagle 1"*

Deep Sea Supply acquired the AHTS vessel "Sea Eagle 1" on 3 August 2009. The vessel, delivered from the shipyard Jaya in April 2009, was originally chartered on a bareboat charter until July 2010 when the Company would acquire the vessel. Due to the present special market conditions, Deep Sea Supply was able to renegotiate this agreement for an earlier acquisition at improved terms. The purchase was beneficial as it reduced the total price of the vessel by approx. USD 6 mill. compared to the original agreement. The vessel was paid using the Company's own cash resources.

##### *New time charter contract*

Sea Lion has been chartered for a period of approximately 1.5 years in Egypt at attractive rates commencing in September 2009.



### **Future outlook**

Although the financial turmoil may have eased off somewhat, there is still uncertainty about the future demand for oil, the oil price and the level of activity in the offshore sector. In 1H09 we have seen a significant increase in the price of oil, however the psychology in the market is changed from last year. It is difficult to make predictions about the future rate levels for AHTS and PSVs. When the world economy picks up, the demand for oil is expected to increase and also the oil price. This is expected to increase exploration activity which again will increase the demand for AHTS and PSVs.

Estimated market value of offshore supply vessels has reduced slightly also in Q209. We remain cautiously optimistic on the future market outlook for AHTS and PSV markets.

### **Change in management**

According to his contract with the Company, Odd Brevik (64) will retire from his position as CEO 31.03.2010. The Board has appointed Finn Amund Norbye (49) as new CEO from 01.04.2010. Mr. Norbye has been CFO of the Company since the start in 2005 and has an extensive background from shipping and shipping finance, internationally and in Norway.

The Board is grateful to Mr. Brevik for his great contribution to Deep Sea Supply. He has been with the Company from the very beginning, and the Board is very pleased that he is willing to assist the Company also after he has retired.

### **Company's shareholders**

As per the end of Q109, the Company's largest shareholder is Hemen Holding Limited with a shareholding of 34,30%.

### **Main risks factors and uncertainties**

A number of the Company's vessels are on short or medium term charters and the earnings on these vessels are hence sensitive to changes in the charter rates. Reduced charter rates can result in a drain of the Company's cash. Payments from charterers are normally 30 days after the end of the month which expose the Company to credit risk from its charterers. By end of 1H09, the Company has 7 newbuildings under construction or on order from shipyards and the Company is hence exposed to delays in deliveries which may impact future revenues negatively and further delays may take delivery beyond the banks' availability date for financing. The Company is furthermore sensitive to changes in interest rates as part of its NOK and USD loans have floating interest. Financial turmoil can cause further reductions in value of vessels which can cause reduced financing of newbuildings and trigger the minimum value clauses on the loans. The financial turmoil may also change the number of delivered offshore supply vessels and rigs and floaters and hence affect the supply and demand situation for the offshore supply sector. The banking sector is hit following the international financial turmoil, which has impacted negatively on the international shipping/offshore banks' ability to lend money.

### **Transaction between related parties**

DESSC has entered into two sale and leaseback transactions with Ship Finance International Limited ("SFI") in 2007 and 2008. SFI's largest shareholder is Hemen Holding Ltd. who is also DESSC's largest shareholder. The sale and leaseback transactions are done on fully competitive terms.

### **Corporate Governance - Audit Committee**

In accordance with new principles for good corporate governance, DESSC established in 2008 an Audit Committee.

### **Responsibility statement:**

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2009 have been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Company's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

*Limassol, 12 August 2009  
The Board of Deep Sea Supply PLC*

*Svein Aaser  
Chairman*

*Frixos Savvides*

*Kathrine Fredriksen*

*Anna Cecilie Holst*

*Bjørn Giaever*



Deep Sea Supply (or the “Company”) is an offshore supply company with a modern fleet of Anchor Handling Tug Supply vessels (AHTS) and Platform Supply Vessels (PSVs). The parent company is based in Cyprus and listed on Oslo Stock Exchange under the ticker “DESSC”.

The Company’s focus is on the following main strategic areas;

- Chartering
- Business development
- Finance/accounting
- Investor relations
- Monitoring of external suppliers

Deep Sea Supply’s business model is to maintain an organization of qualified staff engaged in above activities.

The technical and crew management of the Fleet and construction supervision of the newbuilding program is outsourced to external professional management companies whose performance is closely monitored by the Company.

The Company’s strategy is to become one of the world’s leading offshore supply companies and to achieve this by being an active player and consolidator in this segment. The strategy is furthermore to be shareholder friendly with the aim of securing good return and dividend distributions to its shareholders. The Company practices an open investor relations strategy.

The Company has management companies in Cyprus, Singapore and Norway with a total staff of 14 people.

The Company’s main shareholder is Hemen Holding Ltd., owning 34,3% of the shares of the Company. The DESSC share has been the most liquid offshore supply stock on Oslo Stock Exchange.

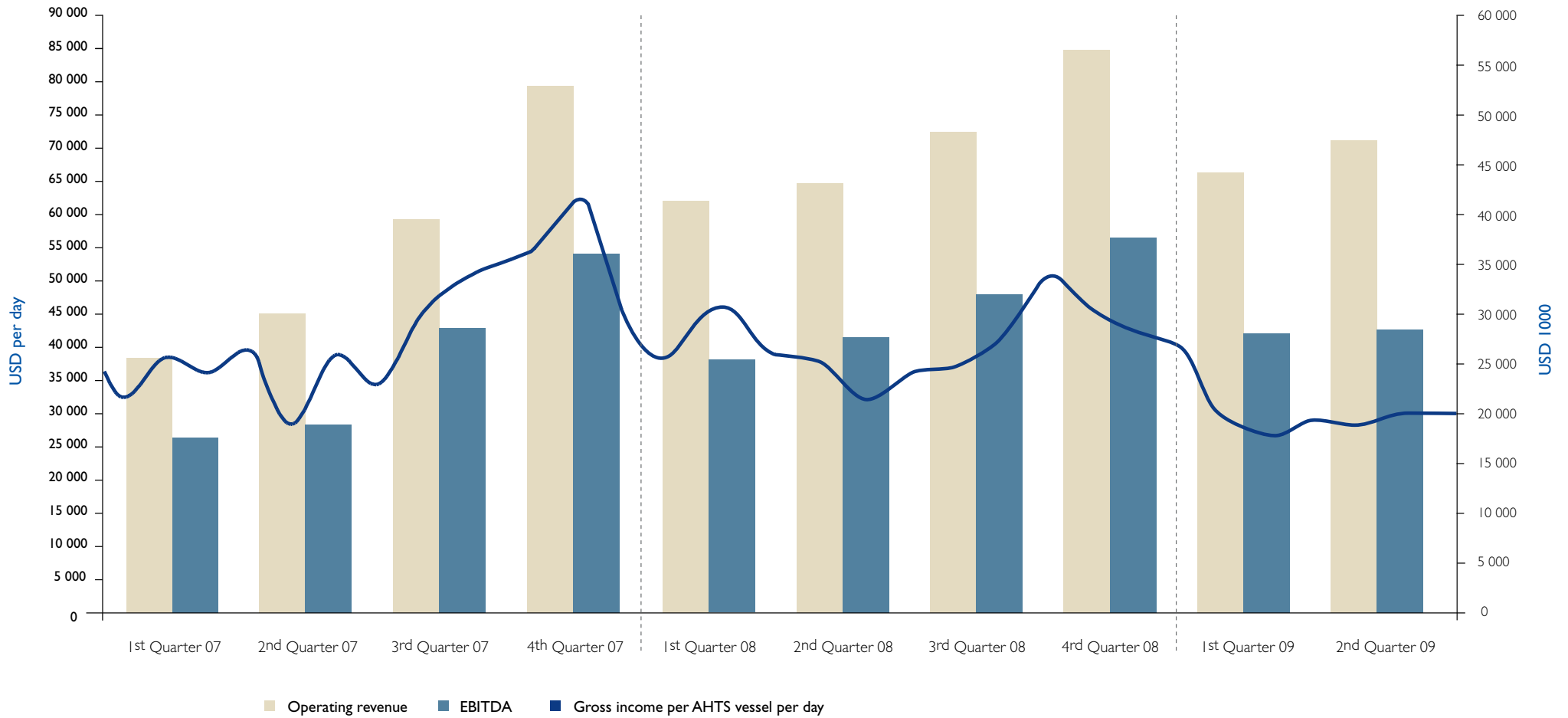
Share price and total return\* since IPO



Distribution to shareholders	Amount per share	Ex. dividend date	Payment date
2006*	NOK 0,80	08-05-07	28-06-07
Q1 2007*	NOK 0,20	22-06-07	04-10-07
Q2 2007*	USD 0,85 (NOK 4,62)	24-09-07	29-10-07
Q3 2007*	USD 0,40 (NOK 2,18)	11-12-07	31-01-08
Q4 2007*	USD 0,40 (NOK 2,00)	26-03-08	29-05-08
Q1 2008**	USD 0,13 (NOK 0,68)	14-05-08	16-06-08
Q2 2008**	NOK 1,00	02-09-08	17-09-08

\* Dividend by way of reducing the share premium account

\*\* Ordinary dividend from profit

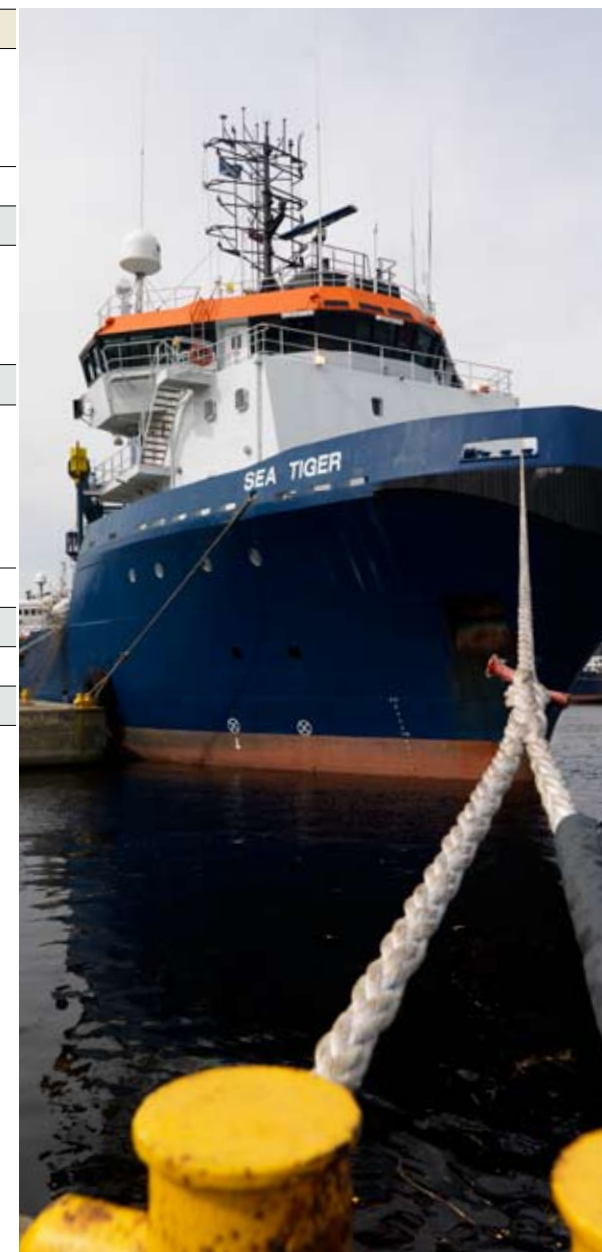


# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT



<i>(Unaudited figures in USD 1,000)</i>	Note	YTD 2009	YTD 2008	2Q 2009	2Q 2008	1Q 2009
Operating revenue	4	91 563	85 611	47 403	43 040	44 160
Vessel operating expenses	4	-31 893	-28 837	-17 210	-14 372	-14 683
Other operating expenses	4	-3 299	-4 357	-1 830	-1 710	-1 469
<b>Total operating costs</b>		<b>-35 192</b>	<b>-33 194</b>	<b>-19 040</b>	<b>-16 082</b>	<b>-16 152</b>
<b>EBITDA</b>		<b>56 371</b>	<b>52 418</b>	<b>28 363</b>	<b>26 958</b>	<b>28 008</b>
Depreciation	5	-17 945	-14 016	-9 634	-7 339	-8 311
Other (losses) / gains		5 168	1 129	5 428	1 008	-260
Gain on sale		4 191	25 028	1 938	8 116	2 253
<b>EBIT</b>		<b>47 785</b>	<b>64 560</b>	<b>26 095</b>	<b>28 743</b>	<b>21 690</b>
Financial income		297	1 457	259	682	38
Financial expenses		-15 233	-23 310	-7 320	-13 268	-7 914
Net currency items		-6 782	-6 596	-4 374	-2 182	-2 408
Change in value of financial derivatives		3 188	-3 930	910	761	2 279
<b>Net financial items</b>		<b>-18 530</b>	<b>-32 379</b>	<b>-10 525</b>	<b>-14 008</b>	<b>-8 005</b>
<b>Pre-tax result</b>		<b>29 255</b>	<b>32 181</b>	<b>15 570</b>	<b>14 737</b>	<b>13 685</b>
Taxes		-7	-186	6	-165	-13
<b>Net result</b>		<b>29 247</b>	<b>31 995</b>	<b>15 576</b>	<b>14 571</b>	<b>13 672</b>
Average number of shares		126 863 860	126 863 860	126 863 860	126 863 860	126 863 860
Earnings per share	7	0,23	0,25	0,12	0,11	0,11
Earnings per share diluted	7	0,23	0,25	0,12	0,11	0,11
Cash flow per share 1)		0,31	0,43	0,16	0,15	0,15

1) Profit before taxes+depreciation-unrealized gain on currencies





<i>(Unaudited figures in USD 1,000)</i>	<b>Note</b>	<b>30.06.09</b>	<b>31.12.08</b>	<b>30.06.08</b>
<b>Non-current assets</b>				
Vessels	5	400 721	369 404	303 318
Vessels under sale and leaseback contracts	5	277 470	285 285	326 543
Construction contracts	5	22 330	31 735	54 760
Equipment	5	53	95	103
<b>Total property, plant and equipment</b>		<b>700 575</b>	<b>686 520</b>	<b>684 724</b>
Pension Schemes		0	0	139
CIRR deposit		46 819	44 799	23 866
<b>Total non-current assets</b>		<b>747 394</b>	<b>731 319</b>	<b>708 729</b>
Pension Schemes		0	0	139
CIRR deposit		46 819	44 799	23 866
<b>Total non-current assets</b>		<b>747 394</b>	<b>731 319</b>	<b>708 729</b>
<b>Current assets</b>				
CIRR deposit - short term portion		4 541	4 144	2 170
Inventories		458	878	593
Trade and other receivables		32 056	47 866	35 504
Other short term receivables		4 710	6 172	14 515
Financial assets at fair value through profit and loss		11 825	6 335	13 805
Cash and cash equivalents		65 838	33 799	98 778
<b>Total current assets</b>		<b>119 429</b>	<b>99 195</b>	<b>165 365</b>
<b>Total assets</b>		<b>866 822</b>	<b>830 515</b>	<b>874 094</b>



# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET



<i>(Unaudited figures in USD 1,000)</i>	Note	30.06.09	31.12.08	30.06.08
<b>Shareholder equity</b>				
Share capital		2 599	2 599	2 639
Share premium and reverse acquisition reserve		16 203	16 203	16 203
Other paid in capital		1 242	1 242	231
Treasury shares		-9 787	-9 787	-9 787
Retained earnings and currency translation		133 345	101 965	127 775
<b>Total equity and minority interest</b>		<b>143 602</b>	<b>112 221</b>	<b>137 061</b>
<b>Liabilities</b>				
Bank borrowings	6	259 030	266 998	228 281
Finance lease liability	6	218 148	225 199	261 817
CIRR loan	6	46 819	44 799	23 866
Deferred gain		87 677	92 178	105 588
Long term tax liability		5 462	5 336	12 361
Pension scheme		33	30	0
<b>Total long-term liabilities</b>		<b>617 169</b>	<b>634 541</b>	<b>631 913</b>
Trade and other payables		22 121	25 039	19 564
Current income tax liability		416	667	1 393
Bank borrowings falling due within 1 year	6	24 064	23 724	64 573
Finance lease liability falling due within 1 year	6	43 146	15 495	16 933
CIRR loan falling due within 1 year	6	4 541	4 144	2 170
Deferred gain falling due within 1 year		9 431	9 430	0
Financial derivatives		2 333	5 254	488
<b>Total short-term liabilities</b>		<b>106 052</b>	<b>83 753</b>	<b>105 121</b>
<b>Total liabilities</b>		<b>723 220</b>	<b>718 294</b>	<b>737 034</b>
<b>Total equity and liabilities</b>		<b>866 822</b>	<b>830 515</b>	<b>874 094</b>

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY



<i>(Unaudited figures in USD 1,000)</i>	Share Capital	Reverse acquisition reserves	Share premium reserves	Treasury shares	Other paid-in-equity	Retained earnings	Currency translation differences	Total
<b>Balance at 1 January 2008</b>	2 639	-123 386	190 334	-9 787	231	95 085	8 138	163 254
Currency translation differences							-7 442	-7 442
Result for the period						31 995		31 995
Payment of dividend			-50 746					-50 746
<b>Balance at 30 June 2008</b>	<b>2 639</b>	<b>-123 386</b>	<b>139 588</b>	<b>-9 787</b>	<b>231</b>	<b>127 080</b>	<b>696</b>	<b>137 061</b>
<b>Balance at 1 January 2009</b>	2 599	-123 386	139 588	-9 787	1 242	109 085	-7 120	112 221
Currency translation differences							2 133	2 133
Result for the period						29 247		29 247
<b>Balance at 30 June 2009</b>	<b>2 599</b>	<b>-123 386</b>	<b>139 588</b>	<b>-9 787</b>	<b>1 242</b>	<b>138 332</b>	<b>-4 987</b>	<b>143 602</b>



# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT



(Unaudited figures in USD 1,000)	YTD 2009	YTD 2008
<b>Cash flows from operating activities</b>		
Cash generated from operations	69 928	57 227
Interest paid	-14 079	-17 776
<b>Net cash generated from operating activities</b>	<b>55 849</b>	<b>39 451</b>
<b>Cash flows from investing activities</b>		
Acquisitions of vessels and construction contracts	-3 500	-53 190
Disposals of vessels and construction contracts	0	22 111
<b>Net cash used in investing activities</b>	<b>-3 500</b>	<b>-31 079</b>
<b>Cash flows from financing activities</b>		
Payment of dividend to shareholders	0	-117 984
Proceeds from borrowings	0	246 407
Repayments of borrowings	-20 310	-69 413
<b>Net cash used in financing activities</b>	<b>-20 310</b>	<b>59 010</b>
<b>Total changes in liquidity in the period/year</b>	<b>32 039</b>	<b>67 382</b>
<b>Cash and cash equivalents at beginning of period/year</b>	<b>33 799</b>	<b>31 396</b>
<b>Cash and cash equivalents at end of the period/year</b>	<b>65 838</b>	<b>98 778</b>

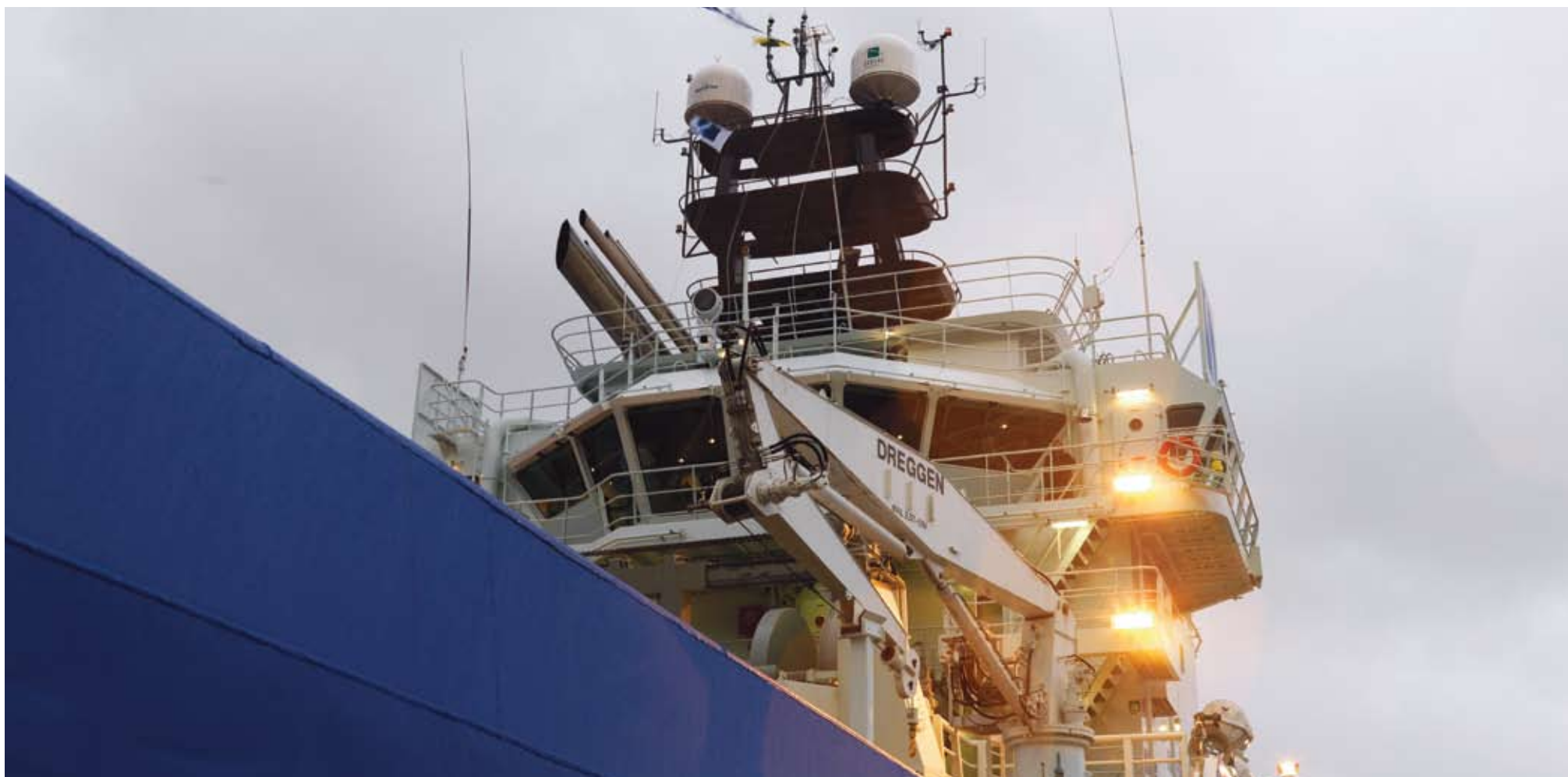


FUTURE CAPITAL EXPENDITURE NEWBUILDING CONTRACTS						
(Unaudited figures in USD 1,000)	Q3 2009	Q4 2009	Q 1 2010	Q2 2010	Q3 2010	Total
Contractual yard payments	11 000	0	12 000	36 000	24 000	83 000
Maximum committed bank borrowings*	12 200	0	12 200	36 600	24 400	85 400

\* Based on current market values of the vessels, the total available bank commitment is USD 65,8 mill.



<i>(Unaudited figures in USD 1,000)</i>	Six months ended 30 June				
	2009	2008	Q2 09	Q2 08	Q1 09
Profit for the period	29 247	31 995	15 576	14 571	13 672
<b>Other comprehensive income</b>					
Currency translation differences	2 133	-7 442	2 903	-11 374	-770
<b>Total comprehensive income for the period</b>	<b>31 380</b>	<b>24 553</b>	<b>18 479</b>	<b>3 197</b>	<b>12 902</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.

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 xx August 2009.

## 2. Basis of preparation

These condensed unaudited consolidated interim financial information for the six months ended 30 June 2009 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 2008, 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 2009, 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, except for:

- IAS 1 (revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, ‘Operating segments’. IFRS 8 replaces IAS 14, ‘Segment reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any material changes for the Group.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the top management together with the Board of Directors.

- IAS 23 (amendment) “Borrowing costs”. It is only applicable for qualifying assets with commencement of construction after 1 January 2009. The Group has applied the standard but it is not currently applicable as all qualifying assets were already under construction at 1 January 2009

There has been no further impact on the measurement of the Group’s assets and liabilities. Comparatives for 2008 have been restated.

## 4. Segment information

The chief operating decision maker for the Group is the top management in matters that concern the day to day running of the business and in matters concerning acquisition and disposals of vessels, the chief operating decision maker is the top management together with the board of directors.

Day to day running of the business includes decision on where the vessels should be located and duration of the contracts with the customers.





The segment results for the period ended 30 June 2009 is as follows:				
	AHTS	PSV	Un allocated items	Total
<b>Segment revenues</b>	<b>59 698</b>	<b>31 864</b>	<b>0</b>	<b>91 563</b>
Vessel operating expenses	-23 297	-8 596	0	-31 893
Other operating expenses	-2 151	-1 148	0	-3 299
<b>EBITDA per segment</b>	<b>34 250</b>	<b>22 120</b>	<b>0</b>	<b>56 371</b>
EBITDA margin per segment	57 %	69 %		62 %
Depreciation	-14 065	-3 856	-24	-17 945
Other gains/(losses)			5 168	5 168
Gain on sale	3 914	278	0	4 191
<b>EBIT per segment</b>	<b>24 099</b>	<b>18 542</b>	<b>0</b>	<b>47 786</b>
EBIT margin per segment	40 %	58 %		52 %
Net Financial Items				-18 530
<b>Pre-tax result</b>				<b>29 255</b>
Taxes				-7
<b>Net Result</b>				<b>29 247</b>

The corresponding segment results for the period ended 30 June 2008 is as follows:				
	AHTS	PSV	Un allocated items	Total
<b>Segment revenues</b>	<b>68 544</b>	<b>17 067</b>	<b>0</b>	<b>85 611</b>
Vessel operating expenses	-23 871	-4 966	0	-28 837
Other operating expenses	-3 487	-870	0	-4 357
<b>EBITDA per segment</b>	<b>41 186</b>	<b>11 231</b>	<b>0</b>	<b>52 418</b>
EBITDA margin per segment	60 %	66 %		61 %
Depreciation	-12 286	-1 730	0	-14 016
Other gains/(losses)	0	0	1 129	1 129
Gain on sale	9 805	15 222	0	25 028
<b>EBIT per segment</b>	<b>38 705</b>	<b>24 724</b>	<b>0</b>	<b>64 560</b>
EBIT margin per segment	56 %	145 %		75 %
Net Financial Items				-32 379
Pre-tax result				32 181
Taxes				-186
<b>Net Result</b>				<b>31 995</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 2008</b>		<b>280 498</b>	<b>233 328</b>	<b>83 871</b>	<b>89</b>	<b>597 785</b>	
Additions		52 956	11 342	19 298	46	83 642	
Vessels leased		-56 328	118 330	0	0	62 002	
Disposals		0	-28 958	-15 731	0	-44 689	
Delivered new buildings		32 677	0	-32 677	0	0	
<b>Depreciation and amortisation</b>		<b>-6 485</b>	<b>-7 501</b>	<b>0</b>	<b>-30</b>	<b>-14 016</b>	
<b>Closing net book value as at 30 June 2008</b>		<b>303 318</b>	<b>326 543</b>	<b>54 760</b>	<b>103</b>	<b>684 724</b>	

<b>Opening net book value as at 1 January 2009</b>		<b>369 404</b>	<b>285 285</b>	<b>31 735</b>	<b>95</b>	<b>686 520</b>	
Additions		3 748	34	458	0	4 240	
Vessels leased		0	0	0	0	0	
Currency translation effect		0	0	0	-17	-17	
Disposals		0	0	0	0	0	
Cancellation of new buildings		0	0	-3 448	0	-3 448	
Delivered new buildings		37 642	0	-6 416	0	31 226	
Depreciation and amortisation		-10 072	-7 849	0	-24	-17 945	
<b>Closing net book value as at 30 June 2009</b>		<b>400 721</b>	<b>277 470</b>	<b>22 330</b>	<b>54</b>	<b>700 574</b>	

FUTURE CAPITAL EXPENDITURE NEWBUILDING CONTRACTS							
<i>(Unaudited figures in USD 1,000)</i>	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Total	
Contractual yard payments	11 000	0	12 000	36 000	24 000	83 000	
Maximum committed bank borrowings*	12 200	0	12 200	36 600	24 400	85 400	

\* Based on current market values of the vessels, the total available bank commitment is USD 65,8 mill.

## 6. BORROWINGS AND LOANS



<b>Borrowings</b>		<b>30 June 2009</b>	<b>31 December 2008</b>	<b>30 June 2008</b>	
Non-current		259 030	266 998	228 281	
Current		24 064	23 724	64 573	
		<b>283 094</b>	<b>290 722</b>	<b>292 854</b>	
<b>Sale and leaseback and bareboat</b>					
<b>Non-current</b>		<b>218 148</b>	<b>225 199</b>	<b>261 817</b>	
Current		43 146	15 495	16 933	
		<b>261 293</b>	<b>240 694</b>	<b>278 749</b>	
<b>CIRR Loan</b>					
Non-Current		46 819	44 799	23 866	
Current		4 541	4 144	2 170	
		<b>51 360</b>	<b>48 943</b>	<b>26 036</b>	
<b>Total Borrowings</b>		<b>595 748</b>	<b>580 359</b>	<b>597 639</b>	

<b>Movement in borrowings are analysed as follows:</b>					
<b>Six months ended 30 June 2008</b>	<b>Borrowings</b>	<b>Sale and leaseback</b>	<b>CIRR Loan</b>	<b>Total</b>	
<b>Opening balance as at 1 January 2008</b>	<b>192 465</b>	<b>209 285</b>	<b>0</b>	<b>401 750</b>	
Loan drawn on new vessels	104 543	104 000	26 036	234 579	
5% Premium on early call of the bond	2 713			2 713	
Repayment of loans	-9 923	-34 536		-44 459	
Amortization of borrowing costs				0	
Currency translations	3 056			3 056	
<b>Closing amount as at 30 June 2008</b>	<b>292 854</b>	<b>278 749</b>	<b>26 036</b>	<b>597 639</b>	

<b>Six months ended 30 June 2009</b>	<b>Borrowings</b>	<b>Sale and leaseback</b>	<b>CIRR Loan</b>	<b>Total</b>	
<b>Opening balance as at 1 January 2009</b>	<b>290 722</b>	<b>240 694</b>	<b>48 943</b>	<b>580 359</b>	
Repayment of loans	-12 409	-7 901	-2 270	-22 581	
New leasing debt liability *	0	28 500	0	28 500	
Currency translations	4 302	0	4 687	8 989	
Amortization of borrowing costs	479	0	0	479	
<b>Closing amount as at 30 June 2009</b>	<b>283 094</b>	<b>261 293</b>	<b>51 360</b>	<b>595 747</b>	

## 7. EARNINGS PER SHARE



<b>Basic</b>	<b>6 months ended 30 June 2009</b>	<b>6 months ended 30 June 2008</b>	<b>Q2 09</b>	<b>Q2 08</b>
Profit attributable to equity holders of the company	29 247	31 995	15 576	14 571
Weighted average number of ordinary shares (thousands)	126 863 860	126 863 860	126 863 860	126 863 860
<b>Basic earnings per share (USD per share)</b>	<b>0,23</b>	<b>0,25</b>	<b>0,12</b>	<b>0,11</b>

<b>Diluted</b>	<b>6 months ended 30 June 2009</b>	<b>6 months ended 30 June 2008</b>	<b>Q2 09</b>	<b>Q2 08</b>
Profit attributable to equity holders of the company	29 247	31 995	15 576	14 571
Weighted average number of ordinary shares diluted (thousands)	127 661 358	126 863 860	128 458 855	126 863 860
<b>Diluted earnings per share (USD per share)</b>	<b>0,23</b>	<b>0,25</b>	<b>0,12</b>	<b>0,11</b>

## 8. SALE AND LEASEBACK EFFECT

The impact from the sale and leaseback transactions (including the bareboat of "Sea Ocelot" until acquired and refinanced) on the profit and loss and balance sheet is as follows:

	<b>6 months ended 30 June 2009</b>	<b>6 months ended 30 June 2008</b>
Interest paid	-9 052	-12 452
Deferred gain recognised in profit and loss	4 606	4 606
Depreciation charge of leased vessels	-7 849	-7 501

# THE LARGEST SHAREHOLDERS PER 31 JULY



## THE LARGEST SHAREHOLDERS AS PER 31 JULY 2009 REGISTERED IN VPS

	<b>Citizen</b>	<b>No. of shares:</b>	<b>%</b>
HEMEN HOLDING LIMITED	CYP	44 583 853	34,30 %
SKAGEN KON-TIKI	NOR	4 539 000	3,49 %
ORKLA ASA	NOR	3 843 000	2,96 %
SVENSKA HANDELSBANKEN	NOR	3 191 415	2,46 %
SEB ENSKILDA ASA	NOR	2 950 000	2,27 %
J.P.MORGAN CHASE BANK	GBR	2 799 813	2,15 %
DNB NOR MARKETS	NOR	1 976 000	1,52 %
MLPF&S NORWEGIAN	USA	1 645 395	1,27 %
CITIBANK N.A.	USA	1 592 922	1,23 %
DNB NOR SMB	NOR	1 415 000	1,09 %
STATE STREET BANK AND TRUST CO.	USA	1 410 500	1,09 %
TERRA SPAR	NOR	1 030 000	0,79 %
STICHTING SHELL PENSIOENFONDS	GBR	1 007 000	0,77 %
CARNEGIE ASA	NOR	1 000 000	0,77 %
BANK OF NEW YORK	BEL	782 427	0,60 %
J.P.MORGAN CHASE BANK	GBR	754 200	0,58 %
DNB NOR NAVIGATOR	NOR	730 174	0,56 %
VERDIPAPIRFONDET NORDEA SMB	NOR	714 000	0,55 %
CITIBANK N.A.	USA	690 000	0,53 %
NATIXIS BLEICHROEDER INC.	USA	680 316	0,52 %
<b>Total 20 largest shareholders:</b>		<b>77 335 015</b>	<b>59,50 %</b>
<b>Total shares owned by Deep Sea Supply Plc</b>		<b>3 101 000</b>	<b>2,39 %</b>
<b>Total other shareholders:</b>		<b>49 528 846</b>	<b>38,11 %</b>
<b>Total number of shares:</b>		<b>129 964 861</b>	<b>100,00 %</b>







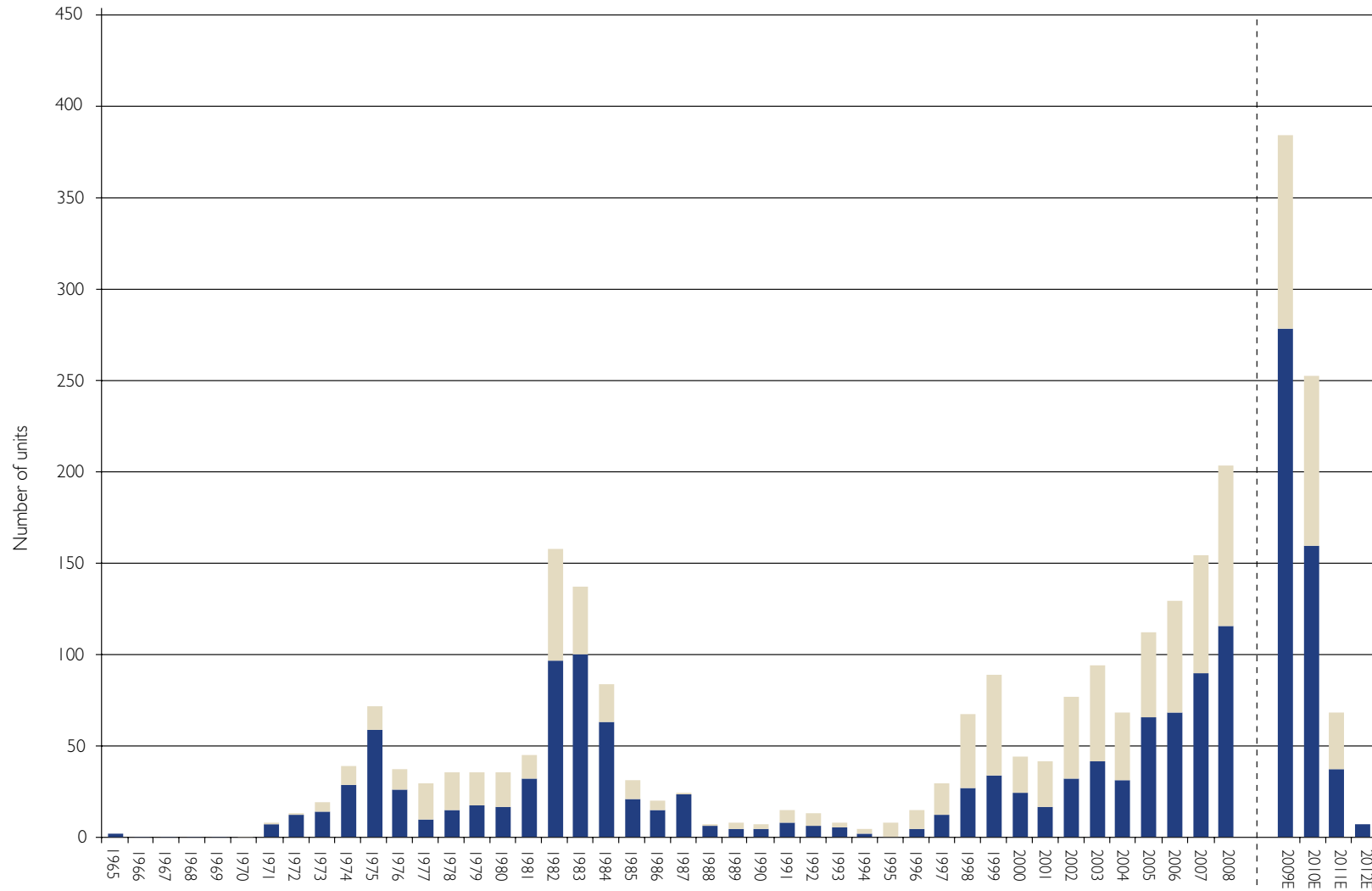
Vessel no	Vessel	Yard	Type	Bhp/Dwt	Expected Delivery
<b>AHTS Vessels</b>					
258	Sea Weasel	ABG	AHTS Seatech P-729	6500 BHP	Sept 09
270	Sea Marten	ABG	AHTS Seatech P-729	6800 BHP	Feb 10
271	Sea Fox	ABG	AHTS Seatech P-729	6800 BHP	Apr 10
272	Sea Jackal	ABG	AHTS Seatech P-729	6800 BHP	May 10
273	Sea Badger	ABG	AHTS Seatech P-729	6800 BHP	Jun 10
274	Sea Vixen	ABG	AHTS Seatech P-729	6800 BHP	July 10
275	Sea Stoat	ABG	AHTS Seatech P-729	6800 BHP	Aug 10





Vessel	Type	Bhp/Dwt	Year built	2009		2010	2011	2012
				3Q	4Q			
<b>AHTS Vessels</b>								
Sea Lion	AHTS Hayyard 842	17520 BHP	04.11.08	North Sea	Egypt			
Sea Tiger	AHTS KMAR 404	15000 BHP	1998	North Sea				
Sea Lynx	AHTS KMAR 404	15000 BHP	1999	North Sea				
Sea Panther	AHTS KMAR 404	15000 BHP	1999	Egypt				
Sea Leopard	AHTS KMAR 404	15000 BHP	1998	ENI/Brazil				
Sea Bear	AHTS KMAR 404	15000 BHP	1999	EDT/Egypt				
Sea Wolf I	AHTS KMAR 404	15000 BHP	1999					
Sea Cougar	AHTS KMAR 404	16000 BHP	1999	EDT Egypt	North Sea			
Sea Cheetah	AHTS Khiam Chuang	15000 BHP	25.01.07	Melittah Gas (ENI) Libya				
Sea Jaguar	AHTS Khiam Chuang	15000 BHP	06.07.07	ENI/Libya				
Sea Eagle I	AHTS Khiam Chuang	12000 BHP	20.04.09	Gazflot Shakalin				
Sea Ocelot	AHTS Khiam Chuang	10800 BHP	01.10.07	Gazflot Shakalin				
Sea Otter	AHTS Seatech P-729	6500 BHP	17.08.07	Husky				
<b>PSVs</b>								
Sea Trout	VS 470 MK II	3300 DWT	18.06.08	Petrofac/North Sea				
Sea Halibut	PSV UT 755 L	3250 DWT	27.04.07	ENI/Libya				
Sea Angler	PSV UT 755 L	3250 DWT	19.07.07	ENI/Congo				
Sea Pike	PSV UT 755 L	3250 DWT	10.10.07	ENI/Congo				
Sea Bass	PSV UT 755 L	3250 DWT	18.01.08	Melittah Gas (ENI) Libya				
Sea Pollock	PSV UT 755 L	3250 DWT	30.04.08	Exxon Exploration Inc/Indonesia				
Sea Turbot	PSV UT 755 L	3250 DWT	20.08.08	Exxon Exploration Inc/Indonesia				
Sea Witch	PSV UT 755 L	3250 DWT	17.12.08	OMS/Australia				

Firm:  Option:  Spot: 



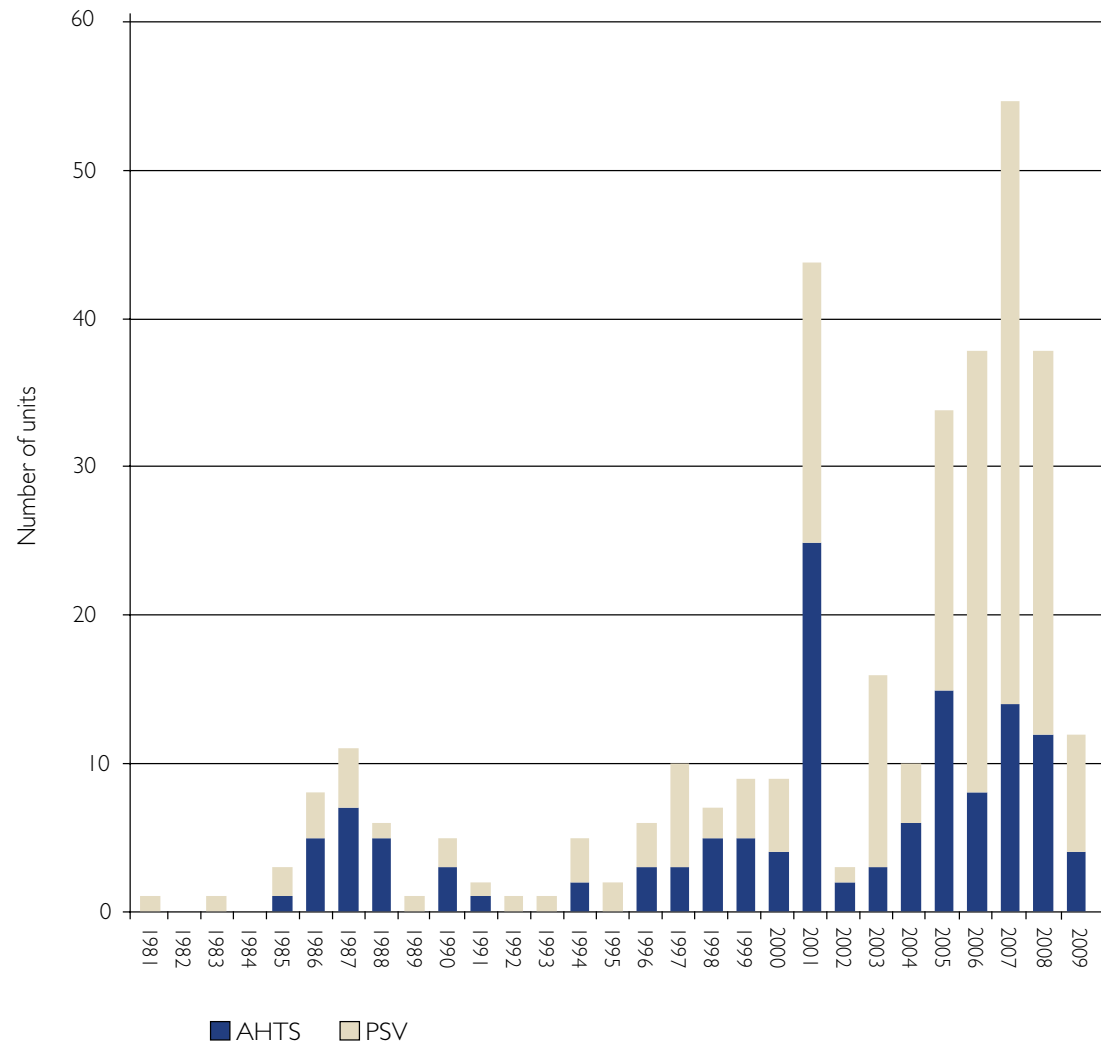
■ AHTS   ■ PSV

**AHTS**

Vessels > 20 years: 45,1 % of total fleet  
 Vessels > 30 years: 13,7 % of total fleet

**PSV**

Vessels > 20 years: 29,9 % of total fleet  
 Vessels > 30 years: 9,6 % of total fleet



Source: ODS Petrodata



Supply vessels	Total fleet		AHTS		PSV	
Existing fleet	2161		1245		916	
Orderbook	580	27 %	389	31 %	191	21 %

Average age	14,9		16,0		13,4	
-------------	------	--	------	--	------	--

Rig market	Total fleet		Semis/drillships		Jackups	
Existing fleet	674		225		449	
Orderbook	155	23 %	85	38 %	70	16 %





## Deep Sea Supply Group Contact information

[www.deepseasupply.no](http://www.deepseasupply.no)

### **Cyprus**

Deep Sea Supply Plc  
John Kennedy Ave.  
Iris House  
7th Floor  
Office no.740B  
Limassol 3100  
Cyprus

Deep Sea Supply Management (Cyprus) Ltd  
Deana Beach Apts, Block 1, Flat 411  
Promachon Elefterias Street Agios Athanasios 4013  
Limassol  
Cyprus

Postal address:  
P.O. Box 53340  
CY-3302 Limassol  
Cyprus

### **Norway**

Deep Sea Supply Management AS  
Tromøyveien 22  
4841 Arendal  
Norway

### **Singapore**

Deep Sea Supply  
16 Raffles Quay  
# 43-01 Hong Leong Building  
Singapore 048581

Postal address:  
PO Box 2844  
Singapore 904844