



**NORDIC HEAVY LIFT ASA**  
Enterprise no. 990 919 321

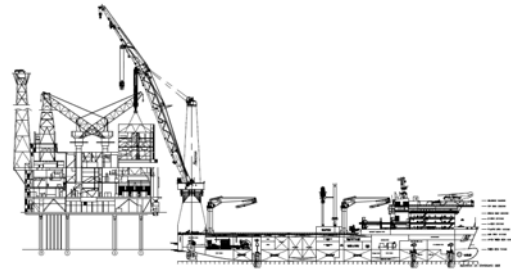
## **BOARD OF DIRECTORS' 4<sup>th</sup> QUARTER 2008 REPORT**

### **Background**

Nordic Heavy Lift ASA ("NHL") was established in January 2007 with the purpose to order a state-of-the-art 5,000 tonne heavy lift crane construction vessel for future offshore installation and construction work. The order was 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 contractual delivery date was agreed to be 31 March 2010, however, due to slow progress at the hull builder, the estimated delivery date of the Vessel is more realistically end of 2<sup>nd</sup> quarter 2010.



Among the unique features of the Vessel are DP3 class, a high transit speed of 13-14 knots and the largest revolving mast crane of its kind with a capacity of 5,000 tonnes. The Huisman crane and associated equipment are specifically designed for deepwater lowering activities, which also includes active heave compensation. In the event that future use should require pipelaying capability, the Vessel can be modified for either S-lay or J-lay operations.



### **Finance**

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

The net result in the 4<sup>th</sup> Quarter 2008 amounted to USD -9.8 million and USD -10.7 million 2008 YTD (4<sup>th</sup> Quarter 2007 USD 0.9 million and USD 1.1 million 2007 YTD), representing predominantly results from re-valuation of fair values of financial instruments in accordance with IFRS accounting guidelines (USD -6.6 million YTD), and pre-delivery SG&A expenses (USD -2.9 million YTD). The tax position incurred amounting USD 1.3 million relates to the impact of currency results on cash instruments.

The Company had no operating revenues in the 4<sup>th</sup> Quarter 2008. The Company's operating result in the 4<sup>th</sup> Quarter 2008 amounted to USD -0.6 million and USD -2.9 million YTD. (4<sup>th</sup> Quarter 2007 USD -0.3 million and USD -1.3 million 2007 YTD).

The Company's 4<sup>th</sup> Quarter 2008 Financial Statements, unaudited, preliminary, are enclosed hereto.

The Company's long-term interest bearing borrowings per 31 December 2008, with a nominal value of USD 115 million and a balance sheet (amortized cost) value of USD 112.5 million, represents a bond loan which the Company raised in May 2007. The bond was raised shortly after the Company raised USD 108 million of equity. The current financing is considered to be sufficient funding until the end of the 2<sup>nd</sup> Quarter 2009.

The Company is currently in the process of establishing its long term financial requirement and how to resolve same. Consequently, in early 2009 the Company retained Arctic Securities ASA as its financial advisor to assist in the restructuring and raising new capital.

Early 2009, as an initial step in the overall finance restructuring program, the Company's Cyprus subsidiary; Nordic HL Shipowning Ltd., (being the Vessel owner) has purchased Company bonds offered by some of the bond holders. The total nominal value of bonds acquired amounted to USD 60.9 million at a purchase price of USD 16.3 million. The resulting gain

on group level of USD 44.6 million will be recognized in the 1<sup>st</sup> Quarter 2009 results.

Due to the growing uncertainty of financial institutions globally, there is a potential risk of a financial loss to banks holding the Company's deposits. However, all potential risks are carefully monitored and mitigated if required. There were no material risk factors identified in addition to those that were disclosed in the Financial Statements of 2007.

Related party transactions amounted to USD 1.5 million in 2008.

### Construction Project Development



Bow section construction at Nantong Yahua Shipyard

Sembawang Shipyard is progressing with the detailed construction and outfitting engineering which is approximately 60% complete. The overall progress at the end of 2008 was lagging about 10% behind compared to planned. This is mainly due to construction work of the hull at Nantong Yahua Shipyard, China which is now lagging approximately 4-5 months behind schedule. Nevertheless, the keel-laying of the Vessel took place in November 2008. The Company assesses that it is unlikely that Sembawang will be able to fully recover the schedule to the contractual delivery date. On this basis the Company is currently taking into account a revised estimated delivery date of end 2<sup>nd</sup> Quarter 2010.



Section building and coating at Nantong Yahua Shipyard

The Company and its technical construction manager Dyvi AS, with main office in Oslo and site offices in Singapore and Nantong, are in continuous dialogue with Sembawang regarding the measures Sembawang is implementing to recover the schedule both at Nantong Yahua Shipyard as well as during the outfitting phase following the arrival of hull at Sembawang Shipyard .

In parallel, as to the 5,000 tonne Huisman crane, the engineering, procurement and steel cutting is progressing satisfactory and is currently according to schedule.



Huisman China, pedestal section foundation for lower slew bearing

The overall Vessel construction capex remains within the Company approved / revised budgets as earlier communicated to the market.



Huisman, building transition part crane base

### **Corporate Structure and Organization**

The manning of the Company's wholly owned subsidiary; Nordic Heavy Lift Management BV ("NHLM"), in Rotterdam is progressing as planned. Mostly all management functions have been filled. NHLM is rendering, among others, commercial, technical, engineering and financial services. It is the intention that Nordic HL Shipowning Ltd. will manage and control the operations of the Vessel, after the current activity of construction supervision.

### **Market Conditions**

The recent fall in oil prices and other global events such as a reduction in overall demand and declined economic growth make the oil services market difficult to interpret. The supply of energy will however continue to largely depend on oil and gas production and also increasingly on the development of offshore fields in deeper waters and remote areas.

Recently, the International Energy Agency indicated to expect world oil demand to resume growth from next year, rising by about 1 million barrels per day in 2010. A February 2009 study by one of the leading energy analysts; Infield Systems Limited, suggests a robust future demand for offshore installation services. Whilst the supply side is increasing as well, albeit with limited additions, the study predicts a significantly higher demand compared to anticipated available supply. In light of this, the Company is well positioned to secure work for the Vessel during 2009 for execution in 2010 - 2011 and beyond.

The Company is discussing an increasing number of opportunities for the Vessel.

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Oslo, 27th February 2009  
The Board of Directors of Nordic Heavy Lift ASA