

Fred. Olsen Energy ASA

Report for the 2nd quarter 2010 and the first half year 2010

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 971 MILLION FOR THE 2nd QUARTER 2010 AND 1,597 MILLION FOR THE FIRST HALF YEAR 2010

HIGHLIGHTS FOR THE 2nd QUARTER 2010

- Revenues were 1,634 million
- EBITDA was 971 million
- Operating profit (EBIT) was 654 million
- Profit before tax was 519 million
- Earnings per share were 7.7
- Borgholm Dolphin secured nine months accommodation contract in 2011
- Borgsten Dolphin secured additional 45 days work

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FINANCIAL INFORMATION (1st quarter 2010 and 1st half year 2009 in brackets)

Operating revenues in the quarter were 1,634.4 million (1,196.5 million), an increase of 437.9 million compared with the previous quarter. The revenues for offshore drilling division were 1,628.4 million, an increase of 454.0 million. Revenues for the engineering and fabrication division were 6.0 million, a decrease of 16.1 million. The increase in revenues within the offshore drilling division is mainly due to class renewal surveys in the previous quarter and commencement of operations for Byford Dolphin and Borgsten Dolphin. In addition Belford Dolphin commenced the new contract with Anadarko at a higher dayrate.

Operating costs were 663.0 million (570.7 million), an increase of 92.3 million compared with previous quarter. Operating costs within the offshore drilling division increased by 104.6 million. Operating costs within the engineering and fabrication division decreased by 12.4 million. The increase in operating costs within the offshore drilling division is mainly due to completion of class renewal surveys and rigs subsequently returning to operations.

Operating profit before depreciation (EBITDA) was 971.4 million (625.8 million).

Operating profit before depreciation (EBITDA) for the half year was 1,597.2 million (2,600.8 million).

Depreciation amounted to 317.3 million (236.0 million).

Depreciation for the half year amounted to 553.3 million (494.6 million).

Operating profit after depreciation (EBIT) was 654.1 million (389.8 million).

Operating profit after depreciation (EBIT) for the half year was 1,043.9 million (2,106.2 million).

Net financial expenses were 135.2 million (83.8 million).

Net financial expenses for the half year were 219.0 million (59.0 million).

Profit before tax was 518.9 million (306.0 million).

Profit before tax for the half year was 824.9 million (2,047.2 million).

Net profit, including an estimated tax charge of 10.8 million (12.6 million), was 508.1 million (293.4 million).

Net profit for the half year, including an estimated tax charge of 23.4 million (62.9 million), was 801.5 million (1,984.3 million).

Basic earnings per share were 7.7 (4.4).

Basic earnings per share for the half year were 12.1 (29.9).

OPERATIONS

Drilling Division

The offshore fleet of Fred. Olsen Energy ASA with subsidiaries (the Group) 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.

Norway

Bideford Dolphin continued operations under the three-year drilling program offshore Norway for Statoil ASA. The contract will expire in January 2011. In March 2010, a new three-year drilling contract for the unit was entered into with Statoil in direct continuation with the existing contract. The contract will expire in January 2014. Statoil has an option to extend the contract with an additional year within 1st November 2010. The rig completed its five year Class Renewal Survey in July 2009.

Borgland Dolphin continued operations under the four-year drilling contract with a consortium consisting of 8 oil companies, managed by Rig Management Norway AS. The contract will expire January 2014. The rig completed its five year Class Renewal Survey in December 2009.

Bredford Dolphin completed a three-year drilling contract with AGR the 10th of June 2010, and subsequently commenced a one-well drilling contract with an estimated duration of 90 days with RWE Dea Norge AS for operation on the Norwegian Continental Shelf. In January 2010 a new one-well drilling contract, estimated to 60 days, was entered into with RWE Dea Norge AS in direct continuation with the current contract. The contract is estimated to expire in November 2010.

International

The ultra deepwater drillship Belford Dolphin completed operations under a three-year drilling contract with Anadarko Petroleum Corporation mid April 2010, and commenced a new three-year drilling contract with Anadarko in direct continuation with the previous contract. The contract will expire in April 2013. The unit is currently operating offshore Mozambique. The unit completed its five-year Class Renewal Survey in November 2009.

Blackford Dolphin continued operations under a three-year drilling contract with Reliance Industries Ltd., which will expire in December 2011. The unit has been sublet to Maersk and is currently mobilizing to Brazil. The unit will stop in South Africa for yard stay to undertake intermediate survey, preparations for Brazil and modifications. The yard stay is estimated to take one month and the cost related to the yard stay is estimated to USD 15 million.

Borgny Dolphin commenced operations under a five-year drilling contract with Petrobras in September 2008. The contract is estimated to expire in September 2013. The unit completed its five year Class Renewal Survey and upgrade in April 2010 and commenced operations mid May after inspections and acceptance testing.

Byford Dolphin commenced operations under a three-year contract with BP Exploration Operating Co. Ltd in the beginning of April in the UK sector of the North Sea. The contract will expire April 2013. The unit completed its five year Class Renewal Survey and upgrades in April 2010.

Borgsten Dolphin commenced operations mid May under a two-well drilling contract, estimated to 75 days, which was entered into with Hurricane Exploration PLC in January 2010. In June, an additional 45 days work was secured. The contract is estimated to expire mid September. The rig completed its five year Class Renewal Survey early May.

Borgholm Dolphin, the accommodation unit, completed an accommodation contract with BG Group mid December 2009. In June 2010, a new nine-month contract was entered into with BP Exploration Operating Co. Ltd. for work on the Andrew field in the UK sector with start up around 1st March 2011. BP has a total option period of four months in relation to the contract. The unit is currently in Invergordon preparing for the BP contract.

Engineering and Fabrication

The Harland & Wolff shipyard continued operations within engineering, ship repair and shipbuilding. The yard is facing a challenging market situation. Harland & Wolff continues to pursue contract opportunities within its core business, and further to develop the yard as a logistic and assembly area for windfarms. The next windfarm project is scheduled to be initiated year end 2010.

MATERIAL EVENTS

There has been no material events since the release of the Annual Report for 2009.

FINANCIALS

There are no material changes related to financial risk management, including interest rate and currency risks, since the release of the Annual Report for 2009.

SHARE CAPITAL ISSUES

At the Annual General Meeting in May, the dividend payment of NOK 10 per share was approved. The payment of dividend will take place on the 15th July 2010, with a total amount of approximately NOK 663 million.

The Board of Directors was authorized by the Annual General Meeting in May to increase the share capital of up to 6.7 million shares by issuing new shares, and to increase the share capital of up to 6.7 million shares by raising loans with the right to subscribe new shares. Furthermore, the Annual General Meeting authorized the Board of Directors to purchase up to 6.7 million shares of the Company's own shares

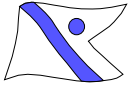
MARKET AND PROSPECTS

During the second quarter there has been a continued tendering activity within all floater segments including sublets. This has globally materialized in new contracts both in the mid-water and deepwater segments. However, the quarter has been marked by the tragic accident on the Macondo well with the subsequent drilling moratorium in the US Gulf of

Mexico. The US Gulf of Mexico market has been affected by this situation, whereas the Group is not directly exposed through the existing contract portfolio.

In the shorter term the Group is focusing on the UK and NCS markets, as Borgsten Dolphin and Bredford Dolphin will become available through the third and fourth quarter 2010 respectively. These markets are expected to offer shorter term contracts going into 2011, and both rigs are well positioned to secure work in this period.

Oslo, 14th July 2010
The Board of Directors
Fred. Olsen Energy ASA



Fred. Olsen Energy ASA

Statement by the Board of Directors and Chief Executive Officer

The Board of Directors and Chief Executive Officer have today considered and approved the condensed consolidated interim report of Fred. Olsen Energy ASA as at 30 June 2010 and for the first half-year 2010 including condensed consolidated comparative figures as at 30 June 2009 and for the first half-year 2009 (“the interim report”).

The interim report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional Norwegian requirements in the Securities Trading Act.

We consider the accounting policies applied to be appropriate. Accordingly, the interim report gives a true and fair view of the Group’s assets, liabilities and financial position as at 30 June 2010 and as at 30 June 2009 and of the results of the Group’s operations and cash flows for the first half-year 2010 and the first half-year 2009.

Oslo, 14 July 2010
Fred. Olsen Energy ASA

Sign.
Anette S. Olsen
Chairman

Sign.
Jan Peter Valheim

Sign.
Cecilie B. Heuch

Sign.
Øivin Fjeldstad

Sign.
Agnar Gravdal

Sign.
Ivar Brandvold
CEO



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

GROUP INCOME STATEMENT

Unaudited

(NOK mill)	Note	2nd Q 2010	1st Q 2010	2nd Q 2009	Jan - June 2010	Jan - June 2009	Year 2009
Operating revenues		1 581,6	1 128,8	1 806,6	2 710,4	3 836,6	6 354,9
Recharged income		52,8	67,7	66,7	120,5	145,3	245,1
Total revenues		1 634,4	1 196,5	1 873,3	2 830,9	3 981,9	6 600,0
Operating costs		(611,9)	(504,6)	(656,9)	(1 116,5)	(1 238,3)	(2 378,7)
Recharged expenses		(51,1)	(66,1)	(66,4)	(117,2)	(142,8)	(240,1)
Total operating expenses		(663,0)	(570,7)	(723,3)	(1 233,7)	(1 381,1)	(2 618,8)
Oper. profit before depr. (EBITDA)		971,4	625,8	1 150,0	1 597,2	2 600,8	3 981,2
Depreciation and amortisation	6	(317,3)	(236,0)	(242,9)	(553,3)	(494,6)	(973,4)
Operating profit (EBIT)		654,1	389,8	907,1	1 043,9	2 106,2	3 007,8
Net financial (expense)/income	8	(135,2)	(83,8)	(6,9)	(219,0)	(59,0)	(179,8)
Profit before income taxes		518,9	306,0	900,2	824,9	2 047,2	2 828,0
Income tax expense		(10,8)	(12,6)	(30,3)	(23,4)	(62,9)	(73,8)
Profit for the period		508,1	293,4	869,9	801,5	1 984,3	2 754,2
Attributable to:							
Shareholders		509,0	294,1	868,9	803,1	1 982,8	2 749,0
Minority interests		(0,9)	(0,7)	1,0	(1,6)	1,5	5,2
Profit for the period		508,1	293,4	869,9	801,5	1 984,3	2 754,2
<i>EPS :</i>							
Basic earnings per share		7,7	4,4	13,1	12,1	29,9	41,5
Diluted earnings per share		7,7	4,4	13,1	12,1	29,9	41,5

Outstanding shares

Average number of ordinary shares, basic	66,3	66,3	66,3	66,3	66,3	66,3
Average number of ordinary shares, diluted	66,3	66,3	66,3	66,3	66,3	66,3

GROUP STATEMENT OF COMPREHENSIVE INCOME

Unaudited

Unaudited	2nd Q 2010	1st Q 2010	2nd Q 2009	Jan - June 2010	Jan - June 2009	Year 2009
Profit for the period	508,1	293,4	869,9	801,5	1 984,3	2 754,2
Exchange differences on translation of foreign operations	537,1	197,5	(164,6)	734,6	(428,3)	(950,7)
Total comprehensive income for the period	1 045,2	490,9	705,3	1 536,1	1 556,0	1 803,5
Attributable to:						
Shareholders	1 045,6	491,8	703,8	1 534,6	1 554,2	1 798,3
Minority interests	(0,4)	(0,9)	1,5	1,5	1,8	5,2
Total comprehensive income for the period	1 045,2	490,9	705,3	1 536,1	1 556,0	1 803,5



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

STATEMENT OF FINANCIAL POSITION

Unaudited

(NOK mill)

		30 June 10	31 Mar 10	30 June 09	31 Dec 09
Intangible assets		98,6	98,6	98,6	98,6
Property, plant & equipment	6	11 629,6	10 689,6	9 553,0	9 981,3
Other non-current assets		56,7	52,9	56,4	53,6
Total non-current assets		11 784,9	10 841,1	9 708,0	10 133,5
Inventories		422,5	357,8	340,4	345,3
Trade and other receivables		1 303,9	1 072,3	1 559,0	989,6
Other current assets		427,2	433,5	494,8	387,0
Cash and cash equivalents		1 228,1	872,4	2 490,2	2 014,1
Total current assets		3 381,7	2 736,0	4 884,4	3 736,0
Total assets		15 166,6	13 577,1	14 592,4	13 869,5
Share capital		1 333,9	1 333,9	1 333,9	1 333,9
Other equity		5 874,5	4 828,9	4 092,4	4 337,0
Minority interests		7,3	7,7	5,8	8,7
Total Equity		7 215,7	6 170,5	5 432,1	5 679,6
Non-current interest-bearing loans and borrowings	5	5 423,3	4 990,5	6 714,2	5 450,8
Other non-current liabilities		370,9	315,7	303,0	287,7
Total non-current liabilities		5 794,2	5 306,2	7 017,2	5 738,5
Other current liabilities		727,4	784,2	739,4	1 180,5
Current interest-bearing loans and borrowings	5	1 429,3	1 316,2	1 403,7	1 270,9
Total current liabilities		2 156,7	2 100,4	2 143,1	2 451,4
Total equity and liabilities		15 166,6	13 577,1	14 592,4	13 869,5

GROUP STATEMENT OF CHANGES IN EQUITY

Unaudited

(NOK mill)

	Share capital	Share premium	Capital reserves	Translation reserves	Reserve for own shares	Retained earnings	Total	Minority interests	Total equity
Balance at 1 January 2009	1 333,9	548,1	0,6	326,2	(8,6)	3 328,5	5 528,7	4,0	5 532,7
Total comprehensive income	-	-	(0,6)	(428,3)	-	1 983,1	1 554,2	1,8	1 556,0
Purchase of own shares	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	(1 656,6)	(1 656,6)	-	(1 656,6)
Balance at 30 June 2009	1 333,9	548,1	-	(102,1)	(8,6)	3 655,0	5 426,3	5,8	5 432,1
Balance at 1 January 2009	1 333,9	548,1	0,6	326,2	(8,6)	3 328,5	5 528,7	4,0	5 532,7
Total comprehensive income	-	-	(0,6)	(950,7)	-	2 750,2	1 798,9	4,6	1 803,5
Dividend	-	-	-	-	-	(1 656,6)	(1 656,6)	-	(1 656,6)
Balance at 31 Dec 2009	1 333,9	548,1	-	(624,5)	(8,6)	4 422,1	5 671,0	8,6	5 679,6
Jan - June 2010									
Total comprehensive income	-	-	-	734,6	-	802,8	1 537,4	(1,3)	1 536,1
Balance at 30 June 2010	1 333,9	548,1	-	110,1	(8,6)	5 224,9	7 208,4	7,3	7 215,7



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (NOK mill)	Jan - June 2010	Jan - June 2009	Year 2009
Cash flows from operating activities			
Profit before income tax	824,9	2 047,2	2 828,0
<i>Adjustment for:</i>			
Depreciation and amortisation	553,3	494,6	973,4
Interest expense	40,4	114,2	167,1
(Gain)/loss on sales of fixed assets	(2,8)	(1,8)	(1,8)
Changes in working capital	(366,0)	37,0	381,4
Unrealised loss/(gain) financial instruments/currency	82,5	(186,9)	(123,3)
Cash generated from operations	1 132,3	2 504,3	4 224,8
Interest paid	(44,3)	(162,6)	(218,1)
Taxes paid	(21,5)	(58,1)	(73,3)
Net cash from operating activities	1 066,5	2 283,6	3 933,4
Cash flows from investing activities			
Net investment in fixed assets	(1 414,2)	(543,5)	(1 879,8)
Proceeds from sale of equipment	3,7	2,7	4,0
Net cash used to investing activities	(1 410,5)	(540,8)	(1 875,8)
Cash flows from financing activities			
Repayments of interest bearing debt	5	(1 053,8)	(1 716,6)
Dividend paid	-	(1 656,6)	(1 656,6)
Net cash from financing activities	(653,8)	(2 710,4)	(3 373,2)
Foreign currency	211,8	(216,0)	(344,1)
Net change in cash and cash equivalents	(997,8)	(967,6)	(1 315,6)
Cash and cash equivalents at the beg. of period	2 014,1	3 673,8	3 673,8
Cash and cash equiv. at the end of period	1 228,1	2 490,2	2 014,1



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Notes

1. Segment information

Segment Results

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
2nd Q 2010				
Revenues from external customers	1 628,4	6,0	-	1 634,4
Inter-segment revenues	-	-	-	-
Total revenues	1 628,4	6,0	-	1 634,4
Operating costs	(645,7)	(17,3)	-	(663,0)
Oper. profit before depr. (EBITDA)	982,7	(11,3)	-	971,4
Depreciation and amortisation	(315,7)	(1,6)	-	(317,3)
Operating profit (EBIT)	667,0	(12,9)	-	654,1
1st Q 2010				
Revenues from external customers	1 174,4	22,1	-	1 196,5
Inter-segment revenues	-	-	-	-
Total revenues	1 174,4	22,1	-	1 196,5
Operating costs	(541,0)	(29,7)	-	(570,7)
Oper. profit before depr. (EBITDA)	633,4	(7,6)	-	625,8
Depreciation and amortisation	(234,1)	(1,9)	-	(236,0)
Operating profit (EBIT)	399,3	(9,5)	-	389,8
2nd Q 2009				
Revenues from external customers	1 810,6	62,7	-	1 873,3
Inter-segment revenues	-	-	-	-
Total revenues	1 810,6	62,7	-	1 873,3
Operating costs	(673,8)	(49,5)	-	(723,3)
Oper. profit before depr. (EBITDA)	1 136,8	13,2	-	1 150,0
Depreciation and amortisation	(241,1)	(1,8)	-	(242,9)
Operating profit (EBIT)	895,7	11,4	-	907,1
Jan - June 2010				
Revenues from external customers	2 802,8	28,1	-	2 830,9
Inter-segment revenues	-	-	-	-
Total revenues	2 802,8	28,1	-	2 830,9
Operating costs	(1 186,7)	(47,0)	-	(1 233,7)
Oper. profit before depr. (EBITDA)	1 616,1	(18,9)	-	1 597,2
Depreciation and amortisation	(549,8)	(3,5)	-	(553,3)
Operating profit (EBIT)	1 066,3	(22,4)	-	1 043,9
Jan - June 2009				
Revenues from external customers	3 870,5	111,4	-	3 981,9
Inter-segment revenues	-	-	-	-
Total revenues	3 870,5	111,4	-	3 981,9
Operating costs	(1 289,4)	(91,7)	-	(1 381,1)
Oper. profit before depr. (EBITDA)	2 581,1	19,7	-	2 600,8
Depreciation and amortisation	(491,2)	(3,4)	-	(494,6)
Operating profit (EBIT)	2 089,9	16,3	-	2 106,2
Year 2009				
Revenues from external customers	6 391,5	208,5	-	6 600,0
Inter-segment revenues	-	0,4	(0,4)	-
Total revenues	6 391,5	208,9	(0,4)	6 600,0
Operating costs	(2 460,0)	(159,2)	0,4	(2 618,8)
Oper. profit before depr. (EBITDA)	3 931,5	49,7	-	3 981,2
Depreciation and amortisation	(966,6)	(6,8)	-	(973,4)
Operating profit (EBIT)	2 964,9	42,9	-	3 007,8



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
30 June 10				
Segment assets	14 952,6	269,5	(55,5)	15 166,6
Segment liabilities	7 775,3	231,1	(55,5)	7 950,9
31 Mar 10				
Segment assets	13 363,2	264,8	(50,9)	13 577,1
Segment liabilities	7 240,5	217,0	(50,9)	7 406,6
30 June 09				
Segment assets	14 340,0	306,0	(53,6)	14 592,4
Segment liabilities	8 930,5	283,4	(53,6)	9 160,3
31 Dec 09				
Segment assets	13 626,0	292,3	(48,8)	13 869,5
Segment liabilities	8 008,4	230,3	(48,8)	8 189,9

2. Introduction

The consolidated interim financial statements for 2nd Quarter 2010 ended 30 June 2010, comprise Fred. Olsen Energy ASA and its subsidiaries (together referred to as the "Group").

These 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 2009.

The consolidated financial statements of the Group for the year ended 31 December 2009 are available upon request from the Company's office in Oslo or at www.fredolsen-energy.no.

These consolidated interim financial statements were approved by the Board of Directors on 14 July 2010.

3. Significant accounting policies

The main accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2009.

4. 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 2009.

5. Interest-bearing loans and borrowings

The Group has repaid USD 110 million of the fleet loan per 30 June 2010.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

6. Property, plant and equipment

(NOK mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2010	13 055,7	487,6	108,9	13 652,2
Acquisitions	996,1	8,4	2,8	1 007,3
Disposals	(321,1)	(1,1)	0,0	(322,2)
Movements in foreign currency	1 627,9	28,0	5,3	1 661,2
Balance at 30 June 2010	15 358,6	522,9	117,0	15 998,5
Depreciation				
Balance at 1 January 2010	3 214,3	395,3	61,3	3 670,9
Depreciation	539,8	12,7	0,8	553,3
Disposals	(320,4)	(1,0)	0,0	(321,4)
Movements in foreign currency	440,2	22,8	3,1	466,1
Balance at 30 June 2010	3 873,9	429,8	65,2	4 368,9
Carrying amounts				
At 1 January 2010	9 841,4	92,3	47,6	9 981,3
At 30 June 2010	11 484,7	93,1	51,8	11 629,6

7. 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 53.77% 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. There are no material changes since the financial statements for the year ended 31 December 2009.

8. Financial expenses

Net financial expenses per 30 June 2010 include NOK 64 million of unrealised loss related to changes in fair value of interest rate contracts and NOK 18 million of unrealised loss related to currency contracts.