



Fred. Olsen Energy ASA

Report for the 4th quarter 2010 and preliminary results for 2010

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 744 MILLION FOR THE 4TH QUARTER 2010 AND EBITDA OF 3,401 MILLION FOR THE YEAR 2010

HIGHLIGHTS

- Revenues were 1,531 million.
- EBITDA were 744 million
- Operating profit (EBIT) was 413 million
- Profit before tax was 414 million
- Earnings per share were 5.9
- Bredford Dolphin - exercised option for 60 days
- Bredford Dolphin secured a 60 days drilling contract
- Borgholm Dolphin secured a ten-months firm contract
- Proposed dividend payment of NOK 10 and an extraordinary dividend of NOK 10 per share.

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Figures in NOK

FINANCIAL INFORMATION (*3rd quarter 2010 in brackets*)

Operating revenues in the quarter were 1,531 million (1,657 million), a decrease of 126 million compared with the previous quarter. Revenues within the offshore drilling division decreased by 133 million, while revenues within the engineering and fabrication division increased by 7 million. The decrease in revenues within the offshore drilling division is mainly due to Borgsten Dolphin and Bredford Dolphin coming off contract in 4th quarter and somewhat higher downtime compared to last quarter.

Operating revenues for the year were 6,019 million.

Operating costs were 787 million (597 million), an increase of 190 million compared with previous quarter. Operating costs within the offshore drilling division increased by 187 million. The cost increase is mainly due to start up costs for Blackford Dolphin in Brazil, corrective repair and maintenance costs and pension/administration costs including bonus for both management and offshore personnel. Operating costs within the engineering and fabrication division increased by 3 million.

Operating costs for the year were 2,618 million.

Operating profit before depreciation (EBITDA) was 744 million (1.060 million).

EBITDA for the year were 3,401 million.

Depreciation and amortisation amounted to 331 million (338 million).

Depreciation and amortisation for the year was 1.222 million.

Operating profit after depreciation (EBIT) was 413 million (722 million).

Operating profit (EBIT) for the year was 2,179 million.

Net financial expenses were positive 1 million (positive 48 million).

Net financial expenses for the year were 171 million.

Profit before tax was 414 million (770 million).

Profit before tax for the year was 2,009 million.

Net profit, including an estimated tax charge of 25 million (25 million), was 389 million (745 million).

Net profit after tax for the year was 1,935 million.

Basic earnings per share were 5.9 (11.3).

Basic earnings per share for the year were 29.2.

Figures in NOK

The Board has resolved to propose to the Annual General Meeting in May 2011 to pay an ordinary dividend of NOK 10 per share and an extraordinary dividend of NOK 10 per share.

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 in the quarter under the three-year drilling program offshore Norway for Statoil ASA. This contract expired in January 2011 and Bideford Dolphin subsequently commenced a new three-year drilling contract with Statoil ASA. The contract will expire in January 2014. 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 the contract with RWE Dea Norge AS in December 2010 and thereafter commenced a three well contract with Lundin Norge AS in January 2011, estimated contract duration is 180 days. In December 2010, a one-well contract, estimated to 60 days, was entered into with Premier Oil Norge AS commencing in direct continuation of the contract with Lundin Norge AS.

International

The ultra deepwater drillship Belford Dolphin continued operations under a three-year drilling contract with Anadarko Petroleum Corporation mid April 2010. 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 is currently under a sublet to Maersk for operations offshore Brazil.

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.

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 completed a two-well drilling contract with hurricane Exploration PLC in October 2010. The unit is currently inshore Invergorden and is replacing one of its cranes. Borgsten Dolphin is available for new assignments from second quarter 2011.

Figures in NOK

Borgholm Dolphin, the accommodation unit, completed a 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 in the latter part of February 2011. In February 2011, a new ten-month contract was entered into for operation in UK sector with commencement in direct continuation with the upcoming contract. There is a total option period of four months in connection to the last contract.

Engineering and Fabrication

The Harland & Wolff shipyard continued operations within engineering, ship repair and shipbuilding. Harland & Wolff commenced construction of two substations for Siemens in addition to initializing a windfarm project as a logistic and assembly base. Harland & Wolff continues to pursue contract opportunities within its core business, and is further developing the yard as a logistic and assembly area for windfarms.

Oslo, 15th February 2011
The Board of Directors
Fred. Olsen Energy ASA



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

GROUP INCOME STATEMENT

Unaudited

(NOK mill)	Note	4th Q 2010	3rd Q 2010	4th Q 2009	Året 2010	Året 2009
Operating revenues		1 490,9	1 622,9	1 067,1	5 824,2	6 354,9
Recharged income		40,0	33,9	60,8	194,4	245,1
Total revenues		1 530,9	1 656,8	1 127,9	6 018,6	6 600,0
Operating costs		(748,5)	(564,9)	(538,3)	(2 429,9)	(2 378,7)
Recharged expenses		(38,7)	(32,2)	(59,9)	(188,1)	(240,1)
Total operating expenses		(787,2)	(597,1)	(598,2)	(2 618,0)	(2 618,8)
Oper. profit before depr. (EBITDA)		743,7	1 059,7	529,7	3 400,6	3 981,2
Depreciation and amortisation	6	(330,6)	(337,6)	(237,5)	(1 221,5)	(973,4)
Operating profit (EBIT)		413,1	722,1	292,2	2 179,1	3 007,8
Net financial (expense)/income	8	0,8	47,7	(35,9)	(170,5)	(179,8)
Profit before income taxes		413,9	769,8	256,3	2 008,6	2 828,0
Income tax expense		(25,0)	(25,2)	(6,3)	(73,6)	(73,8)
Profit for the period		388,9	744,6	250,0	1 935,0	2 754,2
Attributable to:						
Shareholders		389,5	745,6	247,9	1 938,3	2 749,0
Minority interests		(0,6)	(1,0)	2,1	(3,3)	5,2
Profit for the period		388,9	744,6	250,0	1 935,0	2 754,2
<i>EPS :</i>						
Basic earnings per share		5,9	11,3	3,7	29,2	41,5
Diluted earnings per share		5,9	11,3	3,7	29,2	41,5

Outstanding shares

Average number of ordinary shares, basic	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

GROUP STATEMENT OF COMPREHENSIVE INCOME

Unaudited	4th Q 2010	3rd Q 2010	4th Q 2009	Året 2010	Året 2009
Profit for the period	388,9	744,6	250,0	1 935,0	2 754,2
Exchange differences on translation of foreign operations	11,2	(758,5)	6,5	(12,7)	(950,7)
Total comprehensive income for the period	400,1	(13,9)	256,5	1 922,3	1 803,5
Attributable to:					
Shareholders	400,8	(12,6)	255,1	1 925,6	1 798,9
Minority interests	(0,7)	(1,3)	1,4	(3,3)	4,6
Total comprehensive income for the period	400,1	(13,9)	256,5	1 922,3	1 803,5



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

STATEMENT OF FINANCIAL POSITION

Unaudited

(NOK mill)

		31 Dec 10	30 Sep 10	31 Dec 09
Intangible assets		98,6	98,6	98,6
Property, plant & equipment	6	10 113,6	10 327,5	9 981,3
Other non-current assets		39,8	54,0	53,6
Total non-current assets		10 252,0	10 480,1	10 133,5
Inventories		400,7	400,0	345,3
Trade and other receivables		945,2	1 030,7	989,6
Other current assets		425,6	456,8	387,0
Cash and cash equivalents		1 498,2	792,2	2 014,1
Total current assets		3 269,7	2 679,7	3 736,0
Total assets		13 521,7	13 159,8	13 869,5
Share capital		1 333,9	1 333,9	1 333,9
Other equity		5 600,1	5 199,3	4 337,1
Minority interests		5,3	6,0	8,6
Total Equity	9	6 939,3	6 539,2	5 679,6
Non-current interest-bearing loans and borrowings	5	4 250,6	4 234,3	5 450,8
Other non-current liabilities		366,7	376,0	287,7
Total non-current liabilities		4 617,3	4 610,3	5 738,5
Other current liabilities		676,7	725,9	1 180,5
Current interest-bearing loans and borrowings	5	1 288,4	1 284,4	1 270,9
Total current liabilities		1 965,1	2 010,3	2 451,4
Total equity and liabilities		13 521,7	13 159,8	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
Year 2009									
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
Year 2010									
Total comprehensive income	-	-	-	(12,0)	-	1 937,6	1 925,6	(3,3)	1 922,3
Dividend	-	-	-	-	-	(662,6)	(662,6)	-	(662,6)
Balance at 31 Dec 2010	1 333,9	548,1	-	(636,5)	(8,6)	5 697,1	6 934,0	5,3	6 939,3



Fred. Olsen Energy ASA

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CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (NOK mill)	Note	Year 2010	Year 2009
Cash flows from operating activities			
Profit before income tax		2 008,6	2 828,0
<i>Adjustment for:</i>			
Depreciation and amortisation		1 221,5	973,4
Interest expense		81,8	167,1
Gain on sales of fixed assets		(2,4)	(1,8)
Changes in working capital		(24,0)	381,4
Unrealised loss/(gain) financial instruments		41,5	(123,3)
Cash generated from operations		3 327,0	4 224,8
Interest paid		(82,7)	(218,1)
Taxes paid		(60,0)	(73,3)
Net cash from operating activities		3 184,3	3 933,4
Cash flows from investing activities			
Net investment in fixed assets		(1 692,4)	(1 879,8)
Proceeds from sale of equipment		5,3	4,0
Net cash used to investing activities		(1 687,1)	(1 875,8)
Cash flows from financing activities			
Repayments of interest bearing debt	5	(1 296,0)	(1 716,6)
Dividend paid	9	(662,6)	(1 656,6)
Net cash from financing activities		(1 958,6)	(3 373,2)
Foreign currency		(54,5)	(344,1)
Net change in cash and cash equivalents		(461,4)	(1 315,6)
Cash and cash equivalents at the beg. of period		2 014,1	3 673,8
Cash and cash equiv. at the end of period		1 498,2	2 014,1



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Notes

1. Segment information

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
4th Q 2010				
Revenues from external customers	1 511,9	19,0	-	1 530,9
Inter-segment revenues	-	-	-	-
Total revenues	1 511,9	19,0	-	1 530,9
Operating costs	(760,9)	(26,3)	-	(787,2)
Oper. profit before depr. (EBITDA)	751,0	(7,3)	-	743,7
Depreciation and amortisation	(329,0)	(1,6)	-	(330,6)
Operating profit (EBIT)	422,0	(8,9)	-	413,1
3rd Q 2010				
Revenues from external customers	1 645,2	11,6	-	1 656,8
Inter-segment revenues	-	-	-	-
Total revenues	1 645,2	11,6	-	1 656,8
Operating costs	(573,4)	(23,7)	-	(597,1)
Oper. profit before depr. (EBITDA)	1 071,8	(12,1)	-	1 059,7
Depreciation and amortisation	(336,1)	(1,5)	-	(337,6)
Operating profit (EBIT)	735,7	(13,6)	-	722,1
4th Q 2009				
Revenues from external customers	1 098,6	29,3	-	1 127,9
Inter-segment revenues	-	0,3	(0,3)	-
Total revenues	1 098,6	29,6	(0,3)	1 127,9
Operating costs	(578,0)	(20,5)	0,3	(598,2)
Oper. profit before depr. (EBITDA)	520,6	9,1	-	529,7
Depreciation and amortisation	(235,8)	(1,7)	-	(237,5)
Operating profit (EBIT)	284,8	7,4	-	292,2
Year 2010				
Revenues from external customers	5 959,9	58,7	-	6 018,6
Inter-segment revenues	-	-	-	-
Total revenues	5 959,9	58,7	-	6 018,6
Operating costs	(2 521,0)	(97,0)	-	(2 618,0)
Oper. profit before depr. (EBITDA)	3 438,9	(38,3)	-	3 400,6
Depreciation and amortisation	(1 214,9)	(6,6)	-	(1 221,5)
Operating profit (EBIT)	2 224,0	(44,9)	-	2 179,1
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

* Includes Fred. Olsen Energy ASA

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
31 Dec 10				
Segment assets	13 326,2	246,4	(50,9)	13 521,7
Segment liabilities	6 403,4	229,9	(50,9)	6 582,4
30 Sep 10				
Segment assets	12 953,8	256,2	(50,2)	13 159,8
Segment liabilities	6 441,2	229,6	(50,2)	6 620,6
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 4th Quarter 2010 ended 31 December 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 15 February 2011.

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.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

5. Interest-bearing loans and borrowings

The Group has repaid USD 220 million of the fleet loans per 31 December 2010.

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	1 164,3	22,0	0,1	1 186,4
Disposals	(306,6)	(1,3)	(3,0)	(310,9)
Movements in foreign currency	180,1	(6,4)	(1,0)	172,7
Balance at 31 Dec 2010	14 093,5	501,9	105,0	14 700,4
Depreciation				
Balance at 1 January 2010	3 214,3	395,3	61,3	3 670,9
Depreciation	1 194,7	25,0	1,8	1 221,5
Disposals	(304,1)	(1,0)	0,0	(305,1)
Movements in foreign currency	7,0	(6,8)	(0,7)	(0,5)
Balance at 31 Dec 2010	4 111,9	412,5	62,4	4 586,8
Carrying amounts				
At 1 January 2010	9 841,4	92,3	47,6	9 981,3
At 31 Dec 2010	9 981,6	89,4	42,6	10 113,6

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% (adjusted for own shares) 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 31 December 2010 include NOK 42 million of unrealised loss related to changes in fair value of interest rate contracts.

9. Dividend

The Annual General Meeting in May 2010 approved the Board's proposal of an ordinary dividend payment of NOK 10,- per share for the year 2009. The payment was made in July 2010 and amounted to NOK 662.6 million.