



Report for the 1st quarter 2008 **Fred. Olsen Production ASA consolidated**

Fred. Olsen Production ASA was listed on Oslo Stock Exchange in May 2007 (ticker "FOP"). The company has been active in the oil and gas production since 1994.

Comparable figures for the corresponding period in 2007 are in brackets below.

Financial information

Operating revenues in the quarter were USD 17.4 million (USD 15.6 million) with an EBITDA of USD 5.6 million (USD 4.3 million). After depreciation of USD 4.6 million (USD 3.5 million) the operating result (EBIT) was USD 1.1 million (USD 0.8 million).

The net financial expenses were USD 1.8 million (USD 4.6 million). This included a net unrealized currency gain of USD 4.6 million compared to an unrealized currency loss on intra group debt of USD 3.4 million in the corresponding quarter last year. Net financial items also included unrealized losses of USD 5.9 million relating to the market value of shares- and interest rate derivatives.

The result before tax was negative USD 0.8 million (negative USD 3.8 million). The result after estimated tax was negative USD 1.2 million (negative USD 3.8 million).

Operations

During the quarter FOP had three of its five units on contract, with a sixth unit undergoing conversion, as well as the management service for a seventh unit.

The FPSO Knock Adoon operates on a 8 + option 8 year contract for Addax Petroleum on the Antan field, offshore Nigeria, where she replaced the FPSO Knock Taggart in October 2006.

FSO Knock Nevis continued its contract for Maersk Oil in Qatar. The upgrade project announced last year whereby the import capacity will be increase to a maximum of 450,000 bbls per day is progressing with scheduled completion 2Q 2008.

FPSO Petr leo Nautipa (indirectly owned 50% by each of Fred. Olsen Production ASA and Prosafe SE) operates for Vaalco at the Etame field offshore Gabon, West Africa. The agreement was extended in 2007 for another 4 years until September 2015 and with options for another 1 + 1 year.

FSO Knock Dee together with the FPSO Knock Taggart are actively marketed and participating in tender opportunities for new contracts. In the absence of new employment, lay-up costs are charged to the operating expenses. The units shifted lay-up location from Dubai to in Fujairah in March.

The FPSO conversion project of the suezmax Knock Allan for Canadian National Resources' Olowi field in Gabon is progressing according to plan, with scheduled start-up in October 2008. The project is currently in a critical phase of the conversion work receiving all sub-supplies in Dubai Drydocks for installment on board the FPSO.

The management of the MOPU Marc Lorenceau, the former Borgen Dolphin, which was sold to Addax Petroleum under a purchase option in 2006, continued operation in Nigeria throughout the quarter with no commercial downtime.

Contract status

Vessel/Units	Country of operation	Contract expiry
FPSO		
Petròleo Nautipa	Gabon	September 2015 + 2 option years
Knock Taggart		Marketed for new opportunities.
Knock Adoon	Nigeria	October 2014 + 8 years option
FSO		
Knock Dee		Marketed for new opportunities.
Knock Nevis	Qatar	August 2009, option for the oil company to terminate on 90 days notice
MOPU (on management)		
Marc Lorenceau	Nigeria	September 2008
To be converted		
Knock Allan	Gabon	Commencement date October 2008, 10 years fixed period and 10 years option

Market Outlook

The year has started with some signs of a positive upswing in the number of tender opportunities in the FPSO sector. This is in line with our comments in the last quarter that projects delayed in 2007 due to drilling capacity constraints and development cost increases would be re-activated in early 2008. However, as previously advised, a number of speculative FPSO conversions and FPSOs without contract employment continue to create a near terms pressure on returns mainly in the lower end of the FPSO market.

The Company is pursuing various potential contract opportunities for both Knock Dee and Knock Taggart. Other mid-range project opportunities are explored.

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Income statement

(USD 000)

	Notes	First Quarter		Full Year
		FOP ASA 2008 ¹⁾	FOP ASA 2007 ¹⁾	FOP ASA 2007 ¹⁾
Revenue		17.384	15.597	66.831
Gain on sale of fixed assets		0	0	0
Revenues		17.384	15.597	66.831
Operating expenses		-9.133	-9.198	-35.697
Other administrative expenses		-2.695	-2.070	-10.650
Total operating expenses	1	-11.829	-11.268	-46.347
Operating profit before depreciation (EBITDA)		5.555	4.330	20.484
Depreciation		-4.492	-3.521	-16.929
Operating profit (EBIT)		1.063	809	3.555
Interest income		1.454	1.163	9.060
Interest expense		-3.747	-2.410	-9.936
Other financial items		471	-3.362	-5.593
Net financial items		-1.822	-4.609	-6.469
Profit before tax		-759	-3.800	-2.915
Income tax expense		-484	0	-406
Net profit (loss)		-1.242	-3.800	-3.320
Numbers of shares/diluted numbers of shares (thousands)		105.930	104.000	
Basic earnings/(loss) per share (USD)		-0,01	-0,04	
Diluted earnings/(loss) per share (USD)		-0,01	-0,04	

¹⁾ Unaudited

Balance sheet

(USD 000)

	Notes	FOP ASA 31 Mar 2008 ¹⁾	FOP ASA 31 Mar 2007 ¹⁾	FOP ASA 31 Dec 2007 ¹⁾
ASSETS				
<i>Non-current assets</i>				
Offshore units, constructions and equipment	4	338.507	202.315	316.780
Other investments		4.726	4.104	4.906
Deferred tax asset		0	232	0
Total non-current assets		343.233	206.651	321.686
<i>Current assets</i>				
Short-term receivables		20.217	25.511	16.631
Bunker		631	632	667
Cash and cash equivalents		194.191	249.015	212.495
Total current assets		215.040	275.158	229.793
TOTAL ASSETS		558.272	481.809	551.479
EQUITY AND LIABILITIES				
<i>Equity</i>				
Share capital		17.090	16.768	17.090
Share premium reserve		305.009	297.143	305.009
Retained earnings		-20.601	-33.290	-19.187
Total equity	6	301.497	280.620	302.912
<i>Non-current liabilities</i>				
Interest bearing loan	5	219.049	142.146	219.007
Deferred income		15.843	17.695	15.675
Pension liabilities		726	600	1.169
Total non-current liabilities		235.618	160.442	235.851
<i>Current liabilities</i>				
Income tax payable		489	0	145
Interest bearing short-term debt		0	13.605	0
Accruals and other short-term debt		20.668	27.142	12.572
Total current liabilities		21.157	40.747	12.717
Total liabilities		256.775	201.189	248.568
TOTAL EQUITY AND LIABILITIES		558.272	481.809	551.479

¹⁾ Unaudited

Statement of changes in equity

(USD 000)

	First Quarter	
	FOP ASA 2008 ¹⁾	FOP ASA 2007 ¹⁾
<i>Equity (beginning of period)</i>	302.912	15.814
Debt converted to equity	0	125.986
Share issue, private placement	0	194.200
Cost related to private placement	0	-7.025
Translation differences	-172	15.913
Effect related to common control transactions	0	-46.844
Share issue, public offering	0	8.188
Profit (loss) for the period	-1.242	-3.320
<i>Equity (end of period)</i>	301.498	302.912

Cash flow statement

(USD 000)

	First Quarter		Full Year
	FOP ASA 2008 ¹⁾	FOP ASA 2007 ¹⁾	FOP ASA 2007 ¹⁾
Net cash flow from operating activities	8.044	1.571	9.035
Net cash flow from investing activities	-26.219	-90.825	-144.279
Net cash flow from financing activities	42	305.132	299.923
<i>Net change in cash</i>	-18.133	215.878	164.679
<i>Effects of changes in foreign currency</i>	-172	0	14.679
Cash balance at period beginning	212.495	33.137	33.137
<i>Cash balance at period ending</i>	194.191	249.015	212.495

¹⁾ Unaudited

Notes to the accounts

Note 1 - Basis of presentation

The condensed interim consolidated financial information of Fred.Olsen Production ASA has been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) and the act and regulations for the Norwegian stock exchange. For prior year comparison, administrative expenses in foreign companies have been shifted from operating expenses to other administrative expenses.

The interim financial information was approved by the Board of Directors on 21. April 2008.

Note 2 - Significant accounting principles estimates and assumptions

The accounting principles used for preparation of the condensed interim consolidated financial information are consistent with the principles which are used for annual reporting. The condensed interim consolidated financial information should be read together with the consolidated financial statement for Fred.Olsen Production AS as of 31 December 2006, as published in the Prospectus dated 25. April 2007, which is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU.

The preparation of interim accounts involves the use of appraisals, estimates and assumptions influencing the application of accounting principles and recognized amounts for assets and obligations, revenues and costs. Actual results may differ from these estimates.

The most important appraisals when applying the FOP consolidated accounting principles and the primary sources of estimate uncertainties are the same for the preparation of interim accounts as for the 2006 FOP consolidated accounts.

Note 3 – Parent company functional currency

From January 2008 the parent company Fred. Olsen Production ASA has adopted US Dollars as its functional currency in line with the rest of the group reflecting the true nature of the group's operation.

Note 4 – Property, plant and equipment

<i>(USD 000)</i>	Vessels & Rigs	Other Fixed Assets	Total Fixed Assets
<i>Carrying amount 1 January 2007</i>	<i>22.438</i>	<i>155</i>	<i>22.593</i>
Acquisitions	174.657	248	174.905
Capitalized on conversion project	136.212	0	136.212
Depreciation for the period	-16.874	-55	-16.929
<i>Carrying amount 31 December 2007</i>	<i>316.433</i>	<i>348</i>	<i>316.780</i>
Acquisitions	2.004	0	2.004
Capitalized on conversion project	24.215	0	24.215
Depreciation for the period	-4.474	-19	-4.492
<i>Carrying amount 31 March 2008</i>	<i>338.178</i>	<i>329</i>	<i>338.507</i>

In first quarter 2008 the depreciation period for FPSO Petr leo Nautipa was extended with 3 years due to the extension of the project's contract.

Note 5 - Interest bearing debt

USD 500 million credit facility

The Singapore FSO/FPSO owning companies Knock Taggart II Pte. Ltd., Knock Dee Pte. Ltd., First Olsen Pte. Ltd., Adoon Pte. Ltd., Knock Allan Pte. Ltd. and Nautipa AS have a revolving reducing credit facility of USD 500 million. The facility is secured by a first priority mortgage on the vessels/units. The facility is guaranteed by Fred.Olsen Production ASA, and runs for five years without reductions/repayments and thereafter a further five years with semi-annual reductions/repayments of USD 25 million, bringing the facility down to USD 250 million at maturity. The interest rate is USD Libor with a credit margin of 0.60 - 0.85%. The borrowers are joint and severally liable for the credit facility. As of 31 March 2008 USD 219 million was drawn under the credit facility.

Note 6 - Share capital

<i>(USD 000)</i>	Number of shares (thousands)	Share capital	Share premium reserve	Translation reserve	Retained earnings	Total shareholders' equity
As of 1 January 2007	50	749	0	-833	15.899	15.815
Net result for the period					-3.320	-3.320
Conversion of debt to equity	550	8.826	187.008			195.834
Share split	59.400					0
Common shares issued	44.000	7.193	117.160			124.353
Common shares issued	1.930	322	841			1.163
Unrealised foreign currency gain				14.681		14.681
Effect of common control transactions					-45.613	-45.613
As of 31 December 2007	105.930	17.090	305.009	13.848	-33.034	302.912
Net result for the period				337	-1.242	-906
As of 31 March 2008	105.930	17.090	305.009	14.184	-34.277	302.006