



THIRD QUARTER 2011

Consolidated Interim Financial Report

CECON ASA

Cecon ASA – 3rd Quarter 2011**Highlights of Q3 2011:***Highlights of the quarter Q3/2011*

- Davie Yards Inc. assets acquired by Davie Canada Inc., subsidiary of Upper Lakes Group
- Cecon's existing shipbuilding contracts transferred to new yard operating company
- Revenues Q3: NOK 0.037 million
- EBITDA: NOK -35.648 million end Q3, for Q3 NOK -12.052 million
- Loss for the period: NOK 43.431 million whereof NOK 33.871 million is non-capitalized interest on vessels under construction loan
- Profit end Q3: NOK 232.084 million

Subsequent events:

- NOK 100 mill Subsea Installation Contract in West-Africa awarded
- Prospectus approved by the Financial Supervisory Authority of Norway
- Davie takeover completed. New financial structure and new owner in place.
- Renegotiation of amendments to existing shipbuilding contracts commenced
- Smaller part-payments from earlier clients have been received

Operation

The main activity has been engineering and front end project work. No offshore construction work has been carried out in this quarter. Significant work has also been carried out in preparations and submissions of tenders and other market activities.

Period Results

The Q3 period result for operations shows an EBIT of NOK -13.217 million from revenue of NOK 0.037 million. Net financial loss amounts to NOK 30.214 million giving a pre tax loss of NOK 43.431 million. The net financial loss of NOK 30.214 million in Q3/2011 is mostly related to interest on the 1st priority shipbuilding loan from EDC (NOK 22.464 million).

Financial information*Information regarding functional currency*

These consolidated financial statements are presented in NOK. Cecon Shipping 1 AS, Cecon Shipping 2 AS and Cecon Shipping 3 AS have USD as their functional currency, while Cecon NL BV has EUR as functional currency. Cecon ASA's functional currency is NOK. There is a continuous evaluation process to resolve the correct functional currency for Cecon ASA under IFRS.

Consolidation

The subsidiaries are consolidated in the unaudited figures as per 30 September 2011 and Q3/2011.

Overall operational risk

The Group is operating within the oil industry service sector, and the activity is dependent on the international oil price. Since major oil suppliers/reserves in the world are located in political unstable areas and are very exposed to world's financial markets, the overall market activity may alter fairly quickly. There are no appropriate means to control these risks, but through selection of reputable clients the Group tries to limit the exposure.

Currency Exchange risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of Group entities, primarily NOK, USD, GBP and EUR.

Hedging of the currency exchange risk will be performed when appropriate.

The short term effect of currency exchange risks on day to day operations given the income, major costs, investments and financing being in USD, GBP and EUR will normally be minor.

The new-building financing is denominated in USD as are the contracts for the 3 hulls.

Market and Outlook

Cecon has recently been awarded a contract for a fast-track pipeline installation project in West Africa. Cecon is expecting more contract awards within the

next months to come, confirming the strengthening of SURF market in Cecon ASA's major geographic regions.

The number of prospects for subsea pipelaying is continually increasing. Number of prospects and tenders that the Group is working on, has increased from 20 to more than 40. These prospects have grown from 600 km to in excess of 1000 km of pipelaying of varying dimensions including rigid steel, trunklines and flexibles and in addition heavy lifting.

The Group has a good competitive edge on pricing, flexibility and performance in this market.

The board expects the company to deliver profit in Q1/12.

Davie Canada Inc. (New-buildings and yard funding situation)

On 22 July 2011, Davie Canada Inc. ("Davie Canada"), a company wholly owned by the Upper Lakes Group, acquired assets from Davie Yards Inc. Davie Canada has entered into a joint venture with SNC Lavalin Defense Contractors Inc. This Joint Venture is responsible for operating the yard facility.

As part of the acquisition of the assets, Davie Canada acquired the Amended Construction Contracts. At the same time an amending letter agreement was entered into between Davie Canada and the Group, under which the parties agreed to negotiate a new time and cost frame for completion of the Vessels, on certain conditions. These discussions are ongoing and expected to be finalized during December 2012.

The Group's financing

The Davie Yard Inc. situation made the Group decide to stop the interest payments to EDC during 2010, with reference to the limited recourse clause in the loan agreement. This policy is still valid.

The Group's liquidity will continuously be improved through project execution and receipt of outstanding receivables.

Subsequent events

NOK 100 mill Contract awarded for Subsea Installation in West Africa

Cecon has recently been awarded contract for a fast-track pipeline installation project in West Africa. Engineering and Project Management have commenced with Installation expected completed by end February 2012. The project will be executed

using Cecon installation spread on a third party chartered installation vessel.

Completion of Cecon Newbuildings at Davie Quebec

Davie was not awarded the first contracts of the NSPS, however a substantial amount of shipbuilding for the Canadian government will be outside of the NSPS. The new Davie constellation will have a competitive edge on these projects due to the other major Canadian shipyards being filled up with the NSPS building program. Cecon has been assured that not being awarded the NSPS contracts does not alter the long term objectives of the new owners of the Shipyard.

Prospectus disclosed

The Group has worked with a Prospectus for a long time, and it is now approved by The Financial Supervisory Authority of Norway. The Prospectus was disclosed immediately upon approval. The shares issued in connection with the bond loan restructuring are now free to trade, and the warrants previously suspended from the stock exchange are now tradeable.

Delayed payments from earlier clients

The Group has now started to receive smaller parts of earlier outstanding receivables. So far minor amounts have been received, together with a payment schedule.

Part payment of major receivables has been promised within year end.

Operating revenue and result (unaudited)

Revenues from operations per Q3/2011 are NOK 0.037 million compared to NOK 0.742 million for the same period in 2010. Operating loss from operations is NOK 13.217 million and NOK 9.380 million respectively.

Additional information

For further information on operating activities, corporate governance, risk exposure etc see the Group's Annual report for 2010.

Going concern considerations

The going concern evaluation has been – and is continuously being – performed by the management and the board. The accounts have been prepared on the assumption of a going concern.

Additional detailed ongoing concern considerations can be found in the annual accounts disclosed on 28 April 2011. See also recent disclosed Company updates.

Arendal, 23 November 2011

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Interim income statement

(Consolidated - all figures in TNOK)

Unaudited

	Notes	Q3 2011	30.09.2011	Q3 2010	30.09.2010	31.12.2010
Revenues		37	111	742	9 183	9 452
Project costs		0	-137	1 376	-10 084	-10 480
Employee benefit expenses		-4 904	-15 693	-8 728	-20 492	-27 277
Depreciation and amortisation		-1 165	-3 499	-1 184	-3 603	-6 657
Impairment		0	0	0	0	-142 400
Other expenses		-7 185	-19 929	-1 586	-7 343	-15 064
Operating profit		-13 217	-39 147	-9 380	-32 339	-192 426
Finance income	5	818	399 834	-7 528	3 781	4 641
Finance cost	5	-31 502	-128 547	-3 160	-13 733	-166 126
Share of (loss)/profit of associates		471	-56	-163	-152	-236
Finance income - net		-30 214	271 231	-10 851	-10 104	-161 721
Profit before income tax		-43 431	232 084	-20 231	-42 443	-354 147
Income tax expense		0	0	5 911	12 981	0
Profit for the period		-43 431	232 084	-14 320	-29 462	-354 147
Attributable to:						
Equity		-43 431	232 084	-14 320	-29 462	-354 147

Earnings per share for profit attributable to equity holders of the parent (expressed in NOK per share)

Basic	-0.2924	1.7907	-0.1446	-0.2975	-3.5767
Diluted	-0.2924	1.7907	-0.1446	-0.2975	-3.5767

Interim statement of comprehensive income

(Consolidated - all figures in TNOK)

Unaudited

	Q3 2011	30.09.2011	Q3 2010	30.09.2010	31.12.2010
Profit for the period	-43 431	232 084	-14 320	-29 462	-354 147
Other comprehensive income					
Exchange differences on translation of foreign entities	34 923	15 115	-42 658	6 013	9 691
Other comprehensive income for the period	-8 508	247 199	-56 978	-23 449	-344 457
Total comprehensive income for the period	-8 508	247 199	-56 978	-23 449	-344 457

All comprehensive income is attributable to equity holders of the parent.

Interim balance sheet

(Consolidated - all figures in TNOK)

Unaudited

	Notes	30 Sep 2011	30 Sep 2010	31 Dec 2010
ASSETS				
Non-current assets				
Vessels under construction	7	2 024 936	2 259 340	2 024 866
Property, plant & equipment		36 094	43 658	39 132
Intangible assets		197	171	501
Investments in associates		2 471	2 610	2 527
Other financial assets		1 600	126	1 549
Other receivables	6	1 482	451	389
Total non-current assets		2 066 781	2 306 355	2 068 964
Current assets				
Trade and other receivables		105 213	138 840	125 275
Other current financial assets		511	0	200
Cash and cash equivalents	3	6 149	3 597	1 452
Total current assets		111 872	142 437	126 927
Total assets		2 178 653	2 448 793	2 195 891
EQUITY				
Capital and reserves attributable to equity holder of the company				
Share capital	8	7 426	4 951	4 951
Share premium		928 277	874 811	874 811
Other equity		36 719	27 620	31 298
Retained earnings		-544 161	-486 518	-811 203
Total equity		428 261	420 864	99 857
LIABILITIES				
Non-current liabilities				
Interest bearing loan		0	0	0
Bond loan		365 229	0	0
Total non-current liabilities		365 229	0	0
Current liabilities				
Short term loan / bond loan		704	1 820 713	658 590
Interest bearing loan	9	1 161 849	0	1 161 992
Trade and other payables		222 610	207 217	275 451
Total current liabilities		1 385 163	2 027 929	2 096 033
Total Liabilities		1 750 393	2 027 929	2 096 033
Total equity and liabilities		2 178 653	2 448 793	2 195 891

Interim statement of changes in equity

(Consolidated - all figures in TNOK)
Unaudited

	Attributable to equity holders of the parent					
	Share capital	Share premium	Other equity	Translation reserve	Retained earnings	Total equity
Balance at 1 January 2009	3 808	807 214	716	152 916	28 033	992 687
Profit for the period	0	0	0	0	-485 090	-485 090
Other comprehensive income	0	0	0	-132 686	0	-132 686
Total comprehensive income	0	0	0	-132 686	-485 090	-617 776
Private placement June 2009	381	15 614	0	0	0	15 995
Private placement December 2009	762	55 601	0	0	0	56 363
Issuing cost – net	0	-3 618	0	0	0	-3 618
Employee share option scheme	0	0	509	0	0	509
Balance at 31 December 2009	4 951	874 811	1 225	20 230	-457 056	444 160
Balance at 1 January 2010	4 951	874 811	1 225	20 230	-457 057	444 160
Profit for the period	0	0	0	0	-354 147	-354 147
Other comprehensive income	0	0	0	9 690	0	9 690
Total comprehensive income	0	0	0	9 690	-354 147	-344 457
Employee share option scheme	0	0	153	0	0	153
Balance at 31 December 2010	4 951	874 811	1 378	29 920	-811 203	99 857
Balance at 1 January 2011	4 951	874 811	1 378	29 920	-811 203	99 856
Profit for the period	0	0	0	0	232 084	232 084
Other comprehensive income	0	0	0	15 115	0	15 115
Total comprehensive income	0	0	0	15 115	232 084	247 199
Private placement March	2 475	53 460	0	0	0	55 935
Issue of warrants	0	0	25 209	0	0	25 209
Conversion of warrants	1	6	0	0	0	7
Employee share option scheme	0	0	55	0	0	55
Balance at 30 Sep 2011	7 426	928 277	26 642	45 035	-579 119	428 261

Interim cash flow statement

(Consolidated - all figures in TNOK)

Unaudited

Cash flow from operating activities:

	Period ended 30 Sep 2011	Period ended 30 Sep 2010	2010
Profit before tax	232 084	-42 443	-354 147
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation of property, plant and equipment	3 195	3 603	4 632
Amortisation of intangible assets	304	0	141
Loss on disposal of equipment	0	154	1 884
Share-based payment transaction expense	13	152	153
Share of profit of associates	0	0	-77
Share of loss of associates	56	0	313
Impairment of vessels under construction	0	0	142 400
Finance income	-397 151	-3 211	-3 418
Finance cost	121 334	13 544	165 999
Changes in trade and other receivables	14 202	394	-7 715
Changes in trade and other payables	2 488	116 508	25 692
Cash flow from operating activities - net	-23 475	88 701	-24 143
Cash flow from investing activities:			
Purchases of property, plant and equipment	-207	-137 052	-7 177
Sale of property, plant and equipment	50	0	411
Other investing cash flow - net	0	0	806
Cash flow from investing activities - net:	-157	-137 052	-5 960
Cash flow from financing activities:			
Proceeds from the issue of ordinary shares	7	0	0
Transaction costs of issue of shares	0	0	0
Interest earned	4	24	79
Interest paid	-698	-5 401	-5 802
Proceeds from borrowings	34 395	24 947	4 901
Repayment of borrowings	-5 575	-6 432	-6 432
Cash flow from financing activities - net:	28 133	13 138	-7 254
Net increase in cash equivalent and bank overdraft:	4 697	-35 213	-37 358
Net foreign exchange difference	0	0	0
Cash and cash equivalent and bank overdraft at start of period	1 452	38 810	38 810
Cash and cash equivalent and bank overdraft at end of period	6 149	3 597	1 452

Selected notes and disclosures for Q3

A general description of the Group, and the principal accounting policies applied in the preparation of these IFRS Financial statements and financial statements, are presented in the Annual IFRS Financial Statements for 2010. These Financial Statements should be read in conjunction with the Annual IFRS Financial Statements for the year ended 31 December 2010 as they provide an update of previously reported information.

1. New-building program

The Group entered into the construction contracts for hulls 717 and 718 with Davie Quebec Inc. ("Davie") in Q1/2007 original at USD 132.6 million each. During Q3/2007 the Group entered into the construction contracts for ship no. 3, hull 719. The original contract price for the vessel is USD 144.4 million which is a fixed price including a 400t crane vs the 250t crane on the two first vessels. The vessels are of a Vik-Sandvik vs. 4220 design which is easily adaptable during construction for use as, e.g., Pipelay, ROV, Subsea construction, Seismic vessel, etc. To improve the yard's capitalization and ensure delivery of the three vessels, the Group has agreed to a cost increase of USD 63 million for the three vessels (717; USD 155 million, 718; USD 152.5 million and 719; USD 165.1 respectively). Financial problems at the yard were revealed in February 2010 when Davie entered creditor protection in Canada. All work by Davie Yards on the Vessels ceased in April 2010, and this work has not resumed. On 22 July 2011, Davie Canada acquired assets from Davie Yards, including the Amended Construction Contracts. Davie Canada entered into the JV with SNC-Lavalin for the purpose of operating the yard. At the same time, Davie Canada and the Company entered into the Amending Letter Agreement, the terms of which were approved by EDC (as lender under the EDC Loan), under which the parties agreed to negotiate a new time and cost frame for completion of the Vessels, on certain conditions. Davie Canada/JV is not bound by the terms in the Amended Construction Contracts regarding time and cost frame for completion of the Vessels. Davie Canada/JV is currently undertaking an examination of the Vessels to determine cost frame and time to complete, and is undertaking such examination totally independent of any existing milestones under the Amended Construction Contracts. At this stage the Group is therefore not able to state an expected price, nor delivery date, for the Vessels. Despite all efforts made by the Group there are no assurances that further delays and additional cost-overruns will not occur and such events, if occurring, could have a major adverse impact on the Group.

2. Refund Guarantee / Limited recourse

Offshore Holding AS (previously Davie AS) has provided the Group with a refund guarantee in the amount of USD 18,500,000 to secure the payment obligation of the Davie Yards Inc. in the event the contract is lawfully cancelled. The same refund guarantee shall secure the hulls 717, 718 and 719 with a maximum of USD 4.641 million pr hull.

The loan agreement with Export Development Canada Inc. (EDC) includes a limited recourse. Default by Manufacturer (Davie Yards Inc.) will not open for recourse on either parent or delivered vessels. Security will be vessels under construction and appurtenant equipment.

The vessels will, pursuant to the construction contracts at all times be the property of the Group in all stages of construction, and all materials, components, machinery and equipment purchased and/or delivered at Davie for the fitting or affixing to the Vessels or for use in the construction or equipping of the Vessel (or any part thereof) or appropriated for its construction shall become the Group's property.

3. Cash and cash equivalents

Cash and Cash equivalents consist of cash at bank amounting to TNOK 6,149.

4. Trade and other payables

Trade and other payables amount to TNOK 222,610. The Group follows the generally accepted practice of percentage-of-completion basis for recognizing accrued contract revenues. As of 30 September 2011 non-accrued billed revenues amount to TNOK 0.

5. Currency

As of 30 September 2011 the Group had a net foreign exchange loss on TNOK 523 mainly on the reduction of NOK value on receivables and increased value of NOK on payables. USD, GBP and EUR denominated items will fluctuate with USD/NOK, GBP/NOK and EUR/NOK exchange rate. Major operational cost, investments and debt are in EUR, GBP and USD.

6. Other receivables

Other receivables amount to TNOK 1,482.

7. Vessels under construction

Instalments and direct costs in Vessels under construction amount to TNOK 2,024,936, after impairment in 2009 and 2010 of TNOK 708,418.

8. Share Capital

The total share capital of 148,525,800 shares are issued and paid up as of 30 September 2011.

9. Classification loan

The Group has not paid due interest on the interest-bearing EDC loan, this loan is therefore classified as short term debt in this financial report.

10. Contractual yard payments – construction contracts

See note 1 regarding information of the situation at the yard. The new-buildings, which are expected to be delivered in 2012/2013, had in the Amended Construction Contracts (terms not bound by new owner Davie Canada / JV) the following payment- and funding profile:

	2007	2008	2009	2010	2011/2012	Total
Contractual yard payments TNOK	790,344	465,405	1,049,280	0	444,480	2,749,509
Outstanding payments at NOK 6,00 = 1 USD	Paid	Paid	Paid	-	Outstanding	

The price increase of USD 63 million (agreed in 2009) is included in the figures above.

11. Related parties

Transactions in the period and balances with related parties at 30 September 2011 only relate to hire of offshore personnel from Cect Oilfield Services AS and consultancy services, pipe supply and welding from Reellay AS, as described in notes to the Annual IFRS Financial Statements for 2010.

12. Financial Statements

The financial statements have been prepared in accordance with IAS 34: The presentation of and classifications of items in the Financial statements are consistent with the Annual IFRS Financial Statements of 2010.