



Fred. Olsen Energy ASA

Report for the 4th quarter 2008 and preliminary results for 2008

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 1,362 MILLION FOR THE 4TH QUARTER 2008 AND EBITDA OF 3,337 MILLION FOR THE YEAR

HIGHLIGHTS FOR THE 4TH QUARTER

- Revenues were 2,086 million.
- EBITDA was 1,362 million
- Operating profit (EBIT) was 1,058 million
- Profit before tax was 620 million
- Earnings per share were 9.1
- Borgholm Dolphin secured 8.5 months accommodation contract
- Proposed ordinary dividend payment of NOK 10 and an extraordinary dividend of NOK 15 per share

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Figures in NOK

FINANCIAL INFORMATION (3rd quarter 2008 in brackets)

Operating revenues in the quarter were 2,086.0 million (1,320.9 million), an increase of 765.1 million compared with the previous quarter. Revenues within the offshore drilling division increased by 753.8 million, while revenues within the engineering and fabrication division, after intra-group eliminations, increased by 11.3 million. The increase in revenues within the offshore drilling division is mainly due to full operation of Blackford Dolphin and Borgny Dolphin in the quarter. In addition, Borgsten Dolphin commenced a new drilling contract with higher charter rate. Revenues within the engineering and fabrication division were 57.3 million.

Operating revenues for the year were 5,786.8 million.

Operating costs were 724.3 million (576.5 million), an increase of 147.8 million compared with previous quarter. Operating costs within the offshore drilling division increased by 159.2 million. Operating costs within the engineering and fabrication division decreased by 11.4 million. The increase in operating costs within the offshore drilling division is mainly due to full operation of Blackford Dolphin in the quarter and a provision of USD 4.5 million related to operation in Nigeria in 2007.

Operating costs for the year were 2,450.1 million.

Operating profit before depreciation (EBITDA) was 1,361.7 million (744.4 million).

EBITDA for the year were 3,336.7 million.

Depreciation and amortisation amounted to 304.0 million including an amortisation of 35 million related to an impairment of offshore equipment (173.1 million).

Depreciation and amortisation for the year was 727.7 million.

Operating profit after depreciation (EBIT) was 1,057.7 million (571.2 million).

Operating profit (EBIT) for the year was 2,609.0 million.

Net financial expenses were 438.0 million (58.1 million). The increase in financial expenses is mainly due to mark to market valuation of foreign exchange contracts and interest rate contracts. Unrealised losses on foreign exchange contracts and interest rate contracts in the quarter amounted to 253 million of total loss of 295.1.

Net financial expenses for the year were 491.5 million.

Profit before tax was 619.7 million (513.1 million).

Profit before tax for the year was 2,117.5 million.

Net profit, including an estimated tax charge of 8.3 million (5.4 million), was 611.4 million (507.7 million).

Net profit after tax for the year was 2,096.6 million.

Basic earnings per share were 9.1 (7.6).

Figures in NOK

Basic earnings per share for the year were 31.4. Earnings per share for the year on a fully diluted basis were 31.4.

The Board has resolved to propose to the Annual General Meeting in May 2009 to pay an ordinary dividend of NOK 10 per share and an extraordinary dividend of NOK 15 per share.

The **offshore drilling division** reported revenues of 2,028.7 million (1,274.9 million) and an EBITDA of 1,329.5 million (734.9 million).

The **engineering and fabrication division** reported revenues of 55.8 million (46.9 million) and an EBITDA of 33.3 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 a five wells drilling program under the drilling contract with Tullow Oil on the 10th October. After completing the five well drilling program with Tullow Oil in Ghana, which is estimated to 200 days, Blackford Dolphin is currently scheduled to 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 2nd quarter 2009.

Byford Dolphin commenced a nine months contract with Senergy in October 2008 which is estimated to end in July 2009. In October 2008 a further three years letter of award was entered into for operation in the UK sector of the North Sea resulting in the

Figures in NOK

unit being committed to the 1st quarter 2013. The unit is scheduled to go through its five year class renewal survey in 4th quarter 2009 / 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. Borgsten Dolphin is available for new contract in June 2009.

Borgholm Dolphin completed a 12 weeks contract with BG Group late January 2009 and thereafter commenced an 8.5 months accommodation contract also with BG Group for accommodation work in the UK sector of the North Sea. The contract will expire in October 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 and ship repair in the years to come.

Outlook

A significant change in sentiment has occurred in all offshore areas during the last three months. Lower oil prices and the almost complete disappearance of available new financing are affecting many oil companies. This means that operators that require new funding are particularly exposed and this includes a number of small UK independents. Operators are generally trying to reduce expenditure where possible. The emerging consequences are revised oilprice budgets and delays of projects in the whole of the energy sector.

However, the balance between supply and demand for offshore floating drilling units seems healthy in a longer perspective.

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 have long-term contracts.

Oslo, 10th February 2009
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	4th Q 2008	3rd Q 2008	4th Q 2007	Year 2008	Year 2007
Operating revenues		2 013,7	1 270,6	1 052,3	5 503,4	4 035,8
Recharged income		72,3	50,3	58,2	283,4	241,1
Total revenues		2 086,0	1 320,9	1 110,5	5 786,8	4 276,9
Operating costs		(657,2)	(524,5)	(556,2)	(2 174,9)	(2 082,2)
Recharged expenses		(67,1)	(52,0)	(56,3)	(275,2)	(239,9)
Oper. profit before depr. (EBITDA)		1 361,7	744,4	498,0	3 336,7	1 954,8
Depreciation and amortisation		(269,0)	(173,2)	(148,6)	(692,7)	(500,4)
Impairment		(35,0)	-	-	(35,0)	-
Operating profit (EBIT)		1 057,7	571,2	349,4	2 609,0	1 454,4
Net financing cost		(438,0)	(58,1)	(32,4)	(491,5)	(36,4)
Profit before income taxes		619,7	513,1	317,0	2 117,5	1 418,0
Income tax benefit (expense)		(8,3)	(5,4)	(12,6)	(20,9)	(26,1)
Profit for the period		611,4	507,7	304,4	2 096,6	1 391,9
Attributable to:						
Shareholders		607,4	507,7	304,4	2 092,6	1 391,9
Minority interests		4,0	-	-	4,0	-
Profit for the period		611,4	507,7	304,4	2 096,6	1 391,9
<i>EPS :</i>						
Earnings per share		9,1	7,6	4,6	31,4	21,0
Diluted earnings per share		9,1	7,6	4,6	31,4	20,9

Unaudited Balance Sheet (NOK mill)		31 Dec 08	30 Sep 08	31 Dec 07
Intangible assets		98,6	98,6	98,6
Property, plant & equipment	7	10 415,4	8 746,4	7 147,9
Other non-current assets		42,0	22,4	19,9
Total non-current assets		10 556,0	8 867,4	7 266,4
Inventories		373,5	283,0	222,1
Trade and other receivables		1 577,9	1 144,3	800,0
Other current assets		504,3	508,6	195,1
Cash and cash equivalents		3 673,8	1 255,2	713,6
Total current assets		6 129,5	3 191,1	1 930,8
Total assets		16 685,5	12 058,5	9 197,2
Share capital		1 333,9	1 333,9	1 333,9
Other equity		4 194,8	2 791,8	2 754,3
Minority interests		4,0	-	-
Total Equity	4,5	5 532,7	4 125,7	4 088,2
Non-current interest-bearing loans and borrowings	6	8 123,4	5 362,2	2 868,9
Other non-current liabilities		397,4	195,7	199,7
Total non-current liabilities		8 520,8	5 557,9	3 068,6
Other current liabilities		792,4	787,9	752,3
Current interest-bearing loans and borrowings	6	1 839,6	1 587,0	1 288,1
Total current liabilities		2 632,0	2 374,9	2 040,4
Total equity and liabilities		16 685,5	12 058,5	9 197,2



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Condensed Financial Statements in accordance with IFRS

Unaudited Segment Information

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
4th Q 2008				
Operating revenues	1 956,4	55,8	1,5	2 013,7
Recharged income	72,3	-	-	72,3
Total revenues	2 028,7	55,8	1,5	2 086,0
Operating costs	(632,1)	(22,5)	(2,6)	(657,2)
Recharged expenses	(67,1)	-	-	(67,1)
Oper. profit before depr. (EBITDA)	1 329,5	33,3	(1,1)	1 361,7
Depreciation and amortisation	(267,7)	(1,3)	-	(269,0)
Impairment	(35,0)	-	-	(35,0)
Operating profit (EBIT)	1 026,8	32,0	(1,1)	1 057,7
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
4th Q 2007				
Operating revenues	1 009,0	80,9	(37,6)	1 052,3
Recharged income	58,2	-	-	58,2
Total revenues	1 067,2	80,9	(37,6)	1 110,5
Operating costs	(512,3)	(75,1)	31,2	(556,2)
Recharged expenses	(56,3)	-	-	(56,3)
Oper. profit before depr. (EBITDA)	498,6	5,8	(6,4)	498,0
Depreciation and amortisation	(147,6)	(1,0)	-	(148,6)
Operating profit (EBIT)	351,0	4,8	(6,4)	349,4
Year 2008				
Operating revenues	5 309,3	230,8	(36,7)	5 503,4
Recharged income	283,4	-	-	283,4
Total revenues	5 592,7	230,8	(36,7)	5 786,8
Operating costs	(2 032,0)	(173,0)	30,1	(2 174,9)
Recharged expenses	(275,2)	-	-	(275,2)
Oper. profit before depr. (EBITDA)	3 285,5	57,8	(6,6)	3 336,7
Depreciation and amortisation	(687,1)	(5,6)	-	(692,7)
Impairment	(35,0)	-	-	(35,0)
Operating profit (EBIT)	2 563,4	52,2	(6,6)	2 609,0
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	Reserve for own shares	Retained earnings	Total	Minority interests	Total equity
Balance at 1 January 2008		1 333,9	548,0	3,1	(769,0)	-	2 972,2	4 088,2	-	4 088,2
Net profit for the period		-	-	(2,5)	-	-	2 095,1	2 092,6	4,0	2 096,6
Foreign currency translation adj.		-	-	-	1 095,4	-	-	1 095,4	-	1 095,4
Purchase of own shares	4	-	-	-	-	(8,5)	(71,7)	(80,2)	-	(80,2)
Dividend	5	-	-	-	-	-	(1 667,3)	(1 667,3)	-	(1 667,3)
Balance at 31 Dec 2008		1 333,9	548,0	0,6	326,4	(8,5)	3 328,3	5 528,7	4,0	5 532,7

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		-	-	(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)	Year 2008	Year 2007
Cash flows from operating activities		
Profit before income tax	2 117,5	1 418,0
<i>Adjustment for:</i>		
Depreciation and amortisation	727,7	500,4
Interest expense	179,1	112,7
Gain/(loss) on sales of fixed assets	0,7	(9,9)
Changes in working capital	(874,8)	(80,5)
Unrealised currency loss/(gain)	-	(80,2)
Cash generated from operations	2 150,2	1 860,5
Interest paid	(244,1)	(231,3)
Taxes paid	(49,2)	(25,1)
Net cash from operating activities	1 856,9	1 604,1
Cash flows from investing activities		
Net investment in fixed assets	(1 680,5)	(2 400,5)
Proceeds from sale of equipment	0,8	18,1
Net cash used to investing activities	(1 679,7)	(2 382,4)
Cash flows from financing activities		
Borrowing of interest bearing debt	6 7 581,4	1 639,7
Repayments of interest bearing debt	6 (3 689,2)	(271,7)
Dividend paid	5 (1 667,3)	(659,9)
Purchase of treasury shares	4 (80,2)	-
Net cash from financing activities	2 144,7	708,1
Foreign currency	638,3	(128,7)
Net change in cash and cash equivalents	2 321,9	(70,2)
Cash and cash equivalents at the beg. of period	713,6	912,5
Cash and cash equiv. at the end of period	3 673,8	713,6



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Notes

1. Introduction

The condensed consolidated interim financial statements for 4th Quarter 2008, ended 31 December 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 10 February 2009.

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.

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. Shares

The company has in 4th quarter purchased 426 100 own shares at an average price of NOK 187.73 per share. The company holds 430 100 own shares. Outstanding shares are 66 268 129 as at 31 December 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.

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.



Fred. Olsen Energy ASA

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The Group has per 31 December 2008 a loan balance of USD 1 390 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 715 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	2 028,8	23,0	6,6	2 058,4
Disposals	(39,7)	(18,2)	(0,6)	(58,5)
Movements in foreign currency	2 574,1	11,8	4,7	2 590,6
Balance at 31 Dec 2008	13 334,9	517,4	114,1	13 966,4
Depreciation				
Balance at 1 January 2008	1 756,1	406,9	65,0	2 228,0
Depreciation	679,9	11,3	1,5	692,7
Impairment	0,0	35,0	0,0	35,0
Disposals	(39,6)	(17,3)	(0,1)	(57,0)
Movements in foreign currency	656,9	(6,9)	2,3	652,3
Balance at 31 Dec 2008	3 053,3	429,0	68,7	3 551,0
Carrying amounts				
At 1 January 2008	7 015,6	93,9	38,4	7 147,9
At 31 Dec 2008	10 281,6	88,4	45,4	10 415,4

The Group has recognised an impairment of NOK 35 million on specialised equipment included in Machinery and Equipment. The impairment is the difference between the carrying amount and the estimated recoverable amount.

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.

9. Financial expenses

Net financing costs for 2008 includes NOK 195 million of unrealised cost related to changes in fair value of interest rate contracts and NOK 65 million of unrealised cost related to changes in fair value of currency exchange contracts.