

Fred. Olsen Energy ASA

Report for the 3rd quarter 2014

Figures in USD

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF USD 151 MILLION IN 3Q 2014

HIGHLIGHTS

- **Revenues were 335 million**
- **EBITDA was 151 million**
- **Operating profit (EBIT) was 15 million**
- **Profit before tax was 4 million**
- **Earnings per share were negative 0.12**

- **Impairment of Borgny Dolphin of 43 million**

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Figures in USD

FINANCIAL INFORMATION (2nd quarter 2014 in brackets)

Operating revenues in the quarter were 335.4 million (273.3 million), an increase of 62.1 million compared with the previous quarter. Revenues from the offshore drilling division were 331.0 million (265.5 million), an increase of 65.5 million. The increase in revenues within the offshore drilling division is mainly due to Blackford Dolphin and Bideford Dolphin resuming operations after yard-stay and a full operational quarter for Bolette Dolphin, partly offset by 20 days downtime for Blackford Dolphin in the quarter mainly due to repair of subsea equipment. Revenues within the engineering and fabrication division were 13.6 million (23.7 million), of which 9.2 million (15.9 million) were related to intra-group activities.

Operating costs were 184.9 million (166.7 million), an increase of 18.2 million compared with previous quarter. Operating costs within the offshore drilling division increased by 21.0 million, mainly due to rigs completing yard-stay and going back into operations. Operating costs within the engineering and fabrication division decreased with 9.1 million due to reduced activity, including intra-group eliminations of 6.3 million.

Operating profit before depreciation (EBITDA) was 150.5 million (106.6 million). EBITDA within the offshore drilling division increased by 44.5 million to 152.9 million (108.4 million), and EBITDA within engineering and fabrication division was negative 2.4 million (negative 1.8 million) including elimination of internal profit.

Depreciation and impairment amounted to 135.1 million (87.8 million), including a non-cash impairment charge of Borgny Dolphin of 42.7 million. The impairment is a result of the rig being idle and cold stacked at Harland & Wolff in Belfast.

Operating profit (EBIT) was 15.4 million (18.8 million).

Net financial expenses were 11.8 million (2.5 million). Capitalized interest expenses related to the newbuild in the quarter amounted to 1.7 million (2.0 million).

Profit before tax was 3.6 million (16.3 million).

Net profit, including an estimated tax charge of 11.4 million (9.3 million), was negative 7.8 million (7.0 million).

Earnings per share were negative 0.12 (0.10).

OPERATIONS

Drilling Division

The offshore fleet of Fred. Olsen Energy ASA with subsidiaries (the Group) consists of three ultra-deepwater/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 harsh environment semi-submersible under construction, with expected delivery in 3Q 2015.

Norway

Bideford Dolphin completed its Class Renewal Survey (CRS) in the quarter and continued operations under a three-year drilling contract for Statoil ASA. The contract expires in January 2017. The operator has an option for a two year contract extension.

Borgland Dolphin continued under an 18 well drilling contract in the quarter, estimated to expire year end 2017, with a Rig Management Norway AS managed consortium of four oil companies. The unit commenced its five-year CRS in October. The yard-stay is estimated to take 90 days with a cost frame USD 160 million, including a life extension program of 50 million. The life extension program will include steel replacements and upgrades of the sub structure. Furthermore, a new BOP will be installed as previously announced.

Bredford Dolphin continued operations under a drilling program for an AGR coordinated group of four oil companies at the Norwegian Continental Shelf, estimated to be completed 3rd quarter 2015. The unit completed its five-year CRS in 2012.

International

Belford Dolphin continued operations under the four-year drilling contract with Anadarko Petroleum Corporation. The contract expires 1st quarter 2016. The unit is currently operating offshore Mozambique. The unit will undertake its five-year CRS 1Q 2015.

Blackford Dolphin continued the one-well contract with MPX through the quarter. The MPX contract will be followed by a contract with Nexen for operations in UK, estimated to be completed June 2015. The Nexen contract will be followed by a 572 days contract with Chevron for operations in UK. Chevron has an option to extend the contract for a further period of between 300 and 700 days. The unit completed its five-year CRS in 2014.

Borgny Dolphin is in lay-up and cold stacked at the Harland & Wolff shipyard in Belfast. Due to this an impairment of 43 million has been booked in the quarter.

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

Borgsten Dolphin continued under a 40 months contract as Tender Support Vessel (TSV) at the Dunbar platform with Total E&P UK Ltd, with options for contract

Figures in USD

extension of two six month periods. The unit completed its five-year CRS and upgrades to a TSV in February 2013.

Borgholm Dolphin completed a planned yard-stay and commenced the accommodation contract with BG Group, estimated to be completed in May 2015. The unit completed its five-year CRS in March 2013.

The ultra-deepwater drillship Bolette Dolphin commenced its four-year drilling contract with Anadarko Petroleum Corporation in May. The unit is currently drilling offshore Ivory Coast.

The harsh environment ultra-deepwater semi-submersible drilling rig Bollsta Dolphin, currently under construction at Hyundai Heavy Industries in Korea, is scheduled 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. H&W completed the E.ON contract for fabrication of a substation foundation jacket in the quarter. In September the drilling rig Borgny Dolphin arrived at H&W and is currently in lay-up. A supervision agreement has been entered into for the rig.

Oslo, 27th October 2014
The Board of Directors
Fred. Olsen Energy ASA



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

GROUP INCOME STATEMENT

Unaudited

(USD mill)	Note	3Q 2014	2Q 2014	3Q 2013	Jan-Sep 2014	Jan-Sep 2013	Year 2013
Operating revenues		310,0	256,8	293,8	826,0	860,3	1 148,6
Recharged income		25,4	16,5	13,3	60,5	36,1	45,8
Total revenues		335,4	273,3	307,1	886,5	896,4	1 194,4
Operating costs		(159,6)	(150,5)	(139,5)	(467,8)	(405,8)	(578,1)
Recharged expenses		(25,3)	(16,2)	(12,5)	(59,6)	(34,6)	(43,7)
Total operating expenses		(184,9)	(166,7)	(152,0)	(527,4)	(440,4)	(621,8)
Oper. profit before depr. (EBITDA)		150,5	106,6	155,1	359,1	456,0	572,6
Depreciation and amortisation	6	(92,4)	(87,8)	(60,3)	(242,8)	(182,2)	(242,3)
Impairment		(42,7)	-	-	(42,7)	-	-
Operating profit (EBIT)		15,4	18,8	94,8	73,6	273,8	330,3
Net financial (expense)/income	8	(11,8)	(2,5)	(6,9)	(29,2)	(7,7)	(12,2)
Profit before income taxes		3,6	16,3	87,9	44,4	266,1	318,1
Income tax expense		(11,4)	(9,3)	(3,2)	(21,7)	(11,5)	(18,0)
Profit for the period		(7,8)	7,0	84,7	22,7	254,6	300,1
Attributable to:							
Shareholders		(8,1)	6,7	84,7	21,8	254,8	300,8
Non-controlling interests		0,3	0,3	-	0,9	(0,2)	(0,7)
Profit for the period		(7,8)	7,0	84,7	22,7	254,6	300,1

EPS :

Basic earnings per share	-0,12	0,10	1,28	0,33	3,85	4,54
Diluted earnings per share	-0,12	0,10	1,28	0,33	3,85	4,54

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

	3Q 2014	2Q 2014	3Q 2013	Jan-Sep 2014	Jan-Sep 2013	Year 2013
Profit for the period	(7,8)	7,0	84,7	22,7	254,6	300,1
Actuarial gains/(losses) on defined benefit pension plans	-	-	-	-	-	(0,6)
Income tax relating to components of other comprehensive income	-	-	-	-	-	(1,1)
Exchange differences on translation of foreign operations	(0,5)	(1,9)	(1,1)	(2,6)	(1,0)	(0,8)
Total comprehensive income for the period	(8,3)	5,1	83,6	20,1	253,6	297,6
Attributable to:						
Shareholders	(8,6)	4,8	83,6	19,2	253,6	297,7
Non-controlling interests	0,3	0,3	-	0,9	-	(0,1)
Total comprehensive income for the period	(8,3)	5,1	83,6	20,1	253,6	297,6



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

STATEMENT OF FINANCIAL POSITION

Unaudited

(USD mill)

		30 Sep 14	30 Jun 14	30 Sep 13	31 Dec 13
Intangible assets		15,3	16,0	16,4	16,2
Property, plant & equipment	6	2 795,8	2 822,8	2 351,0	2 476,2
Other non-current assets		28,3	27,1	27,2	27,0
Total non-current assets		2 839,4	2 865,9	2 394,6	2 519,4
Inventories		112,6	110,0	95,8	103,0
Trade and other receivables		211,0	163,5	190,1	189,6
Other current assets		36,8	35,8	37,1	31,7
Cash and cash equivalents		174,5	226,1	204,9	222,1
Total current assets		534,9	535,4	527,9	546,4
Total assets		3 374,3	3 401,3	2 922,5	3 065,8
Share capital		193,3	193,3	193,3	193,3
Other equity		1 040,5	1 049,0	1 199,6	1 243,6
Non-controlling interests		0,6	0,4	-	-
Total Equity	9	1 234,4	1 242,7	1 392,9	1 436,9
Non-current interest-bearing loans and borrowings	5	1 409,6	1 300,2	714,5	662,2
Other non-current liabilities		131,2	133,9	116,0	124,6
Total non-current liabilities		1 540,8	1 434,1	830,5	786,8
Current interest-bearing loans and borrowings	5	95,5	176,4	131,2	131,2
Other current liabilities	6	503,6	548,1	567,9	710,9
Total current liabilities		599,1	724,5	699,1	842,1
Total equity and liabilities		3 374,3	3 401,3	2 922,5	3 065,8

GROUP STATEMENT OF CHANGES IN EQUITY

Unaudited

(USD mill)

	Share capital	Share premium	Translation reserves	Reserve for own shares	Retained earnings	Total	Non-contr. interests	Total equity
Jan - Sep 2013								
Balance at 1 January 2013	193,3	83,5	15,8	(1,2)	1 074,9	1 366,3	-	1 366,3
Total comprehensive income	-	-	(1,0)	-	254,6	253,6	-	253,6
Dividend	-	-	-	-	(227,0)	(227,0)	-	(227,0)
Balance at 30 Sep 2013	193,3	83,5	14,8	(1,2)	1 102,5	1 392,9	-	1 392,9
Year 2013								
Balance at 1 January 2013	193,3	83,5	15,8	(1,2)	1 074,9	1 366,3	-	1 366,3
Total comprehensive income	-	-	(0,8)	-	298,4	297,6	-	297,6
Dividend	-	-	-	-	(227,0)	(227,0)	-	(227,0)
Balance at 31 Dec 2013	193,3	83,5	15,0	(1,2)	1 146,3	1 436,9	-	1 436,9
Jan - Sep 2014								
Total comprehensive income	-	-	(2,6)	-	22,1	19,5	0,6	20,1
Dividend	-	-	-	-	(222,6)	(222,6)	-	(222,6)
Balance at 30 Sep 2014	193,3	83,5	12,4	(1,2)	945,8	1 233,8	0,6	1 234,4



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (USD mill)	Note	Jan-Sep 2014	Jan-Sep 2013	Year 2013
Cash flows from operating activities				
Profit before income tax		44,4	266,1	318,1
<i>Adjustment for:</i>				
Depreciation, amortisation and impairment		285,5	182,2	242,3
Interest expense	8	31,0	15,3	19,5
Gain/(loss) on sales of fixed assets		0,2	(0,1)	(0,6)
Changes in working capital		(60,7)	(34,6)	(5,1)
Unrealised loss/(gain) financial instruments/debt		(24,0)	(28,6)	(32,4)
Cash generated from operations		276,4	400,3	541,8
Interest paid		(31,4)	(29,0)	(38,1)
Taxes paid		(9,4)	(8,3)	(15,2)
Net cash from operating activities		235,6	363,0	488,5
Cash flows from investing activities				
Net investment in fixed assets		(810,3)	(149,4)	(212,4)
Proceeds from sale of equipment		0,2	0,4	1,1
Net cash used to investing activities		(810,1)	(149,0)	(211,3)
Cash flows from financing activities				
Borrowing of interest bearing debt		1 933,6	115,0	115,0
Repayments of interest bearing debt	5	(1 183,2)	(140,9)	(191,2)
Dividend paid	9	(222,6)	(227,0)	(227,0)
Net cash from financing activities		527,8	(252,9)	(303,2)
Foreign currency		(0,9)	(5,3)	(1,0)
Net change in cash and cash equivalents		(46,7)	(38,9)	(26,0)
Cash and cash equivalents at the beg. of period		222,1	249,1	249,1
Cash and cash equiv. at the end of period		174,5	204,9	222,1



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Condensed Financial Statements in accordance with IFRS

Notes

1. Segment information

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
3Q 2014				
Revenues from external customers	331,0	4,4	-	335,4
Inter-segment revenues	-	9,2	(9,2)	-
Total revenues	331,0	13,6	(9,2)	335,4
Operating costs	(178,1)	(9,6)	2,8	(184,9)
Oper. profit before depr. (EBITDA)	152,9	4,0	(6,4)	150,5
Depreciation and amortisation	(91,8)	(0,6)	-	(92,4)
Impairment	(42,7)	-	-	(42,7)
Operating profit (EBIT)	18,4	3,4	(6,4)	15,4
2Q 2014				
Revenues from external customers	265,5	7,8	-	273,3
Inter-segment revenues	-	15,9	(15,9)	-
Total revenues	265,5	23,7	(15,9)	273,3
Operating costs	(157,1)	(18,7)	9,1	(166,7)
Oper. profit before depr. (EBITDA)	108,4	5,0	(6,8)	106,6
Depreciation and amortisation	(87,2)	(0,6)	-	(87,8)
Operating profit (EBIT)	21,2	4,4	(6,8)	18,8
3Q 2013				
Revenues from external customers	298,7	8,4	-	307,1
Inter-segment revenues	-	0,4	(0,4)	-
Total revenues	298,7	8,8	(0,4)	307,1
Operating costs	(141,5)	(10,9)	0,4	(152,0)
Oper. profit before depr. (EBITDA)	157,2	(2,1)	-	155,1
Depreciation and amortisation	(59,9)	(0,4)	-	(60,3)
Operating profit (EBIT)	97,3	(2,5)	-	94,8
Jan-Sep 2014				
Revenues from external customers	863,6	22,9	-	886,5
Inter-segment revenues	-	62,8	(62,8)	-
Total revenues	863,6	85,7	(62,8)	886,5
Operating costs	(498,5)	(72,6)	43,7	(527,4)
Oper. profit before depr. (EBITDA)	365,1	13,1	(19,1)	359,1
Depreciation and amortisation	(241,1)	(1,7)	-	(242,8)
Impairment	(42,7)	-	-	(42,7)
Operating profit (EBIT)	81,3	11,4	(19,1)	73,6
Jan-Sep 2013				
Revenues from external customers	871,2	25,2	-	896,4
Inter-segment revenues	-	0,4	(0,4)	-
Total revenues	871,2	25,6	(0,4)	896,4
Operating costs	(414,4)	(26,4)	0,4	(440,4)
Oper. profit before depr. (EBITDA)	456,8	(0,8)	-	456,0
Depreciation and amortisation	(181,0)	(1,2)	-	(182,2)
Operating profit (EBIT)	275,8	(2,0)	-	273,8
Year 2013				
Revenues from external customers	1 152,5	41,9	-	1 194,4
Inter-segment revenues	-	8,8	(8,8)	-
Total revenues	1 152,5	50,7	(8,8)	1 194,4
Operating costs	(572,8)	(57,8)	8,8	(621,8)
Oper. profit before depr. (EBITDA)	579,7	(7,1)	-	572,6
Depreciation and amortisation	(240,7)	(1,6)	-	(242,3)
Operating profit (EBIT)	339,0	(8,7)	-	330,3

* Includes Fred. Olsen Energy ASA



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
30 Sep 14				
Segment assets	3 306,5	68,2	(0,4)	3 374,3
Segment liabilities	2 080,3	60,0	(0,4)	2 139,9
30 Sep 13				
Segment assets	2 860,1	62,4	-	2 922,5
Segment liabilities	1 463,7	65,9	-	1 529,6
31 Dec 13				
Segment assets	3 007,3	62,1	(3,6)	3 065,8
Segment liabilities	1 567,3	65,2	(3,6)	1 628,9

* Includes Fred. Olsen Energy ASA

2. Introduction

The consolidated interim financial statements for 3rd Quarter 2014 ended 30 September 2014, comprise Fred. Olsen Energy ASA and its subsidiaries (together referred to as the "Group").

The Group has changed its reporting currency and Fred. Olsen Energy ASA its functional currency from Norwegian Krone to US Dollar, effective from 1st January 2014. The comparative numbers are presented as if USD had always been the Group's presentation currency.

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 2013.

The consolidated financial statements of the Group for the year ended 31 December 2013 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 27th October 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 2013.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures are effective from 1 January 2014. Given the nature of the Group's structure and investments activities, the adoption of these standards and amendments have not had any impact on the consolidated financial statements.

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.



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Condensed Financial Statements in accordance with IFRS

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 2013.

5. Interest-bearing loans and borrowings

At the end of second quarter, Fred. Olsen Energy ASA signed a new six year bank credit facility of USD 2 000 million. The credit facility was used to repay existing bank loan of USD 1 089 million in the third quarter, and the remainder will be used to full-finance the newbuild Bollsta Dolphin and for general corporate purposes. USD 1 150 million is drawn under the new credit facility and available lines were USD 300 million as per 30 September 2014.

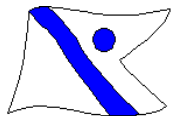
The Group had repaid USD 94.4 million of the previous credit facility as per 30 June 2014. The Group had drawn USD 600 million during 1st half year 2014 in addition to a new bond loan of NOK 1 100 million. The bond was raised in the Norwegian bond market at a coupon of 3 months nibar + 3.0%, with maturity in February 2019.

6. Property, plant and equipment

(USD mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2014	3 789,5	99,1	21,0	3 909,6
Acquisitions	601,5	4,3	0,8	606,6
Disposals	(17,7)	(1,3)	0,0	(19,0)
Movements in foreign currency	0,0	(2,6)	(0,6)	(3,2)
Balance at 30 Sept 2014	4 373,3	99,5	21,2	4 494,0
Depreciation				
Balance at 1 January 2014	1 351,1	71,3	11,0	1 433,4
Depreciation	237,3	5,3	0,2	242,8
Impairment	42,7	0,0	0,0	42,7
Disposals	(17,7)	(0,8)	0,0	(18,5)
Movements in foreign currency	0,0	(1,9)	(0,3)	(2,2)
Balance at 30 Sept 2014	1 613,4	73,9	10,9	1 698,2
Carrying amounts				
At 1 January 2014	2 438,4	27,8	10,0	2 476,2
At 30 Sept 2014	2 759,9	25,6	10,3	2 795,8

Bollsta Dolphin, under construction, is included as acquisition above with USD 181 million based on percent of completion. The total accrued cost related to Bollsta Dolphin per 30 September 2014 is USD 247 million recorded under other current liabilities.

The impairment charge of USD 42.7 million is related to Borgny Dolphin.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

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 2013.

8. Financial expenses

Interest cost of USD 6.9 million is capitalized to Bolette Dolphin (until delivery) and Bollsta Dolphin under construction.

9. Dividend

The Annual General Meeting in May 2014 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 2013. The payment was made in June 2014 and amounted to NOK 1 325.3 million (USD 222.6 million).