

Financial Statement 2007

Nordic Heavy Lift ASA

INCOME STATEMENT


(In USD 1 000 unless otherwise noted)

	Note	<u>Full year</u> <u>2007</u>
Revenues		30
Salaries, social securities and pensions	3	-280
Sales, general and administrative costs	4	-859
Operating expences		<u>-1 139</u>
Interest income - group		2 837
Interest income - group		5 320
Interest expense		-7 820
Net foreign exchange loss		1 041
Other financial items		-42
Net financial items		<u>1 335</u>
Profit before income tax		226
Income tax expense	12	0
Net profit for the period		<u>226</u>
Attributable to shareholders of the Company		226
Earnings per share (basic and diluted)	9	0.2

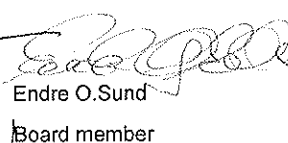
BALANCE SHEET

(In USD 1 000 unless otherwise noted)

	Note	<u>31. Dec., 07</u>
ASSETS		
Non-current assets		
Shares in subsidiaries	5	14
Long term receivables - subsidiaries		52 178
Non-current restricted cash	6	34 387
Total non-current assets		<u>86 580</u>
Current assets		
Other current assets		55
Current restricted cash	6	63 600
Cash and cash equivalents	6	65 248
Total current assets		<u>128 902</u>
Total assets		<u>215 482</u>
EQUITY		
Share capital	7	4 655
Share premium reserve	7	99 461
Other equity	7	-2 073
Total equity		<u>102 043</u>
LIABILITIES		
Non-current liabilities		
Interest bearing loans	8	112 186
Total non-current liabilities		<u>112 186</u>
Current liabilities		
Trade and other payables		0
Current income tax liabilities		0
Provisions for other charges and liabilities		1 253
Total current liabilities		<u>1 253</u>
Total liabilities		113 439
Total equity and liabilities		<u>215 482</u>


Jan Frederik Dyvi
Chairman


Christine Rødsæther
Board member


Endre O. Sund
Board member


Rob Boer
Board member


Tove Raanes
Board member


Frederik Steenbuch
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In USD 1 000 unless otherwise noted)	Number of shares	Par value NOK	Share capital	Share premium	Other equity	Total equity
At 5 January 2007						
Proceeds from shares issued 5 January 2007	100	1	16			16
Proceeds from shares issued 2 May 2007	900	1	151			151
Share split 7 May 2007	1 999 000	0.5				
Proceed from shares issued 24 May 2007 (Private placement)	54 000 000	0.5	4 487	103 199		107 686
Transaction cost related to the issuance of share capital				-3 738		-3 738
Deemed dividend					-2 299	-2 299
Net profit					226	226
At 31 December 2007	56 000 000		4 654	99 461	-2 073	102 043

CONSOLIDATED CASH FLOW STATEMENT

(in USD 1 000 unless otherwise noted)

	Full Year 2007
Net profit before tax	226
FX change	-1 040
Interest expense	7 655
Working capital adjustments	
Change in other current assets	-55
Changes in other current liabilities and accruals	293
Net cash flow from operations	7 079
Increase in restricted cash	-97 987
Investment in subsidiary	-14
Long term loans to subsidiaries	-52 178
Net cash flow from investing activities	-150 179
Deemed dividend	-2 299
New long-term borrowings	115 000
Paid interest	-6 530
Transaction cost - borrowings	-2 978
Paid in equity	107 853
Transaction cost - issuance of equity	-3 738
Net cash flow from financing activities	207 308
Net changes in cash during period	64 208
Cash at beginning of period	0
Net foreign exchange differences	1 040
Cash at end of period	64 208
Cash at the end of period	65 248

NOTE 1 – Accounting principles

General

Nordic Heavy Lift ASA (“the Company” or “NHL”) is a public limited company incorporated and domiciled in Norway. The address of the registered office is Munkedamsveien 45C, 0250 Oslo, Norway. The Company was incorporated on 5 January 2007.

The principal activity of the Company and its subsidiary (together “the Group”) is to construct and subsequently operate a 5,000 tonne heavy lift crane vessel earmarked for worldwide operations mainly aimed at the offshore oil and gas industry. On 2 May 2007 the Company signed a contract to acquire the development stage heavy lift crane vessel business. Prior to this date the Company was owned 60% by Dyvi AS, 20% by Capricorn Offshore AS, 10% by Neptune Heavy Lift AS and 10% by Sjøkonsult AS. All of the aforementioned parties were the original founders of NHL. On 24 May, 2007 the company completed a private placement resulting in a net equity contribution of USD 104 millions.

The financial statements are presented in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles. The accompanying notes are an integral part of the financial statements.

The financial statement is presented in USD, which is the company’s functional currency.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expense during the reported periods. Actual results could differ from those estimates.

Investments in subsidiaries

Investments in subsidiaries are recorded at historical cost, less any impairment losses.

If expected discounted future cash flow from the investment is lower than the carrying value of the investment, an impairment charge is recorded and a new cost basis of the investment is established. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

If dividends exceed withheld profits after acquisition, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

Valuation and classification of balance sheet items

Assets and liabilities are classified as current assets or current liabilities if they are short-term, that is normally due within one year.

Other assets are classified as fixed assets and other liabilities as long-term liabilities.

Long term receivables

Long term receivables are recorded at historical cost, less any impairment losses.

If expected discounted future cash flow is lower than the carrying value of the receivable, an impairment charge is recorded and a new cost basis of the receivable is established.

Cash and Cash Equivalents

Cash represents cash on hand and deposits with banks that are repayable on demand. Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Share capital

Ordinary shares are classified as equity.

Incremental costs associated to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (Borrowings net of transaction costs and arrangement fees) is recognised in the income statement over the period of the borrowings using the effective interest method.

Taxes

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 28 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Revenue Recognition

Revenue from services are recorded when the service has been performed.

Financial instruments, etc.

The company uses various financial instruments to manage its exposure to fluctuations in exchange rates and interest rates. Instruments meeting hedging criteria are valued together with the hedged item (unrealised gains/losses are not recognized). Instruments not meeting hedging criteria, are valued in separate portfolios at the lower of their historical cost and market value (unrealised losses are expensed). Unrealised gains are not taken to income.

Foreign currency transactions

Cash items denominated in foreign currencies are converted using exchange rates on the balance sheet date. Realised and unrealised currency gains and losses are included in the annual profit (loss). Foreign currency transactions are recorded using exchange rates on the date of transaction.

Contingent gains/losses

According to Norwegian accounting standards relating to contingent items, provisions are made for contingent losses that are probable and quantifiable, while contingent gains are not taken to income.

Cash flow statement

The cash flow statement is based on the indirect method. Restricted cash or cash equivalents are disclosed under "Investing activities" in the cash flow statement.

Cash equivalents include bank deposits and liquid funds maturing in less than three months.

Comparable figures

Comparable figures for previous years have not been prepared as the company were established February 2007.

Going concern

The financial statements are presented under the going concern assumption.

For additional information we refer to Notes 1 in the consolidated accounts.

Deemed Dividend

Common control transactions involving the purchase of a business are accounted for at carry-over values. The difference between carry-over values and the total consideration are accounted for as a deemed dividend.

NOTE 2 – Financial instruments and risk management

The Company has no other operations than supporting and financing of the subsidiary, hence all risks are considered to be the same as in the Group accounts. For additional information we refer to the consolidated accounts.

See notes 12 and 13 in the consolidated accounts for further information on financial instruments and risk management

Due to different accounting principles used in Group accounts and Parent accounts none of the financial derivative contracts have profit and loss impact in the Parent accounts.

In accordance with NGAAP, financial instruments meeting the hedging criteria are valued together with the hedged item (unrealised losses are not recognised). Instruments not meeting the hedging criteria, are valued in separate portfolios at the lower of their historical cost and marked value (unrealised losses are recognised), whereas unrealised gains are not taken to income.

Currency risks related to EUR payments in the building contracts has been hedged to reduce risk within the group (reference is made to note 3 in the consolidated accounts related to financial risk factors. These forward contracts have been measured to fair value showing an unrealised gain. The unrealised gain is in accordance with the principle stated above not recorded in the profit and loss accounts.

The Company's risk managements' objective related to interest risk is to minimise exposure to variability of cash flows arising from changes in interest rate risk. Therefore an interest rate swap contract has been entered fixing the floating 3 month LIBOR to 4.03%. The interest rate swap has been accounted for as hedged hence no impact is recorded in the profit and loss accounts.

NOTE 3 – Remunerations, salaries, options and pensions

NHL ASA has no employees at year end 2007, however the CEO has been engaged through the consulting company Capricorn Offshore AS. Remunerations for the services of Capricorn Offshore amount to USD 280 000 and is recorded as salary.

No shares are owned directly by any Board members or CEO. However, the CEO owns shares indirectly through his ownership in Capricorn Investment AS (400 000 shares which represent about 0.7%) respectively.

The amount of USD 25 000 including VAT has been recorded in the profit and loss accounts as ordinary audit fee.

In accordance with the regulations in § 6-16a in the Norwegian Joint Stock Public Company Laws, the Board of Directors has prepared a statement regarding the guidelines for determining salaries and other compensation for employees in leading positions.

The Board of Directors wants the compensation package for leading employees to consist of a fixed salary and a bonus element. The total compensation shall be competitive in order to keep the best managers. The company has no stock option plan or any other related compensation plan which are directly related to the Company's' share price. During 2007 the Company had no employees. The CEO was engaged through Capricorn Offshore AS.

As the Company has no employees the obligation to have a defined benefit plan is considered unnecessary.

NOTE 4 – Other operating expenses

In thousand USD	2007
Lease expense - buildings and equipment	14
IT – costs	12
Consultant fees	833
Total other operating expenses	859

Note 5 – Subsidiaries and other investments

Subsidiaries owned by NHL ASA	Company's business address	Ownership and voting interest (in %)	Company's share capital USD 1 000	Company's equity in USD 1 000	Company's profit/(loss) in USD 1 000	Bookvalue in USD 1 000
Nordic Heavy Lift Shipowning	Cyprus	100 %	USD 2.8	(130)	(145)	14

Note 6 – Cash and cash equivalents

(in thousand USD)

The company's cash and cash equivalents are denominated in the following currencies at 31 December:

	31 December 2007
USD	149 912
EUR	12 761
NOK	561
Total cash and cash equivalents	163 234

Restricted bank deposits at 31 December:

current:

Escrow account – Senior Bond Loan – current	USD	63 600
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non-current:

Escrow account – Senior Bond Loan – non-current	USD	34 387
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97 987

Proceeds of the senior bond loan are to be secured in the USD Escrow account and will be released for the purpose of making certain instalments under the vessel and crane building contracts as referred to under note 7 in the consolidated accounts.

Of USD 163.2 million in cash NOK 5 million has been mortgaged to ensure settlement of derivatives.

Note 7 – Share capital

(In USD 1 000 unless otherwise noted)

	Number of shares	Par value NOK	Share capital	Share premium	Other equity	Total equity
At 5 January 2007						
Proceeds from shares issued 5 January 2007	100	1	16			16
Proceeds from shares issued 2 May 2007	900	1	151			151
Share split 7 May 2007	1 999 000	0.5				
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Transaction cost related to the issuance of share capital				-3 738		-3 738
Deemed dividend					-2 299	-2 299
Net profit					226	226
At 31 December 2007	56 000 000		4 654	99 461	-2 073	102 043

The total authorised number of ordinary shares is 56 000 000 each with a par value of NOK 0.5.

For further details we refer to notes 10 in the consolidated accounts.

Note 8 – Interest bearing debt

Non-current

Senior secured bond loan

31 December 2007

(in thousand USD)

112 186

112 186

31 December 2007

6 months or less

6 - 12 months

1 - 5 years

over 5 years

112 186

112 186

Senior secured bonds

On 31 May 2007, the Company issued USD 100 000 floating rate 3 month LIBOR+ margin 6% bond at a par value of USD 115 million. The bonds mature five years from the issue date at their nominal value of USD 115 million. Interest is paid quarterly in arrears.

The debt is secured by a mortgage over the Vessel, including the cranes and equipment installed. Additionally, assignments of the Building Contract and of the relevant insurances related to the Vessel have been established, in favour of the Bond Loan Trustee, Norsk Tillitsmann ASA (on behalf of the Bondholders). As the Building contract is owned by NHLS all obligations for instalments lies in the subsidiary. For further information we refer to note 7 and 11 in the consolidated accounts. The senior secured bonds are pledged by all of the shares of the subsidiary NHLS and an escrow account of USD 97.987 million (see note 9 in the consolidated accounts).

The Loan Agreement for the senior secured bonds includes provisions for a future Preferred Senior Debt of maximum USD 185 million secured with a Preferred Senior Mortgage. The security for the senior secured bonds shall rank behind to any Preferred Senior Mortgage for the amount of Preferred Senior Debt.

The senior secured bonds can be redeemed by the Group at the following defined dates at the following premiums:

Date	Premium
At the Interest Payment Date in June 2010	105%
At the Interest Payment Date in June 2011	102.5%

Upon a change in control according to the Loan Agreement, the bondholder can demand the repayment of the bonds at a premium of 101%.

The senior secured bonds recognised in the balance sheet are calculated as follows:

31 December 2007

(in thousand USD)

Fair value of the secured senior bonds at issuance (net redemption option)	115 000
Less: Transaction costs allocated to bond	<u>-2 814</u>
Liability at 31 December 2007	<u>112 186</u>

For further information related to the secured bond loan we refer to the consolidated accounts note 11.

Note 9 – Earnings per Share

For information regarding earnings per share, reference is made to note 14 in the consolidated accounts.

Note 10 – Commitments

NHL ASA has given a primary obligor on behalf of NHLS to the contractors Huisman and Sembawang to ensure punctual performance as well as to ensure all obligations under the Building contracts

For additional information regarding commitments, reference is made to note 15 in the consolidated accounts.

Note 11 – Related-party transactions

See note 16 in the consolidated accounts for further description of transactions with related parties.

Note 12 – Taxes

USD 1 000	2007
Taxes payable	-
Change in deferred taxes	-
Income taxes	-

Effective tax rates

	2007
Profit (loss) before taxes	226
Expected income tax according to nominal tax rate (28%)	63
Tax effect on permanent differences	-4142
Tax asset not recorded	4205
Total income taxes	63
Effective tax rate (including change in deferred taxes)	0 %

The tax effect of temporary differences and losses carried forward:

USD 1 000	2007
Other current items	0
Long term receivables and loans	2 486
Losses carried forward	-6 690
Net calculated deferred tax asset	-4 205
Deferred tax asset not recorded	4 205
Total deferred taxes/(tax assets)	0

The company has generated a profit before tax of USD 226 thousand as of 31 December 2007. Due to permanent and temporary differences the taxable income for the period is negative for the Norwegian entity basically due to large FX losses measured in NOK as long term receivables, cash and Interest bearing loans are denominated in USD.

The current corporate tax rate in Norway is 28%.

The net loss carry forwards in Norway have unlimited duration. The Company is not recognising any deferred tax assets due to uncertainty of whether any of the loss carry forwards can be utilised.