



Report for the 3rd quarter 2011

Fred.Olsen Production ASA consolidated

Summary

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

- Operating revenues for the quarter were USD 26.1 million (USD 28.8 million)
- Capital loss on sale M/T Knock Muir USD 1.3 million (capital gain USD 1.4 million)
- EBITDA was USD 7.1 million (USD 15.6 million)
- Loss before tax was USD 1.8 million (profit USD 5.7 million)
- Loss after tax was USD 3.8 million (profit USD 3.8 million)
- 98.9% commercial up-time in 3q

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Financial information

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

Revenues in the quarter were USD 26.1 million (USD 28.8 million); no operating revenue on M/T Knock Muir as compared to 2010. A capital loss on the sale of Knock Muir was USD 1.3 million as reported in 2q, reduces total revenue (capital gain of USD 1.4 million on the sale of Knock Dee in 2q 2010). Total operating expenses were USD 17.7 million (USD 14.6 million), the increase over last year mainly related to increased operation cost for FPSO Knock Allan, FPSO Knock Adoon and legal expenses. After depreciation of USD 7.5 million (USD 8.0 million) the 3rd quarter operating loss (EBIT) was USD 0.4 million (profit USD 7.6 million).

Revenues for the first three quarters were USD 81.3 million (USD 88.1 million) with an EBITDA of USD 30.2 million (USD 42.0 million). EBIT for the first nine months was USD 7.0 million (USD 5.9 million).

Net financial expenses were USD 1.3 million (USD 1.9 million). For the nine month period, net financial expenses were USD 5.9 million (USD 10.5 million). Net financial items are affected by unrealized market-to-market revaluations of fixed interest rate swaps and include a gain of USD 0.2 million (USD 2.7 million loss). The foreign exchange loss for the nine month period is USD 0.8 million (USD 1.3 million). Loss before tax was USD 1.8 million (profit USD 5.7 million) in the quarter and a profit of USD 1.2 million (loss USD 4.6 million) for the first nine months.

Net loss after tax was USD 3.8 million (profit USD 3.8 million) in 3rd quarter and USD 5.0 million (USD 10.6 million) in the first nine months.

FOP bought 600,000 of its own shares at an average price of NOK 7.38/share in 3q, and the Company holds 1,200,000 of its own shares (1.13% of the total share capital) after these transactions.

Operations

During the quarter, FOP operated all four units on contracts and 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 for in 3q. Repair and upgrade work were nearly completed in 3q, however some follow-up modifications are necessary in 4q. The commercial uptime of the vessel may therefore also be impacted in this quarter, although expectedly less than in 3q.

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

The Aframax tanker Knock Muir was sold on 13th July 2011 to Indonesian buyers. FOPs consolidated EBIT was negatively affected by USD 1.8 million (capital loss, operation expenses and depreciation) in 3q or USD 4.5 million the first nine months of 2011.

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
Petr�leo Nautipa	Gabon	September 2015 + 2 option years
MOPU (on management)		
Marc Lorenceau	Nigeria	Contract expired September 2008, FOP continues management with 30 days notice

Market Outlook

The total market demand for FPSOs continues the slow upward trend, but the number of lease projects remains below market expectations. We see a potential for 9-10 lease awards in 2011. Of the total 11 contracts awarded so far in 2011, 8 are leased units and 3 are EPC/turnkey contracts. Of the leased units, 4 are competitively bid lease contracts for new conversions/newbuild, 3 are redeployments and 1 direct award.

The number of active prospects being advanced for development in West Africa in the mid-range segment; an important market for FOP, has stood still the last quarter. Asia remains steady, with most activity in Vietnam, Malaysia and Indonesia. Brazil has a continued high project volume, though dominated by large local consortium projects. Political uncertainty continues to delay projects in some countries. On the supply side, the competitive picture reflects fewer contractors realistically positioned to bid and finance projects, with increased backlog. Subcontractors and yards are reporting increased orders, but there remains good capacity in the market with limited cost growth.

Oslo, 27th October 2011
Fred. Olsen Production ASA

Per-Oscar Lund
Chairman

Siv J nland Staubo

Anette Olsen

Agnar Gravdal

J rn T. R kas
Acting CEO

Consolidated statement of comprehensive income

(USD 000)

Notes	Third Quarter		Year-to-Date		Full Year
	FOP ASA 2011 ¹⁾	FOP ASA 2010 ¹⁾	FOP ASA 2011 ¹⁾	FOP ASA 2010 ¹⁾	FOP ASA 2010 ²⁾
Revenue	26 051	28 837	82 672	86 726	115 367
(Loss) Gain on sale of fixed assets	-1 311	1 407	-1 311	1 407	1 407
Revenues	24 740	30 244	81 361	88 133	116 774
Operating expenses	-13 547	-11 775	-40 068	-37 301	-50 770
Other administrative expenses	-4 122	-2 862	-11 067	-8 844	-12 949
Total operating expenses	-17 669	-14 637	-51 135	-46 144	-63 719
Operating profit before depreciation (EBITDA)	7 071	15 607	30 226	41 989	53 055
Depreciation	-7 516	-8 029	-23 186	-24 534	-32 141
Write-down of vessels	-	-	-	-11 544	-11 544
Operating profit (loss) (EBIT)	-445	7 577	7 040	5 910	9 370
Interest income	51	54	81	67	97
Interest expense	-964	-2 596	-4 038	-7 780	-7 966
Other financial items	-418	655	-1 905	-2 788	-2 921
Net financial items	-1 331	-1 887	-5 861	-10 501	-10 790
Profit (loss) before tax	-1 776	5 690	1 179	-4 591	-1 420
Income tax expense	-1 997	-1 915	-6 173	-6 012	-8 528
Net profit (loss) for the period	-3 773	3 775	-4 994	-10 603	-9 948
Other comprehensive income					
Exchange differences on translating foreign operations	6	-59	-45	26	-198
Net value gain on available-for-sale	-899	-337	-1 476	-1 288	277
Other comprehensive income (loss) for the year, net of tax	-894	-396	-1 521	-1 262	79
Total comprehensive income (loss) for the year	-4 666	3 379	-6 515	-11 865	-9 869
Attributable to:					
Result attributable to parent company equity holders	-3 773	3 775	-4 994	-10 603	-9 948
Total comprehensive result attributable to parent company equity holders	-4 666	3 379	-6 515	-11 865	-9 869
Numbers of shares/diluted numbers of shares (thousands)	105 930	105 930	105 930	105 930	105 930
Basic earnings/(loss) per share (USD)	-0,04	0,04	-0,05	-0,10	-0,09
Diluted earnings/(loss) per share (USD)	-0,04	0,04	-0,05	-0,10	-0,09

¹⁾ Unaudited

²⁾ Audited

Consolidated statement of financial position

(USD 000)

	Notes	FOP ASA 30 September 2011 ¹⁾	FOP ASA 30 September 2010 ¹⁾	FOP ASA 31 December 2010 ²⁾
ASSETS				
<i>Non-current assets</i>				
Offshore units, constructions and equipment	4	346 106	384 555	377 566
Other investments		8 036	9 071	10 454
Deferred tax asset		-	-	-
Total non-current assets		354 142	393 626	388 020
<i>Current assets</i>				
Short-term receivables		22 348	22 545	19 787
Bunker		972	978	870
Cash and cash equivalents		65 271	76 261	63 687
Total current assets		88 592	99 784	84 344
TOTAL ASSETS		442 734	493 410	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*		221 278	-69 375	-67 379
Total equity	6	238 367	252 723	254 719
<i>Non-current liabilities</i>				
Interest bearing loan	5	169 338	196 112	180 138
Deferred income		5 730	8 574	7 608
Pension liabilities		4 220	3 194	3 543
Non-current provisions		750	550	750
Total non-current liabilities		180 039	208 430	192 040
<i>Current liabilities</i>				
Tax payable		4 876	9 885	6 977
Interest bearing short-term debt		2 145	2 145	2 145
Accruals and other short-term debt		17 308	20 227	16 483
Total current liabilities		24 328	32 257	25 605
Total liabilities		204 367	240 687	217 645
TOTAL EQUITY AND LIABILITIES		442 734	493 410	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 ²⁾
Equity (beginning of period)	254 719	264 588	264 588
Total comprehensive loss for the period			
Loss for the period	-4 994	-10 603	-9 948
Other comprehensive income			
Translation differences	-45	26	-198
Effect of changes in available for sale assets	-1 476	-1 288	277
Transactions with owners recorded directly in equity			
Share re-purchase at par value	-107	-	-
Share re-purchase equity effect	-686	-	-
Dividends distributed	-9 044	-	-
Equity (end of period)	238 367	252 723	254 719

Consolidated statement of cash flows

(USD 000)

	Third Quarter		Year-to-Date		Full Year
	FOP ASA 2011 ¹⁾	FOP ASA 2010 ¹⁾	FOP ASA 2011 ¹⁾	FOP ASA 2010 ¹⁾	FOP ASA 2010 ²⁾
Net cash flow from operating activities	4 444	10 727	17 446	12 718	18 890
Net cash flow from investing activities	10 789	7 020	6 224	-5 436	-7 214
Net cash flow from financing activities	-10 815	-590	-22 085	-43 220	-59 992
Net change in cash	4 418	17 158	1 585	-35 938	-48 316
Net translation differences	-	-67	-	-	-198
Cash balance at period beginning	60 853	59 170	63 687	112 199	112 200
Cash balance at period ending	65 271	76 261	65 271	76 261	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).

The interim financial information was approved by the Board of Directors on 27. October 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 the 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. The Group accounts for withholding tax under the guidance of International Accounting Standard 1 *Presentation of Financial Statements* (IAS 1); Income Tax Expenses.

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*:

<i>USD 000</i>	Vessel Operating Group	Administrative Group	Total Segments	Intercompany Eliminations	Consolidated
Nine months ended September 30, 2011					
Income Statement					
Revenue	76 161	7 743	83 904	-2 543	81 361
Segment profit (loss) EBIT according to IFRS 8	-3 561	5 419	1 857	5 183	7 040
Total financial items	-3 960	-1 796	-5 757	-104	-5 861
Segment profit (loss) before tax expense	<u>-7 522</u>	<u>3 622</u>	<u>-3 899</u>	<u>5 079</u>	<u>1 179</u>
Fixed Assets					
Segment assets as at December 31, 2010	377 385	182	377 567		
Changes during the period	-31 399	-62	-31 461		
Segment assets as at September 30, 2011	<u>345 986</u>	<u>120</u>	<u>346 106</u>		

Note 4 – Property, plant and equipment

<i>(USD 000)</i>	Vessels	Other Fixed Assets	Total Fixed Assets
<i>Carrying amount 1 January 2010</i>	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)
<i>Carrying amount 31 December 2010</i>	377 385	182	377 567
Additions	4 861	-	4 861
Disposals	(13 136)	-	(13 136)
Depreciation for the period	(23 124)	(62)	(23 186)
Write-down of vessels	-	-	-
<i>Carrying amount 30 September 2011</i>	345 986	120	346 106

Note 5 - Interest bearing debt

USD 500 million credit facility

The Singapore FPSO owning companies 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. September USD 171.8 million was drawn under the credit facility.

Note 6 - Share capital and earnings per share

Share capital

<i>(USD 000)</i>	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							(4 994)	(4 994)
Unrealised foreign currency gain							(45)	(45)
Purchase of own shares					(686)		(107)	(793)
Changes in fair values, recognised directly in equity						(1 476)		(1 476)
Transfer of share premium reserve to free reserves				(305 009)			305 009	-
Dividends distributed							(9 044)	(9 044)
As of 30 September 2011	105 930	17 090	(93)	-	13 488	1 854	206 029	238 367

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 3q 11 were made on the basis of an authorization at the Annual General Meeting in May 2011 for the Board of Directors to acquire up to 10,593,000 shares, corresponding to 10% of the share capital of the Company. The combined par value of the shares purchased is USD 107,107. The Company now owns 1,200,000 shares.