

MOSVOLD SUPPLY PLC, CYPRUS (HE 200383)

2nd QUARTER REPORT 2009

COMPANY BACKGROUND

Mosvold Supply Plc (the “Company”) was incorporated in Cyprus on 14th May 2007.

On 19th June 2007 the Company entered into two turn key shipbuilding contracts with Otto Offshore Ltd. for the building of two VS 491 AHTS CD, ultra large, Anchor Handling Vessels at Batamec Shipyard Ptl., in Batam, Indonesia (the “Yard”). The vessels were contracted for delivery in October 2009 and June 2010 respectively. The turn key contract price for these vessels is USD 77.4 million per vessel. Sixty per cent of the contract price shall be settled with a fixed conversion rate between EURO and USD of 1.34, reflecting the large content of Western European equipment secured for the vessels.

The Company was awarded two options for a further two vessels of the same design for delivery in December 2010 and July 2011 respectively. These options were exercised on 13th September 2007 at a turn key contract price of USD 33.0 million plus EURO 36.4 million for ship No. 3 and USD 33.8 million plus EURO 37.2 million for ship No 4 respectively.

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

RESULTS

Mosvold Supply Plc made an operating loss of USD - 10.4 million in the second quarter 2009 while the net result was USD – 10.4 million. Accumulated result for the first six months in 2009 was an operating profit of USD 2.8 million and a net result of USD 2.9 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 contracts. Since the end of the first quarter there has been an adverse development in the exchange rate, and the second quarter accounts have been

charged with USD 9.9 million in unrealized currency loss while the accumulated effect for the first six months is net unrealized gain of USD 4,0 million.

The Company has not entered into any hedging arrangements as the long term financing of these vessels will most likely be a basket of currencies (including EURO), reflecting the typical multi currency income and trading pattern of anchor handling vessels.

The Company has earned interest on available liquidity at money market deposit rates with reputable Norwegian banks. The Company’s running administrative costs are primarily management fees, costs incurred by the Yard Site Supervision Team, and travelling expenses.

THE MARKET

The Company is still of the firm view that the long term demand for these high end, energy efficient vessels is fundamentally strong. The high number of rigs, FSO’s and FPSO’s coming onto the market the next few years, and the increasingly stricter safety and environmental requirements, points toward increased demand and preference for this type of vessel.

However, the financial crisis and volatile oil prices have led to increased uncertainty about the oil companies’ plans in respect of E&P spending.

There has been limited activity in the term market since our last reporting.

In the North Sea spot market day rates and utilisation of the fleet have strengthened significantly in the second quarter. In June average rates for the high end AHTS’ exceeded 400’ NOK per day and a limited number of vessels reported earnings of more than 1 mill NOK.

Since reporting date the Market has shown a significant weakening of demand with falling fleet utilization, and rates lower than experienced in the summer season of recent past years.

With our long term market view and no ship sales indicating any impairment on our contractual newbuilding prices, we maintain valuations stated in the Year End Balance Sheet.

FINANCING AND LIQUIDITY

The first instalments of 20 per cent to the Yard were paid in July 2007 for the two first vessels. The 20 per cent instalment on the third vessel was paid in October 2007, and the same instalment for the fourth vessel was paid early November 2007. The second instalment of USD 7.7 million for the first ship was paid in June 2008. A further USD 7.7 million was paid after keel laying for the second ship which took place 24th February 2009. All payments to the Yard have been made against refund guarantees. The remaining 10 per cent pre delivery instalments to the Yard for the third and fourth vessel respectively will be paid upon keel laying. For the third ship it is agreed with the Yard that the instalment be paid 30th October 2009 and the scheduled keel laying for the fourth ship is no earlier than February 2010.

The Company will have to secure financing for the above instalments and running expenses, until cash flow from delivery of the first vessel, during the third quarter this year. The new agreed date for the second instalment on the third ship allows more time for financing than reported in the Company's Q1 2009 report.

Management has initiated work on alternative financing schemes, debt and/or equity, and remains of the opinion that such financing will be available to carry it through to the delivery of the first ship, and that long term financing will be secured prior to delivery of the first vessel to enable the Company to carry on as a going concern in the foreseeable future.

The Company cautions that in the current global financial market, one should not expect the required level long term debt financing to be in place until the ships have secured employment. The level of debt financing offered may also vary depending on the quality and duration of the available contract. For a Company which currently has no ships in operation, such employment should not be expected entered into until shortly before delivery.

The Company holds USD 3.7 million in cash and cash equivalents at the end of the second quarter 2009.

The Company's debt consist of a Senior Secured Bond of NOK 185 million with 11% coupon and

June 2012 maturity and a Convertible Bond of USD 21 million with 7% coupon and September 2012 maturity.

PROGRESS AND DEVELOPMENT

The Company has, as first reported in our Q4 2008 report, been notified by the Yard that the expected delivery date for the first vessel is 15th April 2010, and a revised Recovery Plan and actions required, with relevant milestones to meet that expectation has been implemented.

As in our previous quarterly report we caution that progress according to this revised Recovery Plan is not being met. However, the Yard has not offered any new expected delivery date. Based on the Company's own observations and Site Team reports, it is becoming less likely that the Yard will be in a position to tender delivery in April 2010.

The Company will be entitled to a contractual penalty/liquidated damages of USD 15,000 per day delay as from 1st January 2010 for the first vessel.

As the first ship is delayed, there will be knock on effects on the planned schedule for the third ship, which has been delayed in start up, Production is now well underway, both at Batamec and a neighbour yard, which has been sub- contracted for limited block-production. The Yard indicates that the delay could be between three to four months, which they claim to be a challenge to recover.

At this time there is no indication that the above reported delays will have any consequences for the delivery of the second or the fourth ship, which are being built on a separate slipway. However, despite added resources, the block fabrication for the second vessel has slipped further behind compared to the progress reported in Q1 2009. At the end of June 2009 the block production was about 1000 tons behind the original production schedule provided by the Yard.

Mosvold Management (Cyprus) Limited as manager is organising the Yard Site Supervision Team.

The Company has entered into an agreement with Trops Offshore ASA, which in consideration for their services in the shipbuilding phase, grants them a preferred supplier status, on competitive commercial terms, for the technical management of the ships upon delivery.

OUTLOOK

The Company remains of the long term view that the underlying demand, and the long lead time from contracting to delivery of these large and sophisticated vessels, supports the current valuation of the contracts.

The volatility in oil prices and the state of the financial markets is having an impact both on the supply and demand side in the oil and energy business. The fundamental need to increase oil exploration and production activities will, in the Company's view still be a significant force in the long term demand for the vessels.

However, the Company recognizes the high risk inherent in the current financial market and will endeavour to have a satisfactory solution to the short term financing needs in due time before the next instalment to the Yard, and to have committed long term financing no later than 3-4 months prior to delivery. The Company is of the opinion that it is less likely that the first ship will be tendered for delivery within April 2010, and thus leaving the Company the right to cancel the Contract. All instalments for the first ship are covered by Refund Guarantees from Bangkok Bank Plc (S&P rating BBB+).

The Company will actively pursue different strategic options including long term charter opportunities and other structural market approaches, which may facilitate creating shareholder value.

Cyprus, 7th August 2009
The Board of Directors

CONSOLIDATED PROFIT & LOSS ACCOUNTS Q2 2009	2009	2008	2009	2008
(Unaudited figures in USD 1 000)	01.04-30.06	01.04-30.06	01.01-30.06	01.01-30.06
Revenue	-	-	-	-
Cost of sales	-	-	-	-
GROSS PROFIT	-	-	-	-
Administrative expenses	-538	-596	-1 135	-1 210
Other gains/<losses>	-9 864	2 212	3 973	-16 668
Foreign exchange losses	-14	-3	-24	-2
OPERATING PROFIT / <LOSS>	-10 416	1 613	2 814	-17 880
Finance income	25	160	48	450
Finance expense	-2	1	-5	-1
FINANCE COSTS - NET	23	161	43	449
PROFIT / <LOSS> BEFORE INCOME TAX	-10 393	1 774	2 856	-17 431
Income tax expense	-3	-12	-4	-39
PROFIT / <LOSS> FOR THE PERIOD	-10 397	1 762	2 852	-17 470
ATTRIBUTABLE TO				
Equity holders of the company	-10 397	1 762	2 852	-17 470
Earnings per share in USD	-0,39	0,07	0,11	-0,66

CONSOLIDATED BALANCE SHEET	2009	2009	
(Unaudited figures in USD 1 000)	30.06	30.06	
ASSETS		LIABILITIES AND EQUITY	
Vessels under construction	88 854	Ordinary shares	265
Derivative financial instruments	92	Share premium	50 241
		Retained earnings	(13 207)
Total non-current assets	88 946	Total Equity	37 299
Trade and other receivables	252		
Cash and cash equivalents	3 699	Borrowings	44 713
		Derivative financial instruments	8 713
Total current assets	3 951	Total non-current liabilities	53 426
		Trade and other payables	232
		Borrowings	1 934
		Accruals for other liabilities and charges	6
		Total current liabilities	2 172
TOTAL ASSETS	92 897	TOTAL LIABILITIES AND EQUITY	92 897

The financial statements above are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

SHAREHOLDER INFORMATION

The 10 largest shareholders as of 7th August 2009:

SHAREHOLDER	No. of shares	% of total
Mosvold Shipping Holding Limited	6 206 594	23,42 %
Morgan Stanley & Co Client Equity acc.	4 852 100	18,31 %
Bank of New York, client acc.	2 369 600	8,94 %
Ole Ketil Teigen, c/o Naka Racha Ltd	2 000 000	7,55 %
Credit Suisse Sec. Europe Ltd.	2 000 000	7,55 %
Björgvin AS	1 360 100	5,13 %
R.S. Platou ASA	1 140 500	4,30 %
Otto Investment Limited	1 098 800	4,15 %
Saga Shipping and Trading SA	874 400	3,30 %
Frode Teigen	750 000	2,83 %
Total 10 largest	22 652 094	85,48 %
Others	3 847 906	14,52 %
Total	26 500 000	100,00 %