# Fred. Olsen Energy ASA

## Report for the 2nd quarter 2007

**Figures in NOK**

**FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 509.4 MILLION FOR THE 2ND QUARTER 2007**

**HIGHLIGHTS FOR THE 2ND QUARTER**

- **Revenues were 1036.6 million**
- **EBITDA was 509.4 million**
- **Operating profit (EBIT) was 397.4 million**
- **Net profit was 381.9 million**
- **Belford Dolphin commenced three-year contract with Anadarko**
- **Borgny Dolphin secured five-year contract with Petrobras**
- **Bredford Dolphin commenced three-year contract with DPT**
- **Bulford Dolphin relocated and contract agreed terminated**
- **Capital expenditure for upgrade of Blackford Dolphin and Bredford Dolphin significantly increased**
- **Paid out dividend of NOK 10 per share in June**

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**Figures in NOK**

**FINANCIAL INFORMATION (*1st quarter 2007 in brackets)***

Operating revenues in the quarter were 1036.6 million (967.1 million), an increase of 69.5 million compared with the previous quarter. Revenues within the offshore drilling division increased by 87.7 million, while revenues within the engineering and fabrication division, including the eliminations, decreased by 18.2 million. The increase in revenues within the offshore drilling division is mainly due to higher dayrates for Belford Dolphin, higher utilization of Byford Dolphin and commencement of drilling contract for Bredford Dolphin. The increase in revenues was partly offset by 60 days force majeure rate for Bulford Dolphin. Revenues within the engineering and fabrication division were 63.7 million, of which 44.5 million were related to intra-group activities (modules and engineering fabrication work for Blackford Dolphin and Bredford Dolphin upgrades) and eliminated in the consolidated accounts.

Operating costs were 527.2 million (604.5 million), a decrease of 77.3 million compared with the previous quarter. Operating costs within the offshore drilling division decreased by 55.5 million mainly due to finalization of the integrated service contract with ONGC in India for Belford Dolphin. Operating costs within the engineering and fabrication division, including eliminations, decreased by 21.8 million.

Operating profit before depreciation (EBITDA) was 509.4 million (362.6 million).

Depreciation amounted to 112.0 million (115.7 million).

Operating profit after depreciation (EBIT) was 397.4 million (246.9 million).

Net financial expenses were 11.5 million (17.4 million). Capitalized interest expenses related to Blackford Dolphin in the 2nd quarter amounted to 29.3 million (24.2 million).

Profit before tax was 385.9 million (229.5 million).

Net profit, including an estimated tax charge of 4.0 million (5.9 million), was 381.9 million (223.6 million).

Basic earnings per share were 5.8 (3.4).

The **offshore drilling division** reported revenues of 1017.4 million (929.7 million) and an EBITDA of 505.2 million (362.0 million).

The **engineering and fabrication division** reported revenues of 63.7 million (47.4 million) and an EBITDA of 5.8 million (2.8 million).

**Figures in NOK**

**OPERATIONS**

**Drilling Division**

Bideford Dolphin continued operations under a drilling program offshore Norway for Norsk Hydro. A three years drilling contract for the rig has been entered into with Norsk Hydro Produksjon AS from January 2008 to January 2011.

Borgland Dolphin continued operations under a three years contract with Statoil ASA and the other licensees in the Tampen area on the Norwegian continental shelf. The contract will expire 1st January 2010.

Bredford Dolphin has been at the Remontowa shipyard in Gdansk, Poland, during most of the quarter for its five-year class renewal survey and upgrade for Norwegian requirements. The rig mobilized from Poland in June and commenced its three years drilling contract with Drilling Production Technology AS and a consortium of licensees on the Norwegian continental shelf. The contract will expire in June 2010. The upgrade has been substantially delayed and the total capital expenditure was approximately USD 140 million compared to previous estimate of USD 105 million. An increase of USD 35 million is made up of additional crew, project management and vendor assistance cost due to extension of time as well as currency.

The deepwater drillship Belford Dolphin completed its drilling contract in mid April with ONGC in India and mobilized for West Africa under a three year contract with Anadarko, which will expire in April 2010.

Borgny Dolphin continued operations under a contract with Pemex in Mexico, expiring January 2008. A new five years drilling contract for the rig has been entered into with Petrobras from January 2008 to January 2013.

Bulford Dolphin (owned by First Olsen Ltd. and operating in a pool with four of the Company's own units) continued its operations for Equator Exploration Ltd. offshore Nigeria. In order to protect the safety of the crew after having experienced two abductions and an unstable working environment, Dolphin Drilling Ltd., a subsidiary of Fred. Olsen Energy ASA, and Equator Exploration Ltd. have agreed that the drilling contract for Bulford Dolphin shall be regarded as terminated. The rig has been unmanned for large periods of time during the quarter. The rig has been on Force Majeure rate (which is 50% of operating rate) for approximately 60 days in the quarter. The unit has left Nigeria, after an orderly plug and abandonment of the well it was drilling on the Bilabri field. The rig is now being relocated to Ghana and is actively marketed on a world wide basis for new assignments.

Byford Dolphin continued operations under its contract with CNR International (U.K.) Limited. The contract is expected to expire in March 2008.

Borgsten Dolphin has been operating for Tullow Oil plc. under a 21 months term contract, expected to expire in July 2008.

Borgholm Dolphin commenced a 7.5 months contract in the UK sector of the North Sea in January. In April the contract was extended by two months and, including the extension, is now expected to expire late October 2007. A new contract has been entered into, commencing in January 2008 for a period of approximately six months. The unit is scheduled for a five-year compulsory class renewal survey late in 2007.

The upgrade of Blackford Dolphin to a deepwater drilling unit capable of operating in up to 7000 ft. of water depth continued at the Keppel Verolme yard in Rotterdam. A three-year drilling contract has been secured with Reliance Industries Ltd. In July the rig went in for an extra dry docking in order to add pontoon and column sponsons for improved deck load capacity and stability and complete outstanding painting and steel work. The extent of the scope of work has been subject to disagreements with the yard, and in order to sort out this and other disputes between the parties and to take account of agreed additional works the contract parties are now in the final stage of discussing an addendum to the contract. The capital expenditure for the upgrade following the envisaged addendum are now estimated to be around USD 560 million compared to previous estimate of USD 475 million, including consequences of extension of time. The rig is expected to depart Keppel Verolme in 1Q08 and arrive in India to commence the contract with Reliance in 2Q08.

**Engineering and Fabrication**

During the quarter, the yard has continued to provide engineering and module fabrication work related to the upgrades of Blackford Dolphin and Bredford Dolphin in addition to various work for external customers within its business segments.

**Outlook**

Globally, the balance between supply and demand for offshore drilling units continued to be tight in all segments. The high demand for offshore drilling services is expected to continue during the next years.

Upon the completion of the upgrade of Blackford Dolphin, the Group's offshore fleet will consist of two deepwater units (including the Belford Dolphin) and six mid water semi submersible drilling rigs in addition to an accommodation unit. The Group is also operating one mid water semi submersible drilling rig owned by a related company. Three of the semi submersible drilling rigs are operating in Norway.

Oslo, 16th July 2007
The Board of Directors
Fred. Olsen Energy ASA

# Fred.Olsen Energy ASA

**Condensed Financial Statements in accordance with IFRS**

**Unaudited**

| **Consolidated Income Statement (NOK mill)** | **Note** | **2nd Q 2007** | **1st Q 2007** | **2nd Q 2006** | **1st half 2007** | **1st half 2006** | **Year 2006** |
|---|---|---|---|---|---|---|---|
| Operating revenues | | 1 036,6 | 967,1 | 1 028,0 | 2 003,7 | 1 963,9 | 4 048,2 |
| Operating costs | | (527,2) | (604,5) | (572,3) | (1 131,7) | (1 116,7) | (2 339,2) |
| **Oper. profit before depr. (EBITDA)** | | **509,4** | **362,6** | **455,7** | **872,0** | **847,2** | **1 709,0** |
| Depreciation and amortisation | | (112,0) | (115,7) | (113,8) | (227,7) | (237,5) | (479,7) |
| Impairment | | - | - | - | - | - | (19,9) |
| **Operating profit (EBIT)** | | **397,4** | **246,9** | **341,9** | **644,3** | **609,7** | **1 209,4** |
| Net financing cost | | (11,5) | (17,4) | (59,0) | (28,9) | (149,7) | (212,3) |
| Profit before income taxes | | **385,9** | **229,5** | **282,9** | **615,4** | **460,0** | **997,1** |
| Income tax benefit (expense) | | (4,0) | (5,9) | (4,8) | (9,9) | (9,8) | (23,3) |
| **Profit for the period** | | **381,9** | **223,6** | **278,1** | **605,5** | **450,2** | **973,8** |
| *EPS :* | | | | | | | |
| Earnings per share | | 5,8 | 3,4 | 4,5 | 9,2 | 7,3 | 15,5 |
| Diluted earnings per share | | 5,8 | 3,4 | 4,2 | 9,1 | 6,9 | 15,1 |

**Unaudited**

| **Balance Sheet (NOK mill)** | **Note** | **30 June 07** | **31 Mar 07** | **30 June 06** | **31 Dec 06** |
|---|---|---|---|---|---|
| Intangible assets | | 98,6 | 98,6 | 98,6 | 98,6 |
| Property, plant & equipment | *3* | 7 135,2 | 6 399,4 | 5 636,4 | 6 181,7 |
| Other non-current assets | | 21,8 | 21,9 | 11,8 | 21,4 |
| **Total non-current assets** | | **7 255,6** | **6 519,9** | **5 746,8** | **6 301,7** |
| Inventories | | 223,0 | 214,7 | 163,5 | 220,4 |
| Trade and other receivables | | 903,9 | 817,5 | 825,3 | 618,6 |
| Other current assets | | 214,8 | 194,9 | 108,9 | 181,4 |
| Cash and cash equivalents | | 498,3 | 760,8 | 625,6 | 912,5 |
| **Total current assets** | | **1 840,0** | **1 987,9** | **1 723,3** | **1 932,9** |
| **Total assets** | | **9 095,6** | **8 507,8** | **7 470,1** | **8 234,6** |
| Share capital | *4* | 1 319,8 | 1 319,8 | 1 228,4 | 1 316,8 |
| Other equity | *6* | 2 340,0 | 2 752,4 | 1 903,3 | 2 620,5 |
| **Total Equity** | | **3 659,8** | **4 072,2** | **3 131,7** | **3 937,3** |
| Non-current interest-bearing loans and borrowings | *7* | 3 330,6 | 3 223,1 | 3 206,2 | 3 091,4 |
| Other non-current liabilities | | 242,6 | 244,5 | 266,4 | 249,8 |
| **Total non-current liabilities** | | **3 573,2** | **3 467,6** | **3 472,6** | **3 341,2** |
| Other current liabilities | | 808,3 | 637,1 | 579,6 | 671,4 |
| Current interest-bearing loans and borrowings | | 1 054,3 | 330,9 | 286,2 | 284,7 |
| **Total current liabilities** | | **1 862,6** | **968,0** | **865,8** | **956,1** |
| **Total equity and liabilities** | | **9 095,6** | **8 507,8** | **7 470,1** | **8 234,6** |

# Fred.Olsen Energy ASA

**Condensed Financial Statements in accordance with IFRS**

**Unaudited**
**Segment Infomation**

| (NOK mill) | Offshore Drilling * | Engineering & Fabrication | Eliminations | FOE Group |
|---|---|---|---|---|
| **2nd Q 2007** | | | | |
| Operating revenues | 1 017,4 | 63,7 | (44,5) | 1 036,6 |
| Operating costs | (512,2) | (57,9) | 42,9 | (527,2) |
| **Oper. profit before depr. (EBITDA)** | **505,2** | **5,8** | **(1,6)** | **509,4** |
| Depreciation and amortisation | (110,7) | (1,3) | - | (112,0) |
| **Operating profit (EBIT)** | **394,5** | **4,5** | **(1,6)** | **397,4** |
| | | | | |
| **1st Q 2007** | | | | |
| Operating revenues | 929,7 | 47,4 | (10,0) | 967,1 |
| Operating costs | (567,7) | (44,6) | 7,8 | (604,5) |
| **Oper. profit before depr. (EBITDA)** | **362,0** | **2,8** | **(2,2)** | **362,6** |
| Depreciation and amortisation | (114,4) | (1,3) | - | (115,7) |
| **Operating profit (EBIT)** | **247,6** | **1,5** | **(2,2)** | **246,9** |
| | | | | |
| **2nd Q 2006** | | | | |
| Operating revenues | 1 005,1 | 140,5 | (117,6) | 1 028,0 |
| Operating costs | (552,6) | (134,2) | 114,5 | (572,3) |
| **Oper. profit before depr. (EBITDA)** | **452,5** | **6,3** | **(3,1)** | **455,7** |
| Depreciation and amortisation | (112,8) | (1,0) | - | (113,8) |
| **Operating profit (EBIT)** | **339,7** | **5,3** | **(3,1)** | **341,9** |
| | | | | |
| **1st half 2007** | | | | |
| Operating revenues | 1 947,1 | 111,1 | (54,5) | 2 003,7 |
| Operating costs | (1 079,9) | (102,5) | 50,7 | (1 131,7) |
| **Oper. profit before depr. (EBITDA)** | **867,2** | **8,6** | **(3,8)** | **872,0** |
| Depreciation and amortisation | (225,1) | (2,6) | - | (227,7) |
| **Operating profit (EBIT)** | **642,1** | **6,0** | **(3,8)** | **644,3** |
| | | | | |
| **1st half 2006** | | | | |
| Operating revenues | 1 902,1 | 298,1 | (236,3) | 1 963,9 |
| Operating costs | (1 061,6) | (285,9) | 230,8 | (1 116,7) |
| **Oper. profit before depr. (EBITDA)** | **840,5** | **12,2** | **(5,5)** | **847,2** |
| Depreciation and amortisation | (235,4) | (2,1) | - | (237,5) |
| **Operating profit (EBIT)** | **605,1** | **10,1** | **(5,5)** | **609,7** |
| | | | | |
| **Year 2006** | | | | |
| Operating revenues | 3 934,7 | 498,9 | (385,4) | 4 048,2 |
| Operating costs | (2 272,1) | (390,1) | 323,0 | (2 339,2) |
| **Oper. profit before depr. (EBITDA)** | **1 662,6** | **108,8** | **(62,4)** | **1 709,0** |
| Depreciation and amortisation | (475,4) | (4,3) | - | (479,7) |
| Impairment | (19,9) | - | - | (19,9) |
| **Operating profit (EBIT)** | **1 167,3** | **104,5** | **(62,4)** | **1 209,4** |

* Includes Fred. Olsen Energy ASA

| Unaudited<br>Equity<br>(NOK mill) | Note | 1st half<br>2007 | 1st half<br>2006 | Year<br>2006 |
|---|---|---|---|---|
| **Opening balance** | | **3 937,3** | **2 950,6** | **2 950,6** |
| Net profit (loss) for the period | | 605,5 | 450,2 | 973,8 |
| Treasury shares | | - | 1,7 | 1,7 |
| Equity element convertible bond/converted bonds/Share issue | *4* | 9,5 | 13,0 | 305,1 |
| Dividend | *6* | (659,9) | - | - |
| Foreign currency translation adj. | | (232,6) | (283,8) | (293,9) |
| **Closing balance** | | **3 659,8** | **3 131,7** | **3 937,3** |

| Unaudited<br>Cash Flow Statements<br>(NOK mill) | Note | 1st half<br>2007 | 1st half<br>2006 | Year<br>2006 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit/(loss) before income tax | | 615,4 | 460,0 | 997,1 |
| *Adjustment for:* | | | | |
| Depreciation and amortisation | | 227,7 | 237,5 | 499,6 |
| Interest expense | | 56,1 | 105,4 | 167,8 |
| Gain on sales of fixed assets | | (2,7) | - | (7,1) |
| Changes in working capital | | (260,4) | (221,7) | (149,8) |
| Cash generated from operations | | 636,1 | 581,2 | 1 507,6 |
| Interest paid | | (109,6) | (144,8) | (249,6) |
| Taxes paid | | (5,5) | - | (20,4) |
| **Net cash from operating activities** | | **521,0** | **436,4** | **1 237,6** |
| **Cash flows from investing activities** | | | | |
| Net investment in fixed assets | | (1 458,6) | (885,2) | (1 581,5) |
| Proceeds from sale of equipment | | 4,7 | - | 16,3 |
| **Net cash used to investing activities** | | **(1 453,9)** | **(885,2)** | **(1 565,2)** |
| **Cash flows from financing activites** | | | | |
| Borrowing of interest bearing debt | *7* | 1 360,8 | 3 318,8 | 3 318,9 |
| Repayments of interest bearing debt | *7* | (148,6) | (2 893,1) | (3 048,6) |
| Share issue | | - | - | 300,7 |
| Dividend paid | *6* | (659,9) | - | - |
| Treasury shares | | - | 1,7 | 1,7 |
| **Net cash from financing activites** | | **552,3** | **427,4** | **572,7** |
| Foreign currency | | (33,6) | (70,1) | (49,7) |
| Net change in cash and cash equivalents | | (380,6) | (21,4) | 245,1 |
| Cash and cash equivalents at the beg. of period | | 912,5 | 717,1 | 717,1 |
| **Cash and cash equiv. at the end of period** | | **498,3** | **625,6** | **912,5** |

# Fred.Olsen Energy ASA

**1. Introduction**
The condensed consolidated interim financial statements for 2nd Quarter 2007, ended 30 June 2007, comprise Fred. Olsen Energy ASA and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group for the year ended 31 December 2006 are available upon request from the Company's office in Oslo or at www.fredolsen-energy.no.

These condensed consolidated interim financial statements have been prepared in accordance with Stock Exchange rules and regulations and IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2006.

These condensed consolidated interim financial statements were approved by the Board of Directors on 16 July 2007.

**2. Significant accounting policies**
The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2006.

**3. New estimate of the useful live of Bredford**
The rig has completed its upgrade and class renewable survey in June. Based on the rig now is substantially upgraded, the management has reviewed the useful live of the rig. The new estimate of the remaining lifetime for the unit is now 15 years, extended by 5 years. Class renewable survey is depreciated over 5 years.

**4. Convertible bond**
One of the bondholders in FOE 03 06/09 has converted NOK 60 thousand into 883 new shares in 2nd Quarter 2007. In 1st Quarter 2007 one bondholder converted NOK 10 million into 147 058 new shares. The number of shares issued are 65 990 188 as at 30 June 2007.

**5. Options**
During 1st Quarter 2007, 1 334 options were exercised by a member of management to an exercise price of NOK 7.90 sold in the market to a share price of NOK 284.50. The company held 4 000 shares as at 30 June 2007.

**6. Dividend**
The Annual General Meeting in May 2007 approved the Board's proposal of a dividend payment of NOK 10,- per share for the year 2006. The payment was made on 8th June and amounted to NOK 659.9 million.

**7. Interest-bearing loans and borrowings**
The Group has in the 1st half obtained new loans of USD 225 million whereof USD 125 million is due in June 2008 and the remaining USD 100 million is part of the 7 year facility of USD 600 million obtained in 2006. The loans are based on floating interest rates (USD LIBOR) plus a margin. In the same period the Group has repaid USD 21 million of the facility and USD 2.9 million of other loans.