



Fred. Olsen Energy ASA

Report for the 3rd quarter 2008

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 744.4 MILLION FOR THE 3RD QUARTER 2008

HIGHLIGHTS FOR THE 3RD QUARTER

- Revenues were 1,320.9 million
- EBITDA was 744.4 million
- Operating profit (EBIT) was 571.2 million
- Profit before tax was 513.1 million
- Earnings per share were 7.6
- Borgholm Dolphin secured 12 weeks accommodation contract in the UK
- Borgland Dolphin secured four years contract in Norway
- Byford Dolphin secured three years contract in the UK
- Blackford Dolphin commenced operation in October

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FINANCIAL INFORMATION (2nd quarter 2008 in brackets)

Operating revenues in the quarter were 1 320.9 million (1 208.0 million) including recharges of 50.3 million (76.9 million), an increase of 112.9 million compared with the previous quarter. Revenues within the offshore drilling division increased by 118.4 million, while revenues within the engineering and fabrication division, after intra-group eliminations, decreased by 5.5 million. The increase in revenues within the offshore drilling division is mainly due to increased dayrates for Borgholm Dolphin and Byford Dolphin and mobilization rate for Blackford Dolphin for approximately 20 days. The increase in revenues was partly offset by downtime for Belford Dolphin. Revenues within the engineering and fabrication division were 46.9 million, of which 0.9 million were related to intra-group activities

Operating costs were 576.5 million (590.1 million), a decrease of 13.6 million compared with the previous quarter. Operating costs within the offshore drilling division decreased by 4.8 million mainly due to lower recharges and lower operating cost for Borgny Dolphin. The decrease was partly offset by increased operating costs for Blackford Dolphin which commenced mobilization in the quarter. Operating costs within the engineering and fabrication division, including eliminations, decreased by 8.8 million.

Operating profit before depreciation (EBITDA) was 744.4 million (617.9 million).

Depreciation amounted to 173.2 million (122.9 million). The increase in depreciation is due to commencement of depreciation for Blackford Dolphin from August and higher USDNOK rate.

Operating profit after depreciation (EBIT) was 571.2 million (495.0 million).

Net financial expenses were 58.1 million (38.1 million). Interest expenses of 17 million (23 million) related to Blackford Dolphin were capitalized.

Profit before tax was 513.1 million (456.9 million).

Net profit, including an estimated tax charge of 5.4 million (6.0 million), was 507.7 million (450.9 million).

Basic earnings per share were 7.6 (6.8).

The **offshore drilling division** reported revenues of 1 274.9 million (1 156.5 million) and EBITDA of 734.9 million (611.7 million).

The **engineering and fabrication division** reported revenues of 46.9 million (65.6 million) and EBITDA of 10.6 million (10.6 million).

OPERATIONS

Drilling Division

Norway

Bideford Dolphin continued operations under the three years drilling program offshore Norway for StatoilHydro ASA. The contract will expire in January 2011.

Borgland Dolphin continued operations under a three years drilling contract with StatoilHydro ASA and the other licensees in the Tampen area on the Norwegian continental shelf. The contract will expire on 1st January 2010. In August 2008, a new four years drilling contract for the unit was entered into with a consortium consisting of 8 oil companies and managed by RMN (Rig Management Norway)

Bredford Dolphin continued operations under a three years drilling contract with AGR and a consortium of licensees on the Norwegian continental shelf. The contract will expire in June 2010.

International

The ultra deepwater drillship Belford Dolphin continued operations under a three years drilling contract with Anadarko, which will expire in April 2010. In November 2007, a new three years drilling contract for the unit was entered into with Anadarko in direct continuation with the existing contract. This contract will expire in April 2013.

Blackford Dolphin commenced operation under the drilling contract with Tullow Oil on the 10th October after the unit had started mobilizing from Rotterdam 21st August. The unit stopped in the Canary Islands for approximately 2 weeks for final commissioning as well as planned crew change and bunkering. After completing the five well program with Tullow Oil in Ghana, which now is estimated to 200 days, Blackford Dolphin will proceed to India to work for Reliance Industries Ltd. The total length of the contract for the combined operations in Ghana and India is three years.

Borgny Dolphin commenced a five years drilling contract with Petrobras in September. The contract is estimated to expire in September 2013. The unit is scheduled to go through its five year class renewal survey in the 1st quarter 2009.

Byford Dolphin completed operations under a six months drilling contract with Senergy in October and commenced a new nine months contract also with Senergy which is estimated to end in July 2009. In September 2008 a further three years contract was entered into for operation in the UK sector of the North Sea resulting in the unit being committed to the 1st quarter 2013. The unit is scheduled to go through its five year class renewal survey in the 1st quarter 2010.

Borgsten Dolphin commenced a nine months drilling contract with Maersk in September for operation in the UK sector of the North Sea, after completing the drilling contract with Nexen. Borgsten Dolphin is available for new contract in June 2009.

Borgholm Dolphin commenced a 65 days accommodation contract with Shell in the UK sector of the North Sea in August 2008, after completing a 5.5 months contract with BG Group. In July 2008 a 12 weeks fixed contract plus options at fixed rate up to an additional 8 weeks was entered into with BG Group for work in the UK sector of the North Sea. The fixed contract will expire in January 2009.

Engineering and Fabrication

The Harland & Wolff shipyard continued operations within engineering, ship repair and shipbuilding. During the quarter, most of the yard has been engaged in logistics and assembly of offshore windfarms, a business area with large potential going forward. The company will seek to develop this business segment further and seek to secure contracts for additional windfarm projects in addition to shipbuilding in the years to come.

Outlooks

During the 3rd quarter of 2008 the market for offshore services continued to strengthen. Globally, the balance between supply and demand for offshore drilling units continued to be tight in all floater segments. The demand for offshore drilling services is expected to continue, however the financial turmoil and falling oilprice might lead to revised oilprice budgets and delays of projects by the oil companies.

The Company refinanced the debt in May this year and is fully financed through a 6 years credit facility of 1.5 billion USD with semiannual repayment of USD 110 million to be served by operational cashflow.

The Group's offshore fleet consists of two deepwater units and six mid water semi submersible drilling rigs in addition to one accommodation unit. Three of the semi submersible drilling rigs are operating in Norway. Seven out of nine units are or will work under long-term contracts.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Unaudited Consolidated Income Statement (NOK mill)	Note	3rd Q 2008	2nd Q 2008	3rd Q 2007	Jan-Sep 2008	Jan-Sep 2007	Year 2007
Operating revenues		1 270,6	1 131,1	1 103,0	3 489,7	2 977,2	4 035,8
Recharged income		50,3	76,9	57,0	211,1	186,5	241,1
Total revenues		1 320,9	1 208,0	1 160,0	3 700,8	3 163,7	4 276,9
Operating costs		(524,5)	(515,0)	(519,8)	(1 517,7)	(1 523,2)	(2 082,2)
Recharged expenses		(52,0)	(75,1)	(55,4)	(208,1)	(183,7)	(239,9)
Oper. profit before depr. (EBITDA)		744,4	617,9	584,8	1 975,0	1 456,8	1 954,8
Depreciation and amortisation		(173,2)	(122,9)	(124,1)	(423,7)	(351,8)	(500,4)
Operating profit (EBIT)		571,2	495,0	460,7	1 551,3	1 105,0	1 454,4
Net financing cost		(58,1)	(38,1)	24,9	(53,5)	(4,0)	(36,4)
Profit before income taxes		513,1	456,9	485,6	1 497,8	1 101,0	1 418,0
Income tax benefit (expense)		(5,4)	(6,0)	(3,6)	(12,6)	(13,5)	(26,1)
Profit for the period		507,7	450,9	482,0	1 485,2	1 087,5	1 391,9
<i>EPS :</i>							
Earnings per share		7,6	6,8	7,3	22,3	16,5	21,0
Diluted earnings per share		7,6	6,8	7,2	22,3	16,4	20,9

Unaudited Balance Sheet (NOK mill)		30 Sep 08	30 June 08	30 Sep 07	31 Dec 07
Intangible assets		98,6	98,6	98,6	98,6
Property, plant & equipment	7	8 746,4	7 539,7	6 940,0	7 147,9
Other non-current assets		22,4	20,1	21,8	19,9
Total non-current assets		8 867,4	7 658,4	7 060,4	7 266,4
Inventories		283,0	208,4	211,4	222,1
Trade and other receivables		1 144,3	1 009,2	977,3	800,0
Other current assets		508,6	181,0	197,0	195,1
Cash and cash equivalents		1 255,2	803,8	638,7	713,6
Total current assets		3 191,1	2 202,4	2 024,4	1 930,8
Total assets		12 058,5	9 860,8	9 084,8	9 197,2
Share capital		1 333,9	1 333,9	1 333,9	1 333,9
Other equity		2 791,8	1 760,5	2 479,4	2 754,3
Total Equity	4,5	4 125,7	3 094,4	3 813,3	4 088,2
Non-current interest-bearing loans and borrowings	4,6	5 362,2	4 163,5	2 935,6	2 868,9
Other non-current liabilities		195,7	189,0	230,0	199,7
Total non-current liabilities		5 557,9	4 352,5	3 165,6	3 068,6
Other current liabilities		787,9	989,0	857,8	752,3
Current interest-bearing loans and borrowings	6	1 587,0	1 424,9	1 248,1	1 288,1
Total current liabilities		2 374,9	2 413,9	2 105,9	2 040,4
Total equity and liabilities		12 058,5	9 860,8	9 084,8	9 197,2



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 2008				
Operating revenues	1 224,6	46,9	(0,9)	1 270,6
Recharged income	50,3	-	-	50,3
Total revenues	1 274,9	46,9	(0,9)	1 320,9
Operating costs	(488,0)	(36,3)	(0,2)	(524,5)
Recharged expenses	(52,0)	-	-	(52,0)
Oper. profit before depr. (EBITDA)	734,9	10,6	(1,1)	744,4
Depreciation and amortisation	(171,7)	(1,5)	-	(173,2)
Operating profit (EBIT)	563,2	9,1	(1,1)	571,2
2nd Q 2008				
Operating revenues	1 079,6	65,6	(14,1)	1 131,1
Recharged income	76,9	-	-	76,9
Total revenues	1 156,5	65,6	(14,1)	1 208,0
Operating costs	(469,7)	(55,0)	9,7	(515,0)
Recharged expenses	(75,1)	-	-	(75,1)
Oper. profit before depr. (EBITDA)	611,7	10,6	(4,4)	617,9
Depreciation and amortisation	(121,5)	(1,4)	-	(122,9)
Operating profit (EBIT)	490,2	9,2	(4,4)	495,0
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
Operating costs	(497,1)	(79,9)	57,2	(519,8)
Recharged expenses	(55,4)	-	-	(55,4)
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
Jan-Sep 2008				
Operating revenues	3 352,9	175,0	(38,2)	3 489,7
Recharged income	211,1	-	-	211,1
Total revenues	3 564,0	175,0	(38,2)	3 700,8
Operating costs	(1 399,9)	(150,5)	32,7	(1 517,7)
Recharged expenses	(208,1)	-	-	(208,1)
Oper. profit before depr. (EBITDA)	1 956,0	24,5	(5,5)	1 975,0
Depreciation and amortisation	(419,4)	(4,3)	-	(423,7)
Operating profit (EBIT)	1 536,6	20,2	(5,5)	1 551,3
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
Operating costs	(1 448,7)	(182,4)	107,9	(1 523,2)
Recharged expenses	(183,7)	-	-	(183,7)
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
Year 2007				
Operating revenues	3 908,7	277,4	(150,3)	4 035,8
Recharged income	241,1	-	-	241,1
Total revenues	4 149,8	277,4	(150,3)	4 276,9
Operating costs	(1 961,5)	(259,8)	139,1	(2 082,2)
Recharged expenses	(239,9)	-	-	(239,9)
Oper. profit before depr. (EBITDA)	1 948,4	17,6	(11,2)	1 954,8
Depreciation and amortisation	(495,5)	(4,9)	-	(500,4)
Operating profit (EBIT)	1 452,9	12,7	(11,2)	1 454,4

* Includes Fred. Olsen Energy ASA



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Condensed Financial Statements in accordance with IFRS

Unaudited Equity

(NOK mill)	Note	Share capital	Share premium	Capital reserves	Translation reserves	Retained earnings	Total
Balance at 1 January 2008		1 333,9	548,0	3,1	(769,0)	2 972,2	4 088,2
Net profit for the period		-	-	(1,9)	-	1 487,1	1 485,2
Foreign currency translation adj.		-	-	-	219,6	-	219,6
Dividend	5	-	-	-	-	(1 667,3)	(1 667,3)
Balance at 30 Sep 2008		1 333,9	548,0	1,2	(549,4)	2 792,0	4 125,7

Balance at 1 January 2007		1 316,8	507,2	9,1	(132,9)	2 237,1	3 937,3
Net profit for the period		-	-	(2,5)	-	1 090,0	1 087,5
Foreign currency translation adj.		-	-	-	(606,6)	-	(606,6)
Dividend		-	-	-	-	(659,9)	(659,9)
Equity element convertible bond/converted bonds		17,1	40,8	(2,9)	-	-	55,0
Balance at 30 Sep 2007		1 333,9	548,0	3,7	(739,5)	2 667,2	3 813,3

Balance at 1 January 2007		1 316,8	507,2	9,1	(132,9)	2 237,1	3 937,3
Net profit for the period		-	-	(3,1)	-	1 395,0	1 391,9
Foreign currency translation adj.		-	-	-	(636,1)	-	(636,1)
Dividend		-	-	-	-	(659,9)	(659,9)
Equity element convertible bond/converted bonds		17,1	40,8	(2,9)	-	-	55,0
Balance at 31 Dec 2007		1 333,9	548,0	3,1	(769,0)	2 972,2	4 088,2

Unaudited

Cash Flow Statements (NOK mill)

	Jan-Sep 2008	Jan-Sep 2007	Year 2007
Cash flows from operating activities			
Profit before income tax	1 497,8	1 101,0	1 418,0
<i>Adjustment for:</i>	-	-	-
Depreciation and amortisation	423,7	351,8	500,4
Interest expense	82,4	86,9	112,7
Gain on sales of fixed assets	-	(2,6)	(9,9)
Changes in working capital	(748,5)	(256,1)	(80,5)
Unrealised currency loss/(gain)	-	(74,7)	(80,2)
Cash generated from operations	1 255,4	1 206,3	1 860,5
Interest paid	(125,9)	(205,5)	(231,3)
Taxes paid	(31,2)	(5,9)	(25,1)
Net cash from operating activities	1 098,3	994,9	1 604,1
Cash flows from investing activities			
Net investment in fixed assets	(1 317,2)	(1 879,7)	(2 400,5)
Proceeds from sale of equipment	0,6	4,9	18,1
Net cash used to investing activities	(1 316,6)	(1 874,8)	(2 382,4)
Cash flows from financing activities			
Borrowing of interest bearing debt	6 5 945,6	1 639,7	1 639,7
Repayments of interest bearing debt	6 (3 681,4)	(267,2)	(271,7)
Dividend paid	5 (1 667,3)	(659,9)	(659,9)
Net cash from financing activities	596,9	712,6	708,1
Foreign currency	163,0	(106,5)	(128,7)
Net change in cash and cash equivalents	378,6	(167,3)	(70,2)
Cash and cash equivalents at the beg. of period	713,6	912,5	912,5
Cash and cash equiv. at the end of period	1 255,2	638,7	713,6



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Notes

1. Introduction

The condensed consolidated interim financial statements for 3rd Quarter 2008, ended 30 September 2008, 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 2007 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 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 2007.

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 October 2008.

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 2007.

The Group has in 2008 applied IFRIC 11, IFRIC 12 and IFRIC 14 IAS 19 without impact on the reported numbers. IFRSs and its interpretations that are issued but not yet mandatory as at 30 September 2008, are not applied by the Group – i.e. IFRIC 13, IFRS 8, latest IAS 1, revised IFRS 2 and 3 and revised IAS 32. These standards and interpretations are not expected to have any impact on the reported numbers.

3. Estimates

The preparations of interim financial statements require use of estimates, judgments and assumptions which may affect the use of accounting principles and recognized assets, liabilities, income and expenses. The resulting accounting estimates may differ from the eventual outcome.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts are the same as described in the annual report for the year 2007.

4. Convertible bonds

One of our bondholders in FOE03 06/09 has converted NOK 25 thousand into 367 new shares as of 30 September 2008. The numbers of shares issued are 66 694 229 as at 30 September 2008.

5. Dividend

The Annual General Meeting in May 2008 approved the Board's proposal of an ordinary dividend payment of NOK 10,- per share and an extraordinary dividend payment of NOK 15,- per share for the year 2007. The payment was made 6th June 2008 and amounted to NOK 1 667.3 million.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

6. Interest-bearing loans and borrowings

Dolphin International AS, a subsidiary of Fred. Olsen Energy ASA, has signed a six years bank credit facility of up to USD 1 500 million. The credit facility is used to prepay existing loans and for general corporate purposes. The Facility is provided by 10 international banks and is arranged by Danske Bank, Deutsche Bank, ING Bank and Nordea Bank Norge ASA.

The Group has per 30 September 2008 drawn USD 1 150 million on the facility described above. The loans are based on floating interest rates (USD LIBOR) plus a margin. In the same period the Group has redeemed loan of USD 714 million.

7. Property, plant and equipment

(NOK mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2008	8 771,7	500,8	103,4	9 375,9
Acquisitions	1 506,4	15,5	0,0	1 521,9
Disposals	(16,0)	(0,5)	0,0	(16,5)
Movements in foreign currency	672,9	0,5	0,9	674,3
Balance at 30 Sept 2008	10 935,0	516,3	104,3	11 555,6
Depreciation				
Balance at 1 January 2008	1 756,1	406,9	65,0	2 228,0
Depreciation	414,4	8,2	1,1	423,7
Disposals	(15,2)	(0,2)	0,0	(15,4)
Movements in foreign currency	176,6	(4,1)	0,4	172,9
Balance at 30 Sept 2008	2 331,9	410,8	66,5	2 809,2
Carrying amounts				
At 1 January 2008	7 015,6	93,9	38,4	7 147,9
At 30 Sept 2008	8 603,1	105,5	37,8	8 746,4

8. Related parties

In the ordinary course of business, the Group recognises revenues and expenses with related companies. Related parties are (1) Ganger Rolf ASA and Bonheur ASA which are the owners of a combined 53,4% of the Group, (2) their subsidiaries and (3) Fred.Olsen & Co. The Group receives certain administrative, financial, and legal advisory services from Fred.Olsen & Co. The Group and Bulford Dolphin Pte. Ltd., owned by First Olsen Tankers, a subsidiary of Bonheur ASA, had until November 2007 a pool agreement when the rig was sold. This counted for the major part of the expenses from related parties in 2007 but is not applicable for 2008. There are no other material changes since the financial statements for the year ended 31 December 2007.