



NORDIC HEAVY LIFT ASA

Enterprise no. 990 919 321

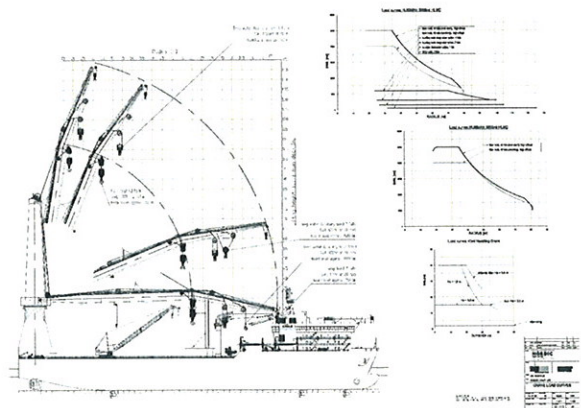
BOARD OF DIRECTORS' REPORT - 2007

Background

Nordic Heavy Lift ASA ("NHL") was established in January 2007 with the purpose to order a state-of-the-art 5,000 tonne crane vessel for future offshore installation and construction work. The Company's operation is run out of Oslo, Norway. The order was subsequently placed with the Sembawang Shipyard in Singapore. Sembawang has sub-contracted the hull fabrication with the Nantong Yahua Shipyard in China. The order for the 5,000 tonne mast crane was placed with Huisman in the Netherlands. The scheduled delivery date of the Vessel is 31 March 2010.



Among the unique features of the Vessel are DP3 class, significantly improved speed; 13-14 knots - compared to most existing crane vessels with about half that speed - and the largest crane of its kind. The Huisman crane and associated equipment include unique features like dual hoist, deepwater lowering capability, including active heave compensation; making the Vessel one of the most advanced deepwater installation monohulls that will be in operation. In the event of future requirement for pipelaying capability, the Vessel can be modified for either S-lay or J-lay operation. First steel cutting took place 22 January 2008, which was more than two months ahead of schedule.



Basic design was completed and approved by the classification society (DNV) in end August 2007, albeit with some recommendations, however, still within an acceptable level enabling detail design to commence ahead of schedule.

The contracts with Sembawang and Huisman contained options to build a second vessel, however, the Board of Directors decided not to proceed with a second vessel.

In order to finance the project, the Company raised USD 108 million of equity and a USD 115 million bond loan in early May 2007. The total amount of equity and bond is sufficient to finance the Company's newbuilding activity until 2nd Q 2009, by which time the Company will start drawing upon a conventional loan; with or without export credit facilities.

The Company's Board of Directors includes three men and two women.

Health, Safety and Environment (HSE)

The Company's Board of Directors and the Management of the Company regard all relevant HSE matters with utmost focus and attention. HSE matters will be further emphasized when the Company's crane vessel becomes operational in 2010. Meanwhile, the Company is continuously expressing to its sub-contractors that failure to adhere with relevant HSE procedures is not an option. For the time being, this specifically relates to the yards where the Vessel hull is being built and where it will be assembled, as well as with providers of Owner Furnished Equipment ("OFE").

The Board of Directors is of the firm opinion that the Company has not contributed in causing any pollution of significance to the environment. The Company is committed to operate its Vessel in an environment where a minimum amount of CO₂ pollutant is generated. Consequently, the Company's Vessel will be built according to strict applicable DNV notations.

Employment

The Company has not had any employees in 2007. Consequently, there are no reported injuries to any employees. As most equipment is still in the engineering phase, there is no reported damage to the Company's equipment. The management of the Company has been run by a hired-in CEO. Day-to-day operation of the Company has been provided by Dyvi AS ("Dyvi"), via a separate Corporate Management Agreement. Dyvi is also providing the site team to supervise the construction of the Vessel. None of the site team members are employees of the Company or Dyvi.

Finance

As the only activity of the NHL is its Vessel under construction, the Company had no significant operating revenues in 2007. NHL does not expect to have any operating revenues until after delivery of the Vessel. The Group's operating profit in 2007 was USD (1.27 mill). Pretax profit was USD 1.117 million. As the Company was not established in 2006, there are no comparable numbers for 2006. The year-end profit for the parent company is USD 226,000 is allocated to other equity. There is no free equity. The Company is reporting in accordance with IFRS accounting guidelines which are detailed in the Financial Statements of this 2007 Report.

The Company's interest bearing debt per 31 December 2007 was USD 115 million. This amount included in its entirety the bond which the Company raised in May 2007 in connection with its immediate finance need.

The Company has declared options to include certain main crane improvements; dual hoist and deepwater lowering capability in particular. This has resulted in an increase in the Company's funding need, estimated not to exceed about USD 20 million. The Company believes that the earnings potential will be considerably enhanced following this investment.

This approximately USD 20 million investment is in addition to the technical improvements, provisions in the Sembawang- and Huisman contracts, increased site team cost, SG&A and pre-opex cost, which the Company reported in its 3rd Quarter 2007 Board of Directors' Report. This amount is also estimated to be approximately USD 20 million, still allowing for the original contingency of about USD 9 million, meaning that the overall additional cost increase taking all said activities into account, is estimated to be about USD 40 million.

The Board of Directors is of the opinion that the Financial Statements and the Balance Sheet reflect the status of the Company per 31 December 2007.

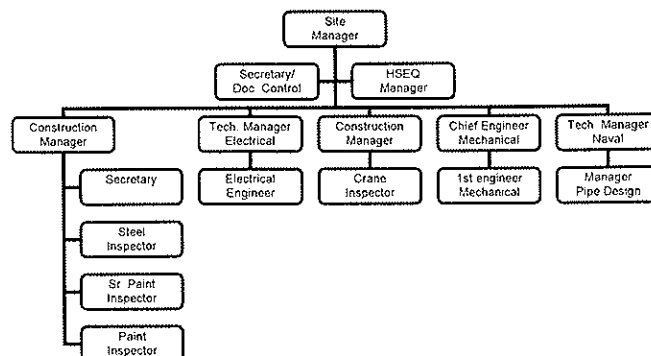
There has not been any activity in 2008 which has had a material effect on the Company in 2008.

The Board of Directors is of the opinion that the assumptions for continuous operations are met.

Despite the cost increases and investments referred to above, the Board of Directors is of the opinion that the expected financial development of the Company is in line with the assumptions and expectations previously forecasted and announced.

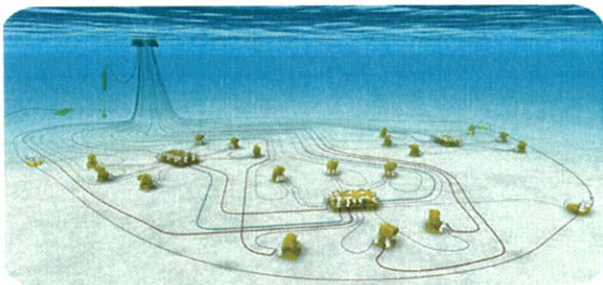
Construction Project Development

In order to run an efficient operation, the Company entered into a Technical Construction Management Agreement with Dyvi who is responsible towards the Company during the construction phase of the Vessel. Dyvi is well into the process of establishing its project team and site team. Out of an intended site team of 16 members, eight have been recruited, including the key site team personnel; many of whom have experience from similar projects undertaken by the same yards and main vendors.



As informed in the 3rd Quarter 2007 Board of Directors' Report, all critical path equipment has been ordered and is scheduled to be delivered in ample time to make all possible efforts to ensure that the Vessel will be delivered on time.

During the 4th Quarter 2007, the Company spent a considerable amount of time with Huisman to optimise the specification of the main crane. The Company is confident that it has now reached an optimum solution to cover ranges from small lightweight lifts which are required at extreme heights to heavy loads with reduced crane radius as well as deepwater lowering capabilities specifically aimed at deepwater installation of subsea equipment; wellheads, manifolds, christmas trees, clusters, etc., as typically illustrated below.



The Company's Manager; Dyvi has also spent considerable time with both Sembawang and the Chinese hull fabrication yard; Nantong Yahua Shipyard in order to be best possibly prepared for the construction phase and interface with OFE activities.

Risk Factors

As there are several risk factors associated with a project like the Company's project, the Board of Directors has endorsed preparations to mitigate some of the most evident risk factors.-

- Design Risk - Sea of Solutions, which is now majority owned by the Ulstein Group, has years of relevant experience. Basic design has been approved by DNV, and detail design is well under way.
- Fabrication Risk - The Company has entered into a turnkey contract with an experienced shipyard; Sembawang. Sembawang is sub-contracting the hull fabrication, resulting in a limited yard interface exposure for NHL.
- Long Lead Items - Contracts for all such equipment have been finalised, ie the 5,000 tonne main crane, power package with thrusters, etc., all with fairly robust delivery times.
- Huisman Crane - Huisman is a world leading crane manufacturer with several cranes on orders. The company is also a leading provider of sophisticated J-lay systems.

- Building Supervision - Dyvi has many years of experience in advanced rig- and vessel projects. The Site Team includes many experienced people from similar challenging projects.
- Currency Risk - The Company has currency exposure in NOK, USD and EUR, where the latter is hedged against USD, being the Company's denominated currency.
- Finance Risk - The Company has sufficient funds until 2nd Q 2009 covered through USD 108 million of equity and USD 115 million of bonds. The Company has positive feedback from conventional lenders for its remaining debt finance need.
- Project Progress - The project is currently proceeding according to schedule. Although, certain cost increases have occurred, they are still within normal expectations for a project of this kind.

Shareholder and Bondholder Structure

The Company's stock is trading at the OTC market in Oslo, Norway. As for most OTC listed companies, the current trade liquidity is fairly limited.

The Company has some 80 shareholders of whom the 20 largest own about 93%. The shareholders are mainly Norwegian, but there are also UK and US investors. The Company's bond is mainly held by and equal number of UK and US investors, and a smaller portion by Norwegian investors.

Corporate Structure

As the Norwegian Government has introduced a more favourable tonnage tax regime for shipowners, the Company is evaluating whether it should consider changing the vessel ownership from its current 100% subsidiary company; Nordic HL Shipowning Co. Ltd., ("NHLS") which is registered at Cyprus. The Company is proceeding with the establishment of Nordic Operating Company; which will be responsible for IR, commercial, engineering, operations and also directly or indirectly the employer of the Vessel's construction crew. The marine crew will be provided by Dyvi. After thorough evaluation, the Board of Directors has concluded that establishing its operating company in the Netherlands will be the most favourable solution for the Company.

Although, the Company's original intention was to apply for listing at Oslo Axess for end 2007, the Company's Board of Directors (as previously announced) decided to postpone such application until early 2008. The Board of Directors has since concluded that it will postpone its discussion to consider an Oslo Axess application to 2nd half 2008.

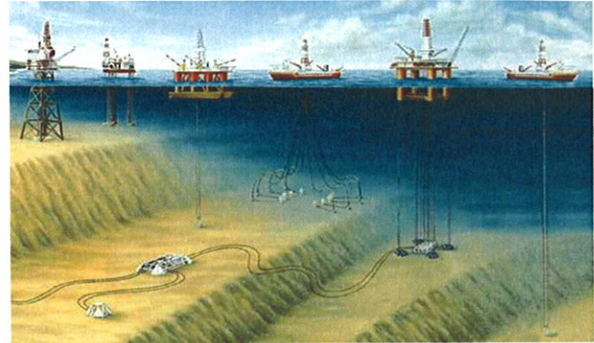
Nevertheless, the Company is reporting according to Norwegian Corporate Governance Guidelines for listed companies as if the Company would have been listed at Oslo Axess.

Market Conditions

The offshore construction market is currently strong and is expected to stay strong in the foreseeable future. The Company is gradually starting to receive requirements for operation in 2010 and beyond. Apart from one other 5,000 tonne crane vessel being under construction in the Netherlands, the Company is not aware of any other similar new constructions or any plans for similar type of vessels being actively considered by other offshore construction companies.

Despite a marginal volatility in the offshore oil and gas market, the general consensus is that this industry is expected to stay strong, with a high oil price and high level of offshore exploration and production activities

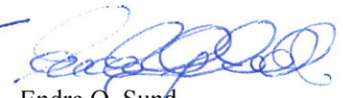
which also will benefit the offshore construction and installation market where the Company will become an active player covering installations of equipment as illustrated below.

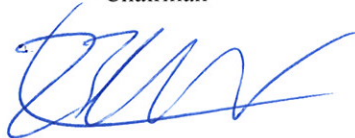


Oslo, 5 March 2008


Jan Frederik Dyvi
Chairman


Christine Rødsæther
Board Member


Endre O. Sund
Board Member


Rob Boer
Board Member


Tove Raanes
Board Member


Frederik Steenbuch
Chief Executive Officer