

Fred. Olsen Energy ASA

Report for the 2nd quarter 2011 and the first half year 2011

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 929 MILLION FOR THE 2nd QUARTER 2011 AND 1,692 MILLION FOR THE FIRST HALF YEAR 2011

HIGHLIGHTS FOR THE 2nd QUARTER 2011

- Revenues were 1,629 million
- EBITDA was 929 million
- Operating profit (EBIT) was 633 million
- Profit before tax was 579 million
- Earnings per share were 8.6
- New six-well drilling contract for Bredford Dolphin

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FINANCIAL INFORMATION (1st quarter 2011 and 1st half year 2010 in brackets)

Operating revenues in the quarter were 1,629 million (1,479 million), an increase of 150 million compared with the previous quarter. The revenues for offshore drilling division were 1,569 million, an increase of 141 million. Revenues for the engineering and fabrication division were 60 million, an increase of 9 million. The increase in revenues within the offshore drilling division is mainly due to Borgsten Dolphin commencing its contract 18th April and a full operating quarter for Borgholm Dolphin and Bredford Dolphin.

Operating costs were 699 million (716 million), a decrease of 17 million compared with previous quarter. Operating costs within the offshore drilling division decreased by 23 million. Operating costs within the engineering and fabrication division increased by 6 million. The decrease in operating costs within the offshore drilling division is mainly due to a somewhat lower repair and maintenance level in second quarter compared to first quarter.

Operating profit before depreciation (EBITDA) was 929 million (763 million).

Operating profit before depreciation (EBITDA) for the half year was 1,692 million (1,597 million).

Depreciation amounted to 296 million (316 million).

Depreciation for the half year amounted to 612 million (553 million).

Operating profit after depreciation (EBIT) was 633 million (447 million).

Operating profit after depreciation (EBIT) for the half year was 1,081 million (1,044 million).

Net financial expenses were 54 million (65 million). Capitalized interest expenses related to the newbuild drillship in the quarter amounted to 6.0 million.

Net financial expenses for the half year were 119 million (219 million).

Profit before tax was 579 million (383 million).

Profit before tax for the half year was 962 million (825 million).

Net profit, including an estimated tax charge of 9 million (11 million), was 570 million (372 million).

Net profit for the half year, including an estimated tax charge of 20 million (23 million), was 942 million (802 million).

Basic earnings per share were 8.6 (5.6).

Basic earnings per share for the half year were 14.2 (12.1).

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 on the Norwegian Continental Shelf. A new ultra deepwater drillship is scheduled to be delivered in 3Q 2013 from Hyundai Heavy Industries Co., Ltd.

Norway

Bideford Dolphin continued operations under a three-year drilling contract for Statoil ASA. The contract will expire in January 2014. The unit 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 in January 2014. The unit completed its five-year Class Renewal Survey in December 2009.

Bredford Dolphin continued operation under a three-well drilling contract with Lundin Norge AS, the estimated contract duration for the three-well contract is revised to 240 days (previously estimated to 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 with the contract with Lundin Norge AS. In May 2011 a new six-well contract, estimated to 360 days, was entered into with Lundin Norge AS with estimated commencement in January 2012. Lundin has the option to extend the contract period with three additional wells within 30th of November 2011. The five-year Class Renewal Survey is scheduled to be undertaken mid 2012.

International

The ultra deepwater drillship Belford Dolphin continued operations under a three-year drilling contract with Anadarko Petroleum Corporation. 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 early January 2012. The unit is currently under a sublet to Statoil for operations offshore Brazil. In April 2011, a new one-well contract was entered into for operations in Brazil with commencement in direct continuation with the Reliance contract. In May 2011, a new three-well contract with Karoon Petroleo & Gas S.A. was entered into for operations in Brazil with commencement in direct continuation with the upcoming one-well contract. The unit will undertake its five-year Class Renewal Survey mid 2013.

Borgny Dolphin commenced operations under a five-year drilling contract with Petrobras. 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 2010 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 a four-well drilling contract with TAQA in April 2011 for operations in UK sector of the North Sea. TAQA has an option to extend the contract with one additional well. The unit completed its five-year Class Renewal Survey in 2010.

Borgholm Dolphin continued under a nine-month accommodation contract with BP Exploration Operating Co. Ltd., for work on the Andrew field in the UK sector of the North Sea. In February 2011, a new ten-month contract was entered into with BP for operation in the UK sector with commencement in direct continuation with current contract. There is a total option period of four months in connection with the last contract. The unit is estimated to undertake its five-year Class Renewal Survey early 2013.

Engineering and Fabrication

The Harland & Wolff shipyard continued its activities within engineering, ship repair and shipbuilding. Harland & Wolff continued construction of two substations for Siemens in addition to the wind-farm project, Ormonde OWF, 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 wind-farms.

MATERIAL EVENTS

In April 2011 a wholly owned subsidiary of Fred. Olsen Energy ASA entered into a turn-key contract with Hyundai Heavy Industries Co., Ltd. for the building of a new ultra-deepwater drillship with scheduled delivery in 3rd quarter 2013. Total project cost is estimated to USD 615 million (including spare parts, owner furnished equipment and project team). The contract includes an option from Hyundai for the purchase of a similar second drillship exercisable within October 2011.

There have been no other material events since the release of the Annual Report for 2010.

FINANCIALS

In May 2011, the Company completed a senior unsecured bond issue of NOK 1,400 million, with a coupon of 3 months NIBOR + 4.25%. The maturity date for the bonds is 12th May 2016

There are no material changes related to financial risk management, including interest rate and currency risks, since the release of the Annual Report for 2010.

SHARE CAPITAL ISSUES

At the Annual General Meeting in May, the dividend payment of total NOK 20 per share was approved. The payment of dividend will take place on the 15th July 2011, with a total amount of approximately NOK 1,325 million.

The Board of Directors was given a general authorization by the Annual General Meeting 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 gave the Board of Directors a general authorization to purchase up to 6.7 million shares of the Company's own shares

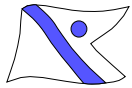
MARKET AND PROSPECTS

During the 1st half of 2011 there has been a continued tendering activity within all floater segments. This has globally materialized in new contracts both in the mid-water and deepwater segments.

The global market outlook remains positive for floating units, supported by increasing long-term demand for oil and sustainable oil prices. Continued growth is expected in the deepwater segment, where the strongest driver will be development of proven resources. A stable activity is foreseen in the mid-water segments. As to the accommodation segment, the outlook remains positive into 2013.

In the shorter term the Group is focusing on the UK market as Borgsten Dolphin will become available through the fourth quarter 2011. The UK market continues to be challenging into the winter 2011/2012 but is expected to offer shorter term contracts going into 2012.

Oslo, 14th July 2011
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 2011 and for the first half-year 2011 including condensed consolidated comparative figures as at 30 June 2010 and for the first half-year 2010 (“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 Securities Trading Act.

We consider the accounting policies applied to be appropriate. Accordingly, the interim report give a true and fair view of the Group’s assets, liabilities and financial position as at 30 June 2011 and as at 30 June 2010 and of the results of the Group’s operations and cash flows for the first half-year 2011 and the first half-year 2010.

Oslo, 14 July 2011
Fred. Olsen Energy ASA

Sign.	Sign.	Sign.	Sign.	Sign.	Sign.
Anette S. Olsen	Jan Peter Valheim	Cecilie B. Heuch	Øivin Fjeldstad	Agnar Gravdal CEO	Ivar Brandvold Chairman



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

GROUP INCOME STATEMENT

Unaudited

(NOK mill)	Note	2nd Q 2011	1st Q 2011	2nd Q 2010	Jan - June 2011	Jan - June 2010	Year 2010
Operating revenues		1 565,6	1 449,6	1 581,6	3 015,2	2 710,4	5 824,2
Recharged income		63,0	29,4	52,8	92,4	120,5	194,4
Total revenues		1 628,6	1 479,0	1 634,4	3 107,6	2 830,9	6 018,6
Operating costs		(638,7)	(688,3)	(611,9)	(1 327,0)	(1 116,5)	(2 429,9)
Recharged expenses		(60,5)	(27,8)	(51,1)	(88,3)	(117,2)	(188,1)
Total operating expenses		(699,2)	(716,1)	(663,0)	(1 415,3)	(1 233,7)	(2 618,0)
Oper. profit before depr. (EBITDA)		929,4	762,9	971,4	1 692,3	1 597,2	3 400,6
Depreciation and amortisation	6	(296,1)	(315,5)	(317,3)	(611,6)	(553,3)	(1 221,5)
Operating profit (EBIT)		633,3	447,4	654,1	1 080,7	1 043,9	2 179,1
Net financial (expense)/income	8	(54,3)	(64,6)	(135,2)	(118,9)	(219,0)	(170,5)
Profit before income taxes		579,0	382,8	518,9	961,8	824,9	2 008,6
Income tax expense		(9,0)	(11,0)	(10,8)	(20,0)	(23,4)	(73,6)
Profit for the period		570,0	371,8	508,1	941,8	801,5	1 935,0

Attributable to:

Shareholders		569,3	371,4	509,0	940,7	803,1	1 938,3
Non-controlling interests		0,7	0,4	(0,9)	1,1	(1,6)	(3,3)
Profit for the period		570,0	371,8	508,1	941,8	801,5	1 935,0

EPS :

Basic earnings per share	8,6	5,6	7,7	14,2	12,1	29,3
Diluted earnings per share	8,6	5,6	7,7	14,2	12,1	29,3

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

	2nd Q 2011	1st Q 2011	2nd Q 2010	Jan - June 2011	Jan - June 2010	Year 2010
Profit for the period	570,0	371,8	508,1	941,8	801,5	1 935,0
Exchange differences on translation of foreign operations	(140,6)	(359,6)	537,1	(500,2)	734,6	(12,7)
Total comprehensive income for the period	429,4	12,2	1 045,2	441,6	1 536,1	1 922,3
Attributable to:						
Shareholders	428,9	12,0	1 045,6	440,9	1 534,6	1 925,6
Non-controlling interests	0,5	0,2	(0,4)	0,7	1,5	(3,3)
Total comprehensive income for the period	429,4	12,2	1 045,2	441,6	1 536,1	1 922,3



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

STATEMENT OF FINANCIAL POSITION

Unaudited

(NOK mill)

		30 June 11	31 March 11	30 June 10	31 Dec 10
Intangible assets		98,6	98,6	98,6	98,6
Property, plant & equipment	6	9 744,3	9 302,7	11 629,6	10 113,6
Other non-current assets		37,0	38,1	56,7	39,8
Total non-current assets		9 879,9	9 439,4	11 784,9	10 252,0
Inventories		396,0	385,8	422,5	400,7
Trade and other receivables		1 149,9	1 036,1	1 303,9	945,2
Other current assets		488,5	425,7	427,2	425,6
Cash and cash equivalents		2 267,7	1 272,5	1 228,1	1 498,2
Total current assets		4 302,1	3 120,1	3 381,7	3 269,7
Total assets		14 182,0	12 559,5	15 166,6	13 521,7
Share capital		1 333,9	1 333,9	1 333,9	1 333,9
Other equity		6 041,0	5 612,1	5 874,5	5 600,1
Non-controlling interests		6,0	5,5	7,3	5,3
Total Equity		7 380,9	6 951,5	7 215,7	6 939,3
Non-current interest-bearing loans and borrowings	5	4 709,8	3 401,0	5 423,3	4 250,6
Other non-current liabilities		343,3	342,5	370,9	366,7
Total non-current liabilities		5 053,1	3 743,5	5 794,2	4 617,3
Other current liabilities		562,6	651,5	727,4	676,7
Current interest-bearing loans and borrowings	5	1 185,4	1 213,0	1 429,3	1 288,4
Total current liabilities		1 748,0	1 864,5	2 156,7	1 965,1
Total equity and liabilities		14 182,0	12 559,5	15 166,6	13 521,7

GROUP STATEMENT OF CHANGES IN EQUITY

Unaudited

(NOK mill)

	Share capital	Share premium	Translation reserves	Reserve for own shares	Retained earnings	Total	Non-contr. interests	Total equity
Jan - June 2010								
Balance at 1 January 2010	1 333,9	548,1	(624,5)	(8,6)	4 422,1	5 671,0	8,6	5 679,6
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
Year 2010								
Balance at 1 January 2010	1 333,9	548,1	(624,5)	(8,6)	4 422,1	5 671,0	8,6	5 679,6
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
Jan - June 2011								
Total comprehensive income	-	-	(499,8)	-	940,7	440,9	0,7	441,6
Balance at 30 June 2011	1 333,9	548,1	(1 136,3)	(8,6)	6 637,8	7 374,9	6,0	7 380,9

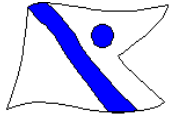


Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (NOK mill)	Note	Jan - June 2011	Jan - June 2010	Year 2010
Cash flows from operating activities				
Profit before income tax		961,8	824,9	2 008,6
<i>Adjustment for:</i>				
Depreciation and amortisation		611,6	553,3	1 221,5
Interest expense	6	38,0	40,4	81,8
Gain on sales of fixed assets		-	(2,8)	(2,4)
Changes in working capital		(332,9)	(366,0)	(24,0)
Unrealised loss/(gain) financial instruments		(12,0)	82,5	41,5
Cash generated from operations		1 266,5	1 132,3	3 327,0
Interest paid		(36,0)	(44,3)	(82,7)
Taxes paid		(47,9)	(21,5)	(60,0)
Net cash from operating activities		1 182,6	1 066,5	3 184,3
Cash flows from investing activities				
Net investment in fixed assets		(1 116,2)	(1 414,2)	(1 692,4)
Proceeds from sale of equipment		0,2	3,7	5,3
Net cash used to investing activities		(1 116,0)	(1 410,5)	(1 687,1)
Cash flows from financing activities				
Borrowing of interest bearing debt	5	1 400,0	-	-
Repayments of interest bearing debt	5	(606,5)	(653,8)	(1 296,0)
Dividend paid		-	-	(662,6)
Net cash from financing activities		793,5	(653,8)	(1 958,6)
Foreign currency		(90,6)	211,8	(54,5)
Net change in cash and cash equivalents		860,1	(997,8)	(461,4)
Cash and cash equivalents at the beg. of period		1 498,2	2 014,1	2 014,1
Cash and cash equiv. at the end of period		2 267,7	1 228,1	1 498,2



Fred. Olsen Energy ASA

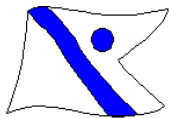
Condensed Financial Statements in accordance with IFRS

Notes

1. Segment information

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
2nd Q 2011				
Revenues from external customers	1 568,6	60,0	-	1 628,6
Inter-segment revenues	-	-	-	-
Total revenues	1 568,6	60,0	-	1 628,6
Operating costs	(648,7)	(50,5)	-	(699,2)
Oper. profit before depr. (EBITDA)	919,9	9,5	-	929,4
Depreciation and amortisation	(294,3)	(1,8)	-	(296,1)
Operating profit (EBIT)	625,6	7,7	-	633,3
1st Q 2011				
Revenues from external customers	1 428,2	50,8	-	1 479,0
Inter-segment revenues	-	-	-	-
Total revenues	1 428,2	50,8	-	1 479,0
Operating costs	(671,3)	(44,8)	-	(716,1)
Oper. profit before depr. (EBITDA)	756,9	6,0	-	762,9
Depreciation and amortisation	(313,7)	(1,8)	-	(315,5)
Operating profit (EBIT)	443,2	4,2	-	447,4
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
Jan - June 2011				
Revenues from external customers	2 996,8	110,8	-	3 107,6
Inter-segment revenues	-	-	-	-
Total revenues	2 996,8	110,8	-	3 107,6
Operating costs	(1 320,0)	(95,3)	-	(1 415,3)
Oper. profit before depr. (EBITDA)	1 676,8	15,5	-	1 692,3
Depreciation and amortisation	(608,0)	(3,6)	-	(611,6)
Operating profit (EBIT)	1 068,8	11,9	-	1 080,7
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
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

* Includes Fred. Olsen Energy ASA



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
30 June 11				
Segment assets	13 957,7	271,6	(47,3)	14 182,0
Segment liabilities	6 606,6	241,8	(47,3)	6 801,1
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 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

* Includes Fred. Olsen Energy ASA

2. Introduction

The consolidated interim financial statements for 2nd Quarter 2011 ended 30 June 2011, 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 2010.

The consolidated financial statements of the Group for the year ended 31 December 2010 are available upon request from the Company's office in Oslo or at www.fredolsen-energy.com.

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

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 2010.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

5. Interest-bearing loans and borrowings

The Group has repaid USD 110 million of the fleet loans per 30 June 2011. The Group completed a NOK 1 400 million 5 years senior unsecured bond issue in May 2011.

6. Property, plant and equipment

(NOK mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2011	14 093,5	501,9	105,0	14 700,4
Acquisitions	1 016,3	7,6	0,8	1 024,7
Reclassifications	4,4	(4,4)	0,0	0,0
Disposals	(8,0)	(0,5)	0,0	(8,5)
Movements in foreign currency	(1 126,7)	(23,9)	(4,0)	(1 154,6)
Balance at 30 June 2011	13 979,5	480,7	101,8	14 562,0
Depreciation				
Balance at 1 January 2011	4 111,9	413,8	61,1	4 586,8
Reclassifications	4,1	(4,1)	0,0	0,0
Depreciation	597,7	13,1	0,8	611,6
Disposals	(7,8)	(0,5)	0,0	(8,3)
Movements in foreign currency	(349,5)	(20,4)	(2,5)	(372,4)
Balance at 30 June 2011	4 356,4	401,9	59,4	4 817,7
Carrying amounts				
At 1 January 2011	9 981,6	88,1	43,9	10 113,6
At 30 June 2011	9 623,1	78,8	42,4	9 744,3

The Group entered into a turnkey contract for an ultra deepwater drillship with Hyundai Heavy Industries Co.Ltd in April 2011. The first instalment of \$165.5 million is included as acquisition above.

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 2010.

8. Financial expenses

Net financial expenses per 30 June 2011 include NOK 8 million of unrealised gain related to changes in fair value of interest rate contracts and NOK 4 million of unrealised gain on currency contracts. Interest cost of NOK 6 million is capitalized to the new drillship under construction.