

# First Quarter 2010





## CONDENSED INTERIM FINANCIAL STATEMENT QUARTER ENDED 31 MARCH 2010

### HIGHLIGHTS

- Operating result before depreciation of USD 57.0 million
- All units in operation - FPSO *Ningaloo Vision* on dayrate from early January
- Letter of Intent to sell turret and swivel business

### Main figures – Q1 2010

(Figures in brackets refer to the corresponding period of 2009)

Operating revenues for the first quarter of 2010 amounted to USD 105.3 million (USD 60.6 million).

Operating profit before depreciation was USD 57.0 million (USD 37.1 million) for the quarter. The main reasons for the increase are FPSO *Cidade de São Mateus* which started contributing from second quarter 2009 and FPSO *Ningaloo Vision*, which has been on dayrate since the beginning of January 2010. This has been partly offset by the scheduled decline in the dayrate for FPSO *Umuroa*.

Operating result for the quarter came in at USD 24.4 million (USD 23.4 million).

Interest expenses amounted to USD 11.2 million (USD 11.4 million) for the quarter. Other financial items amounted to USD -0.8 million (USD -2.5 million). The difference compared to the same period last year is mainly an effect of changes in foreign exchange rates.

The tax cost equalled USD 1.6 million (USD 4.3 million). The reduction is amongst other a result of lower taxable income for FPSO *Umuroa* in New Zealand.

The net result from continued business for the quarter was USD 10.8 million (USD 5.5 million).

As a result of the Letter of Intent with National Oilwell Varco, the turret and swivel business has been classified as a disposal group held for sale and a discontinued business. The turret

and swivel business has not earlier been classified as a separate business as no external sales have been conducted. The net result from discontinued business for the quarter was USD -0.8 million (USD -0.4 million).

Total net profit for the quarter amounted to USD 10.0 million (USD 5.1 million).

Total assets amounted to USD 2,083 million (USD 2,019 million) as of 31 March 2010. The increase compared to last year is attributable to investments made in the new vessels. Equity amounted to USD 817 million (USD 814 million), resulting in a book equity ratio of 39% (40%). As a consequence of the Letter of Intent to sell the turret and swivel business, USD 62.8 million has been classified as assets held for sale. Most of this relates to goodwill.

Net interest-bearing debt amounted to USD 1,012 million (USD 942 million).

### Lol to sell turret and swivel business

In March Prosafe Production entered into a Letter of Intent with National Oilwell Varco (NOV) to sell the turret and swivel business for USD 165 million. In addition there will be a deferred payment corresponding to 10% of the sold business' third-party sales for a period of seven years.

In connection with the transaction, Prosafe Production will enter into a seven-year supply agreement with NOV, which secures access to turret and swivel solutions at competitive terms.

Closing of the transaction, which is expected to take place in the second quarter, is amongst other subject to completion of a customary due

diligence, as well as approval by both companies' board of directors.

### Operations

All contracted units operated as normal in the quarter and the combined uptime was 99.6 per cent (99.7 per cent).

FPSO *Ningaloo Vision* commenced operations in the first quarter. The vessel started to generate dayrate early January, when it arrived at the field in Australia. The charter contract commenced early February.

FSO *Endeavor* commenced the 12-month contract extension on the PY-3 field in India on 24 January.

### Outlook

The long-term outlook for the FPSO industry remains positive. The FPSO is a unique and flexible development concept compared to most alternatives. The vessels can operate independently of pipeline infrastructure and adjacent refinery capacity, meaning they are well suited for deepwater fields and fields in remote areas. Moreover, it is a cost efficient concept that can be reused on different fields, which makes it a competitive solution on

marginal developments. Given the trend of increasing production at deep waters, in remote areas and on marginal fields, the demand for FPSOs is set to grow steadily in the long-term.

Compared to the historical trend, the FPSO industry has been through a fairly quiet couple of years in terms of contract awards. However, over the past six to nine months there have been clear signs of improvement. The oil price has stabilised on a higher level and the number of projects approaching tendering phase is increasing. As such, demand should pick up steadily and the number of tenders should increase towards the end of 2010 and into 2011. Furthermore, capacity on the supply side is gradually filling up, with a few recent major contract awards and with further awards in the pipeline. Consequently, there should be prospects for higher returns going forward.

Prosafe Production has currently no bids outstanding as it has been deemed difficult to achieve satisfactory returns within an acceptable risk frame. However, given the possibilities for increased returns going forward, it is likely that the company starts tendering for suitable projects in the latter part of the year.

Limassol, 11 May 2010

The Board of Directors of Prosafe Production Public Limited

## CONDENSED INCOME STATEMENT

| (unaudited figures in USD million)                    | Note | Q1 10         | Q1 09         | 2009          |
|---|------|---------------|---------------|---------------|
| Operating revenues                                    |      | 105.3         | 60.6          | 315.0         |
| Operating expenses                                    |      | (48.3)        | (23.5)        | (127.6)       |
| <b>Operating profit before depreciation</b>           |      | <b>57.0</b>   | <b>37.1</b>   | <b>187.4</b>  |
| Depreciation  |      | (32.6)        | (13.7)        | (83.7)        |
| Impairment  |      | 0.0           | 0.0           | (46.7)        |
| <b>Operating profit</b>                               |      | <b>24.4</b>   | <b>23.4</b>   | <b>57.0</b>   |
| Interest income                                       |      | 0.0           | 0.2           | 0.7           |
| Interest expenses                                     |      | (11.2)        | (11.4)        | (44.9)        |
| Other financial items                                 |      | (0.8)         | (2.5)         | (0.6)         |
| <b>Net financial items</b>                            |      | <b>(12.0)</b> | <b>(13.6)</b> | <b>(44.8)</b> |
| <b>Profit before taxes</b>                            |      | <b>12.4</b>   | <b>9.8</b>    | <b>12.1</b>   |
| Taxes   |      | (1.6)         | (4.3)         | (19.9)        |
| <b>Net profit (loss) from continuing operations</b>   |      | <b>10.8</b>   | <b>5.5</b>    | <b>(7.7)</b>  |
| <b>Discontinued operations</b>                        |      |               |               |               |
| Net profit (loss) from discontinued operations        | 3    | (0.8)         | (0.4)         | (2.5)         |
| <b>Net profit (loss) for the period</b>               |      | <b>10.0</b>   | <b>5.1</b>    | <b>(10.3)</b> |
| Earnings per share from continuing operations         |      | 0.04          | 0.02          | (0.03)        |
| Earnings per share diluted from continuing operations |      | 0.04          | 0.02          | (0.03)        |
| Earnings per share                                    |      | 0.04          | 0.02          | (0.04)        |
| Earnings per share diluted                            |      | 0.04          | 0.02          | (0.04)        |

## STATEMENT OF COMPREHENSIVE INCOME

| (unaudited figures in USD million)   | Note | Q1 10        | Q1 09      | 2009          |
|--------------------------------------|------|--------------|------------|---------------|
| <b>Net profit (loss)</b>             |      | <b>10.0</b>  | <b>5.1</b> | <b>(10.3)</b> |
| Net gains/losses on cash flow hedges |      | (6.3)        | 3.2        | 17.9          |
| Foreign currency translation         |      | (0.6)        | 0.0        | 0.4           |
| <b>Other comprehensive income</b>    |      | <b>(6.9)</b> | <b>3.2</b> | <b>18.3</b>   |
| <b>Total comprehensive income</b>    |      | <b>3.1</b>   | <b>8.3</b> | <b>8.0</b>    |

## CONDENSED BALANCE SHEET

| (unaudited figures in USD million)      | Note | 31/03/10       | 31/03/09       | 31/12/09       |
|---|------|----------------|----------------|----------------|
| Goodwill                                |      | 65.5           | 128.3          | 128.3          |
| Ships                                   |      | 1,730.2        | 1,663.5        | 1,756.2        |
| Other non-current assets                |      | 8.4            | 14.4           | 7.3            |
| <b>Total non-current assets</b>         |      | <b>1,804.0</b> | <b>1,806.3</b> | <b>1,891.8</b> |
| Cash and deposits                       |      | 140.0          | 136.0          | 133.8          |
| Other current assets                    |      | 76.5           | 76.6           | 71.0           |
| <b>Total current assets</b>             |      | <b>216.5</b>   | <b>212.7</b>   | <b>204.8</b>   |
| Assets classified as held for sale      | 3    | 62.8           | 0.0            | 0.0            |
| <b>Total assets</b>                     |      | <b>2,083.3</b> | <b>2,018.9</b> | <b>2,096.6</b> |
| Share capital                           | 5    | 25.5           | 25.5           | 25.5           |
| Other equity                            |      | 791.3          | 788.5          | 788.2          |
| <b>Total equity</b>                     |      | <b>816.8</b>   | <b>814.0</b>   | <b>813.7</b>   |
| Interest-free long-term liabilities     |      | 44.8           | 1.3            | 38.3           |
| Interest-bearing long-term debt         | 4    | 1,001.4        | 1,060.7        | 1,001.1        |
| <b>Total long-term liabilities</b>      |      | <b>1,046.2</b> | <b>1,062.0</b> | <b>1,039.4</b> |
| Other interest-free current liabilities |      | 69.6           | 125.5          | 92.9           |
| Current interest-bearing debt           | 4    | 150.6          | 17.4           | 150.6          |
| <b>Total current liabilities</b>        |      | <b>220.3</b>   | <b>142.9</b>   | <b>243.5</b>   |
| <b>Total equity and liabilities</b>     |      | <b>2,083.3</b> | <b>2,018.9</b> | <b>2,096.6</b> |

## CONDENSED CASH FLOW STATEMENT

| (unaudited figures in USD million)             | Note | Three months ended<br>31/03/2010 | Three months ended<br>31/03/2009 | 2009           |
|--|------|----------------------------------|----------------------------------|----------------|
| Profit before taxes from continuing operations |      | 12.4                             | 9.8                              | 12.1           |
| Profit (loss) from discontinued operations     | 3    | (0.8)                            | (0.4)                            | (2.5)          |
| Unrealised currency loss (gain)                |      | 0.6                              | 0.0                              | (0.9)          |
| Depreciation                                   |      | 32.6                             | 13.7                             | 83.7           |
| Impairment                                     |      | 0.0                              | 0.0                              | 46.7           |
| Taxes paid                                     |      | (2.8)                            | (3.2)                            | (12.7)         |
| Change in working capital                      |      | (28.7)                           | (28.6)                           | (8.1)          |
| Other items from operating activities          |      | 10.5                             | 8.7                              | 33.3           |
| <b>Net cash flow from operating activities</b> |      | <b>23.8</b>                      | <b>0.0</b>                       | <b>151.6</b>   |
| Acquisition of tangible assets                 |      | (6.1)                            | (109.2)                          | (317.6)        |
| Interest received                              |      | 0.0                              | 0.2                              | 0.7            |
| <b>Net cash flow from investing activities</b> |      | <b>(6.1)</b>                     | <b>(109.0)</b>                   | <b>(316.9)</b> |
| Proceeds from new interest-bearing debt        | 4    | 0.0                              | 50.0                             | 235.0          |
| Repayment of interest-bearing debt             |      | 0.0                              | (4.5)                            | (107.6)        |
| Interest paid                                  |      | (11.5)                           | (11.5)                           | (39.2)         |
| <b>Net cash flow from financing activities</b> |      | <b>(11.5)</b>                    | <b>34.0</b>                      | <b>88.1</b>    |
| <b>Net cash flow</b>                           |      | <b>6.2</b>                       | <b>(75.0)</b>                    | <b>(77.2)</b>  |
| Cash and deposits at beginning of period       |      | 133.8                            | 211.0                            | 211.0          |
| <b>Cash and deposits at end of period</b>      |      | <b>140.0</b>                     | <b>136.0</b>                     | <b>133.8</b>   |

## CONDENSED STATEMENT OF CHANGES IN EQUITY

| (unaudited figures in USD million)        | Three months ended<br>31/03/2010 | Three months ended<br>31/03/2009 | 2009         |
|---|----------------------------------|----------------------------------|--------------|
| Equity at the beginning of period         | 813.7                            | 805.7                            | 805.7        |
| Total comprehensive income for the period | 3.1                              | 8.3                              | 8.0          |
| <b>Equity at the end of period</b>        | <b>816.8</b>                     | <b>814.0</b>                     | <b>813.7</b> |

## KEY FINANCIAL FIGURES

|   | Notes<br>to key<br>figures | Q1 10   | Q4 09   | Q3 09   | 2009    |
|---|----------------------------|---------|---------|---------|---------|
| EBITDA margin                           |                            | 54.1%   | 55.8%   | 60.5%   | 59.5%   |
| Operating margin                        |                            | 23.2%   | -29.3%  | 36.4%   | 18.1%   |
| Return on capital employed              | 1                          | 5.0%    | -5.4%   | 6.3%    | 2.9%    |
| Return on equity                        | 2                          | 5.3%    | -20.3%  | 6.5%    | -1.0%   |
| Equity ratio                            | 3                          | 39.2%   | 38.8%   | 40.1%   | 38.8%   |
| Earnings per share (USD)                | 4                          | 0.04    | (0.16)  | 0.05    | (0.04)  |
| Earnings per share adjusted (USD)       | 5                          | 0.04    | 0.02    | 0.05    | 0.14    |
| Working capital (USD million)           | 6                          | (3.8)   | (38.7)  | 6.9     | (38.7)  |
| Net interest-bearing debt (USD million) |                            | 1,012.1 | 1,017.9 | 1,035.2 | 1,017.9 |
| Market capitalisation (USD million)     |                            | 630     | 547     | 599     | 547     |
| Share price (NOK)                       |                            | 14.75   | 12.45   | 13.70   | 12.45   |
| Book equity per share (USD)             |                            | 3.20    | 3.19    | 3.33    | 3.19    |
| Number of shares (million)              |                            | 255.2   | 255.2   | 255.2   | 255.2   |
| Average number of shares (million)      |                            | 255.2   | 255.2   | 255.2   | 255.2   |
| USD/NOK exchange rate                   |                            | 5.97    | 5.81    | 5.84    | 5.81    |

### Notes to key figures

1. Operating profit / [Average total assets - Average interest-free current debt] (Annualised)
2. Net profit / Average book equity (Annualised)
3. Book equity / Total assets
4. Net profit / Average number of outstanding and potential shares
5. Figures adjusted for effects from impairment charge
6. Current assets - current liabilities.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT

Prosafe Production Public Limited is a public limited company registered in Limassol, Cyprus. The company is listed on the Oslo Stock Exchange with the ticker code PROD.

The interim condensed financial information of Prosafe Production for the quarter ended 31 March, 2010 were approved by the Board of Directors on 11 May, 2010.

### 1. BASIS FOR PREPARATION

The condensed interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

The condensed interim financial information does not include all the information and disclosures required in the annual financial information and should be read in conjunction with the consolidated financial statements for 2009. The accounting policies adopted in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the consolidated financial statements for 2009.

### 2. SEGMENT INFORMATION

Prosafe Production is a leading owner and operator of floating production and storage vessels and does only have one operating segment.

### 3. DISPOSAL OF TURRET AND SWIVEL BUSINESS

Prosafe Production announced 22 March 2010 that it has entered into a Letter of Intent with National Oilwell Varco (NOV) to sell the turret and swivel business for USD 165 million. In addition there will be a deferred payment corresponding to 10% of the sold business' third-party sales for a period of seven years. In connection with the transaction, Prosafe Production will enter into a seven-year supply agreement with NOV, which secures access to turret and swivel solutions at competitive terms.

Closing of the transaction, which is expected during second quarter of 2010, is amongst other subject to completion of a customary due diligence, as well as approval by both companies' board of directors.

As of 31 March 2010, the turret and swivel business has been classified as a disposal group held for sale and a discontinued business. The turret and swivel business has not earlier been classified as a separate business as no external sales to third parties has been conducted. The net loss in the income statement represents operating expenses and depreciation of assets related to this business.

The assets classified as held for sale as of 31 March does in all majority relate to goodwill that will be disposed of as part of a sale of the turret and swivel business.



## 4. SECURED INTEREST-BEARING DEBT

Prosafe Production had the following secured interest-bearing debt as at 31 March 2010:

| (unaudited figures in USD million) | Q1 10          | Q1 09          | 2009           |
|------------------------------------|----------------|----------------|----------------|
| USD 1200 mill facility             | 1043.9         | 1,000.0        | 1,043.6        |
| <i>Umuroa</i> facility             | 98.2           | 66.0           | 98.1           |
| <i>Petróleo Nautipa</i> facility   | 10.0           | 12.1           | 10.0           |
| <b>Total interest-bearing debt</b> | <b>1,152.1</b> | <b>1,078.1</b> | <b>1,151.7</b> |

Prosafe Production Public Limited as borrower has entered into a senior secured revolving credit facility dated 5 May 2008, with a total availability of USD 1200 million where Nordea Norge ASA act as facility agent on behalf of a number of lenders. The loan period is seven years with the final maturity date 5 May 2015. The revolving credit facility has financial covenants related to liquidity, leverage ratio, equity ratio, working capital and collateral maintenance, and include a standard change of control clause that can be triggered if a party exceeds 30% ownership.

Prosafe Production Services Pte Ltd (acting through its New Zealand branch) as borrower has entered into a senior secured reducing revolving credit facility agreement dated 30 October 2009, with a total initial availability of USD 130 million related to the FPSO *Umuroa*. The loan period is six years with the final maturity date 3 November 2015. The revolving credit facility has financial covenants related to liquidity, leverage ratio, equity ratio and working capital, and include a standard change of control clause that can be triggered if a party exceeds 30 % ownership.

The *Petróleo Nautipa* facility is a credit facility related to the FPSO *Petróleo Nautipa*. The facility matures in December 2012.

## 5. EQUITY

The number of authorised shares issued and fully paid as at 31 March 2010 were 255,201,764. There has been no change to the number of shares issued in the first quarter of 2010.

As at 31 March 2010 Prosafe Production Public Limited has no holding of own shares.

## 6. RELATED PARTY

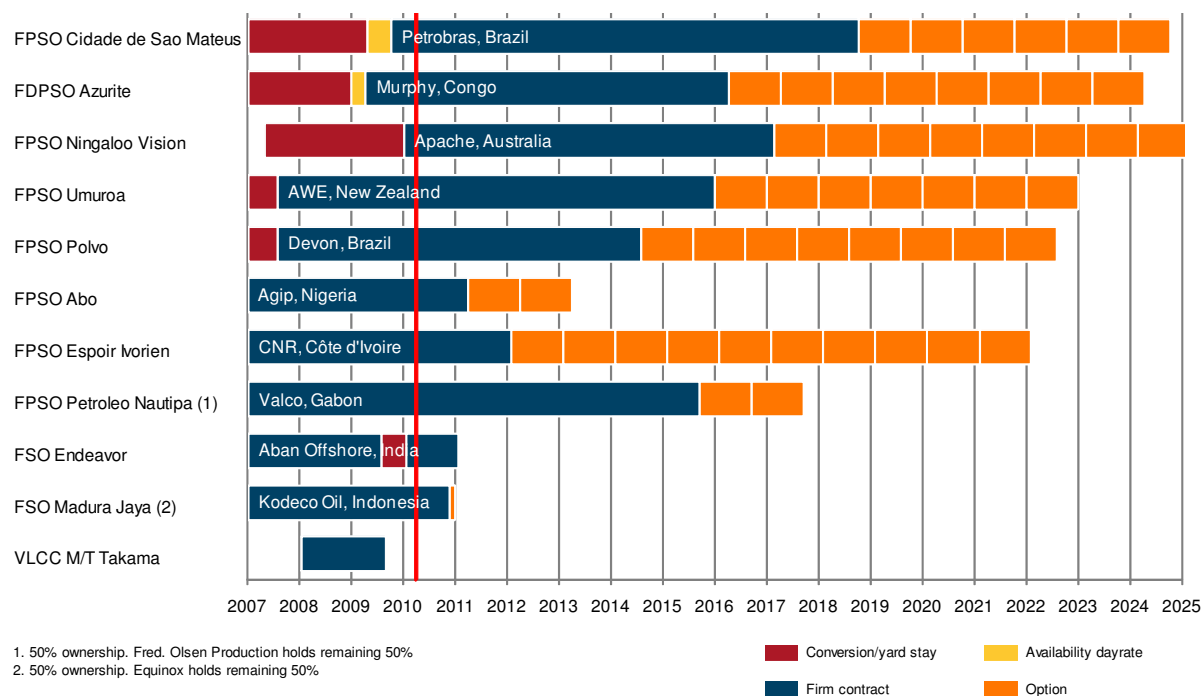
| Shares held by members of the board and management group | 31/03/10 |
|--|----------|
| <b>Members of the board</b>                              |          |
| Reidar Lund  | 190,000  |
| Arne Austreid  | 93,500   |
| Ronny Johan Langeland                                    | 10,000   |
| <b>Management</b>  |          |
| Bjørn Henriksen  | 306,000  |
| Roy Hallås   | 155,930  |
| Sven Børre Larsen  | 39,000   |

## SHAREHOLDERS as at 31 March 2010

|                                   | No. of shares | Ownership |
|-----------------------------------|---------------|-----------|
| BW OFFSHORE CYPRUS LIMITED (1)    | 44,500,000    | 17.44%    |
| PROSAFE HOLDING LTD.              | 19,778,137    | 7.75%     |
| BW EUROHOLDINGS LTD               | 15,332,280    | 6.01%     |
| BW OFFSHORE CYPRUS LTD            | 11,432,990    | 4.48%     |
| FOLKETRYGDFONDET                  | 9,946,285     | 3.90%     |
| RBC DEXIA INVESTOR SERVICES TRUST | 8,937,490     | 3.50%     |
| BROWN BROTHERS HARRIMAN & CO      | 7,500,000     | 2.94%     |
| AWILCO INVEST AS                  | 6,954,800     | 2.73%     |
| ORKLA ASA                         | 6,600,000     | 2.59%     |
| PARETO AKSJE NORGE                | 5,807,100     | 2.28%     |
| PROSAFE SE                        | 5,596,997     | 2.19%     |
| MORGAN STANLEY & CO INTERNAT. PLC | 5,429,190     | 2.13%     |
| BGL BNP PARIBAS                   | 5,079,221     | 1.99%     |
| BW LPG FPSO I LTD                 | 5,000,000     | 1.96%     |
| UBS AG, LONDON BRANCH             | 4,350,415     | 1.70%     |
| HSBC BANK PLC                     | 4,143,255     | 1.62%     |
| ODIN OFFSHORE                     | 3,932,000     | 1.54%     |
| BANK OF NEW YORK MELLON           | 3,870,714     | 1.52%     |
| STATE STREET BANK AND TRUST CO.   | 3,795,251     | 1.49%     |
| CITIBANK N.A. (LONDON BRANCH)     | 2,884,495     | 1.13%     |
| PARETO AKTIV                      | 2,857,150     | 1.12%     |
| EUROCLEAR BANK S.A./N.V. ('BA')   | 2,174,832     | 0.85%     |
| MORGAN STANLEY & CO INC. NEW YORK | 2,087,386     | 0.82%     |
| MORGAN STANLEY & CO INC. NEW YORK | 1,986,562     | 0.78%     |
| STATE STREET BANK & TRUST CO.     | 1,979,448     | 0.78%     |

1) BW Offshore Ltd is controlled by BW Euroholdings Ltd's parent company BW Group Ltd. In total they own 76,265,270 shares in Prosafe Production Public Ltd, which constitutes 29.88% of the shares outstanding.

## CONTRACT STATUS



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