

# Third Quarter 2010



## CONDENSED INTERIM FINANCIAL STATEMENT

### QUARTER ENDED 30 SEPTEMBER 2010

#### HIGHLIGHTS

- Operating result before depreciation and restructuring charges of USD 56.8 million
- Extension of contract for *Abo FPSO*
- Production on FPSO *Ningaloo Vision* recommenced after shut-down
- Agreement to combine with BW Offshore

#### Main figures

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

Operating revenues for the third quarter of 2010 amounted to USD 105.6 million (USD 83.5 million).

Operating profit before depreciation and expenses related to the BW Offshore transaction was USD 56.8 million (USD 51.0 million) for the quarter. FPSO *Ningaloo Vision*, which has been on dayrate since the beginning of January 2010, is the main reason for the growth. This has been partly offset by the scheduled decline in the dayrate for FPSO *Umuroa*.

Operating result before depreciation was USD 49.2 million in the quarter, after subtracting USD 7.6 million in expenses related to the BW Offshore transaction.

The Letter of Intent regarding the sale of the turret and swivel business to National Oilwell Varco (NOV) expired on 30 September 2010. Moreover, it appears that the possibility to sell the turret and swivel business to others than NOV, or develop it further internally, is restricted by the agreement between BW Offshore and NOV regarding the sale of APL. As such, the commercial value of the business is uncertain and the related goodwill of USD 62.8 million has been written down to zero.

This gave an operating result of USD -49.9 million (USD 30.8) in the quarter.

Interest expenses amounted to USD 11.3 million (USD 11.0 million) for the quarter. Other financial items amounted to USD 1.2 million (USD -0.7 million).

The tax cost for the third quarter equalled USD 3.9 million (USD 5.4 million). This gave a net profit from continuing operations of USD -63.8 million. Subtracting a contribution from discontinued operations of USD -1.2 million (USD -0.5 million), the net result for the quarter equalled USD -65.0 million.

The operating profit before depreciation and restructuring expenses for the nine months ended 30 September 2010 amounted to USD 173.6 million (USD 136.2 million), while the net result was USD -50.6 million (USD 30.9 million).

Total assets amounted to USD 1,964 million (USD 2,117 million) as of 30 September 2010. The reduction in book value is mainly attributable to impairment charges as well as depreciation over the period. Equity amounted to USD 735 million (USD 850 million), resulting in a book equity ratio of 37% (40%).

Net interest-bearing debt amounted to USD 969 million (USD 1,035 million).

#### Combination with BW Offshore

On 13 September 2010 it was announced that Prosafe Production and BW Offshore has agreed

to combine in order to create the world's second-largest FPSO contractor. The combination was carried out through a voluntary offer from BW Offshore on all outstanding shares in Prosafe Production. BW Offshore currently controls 94.6 per cent of the shares and has announced that a process of squeezing out the remaining shares have been initiated.

As a consequence of the transaction President and CEO Bjørn Henriksen, EVP and CFO Sven Børre Larsen, EVP and COO Roy Hallås and EVP Business Development Claes W. Olsen, will resign with effect from 25 October 2010.

### Operations

Despite high maintenance activity, all units operated as normal in the quarter and the

combined uptime was 99.6 per cent (99.1 per cent).

Earlier this month, Nigerian Agip Exploration Limited exercised the first of two 12-months extension options for *Abo* FPSO. The extension will be effective from early April 2011 and the gross value is approximately USD 30 million.

Production on FPSO *Ningaloo Vision* was shut down on 4 October 2010 due to leakage in the swivel. Following repair work offshore, production recommenced on 23 October 2010. The shutdown will impact the fourth quarter results negatively by USD 2.0-2.5 million.

Limassol, 25 October 2010

The Board of Directors of Prosafe Production Public Limited

## CONDENSED INCOME STATEMENT

(unaudited figures in USD million)	Note	Q3 10	Q3 09	Nine months ended 30/09/2010	Nine months ended 30/09/2009
Operating revenues		105.6	83.5	317.4	224.6
Operating expenses		(48.9)	(32.5)	(143.9)	(88.3)
Restructuring expenses	3	(7.6)	0.0	(7.7)	0.0
<b>Operating profit before depreciation</b>		<b>49.2</b>	<b>51.0</b>	<b>165.9</b>	<b>136.2</b>
Depreciation		(36.3)	(20.2)	(104.9)	(53.5)
Impairment	4	(62.8)	0.0	(62.8)	(0.0)
<b>Operating profit</b>		<b>(49.9)</b>	<b>30.8</b>	<b>(1.8)</b>	<b>82.7</b>
Interest income		0.1	0.3	0.2	0.6
Interest expenses		(11.3)	(11.0)	(34.2)	(33.5)
Other financial items		1.2	(0.7)	(0.1)	(3.8)
<b>Net financial items</b>		<b>(10.0)</b>	<b>(11.4)</b>	<b>(34.1)</b>	<b>(36.8)</b>
<b>Profit before taxes</b>		<b>(59.9)</b>	<b>19.4</b>	<b>(35.9)</b>	<b>46.0</b>
Taxes		(3.9)	(5.4)	(11.4)	(13.3)
<b>Net profit (loss) from continuing operations</b>		<b>(63.8)</b>	<b>14.0</b>	<b>(47.3)</b>	<b>32.7</b>
<b>Discontinued operations</b>					
Net profit (loss) from discontinued operations	4	(1.2)	(0.5)	(3.3)	(1.8)
<b>Net profit (loss) for the period</b>		<b>(65.0)</b>	<b>13.5</b>	<b>(50.6)</b>	<b>30.9</b>
Earnings per share from continuing operations		(0.25)	0.05	(0.19)	0.13
Earnings per share diluted from continuing operations		(0.25)	0.05	(0.19)	0.13
Earnings per share		(0.25)	0.05	(0.20)	0.12
Earnings per share diluted		(0.25)	0.05	(0.20)	0.12

## STATEMENT OF COMPREHENSIVE INCOME

(unaudited figures in USD million)	Note	Q3 10	Q3 09	Nine months ended 30/09/2010	Nine months ended 30/09/2009
<b>Net profit (loss)</b>		<b>(65.0)</b>	<b>13.5</b>	<b>(50.6)</b>	<b>30.9</b>
Net gains/losses on cash flow hedges		(12.6)	(11.9)	(27.1)	12.8
Foreign currency translation		(0.6)	0.2	(0.7)	0.4
<b>Other comprehensive income</b>		<b>(13.2)</b>	<b>(11.7)</b>	<b>(27.8)</b>	<b>13.2</b>
<b>Total comprehensive income</b>		<b>(78.2)</b>	<b>1.9</b>	<b>(78.4)</b>	<b>44.0</b>

**CONDENSED BALANCE SHEET**

<u>(unaudited figures in USD million)</u>	<u>Note</u>	<u>30/09/10</u>	<u>30/09/09</u>	<u>31/12/09</u>
Goodwill	4	65.5	128.3	128.3
Ships		1,673.2	1,771.8	1,756.2
Other non-current assets		5.9	13.5	7.3
<b>Total non-current assets</b>		<b>1,744.6</b>	<b>1,913.6</b>	<b>1,891.8</b>
Cash and deposits		125.5	117.9	133.8
Other current assets		93.9	85.4	71.0
<b>Total current assets</b>		<b>219.4</b>	<b>203.3</b>	<b>204.8</b>
<b>Total assets</b>		<b>1,964.0</b>	<b>2,116.9</b>	<b>2,096.6</b>
Share capital	6	25.5	25.5	25.5
Other equity		709.8	824.2	788.2
<b>Total equity</b>		<b>735.3</b>	<b>849.7</b>	<b>813.7</b>
Interest-free long-term liabilities		67.1	1.4	38.3
Interest-bearing long-term debt	5	927.0	1,028.4	1,001.1
<b>Total long-term liabilities</b>		<b>994.0</b>	<b>1,029.8</b>	<b>1,039.4</b>
Other interest-free current liabilities		67.4	112.7	92.9
Current interest-bearing debt	5	167.3	124.6	150.6
<b>Total current liabilities</b>		<b>234.6</b>	<b>237.4</b>	<b>243.5</b>
<b>Total equity and liabilities</b>		<b>1,964.0</b>	<b>2,116.9</b>	<b>2,096.6</b>

## CONDENSED CASH FLOW STATEMENT

(unaudited figures in USD million)	Note	30/09/2010	Nine months ended	30/09/2009	Nine months ended	2009
Profit before taxes from continuing operations		(35.9)	46.0	12.1		
Profit (loss) from discontinued operations	4	(3.3)	(1.8)	(2.5)		
Unrealised currency loss (gain)		1.1	(0.8)	(0.9)		
Depreciation		104.9	53.5	83.7		
Impairment	4	62.8	0.0	46.7		
Taxes paid		(8.4)	(12.3)	(12.7)		
Change in working capital		(48.4)	(41.1)	(8.1)		
Other items from operating activities		29.4	32.1	33.3		
<b>Net cash flow from operating activities</b>		<b>102.1</b>	<b>75.7</b>	<b>151.6</b>		
Acquisition of tangible assets		(20.5)	(257.7)	(317.6)		
Interest received		0.2	0.6	0.7		
<b>Net cash flow from investing activities</b>		<b>(20.3)</b>	<b>(257.1)</b>	<b>(316.9)</b>		
Proceeds from new interest-bearing debt	5	20.0	135.0	235.0		
Repayment of interest-bearing debt	5	(78.6)	(14.6)	(107.6)		
Interest paid		(31.5)	(32.2)	(39.2)		
<b>Net cash flow from financing activities</b>		<b>(90.1)</b>	<b>88.3</b>	<b>88.1</b>		
<b>Net cash flow</b>		<b>(8.3)</b>	<b>(93.1)</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>125.5</b>	<b>117.9</b>	<b>133.8</b>		

## CONDENSED STATEMENT OF CHANGES IN EQUITY

(unaudited figures in USD million)	30/09/2010	Nine months ended	30/09/2009	Nine months ended	2009
Equity at the beginning of period		813.7	805.7	805.7	
Total comprehensive income for the period		(78.4)	44.0	8.0	
<b>Equity at the end of period</b>		<b>735.3</b>	<b>849.7</b>	<b>813.7</b>	

## KEY FINANCIAL FIGURES

	Notes to key figures	Q3 10	Q2 10	Q1 10	Nine months ended 30/09/2010
EBITDA margin		46.6%	56.0%	54.1%	52.3%
Operating margin		-47.2%	22.2%	23.2%	-0.6%
Return on capital employed	1	-10.2%	4.8%	5.0%	-0.1%
Return on equity	2	-32.2%	2.8%	5.3%	-8.0%
Equity ratio	3	37.4%	39.7%	39.2%	37.4%
Earnings per share (USD)	4	(0.25)	0.02	0.04	(0.20)
Earnings per share adjusted (USD)	5	0.03	0.02	0.04	0.09
Working capital (USD million)	6	(15.2)	(37.3)	(3.8)	(15.2)
Net interest-bearing debt (USD million)		968.7	994.5	1,012.1	968.7
Market capitalisation (USD million)		650	521	630	650
Share price (NOK)		14.90	13.25	14.75	14.90
Book equity per share (USD)		2.88	3.17	3.20	2.88
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		5.85	6.49	5.97	5.85

### 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 and restructuring
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 30 September, 2010 were approved by the Board of Directors on 25 October, 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. RESTRUCTURING EXPENSES

As a result of the strategic process initiated by the Board of Directors of in relation to the offer from BW Offshore to purchase all outstanding shares in Prosafe Production, and the subsequent combining agreement between the companies, Prosafe Production has incurred restructuring costs amounting to USD 7.6 million for the quarter.

### 4. DISPOSAL OF TURRET AND SWIVEL BUSINESS

The Board of Directors is of the opinion that it is highly probable that the turret and swivel business is not going to be part of the new combined group structure, and therefore sold off. As such, the business is classified as discontinued operations in the third quarter. The Letter of Intent with National Oilwell Varco (NOV) to sell the turret and swivel business expired 30 September 2010. Consequently, the future commercial value of this business is uncertain and the related goodwill of USD 62.8 million has therefore been written down to zero.

## 5. SECURED INTEREST-BEARING DEBT

Prosafe Production had the following secured interest-bearing debt as at 30 September 2010:

(unaudited figures in USD million)	Q3 10	Q3 09	2009
USD 1200 mill facility	969.5	1,085.0	1,043.6
<i>Umuroa</i> facility	115.8	57.0	98.1
<i>Petróleo Nautipa</i> facility	8.9	11.1	10.0
<b>Total interest-bearing debt</b>	<b>1,094.3</b>	<b>1,153.1</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 initial 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.

## 6. EQUITY

The number of authorised shares issued and fully paid as at 30 September 2010 were 255,201,764. There has been no change to the number of shares issued in the third quarter of 2010.

As at 30 September 2010 Profsafe Production Public Limited has no holding of own shares.

## 7. RELATED PARTY

As at 30 September 2010, no members of the Board of Directors or senior management held any shares in Profsafe Production Public Limited.

## 8. EVENTS AFTER THE BALANCE SHEET DATE

Reference is made to the offer document dated 27 July 2010 from BW Offshore regarding the voluntary exchange offer for all the shares in Prosafe Production. The Board of BW Offshore announced 1 October 2010 that it had resolved to declare the offer unconditional and accordingly complete the offer for all the shares in Prosafe Production. Delivery of consideration shares for Prosafe Production shareholders took place 11 October 2010. As a result of this transaction, BW Offshore directly and indirectly owned 94.63% of the total number of issued shares in Prosafe Production as of this date.

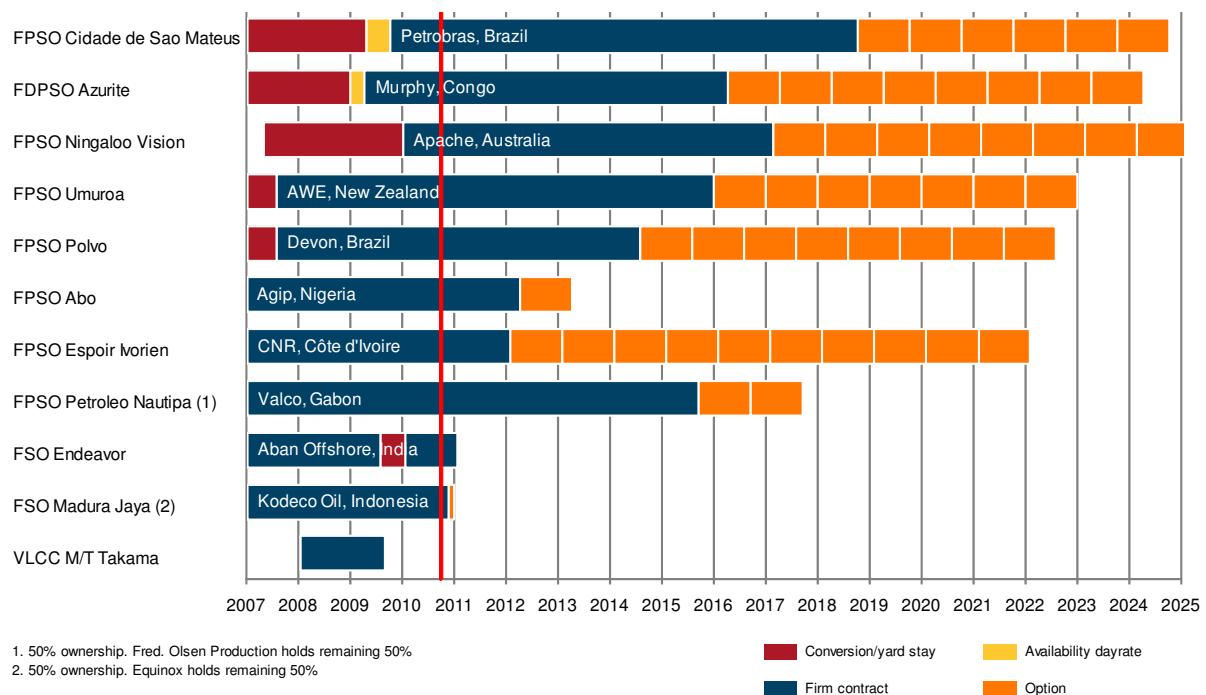
On 8 October 2010 a notice was given for an Extraordinary General Meeting to be held 25 October 2010 in Cyprus. The notice was given as requested by BW Offshore, with the purpose of appointing a new Board of Directors.

BW Offshore announced 11 October 2010 a request to the Cyprus Securities and Exchange Commission for a decision permitting BW Offshore to acquire all the remaining issued shares in Prosafe Production which BW Offshore does not own (directly or indirectly) following settlement of the offer.

As specified in note five, both the USD 1200 million facility and the Umuroa facility has a standard change of control clause that can be triggered if a party exceeds 30% ownership of the shares in Prosafe Production. BW Offshore took, 11 October 2010, delivery of shares in Prosafe Production under the offer as described in the first paragraph of this note. Consequently, as of 11 October 2010, the change of control according to the loan agreements has taken place. This give banks under the facilities a right to demand repayment of the outstanding debt. As per 25 October 2010 the Board of Directors have not received any demand for repayment of the outstanding debt.

On 8 October it was announced that Nigerian Agip Exploration Limited has exercised the first of two 12-months extension options for Abo FPSO. The extension will be effective from early April 2011. The gross value is approximately USD 30 million.

## CONTRACT STATUS



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