



# Fred.Olsen Production ASA

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## **Report for the 1<sup>st</sup> quarter 2009** **Fred.Olsen Production ASA consolidated**

### **Highlights for the 1<sup>st</sup> quarter 2009**

- Revenues were USD 20.9 million (USD 17.4 million)
- EBITDA was USD 7.2 million (USD 5.6 million)
- FPSO Knock Allan installed and hooked-up at the Olowi Field offshore Gabon end of February.
- FPSO Knock Taggart sold for scrapping in accordance with the IMO Guidelines on Ship Recycling. Delivered 23 April 2009.
- 100% commercial up-time for units in operation

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## **General**

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 2008 are in brackets below.

## **Financial information**

Operating revenues in the quarter were USD 20.9 million (USD 17.4 million) with an EBITDA of USD 7.2 million (USD 5.6 million). Revenues included a "stand by" rate for Knock Allan for part of the quarter and, as a consequence, EBITDA was positively affected with USD 1.3 million compared to last year. After depreciation of USD 8.2 million (USD 4.5 million) the 1<sup>st</sup> quarter operating result (EBIT) was negative USD 1.0 million (positive USD 1.1 million). See note 4 regarding changes in depreciation.

Net financial expenses were USD 1.1 million (USD 1.8 million). The result before tax was negative USD 2.1 million (USD 0.8 million). The result after tax was negative USD 2.4 million (negative USD 1.2 million).

Extraordinary general meeting held on 3 April to approved purchase of own shares in the interval NOK 1.- to NOK 30.-

## **Operations**

During the quarter FOP operated three units on contracts, one unit was laid up in preparation for scrapping with the sixth unit installed at the field, ready for start-up. The Company also operated a management service contract for the MOPU Marc Lorenceau. A 100% commercial uptime was achieved for all operational units in the quarter.

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

FSO Knock Nevis continued operation for Maersk Oil in Qatar. The Company is marketing Knock Nevis for future opportunities world-wide.

FPSO Petr leo Nautipa (indirectly owned 50% by Fred.Olsen Production ASA) operates on a contract for Vaalco at the Etame license offshore Gabon, West Africa.

FSO Knock Dee is laid up awaiting the outcome of the option agreement with El Paso whereby the vessel is exclusively retained for use as a FSO for the Pinauna field offshore Brazil. The option may be declared up until 31<sup>st</sup> December 2009.

An agreement to sell FPSO Knock Taggart for scrapping was entered into on 24 March 2009. The arrangements provide for Knock Taggart to be recycled in accordance with the IMO Guidelines on

Ship Recycling. Delivery took place on 23 April 2009. The sale is estimated to give an accounting gain of about USD 1.5 million which will be recorded in 2<sup>nd</sup> quarter.

The FPSO conversion project of Knock Allan for Canadian Natural Resources' (CNR) Olowi field in Gabon was completed during the quarter. The unit arrived Gabonese waters on 6 February, hook-up in the pre-laid mooring system and final commissioning was completed and a formal notice of readiness for receiving hydrocarbons was sent to the client. Final acceptance test before receiving full day rate, is expected to be completed during next few days. Net of variation orders and finance items the Company estimate the project cost to about USD 265 million as per the 4 quarter 2008 report.

The management service contract on 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.

### Contract status

Vessel/Units	Country of operation	Contract expiry
<b>FPSO</b>		
Knock Adoon	Nigeria	October 2014 + 8 option years
Knock Allan	Gabon	Ready for first oil, contracted 10 years + 10 option years
Petrôleo Nautipa	Gabon	September 2015 + 2 option years
<b>FSO</b>		
Knock Dee		Project deferred; El Paso, Brazil has option to contract unit 31.December 2009
Knock Nevis	Qatar	August 2009, option for the oil company to terminate with 90 days notice
<b>MOPU (on management)</b>		
Marc Lorenceau	Nigeria	Contract expired September 2008, FOP continues management with 30 days notice

### Market Outlook

Following the global financial crisis, the market for leased FPSO's is very slow. The 1<sup>st</sup> quarter 2009 was the first time in several years that no contracts were awarded in the FPSO industry. The main reason was the lack of corporate and project financing opportunities in combination with project deferments as oil companies are re-evaluating development economics based on current oil price outlook and cost structures.

Further, some of the already awarded contracts are resurfacing or being re-bid or re-allocated as contractors fail to source necessary finance.

There should still be some contract opportunities this year backed by more robust developments and sponsored by oil companies with relatively stronger balance sheets.

# Income statement

(USD 000)

Notes	First Quarter		Full Year
	FOP ASA 2009 <sup>1)</sup>	FOP ASA 2008 <sup>1)</sup>	FOP ASA 2008 <sup>2)</sup>
Revenue	20 941	17 384	79 729
<b>Revenues</b>	<b>20 941</b>	<b>17 384</b>	<b>79 729</b>
Operating expenses	-10 811	-9 133	-36 999
Other administrative expenses	-2 928	-2 695	-13 221
<b>Total operating expenses</b>	<b>-13 739</b>	<b>-11 829</b>	<b>-50 220</b>
<b>Operating profit before depreciation (EBITDA)</b>	<b>7 202</b>	<b>5 555</b>	<b>29 509</b>
Depreciation	-8 223	-4 492	-16 302
Impairment			-22 366
<b>Operating profit (EBIT)</b>	<b>-1 020</b>	<b>1 063</b>	<b>-9 160</b>
Interest income	69	1 454	5 771
Interest expense	-863	-3 747	-11 574
Other financial items	-296	471	-24 029
<b>Net financial items</b>	<b>-1 089</b>	<b>-1 822</b>	<b>-29 832</b>
<b>Profit before tax</b>	<b>-2 110</b>	<b>-759</b>	<b>-38 991</b>
Income tax expense	-316	-484	-449
<b>Net profit (loss)</b>	<b>-2 426</b>	<b>-1 242</b>	<b>-39 440</b>
Numbers of shares/diluted numbers of shares (thousands)	<b>105 930</b>	<b>105 930</b>	<b>105 930</b>
Basic earnings/(loss) per share (USD)	-0,02	-0,01	-0,37
Diluted earnings/(loss) per share (USD)	-0,02	-0,01	-0,37

<sup>1)</sup> Unaudited

<sup>2)</sup> Audited

# Balance sheet

(USD 000)

	Notes	FOP ASA 31 March 2009 <sup>1)</sup>	FOP ASA 31 March 2008 <sup>1)</sup>	FOP ASA 31 Dec 2008 <sup>2)</sup>
<b>ASSETS</b>				
<i>Non-current assets</i>				
Offshore units, constructions and equipment	4	424 833	338 507	394 532
Other investments		8 897	4 726	8 514
Deferred tax asset		0	0	0
<b>Total non-current assets</b>		<b>433 730</b>	<b>343 233</b>	<b>403 046</b>
<i>Current assets</i>				
Short-term receivables		22 082	20 217	16 550
Bunker		484	631	451
Cash and cash equivalents		71 322	194 191	103 488
<b>Total current assets</b>		<b>93 888</b>	<b>215 040</b>	<b>120 489</b>
<b>TOTAL ASSETS</b>		<b>527 619</b>	<b>558 272</b>	<b>523 535</b>
<b>EQUITY AND LIABILITIES</b>				
<i>Equity</i>				
Share capital		17 090	17 090	17 090
Share premium reserve		305 009	305 009	305 009
Retained earnings*		-59 721	-20 601	-58 816
<b>Total equity</b>	6	<b>262 377</b>	<b>301 497</b>	<b>263 283</b>
<i>Non-current liabilities</i>				
Interest bearing loan	5	227 597	219 049	227 555
Deferred income		16 518	15 843	12 906
Pension liabilities		1 096	726	1 622
<b>Total non-current liabilities</b>		<b>245 212</b>	<b>235 618</b>	<b>242 083</b>
<i>Current liabilities</i>				
Income tax payable		308	489	-2
Interest bearing short-term debt		1 976	0	1 976
Accruals and other short-term debt		17 746	20 668	16 195
<b>Total current liabilities</b>		<b>20 030</b>	<b>21 157</b>	<b>18 169</b>
<b>Total liabilities</b>		<b>265 241</b>	<b>256 775</b>	<b>260 252</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>527 619</b>	<b>558 272</b>	<b>523 535</b>

\*Including translation reserves

<sup>1)</sup> Unaudited

<sup>2)</sup> Audited

## Statement of changes in equity

(USD 000)

	YTD		Year-end
	FOP ASA 2009 <sup>1)</sup>	FOP ASA 2008 <sup>1)</sup>	FOP ASA 2008 <sup>2)</sup>
<b>Equity (beginning of period)</b>	<b>263 282</b>	<b>302 912</b>	<b>302 912</b>
Translation differences	965	-172	-190
Effect of changes in available for sale assets	555		
Profit (loss) for the period	-2 426	-1 242	-39 440
<b>Equity (end of period)</b>	<b>262 377</b>	<b>301 498</b>	<b>263 282</b>

## Cash flow statement

(USD 000)

	First Quarter		Full Year
	FOP ASA 2008 <sup>1)</sup>	FOP ASA 2008 <sup>1)</sup>	FOP ASA 2008 <sup>2)</sup>
Net cash flow from operating activities	5 352	8 044	24 498
Net cash flow from investing activities	-39 080	-26 219	-136 998
Net cash flow from financing activities	41	42	10 128
<b>Net change in cash</b>	<b>-33 686</b>	<b>-18 134</b>	<b>-102 372</b>
Net translation differences	1 520	-172	-6 635
Cash balance at period beginning	103 488	212 495	212 495
<b>Cash balance at period ending</b>	<b>71 322</b>	<b>194 190</b>	<b>103 488</b>

<sup>1)</sup> Unaudited

<sup>2)</sup> Audited

## Notes to the accounts

### Note 1 - Basis of presentation

The 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.

The interim financial information was approved by the Board of Directors on 28. April 2009.

## 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 financial information should be read together with the consolidated financial statements for Fred.Olsen Production ASA (FOP ASA) as of 31 December 2008, 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 2008 FOP ASA consolidated accounts.

## Note 3 – Business segments

The following is a reconciliation of the segments' profit (loss) (EBIT) according to IFRS 8 to the segments' profit (loss) before income tax:

<i>USD 000</i>	<b>Vessel Operating Group</b>	<b>Administrative Group</b>	<b>Total Segments</b>	<b>Reconciliation</b>	<b>Consolidated</b>
Three months ended March 31, 2009					
Revenue from external customers	18 356	3 994	22 350	-1 409	20 941
Segment profit (loss) EBIT according to IFRS 8	-2 520	223	-2 296	1 276	-1 020
Total financial items	-1 319	373	-946	-144	-1 089
Segment profit (loss) before tax expense	<u>-3 839</u>	<u>597</u>	<u>-3 242</u>	<u>1 132</u>	<u>-2 110</u>
Segment assets as at December 31, 2008	394 247	285	394 532		
Changes during the period	30 314	-13	30 302		
Segment assets as at March 31, 2009	<u>424 562</u>	<u>273</u>	<u>424 834</u>		

The Company previously reported segment information according to IAS 14 under which information was presented according to business and geographical segments. As at 1 January 2009, IAS 14 is replaced by IFRS 8 *Operating Segments* and the previous presentation has been replaced to reflect the new standard.

The information presented differs from the former standard in that all operational entities are presented as one segment; they are no longer split according to geographical region. In addition to the operational segment, an administrative segment is presented. Presentation of the two segments highlights how the Group is evaluated and provides information related to performance of its two critical components. Operational information and administrative information are critically evaluated by chief decision makers.

Reconciling items are representative of intercompany transactions that are eliminated upon consolidation.

## Note 4 – Property, plant and equipment

<i>(USD 000)</i>	<b>Vessels &amp; Rigs</b>	<b>Other Fixed Assets</b>	<b>Total Fixed Assets</b>
<b><i>Carrying amount 1 January 2008</i></b>	<b><i>316 433</i></b>	<b><i>348</i></b>	<b><i>316 780</i></b>
Additions	3 572	17	3 589
Capitalized on conversion project	112 832	0	112 832
Depreciation for the period	-16 223	-80	-16 302
Impairment of vessels	-22 366	0	-22 366
<b><i>Carrying amount 31 December 2008</i></b>	<b><i>394 247</i></b>	<b><i>285</i></b>	<b><i>394 531</i></b>
Additions	10	8	19
Disposals	-400	0	-400
Capitalized on conversion project	38 906	0	38 906
Depreciation for the period	-8 202	-21	-8 223
<b><i>Carrying amount 31 March 2009</i></b>	<b><i>424 562</i></b>	<b><i>273</i></b>	<b><i>424 833</i></b>

Depreciation of FPSO Knock Allan started in 1<sup>st</sup> quarter 2009. The depreciation of FSO Knock Nevis has been increased by USD 1.1 million/month in 2009 compared to 2008 to reflect the reduced residual value as a consequence of the drop in scrap steel prices last quarter 2008.

## 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 from July 2007 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 1.30%. The borrowers are joint and severally liable for the credit facility. As of 31 March 2009 USD 229.5 million was drawn under the credit facility.

## Note 6 - Share capital

<i>(USD 000)</i>	<b>Number of shares (thousands)</b>	<b>Share capital</b>	<b>Share premium reserve</b>	<b>Translation reserve</b>	<b>Retained earnings</b>	<b>Total shareholders' equity</b>
<b>As of 1 January 2008</b>	<b>105 930</b>	<b>17 090</b>	<b>305 009</b>	<b>13 848</b>	<b>(33 034)</b>	<b>302 912</b>
Net result for the period				-190	-39 440	-39 630
<b>As of 31 December 2008</b>	<b>105 930</b>	<b>17 090</b>	<b>305 009</b>	<b>13 658</b>	<b>-72 475</b>	<b>263 282</b>
Net result for the period				1 520	-2 426	-906
<b>As of 31 March 2009</b>	<b>105 930</b>	<b>17 090</b>	<b>305 009</b>	<b>15 178</b>	<b>-74 900</b>	<b>262 376</b>