

**NEXUS FLOATING  
PRODUCTION LTD**

**FINANCIAL REPORT**

**SECOND QUARTER**

**FIRST HALF YEAR**

**2008**



## Nexus Floating Production Ltd: Second quarter 2008 results

The Nexus#1 building project is progressing according to plan. The delivery of Nexus#2 has been postponed to May 2011 in order to align delivery to market demand. The interest for the vessels has increased, confirming a more active market in deeper waters. In July a letter of intent was signed with Burgundy Global Exploration Corporation for the employment of Nexus#1 for the Malampaya oil development in the Philippines. The company maintains a positive market outlook.

### Nexus key financials (USD thousands)

	Q2 08	Q2 07	YTD 08	YTD 07	2007
<b>Revenues</b>	247	0	309	75	193
<b>EBITDA</b>	-882	-1 061	-1 802	-2 310	-4 278
<b>Investment in the ships</b>	508 390	254 478	508 390	254 478	274 889
<b>Profit before tax</b>	-742	-966	-802	-2 867	-2 906
<b>Earnings per share</b>	N/A	N/A	N/A	N/A	N/A

### Main events during Q2

The Nexus#1 FPSO was launched on June 22, 2008 according to schedule. The top-side construction project is progressing well and delivery of the generic Nexus#1 FPSO is expected to be June 30, 2009 according to plan.

During the second quarter the company has completed paid placement study work for specific field developments.

### Important events after Q2.

The company has decided to postpone the delivery of Nexus#2 to May 31, 2011. The main reason for this was to adjust the delivery of the vessel to the expected maturity of several field development projects in the company's target areas. In addition we have been able to do this without increasing our financial costs for targeting these prospects. The changed delivery gives an equal extension of payments to the yard. The total cost of the changed delivery is approximately USD 34 million which is about 5 per cent of the unit cost and in line with the financing costs.

The company has also decided to award a mandate letter to an international shipping and offshore

bank arranging a loan facility for the financing of the construction of Nexus #2.

On July 31 the company announced the award of a Letter of Intent (LOI) from Burgundy Global Exploration Corporation for the lease of the Nexus#1 FPSO. The contract is for a period of seven years, with first oil scheduled for the first quarter 2010. The LOI is for the Camago Malampaya Oil Leg project offshore the Philippines.

### Project Status

The Nexus#1 construction project is progressing according to plan, and the vessel was launched on June 22, 2008. The vessel was then moved quayside for completion. The assembly work for topside modules is ongoing, and erection of the topside has started. The assembly work for the pipe racks is completed.

The day-to-day project management is run from Arendal in Norway, by a project team consisting of personnel from Nexus Floating Production Norge AS and APL ASA (a company in the BW Offshore Group). Nexus has a frame agreement with APL ASA for technical support and building supervision through the construction phases.

Samsung Heavy Industries is responsible for detail engineering and construction.

Nexus has high expectations regarding the builder's HSE performance and the follow-up of this work is an important task for the Nexus site team, in addition to the inspections on quality related issues. By the end of the second quarter with more than 1.5 million hours worked, no lost time injuries have been reported on the Nexus projects.

Advanced Production and Loading AS (a company in the BW Offshore Group) has a contract for delivery of turret, mooring and swivel systems.

The progress of the Nexus#2 project has been aligned to the revised schedule and is progressing according to plan.

Advanced Production and Loading AS has also (a company in the BW Offshore Group) has been awarded the contract for the turret mooring system for Nexus#2.

### Finance

The company had an operating income of USD 247 thousand in the second quarter of 2008, and USD 309 thousand in the first half

year. In 2007, the income was 0 and USD 75 thousand in the second quarter and first half year respectively. The income is generated from study work for oil companies and reflects the increased activities in the FPSO markets.

The operating expenses have decreased slightly compared to 2007 and amounted to USD 1.0 million in the second quarter of 2008, and USD 1.9 million in the first half year, compared with USD 1.1 million in the second quarter 2007 and USD 2.3 million in the first half year.

By the end of the quarter the company had cash deposits of USD 26.3 million, and not drawn credit facilities of USD 320.0 million. Of the USD 104.2 million in payables, USD 91.3 million was related to the fourth milestone of Nexus#1 to Samsung. This milestone was paid on July 2, 2008.

#### **Organisational update**

The company is managed by Nexus Floating Production Norge AS, and this company has 3 full-time employees; Mr. Anders Holm, CEO, Mr. Arild Bårdsen, CFO, and Ms. Solfrid Fløystad, Office Manager. In addition, Mr. Johan Beek works as the company's Senior FPSO Technical Advisor on the basis of a full-time consultancy agreement.

Further the company has frame agreements with APL ASA (a company in the BW Offshore Group) for project execution,

building supervision, administrative services, marketing and subsequent operation of the vessels. A total of 42 persons are employed in the Nexus projects under the frame agreements.

#### **Marketing activities/Outlook**

The two contracted vessels are being marketed world-wide through bids, paid studies and dialogue with possible clients.

The intended locations for vessel contracts are harsh environments like the North Sea, the Atlantic West of Shetland and East of Canada, the Norwegian Sea and the Barents Sea. Also areas of hurricanes as the Gulf of Mexico, and typhoon infested areas like Australia and South East Asia are regions where the Nexus FPSOs are well suited. The vessels are tailor-made for the weather conditions in these areas.

Paid vessel placement study work has been completed in the second quarter. The long term demand for FPSOs looks promising due to the persistent high oil price and exploration activities in deeper waters and remote areas, where FPSOs often are the chosen development solution.

The delivery position of the Nexus vessels is well suited to meet that demand in a market where equipment lead times are increasingly longer.

#### **Major transactions with related parties**

Note 12 in the annual report for 2007 provides details of related

parties' disclosures. Nexus Floating Production Ltd has not taken part in any transactions with closely related parties in the first half of 2008. Neither has there been any changes to disclosures as described in the annual report for 2007.

#### **Key Risks**

The main operational risk factor for the company, is related to the contract situation for the company's two new built vessels, Nexus#1 and Nexus#2. As per August 20, 2008, the company has not entered into firm contracts with clients for the utilization of the vessels after delivery from the yard. As indicated in the marketing/outlook section the company is working with several prospects for the employment of both vessels.

Another important risk factor is related to the financing of the Nexus#2 project. The next main payment milestone for this project is due March 18, 2009 and the company needs additional financing for this milestone. The financial markets are volatile, but the company's project performance as well as the positive market development in Nexus' target areas should make it possible to secure the necessary financing for the Nexus#2 project.

Please also refer to risk factors as described in Nexus' annual report for 2007. The company has not identified any significant changes in the risk factors described in this report.

**Responsibility statement**

The first half year report has been prepared in accordance with IAS 34 (Interim Financial reporting). Accounting principles used in the half yearly reporting are identical to principles used in preparation of the Year End Financial Statement for 2007. The accounting principles are described in notes to the Year End Financial Statement.

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2008 has been prepared in accordance with IAS 34, and gives a true and fair view of Nexus Floating Production Ltd's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that this report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Singapore, August 20, 2008

The Board of Directors

**Finn Bjørnstad**  
Chairman

**Carl K. Arnet**  
Vice-Chairman

**Harry J. Bitounis**  
Director

**Jean-Jacques Royant**  
Director

**Svein Moxnes Harfjeld**  
Director

**Consolidated figures<sup>1</sup> (in USD 1000)**

**NEXUS FLOATING PRODUCTION LTD**  
**Consolidated figures according to IFRS**

<b>INCOME STATEMENT</b>	<b>Q2 2008</b>	<b>Q2 2007</b>	<b>YTD 2008</b>	<b>YTD 2007</b>	<b>2007</b>
(USD 1000)					
<b>Revenues</b>	<b>247</b>	<b>0</b>	<b>309</b>	<b>75</b>	<b>193</b>
Cost of sales	138	0	223	90	347
Employee benefits	197	566	439	1 507	2 575
Other operating expenses	795	496	1 449	788	1 548
<b>EBITDA<sup>2</sup></b>	<b>-882</b>	<b>-1 061</b>	<b>-1 802</b>	<b>-2 310</b>	<b>-4 278</b>
Depreciation	21	17	41	33	71
<b>EBIT<sup>3</sup></b>	<b>-903</b>	<b>-1 078</b>	<b>-1 843</b>	<b>-2 342</b>	<b>-4 349</b>
Financial income	425	185	1 621	610	3 544
Financial costs	-264	-73	-581	-86	-1 026
Other financial items <sup>4</sup>	0	0	0	-1 049	-1 075
<b>Profit before taxes</b>	<b>-742</b>	<b>-966</b>	<b>-802</b>	<b>-2 867</b>	<b>-2 906</b>
Taxes	4	-37	4	-122	-42
<b>Profit after taxes</b>	<b>-738</b>	<b>-1 003</b>	<b>-798</b>	<b>-2 989</b>	<b>-2 948</b>
Earnings per share (USD)	-0,0387	-0,0590	-0,0419	-0,2049	-0,2028
Diluted earnings per share (USD)	-0,0387	-0,0590	-0,0419	-0,2049	-0,2028

<sup>1</sup> The figures are not audited

<sup>2</sup> Earnings before interest, taxes, depreciation and amortisation

<sup>3</sup> Earnings before interest and taxes

<sup>4</sup> Cost related to the IPO

**NEXUS FLOATING PRODUCTION LTD**

**BALANCE SHEET**

(USD 1000)

**ASSETS**

**NON-CURRENT ASSETS**

Intangible assets	15	22	20
Vessels under construction	508 390	254 478	274 889
Other non-current assets	211	138	232
Pension funds	2	0	2

**TOTAL NON-CURRENT ASSETS**

**508 618 254 637 275 143**

**CURRENT ASSETS**

Other current assets	3 751	100 060	5 643
Cash and cash equivalents	26 264	123 831	153 733

**TOTAL CURRENT ASSETS**

**30 015 223 891 159 375**

**TOTAL ASSETS**

**538 633 478 529 434 518**

**EQUITY AND LIABILITIES**

**SHAREHOLDERS EQUITY**

**195 288 197 919 195 923**

**LIABILITIES**

Interest bearing loans	235 206	231 994	233 678
Pension liability	189	0	177
Deferred tax liability	2 065	0	2 065

**TOTAL NON-CURRENT LIABILITIES**

**237 460 231 994 235 921**

**CURRENT LIABILITIES**

Trade and other payables	104 194	48 115	967
Income tax payable	217	289	210
Public duties payable	120	54	72
Other short-term liabilities	1 355	158	1 426

**TOTAL CURRENT LIABILITIES**

**105 886 48 616 2 674**

**TOTAL LIABILITIES**

**343 346 280 610 238 595**

**TOTAL EQUITY AND LIABILITIES**

**538 633 478 529 434 518**

## NEXUS FLOATING PRODUCTION LTD - KEY FIGURES

		<b>30.06 2008</b>	<b>30.06 2007</b>	<b>31.12 2007</b>
	Note			
Equity ratio	1	36,3 %	41,4 %	45,1 %
Liquidity ratio	2	0,3	4,6	59,6
Net interest-bearing debt (USD 1000)	3	208 942	108 163	79 946
No. of employees incl. consultants		4	4	4

### Notes:

- 1) Equity / total capital
- 2) Current assets / current liabilities
- 3) Interest bearing debt - cash

## NEXUS FLOATING PRODUCTION LTD

### CASH FLOW STATEMENT

(USD 1000)

#### CASH FLOW FROM OPERATING ACTIVITIES

	<b>YTD 2008</b>	<b>YTD 2007</b>	<b>2007</b>
Ordinary profit before taxes	-742	-966	-423
Ordinary depreciation	21	17	14
Share option program	92	553	92
Income tax paid	0	30	0
Changes in debtors and creditors	103 069	47 068	18
Change in other balance sheet items	878	-97 884	2 243
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>103 317</b>	<b>-51 183</b>	<b>1 944</b>

#### CASH FLOW FROM INVESTING ACTIVITIES

Vessel under construction	-212 201	-151 562	-10 850
Investment in other non-current assets	2	-6	3
<b>NET CASH FLOW FROM INVESTMENTS ACTIVITIES</b>	<b>-212 199</b>	<b>-151 568</b>	<b>-10 847</b>

#### CASH FLOW FROM FINANCIAL ACTIVITIES

Change of interest bearing loans	772	60 275	740
Incorporation/increase in capital	0	35 110	-2 201
<b>NET CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>772</b>	<b>95 385</b>	<b>-1 461</b>

#### NET CASH FLOW

Cash as at start of period	134 374	231 197	164 097
<b>Cash as at end of period</b>	<b>26 264</b>	<b>123 831</b>	<b>153 733</b>

**NEXUS FLOATING PRODUCTION LTD**  
**STATEMENT OF CHANGES IN EQUITY**

(USD 1000)

	<b>YTD 2008</b>	<b>YTD 2007</b>	<b>2007</b>
Total shareholders equity at beginning of period	195 923	125 279	125 279
Profit after taxes for the period	-798	-2 989	-2 948
Currency translation difference	31	41	25
Incorporation	0	0	0
Issue of new shares	0	64 922	64 922
Convertible bond, equity part	0	11 494	9 428
Equity transaction cost	0	-2 205	-2 435
Share option program	131	1 377	1 651
<b>Total shareholders equity at end of period</b>	<b>195 288</b>	<b>197 919</b>	<b>195 923</b>

**Disclaimer for forward-Looking Statements**

This Report includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for Nexus Floating Production Ltd. and its subsidiaries. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the Nexus Floating Production Ltd.'s businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time. Although Nexus Floating Production Ltd. believes that its expectations and the information in this Report were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this Report. Neither Nexus Floating Production Ltd. nor its Directors or any of its subsidiaries is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the Report, and neither Nexus Floating Production Ltd., any of its subsidiaries nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the Report. Nexus Floating Production Ltd. undertakes no obligation to publicly update or revise any forward-looking information or statements in the Report.

**Facts about Nexus Floating Production Ltd.:**

Nexus Floating Production Ltd. has been established with the sole purpose of building, owning and operating Floating Production and Storage Vessels (FPSOs) for the international offshore oil production market. The company, which was incorporated by First Securities and APL on 6 May 2006, has signed Construction Contracts with Samsung, Korea, for the construction and delivery of two Floating Production Storage & Offloading vessel (FPSO), "Nexus#1" and "Nexus#2". The first vessel was contracted on June 19, 2006 with Samsung Heavy Industries Ltd. On June 18, 2007, the company signed the contract for the second vessel on substantially similar terms as the first. These FPSOs are new builds specified for operation in harsh environments. The first vessel will be delivered from the yard in June 2009, and the second in May 2011.

Nexus is founded as a Singapore company, governed under Singapore law and is managed by Nexus Floating Production Norge AS under a management agreement.

For further information, visit: [www.nexusfp.no](http://www.nexusfp.no)

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