



## BULLETIN 1

**To** The Shareholders and Bondholders of Nordic Heavy Lift ASA

**From** Frederik Steenbuch

**Date** 20 August 2007

**Ref** Current Status

Ladies and Gentlemen,

As there are almost three months since the Nordic Heavy Lift equity- and bond transaction was completed enabling us to confirm the various orders with main contractors, ie Sembawang, Huisman and Rolls Royce, we would like to take this opportunity to provide our Shareholders and Bondholders with a brief up-date.

- The contract with Sembawang was finalised at the end of May 2007 when all subjects from both parties were lifted. In addition to being in regular contact with Sembawang, mainly through our Manager; Dyvi AS, we also spent most of last week in Singapore in "kick-off" meetings with Sembawang, as well as other main contractors. Our confidence in Sembawang being able to perform to our satisfaction was strengthened further in our meetings with Sembawang. It also gave us the opportunity to "visit" Sapura 3000 which is in final stages of outfitting and completion at Sembawang. Sapura 3000 is a combined derrick/pipelaying vessel, which has also been designed by the same engineering company as has designed the Nordic Heavy Lift vessel, ie Sea of Solutions. There is no doubt that "lessons learned" from the Sapura 3000 project will be very helpful for all parties as we proceed with our project. We also discussed the status and relationship with Sembawang's main sub-contractor, ie the Nantong Yahua yard in PRC which will build the vessel hull. The hull is due to be towed to Sembawang's facility in the 2<sup>nd</sup> Quarter 2009. Sembawang has an impressive activity going on at their yard including a newbuilding jack-up drilling rig, outfitting of two large FPSOs of which one is probably the largest in the world with a 2.0 mill bbl storage capacity and a topsides weight of 31,000 tonnes, up-grade of drillships and general vessel conversion- and repair work.

The methods and structure in how Sembawang plans to perform the work for Nordic Heavy Lift made us comfortable.

- Whilst in Singapore, we also went through the status of the Basic Design which is under the responsibility of Sea of Solutions. The scope of work that they have performed has proved to be more comprehensive than originally expected. In addition all classification societies have a much

larger work burden due to the large number of projects both related to offshore- and shipping activities. Nevertheless, we have obtained approval from Det Norske Veritas; our classification society when it comes to the "challenging" aft ship section, ie where the 5,000 tonne Huisman crane will be located, and the mid section. The approval of the fore section is scheduled to be obtained by the end of this week. Contractually, we trust that this will not have an impact on the schedule, however, if any, it ought to be minimal.

- Also whilst in Singapore, Det Norske Veritas gave us a comfortable run-through of their current- and future activities related to the entire project.
- The contract with Huisman was also finalised at the end of May 2007, when all subjects were lifted. Representatives from Huisman also attended the Singapore meetings. In this regard we also would like to mention that we have already made some "optional decisions" with respect to the workability of the 5,000 tonne Huisman crane. By early July 2007, we had to make a decision whether to reduce the crane height, thus enabling the vessel to transit via the Suez Canal where there is a 68 m height restriction. As we firmly believe that the bulk of our future work will be in the Atlantic basin, or if we are going to the Asian region it will be because of multiple work opportunities, we decided that lifting height was more paramount than being able to transit via the Suez Canal. For your reference, none of the semisubmersible construction vessels (SSCVs) are able to transit through the Suez Canal whilst a few lower capacity crane vessels can.

In early July 2007 we also declared our option for going forward in preparing the crane for deepwater lowering capability. This is in particular a feature which becomes important if we are to compete in the deepwater market for installation of subsea templates, Christmas trees, production well clusters, etc. We firmly believe that this will be an attractive additional market niche for our vessel. By early November 2007 at the latest, we need to decide whether we will equip the vessel for deepwater lowering capability with active heave compensation. If we do so, the actual cost is already accounted for in our budget.

During the recent past, Huisman has also presented to us a feature whereby the crane can be modified to act as if it were a dual crane. This is achieved via a split hook feature which has been developed by Huisman. The split hook feature is in particular very favourable when lifting jackets, ie being able to lift them in two points, and even more so when lifting jackets that are to be decommissioned, as experience shows that weights and vertical centres of gravity (VCG) tend to be somewhat inaccurate for 25-35 old jackets. We are currently discussing with Huisman the commercial impact, which in our opinion clearly is within an acceptable range, technical challenges both with respect to the crane, interface with the vessel as well as stability considerations, etc. We expect that a decision will be made shortly. Our stakeholders will be informed accordingly.

- The provider (Rolls Royce) of the thrusters and main engines also attended the meeting. The contract with Rolls Royce was originally entered into with the Company, but has since been assigned to Sembawang.
- Since end May 2007, we have also placed the order for a 40-tonne fixed deck crane. The only other main items, none of which are on critical path are a crawler crane and an emergency generator.
- When it comes to other corporate activities we are pleased to report as follows:-
  - Our policy is to minimise currency exposure hence we have taken active steps to hedge our currency requirements which are mainly in USD but also to a certain extent in Euros (75% of the cost of the 5,000 tonne Huisman crane).
  - We have finalised the relevant agreements related to incorporating- and establishing our 100% Cyprus subsidiary; Nordic HL Shipowning Company, which will be the actual owner of the vessel.

- Dyvi, as our Manager, is in the process of recruiting a Site Manager as well as other main functions of the Project Management Conversion Team to be located in Singapore and China; the latter both for the vessel hull construction and crane fabrication.
- In general we are pleased to advise that the market has reacted positively to the entrance of the Nordic Heavy Lift vessel as the largest monohull crane vessel to be in operation as from 2010 and beyond.
- Nordic Heavy Lift will give a presentation at the Pareto Offshore Seminar next Thursday 30 August. For those Shareholders and/or Bondholders that are unable to attend, and wish to receive a copy of the presentation, kindly advise your e-mail address for submittal of a copy.
- Nordic Heavy Lift is in the process of developing its web page. Our Stakeholders will be informed when it is operational.

We hope that this up-date is of interest to the Shareholders and Bondholders of Nordic Heavy Lift. If you have any questions, please feel free to contact us via e-mail or by phone. We will always encourage a two-way dialogue.