



Preliminary results for 4th quarter 2007 and for year 2007

***PetroProd** has entered into a contract with Jurong Shipyard in Singapore (“Jurong”) on 22 June 2007 for the construction of one MSC/Gusto CJ70 Jackup (the “drilling rig”) for 150 m water-depth with delivery in the second quarter of 2010.*

PetroProd has also acquired 3 Aframax tanker vessels for planned conversion to floating production offloading and storage (“FPSO”) vessels. The first vessel, M/T Arc entered Jurong Shipyard in January 2008 for conversion work into FPSO with expected completion in fourth quarter 2008. M/T Archimid and M/T Trust have secured slots for planned conversion to FPSOs approximately 8 and 16 months, respectively, after the conversion of M/T Arc. The M/T Archimid is presently on freight-charter in India and the M/T Trust is on time-charter in West Africa.

PetroProd has identified a number of employment opportunities in harsh environment such as the North Sea for the large CJ70 Jackup. The Company expects to be able to secure a long-term drilling or a combined drilling and production contract ahead of additional funding requirements. All vessels are actively marketed to prospective clients worldwide. At present, several tenders are under preparation.

*PetroProd is managed through management agreements with Larsen Oil & Gas Pte. Ltd of Singapore. (“**LOG Singapore**”).*

Summary of Operations

PetroProd Ltd (“PetroProd” or the “Company”) was incorporated in the Cayman Islands 1 December 2006.

The Company was listed on the Oslo Stock Exchange, Oslo Axess 7 December 2007.

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PetroProd is managed through management agreements with Larsen Oil & Gas Pte. Ltd of Singapore (“**LOG Singapore**”). The management agreements governs the services to be provided by LOG, including but not limited to pre-contract services, including negotiation of terms and condition, pre-delivery yard supervision and project management, engineering, procurement, construction, supervision, marketing, operation, general administrative and advisory services in connection with the management of the business, and post-delivery technical and operational management of the Units.

Summary of Fourth Quarter 2007

Construction progress

There have been no lost time accidents, and the construction processes are developing according to schedule and on budget.

Financial Information

(all figures in USD Million)

Profit and loss

PetroProd expects no material revenues before delivery of the drilling rig and the FPSOs by Jurong. Total revenue in fourth quarter was USD 2.2 million. Revenues in the fourth quarter were mainly derived from the chartering of the two owned vessels during the period from acquisition to dry docking for conversion to Floating Production Storage and Offloading Vessels (“FPSO”).

EBITDA was USD -9.6 million in the fourth quarter and USD -23.3 million year to date 2007 compared to USD nil in the fourth quarter and year to date in 2006. The main explanation for the deviation between 2006 and 2007 EBITDA was mainly because PetroProd started its operations in 2007.

Operating expenses totaled USD 11.8 million in the fourth quarter and USD 27.1 million year to date 2007, compared to USD nil in the fourth quarter and year to date in 2006. Total operating expenses comprised mainly of management services cost conducted by LOG Singapore, bunker/crew cost incurred in the course of chartering the owned vessels and withholding tax incurred with regards to the three interest-bearing bond loans issued.

Fourth quarter EBIT was USD -11.3 million and year to date 2007 EBIT was USD -27.9 million, compared to USD nil in the fourth quarter and year to date in 2006.

The net result for the fourth quarter 2007 was USD -3.0 million, compared to USD 11k in the fourth quarter of 2006. The net result year to date 2007 was USD -31.9 million compared to USD 11k in 2006. Certain interest income and expenses related to the bonds for construction of the drilling rig and conversion of the FPSO are capitalized under the construction contracts in the group balance sheet in the fourth quarter 2007. The remaining interest income and expenses which does not meet the capitalization criteria under IAS 23 remained expensed in the income statement.

Cash flow

Cash flow from operations year to date 2007 was USD -89.5 million compared to year to date 2006 net loss of USD -31.9 million. The main reason for the deviation between cash flow from operations and operating results was depreciation of the vessels on charter and cash flow of USD 74.0 million to purchase debt securities. Cash flow from investments was mainly related to installments paid to Jurong and other suppliers for the construction of the drilling rig and conversion of the FPSOs. Total cash flows from investing and financing year to date 2007 amounted to USD-154.2 million and USD 539.0 million respectively. Cash flow from financing activities consisted of mainly cash inflows from bonds issued and private equity placements to fund construction of the drilling rig and conversion of the FPSOs. Interest paid on these bonds constituted part of financing activities as well.

Balance sheet

As per December 31, 2007, total assets was USD 595.3 million, of which USD 175.5 million related to the drilling rig under construction, FPSO under conversion and vessels on charter, USD 341.2 million related to cash at bank, and USD 74.0 million related to investments in debt securities. Corresponding figures as per December 31, 2006, was total assets of USD 47.6 million, of which USD 45.9 million related to cash at bank.

Bond loans issued were recognized at amortized value of USD 460.8 million.

Equity

The book value of the Group's equity totaled USD 111.1 million at the end of fourth quarter 2007, which gave an equity ratio of 19 percent. The number of total issued shares as per December 31 2007, were 87,499,000, each with a par value of USD 0.01. PetroProd's largest shareholder is Petrojack ASA, with approximately 42% ownership.

Market Conditions and Outlook

The market for offshore exploration is strong, with near 100% utilization. As a result, day rates have increased. The oil price is also expected to remain high over the next few years driven by demand growth and limited spare capacity. As the oil price has gone up from about USD 30 a barrel two years ago to the USD 90+ today, several projects have become profitable for the oil companies. We expect the fundamentals to remain favorable in the drilling and mobile production market as oil producers need to increase their E&P spending in order to replace declining oil reserves.

The FPSO's are marketed mainly in the benign market whilst the drilling rig is marketed mainly in harsh environment such as the North Sea. The market outlook in the short term (3 to 6 months) is fairly slow, but it is expected that a number of new opportunities will materialize in the medium to long term. The Company sees increasing competition in this market and expects further consolidation to take place.

PetroProd's Board of Directors expects a favorable offshore petroleum industry rig market in the next few years.

The Board of Directors, PetroProd Ltd, 22nd February 2008

FINANCIAL REPORT FOURTH QUARTER 2007

Condensed Consolidated Income Statement				
All figures in USD (1000)				
	Unaudited 4Q 2007	Audited 4Q 2006	Unaudited YTD 2007	Audited YTD 2006
Operating revenues	2 190	0	3 814	0
Operating expenses	11 783	0	27 138	0
Operating profit before depreciation	-9 593	0	-23 324	0
Depreciation	1 701	0	4 537	0
Operating profit (loss-)	-11 294	0	-27 861	0
Net financial income/expenses(-)	8 280	11	-4 052	11
Net result before taxes	-3 014	11	-31 913	11
Tax	0	0	0	0
Net result	-3 014	11	-31 913	11
Earnings per share (average shares) (USD)	-0.0455	0.0029	-0.4817	0.0029
Earnings per share (total shares) (USD)	-0.0344	0.0002	-0.3647	0.0002

- The accompanying notes are an integral part of the financial statements

Condensed Balance Sheet

All figures in USD (1000)		
	Unaudited 31.12.2007	Audited 31.12.2006
Assets		
Construction contract of drilling rig	94 097	0
Vessel conversion in progress	51 931	0
Vessels	29 490	0
Total non-current assets	175 518	0
Other debtor	3 960	1 719
Inventories	704	0
Other liquid assets	73 963	0
Cash and cash equivalents	341 157	45 892
Total current assets	419,784	47 611
Total assets	595 302	47 611
Equity and liabilities		
Share capital	875	450
Share premium fund	142 171	47 150
Other reserves	0	0
Other equity	-31 902	11
Total equity	111 144	47 611
Deferred tax	0	0
Bonds	460 768	0
Total non-current liabilities	460 768	0
Accounts payable	6 432	0
Short term portion of long term liabilities	0	0
Payable tax	0	0
Other current liabilities	16 958	0
Total current liabilities	23 390	0
Total liabilities	484 158	0
Total equity and liabilities	595 302	47 611
Book equity per share (end of period shares)	1.2702	1.0580
Equity ratio	19%	100%

Condensed Consolidated Statement of changes in Equity

All figures in USD (1000)

	Unaudited 4Q 2007	Unaudited YTD 2007	Audited YTD 2006
Equity period start	114 158	47 611	1
Profit for the period	-3 014	-31 913	11
Currency translation differences	0	0	0
Other gains and losses charged directly to equity	0	0	0
Total gains and losses charged directly to equity	0	0	0
Total recognized income for the period	-3 014	-31 913	11
New equity by contributions in cash	0	98 225	47 599
Expenses related to share issues (net of tax)	0	-2 779	0
Total equity from shareholders in the period	0	95 446	47 599
Total change of equity in the period	-3 014	63 533	47 610
Equity at period end	111 144	111 144	47 611

Condensed Consolidated Cash Flow Statement

All figures in USD (1000)

	Unaudited 4Q 2007	Unaudited YTD 2007	Audited YTD 2006
Net cash flow from operating	-78 509	-89 461	11
Net cash flow from investing	-20 345	-154 230	-1 719
Net cash flow from financing	128 674	538 956	47 600
Net change in cash and cash equivalents	29 820	295 265	45 892
Cash and cash equivalents at beginning of period	311 337	45 892	0
Cash and cash equivalents at period end	341 157	341 157	45 892

Note 1 Applied accounting principles

This quarterly report is according to the International Financial Reporting Standards (IFRS as adopted by the EU) and the appurtenant standard for quarterly reporting (IAS 34). The quarterly accounts are based on the current IFRS standards and interpretations. The quarterly report is prepared according to the same principles as the most recent annual financial statements, but do not include all the information and disclosures required in the annual financial statements. Consequently, this report should be read in conjunction with the latest annual report for the Company (2006). Changes in standards and interpretations may result in other figures.

The same accounting principles and methods for calculation which were applied in the latest annual report (2006) have been applied in the preparation of this interim report. The Company's accounting principles are described in detail in its annual report for 2006.

The consolidated accounts are based on historical cost, with the exception of items required to be reported at fair value and amortized cost.

Note 2 Tangible fixed assets

The table below outlines the development of tangible fixed assets per 31st December 2007:

	Construction contract of drilling rig	Vessel conversion in progress	Vessels	Total
<i>All figures in USD (1000)</i>				
Balance at 1 Jan 2007 (audited)	0	0	0	0
Acquisition cost:				
Purchased tangibles 2007 (unaudited)	94 097	51 931	34 027	180 055
Acquisition cost at 31 December 2007	94 097	51 931	34 027	180 055
Depreciation:				
Balance at 1 January 2007 (audited)	0	0	0	0
Depreciation 2007 (unaudited)	0	0	4 537	4 537
Balance at 31 December 2007	0	0	4 537	4 537
Carrying amount:				
Balance at 31 December 2007	94 097	51 931	29 490	175 518