

# Fred. Olsen Energy ASA

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## Report for the 1<sup>st</sup> quarter 2015

**Figures in USD**

**FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF USD 157 MILLION IN 1Q 2015**

### **HIGHLIGHTS**

- **Revenues were 284 million**
- **EBITDA was 157 million**
- **Operating profit (EBIT) was 66 million**
- **Profit before tax was 75 million**
- **Earnings per share were 1.05**

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## Figures in USD

### FINANCIAL INFORMATION (*4th quarter 2014 in brackets*)

Operating revenues in the quarter were 283.9 million (297.6 million), a decrease of 13.7 million compared with the previous quarter. Revenues from the offshore drilling division were 279.9 million (294.5 million), a decrease of 14.6 million. The decrease in revenues within the offshore drilling division is mainly due to yard stay for Byford Dolphin, partly offset by Borgland Dolphin, which completed its yard stay late February. Revenues within the engineering and fabrication division were 37.7 million (6.1 million), of which 33.7 million (3.0 million) were related to intra-group activities.

Operating costs were 126.6 million (140.5 million), a decrease of 13.9 million compared with previous quarter. Operating costs within the offshore drilling division decreased by 15.5 million to 123.5 million (139.0 million). Operating costs within the engineering and fabrication division increased with 31.0 million, including intra-group eliminations of 29.4 million.

Operating profit before depreciation (EBITDA) was 157.3 million (157.1 million). EBITDA within the offshore drilling division increased by 0.9 million to 156.4 million (155.5 million), and EBITDA within engineering and fabrication division was 0.9 million (1.6 million) including elimination of internal profit.

Depreciation and amortisation amounted to 91.1 million (86.6 million).

Operating profit after depreciation (EBIT) was 66.2 million (70.5 million).

Net financial items were 8.7 million (33.7 million) mainly due to unrealized currency gain related to the two bond loans (FOE 04 and FOE 05). Capitalized interest expenses related to the newbuilds in the quarter amounted to 1.7 million (1.7 million).

Profit before tax was 74.9 million (104.2 million).

Net profit, including an estimated tax charge of 5.2 million (8.6 million), was 69.7 million (95.6 million).

Earnings per share were 1.05 (1.44).

## 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 continued operations under a three-year drilling contract for Statoil ASA. The contract expires in January 2017. The unit completed its five-year Class Renewal Survey (CRS) in 2014.

Borgland Dolphin completed its CRS late February and continued operations under the 18 well drilling contract. The contract is with a Rig Management Norway AS managed consortium of four oil companies and is estimated to expire year-end 2017.

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 3<sup>rd</sup> quarter 2015. The unit completed its five-year CRS in 2012.

### International

The ultra-deepwater drillship Bolette Dolphin commenced its four-year drilling contract with Anadarko Petroleum Corporation in May 2014. The unit is currently drilling offshore Colombia.

Belford Dolphin continued operations under the four-year drilling contract with Anadarko Petroleum Corporation. In March 2015, the company received a termination for convenience notice from Anadarko with effect from September 2015. The termination fee for the remaining part of the contract is approximately USD 52 million. The unit will undertake its five-year CRS in second/third quarter 2015. The CRS and upgrades is estimated to take approximately 100 days and cost USD 130 million.

Blackford Dolphin continued operations for Nexen in UK, which is 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.

Byford Dolphin commenced its five-year CRS at Harland & Wolff in January. With a scope increase, including some structural upgrade, subsea investment and general repair of equipment, the unit is now expected to complete its survey in June and will cost approximately USD 190 million. Upon completion of the CRS the unit will continue under its three-year contract with BP Exploration Operating Co. Ltd. The contract is estimated to expire 3Q 2016, with an option 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, with options for contract extension of two six-month periods. The unit completed its five-year CRS and upgrades to a TSV in February 2013.

## **Figures in USD**

Borgholm Dolphin commenced accommodation contract with BG Group in October, which is estimated to be completed in May 2015. The unit completed its five-year CRS in March 2013.

Borgny Dolphin is in lay-up and cold stacked at the Harland & Wolff shipyard in Belfast.

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. A number of ship dockings have been carried out in the quarter. In addition, the yard has been undertaking the five-year CRS for Byford Dolphin.

Oslo, 5<sup>th</sup> May 2015

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	1Q 2015	4Q 2014	1Q 2014	Year 2014
Operating revenues		272,0	286,4	259,2	1 112,4
Recharged income		11,9	11,2	18,6	71,7
<b>Total revenues</b>		<b>283,9</b>	<b>297,6</b>	<b>277,8</b>	<b>1 184,1</b>
Operating costs		(114,9)	(129,6)	(157,7)	(597,4)
Recharged expenses		(11,7)	(10,9)	(18,1)	(70,5)
<b>Total operating expenses</b>		<b>(126,6)</b>	<b>(140,5)</b>	<b>(175,8)</b>	<b>(667,9)</b>
<b>Oper. profit before depr. (EBITDA)</b>		<b>157,3</b>	<b>157,1</b>	<b>102,0</b>	<b>516,2</b>
Depreciation and amortisation	6	(91,1)	(86,6)	(62,6)	(329,4)
Impairment		-	-	-	(42,7)
<b>Operating profit (EBIT)</b>		<b>66,2</b>	<b>70,5</b>	<b>39,4</b>	<b>144,1</b>
Net financial (expense)/income	8	8,7	33,7	(14,9)	4,5
<b>Profit before income taxes</b>		<b>74,9</b>	<b>104,2</b>	<b>24,5</b>	<b>148,6</b>
Income tax expense		(5,2)	(8,6)	(1,0)	(30,3)
<b>Profit for the period</b>		<b>69,7</b>	<b>95,6</b>	<b>23,5</b>	<b>118,3</b>
<b>Attributable to:</b>					
Shareholders		69,6	95,5	23,2	117,3
Non-controlling interests		0,1	0,1	0,3	1,0
<b>Profit for the period</b>		<b>69,7</b>	<b>95,6</b>	<b>23,5</b>	<b>118,3</b>

EPS :

Basic earnings per share	1,05	1,44	0,35	1,77
Diluted earnings per share	1,05	1,44	0,35	1,77

### Outstanding shares

Average number of ordinary shares, basic	66,3	66,3	66,3	66,3
Average number of ordinary shares, diluted	66,3	66,3	66,3	66,3

## GROUP STATEMENT OF COMPREHENSIVE INCOME

Unaudited

	1Q 2015	4Q 2014	1Q 2014	Year 2014
Profit for the period	69,7	95,6	23,5	118,3
Actuarial gains/(losses) on defined benefit pension plans	-	(19,2)	-	(19,2)
Income tax relating to components of other comprehensive income	-	2,6	-	2,6
Exchange differences on translation of foreign operations	(1,1)	(5,5)	(0,2)	(8,1)
<b>Total comprehensive income for the period</b>	<b>68,6</b>	<b>73,5</b>	<b>23,3</b>	<b>93,6</b>
<b>Attributable to:</b>				
Shareholders	68,5	74,6	23,0	93,8
Non-controlling interests	0,1	(1,1)	0,3	(0,2)
<b>Total comprehensive income for the period</b>	<b>68,6</b>	<b>73,5</b>	<b>23,3</b>	<b>93,6</b>



# Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

## STATEMENT OF FINANCIAL POSITION

Unaudited

(USD mill)

		31 Mar 15	31 Dec 14	31 Mar 14
Intangible assets		12,2	13,3	16,5
Property, plant & equipment	6	2 989,7	2 901,6	2 595,9
Other non-current assets		30,8	31,4	27,4
<b>Total non-current assets</b>		<b>3 032,7</b>	<b>2 946,3</b>	<b>2 639,8</b>
Inventories		119,6	115,2	109,0
Trade and other receivables		182,1	172,6	178,5
Other current assets		29,4	31,1	38,2
Cash and cash equivalents		152,4	203,4	398,7
<b>Total current assets</b>		<b>483,5</b>	<b>522,3</b>	<b>724,4</b>
<b>Total assets</b>		<b>3 516,2</b>	<b>3 468,6</b>	<b>3 364,2</b>
Share capital		193,3	193,3	193,3
Other equity		1 183,2	1 114,6	1 266,9
Non-controlling interests		-	-	-
<b>Total Equity</b>		<b>1 376,5</b>	<b>1 307,9</b>	<b>1 460,2</b>
Non-current interest-bearing loans and borrowings	5	1 238,6	1 359,9	1 191,4
Other non-current liabilities		135,1	139,0	130,6
<b>Total non-current liabilities</b>		<b>1 373,7</b>	<b>1 498,9</b>	<b>1 322,0</b>
Current interest-bearing loans and borrowings	5	190,9	95,5	176,4
Other current liabilities	6	575,1	566,3	405,6
<b>Total current liabilities</b>		<b>766,0</b>	<b>661,8</b>	<b>582,0</b>
<b>Total equity and liabilities</b>		<b>3 516,2</b>	<b>3 468,6</b>	<b>3 364,2</b>

## 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
<b>Jan-Mar 2014</b>								
Balance at 1 January 2014	193,3	83,5	15,0	(1,2)	1 146,3	1 436,9	-	1 436,9
Total comprehensive income	-	-	(0,2)	-	23,5	23,3	-	23,3
<b>Balance at 31 Mar 2014</b>	<b>193,3</b>	<b>83,5</b>	<b>14,8</b>	<b>(1,2)</b>	<b>1 169,8</b>	<b>1 460,2</b>	<b>-</b>	<b>1 460,2</b>
<b>Year 2014</b>								
Balance at 1 January 2014	193,3	83,5	15,0	(1,2)	1 146,3	1 436,9	-	1 436,9
Total comprehensive income	-	-	(8,1)	-	101,7	93,6	-	93,6
Dividend	-	-	-	-	(222,6)	(222,6)	-	(222,6)
<b>Balance at 31 Dec 2014</b>	<b>193,3</b>	<b>83,5</b>	<b>6,9</b>	<b>(1,2)</b>	<b>1 025,4</b>	<b>1 307,9</b>	<b>-</b>	<b>1 307,9</b>
<b>Jan-Mar 2015</b>								
Total comprehensive income	-	-	(1,1)	-	69,7	68,6	-	68,6
<b>Balance at 31 Mar 2015</b>	<b>193,3</b>	<b>83,5</b>	<b>5,8</b>	<b>(1,2)</b>	<b>1 095,1</b>	<b>1 376,5</b>	<b>-</b>	<b>1 376,5</b>



# Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

## CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (USD mill)	Note	Jan-Mar 2015	Jan-Mar 2014	Year 2014
<b>Cash flows from operating activities</b>				
Profit before income tax		74,9	24,5	148,6
<i>Adjustment for:</i>				
Depreciation, amortisation and impairment		91,1	62,6	372,1
Interest expense	8	9,9	7,8	41,6
Gain/(loss) on sales of fixed assets		0,1	-	0,2
Changes in working capital		(28,5)	13,8	(27,4)
Unrealised loss/(gain) financial instruments/debt		(20,3)	5,5	(67,0)
Cash generated from operations		127,2	114,2	468,1
Interest paid		(11,9)	(8,6)	(44,2)
Taxes paid		(7,0)	(3,2)	(29,1)
<b>Net cash from operating activities</b>		<b>108,3</b>	<b>102,4</b>	<b>394,8</b>
<b>Cash flows from investing activities</b>				
Net investment in fixed assets		(158,5)	(495,0)	(941,0)
Proceeds from sale of equipment		1,5	-	0,3
<b>Net cash used to investing activities</b>		<b>(157,0)</b>	<b>(495,0)</b>	<b>(940,7)</b>
<b>Cash flows from financing activities</b>				
Borrowing of interest bearing debt		-	631,8	1 933,6
Repayments of interest bearing debt	5	-	(62,8)	(1 183,2)
Dividend paid		-	-	(222,6)
<b>Net cash from financing activities</b>		<b>-</b>	<b>569,0</b>	<b>527,8</b>
Foreign currency		(2,3)	0,2	(0,6)
Net change in cash and cash equivalents		(48,7)	176,4	(18,1)
Cash and cash equivalents at the beg. of period		203,4	222,1	222,1
<b>Cash and cash equiv. at the end of period</b>		<b>152,4</b>	<b>398,7</b>	<b>203,4</b>



# Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

## Notes

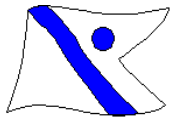
### 1. Segment information

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
<b>1Q 2015</b>				
Revenues from external customers	279,9	4,0	-	283,9
Inter-segment revenues	-	33,7	(33,7)	-
<b>Total revenues</b>	<b>279,9</b>	<b>37,7</b>	<b>(33,7)</b>	<b>283,9</b>
Operating costs	(123,5)	(35,4)	32,3	(126,6)
<b>Oper. profit before depr. (EBITDA)</b>	<b>156,4</b>	<b>2,3</b>	<b>(1,4)</b>	<b>157,3</b>
Depreciation and amortisation	(90,5)	(0,6)	-	(91,1)
<b>Operating profit (EBIT)</b>	<b>65,9</b>	<b>1,7</b>	<b>(1,4)</b>	<b>66,2</b>
<b>4Q 2014</b>				
Revenues from external customers	294,5	3,1	-	297,6
Inter-segment revenues	-	3,0	(3,0)	-
<b>Total revenues</b>	<b>294,5</b>	<b>6,1</b>	<b>(3,0)</b>	<b>297,6</b>
Operating costs	(139,0)	(4,4)	2,9	(140,5)
<b>Oper. profit before depr. (EBITDA)</b>	<b>155,5</b>	<b>1,7</b>	<b>(0,1)</b>	<b>157,1</b>
Depreciation and amortisation	(86,0)	(0,6)	-	(86,6)
Impairment	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>69,5</b>	<b>1,1</b>	<b>(0,1)</b>	<b>70,5</b>
<b>1Q 2014</b>				
Revenues from external customers	267,1	10,7	-	277,8
Inter-segment revenues	-	37,7	(37,7)	-
<b>Total revenues</b>	<b>267,1</b>	<b>48,4</b>	<b>(37,7)</b>	<b>277,8</b>
Operating costs	(163,3)	(44,3)	31,8	(175,8)
<b>Oper. profit before depr. (EBITDA)</b>	<b>103,8</b>	<b>4,1</b>	<b>(5,9)</b>	<b>102,0</b>
Depreciation and amortisation	(62,1)	(0,5)	-	(62,6)
<b>Operating profit (EBIT)</b>	<b>41,7</b>	<b>3,6</b>	<b>(5,9)</b>	<b>39,4</b>
<b>Year 2014</b>				
Revenues from external customers	1 158,1	26,0	-	1 184,1
Inter-segment revenues	-	65,8	(65,8)	-
<b>Total revenues</b>	<b>1 158,1</b>	<b>91,8</b>	<b>(65,8)</b>	<b>1 184,1</b>
Operating costs	(637,5)	(77,0)	46,6	(667,9)
<b>Oper. profit before depr. (EBITDA)</b>	<b>520,6</b>	<b>14,8</b>	<b>(19,2)</b>	<b>516,2</b>
Depreciation and amortisation	(327,1)	(2,3)	-	(329,4)
Impairment	(42,7)	-	-	(42,7)
<b>Operating profit (EBIT)</b>	<b>150,8</b>	<b>12,5</b>	<b>(19,2)</b>	<b>144,1</b>

\* Includes Fred. Olsen Energy ASA

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
<b>31 Mar 15</b>				
Segment assets	3 449,8	82,6	(16,2)	3 516,2
Segment liabilities	2 037,7	85,8	16,2	2 139,7
<b>31 Dec 14</b>				
Segment assets	3 405,7	65,7	(2,8)	3 468,6
Segment liabilities	2 092,6	70,9	(2,8)	2 160,7
<b>31 Mar 14</b>				
Segment assets	3 287,1	80,2	(3,1)	3 364,2
Segment liabilities	1 827,4	79,7	(3,1)	1 904,0





# Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

## 2. Introduction

The consolidated interim financial statements for 1<sup>st</sup> Quarter 2015 ended 31 March 2015, 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 2014.

The consolidated financial statements of the Group for the year ended 31 December 2014 are available upon request from the Company's office in Oslo or at [www.fredolsen-energy.com](http://www.fredolsen-energy.com).

The Board of Directors approved these consolidated interim financial statements on 5<sup>th</sup> May 2015.

## 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 2014.

## 4. Estimates

The preparations of interim financial statements require use of estimates, judgments and assumptions that 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 2014.

Impairment analyses were performed as per 31<sup>st</sup> March 2015 in accordance with IAS 36. Impairment analyses are performed on a regular basis.

## 5. Interest-bearing loans and borrowings

Available lines under the long-term fleet facility were USD 300 million as per 31 March 2015.



# Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

## 6. Property, plant and equipment

(USD mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
<b>Cost</b>				
Balance at 1 January 2015	4 552,8	95,6	23,4	4 671,8
Acquisitions	181,2	0,7	0,7	182,6
Disposals	(3,8)	(0,4)	0,0	(4,2)
Movements in foreign currency	0,0	(4,8)	(1,0)	(5,8)
<b>Balance at 31 March 2015</b>	<b>4 730,2</b>	<b>91,1</b>	<b>23,1</b>	<b>4 844,4</b>
<b>Depreciation</b>				
Balance at 1 January 2015	1 688,1	71,4	10,7	1 770,2
Depreciation	89,5	1,5	0,1	91,1
Disposals	(2,3)	(0,3)	0,0	(2,6)
Movements in foreign currency	0,0	(3,5)	(0,5)	(4,0)
<b>Balance at 31 March 2015</b>	<b>1 775,3</b>	<b>69,1</b>	<b>10,3</b>	<b>1 854,7</b>
<b>Carrying amounts</b>				
At 1 January 2015	2 864,7	24,2	12,7	2 901,6
At 31 March 2015	2 954,9	22,0	12,8	2 989,7

Bollsta Dolphin, under construction, is included as acquisition above with USD 56 million based on percent of completion. The total accrued cost related to Bollsta Dolphin per 31 March 2015 is USD 337 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 that 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 2014.

## 8. Financial expenses

Interest cost of USD 1.7 million is capitalized to Bollsta Dolphin under construction.