



Fred. Olsen Energy ASA

Report for the 4th quarter 2013 and preliminary results for 2013

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 704 MILLION FOR THE 4TH QUARTER 2013 AND EBITDA OF 3,358 MILLION FOR THE YEAR 2013

HIGHLIGHTS FOR THE QUARTER

- Revenues were 1,804 million
- EBITDA were 704 million
- Operating profit (EBIT) was 340 million
- Profit before tax was 299 million
- Earnings per share were 4.0
- 572 days drilling contract for Blackford Dolphin in the UK

Post quarter events:

- 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 (*3rd quarter 2013 in brackets*)

Operating revenues in the quarter were 1,804 million (1,839 million). Revenues within the offshore drilling division decreased by 86 million, mainly due to Blackford Dolphin being in transit from Brazil to UK and at yardstay in the 4th quarter, partly offset by Byford Dolphin which had approximately seven weeks downtime in 3rd quarter. Revenues within the engineering and fabrication division were 152 million, of which 51 million were related to intra-group activities (Blackford Dolphin class renewal survey).

Operating revenues for the year 2013 were 7,021 million.

Operating costs were 1,100 million (911 million), an increase of 189 million compared with previous quarter. Operating costs within the offshore drilling division increased by 112 million. The cost increase is mainly due to increased start-up cost for Bolette Dolphin, mobilization of Blackford Dolphin and higher repair and maintenance level for the fleet in the quarter. Operating costs within the engineering and fabrication division, including eliminations and a provision of 40 million related to losses on the Kværner contract, increased by 126 million.

Operating costs for the year were 3,663 million.

Operating profit before depreciation (EBITDA) was 704 million (928 million). EBITDA for the year were 3,358 million.

Depreciation, amortisation amounted to 364 million (361 million). For the year 2013 it amounted to 1,424 million.

Operating profit after depreciation (EBIT) was 340 million (567 million). Operating profit (EBIT) for the year was 1,935 million.

Net financial expenses were 41 million (68 million). Capitalized interest expenses related to the newbuilds in the quarter amounted to 29 million (27 million). Net financial expenses for the year were 94 million and capitalized interest expenses related to the newbuilds were 106 million.

Profit before tax was 299 million (499 million). Profit before tax for the year was 1,841 million.

Net profit, including an estimated tax of 39 million (19 million), was 260 million (480 million). Net profit after tax for the year was 1,735 million.

Basic earnings per share were 4.0 (7.3). For the year 2013 basic earnings per share were 26.2.

Dividend

The Board has resolved to propose to the Annual General Meeting in May 2014 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, five mid-water semi-submersible drilling rigs, one tender support vessel and one accommodation unit. Three of the semi-submersible drilling rigs are operating on the Norwegian Continental Shelf. The Group has one ultra-deepwater drillship under construction, with expected delivery in second half of February 2014. In addition the Group has one ultra-deepwater harsh environment semi-submersible under construction, which has been rescheduled for delivery in 3Q 2015.

Norway

Bideford Dolphin continued operations under a three-year drilling contract for Statoil ASA. The contract has expired and a new three-year extension of the drilling contract with Statoil ASA was commenced in January. The operator has an option for a two year contract extension. The rig is scheduled to go to Coast Center Base (CCB) at Ågotnes in second quarter, to undertake the Class Renewal Survey. The Class Renewal Survey (CRS) is estimated to cost USD 100 million and take 65 days including mobilization.

Borgland Dolphin continued operations under the four-year drilling contract with a consortium of oil companies, managed by Rig Management Norway AS. The contract will expire in April 2014. A new 18 well drilling contract, estimated to 3.5 years, was entered into with a Rig Management Norway consortium of four oil companies. The unit will undertake its five-year CRS fourth quarter 2014.

Bredford Dolphin continued under a 27 months drilling program for an AGR coordinated group of four oil companies at the Norwegian Continental Shelf. The operators have an option for minimum five additional wells. The unit will undertake its five-year CRS in 2017. In January 2014 the rig had a breach in one of the riser joints under operations. Mostly because of bad weather the incident caused 25 days of off-hire for the unit.

International

Belford Dolphin continued operations under the four-year drilling contract with Anadarko Petroleum Corporation. The contract will expire end 2015. The unit is currently operating offshore Mozambique. The unit will undertake its five-year CRS 1Q 2015.

Blackford Dolphin is currently at Harland & Wolff in Belfast, Northern Ireland, for its five-year CRS and upgrades. The CRS is now estimated to be completed in April. The delay is caused by additional work related to Safety case for UK and Ireland and structural upgrades. The cost for the CRS and upgrades is revised to USD 125 million. Upon completion of the CRS the unit will drill one well for MPX North Sea Ltd in the UK sector and one well offshore Ireland for Capricorn Ireland Ltd (a wholly owned subsidiary of Cairn Energy PLC). In July 2013 a new nine-month contract was entered into with Nexen for operations in UK. In December 2013 a new 572 days contract was entered into with Chevron for UK operations. Chevron has an option to extend the contract for a further period of between 300 and 700 days.

Borgny Dolphin continued operations under a five-year drilling contract with Petrobras. In January 2013 the contract with Petrobras was extended with approximately one year and is now estimated to expire in September 2014. The unit is schedule to undertake its five-year CRS in second half 2014.

Figures in NOK

Byford Dolphin continued under a three year contract with BP Exploration Operating Co. Ltd. The contract is estimated to expire 2Q 2016. The unit will undertake its five-year CRS in 1Q 2015. Option exists for a three-year contract extension.

Borgsten Dolphin continued under a 40 months contract as Tender Support Vessel (TSV) at the Dunbar platform with Total E&P UK Ltd. Options exist for a contract extension of two six month periods. The unit completed its five-year CRS and upgrades to a TSV in February 2013.

Borgholm Dolphin continued operations under a one year accommodation contract with Shell U.K. Limited. In December 2012 a new 9 months accommodation contract was entered into with BG with estimated commencement in August 2014. The unit completed its five-year CRS in March 2013. Borgholm is scheduled to undertake repairs quayside at CCB in second half February. Total duration is estimated to three weeks, the number of zero rate days will be added to the end of the contract.

The ultra-deepwater drillship newbuild, Bolette Dolphin, is currently under construction at Hyundai Heavy Industries in Korea. Upon delivery, estimated to second half of February 2014, the unit will commence a four-year drilling contract with Anadarko Petroleum Corporation. Estimated start-up of the contract is 2Q 2014.

The harsh environment ultra-deepwater semi-submersible drilling rig Bollsta Dolphin, currently under construction at Hyundai Heavy Industries in Korea, is rescheduled to be delivered in 3Q 2015 and commence a five-year drilling contract with Chevron North Sea Limited.

Engineering and Fabrication

The Harland & Wolff shipyard continued its core activities within engineering, ship repair and shipbuilding. In the quarter H&W continued the Kværner Verdalen AS contracts for fabrication of pile sleeve clusters and floatation tanks for Lundin's Edvard Grieg jacket and Total's Martin Linge jacket. Blackford Dolphin arrived at Harland & Wolff December 2013 to undertake the five year CRS.

Oslo, 10th February 2014

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	4Q 2013	3Q 2013	4Q 2012 *	Year 2013	Year 2012 *
Operating revenues		1 745,8	1 759,3	1 568,6	6 752,8	6 637,4
Recharged income		57,8	79,8	59,2	268,7	239,4
Total revenues		1 803,6	1 839,1	1 627,8	7 021,5	6 876,8
Operating costs		(1 044,1)	(836,1)	(816,7)	(3 406,9)	(3 115,2)
Recharged expenses		(55,4)	(74,6)	(55,6)	(256,3)	(228,1)
Total operating expenses		(1 099,5)	(910,7)	(872,3)	(3 663,2)	(3 343,3)
Oper. profit before depr. (EBITDA)		704,1	928,4	755,5	3 358,3	3 533,5
Depreciation and amortisation	6	(363,9)	(361,1)	(355,9)	(1 423,8)	(1 350,7)
Operating profit (EBIT)		340,2	567,3	399,6	1 934,5	2 182,8
Net financial (expense)/income	8	(40,8)	(68,0)	(81,6)	(93,6)	(276,1)
Profit before income taxes		299,4	499,3	318,0	1 840,9	1 906,7
Income tax expense		(39,0)	(19,3)	(26,4)	(105,8)	(82,8)
Profit for the period		260,4	480,0	291,6	1 735,1	1 823,9
Attributable to:						
Shareholders		263,9	481,1	292,5	1 739,4	1 821,9
Non-controlling interests		(3,5)	(1,1)	(0,9)	(4,3)	2,0
Profit for the period		260,4	480,0	291,6	1 735,1	1 823,9
<i>EPS :</i>						
Basic earnings per share		4,0	7,3	4,4	26,2	27,5
Diluted earnings per share		4,0	7,3	4,4	26,2	27,5
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

	4Q 2013	3Q 2013	4Q 2012 *	Year 2013	Year 2012 *
Profit for the period	260,4	480,0	291,6	1 735,1	1 823,9
Actuarial gains/(losses) on defined benefit pension plans	(3,7)	-	(32,9)	(3,7)	(32,9)
Income tax relating to components of other comprehensive income	(6,8)	-	6,5	(6,8)	6,5
Exchange differences on translation of foreign operations	123,0	(3,1)	(199,9)	737,0	(583,1)
Total comprehensive income for the period	372,9	476,9	65,3	2 461,6	1 214,4
Attributable to:					
Shareholders	376,9	478,1	66,4	2 466,5	1 212,9
Non-controlling interests	(4,0)	(1,2)	(1,1)	(4,9)	1,5
Total comprehensive income for the period	372,9	476,9	65,3	2 461,6	1 214,4

* Restated. Certain employee benefits do not correspond to the interim condensed consolidated financial statements for 2012, see note 3 and 9 for details.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

STATEMENT OF FINANCIAL POSITION

Unaudited

(NOK mill)

		31 Dec 13	30 Sept 13	31 Dec 12
				* restated
Intangible assets		98,6	98,6	98,6
Property, plant & equipment	6	15 064,7	14 124,8	12 684,5
Other non-current assets		164,2	163,3	158,4
Total non-current assets		15 327,5	14 386,7	12 941,5
Inventories		626,3	575,3	431,0
Trade and other receivables		1 154,2	1 141,9	964,5
Other current assets		192,7	223,3	188,8
Cash and cash equivalents		1 351,1	1 231,1	1 386,8
Total current assets		3 324,3	3 171,6	2 971,1
Total assets		18 651,8	17 558,3	15 912,6
Share capital		1 333,9	1 333,9	1 333,9
Other equity	9	7 407,9	7 035,0	6 271,6
Non-controlling interests		-	-	-
Total Equity		8 741,8	8 368,9	7 605,5
Non-current interest-bearing loans and borrowings	5	4 028,4	4 292,9	4 196,9
Other non-current liabilities		758,4	696,6	691,1
Total non-current liabilities		4 786,8	4 989,5	4 888,0
Current interest-bearing loans and borrowings	5	798,2	788,3	730,3
Other current liabilities	6	4 325,0	3 411,6	2 688,8
Total current liabilities		5 123,2	4 199,9	3 419,1
Total equity and liabilities		18 651,8	17 558,3	15 912,6

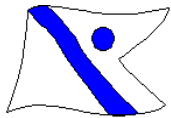
GROUP STATEMENT OF CHANGES IN EQUITY

Unaudited

(NOK mill)

	Share capital	Share premium	Translation reserves	Reserve for own shares	Retained earnings	Total	Non-contr. interests	Total equity
Year 2012								
Balance at 1 January 2012	1 333,9	548,1	(350,3)	(8,6)	6 193,3	7 716,4	-	7 716,4
Total comprehensive income	-	-	(583,1)	-	1 797,5	1 214,4	-	1 214,4
Dividend	-	-	-	-	(1 325,3)	(1 325,3)	-	(1 325,3)
Balance at 31 Dec 2012	1 333,9	548,1	(933,4)	(8,6)	6 665,5	7 605,5	-	7 605,5
Year 2013								
Total comprehensive income	-	-	737,0	-	1 724,6	2 461,6	-	2 461,6
Dividend	9	-	-	-	(1 325,3)	(1 325,3)	-	(1 325,3)
Balance at 31 Dec 2013	1 333,9	548,1	(196,4)	(8,6)	7 064,8	8 741,8	-	8 741,8

* Opening balance 1 January 2012 and comprehensive income are restated concerning certain employee benefits, see note 3 and 9 for details.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (NOK mill)	Note	Year 2013	Year 2012
Cash flows from operating activities			
Profit before income tax		1 840,9	1 906,7
<i>Adjustment for:</i>			
Depreciation and amortisation		1 423,8	1 350,7
Interest expense	8	114,4	135,4
(Gain)/loss on sales of fixed assets		(3,7)	4,9
Changes in working capital		(49,5)	524,1
Unrealised loss/(gain) financial instruments		(64,4)	(46,2)
Cash generated from operations		3 261,5	3 875,6
Interest paid		(225,8)	(203,4)
Taxes paid		(89,1)	(91,2)
Net cash from operating activities		2 946,6	3 581,0
Cash flows from investing activities			
Net investment in fixed assets		(1 251,6)	(2 551,0)
Proceeds from sale of equipment		6,5	5,8
Net cash used to investing activities		(1 245,1)	(2 545,2)
Cash flows from financing activities			
Borrowing of interest bearing debt	5	660,5	4 487,5
Repayments of interest bearing debt	5	(1 143,3)	(4 855,3)
Dividend paid	9	(1 325,3)	(1 325,3)
Net cash from financing activities		(1 808,1)	(1 693,1)
Foreign currency		70,9	(139,5)
Net change in cash and cash equivalents		(106,6)	(657,3)
Cash and cash equivalents at the beg. of period		1 386,8	2 183,6
Cash and cash equiv. at the end of period		1 351,1	1 386,8



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Notes

1. Segment information

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
4Q 2013				
Revenues from external customers	1 702,6	101,0	-	1 803,6
Inter-segment revenues	-	51,3	(51,3)	-
Total revenues	1 702,6	152,3	(51,3)	1 803,6
Operating costs	(960,2)	(190,6)	51,3	(1 099,5)
Oper. profit before depr. (EBITDA)	742,4	(38,3)	-	704,1
Depreciation and amortisation	(361,3)	(2,6)	-	(363,9)
Operating profit (EBIT)	381,1	(40,9)	-	340,2
3Q 2013				
Revenues from external customers	1 788,5	50,6	-	1 839,1
Inter-segment revenues	-	2,1	(2,1)	-
Total revenues	1 788,5	52,7	(2,1)	1 839,1
Operating costs	(847,8)	(65,0)	2,1	(910,7)
Oper. profit before depr. (EBITDA)	940,7	(12,3)	-	928,4
Depreciation and amortisation	(358,6)	(2,5)	-	(361,1)
Operating profit (EBIT)	582,1	(14,8)	-	567,3
4Q 2012				
Revenues from external customers	1 591,0	36,8	-	1 627,8
Inter-segment revenues	-	-	-	-
Total revenues	1 591,0	36,8	-	1 627,8
Operating costs	(828,8)	(43,5)	-	(872,3)
Oper. profit before depr. (EBITDA)	762,2	(6,7)	-	755,5
Depreciation and amortisation	(354,1)	(1,8)	-	(355,9)
Operating profit (EBIT)	408,1	(8,5)	-	399,6
Year 2013				
Revenues from external customers	6 773,7	247,8	-	7 021,5
Inter-segment revenues	-	53,4	(53,4)	-
Total revenues	6 773,7	301,2	(53,4)	7 021,5
Operating costs	(3 372,1)	(344,5)	53,4	(3 663,2)
Oper. profit before depr. (EBITDA)	3 401,6	(43,3)	-	3 358,3
Depreciation and amortisation	(1 413,9)	(9,9)	-	(1 423,8)
Operating profit (EBIT)	1 987,7	(53,2)	-	1 934,5
Year 2012				
Revenues from external customers	6 485,1	391,7	-	6 876,8
Inter-segment revenues	-	-	-	-
Total revenues	6 485,1	391,7	-	6 876,8
Operating costs	(2 982,0)	(361,3)	-	(3 343,3)
Oper. profit before depr. (EBITDA)	3 503,1	30,4	-	3 533,5
Depreciation and amortisation	(1 343,0)	(7,7)	-	(1 350,7)
Operating profit (EBIT)	2 160,1	22,7	-	2 182,8

* 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
31 Dec 13				
Segment assets	18 295,5	377,9	(21,6)	18 651,8
Segment liabilities	9 534,8	396,8	(21,6)	9 910,0
31 Dec 12				
Segment assets	15 625,1	341,8	(54,3)	15 912,6
Segment liabilities	7 955,7	351,4	-	8 307,1

* Includes Fred. Olsen Energy ASA

2. Introduction

The consolidated interim financial statements for 4th Quarter 2013 ended 31 December 2013, 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 2012.

The consolidated financial statements of the Group for the year ended 31 December 2012 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 10th February 2014.

3. Significant accounting policies

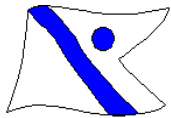
The main accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2012 except IAS 19 Employee Benefits (IAS 19R). The Group applied IAS 19 (Revised 2011) for the first time as of 1 January 2013.

IAS 19R changed the measurement principles of expected return on plan assets and removed the accounting policy choice for recognition of actuarial gains and losses using the corridor method. Actuarial gains and losses are recognized in other comprehensive income correspondingly affecting the net benefit liability or asset in the statement of financial position. The effect of the adoption of IAS 19R is explained in Note 10.

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 2012.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

5. Interest-bearing loans and borrowings

The Group has repaid USD 191.2 million of the credit facility as per 31 December 2013. The Group has borrowed USD 115 million in June 2013. Per 31 December 2013 USD 270 million is undrawn and available under the credit facility for general corporate purposes.

6. Property, plant and equipment

(NOK mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2013	18 840,4	466,5	111,9	19 418,8
Acquisitions	2 571,9	103,6	8,0	2 683,5
Disposals	(108,6)	(6,0)	(0,9)	(115,5)
Movements in foreign currency	1 750,9	38,8	8,4	1 798,1
Balance at 31 Dec 2013	23 054,6	602,9	127,4	23 784,9
Depreciation				
Balance at 1 January 2013	6 301,5	371,2	61,6	6 734,3
Depreciation	1 390,8	31,4	1,4	1 423,6
Disposals	(106,5)	(4,1)	(0,9)	(111,5)
Movements in foreign currency	633,9	35,1	4,8	673,8
Balance at 31 Dec 2013	8 219,7	433,6	66,9	8 720,2
Carrying amounts				
At 1 January 2013	12 538,9	95,3	50,3	12 684,5
At 31 December 2013	14 834,9	169,3	60,5	15 064,7

Bolette Dolphin and Bollsta Dolphin, under construction, are included as acquisition above with \$256 million based on percent of completion. The total accrued cost related to Bolette Dolphin and Bollsta Dolphin per 31 December 2013 is \$514 million recorded under other current liabilities.

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 51.9% 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 2012.

8. Financial expenses

Net financial income per 31 December 2013 include NOK 62 million of unrealised gain related to changes in fair value of interest rate contracts and NOK 3 million of unrealised gain on currency contracts. Interest cost of NOK 106 million is capitalized to Bolette Dolphin and Bollsta Dolphin under construction.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

9. Dividend

The Annual General Meeting in May 2013 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 2012. The payment was made in June 2013 and amounted to NOK 1 325.3 million.

10. Employee benefits

IAS 19R has been applied retrospectively from 1 January 2012. The impact for the Group is summarized below:

(NOK mill)

Changes in Statement of Financial Position:

	31.12.2012
Pension assets	0,6
Employee benefit liability	-391,4
Deferred tax assets	100,1
Net decrease in retained earnings	-290,7
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Translation reserves	3,5
Retained earnings	-285,6
Non-controlling interests	-8,6
Net decrease in retained earnings	-290,7

Changes in Group Income Statement and Comprehensive income:

	Year 2012	4Q 2012
Decrease in pension cost	5,3	5,3
Tax	-1,5	-1,5
Profit for the period	3,8	3,8
Actuarial losses on defined benefit pension plans	-32,9	-32,9
Income tax related to components of other comprehensive income	6,5	6,5
Exchange differenses on translation of foreign operations	3,6	3,1
Total comprehensive income for the period	-19,0	-19,5