

INTERIM CONSOLIDATED INCOME STATEMENT

(in thousands of USD, unless otherwise noted)

	Notes	Q3 2007	Period 5 January 2007 through 30 September 2007
Revenue		-	-
Project related expenses		-	-
Gross profit		-	-
Salaries, social security and pensions		-	-
Selling general and administrative expenses		(372)	(373)
Depreciation		-	-
Other (losses)/gains - net	12	122	152
Operating loss		(250)	(221)
Interest income		962	1,520
Interest expense	6	-	-
Net foreign exchange gain/loss		275	294
Other financial items		(39)	(39)
Net financial items		1,198	1,775
Profit before tax		948	1,554
Income tax expenses	16	-	-
Net profit	13	948	1,554
Attributable to:			
Shareholders of the Company		948	1,554
Earnings per share for profit attributable to the shareholders of the Company during the period (expressed in USD per share)			
- basic and diluted		0.03	0.05

The notes on pages 5 to 27 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED BALANCE SHEET

(in thousands of USD, unless otherwise noted)

	Notes	<u>30 September 2007</u>	<u>5 January 2007</u>
Non-current assets			
Intangible assets	5	1,091	-
Property, plant and equipment	6	33,311	-
Derivative financial instruments	11	899	-
Non-current restricted cash	8	45,999	-
Total non-current assets		<u>81,300</u>	<u>-</u>
Current assets			
Derivative financial instruments	11	555	-
Other current assets		52	-
Current restricted cash	8	68,000	-
Cash and cash equivalents	7	71,800	20
Total current assets		<u>140,407</u>	<u>20</u>
Total assets		<u>221,707</u>	<u>20</u>
Equity			
Share capital	9	4,654	16
Share premium reserve	9	99,461	-
Other equity	9	(2,033)	-
Total equity		<u>102,082</u>	<u>16</u>
Non-current liabilities			
Long-term borrowings	10	112,186	-
Other non-interest-bearing debt and provisions	11	899	-
Total non-current liabilities		<u>113,085</u>	<u>-</u>
Current liabilities			
Other non-interest-bearing debt and provisions	11	555	-
Other current liabilities and accruals	15	5,985	4
Total current liabilities		<u>6,540</u>	<u>4</u>
Total equity and liabilities		<u>221,707</u>	<u>20</u>

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of USD, unless otherwise noted)

For the period 5 January 2007 through 30 September 2007

	Attributable to shareholders of the Group				
	Notes	Share capital	Share premium	Other equity	Total equity
Balance at 5 January 2007					
Share issues	9	4 654	103 199		107 853
Transaction costs related to the issuance of share capital	9		(3 738)		(3 738)
Net profit				1 554	1 554
Project initiation fee	9			(2 299)	(2 299)
Issue of warrants to founding shareholders	9			(1 288)	(1 288)
Balance at 30 September 2007		4 654	99 461	(2 033)	102 082

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INTERIM CONSOLIDATED CASH FLOW STATEMENT

(in thousands of USD, unless otherwise noted)

	Notes	Q3 2007	Period 5 January 2007 through 30 September 2007
Net profit before tax		948	1,554
Changes in fair value of warrants	11	(122)	(152)
Working capital adjustments:			
Changes in fair value of financial assets	11	(1,395)	(1,454)
Changes in fair value of financial liabilities	11	1,395	1,454
Change in other current assets		(74)	(52)
Change in other current liabilities and accruals		431	5,985
Net cash flow from operations		1,183	7,335
Increase in restricted cash	8	(1,479)	(113,999)
Investments in operating fixed assets	6	(332)	(30,756)
Investments in intangible assets	5	-	(1,091)
Net cash flow from investing activities		(1,811)	(145,846)
Deemed dividend		-	(2,299)
Issues of warrants		-	(1,136)
New long-term borrowings	10	-	112,087
Transaction costs - borrowings	10	(13)	-
Paid interests	6	(2,456)	(2,456)
Paid in equity	9	-	104,115
Private Placement	9	(73)	-
Net cash flow from financing activities		(2,542)	210,311
Net change in cash during the period		(3,170)	71,800
Cash at beginning of period		74,970	-
Cash at end of period		71,800	71,800
Change		(3,170)	71,800

The notes on pages 5 to 27 are an integral part of these interim consolidated financial statements.

NOTE 1 – General information

Corporate information

Nordic Heavy Lift ASA (“the Company” or “NHL”) is a public limited liability 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 consolidated financial statements for the 3rd quarter ended 30 September 2007, were approved by the Board of Directors on 14 November 2007.

The principal activity of the Company and its subsidiary (together “the Group”) is the investment in and operation of heavy lift crane vessels. On 2 May 2007 the Company entered into a contract to acquire the development stage heavy lift crane vessel business from Dyvi AS. At the date of this contract the Company was owned 60% by Dyvi Maritime Invest AS, 20% by Capricorn Offshore AS, 10% by Neptun Heavy Lift AS and 10% by Sjøkonsult AS. All of the aforementioned parties were the original founders of NHLI. On 24 May 2007 the Company completed a private placement resulting in a net equity contribution of USD 104 million. On 30 May 2007 the Company’s shares were registered for trading on the OTC list in Oslo, Norway.

The going concern assumption

The financial statements are presented based on the going concern assumption.

According to contracts with the construction yard (Sembawang in Singapore) and the crane manufacturer (Huisman in the Netherlands) (referred to as the building contracts), the Group is obligated to build one dynamically positioned crane vessel at a cost of USD 220 million and EUR 57.3 million (USD 77.9 million), respectively.

The Group has raised USD 223 million in financing, consisting of an equity instalment of NOK 648 million (USD 108 million) and a bond loan of USD 115 million. The loan is secured by a first priority mortgage to be registered against the Vessel.

Based on the management’s estimates, the Group has adequate available financial resources to meet its future contractual obligations and working capital needs until early 2nd Quarter 2009. By this date the Group will require further funding, either through debt or equity, to complete the construction of the Vessel.

The management believes that the going concern assumption is valid as the operation of the Group, through the first two years of the construction period, has been fully financed. The remaining funds required to finance the Vessel is intended to be raised through the issuance of conventional debt and available export credit facilities. When delivered, the Vessel is expected to generate sufficient cash flow to meet the loan repayment schedule. Additional financing will be secured if and when required.

NOTE 2 – Summary of significant accounting policies

The principle accounting policies applied in the preparation of these interim consolidated financial statements are set out below.

Basis of preparation

The interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34. Due to the fact that the Company has not previously published annual financial statements, these interim consolidated financial statements have been supplemented with relevant disclosure information as required in accordance with International

Financial Reporting Standards (IFRS) as adopted by the EU. The interim consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of derivative financial instruments.

All IFRSs issued by the International Accounting Standards Board (IASB) and effective at the time of preparing these interim consolidated financial statements have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement", relating to portfolio hedge accounting. The Company is not affected by these provisions.

The interim consolidated financial statements are presented in USD and all values are rounded to the nearest thousand, except when otherwise indicated.

New standards, amendments and interpretations:

a) Effective for years ending 31 December 2008:

- The International Financial Reporting Interpretation Committee (IFRIC) Interpretation 12 "Service Concession Arrangements" (This standard has not yet been adopted by the EU). This interpretation will not have any effect on the Group's financial statements.
- IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (This standard has not yet been adopted by the EU). This interpretation will not have any effect on the Group's financial statements.

b) Effective for years ending 31 December 2009:

- IFRS 8 "Operating Segments" (This standard has not yet been adopted by the EU). It applies to entities that provide segmental disclosures. Its application is likely to affect the disclosures made on operating segments. The Group has not yet evaluated the implications of IFRS 8 since it has not yet been adopted by the EU. It plans to do so once this standard is adopted by the EU.
- IAS 23 (Revised) Borrowing Costs (This standard has not yet been adopted by the EU). The main change from the previous version is the removal of the option of immediately recognising, as an expense, borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Prior to the adoption of IAS 23, the Group has elected to capitalise interest, therefore the adoption of IAS 23 will have no impact on the financial statements of the Group.
- IFRIC 13 "Customer Loyalty Programmes" (This standard has not yet been adopted by the EU). This interpretation will not have any effect on the Group's financial statements.

Basis of consolidation

The consolidated 3rd quarter 2007 interim financial information comprises the financial statements of the Company and its subsidiary Nordic HL Shipowning Ltd. ("NHLS") as at 30 September 2007. NHLS was founded in Cyprus on 17 March 2007. The interim consolidated financial information for 3rd quarter 2007 includes the activities of the Group from the incorporation of the Company until 30 September 2007.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial- and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control. Subsidiaries continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

As the Group is in its development stage with no revenue generating activities, it is not operating in any business segments.

Foreign currency

Functional and presentation currency

Items included in the financial statements of the Group's subsidiary are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The interim consolidated financial statements are presented in USD, which is the Group's functional and presentation currency. The subsidiary NHLS also has USD as its functional currency.

Transactions and balances

Transactions in foreign currencies are recorded at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Intangible assets

Acquired intangible assets are shown at historical cost. These intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives (25 years).

Property, plant and equipment

Assets are stated at historical cost less accumulated depreciation and impairment losses, if any. The cost of the asset comprises its purchase price and any directly attributable costs, including financing costs. In situations where it can be clearly demonstrated that expenditures have resulted in an increase in the future economic benefit of the asset, the expenditures are capitalised to the asset. Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they occur.

Depreciation is calculated on a straight-line basis, taking residual values into consideration. A significant component, with an economic useful life different from that of the vessel, is depreciated on a straight-line basis over the component's useful life.

Estimated useful lives of the assets:

Heavy Lift vessels	25 years
Main crane	25 years
Crane wire	5 years
Docking	5 years

The cost of any major renovations to and periodic maintenance (“dry-docking”) of the Vessel is capitalised and depreciated over the useful life of the parts replaced. Dry-docking costs for the Vessel are capitalised and charged to the income statement over the period to the next occasion when maintenance is carried out, normally about 60 months. The dry-docking expenses are classified in other operating expenses in the income statement. When vessels are acquired or constructed, a portion of the acquisition cost is capitalised as periodic maintenance and amortised over the period through the next scheduled major periodic maintenance.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at least at every year end balance sheet date. Adjustments, when applicable, are made on a prospective basis. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. The recoverable amount is the greater of an asset’s fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment charge recognised in prior years is reversed if the current estimated value in use is higher than at the time the impairment loss was recognised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are presented net, in the income statement.

Vessel under construction

Instalments on the building contracts (for the Vessel and the Cranes) are capitalised to Vessel under construction as they are being paid. The acquisition cost reported is the sum of instalments paid plus direct costs incurred during the construction period and capitalised interest costs (see section on borrowing costs).

Depreciation will start at the time the Vessel is delivered and ready for its intended use. The contractual delivery date is 31 March 2010.

Borrowing costs

Borrowing costs are capitalised to an asset if such cost is directly attributable to the acquisition, construction or production of the qualifying asset. Borrowing costs are capitalised until the assets are substantially ready for their intended use. Other borrowing costs are recognised as an expense when incurred.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset are determined as the amortised borrowing costs incurred relating to such funding during the period, less any income recognised from temporary investments made by utilising the proceeds from those borrowings.

Impairment of financial assets

The assets are reviewed for indication of impairment at each reporting date, and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount is the greater of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. When possible, the recoverable amounts are estimated for individual assets, otherwise they are estimated for the cash-generating units.

Reversal of impairment losses recognised in prior years is recorded in profit and loss when there is an indication that previous impairment losses recognised no longer exist or have decreased.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for assets with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables'.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

The Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 11. The full fair value of a hedging derivative is classified as a non-current asset or liability when the hedged item will mature more than 12 months after the balance sheet date and as a current asset or liability when the hedged item will mature less than 12 months after the balance sheet date.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging currency risk on construction contracts denominated in a foreign currency. The gain or loss relating to the effective portion of forward currency contracts is recognised in the income statement under "finance costs". The gain or loss relating to the ineffective portion is recognised in the income statement in "other gains/(losses) – net". Changes in the fair value of the firm commitment attributable

to currency risk are recognised in the income statement under “finance costs”. As such, the changes in fair values of the firm commitment and the forward currency contracts are recognised net under “finance costs”. When fair value hedges are 100% effective, the net of the fair value changes be zero as the two amounts will offset each other. If the hedge no longer meets the criteria for hedge accounting, hedge accounting ceases prospectively. This means that the liability related to the firm commitment is derecognised from the balance sheet and all changes in fair value of the forward currency contracts are recognised in the income statement at each reporting date.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded derivatives

Certain derivatives are embedded in other financial instruments. These derivatives, such as a prepayment option for a loan, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Cash, cash equivalents and cash flow statement

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.

Cash or cash equivalents, to which the Group has restricted access, are disclosed in note 7. They are classified as either current or long-term, depending on the nature of restriction. Restricted cash or cash equivalents are disclosed under “Investing activities” in the cash flow statement.

The cash flow statement is prepared using the indirect method.

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.

Trade payables

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e more likely than not) that there is an outflow of resources embodying economic benefits.

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) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Embedded derivatives in borrowing contracts are separated from the host contract and accounted for as financial assets at fair value through profit and loss (see section on derivatives above). The financial asset is classified as a reduction of the bond loan.

Taxes

Income tax payable for the current and prior periods is measured at the amount expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided for using the liability method which considers the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset the current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deemed Dividends

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 3 – Financial risk management

Financial risk factors

The Group's activities expose it to certain financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group is currently in the process of constructing one dynamically positioned crane vessel having entered into building contracts with Sembawang in Singapore and Huisman in the Netherlands, respectively. The crane contract is denominated in EUR. 75% of the crane price is to be paid in EUR and the remaining 25% is to be paid in USD, calculated on the basis of a EUR/USD exchange rate of 1.36. The building contracts require the Group to make specified payments upon reaching different milestones of the construction process (see note 14 for capital commitments) The Group's activities under the construction program expose it to currency risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by management under informal policies approved by the Board of Directors. A Group treasury function has not been established; therefore this function is currently informal.

Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR and NOK. Foreign exchange risk arises from future committed commercial transactions related to the Vessel construction program (see above) and recognised assets and liabilities.

The Group manages its foreign exchange risk by using forward currency contracts. These contracts have been designated as fair value hedges. Foreign exchange risk arises when future firm committed transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group's risk management policy is to hedge all instalments on vessels under construction in each major foreign currency from the time the Group is obligated to the firm commitment until anticipated payment date of the instalments. Approximately 100% of projected payments in each major currency qualify as 'highly probable' forecasted transactions for hedge accounting purposes.

Revenues and costs are primarily in USD. Long term financing is in USD. The Company's shares are traded in NOK. The NOK trading price is affected by the underlying activities of the Group which are primarily denominated in USD.

The fair value of the warrants to the founding shareholders is determined using a model which incorporates the NOK share price, and, as a result, changes in the NOK/USD market exchange rate will impact the Group's profit.

(ii) Price risk

The Group is exposed to its own equity securities price risk because the fair value of the warrants to the founding shareholders is determined using a model which incorporates the Group's share price. The Group is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2007, the Group's borrowings at variable interest rates were denominated in the functional currency, USD.

Shifts in the market interest rates would not impact the fair value of the redemption rights on the bond loan, and therefore will not impact the Group's profit. The bond loan is a floating interest loan, and the redemption right is based on floating interests, hence the only incentive to redeem the bond loan before maturity is to improve the credit rating of the Group or in the event that the Group wishes to replace the bond loan with a conventional loan prior to the bond loan maturity.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from the Group's ownership of cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions, as well as receivables and committed transactions. The Group policy is to keep sufficient cash balances to meet operational and contractual obligations.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining sufficient cash necessary to meet future obligations. The management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below classifies the Group's financial liabilities into relevant maturity groupings based on their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

(in thousands USD)

At 30 September 2007	Less than 1 year	Between 1-2 years	Between 2-5 years
Bond borrowings			115,000
Trade and other payables	5,985		

1 As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings and trade and other payables.

2 The specific time buckets presented are not mandated by the standard but are based on a choice made by the management.

Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to its shareholders, return capital to its shareholders, and obtained equity financing from its shareholders to finance its Vessel construction program and operating activities.

Consistent with others in the industry, the Group monitors capital on the basis of the equity ratio. This ratio is calculated as “equity” (as shown in the consolidated balance sheet) divided by total capital.

Following the current development stage, the Group’s intention is to maintain an equity ratio of about 35%. The equity ratio at 30 September 2007 was:

(in thousands USD)

	2007
Total equity	102,082
Total capital	221,707
Equity ratio	46 %

The Group has no externally imposed capital requirements. Covenants related to the bond loan are outlined in note 10.

NOTE 4 – Critical accounting estimates and judgements

The preparation of interim financial statements in accordance with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

A “critical accounting estimate” is one which is both important to the portrayal of the Group’s financial conditions and results, and requires management’s most difficult, subjective or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as forecasts as to how these might change in the future.

The following is a summary of which estimates and judgements could have a material effect on the interim consolidated financial statements.

Critical accounting estimates and assumptions

Impairment

The Group reviews long-lived assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When the carrying amount of an asset does not yet include all the cash outflows to be incurred before it is ready for use or sale, the estimate of future cash outflows includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use or sale. This is the case for the Vessel, as it is still under construction. If the total of the undiscounted future cash flows is less than the carrying amount of the asset or group of assets, the asset is not recoverable and an impairment loss is recognised for the difference between the estimated fair value and carrying value of the asset or groups of assets. Long-lived assets are assessed for possible impairment upon the occurrence of a triggering event. Events that can trigger assessments for possible impairments include, but are not limited to (a) significant decreases in the market value of an asset, (b) significant changes in the extent or manner of use of an asset, and (c) a physical change in the asset. Estimating undiscounted future cash flows requires the management to make long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are uncertain as they require assumptions to be made regarding demand for products and services, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period. Given the nature of these evaluations and their application to specific assets and specific times, the management cannot reasonably quantify the impact of changes in these assumptions. No triggering events were identified during the period, and therefore no material impairment was recognised for the period ended 30 September 2007.

Fair value of derivatives and other financial instruments

The fair value of financial instruments traded in active markets (such as forward contracts) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the EUR/USD mid rate obtained from Nordea Bank, adjusted for interest rate on the respective currencies. The fair value of financial instruments that are not traded in an active market (for example, early redemption option on the bond loan) is determined using valuation techniques. The Group obtains valuations of the early redemption option from independent valuation specialists.

Financial instruments or embedded derivatives carried at fair value include;

- Forward currency contracts
- Redemption option on the bond loan
- Fair value of the currency part of the crane contract (which is designated as a fair value hedge with the forward currency contracts designated as hedging instruments).
- Warrants issued to the founding shareholders

Assumptions used in the calculations of fair value of the financial instruments are the following (reference to applicable financial instrument in parentheses);

- Foreign exchange rates; spot mid rate EUR/USD and forward rates (forward currency contracts)
- Interests on EUR and USD currencies (forward currency contracts)
- Credit rating (redemption option)
- The market price of the Group's shares (warrants)
- The volatility of the share price (warrants)

Forward currency contracts

The Group has entered into nine forward currency contracts to mitigate currency risks in EUR on firm commitments to pay instalments according to the crane contract (see section about foreign currency). Forward currency contracts are traded in quoted markets, and hence the fair value is based on market prices received from banks and financial institutions. The fair value is revised at each balance sheet date.

Redemption option on the bond loan

The Group has issued a USD 115 million senior secured bond loan where the Group has an option to redeem the bond at prices (varying between 102.5% and 105% depending on the time of the redemption) that depart from the carrying amount of the bond. The embedded derivative is measured at fair value through profit and loss where changes in fair value are charged in the income statement.

The fair value of the redemption option is not related to market interest rates. The only incentive to call the redemption option is to improve the credit rating or to enter into new long term borrowings.

Warrants

The Group has issued 3,319,000 warrants to the founding shareholders where the strike price is NOK 15.60 per share. These warrants are classified as a short term liability on the balance sheet. As the founding shareholders were granted the warrants free of charge, the debit is to equity ("other equity"), as a deemed dividend.

The Group needs to measure these warrants at fair value at every balance sheet date. Any subsequent changes to the fair value of the warrants will be recognised in the consolidated income statement as "changes in fair value of financial instruments – net" and as an increase or decrease the recorded value of the liability.

As at 30 September 2007, the value of these warrants was calculated to be USD 1.5 million applying a 35% volatility and a share price of USD 2.20 (NOK 12.00 at a USD exchange rate of 5.44) (see note 9)

Trade receivables and payables

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Critical judgments in applying the entity's accounting policies

Functional currency

The management has considered the requirements of IAS 21 in determining the functional currency of each of the Group's subsidiaries. In determining the functional currency of each subsidiary, management has exercised its judgement and have concluded that USD is the appropriate functional currency. This is mainly because the Group's future revenues (when operations commence) are expected to be denominated in USD. The prevailing currency of the industry is USD. The Group's financing has been obtained in USD and the Group plans to retain future operating receipts in USD.

Borrowing costs

The management has considered the requirements of IAS 23 and IAS 39 with respect to the capitalisation of borrowing costs. Borrowing costs related to the bond loan will be capitalised at the cost of the Vessel. The management has decided that the amortised cost will be capitalised as capitalised interests, as opposed to capitalising paid interests incurred in the period.

In addition, the Group keeps separate records for money received from equity issuances and money received from borrowings. Interest earned on money received from equity is credited to the income statement while interest receivable on deposits in relation to the borrowings is netted off against other borrowing costs capitalised in accordance with the Group accounting policy for funds borrowed specifically for the purpose of obtaining a qualifying asset.

Hedge accounting

The management has decided to designate forward currency contracts as hedging instruments to hedge a future firm commitment to pay instalments on the Huisman crane in EUR (see section on fair value hedge and derivative financial instruments in note 2).

The hedging relationship between the firm commitment to pay instalments (hedged items) and forward currency contracts (hedging instruments), was documented at inception. In addition, risk management objectives and the hedging strategy for undertaking the hedging transactions are documented. The Group also documents its assessment of the hedge effectiveness at the time of inception and on an ongoing basis. The hedging relationship is designated as a fair value hedge and assessed to be highly effective using the principal terms method.

The fair value of the hedging instrument is obtained from Nordea Bank, and accounted for as a financial asset on the balance sheet. Based on the maturity of the forward contracts, the fair value is split between long-term and short-term financial assets. When applying fair value hedge accounting of firm commitments, a portion of the future firm commitment shall be valued and accounted for as a liability on the balance sheet. The value of the firm commitment is calculated by the management based on the forward rates and spot mid rates used in determining the fair value of the forward contracts. All principal terms in the forward contracts equals the terms of the firm commitment and the hedging relationship is assessed to be highly effective. As a result, the fair value of the firm commitment is valued to equal the fair value of the forward contracts. The fair value of the financial liability of the firm commitment offsets the fair value of the financial asset. At each reporting date, a change in the fair value of the hedging instrument and the hedged item is recognised in the income statement offsetting each other on the same line item.

Embedded derivatives

The bond loan (see principles for borrowings and note 10) has a derivative financial instrument embedded in the host contract (the bond loan). The embedded derivative is a redemption option which is split from the host contract and is accounted for separately. This financial asset is recognised on the balance sheet as a financial asset at fair value through profit and loss.

Note 5 –Intangible assets

(in thousand USD)

	Vessel design rights
Additions	1,091
Disposals	
Accumulated amortisation and impairment	
Cost at 30 September 2007	1,091

Intangible assets consist of acquired design rights to the Vessel under construction, see note 6. The useful life of the asset is considered to be finite, and will be amortised over the lifetime of the Vessel once it is delivered and ready for its intended use

Note 6 –Property, plant and equipment

One dynamically positioned crane vessel under construction

Contract price	USD	EUR	NOK
Sembawang shipyard - scheduled delivery 31 March 2010	220 million		
Huisman Crane - scheduled delivery 31 December 2009		58.6 million	
Dreggen Crane - scheduled delivery 31 October 2009			12.9 million

(in thousand USD)

	USD
Cost at the beginning of the period	
Instalments capitalised	30,604
Capitalised expenses	213
Capitalised interests	2,494
Net carrying amount at 30 September 2007	33,311

The costs noted above are based on the initial agreements with the yard and the crane manufacturers. The contracts allow for NHLS to request variation orders which would increase the costs from the initial agreed amount. As of 30 September 2007, the Group has called an option with Huisman for the provision of the main crane to be prepared for deepwater lowering capability at a cost of USD 1.5 million.

The Group has capitalised USD 4,323,000 of its recognised interest costs in the period through 30 September 2007 related to the financing of the Vessel. The interest costs are calculated using the effective interest method (see note 10 and principles about borrowing costs). An effective quarterly interest rate of 3.02% has been used to determine the capitalised amount. The capitalised interest costs has been reduced by USD 1,826,000, which represents recognised interest income from temporary investments made by the proceeds from the borrowings.

Note 7 – Cash and cash equivalents

(in thousand USD)

The Group's cash and cash equivalents are denominated in the following currencies at 30 September:

	<u>30 September 2007</u>
USD	178,503
EUR	6,152
NOK	<u>1,144</u>
Total cash and cash equivalents	<u>185,799</u>

Note 8 – Restricted Cash

(in thousand USD)

Restricted bank deposits at 30 September:	<u>30 September 2007</u>
<i>current:</i>	
Escrow account – Senior Bond Loan nominated in USD – current	68,000
 <i>non-current:</i>	
Escrow account – Senior Bond Loan nominated in USD – non-current	<u>45,999</u>
	<u>113,999</u>

Proceeds of the senior bond loan are to be secured in the USD escrow account and will be released only for the purpose of making certain instalments under the building contracts as referred to under note 6. The release is conditional upon having met certain conditions under the bond loan. The most significant conditions are:

- (a) The Loan Security is duly executed (see note 10 for details regarding securitisation)
- (b) Establishment of Assignment of Contracts
- (c) Establishment of Share Pledge

Note 9 – Share capital

(in thousand USD where applicable)

	Number of shares	Par value (NOK)	Share capital	Share premium	Other equity	Total equity
At 5 January						
Proceeds from shares issued, 5 January 2007	100	1,000	16	-		16
Proceeds from shares issued, 2 May 2007	900	1,000	151			151
Share split, 7 May 2007	1,999,000	0.5				
Proceeds from shares issued, 24 May 2007 (Private Placement)	54,000,000	0.5	4,487	103,199		107,686
Transaction costs related to the issuance of share capital				(3,738)		(3,738)
Deemed dividend					(2,299)	(3,587)
Issue of warrants to the founding shareholders					(1,288)	
Net profit					1,554	1,554
At 30 September 2007	56,000,000		4,654	99,461	(2,033)	102,082

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

During the period 5 January 2007 to 30 September 2007, NHL had the following issuances of shares that are fully paid:

Deemed dividend

On 2 May 2007 NHL entered into an agreement with Dyvi AS to acquire the development stage heavy lift crane vessel business. According to the agreement, NHL would enter into certain agreements to purchase and finance a heavy lift crane. The acquisition cost represented a cash consideration in the amount of USD 3.39 million.

The transaction is considered to be at transaction with a controlling shareholder, and as such the assets and liabilities assumed in the transaction have been accounted for at carry-over values. The difference between the carry-over values (USD 1.091 million representing intangible assets assumed) and the acquisition cost according to the agreement has been classified as a dividend.

Warrants

In connection with the share issuance on 24 May 2007, NHL issued 3,319,000 warrants to the founding shareholders, each giving right to subscribe for one new share of ordinary class. The warrants can be exercised at any time prior to 21 May 2010 at an exercise price per share of NOK 15.60.

As of 30 September 2007, no warrants have been exercised. The warrants have been determined to be a liability because they fail to meet the requirements of fixed amount of cash for fixed amount of its own shares as required by IAS 32. Consequently, the fair value of the warrants amounting to USD 1.3 million at the issue date has been recorded as a deemed dividend. Subsequent to issuance, the liability is marked to market at each balance sheet date and the resulting change in fair value is recognised in the income statement within changes in fair value of financial instruments – net.

In the period from 21 May 2007 through 30 September 2007, a gain of USD 152,000 has been recorded. The fair value of warrants granted on 21 May 2007 was determined using the Black-Scholes valuation model was USD 0.45 per warrant, representing a total fair value on the issue date of USD 1.3 million. The significant inputs to the model were share price of NOK 12.00 (USD 2.20), at the issue date, a volatility of 35%, a dividend yield of USD 0, an expected warrant life of three years, and an annual risk-free interest rate of 4.87%. The volatility measured at the standard deviation of continuously compounded share returns is based on peer group companies that are listed on a stock exchange.

Note 10 - Borrowings

	30 September 2007 (in thousand USD)
Non-current	
Senior secured bonds	112,186
	<u>112,186</u>
	30 September 2007 (in thousand USD)
6 months or less	0
6-12 months	0
1-5 years	112,186
Over 5 years	0
	<u>112,186</u>

Senior secured bonds

On 31 May 2007, NHL issued floating rate bonds of nominal value USD 100,000 at 3 months LIBOR + margin 6% bonds at a total par value of USD 115 million. The bonds mature with USD 30 million in June 2011 at par value and with the remaining USD 85 million in June 2012. 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). The senior secured bonds are pledged by all of the shares of the subsidiary NHLS and an escrow account of USD 113,999,000 (see note 8).

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 in priority 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	Price
At the Interest Payment Date in June 2010	105% of par value
At the Interest Payment Date in June 2011	102.5% of par value

Upon a change in control, the bondholder can demand the repayment of the bonds at a price of 101% of par value.

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

	(in thousand USD)
Fair value of the senior secured bonds at issuance (net of redemption option)	115,000
Less: Transaction costs allocated to bond	(2,913)
Amortised cost of bonds at issuance date	112,087
Interest amortised through 30 September 2007	99
Liability at 30 September 2007	<u>112,186</u>

During the term of the senior secured bonds, NHL must comply with certain covenants. The most restrictive covenants are that NHL shall:

- Not, and ensure that the Subsidiary neither shall, cease to carry on business
- Not, and ensure that the Subsidiary neither shall;
 - Sell or dispose of all or a substantial part of its assets or operations,
 - Change the nature of its business, or
 - Merge, demerge or in any other way restructure its business in a manner which might jeopardize the Borrower's fulfilment of its obligations under the Loan Agreement.
- not, and ensure that the Subsidiary neither shall, de-merge, merge or in any other way restructure its business, in a manner which might jeopardize the Borrower's fulfilment of its obligations under the Loan Agreement,
- not, and ensure that the Subsidiary neither shall, agree to any material changes to the Construction Contract or the Crane Contract which, in the reasonable opinion of the Loan Trustee, is likely to have a material adverse effect on the Borrower's ability to perform its obligations under the Loan Agreement
- not, and ensure that the Subsidiary neither shall, make any financial or other arrangements concerning the Vessel and its employment, other than the Preferred Senior Debt, which is likely to have a material adverse effect on the Borrower's ability to perform its obligations under the Loan Agreement,
- not, and ensure that the Subsidiary neither shall, grant any loans, guarantees or other financial assistance to any third party not being a member of the Group, except for guarantees issued in the ordinary course of business and relating to the employment of the Vessel, or as related to the Preferred Senior Debt,

- not, and ensure that the Subsidiary neither shall, make any arrangements which may jeopardize the Loan Security,
- always be the owner, directly or indirectly, of 100% of the shares in the Subsidiary,
- procure that the Equity Amount is used for financing of the Vessel (including all related costs)
- procure that the yard, under the terms of the building contracts, provides for reasonable and satisfactory maintenance and insurance of the Vessel (the value of the Vessel will gradually increase during the construction process and the insurance value shall be increased gradually),
- not, prior to the delivery date of the Vessel make any dividend payment, repurchase of shares or make other distributions to its shareholders.

No dividend payments or other distributions to shareholders shall be made during the term of the Senior Secured Bonds unless the equity to total assets ratio exceeds 0.35.

The amortised cost of the senior secured bonds at 30 September 2007 is USD 112.2 million and is calculated using an effective interest rate method.

Note 11 – Derivative financial instruments

(in thousands USD)

	Assets	Liabilities
Forward currency contracts – fair value hedges	1,454	1,454
Total	1,454	1,454
Less non-current portion:	899	899
Current portion	555	555

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

There was no ineffectiveness to be recorded from the fair value hedge.

(a) Forward currency contracts

The hedged highly probable forecast transactions in the firm commitment denominated in foreign currency are expected to occur at various dates during the next 24 months. Gains and losses are recognised in the income statement at the date when the instalments in the firm commitment are paid. In addition, change in fair value of the forward currency contracts and change in fair value of the recognised portion of the firm commitment, are recognised in the income statement at each reporting date. The gains and losses are assessed to be 100% effective, and hence the changes in fair values will offset each other.

Note 12 - Change in fair value of financial instruments

(in thousands USD)

The change in fair value of financial instruments is comprised of the following:

	Period from 5 January 2007 through 30 September 2007
Change in fair value of forward currency contracts (note 11):	
- Fair value losses	(1,454)
- Fair value gains	1,454
Ineffectiveness on fair value hedges (note 11)	0
Change in fair value of warrants	
- Fair value gains	152

Note 13 – Earnings per Share

(in thousands USD)

Basic and Diluted

Basic earnings per share is calculated by dividing the profit attributable to shareholders of NHL by the weighted average number of ordinary shares issued during the year.

	Period from 5 January 2007 through 30 September 2007
Profit attributable to shareholders	1,540
Weighted average number of ordinary shares in issue (thousands)	31,660
Basic earnings per share (USD per share)	0.05

Warrants issued to the founding shareholders, see note 9, have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the warrants (the warrants are “in the money”). As of and during the period ended 30 September 2007 the warrants have not been in the money, and as such the Group has not calculated diluted earning per share.

Note 14 – Commitments

Capital expenditures contracted for at the balance sheet date, but not recognised in the interim consolidated financial statements are as follows at 30 September 2007:

Vessel and crane instalments only	(USD million)
No later than 1 year	75.7
Later than 1 year and no later than 5 years	267.2
Later than 5 years	0

Note 15 – Related-party transactions

The following transactions were carried out with related parties:

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

On 2 May 2007, the date of when the Group acquired the development stage heavy lift crane business from Dyvi Maritime Invest AS, through the Private Placement (see note 9), Dyvi Maritime Invest AS controlled 60% of the Group. Additionally, Capricorn Investment AS owned by CEO Frederik Steenbuch, owned 20% of the shares in this period. Both parties are assessed to be related parties to the Group.

Following the completion of the Private Placement, the founding shareholders were diluted. The largest shareholder after the date of the Private Placement through 30 September 2007 was the Sector Speculare III private equity fund, representing 29,6% of the shares.

The following transactions were carried out with related parties:

Purchases of services and business

- Dyvi AS (Corporate and Technical management services) - USD 420,000
- Dyvi AS (Project initiation fee) - USD 3.39 million

Purchases of services are negotiated with related parties on a cost-plus basis, allowing a margin of 5 %

Key management compensation

Compensation to the CEO through Capricorn Offshore AS; a company which is fully owned by Frederik Steenbuch - USD 89,000

Period end balances arising from purchases of services

Payables to related parties:

– Dyvi AS	3.810	
– Capricorn Offshore AS		1

The payables to related parties arise mainly from purchase transactions of the management services and the project initiation agreement. The payables related to the project initiation fee bear an interest of 5%.

A project initiation agreement was approved at the General Meeting held on 2 May 2007. This agreement is deemed to represent an acquisition of the development stage heavy lift crane business from Dyvi AS. According to the project initiation agreement the Group agreed to pay a total consideration of USD 3.390,000 to Dyvi for the rights and obligations assumed, referred to as "the project initiation fee". The agreement included certain management services to be provided to the Group from Dyvi AS in connection with the initiation and operation of the Group, the purchase of design rights to the Vessel and a termsheet and plans for the funding of the project. The transaction has been accounted for as a common control transaction based on carry-over values. The difference between carry-over values and the total consideration has been accounted for as a deemed dividend. See note 5 and note 9 above for further information.

Note 16 – Taxes

The Group currently consist of the parent company, NHL registered in Norway, and its subsidiary, which is also the shipowning company, NHLS, registered in Cyprus. The current corporate tax rate in Norway is 28%. The Cypriot company will be subject to Cyprus taxation.

Norway

The Group has generated a profit before tax of USD 1,540,000 as of 30 September 2007. However, due to permanent and temporary differences the taxable income for the period is negative for the Norwegian entity and for the Group. The differences relate to capitalised interest expenses, borrowing costs included in the amortized cost of the loan, and share issuance costs charged directly to equity.

The Group has not yet signed any revenue generating contracts, and as a result, the management has concluded that the deferred tax asset does not qualify for recognition under IAS 12. Hence, no deferred tax asset has been recognized as of 30 September 2007.

Cyprus

NHLS will become the owner of the Vessel that will be registered in the Cyprus Ship Register upon delivery. It is the intention of the Group that the Vessel will be made subject to Cyprus tonnage taxation. No income tax will be payable on the profits earned or dividends paid by Cyprus shipping companies (earned on shipping activities) which owns vessels flying the Cyprus flag and that operates in international waters (including chartering), or on the salaries of officers and crew of such ships.