



Fred. Olsen Energy ASA

Report for the 3rd quarter 2007

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 584.8 MILLION FOR THE 3RD QUARTER 2007

HIGHLIGHTS FOR THE 3RD QUARTER

- Revenues were 1160.0 million
- EBITDA were 584.8 million
- Operating profit (EBIT) was 460.7 million
- Net profit was 482.0 million
- EPS were 7.3
- Increased dayrate for Bideford Dolphin from 1st October 2007
- Borgholm Dolphin 5 weeks extension in 2007
- Bulford Dolphin leaving the pool mid November 2007

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Figures in NOK

FINANCIAL INFORMATION (2nd quarter 2007 in brackets)

Operating revenues in the quarter were 1160.0 million (1036.6 million) including recharges of 57.0 million (77.7 million), an increase of 123.4 million compared with the previous quarter. Revenues within the offshore drilling division increased by 117.6 million, while revenues within the engineering and fabrication division, after intra-group eliminations, increased by 5.8 million. The increase in revenues within the offshore drilling division is mainly due to Bredford Dolphin operating for a full quarter and higher dayrates for Belford Dolphin and Byford Dolphin. The increase in revenues was partly offset by Bulford Dolphin which has been off-hire for most of the quarter following a termination of contract offshore Nigeria. Revenues within the engineering and fabrication division were 83.2 million, of which 58.2 million were related to intra-group activities (modules and engineering fabrication work for Blackford Dolphin and eliminated in the consolidated accounts).

Operating costs were 575.2 million (527.2 million), an increase of 48.0 million compared with the previous quarter. Operating costs within the offshore drilling division increased by 40.3 million mainly due to full operation for Bredford Dolphin during the quarter. Operating costs within the engineering and fabrication division, including eliminations, increased by 7.7 million.

Operating profit before depreciation (EBITDA) was 584.8 million (509.4 million).

Depreciation amounted to 124.1 million (112.0 million). The increase is related to depreciation for Bredford Dolphin.

Operating profit after depreciation (EBIT) was 460.7 million (397.4 million).

Net financial income was 24.9 million (expenses of 11.5 million), which includes a net unrealised currency gain of 40.8 million. Capitalized interest expenses related to Blackford Dolphin in the 3rd quarter amounted to 33.7 million (29.3 million).

Profit before tax was 485.6 million (385.9 million).

Net profit, after including an estimated tax charge of 3.6 million (4.0 million), was 482.0 million (381.9 million).

Basic earnings per share were 7.3 (5.8).

The **offshore drilling division** reported revenues of 1135.0 million (1017.4 million) and EBITDA of 582.5 million (505.2 million).

The **engineering and fabrication division** reported revenues of 83.2 million (63.7 million) and EBITDA of 3.3 million (5.8 million).

Figures in NOK

OPERATIONS

Drilling Division

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

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

Bredford Dolphin has during the quarter operated under a three years contract with Drilling Production Technology AS and a consortium of licensees on the Norwegian continental shelf. The contract will expire in June 2010.

The deepwater drillship Belford Dolphin has completed three wells in West Africa and has mobilized to the US Gulf where it will continue under the three years contract with Anadarko, which will expire in April 2010. The unit will in 4th quarter undergo a planned yard stay of approximately three weeks for a change out of thrusters and BOP.

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) was sold in September 2007. The unit will be handed over to the new owner 15th November 2007, and will then leave the pool.

Byford Dolphin continued operations under its contract with CNR International (U.K.) Limited. The remaining part of the contract has been sublet to AGR/Peak and is expected to expire in March 2008.

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

Borgholm Dolphin commenced a 9.5 months contract in the UK sector of the North Sea in January 2007. The contract has been extended by approximately 5 weeks in 2007 while the six months contract in 2008 has been reduced by 2 weeks. The current contract is now expected to expire in late November 2007, while the next contract is expected to commence in early February 2008 and expire mid July 2008. The unit is scheduled for a five-year compulsory class renewal survey late 2007/early 2008.

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 years drilling contract has been secured with Reliance Industries Ltd. The rig is expected to depart Keppel Verolme in 1Q08 and arrive in India to commence the contract with Reliance in 2Q08. Capital expenditures for the upgrade are now estimated to USD 580 million.

Figures in NOK

Engineering and Fabrication

The H&W yard continued its operations within engineering, ship repair and shipbuilding. The yard continued to provide engineering and module fabrication work related to the upgrade of Blackford Dolphin as well as continuous work on several projects for external customers. During the quarter the yard obtained a Waste Management License for ship demolition and has also continued to establish itself as a logistics and assembly base for offshore windfarms.

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.

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. Three of the semi submersible drilling rigs are operating in Norway.

Oslo, 24th October 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	3rd Q 2007	2nd Q 2007	3rd Q 2006	Jan-Sep 2007	Jan-Sep 2006	Year 2006
Operating revenues		1 103,0	958,9	1 084,3	2 977,2	2 949,8	3 866,7
Recharged income		57,0	77,7	34,8	186,5	133,2	181,5
Total revenues		1 160,0	1 036,6	1 119,1	3 163,7	3 083,0	4 048,2
Recharged expenses		(55,4)	(73,2)	(30,2)	(183,7)	(126,4)	(180,6)
Operating costs		(519,8)	(454,0)	(569,9)	(1 523,2)	(1 590,4)	(2 158,6)
Oper. profit before depr. (EBITDA)		584,8	509,4	519,0	1 456,8	1 366,2	1 709,0
Depreciation and amortisation		(124,1)	(112,0)	(121,7)	(351,8)	(359,2)	(479,7)
Impairment		-	-	-	-	-	(19,9)
Operating profit (EBIT)		460,7	397,4	397,3	1 105,0	1 007,0	1 209,4
Net financing cost		24,9	(11,5)	(46,1)	(4,0)	(195,8)	(212,3)
Profit before income taxes		485,6	385,9	351,2	1 101,0	811,2	997,1
Income tax benefit (expense)		(3,6)	(4,0)	(3,8)	(13,5)	(13,6)	(23,3)
Profit for the period		482,0	381,9	347,4	1 087,5	797,6	973,8
<i>EPS :</i>							
Earnings per share		7,3	5,8	5,5	16,5	12,9	15,5
Diluted earnings per share		7,2	5,8	5,2	16,4	12,1	15,1

Unaudited Balance Sheet (NOK mill)		30 Sep 07	30 June 07	30 Sep 06	31 Dec 06
Intangible assets		98,6	98,6	98,6	98,6
Property, plant & equipment	3	6 940,0	7 135,2	6 096,2	6 181,7
Other non-current assets		21,8	21,8	21,0	21,4
Total non-current assets		7 060,4	7 255,6	6 215,8	6 301,7
Inventories		211,4	223,0	170,1	220,4
Trade and other receivables		977,3	903,9	856,1	618,6
Other current assets		197,0	214,8	165,6	181,4
Cash and cash equivalents		638,7	498,3	1 110,1	912,5
Total current assets		2 024,4	1 840,0	2 301,9	1 932,9
Total assets		9 084,8	9 095,6	8 517,7	8 234,6
Share capital	4	1 333,9	1 319,8	1 316,8	1 316,8
Other equity	6	2 479,4	2 340,0	2 596,1	2 620,5
Total Equity		3 813,3	3 659,8	3 912,9	3 937,3
Non-current interest-bearing loans and borrowings	7	2 935,6	3 330,6	3 213,2	3 091,4
Other non-current liabilities		230,0	242,6	279,5	249,8
Total non-current liabilities		3 165,6	3 573,2	3 492,7	3 341,2
Other current liabilities		857,8	808,3	689,6	671,4
Current interest-bearing loans and borrowings		1 248,1	1 054,3	422,5	284,7
Total current liabilities		2 105,9	1 862,6	1 112,1	956,1
Total equity and liabilities		9 084,8	9 095,6	8 517,7	8 234,6



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Unaudited Segment Information

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
3rd Q 2007				
Operating revenues	1 078,0	83,2	(58,2)	1 103,0
Recharged income	57,0	-	-	57,0
Total revenues	1 135,0	83,2	(58,2)	1 160,0
Recharged expenses	(55,4)	-	-	(55,4)
Operating costs	(497,1)	(79,9)	57,2	(519,8)
Oper. profit before depr. (EBITDA)	582,5	3,3	(1,0)	584,8
Depreciation and amortisation	(122,8)	(1,3)	-	(124,1)
Operating profit (EBIT)	459,7	2,0	(1,0)	460,7
2nd Q 2007				
Operating revenues	939,7	63,7	(44,5)	958,9
Recharged income	77,7	-	-	77,7
Total revenues	1 017,4	63,7	(44,5)	1 036,6
Recharged expenses	(73,2)	-	-	(73,2)
Operating costs	(439,0)	(57,9)	42,9	(454,0)
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
3rd Q 2006				
Operating revenues	1 067,7	127,9	(111,3)	1 084,3
Recharged income	34,8	-	-	34,8
Total revenues	1 102,5	127,9	(111,3)	1 119,1
Recharged expenses	(30,2)	-	-	(30,2)
Operating costs	(557,5)	(116,8)	104,4	(569,9)
Oper. profit before depr. (EBITDA)	514,8	11,1	(6,9)	519,0
Depreciation and amortisation	(120,4)	(1,3)	-	(121,7)
Operating profit (EBIT)	394,4	9,8	(6,9)	397,3
Jan-Sep 2007				
Operating revenues	2 895,6	194,3	(112,7)	2 977,2
Recharged income	186,5	-	-	186,5
Total revenues	3 082,1	194,3	(112,7)	3 163,7
Recharged expenses	(183,7)	-	-	(183,7)
Operating costs	(1 448,7)	(182,4)	107,9	(1 523,2)
Oper. profit before depr. (EBITDA)	1 449,7	11,9	(4,8)	1 456,8
Depreciation and amortisation	(347,9)	(3,9)	-	(351,8)
Operating profit (EBIT)	1 101,8	8,0	(4,8)	1 105,0
Jan-Sep 2006				
Operating revenues	2 871,4	426,0	(347,6)	2 949,8
Recharged income	133,2	-	-	133,2
Total revenues	3 004,6	426,0	(347,6)	3 083,0
Recharged expenses	(126,4)	-	-	(126,4)
Operating costs	(1 522,9)	(402,7)	335,2	(1 590,4)
Oper. profit before depr. (EBITDA)	1 355,3	23,3	(12,4)	1 366,2
Depreciation and amortisation	(355,8)	(3,4)	-	(359,2)
Operating profit (EBIT)	999,5	19,9	(12,4)	1 007,0
Year 2006				
Operating revenues	3 753,2	498,9	(385,4)	3 866,7
Recharged income	181,5	-	-	181,5
Total revenues	3 934,7	498,9	(385,4)	4 048,2
Recharged expenses	(180,6)	-	-	(180,6)
Operating costs	(2 091,5)	(390,1)	323,0	(2 158,6)
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 Equity (NOK mill)	Note	Jan-Sep 2007	Jan-Sep 2006	Year 2006
Opening balance		3 937,3	2 950,6	2 950,6
Net profit (loss) for the period		1 087,5	797,6	973,8
Treasury shares		-	1,7	1,7
Equity element convertible bond/converted bonds/Share issue	4	55,0	307,8	305,1
Dividend	6	(659,9)	-	-
Foreign currency translation adj.		(606,6)	(144,8)	(293,9)
Closing balance		3 813,3	3 912,9	3 937,3

Unaudited Cash Flow Statements (NOK mill)		Jan-Sep 2007	Jan-Sep 2006	Year 2006
Cash flows from operating activities				
Profit/(loss) before income tax		1 101,0	811,2	997,1
<i>Adjustment for:</i>				
Depreciation and amortisation		351,8	359,2	499,6
Interest expense		86,9	156,5	167,8
Gain on sales of fixed assets		(2,6)	-	(7,1)
Changes in working capital		(256,1)	(290,5)	(149,8)
Unrealised currency loss/(gain)		(74,7)	-	-
Cash generated from operations		1 206,3	1 036,4	1 507,6
Interest paid		(205,5)	(154,2)	(249,6)
Taxes paid		(5,9)	(11,1)	(20,4)
Net cash from operating activities		994,9	871,1	1 237,6
Cash flows from investing activities				
Net investment in fixed assets		(1 879,7)	(1 163,6)	(1 581,5)
Proceeds from sale of equipment		4,9	-	16,3
Net cash used to investing activities		(1 874,8)	(1 163,6)	(1 565,2)
Cash flows from financing activities				
Borrowing of interest bearing debt	7	1 639,7	3 318,8	3 318,9
Repayments of interest bearing debt	7	(267,2)	(2 904,5)	(3 048,6)
Share issue		-	300,7	300,7
Dividend paid	6	(659,9)	-	-
Treasury shares		-	1,7	1,7
Net cash from financing activities		712,6	716,7	572,7
Foreign currency		(106,5)	(31,2)	(49,7)
Net change in cash and cash equivalents		(167,3)	424,2	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		638,7	1 110,1	912,5



Fred. Olsen Energy ASA

1. Introduction

The condensed consolidated interim financial statements for 3rd Quarter 2007, ended 30 September 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 24 October 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 renewal 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 15 years, extended by 5 years. Class renewal survey is depreciated over 5 years.

4. Convertible bond

Five of the bondholders in FOE 03 06/09 have converted NOK 47.8 million into 702 939 new shares in 3rd Quarter 2007. In the 1st half year bondholders converted NOK 10.6 million into 147 941 new shares. The number of shares issued are 66 693 127 as at 30 September 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 September 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 per 30 September 2007 obtained new loans of USD 275 million whereof USD 175 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 42.5 million of the facility and USD 2.9 million of other loans.