



Report for the 1st quarter 2011

Fred.Olsen Production ASA consolidated

Highlights for the 1st quarter

Comparable figures for the corresponding period in 2010 are in brackets below.

- Operating revenues for the quarter were USD 27.1 million (USD 27.7 million)
- EBITDA was USD 10.3 million (USD 11.5 million)
- 98.9% commercial up-time in 1q

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Financial information

Comparable figures for the corresponding period in 2010 are in brackets below.

Total revenues in the quarter were USD 27.1 million (USD 27.7 million). EBITDA was USD 10.3 million (USD 11.5 million).

After depreciation of USD 7.7 million (USD 8.2 million) the operating profit (EBIT) was USD 2.6 million (USD 3.3 million) for the quarter.

1st quarter net financial expenses were USD 1.2 million (USD 4.0 million) and included an unrealized gain of USD 0.8 million in market-to-marked revaluation of fixed interest rate swaps (USD 0.3 million loss).

Profit before tax was USD 1.5 million (loss USD 0.7 million) in the quarter and the net loss after estimated tax was USD 0.8 million (USD 2.9 million).

Operations

During the quarter FOP operated all four units on contracts, an average 98.9% commercial uptime was achieved.

The FPSO Knock Adoon operated on contract for Addax Petroleum on the Antan field, offshore Nigeria, with satisfactory operations during the quarter.

FPSO Knock Allan operated on contract for Canadian Natural Resources (CNR) on the Olowi field offshore Gabon. Compressor works continued during the quarter in close cooperation with the equipment vendors. An estimated total of 4 days down-time was accrued in 1q for accounting purposes. Repair work will continue and the commercial uptime of the vessel may be impacted also in later quarters in 2011.

FPSO Petróleo Nautipa (indirectly owned 50% by Fred. Olsen Production ASA) operated on a contract for Vaalco at the Etame license offshore Gabon, West Africa with satisfactory operations during the quarter.

The Aframax tanker Knock Muir operated in the spot market after completed her planned intermediate class survey and dry-docking at the COSCO Guangdong ship yard on 20th January 2011. The vessel has completed two short voyages in 1q in a weak tanker market.

The management service contract on the MOPU Marc Lorenceau continued with full commercial uptime in the quarter.

Contract status

Vessel/Units	Country of operation	Contract expiry
FPSO		
Knock Adoon	Nigeria	October 2014 + 8 option years
Knock Allan	Gabon	May 2019 + 10 option years
Petròleo Nautipa	Gabon	September 2015 + 2 option years
Tanker		
Knock Muir	Asia	Trading in the spot market/short term T/C market
MOPU (on management)		
Marc Lorenceau	Nigeria	Contract expired September 2008, FOP continues management with 30 days notice

Market Outlook

The market demand for FPSOs is getting closer to “normal” historical levels, fuelled in part by high crude prices and a perceived need by clients to “beat the rush” as increasing order backlogs take up both yard and supplier capacity. Forecasts indicate a total 16-18 FPSO contract awards in 2011 (of which 12 are leased) compared with 11 (8 leased) for 2010, although a high number of these projects will be EPC contracts .

New projects are being developed for West Africa in the mid-range segment, an important market for FOP. The Asian market remains steady. Brazil has a continued high project volume, though dominated by large local consortium projects. Political uncertainty is delaying projects in some countries - primarily related to elections, local content regulations or implementation of new cabotage laws. On the supply side, the competitive picture reflects fewer contractors realistically positioned to bid and finance projects.

Consolidated statement of comprehensive income

(USD 000)

	Notes	First Quarter		Full Year
		FOP ASA 2011 ¹⁾	FOP ASA 2010 ¹⁾	FOP ASA 2010 ¹⁾
Revenue *)		27 066	27 647	115 367
Gain on sale of fixed assets			8	1 407
Revenues		27 066	27 655	116 774
Operating expenses		-12 979	-12 708	-50 770
Other administrative expenses		-3 774	-3 452	-12 949
Total operating expenses		-16 752	-16 160	-63 719
Operating profit before depreciation (EBITDA)		10 314	11 495	53 055
Depreciation		-7 706	-8 223	-32 141
Write-down of vessels				-11 544
Operating profit (loss) (EBIT)		2 607	3 272	9 370
Interest income		23	13	97
Interest expense		-788	-2 491	-7 966
Other financial items		-385	-1 476	-2 921
Net financial items		-1 150	-3 953	-10 790
Profit (loss) before tax		1 458	-682	-1 420
Income tax expense *)		-2 223	-2 251	-8 528
Net profit (loss) for the period		-765	-2 933	-9 948
Other comprehensive income				
Exchange differences on translating foreign operations		-39	102	-198
Net value gain on available-for-sale		277	2 039	277
Other comprehensive income (loss) for the year, net of tax		239	2 141	79
Total comprehensive income (loss) for the year		-526	-792	-9 869
Attributable to:				
Result attributable to parent company equity holders		-765	-2 933	-9 948
Total comprehensive result attributable to parent company equity holders		-526	-792	-9 869
Numbers of shares/diluted numbers of shares (thousands)		105 930	105 930	105 930
Basic earnings/(loss) per share (USD)		-0,01	-0,03	-0,09
Diluted earnings/(loss) per share (USD)		-0,01	-0,03	-0,09

¹⁾ Unaudited

²⁾ Audited

Consolidated statement of financial position

(USD 000)

	Notes	FOP ASA 31 March 2011 ¹⁾	FOP ASA 31 March 2010 ¹⁾	FOP ASA 31 December 2010 ¹⁾
ASSETS				
<i>Non-current assets</i>				
Offshore units, constructions and equipment	4	372 146	417 553	377 566
Other investments		9 436	12 743	10 454
Deferred tax asset		0	0	0
Total non-current assets		381 583	430 296	388 020
<i>Current assets</i>				
Short-term receivables		20 905	21 152	19 787
Bunker		1 173	1 135	870
Cash and cash equivalents		66 559	61 579	63 687
Total current assets		88 637	83 865	84 344
TOTAL ASSETS		470 220	514 161	472 364
EQUITY AND LIABILITIES				
<i>Equity</i>				
Share capital		17 090	17 090	17 090
Share premium reserve			305 009	305 009
Retained earnings*		235 991	-58 303	-67 379
Total equity	6	253 081	263 796	254 719
<i>Non-current liabilities</i>				
Interest bearing loan	5	180 227	197 004	180 138
Deferred income		7 217	11 220	7 608
Pension liabilities		3 386	2 298	3 543
Non-current provisions		750	550	750
Total non-current liabilities		191 580	211 072	192 040
<i>Current liabilities</i>				
Tax payable		6 523	7 672	6 977
Interest bearing short-term debt		2 145	2 145	2 145
Accruals and other short-term debt		16 891	29 476	16 483
Total current liabilities		25 559	39 294	25 605
Total liabilities		217 139	250 366	217 645
TOTAL EQUITY AND LIABILITIES		470 220	514 161	472 364

*Including own shares, fair value reserves and translation reserves

¹⁾ Unaudited

²⁾ Audited

Consolidated statement of changes in equity

(USD 000)

	Year-to-date		Year-end
	FOP ASA 2011 ¹⁾	FOP ASA 2010 ¹⁾	FOP ASA 2010 ¹⁾
Equity (beginning of period)	254 719	264 588	264 588
Total comprehensive loss for the period			
Loss for the period	-765	-2 933	-9 948
Other comprehensive income			
Translation differences	-39	102	-198
Effect of changes in available for sale assets	-834	2 039	277
Equity (end of period)	253 081	263 796	254 719

Consolidated statement of cash flows

(USD 000)

	Year-to-Date		Full Year
	FOP ASA 2011 ¹⁾	FOP ASA 2010 ¹⁾	FOP ASA 2010 ¹⁾
Net cash flow from operating activities	5 637	2 366	18 890
Net cash flow from investing activities	-2 286	-11 977	-7 214
Net cash flow from financing activities	-478	-41 111	-59 992
Net change in cash	2 872	-50 722	-48 316
Net translation differences		102	-198
Cash balance at period beginning	63 687	112 199	112 200
Cash balance at period ending	66 559	61 579	63 687

¹⁾ Unaudited

²⁾ Audited

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). 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 6. May 2011.

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 2010, which is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU.

Various operational entities within the FOP ASA group of companies are exposed to Nigerian or Gabonese withholding tax on contractual revenue. These costs are contractual and are incurred as a result of doing business. In previously reported periods, it was the group policy to account for this tax exposure under the guidance of International Accounting Standard 18 *Revenue* (IAS 18), specifically IAS 18.8 with regards to excise tax. Consequently, revenue was previously presented net of withholding tax incurred.

From fourth quarter in 2009 the group adopted to account for withholding tax under the guidance of International Accounting Standard 1 *Presentation of Financial Statements* (IAS 1); cumulative balances were restated to reflect the change in accounting policy.

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 2010 FOP ASA consolidated accounts.

Note 3 – Business segments

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

USD 000

	Vessel Operating Group	Administrative Group	Total Segments	Intercompany Eliminations	Consolidated
Three months ended March 31, 2011					
Income Statement					
Revenue	25 367	2 562	27 929	-863	27 066
Segment profit (loss) EBIT according to IFRS 8	2 546	-533	2 013	595	2 607
Total financial items	-436	-678	-1 113	-36	-1 150
Segment profit (loss) before tax expense	2 110	-1 211	899	558	1 458
Fixed Assets					
Segment assets as at December 31, 2010	377 385	182	377 567		
Changes during the period	-5 399	-20	-5 420		
Segment assets as at March 31, 2011	371 986	161	372 147		

Note 4 – Property, plant and equipment

(USD 000)

	Vessels	Other Fixed Assets	Total Fixed Assets
Carrying amount 1 January 2010	413 529	263	413 792
Additions	14 268	63	14 331
Disposals	(6 810)	(60)	(6 870)
Depreciation for the period	(32 057)	(84)	(32 141)
Write-down of vessels	(11 544)	-	(11 544)
Carrying amount 31 December 2010	377 385	182	377 567
Additions	2 286	-	2 286
Disposals	-	-	-
Depreciation for the period	(7 686)	(20)	(7 706)
Write-down of vessels	-	-	-
Carrying amount 31 March 2011	371 986	161	372 147

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 (collectively referred to as “the borrowers”) have a revolving reducing credit facility of USD 500 million. The facility is secured by a first priority mortgage on the vessels/units. The available loan amount depends on the present value of the unit’s contracts and their scrap values (the borrowing base). The facility is guaranteed by Fred.Olsen Production ASA, and runs for five years from July 2007 without reductions and thereafter a further five years with semi-annual reductions 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 1.00%. The borrowers are joint and severally liable for the credit facility. As of 31. March USD 182.8 million was drawn under the credit facility.

Note 6 - Share capital and earnings per share

Share capital

(USD 000)

	Number of shares (thousands)	Share capital	Own Shares	Share premium reserve	Translation reserve	Fair Value reserve	Total Retained earnings	Shareholders equity
As of 1 January 2010	105 930	17 090	(93)	305 009	14 372	3 052	(74 842)	264 588
Net result for the period							(9 948)	(9 948)
Unrealised foreign currency gain					(198)			(198)
Changes in fair value, recognised directly in equity						277		277
As of 31 December 2010	105 930	17 090	(93)	305 009	14 174	3 329	(84 790)	254 719
Net result for the period							(765)	(765)
Unrealised foreign currency gain							(39)	(39)
Changes in fair values, recognised directly in equity						(834)		(834)
Transfer of share premium reserve to free reserves				(305 009)				
As of 31 March 2011	105 930	17 090	(93)	-	14 174	2 495	(85 594)	253 081

Translation reserve

The reserve represents exchange differences resulting from the consolidation of associated companies having functional currencies other than USD.

Fair value reserve

The reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognized.

Own shares

The purchases of the Company's own shares (600,000 shares) during 2q 09 were made on the basis of an authorization at the extraordinary Annual General Meeting in April 2009 for the Board of Directors to acquire up to 10,593,000 shares, corresponding to 10% of the share capital of the Company. Par value of the shares purchased is USD 92,849.