



# Fred. Olsen Energy ASA

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## Report for the 4th quarter 2011 and preliminary results for 2011

Figures in NOK

**FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 889 MILLION FOR THE 4TH QUARTER 2011 AND EBITDA OF 3,541 MILLION FOR THE YEAR 2011**

### HIGHLIGHTS

- Revenues were 1,682 million
- EBITDA were 889 million
- Operating profit (EBIT) was 542 million
- Profit before tax was 516 million
- Earnings per share were 8.0
- Belford Dolphin – secured new four-year contract
- Bolette Dolphin - secured a four-year contract
- Borgsten Dolphin - secured a 40 months Tender Support Vessel contract
- Bredford Dolphin – Lundin exercised three optional wells
- Proposed dividend payment of NOK 10 in ordinary dividend and an extraordinary dividend of NOK 10 per share.

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## Figures in NOK

### FINANCIAL INFORMATION (3<sup>rd</sup> quarter 2011 in brackets)

Operating revenues in the quarter were 1,682 million (1,682 million). Revenues within the offshore drilling division increased by 22 million, while revenues within the engineering and fabrication division decreased by 22 million. The increase in revenues within the offshore drilling division is mainly due to higher uptime on Bideford Dolphin and Blackford Dolphin, partly offset by Borgsten Dolphin coming off contract in December and downtime on Bredford Dolphin and Belford Dolphin.

Operating revenues for the year 2011 were 6,471 million.

Operating costs in the quarter were 793 million (722 million), an increase of 71 million compared with previous quarter. Operating costs within the offshore drilling division increased by 89 million. The cost increase is mainly due to a non refundable fee related to the extension of the option for a 2<sup>nd</sup> drillship of USD 3.5 million, a provision of 21 million related to receivables and somewhat higher repair and maintenance cost related to the downtime for Bredford Dolphin and Belford Dolphin. Operating costs within the engineering and fabrication division decreased by 19 million.

Operating costs for the year were 2,930 million.

Operating profit before depreciation (EBITDA) was 889 million (960 million). EBITDA for the year were 3,541 million.

Depreciation, amortisation and impairment amounted to 347 million (318 million). For the year 2011 it amounted to 1,276 million.

Operating profit after depreciation (EBIT) was 542 million (642 million). Operating profit (EBIT) for the year was 2,265 million.

Net financial expenses were 26 million (13 million). Capitalized interest expenses related to the newbuild drillship in the quarter amounted to 8 million (8 million). Net financial expenses for the year were 158 million and capitalized interest expenses related to the newbuild was 22 million.

Profit before tax was 516 million (630 million). Profit before tax for the year was 2,107 million.

Net profit, including an estimated tax income of 14 million (expense 14 million), was 530 million (616 million). Net profit after tax for the year was 2,088 million.

Basic earnings per share were 8.0 (9.3). For the year 2011 basic earnings per share were 31.5.

## Dividend

The Board has resolved to propose to the Annual General Meeting in May 2012 to pay an ordinary dividend of NOK 10 per share and an extraordinary dividend of NOK 10 per share.

## **Figures in NOK**

### **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 completed a one-well drilling contract with Premier Oil in November and commenced a nine-well program for Lundin Norge AS in direct continuation. Lundin has the option to extend the contract period with additionally one well. The optional well has to be declared within 29<sup>th</sup> February 2012. The five-year Class Renewal Survey is scheduled to be undertaken in 2Q 2012.

#### **International**

The new ultra deepwater drillship to be named Bolette Dolphin, currently under construction at Hyundai Heavy Industries in Korea secured in November 2011 a four-year drilling contract with Anadarko Petroleum Corporation. Commencement of the contract is estimated in 4Q 2013.

The ultra deepwater drillship Belford Dolphin completed operations under a three-year drilling contract with Anadarko Petroleum Corporation end 2011 and commenced a new four-year drilling contract with the same client. The contract will expire year end 2015. The unit is currently operating offshore Mozambique. The unit completed its five-year Class Renewal Survey in November 2009.

Blackford Dolphin completed a three-year drilling contract with Reliance Industries Ltd in 4Q 2011. The unit is currently under a one well contract with Sonangol Starfish for operations offshore Brazil which is scheduled to be completed by end of March. In April 2011, a new one-well contract was entered into with Anadarko for operations in Brazil with commencement in direct continuation with the Sonangol 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 with Anadarko. The unit will undertake its five-year Class Renewal Survey mid 2013.

Borgny Dolphin continued 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.

## **Figures in NOK**

Byford Dolphin commenced operations under a three-year drilling 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 completed a four-well drilling contract with TAQA in UK sector of the North Sea in December 2011. In October 2011, a new three-well drilling contract was entered into with Valiant Causeway Limited for operations in UK sector of the North Sea. The contract is estimated to commence mid March 2012. In November 2011, a 40 months contract for Tender Support service at the Dunbar platform was entered into with Total E&P UK Ltd. Options exist for a contract extension of two six month periods. The contract is estimated to commence mid November 2012. The unit will undertake an upgrade, conversion and an early five-year class survey prior to contract commencement. The net capital expenditure for the Group is estimated to USD 25-30 million.

Borgholm Dolphin continued under a ten-month accommodation contract with BP Exploration Operating Co. Ltd., for work on the Andrew field in the UK sector of the North Sea. There is a total option period of four months in connection with this contract. The five-year Class Renewal Survey is scheduled to be undertaken late 2012.

### **Engineering and Fabrication**

The Harland & Wolff shipyard continued its core activities within engineering, ship repair and shipbuilding. The yard continued construction of two substations for Siemens during the quarter. In first quarter 2012 the yard was awarded a contract for dry docking and service of the SeaRose Floating, Production, Storage and Offloading (FPSO) vessel. Harland & Wolff continues to pursue contract opportunities within its core business, and is developing the yard further to provide services to the offshore wind industry.

Oslo, 15<sup>th</sup> February 2012  
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 2011	3rd Q 2011	4th Q 2010	Year 2011	Year 2010
Operating revenues		1 629,7	1 617,3	1 490,9	6 262,2	5 824,2
Recharged income		52,0	64,3	40,0	208,7	194,4
<b>Total revenues</b>		<b>1 681,7</b>	<b>1 681,6</b>	<b>1 530,9</b>	<b>6 470,9</b>	<b>6 018,6</b>
Operating costs		(742,9)	(659,3)	(748,5)	(2 729,2)	(2 429,9)
Recharged expenses		(50,0)	(62,7)	(38,7)	(201,0)	(188,1)
<b>Total operating expenses</b>		<b>(792,9)</b>	<b>(722,0)</b>	<b>(787,2)</b>	<b>(2 930,2)</b>	<b>(2 618,0)</b>
<b>Oper. profit before depr. (EBITDA)</b>		<b>888,8</b>	<b>959,6</b>	<b>743,7</b>	<b>3 540,7</b>	<b>3 400,6</b>
Depreciation and amortisation	6	(331,6)	(317,5)	(330,6)	(1 260,7)	(1 221,5)
Impairment		(15,3)	-	-	(15,3)	-
<b>Operating profit (EBIT)</b>		<b>541,9</b>	<b>642,1</b>	<b>413,1</b>	<b>2 264,7</b>	<b>2 179,1</b>
Net financial (expense)/income	8	(26,0)	(12,6)	0,8	(157,5)	(170,5)
<b>Profit before income taxes</b>		<b>515,9</b>	<b>629,5</b>	<b>413,9</b>	<b>2 107,2</b>	<b>2 008,6</b>
Income tax expense		14,5	(14,0)	(25,0)	(19,5)	(73,6)
<b>Profit for the period</b>		<b>530,4</b>	<b>615,5</b>	<b>388,9</b>	<b>2 087,7</b>	<b>1 935,0</b>

#### Attributable to:

Shareholders		530,3	615,1	389,5	2 086,1	1 938,3
Non-controlling interests		0,1	0,4	(0,6)	1,6	(3,3)
<b>Profit for the period</b>		<b>530,4</b>	<b>615,5</b>	<b>388,9</b>	<b>2 087,7</b>	<b>1 935,0</b>

#### EPS :

Basic earnings per share	8,0	9,3	5,9	31,5	29,3
Diluted earnings per share	8,0	9,3	5,9	31,5	29,3

#### 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 2011	3rd Q 2011	4th Q 2010	Year 2011	Year 2010
Profit for the period	530,4	615,5	388,9	2 087,7	1 935,0
Exchange differences on translation of foreign operations	215,6	571,0	11,2	286,4	(12,7)
<b>Total comprehensive income for the period</b>	<b>746,0</b>	<b>1 186,5</b>	<b>400,1</b>	<b>2 374,1</b>	<b>1 922,3</b>

#### Attributable to:

Shareholders	745,9	1 185,7	400,8	2 372,5	1 925,6
Non-controlling interests	0,1	0,8	(0,7)	1,6	(3,3)
<b>Total comprehensive income for the period</b>	<b>746,0</b>	<b>1 186,5</b>	<b>400,1</b>	<b>2 374,1</b>	<b>1 922,3</b>



# Fred. Olsen Energy ASA

## Condensed Financial Statements in accordance with IFRS

### STATEMENT OF FINANCIAL POSITION

Unaudited

(NOK mill)

		31 Dec 11	30 Sept 11	31 Dec 10
Intangible assets		98,6	98,6	98,6
Property, plant & equipment	6	10 449,2	10 314,9	10 113,6
Other non-current assets		61,4	38,8	39,8
<b>Total non-current assets</b>		<b>10 609,2</b>	<b>10 452,3</b>	<b>10 252,0</b>
Inventories		466,4	454,4	400,7
Trade and other receivables		1 199,8	1 123,7	945,2
Other current assets		405,4	468,0	425,6
Cash and cash equivalents		2 183,6	1 451,4	1 498,2
<b>Total current assets</b>		<b>4 255,2</b>	<b>3 497,5</b>	<b>3 269,7</b>
<b>Total assets</b>		<b>14 864,4</b>	<b>13 949,8</b>	<b>13 521,7</b>
Share capital		1 333,9	1 333,9	1 333,9
Other equity		6 647,3	5 901,4	5 600,1
Non-controlling interests		6,9	6,8	5,3
<b>Total Equity</b>	9	<b>7 988,1</b>	<b>7 242,1</b>	<b>6 939,3</b>
Non-current interest-bearing loans and borrowings	5	4 430,4	4 349,8	4 250,6
Other non-current liabilities		371,8	373,3	366,7
<b>Total non-current liabilities</b>		<b>4 802,2</b>	<b>4 723,1</b>	<b>4 617,3</b>
Current interest-bearing loans and borrowings	5	1 318,8	1 285,2	1 288,4
Other current liabilities		755,3	699,4	676,7
<b>Total current liabilities</b>		<b>2 074,1</b>	<b>1 984,6</b>	<b>1 965,1</b>
<b>Total equity and liabilities</b>		<b>14 864,4</b>	<b>13 949,8</b>	<b>13 521,7</b>

### 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
<b>Year 2010</b>								
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)
<b>Balance at 31 Dec 2010</b>	<b>1 333,9</b>	<b>548,1</b>	<b>(636,5)</b>	<b>(8,6)</b>	<b>5 697,1</b>	<b>6 934,0</b>	<b>5,3</b>	<b>6 939,3</b>
<b>Year 2011</b>								
Total comprehensive income	-	-	286,4	-	2 086,1	2 372,5	1,6	2 374,1
Dividend	-	-	-	-	(1 325,3)	(1 325,3)	-	(1 325,3)
<b>Balance at 31 Dec 2011</b>	<b>1 333,9</b>	<b>548,1</b>	<b>(350,1)</b>	<b>(8,6)</b>	<b>6 457,9</b>	<b>7 981,2</b>	<b>6,9</b>	<b>7 988,1</b>



# Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

## CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (NOK mill)	Note	Year 2011	Year 2010
<b>Cash flows from operating activities</b>			
Profit before income tax		2 107,2	2 008,6
<i>Adjustment for:</i>			
Depreciation and amortisation		1 276,0	1 221,5
Interest expense	6	103,0	81,8
Gain/(loss) on sales of fixed assets		-	(2,4)
Changes in working capital		(183,2)	(24,0)
Unrealised loss/(gain) financial instruments		(9,6)	41,5
<b>Cash generated from operations</b>		<b>3 293,4</b>	<b>3 327,0</b>
Interest paid		(114,7)	(82,7)
Taxes paid		(74,9)	(60,0)
<b>Net cash from operating activities</b>		<b>3 103,8</b>	<b>3 184,3</b>
<b>Cash flows from investing activities</b>			
Net investment in fixed assets		(1 300,6)	(1 692,4)
Proceeds from sale of equipment		1,2	5,3
<b>Net cash used to investing activities</b>		<b>(1 299,4)</b>	<b>(1 687,1)</b>
<b>Cash flows from financing activities</b>			
Borrowing of interest bearing debt	5	1 400,0	-
Repayments of interest bearing debt	5	(1 249,1)	(1 296,0)
Dividend paid		(1 325,3)	(662,6)
<b>Net cash from financing activities</b>		<b>(1 174,4)</b>	<b>(1 958,6)</b>
Foreign currency		55,4	(54,5)
Net change in cash and cash equivalents		630,0	(461,4)
Cash and cash equivalents at the beg. of period		1 498,2	2 014,1
<b>Cash and cash equiv. at the end of period</b>		<b>2 183,6</b>	<b>1 498,2</b>



# Fred. Olsen Energy ASA

## Condensed Financial Statements in accordance with IFRS

### Notes

#### 1. Segment information

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
<b>4th Q 2011</b>				
Revenues from external customers	1 638,0	43,7	-	1 681,7
Inter-segment revenues	-	-	-	-
<b>Total revenues</b>	<b>1 638,0</b>	<b>43,7</b>	<b>-</b>	<b>1 681,7</b>
Operating costs	(751,5)	(41,4)	-	(792,9)
<b>Oper. profit before depr. (EBITDA)</b>	<b>886,5</b>	<b>2,3</b>	<b>-</b>	<b>888,8</b>
Depreciation and amortisation	(330,0)	(1,6)	-	(331,6)
Impairment	(15,3)	-	-	(15,3)
<b>Operating profit (EBIT)</b>	<b>541,2</b>	<b>0,7</b>	<b>-</b>	<b>541,9</b>
<b>3rd Q 2011</b>				
Revenues from external customers	1 615,6	66,0	-	1 681,6
Inter-segment revenues	-	-	-	-
<b>Total revenues</b>	<b>1 615,6</b>	<b>66,0</b>	<b>-</b>	<b>1 681,6</b>
Operating costs	(661,4)	(60,6)	-	(722,0)
<b>Oper. profit before depr. (EBITDA)</b>	<b>954,2</b>	<b>5,4</b>	<b>-</b>	<b>959,6</b>
Depreciation and amortisation	(316,2)	(1,3)	-	(317,5)
<b>Operating profit (EBIT)</b>	<b>638,0</b>	<b>4,1</b>	<b>-</b>	<b>642,1</b>
<b>4th Q 2010</b>				
Revenues from external customers	1 511,9	19,0	-	1 530,9
Inter-segment revenues	-	-	-	-
<b>Total revenues</b>	<b>1 511,9</b>	<b>19,0</b>	<b>-</b>	<b>1 530,9</b>
Operating costs	(760,9)	(26,3)	-	(787,2)
<b>Oper. profit before depr. (EBITDA)</b>	<b>751,0</b>	<b>(7,3)</b>	<b>-</b>	<b>743,7</b>
Depreciation and amortisation	(329,0)	(1,6)	-	(330,6)
<b>Operating profit (EBIT)</b>	<b>422,0</b>	<b>(8,9)</b>	<b>-</b>	<b>413,1</b>
<b>Year 2011</b>				
Revenues from external customers	6 250,4	220,5	-	6 470,9
Inter-segment revenues	-	-	-	-
<b>Total revenues</b>	<b>6 250,4</b>	<b>220,5</b>	<b>-</b>	<b>6 470,9</b>
Operating costs	(2 732,9)	(197,3)	-	(2 930,2)
<b>Oper. profit before depr. (EBITDA)</b>	<b>3 517,5</b>	<b>23,2</b>	<b>-</b>	<b>3 540,7</b>
Depreciation and amortisation	(1 254,2)	(6,5)	-	(1 260,7)
Impairment	(15,3)	-	-	(15,3)
<b>Operating profit (EBIT)</b>	<b>2 248,0</b>	<b>16,7</b>	<b>-</b>	<b>2 264,7</b>
<b>Year 2010</b>				
Revenues from external customers	5 959,9	58,7	-	6 018,6
Inter-segment revenues	-	-	-	-
<b>Total revenues</b>	<b>5 959,9</b>	<b>58,7</b>	<b>-</b>	<b>6 018,6</b>
Operating costs	(2 521,0)	(97,0)	-	(2 618,0)
<b>Oper. profit before depr. (EBITDA)</b>	<b>3 438,9</b>	<b>(38,3)</b>	<b>-</b>	<b>3 400,6</b>
Depreciation and amortisation	(1 214,9)	(6,6)	-	(1 221,5)
<b>Operating profit (EBIT)</b>	<b>2 224,0</b>	<b>(44,9)</b>	<b>-</b>	<b>2 179,1</b>

\* 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
<b>31 Dec 11</b>				
Segment assets	14 631,6	284,8	(52,0)	14 864,4
Segment liabilities	6 678,4	249,9	(52,0)	6 876,3
<b>31 Dec 10</b>				
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 4<sup>th</sup> Quarter 2011 ended 31 December 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](http://www.fredolsen-energy.com).

These consolidated interim financial statements were approved by the Board of Directors on 15 February 2012.

## 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.

## 5. Interest-bearing loans and borrowings

The Group has repaid USD 220 million of the fleet loan as per 31 December 2011. The Group completed a NOK 1 400 million 5 year senior unsecured bond issue in May 2011. A one year standby credit facility of USD 100 million was established in Q3 2011.



# 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
<b>Cost</b>				
Balance at 1 January 2011	14 093,5	501,9	105,0	14 700,4
Acquisitions	1 440,4	21,4	2,8	1 464,6
Reclassifications	5,0	(5,0)		0,0
Disposals	(21,4)	(99,5)	(1,0)	(121,9)
Movements in foreign currency	328,0	9,9	1,7	339,6
<b>Balance at 31 Dec 2011</b>	<b>15 845,5</b>	<b>428,7</b>	<b>108,5</b>	<b>16 382,7</b>
<b>Depreciation</b>				
Balance at 1 January 2011	4 111,9	413,8	61,1	4 586,8
Reclassifications	4,6	(4,6)		0,0
Depreciation	1 233,4	41,4	1,2	1 276,0
Disposals	(20,0)	(98,9)	(0,9)	(119,8)
Movements in foreign currency	179,8	9,7	1,0	190,5
<b>Balance at 31 Dec 2011</b>	<b>5 509,7</b>	<b>361,4</b>	<b>62,4</b>	<b>5 933,5</b>
<b>Carrying amounts</b>				
At 1 January 2011	9 981,6	88,1	43,9	10 113,6
At 31 Dec 2011	10 335,8	67,3	46,1	10 449,2

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 31 December 2011 include NOK 10 million of unrealised gain related to changes in fair value of interest rate contracts. Interest cost of NOK 22 million is capitalized to the new drillship under construction.

### 9. Dividend

The Annual General Meeting in May 2011 approved the Board's proposal of an ordinary dividend payment of NOK 10 and an extraordinary dividend payment of NOK 10 per share for the year 2010. The payment was made in July 2011 and amounted to NOK 1 325.3 million.