

MOSVOLD SUPPLY PLC, CYPRUS (HE 200383)

4th QUARTER REPORT 2011

COMPANY BACKGROUND

Mosvold Supply Plc (the “Company”) was incorporated in Cyprus on 24th May 2007.

In June and September 2007 the Company entered into a total of four turn key shipbuilding contracts with Otto Offshore Ltd. (“Otto”) for the building of VS 491 AHTS CD, ultra large, Anchor Handling Tug Supply Vessels at Batamec Shipyard Ptl., in Batam, Indonesia (the “Yard”). These contracts were transferred to four single purpose wholly owned subsidiaries (each a “Subsidiary”, together “Subsidiaries”), one for each vessel in October 2007.

The Company is traded OTC at NFMF in Oslo, Norway.

RESULTS

Mosvold Supply Plc consolidated (the “Group”), made an operating loss of USD 6.9 Million in the fourth quarter 2011 while the net result was - USD 7.5 Million. Accumulated result for the full year was an operating loss of USD 21.3 Million and a net result of - USD 25.2 Million.

As was accounted for in the previous quarterly reports, the accounts have been charged with the calculated unrealized costs/currency gain, reflecting the USD/EURO exchange rate movements since the effective dates of the contracts. Since the end of the third quarter 2011, the accruals related to Hull 7050 have been reversed resulting in a currency exchange loss of USD 0.2 Million.

An impairment cost of USD 6.0 Million has been charged to the accounts in Q4 2011, due to the recent Cancellation of Hull 7050.

The Group’s running administrative costs are primarily management fees, costs incurred by the yard site supervision team (the “Site Team”), legal costs and travelling expenses. As from 1st July 2011, the management fees were reduced to reflect the reduced activity in the Company, due to the cancellations of the Construction Contracts.

THE MARKET

The oil price remains relatively high, resulting in continued optimism in the upstream offshore industry.

The North Sea spot rates and utilisation for AHTS vessels comparable to the Company’s vessel, are at an expected seasonal low.

However, increasing E&P spending from oil companies and increased activity in the offshore mid/deepwater sector, indicate a high demand for the AHTS segment in 2012-2013.

Utilisation and charter rates are expected to continue to improve in the medium term, in particular for the high end segment.

FINANCING AND LIQUIDITY

Of the initially four contracted vessels, the yard's hulls no 7047 (the "First Vessel"), hull no 7048 (the "Second Vessel"), hull no 7049 (the "Third Vessel") and hull no 7050 (the "Fourth Vessel"), all four vessels are cancelled or otherwise terminated by the relevant buying company in each case.

The Company had USD 6.7 Million in cash at the end of fourth quarter 2011.

The Company's debt as per the end of the fourth quarter 2011 consisted of the USD 6 Million remaining part of a convertible bond of originally USD 21 million with 7% coupon and September 2012 maturity. This bond was repaid in full during January 2012.

PROGRESS AND DEVELOPMENT

The First Vessel, the Second Vessel and the Third Vessel

The First Vessel, the Second Vessel and the Third Vessel were cancelled or otherwise terminated on 18th May 2010, 30th May 2011 and 25th July 2011 respectively, due to failure to tender delivery by the Builder within the respective contractual delivery dates, and also due to failure to meet the technical specifications.

Following the cancellation of these vessels, the relevant Subsidiary and its lenders made demand under the on-demand bank refund guarantee.

The relevant Subsidiaries have been refunded paid instalments, including interest, in full from the guaranteeing banks.

Following Otto's injunctions to prevent refund of paid instalments under the bank guarantees, the Subsidiaries have also recovered, or are in the process of recovering, legal costs resulting from Otto's legal actions and as ordered by the Singaporean court.

Disputing the cancellation of the contract for the respective vessels, Otto has initiated arbitration under English law in Singapore in respect of each of the First, Second and Third Vessels.

The Company anticipates that substantially similar arguments are, or will be, presented to the relevant arbitral panels in Singapore for the First, the Second and the Third Vessel, following similar factual allegations advanced by Builder before the Singaporean Court when seeking the three injunctions,

In relation to the First Vessel, Submissions of Claim, the Subsidiary's Defence and Counterclaim and Reply to the Counterclaim have been served. To date the legal advice received is positive.

For the Second and Third Vessel, the arbitration processes remain at an early stage. For the Second Vessel there remain certain jurisdictional issues to resolve. For the Third Vessel, Otto has recently served Submissions of claim detailing particulars of its case.

The relevant Subsidiaries have presented/will present their defence and counterclaim for each case in due course.

Subject to the arbitrations being pursued, awards may take two to three years from now. There will be an award with respect to each Vessel.

The Company remains of the view that Otto's allegations that the cancellations are wrongful, to be completely unfounded and without merit.

The Fourth Vessel

Contractual Delivery Date for the Fourth Vessel was 31st July 2011.

On 27th February 2012 the Company exercised its contractual right of cancellation of the Fourth Vessel and demanded refund of all sums, with interest, paid by the Company to Otto Offshore under the Contract.

The Group has not agreed any Permissible Delays for the Fourth Vessel.

Mosvold Management (Cyprus) Limited is acting as manager for the Company.

OUTLOOK

The general offshore market outlook in general continues to improve. However, due to the prevailing uncertainty in the world economy, some market volatility in the short to medium term may not be ruled out.

The Company is of the view that the oil price will remain in a high and sustainable price range, supporting increased oil service activity going forward.

Limassol, Cyprus
29th February 2012
The Board of Directors

CONSOLIDATED BALANCE SHEET		2011	2011
(Unaudited figures in USD 1 000)		31.12	31.12
ASSETS		LIABILITIES AND EQUITY	
Vessels under construction	27 592	Ordinary shares	1 095
Derivative financial instruments	-	Share premium	63 267
Total non-current assets	27 592	Retained earnings	(38 080)
		Other reserves	2 781
Trade and other receivables	986	Total Equity	29 063
Cash and cash equivalents	6 692		
Total current assets	7 678	Trade and other payables	329
		Borrowings	5 876
		Derivative financial instruments	3
		Total current liabilities	6 207
TOTAL ASSETS	35 271	TOTAL LIABILITIES AND EQUITY	35 271

CONSOLIDATED PROFIT & LOSS ACCOUNTS Q4 2011	2011	2010	2011	2010
(Unaudited figures in USD 1 000)				
	01.10-31.12	01.10-31.12	01.01-31.12	01.10-31.12
Revenue	-	-	-	-
Cost of sales	-	-	-	-
GROSS PROFIT	-	-	-	-
Administrative expenses	-653	-597	-3 458	-2 773
Other Gains/Losses	-214	2 294	-611	12 917
Foreign exchange profit/loss	-8	0	-254	-656
Impairment	-6 018	-	-16 985	-2 740
OPERATING PROFIT / (LOSS)	-6 893	1 697	-21 308	6 748
Finance income	7	2	14	15
Finance expense	-182	-165	-980	-784
Loss on Repayment of Bond Loan	-474	0	-2 959	-1 118
FINANCE COSTS - NET	-649	-163	-3 925	-1 888
PROFIT / (LOSS) BEFORE INCOME TAX	-7 542	1 534	-25 233	4 860
Income tax expense	-0	0	-1	-1
PROFIT / (LOSS) FOR THE PERIOD	-7 542	1 534	-25 234	4 859
ATTRIBUTABLE TO				
Equity holders of the company	-7 542	1 534	-25 234	4 859
	-		-	-
Earnings per share in USD*	-0,07	0,06	-0,23	0,18
Earnings per share in USD**	-0,07	0,014	-0,23	0,04

*Share capital of the company increased from 26,500,000 shares to 109,468,973 shares during Q3 2011

** Calculation of EPS after the increase of share capital in Q3 2011

The accounting policies used in financial statements above are based on the International Financial Reporting Standards (IFRS) as adopted by the EU.

SHAREHOLDER INFORMATION

The 10 largest shareholders as of 23rd February 2012:

SHAREHOLDER	No. of shares	% of total
Mosvold Shipping Holding Limited	75 596 756	69,06 %
Frode Teigen	14 052 988	12,84 %
Ole Ketil Teigen	10 771 956	9,84 %
Credit Suisse Sec. Europe Ltd.	2 000 000	1,83 %
Tom Erik Jebsen	1 232 604	1,13 %
R.S. Platou ASA	1 140 500	1,04 %
Otto Investment Limited	1 098 800	1,00 %
Memento AS	783 802	0,72 %
Ragnar Meyer Knudsen	612 100	0,56 %
Terje Fjelldal AS	514 041	0,47 %
Total 10 largest	107 803 547	98,48 %
Others	1 665 426	1,52 %
Total	109 468 973	100,00 %