



## Information Memorandum - Nexus Floating Production Ltd

### Listing Oslo Axess, 22 December 2009

#### 1. Background

This Information Memorandum has been issued in connection with the decision of the Oslo Stock Exchange (OSE) dated 26 November 2009:

*"Oslo Børs has decided to transfer the company's shares to listing on Oslo Axess as of 22nd December 2009. Before the first day of trading on Oslo Axess, the company must fulfill the requirement in respect of publication of a document equivalent to a summary of prospectus, cf Securities Trading Regulations section 7-2 of Securities Trading Act section 7-5 (1) number 11."*

#### 2. History

Nexus Floating Production Ltd (Nexus) was incorporated by First Securities and APL on 6 May 2006.

APL develops, fabricates and sells advanced systems for offshore production, specializing in storage and transport of oil and gas by ships. In May 2007, BW Offshore, a company listed on the OSE, secured control of the shares in APL PLC.

In 2006 and 2007 Nexus signed contracts with Samsung Heavy Industries for the construction and delivery of two Floating Production Storage & Offloading vessels (FPSOs), "Nexus#1 FPSO" and "Nexus#2 FPSO". Nexus also signed contracts with APL for delivery of turret mooring systems and construction management services for both vessels.

The FPSO's are specified for operations in harsh environment, and has a design life time of 20 years.

The Nexus #1 FPSO was completed in July 2009 and Nexus agreed with Samsung to keep the vessel at the yard for completion of punch items and lay-up until end January 2010. Title to the vessel remained with Samsung until the final payment end January 2010.

The construction of the Nexus#2FPSO has been put on hold.

The company was not able to secure an employment contract for the Nexus#1FPSO and on 27 October 2009 Nexus announced that the Nexus#1 FPSO had been sold to Centennial Assets Ltd, an affiliate with the Brazilian EBX Group through novation of the construction contracts.

Through this sale Nexus significantly changed the nature of its business, which consequently lead to the transfer of Nexus shares from OSE to Oslo Axess.

### **3. Corporate structure**

Nexus Floating Production Ltd is registered in Singapore. The company includes three 100% owned subsidiaries:

- 1) Nexus 1 Private Limited
- 2) Nexus 2 Private Limited
- 3) Nexus Floating Production Norge AS

### **4. Key personnel**

#### **a. The Board of Directors:**

Finn Bjørnstad, Chairman

Carl K. Arnet, Vice Chairman

Knut R. Sæthre, Director

Harry Bitounis, Director

Jean Jacques Royant, Director

Carl K. Arnet is the CEO of BW Offshore, while Knut R. Sæthre is the CFO of the same company. As BW Offshore is the sole shareholder of APL Plc which owns 49.74% of the shares in Nexus Floating Production Ltd, they are both considered not independent.

b. Senior Management

Anders Holm, CEO

Arild Bårdsen, CFO

Nexus Floating Production Ltd and its subsidiaries is managed through a management agreement with Nexus Floating Production Norge AS

c. Advisors and auditors

The Company's Norwegian legal counsel is Wiersholm, Mellbye & Bech and Ramdas & Wong acts as its Singapore legal advisor. Ernst & Young is the auditors of Nexus.

**5. Risk factors**

**Financial risk management objectives and policies**

The Group is exposed to market risk (fair value interest risk and price risk), credit risk and liquidity risk. In addition there is risk related to the company's potential future operation and the company's shares.

The Company's senior management oversees the management of these risks. Management oversee that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Based on an assessment of the different risks involved, no hedging contract has been entered into.

a. Contract risk

The Company has a contract risk based on the fact that, at the date of this information memorandum, no customer contract has been entered into regarding the second FPSO construction contract. The risk related to this is limited, as no further payments will have to be made if the building contracts are terminated for any reason.

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Company monitors and maintains cash and cash equivalents deemed adequate by the management to finance the Company's operations. After the sale of the Nexus 1 FPSO the company has sufficient cash for operations for a certain period, and also sufficient cash reserves to fulfil all financial commitments in a winding up scenario.

c. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include interest-bearing loans and borrowings and deposits.

At the date of this information memorandum present the company has no borrowings and have not entered into agreements related to other financial instruments. Thus the market risk is limited.

d. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's exposure to credit risk from its operating activities (primarily related to trade receivables from revenue) is minimal as the Company has not begun to generate revenue from its planned primary source.

e. Foreign currency risk

Normally the majority of cost and investments are made in USD and revenues are expected to be in USD. Long-term financing is in USD. The Group's shares are traded in NOK. The NOK trading price is affected by the underlying activities of the Group which are primarily denominated in USD.

At present the company's cash holding is in USD and most of the cost is in NOK. Short term the company is exposed for foreign currency risk.

f. The company's operational risk

The company has chosen to operate in a market which is exposed to uncertainty related to oil price, general financial climate and the oil company's strategies related to exploiting their oil fields. There are several competitors providing FPSO services in harsh environment, and there will be uncertainty whether the company is able to compete.

**Risk factors relating to the Shares**

a) Price Volatility of Publicly traded Securities

The trading price of shares listed on the Oslo Axess could be subject to fluctuations in response to factors such as actual or anticipated variations in the Company's operating results, changes in estimates or recommendations by financial analysts, currency exchange rates, regulatory developments, general market conditions and other factors. In addition, international financial markets have from time to time experienced price and volume fluctuations, which have been unrelated to the operating performance or prospects of individual companies. Consequently, the trading market for, and the liquidity of, the Shares may be materially adversely affected by general declines in the market or by declines in the market for similar securities.

b) Tax

The Company is incorporated in Singapore, and has subsidiaries in Norway and Singapore. The overall tax liability depends on where profits are accumulated and subject to taxation, as the different jurisdictions have very different tax regimes and tax rates. The tax liability may also depend on the tax residence of the shareholders (and certain instances indirect shareholders) of the Company, which may vary from time to time as the Shares are subject to trading.

The tax position of investors may vary with respect to each such individual investor, and investors should seek to obtain tax advice prior to purchasing Shares in the Company.

In general, if a company resident in a deemed low tax jurisdiction is subject to direct or indirect control by Norwegian resident shareholders, Norwegian CFC-legislation ("NOKUS") may on certain conditions be applicable. In this context Norwegian control means that Norwegian resident shareholders have direct or indirect ownership of shares totaling 50% or more, or otherwise is in a position where they have effective control of a company's share capital. If the NOKUS-rules are applicable, Norwegian resident shareholders are subject to annual taxation in Norway for their proportionate part of the taxable net income of the foreign company. The applicable tax rate is 28%.

### **Strategy after the sale of the Nexus 1 FPSO**

The Board of Directors is currently evaluating the company's future strategy considering the competition in the market for FPSO's and the potential for increasing the shareholders values by starting the building of the Nexus 2 FPSO based upon a firm commitment for that vessel. Other strategic alternatives might be evaluated and chosen.

The outcome of this process is expected during the two first months of 2010.

## **6. Financial information**

### a. Financial reports

The company's latest quarterly report, third quarter 2009 and Annual Report for 2008, 2007 and 2006 can be found at the company's web site, [www.nexusfp.no](http://www.nexusfp.no).

### b. The sale of the Nexus#1 FPSO

The sale of the Nexus#1 FPSO has had a negative effect on the company's financial performance. The value of the Nexus#1 FPSO has been impaired towards the agreed sales price. Due to the challenging market conditions and the new situation for the company the value of the Nexus#2 FPSO has been impaired to no value.

The impairment of the Nexus FPSO's has a negative effect of USD 248 million for the company's result and balance sheet. The effect of the agreed bond loan restructuring will be seen in the fourth quarter, and will reduce the company's debt and accordingly increase the equity by USD 95 million.

The purchase price of the vessel was equal to the aggregate of the following:

- 1) USD 255,000,000 to fully repay the 1st priority lenders;
- 2) USD 87,500,000 to repay the 2nd lien bondholders, equal to a 50.00% recovery of the outstanding face amount; and
- 3) USD 7,972,500 to repay the convertible bondholders, equal to a 10.63% recovery of the outstanding face amount.
- 4) Approximately USD 11.3 million (which included the cash balance of Nexus) was paid for the purpose to be able to pay all debt and liabilities of the company in an intermediate period.

- 5) Approximately USD 38.1 million to be paid by EBX's payment to Samsung Heavy Industries Ltd. as the outstanding balance not yet paid.

Under certain conditions the holders of the 10.5% bonds and the convertible bonds can recover an additional amount not exceeding USD 67 million. It has been agreed that the liability shall not exceed the net assets of the company, and shall be subordinate.

c. Share capital and number of shares

As of 17 December 2009, the company's share capital is at USD 194,926,409. Total number of outstanding shares is 19,049,700. Shares registered in Singapore does not have a face value per share.

d. Condensed financial statements

**Profit and loss statement**

(in USD thousands)	End Q3 2009 (UNAUDITED)	FY 2008 (AUDITED)	FY 2007 (AUDITED)	FY 2006 (AUDITED)
Operating revenue	103	365	193	145
Operating profit	-252,312	-98,400	-4,349	-750
Pre-tax profit	-258,169	96,411	-2,906	187
Net result	-258,307	-95,786	2,948	-11
Diluted earnings/(loss) per share (USD)	-13.5596	-5.0282	0.1707	-0.0008

**Balance sheet**

(in USD thousands)	30.09.2009 (UNAUDITED)	31.12.2008 (AUDITED)	31.12.2007 (AUDITED)	31.12.2006 (AUDITED)
<b>Assets</b>				
Fixed assets	171	477,949	275,143	97,417
Current assets	352,882	13,277	159,375	28,516
<b>Total assets</b>	<b>353,053</b>	<b>491,226</b>	<b>434,518</b>	<b>125,933</b>
<b>Equity</b>				
Share capital	194,927	194,927	194,927	130,005
Other equity	-352,981	-94,858	996	-4,725
<b>Debt</b>				
Interest-bearing loans	505,594	386,802	233,678	0
Total short-term liabilities	5,513	2,894	4,917	653
<b>Total equity and liabilities</b>	<b>353,053</b>	<b>491,226</b>	<b>434,518</b>	<b>125,933</b>

## 7. Related party transactions

An entity or individual is considered a related party of the Group for the purposes of the financial statements if

- (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or
- (ii) it is subject to common control or common significant influence.

In 2007, Svein Eggen, former Chairman of the Board, was hired as a working chairman from Opus International Management AG, and has received USD 346,665 in remuneration.

The Company has transactions with companies within the APL PLC group. The transactions relate to management services regarding building of the FPSOs. In addition, Nexus Floating Production Ltd has entered into agreements with APL regarding delivery of complete STP-systems for the vessels.

Sales and purchases from related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

USD'000	<b>Total purchases</b>			
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
APL Management Services AS		12,436	6,699	6,147
Advanced Production and Loading AS		43,510	7,953	2,171
BW Offshore and subsidiaries	15,600			
Svein Eggen (former Chairman of Board)			347	

## **8. Market and outlook**

Through the sale of the Nexus#1 FPSO the company has sufficient funds for operations in a limited period. The contracts with Samsung Heavy Industries and with Advanced Production and Loading AS for the Nexus#2 FPSO have not been affected through the sale of Nexus# 1.

Short term market conditions are challenging. The number of FPSO contracts to be awarded in 2009 is limited, Brazil being the most active FPSO market. The credit crisis and the development of the global economy have resulted in delays and cancellations of several oil field developments.

The intended locations for vessel contracts are in harsh environment such as the North Sea, the Atlantic West of Shetland and East of Canada, the Norwegian Sea and the Barents Sea. Also hurricane and typhoon infested areas like the Gulf of Mexico, Australia and South East Asia are regions where the Nexus FPSOs are well suited. The harsh environment segment of the market is characterized by projects being delayed or cancelled.

The operators have accumulated a backlog of projects that are likely to move forward on improved market conditions. The exploration activities in deeper waters and remote areas where FPSOs often are the chosen development solution are expected to continue.

The Board of Directors will evaluate the situation for the company in order to conclude on the company's future strategy.

## **9. The company's latest prospect**

In July 2007 the Company issued a prospectus in relation to a capital increase, offering 450 000 new shares. The prospectus can be found at

[http://www.nexusfp.no/upload/Prospekt%20info/NX%20Ltd%20-%2020070706%20-%20Nexus\\_prospekt\\_endelig%20internett.pdf](http://www.nexusfp.no/upload/Prospekt%20info/NX%20Ltd%20-%2020070706%20-%20Nexus_prospekt_endelig%20internett.pdf)

## **10. Access to financial information**

On regularly basis the company issues financial information. This information can be found at

[http://www.nexusfp.no/nexusweb/templates/Level2Page\\_185.aspx](http://www.nexusfp.no/nexusweb/templates/Level2Page_185.aspx)

## 11. Memorandum and Articles of association

The company's Memorandum can be found at the company's website at:

[http://www.nexusfp.no/nexusweb/templates/Level2Page\\_196.aspx](http://www.nexusfp.no/nexusweb/templates/Level2Page_196.aspx)

The company's articles of association can be found at the company's website at:

[http://www.nexusfp.no/nexusweb/templates/Level2Page\\_196.aspx](http://www.nexusfp.no/nexusweb/templates/Level2Page_196.aspx)

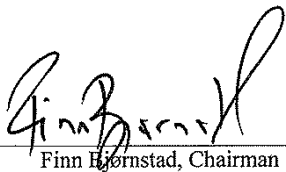
## 12. Responsibility statement

The Board of Directors of Nexus Floating Production Ltd. accepts responsibility for the information given in this Information Memorandum.

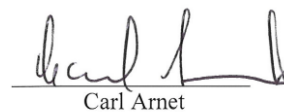
We confirm that to the best of our knowledge, having taken all reasonable care to ensure that such is the case the information contained in this Information Memorandum is in accordance with the facts and contains no omission likely to affect its import.

Singapore, 18 December 2009

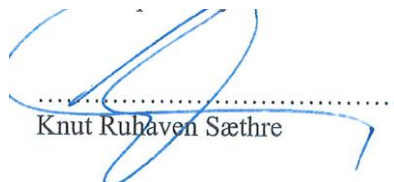
The Board of Directors of Nexus Floating Production Ltd.

A handwritten signature in black ink, appearing to read 'Finn Hornstad', written over a horizontal line.

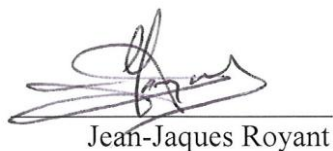
Finn Hornstad, Chairman

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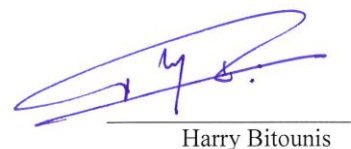
Carl Arnet

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