



Fred. Olsen Energy ASA

Report for the 2nd quarter 2015 and the 1st half year 2015

Figures in USD

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 209 MILLION FOR THE 2nd QUARTER 2015 AND 366 MILLION FOR THE FIRST HALF YEAR 2015

HIGHLIGHTS FOR THE 2nd QUARTER 2015

- Revenues were 326 million
- EBITDA was 209 million
- Impairment of 419 million
- Operating profit (EBIT) was negative 305 million
- Profit before tax was negative 323 million
- Earnings per share were negative 4.9

- Contract extension for Borgsten Dolphin
- Received insurance settlement for Blackford Dolphin of 26 million

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FINANCIAL INFORMATION (1st quarter 2015 and 1st half year 2014 in brackets)

Operating revenues in the quarter were 325.9 million (283.9 million), an increase of 42 million compared with the previous quarter. The revenues for offshore drilling division were 323.6 million, compared to 279.9 million previous quarter. The increase in revenues within the offshore drilling division is mainly due to Borgland Dolphin being at yard in first quarter while operating all of the second quarter. In addition an insurance settlement was received for Blackford Dolphin of USD 25.9 million partly offset by Borgholm Dolphin completing its contract early June. Revenues within the engineering and fabrication division were 58.5 million (37.7 million), of which 56.2 million (33.7 million) were related to intra-group activities.

Operating costs were 117.3 million (126.6 million), a decrease of 9.3 million compared with previous quarter. Operating costs within the offshore drilling division decreased by 7.7 million. Operating costs within the engineering and fabrication division were 56.2 million (35.4 million), of which 54.7 million (32.3 million) were related to intra-group activities.

Operating profit before depreciation (EBITDA) was 208.6 million (157.3 million). EBITDA for the half year was 365.9 million (208.6 million).

Depreciation and impairment amounted to 513.1 million (91.1 million), including a non-cash impairment charge of 418.9 million. For the half year, it amounted to 604.2 million (150.4 million). The impairment charge is due to a continuing weakening of the offshore drilling market and recent fixtures in second quarter, which indicate lower day-rate and utilization assumptions.

Operating profit after depreciation and impairment (EBIT) was negative 304.5 million (66.2 million). EBIT for the half year was negative 238.3 million (58.2 million).

Net financial items were negative 18.2 million (8.7 million). Capitalized interest expenses related to the newbuild in the quarter amounted to 1.8 million (1.7 million). Net financial items for the half year were negative 9.5 million (17.4 million).

Profit before tax was negative 322.7 million (74.9 million). Profit before tax for the half year was negative 247.8 million (40.8 million).

Net profit, including an estimated tax charge of 4.8 million (5.2 million), was negative 327.5 million (69.7 million). Net profit for the half year, including an estimated tax charge of 10.0 million (10.3 million), was negative 257.8 million (30.5 million).

Basic earnings per share were negative 4.94 (1.05).

Basic earnings per share for the half year were negative 3.89 (0.45).

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. Based on current drilling program, the contract is estimated to be completed in November 2015. The unit undertook 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 completed its operations under the drilling contract with Anadarko Petroleum Corporation and is currently in transit to Singapore to undertake its CRS at Keppel. In March 2015, the company received a termination for convenience notice from Anadarko with effect from October 2015. The termination fee for the remaining part of the contract, 180 days, is approximately USD 52 million. The CRS and upgrades is estimated to take approximately 100 days and cost USD 130 million.

Blackford Dolphin completed the operations for Nexen in UK 25th June. The unit is undertaking acceptance tests for the Chevron contract at zero rate and is expected to be on contract within mid July. After the acceptance test, the unit will commence a 572 days contract 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 completed its five-year CRS survey at Harland & Wolff and left the dock on the 7th July. The unit is currently undertaking the final acceptance tests before continuing the three-year contract with BP. The final cost for the CRS was approximately USD 215 million.

Borgsten Dolphin continued under an original 40 months contract as Tender Support Vessel (TSV) at the Dunbar platform with Total E&P UK Ltd. In June the contract was amended and the revised contract value from October 2015 to January 2018 is approximately USD 141 million, subject to certain early termination rights from end 2016. Contract terms prior to October 2015 remain in accordance with the original contract. The unit completed its five-year CRS and upgrades to a TSV in February 2013.

Borgholm Dolphin completed its accommodation contract with BG Group early June and the unit has been mobilized to Harland & Wolff for lay-up. 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 and ship repairs have been carried out by the yard during the quarter. As in first quarter, the yard has been occupied with the five-year CRS for Byford Dolphin.

MATERIAL EVENTS

There have been no material events since the release of the Annual Report for 2014.

FINANCIALS

There is no material change related to financial risk, including interest rate and currency risks, since the release of the Annual Report for 2014.

SHARE CAPITAL ISSUES

The Board of Directors was authorized by the AGM to increase the share capital of up to 6,669,422 shares by issuing new shares or by raising loans with the right to subscribe new shares or a combination of these means, however only in such a way that the aggregated number of new shares will not exceed 6,669,422 shares. Furthermore, the Board of Directors was authorized to purchase up to 6,669,422 shares of the Company's own shares.

MARKET AND PROSPECTS

Since 2013 the tendering and fixture activity has been low which has continued to put pressure on day-rate levels. This has led to an increased number of units being laid up and a steep increase in number of units being scrapped.

With negative growth within the E&P spending, combined with a high number of new builds entering the markets, the demand and supply imbalance is expected to increase further through 2015 and into 2016/2017. The consequences are continued pressure on day-rates, shorter contract durations and increased number of lay-ups and scrapping, in general affecting all market segments.

Oslo, 9th July 2015

The Board of Directors

Fred. Olsen Energy ASA

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

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 2015 and for the first half-year 2015 including condensed consolidated comparative figures as at 30 June 2014 and for the first half-year 2014 (“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 financial position as at 30 June 2015 and as at 30 June 2014 and of the results of the Group’s operations and cash flows for the first half-year 2015 and the first half-year 2014.

Oslo, 9 July 2015
Fred. Olsen Energy ASA

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

Condensed Financial Statements in accordance with IFRS

GROUP INCOME STATEMENT

Unaudited

(USD mill)	Note	2Q 2015	1Q 2015	2Q 2014	Jan-June 2015	Jan-June 2014	Year 2014
Operating revenues		320,6	272,0	256,8	592,6	516,0	1 112,4
Recharged income		5,3	11,9	16,5	17,2	35,1	71,7
Total revenues		325,9	283,9	273,3	609,8	551,1	1 184,1
Operating costs		(112,1)	(114,9)	(150,5)	(227,0)	(308,2)	(597,4)
Recharged expenses		(5,2)	(11,7)	(16,2)	(16,9)	(34,3)	(70,5)
Total operating expenses		(117,3)	(126,6)	(166,7)	(243,9)	(342,5)	(667,9)
Oper. profit before depr. (EBITDA)		208,6	157,3	106,6	365,9	208,6	516,2
Depreciation and amortisation	6	(94,2)	(91,1)	(87,8)	(185,3)	(150,4)	(329,4)
Impairment		(418,9)	-	-	(418,9)	-	(42,7)
Operating profit (EBIT)		(304,5)	66,2	18,8	(238,3)	58,2	144,1
Net financial (expense)/income	8	(18,2)	8,7	(2,5)	(9,5)	(17,4)	4,5
Profit before income taxes		(322,7)	74,9	16,3	(247,8)	40,8	148,6
Income tax expense		(4,8)	(5,2)	(9,3)	(10,0)	(10,3)	(30,3)
Profit for the period		(327,5)	69,7	7,0	(257,8)	30,5	118,3
Attributable to:							
Shareholders		(327,6)	69,6	6,7	(258,0)	29,9	117,3
Non-controlling interests		0,1	0,1	0,3	0,2	0,6	1,0
Profit for the period		(327,5)	69,7	7,0	(257,8)	30,5	118,3

EPS :

Basic earnings per share	-4,94	1,05	0,10	-3,89	0,45	1,77
Diluted earnings per share	-4,94	1,05	0,10	-3,89	0,45	1,77

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	2Q 2015	1Q 2015	2Q 2014	Jan-June 2015	Jan-June 2014	Year 2014
Profit for the period	(327,5)	69,7	7,0	(257,8)	30,5	118,3
Actuarial gains/(losses) on defined benefit pension plans	-	-	-	-	-	(19,2)
Income tax relating to components of other comprehensive income	-	-	-	-	-	2,6
Exchange differences on translation of foreign operations	0,3	(1,1)	(1,9)	(0,8)	(2,1)	(8,1)
Total comprehensive income for the period	(327,2)	68,6	5,1	(258,6)	28,4	93,6
Attributable to:						
Shareholders	(327,3)	68,5	4,8	(258,8)	27,8	93,8
Non-controlling interests	0,1	0,1	0,3	0,2	0,6	(0,2)
Total comprehensive income for the period	(327,2)	68,6	5,1	(258,6)	28,4	93,6



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

STATEMENT OF FINANCIAL POSITION

Unaudited

(USD mill)

		30 June 15	31 Mar 15	30 June 14	31 Dec 14
Intangible assets		12,5	12,2	16,0	13,3
Property, plant & equipment	6	2 681,3	2 989,7	2 822,8	2 901,6
Other non-current assets		32,0	30,8	27,1	31,4
Total non-current assets		2 725,8	3 032,7	2 865,9	2 946,3
Inventories		122,5	119,6	110,0	115,2
Trade and other receivables		187,3	182,1	163,5	172,6
Other current assets		40,0	29,4	35,8	31,1
Cash and cash equivalents		186,0	152,4	226,1	203,4
Total current assets		535,8	483,5	535,4	522,3
Total assets		3 261,6	3 516,2	3 401,3	3 468,6
Share capital		193,3	193,3	193,3	193,3
Other equity		856,0	1 183,2	1 049,0	1 114,6
Non-controlling interests		-	-	0,4	-
Total Equity		1 049,3	1 376,5	1 242,7	1 307,9
Non-current interest-bearing loans and borrowings	5	1 070,8	1 238,6	1 300,2	1 359,9
Other non-current liabilities		133,8	135,1	133,9	139,0
Total non-current liabilities		1 204,6	1 373,7	1 434,1	1 498,9
Current interest-bearing loans and borrowings	5	369,1	190,9	176,4	95,5
Other current liabilities	6	638,6	575,1	548,1	566,3
Total current liabilities		1 007,7	766,0	724,5	661,8
Total equity and liabilities		3 261,6	3 516,2	3 401,3	3 468,6

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-June 2014								
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	-	-	(2,1)	-	30,1	28,0	0,4	28,4
Dividend	-	-	-	-	(222,6)	(222,6)	-	(222,6)
Balance at 30 June 2014	193,3	83,5	12,9	(1,2)	953,8	1 242,3	0,4	1 242,7
Year 2014								
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)
Balance at 31 Dec 2014	193,3	83,5	6,9	(1,2)	1 025,4	1 307,9	-	1 307,9
Jan-June 2015								
Total comprehensive income	-	-	(0,8)	-	(257,8)	(258,6)	-	(258,6)
Balance at 30 June 2015	193,3	83,5	6,1	(1,2)	767,6	1 049,3	-	1 049,3



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (USD mill)	Note	Jan-June 2015	Jan-June 2014	Year 2014
Cash flows from operating activities				
Profit before income tax		(247,8)	40,8	148,6
<i>Adjustment for:</i>				
Depreciation, amortisation and impairment		604,2	150,4	372,1
Interest expense	8	19,8	20,6	41,6
Gain/(loss) on sales of fixed assets		(0,1)	-	0,2
Changes in working capital		(27,3)	39,5	(27,4)
Unrealised loss/(gain) financial instruments/debt		(22,3)	(6,0)	(67,0)
Cash generated from operations		326,5	245,3	468,1
Interest paid		(23,5)	(24,0)	(44,2)
Taxes paid		(13,5)	(6,5)	(29,1)
Net cash from operating activities		289,5	214,8	394,8
Cash flows from investing activities				
Net investment in fixed assets		(305,7)	(676,4)	(941,0)
Proceeds from sale of equipment		0,1	-	0,3
Net cash used to investing activities		(305,6)	(676,4)	(940,7)
Cash flows from financing activities				
Borrowing of interest bearing debt		-	783,6	1 933,6
Repayments of interest bearing debt	5	-	(94,4)	(1 183,2)
Dividend paid		-	(222,6)	(222,6)
Net cash from financing activities		-	466,6	527,8
Foreign currency		(1,3)	(1,0)	(0,6)
Net change in cash and cash equivalents		(16,1)	5,0	(18,1)
Cash and cash equivalents at the beg. of period		203,4	222,1	222,1
Cash and cash equiv. at the end of period		186,0	226,1	203,4



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Notes

1. Segment information

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
2Q 2015				
Revenues from external customers	323,6	2,3	-	325,9
Inter-segment revenues	-	56,2	(56,2)	-
Total revenues	323,6	58,5	(56,2)	325,9
Operating costs	(115,8)	(56,2)	54,7	(117,3)
Oper. profit before depr. (EBITDA)	207,8	2,3	(1,5)	208,6
Depreciation and amortisation	(93,6)	(0,6)	-	(94,2)
Impairment	(418,9)	-	-	(418,9)
Operating profit (EBIT)	(304,7)	1,7	(1,5)	(304,5)
1Q 2015				
Revenues from external customers	279,9	4,0	-	283,9
Inter-segment revenues	-	33,7	(33,7)	-
Total revenues	279,9	37,7	(33,7)	283,9
Operating costs	(123,5)	(35,4)	32,3	(126,6)
Oper. profit before depr. (EBITDA)	156,4	2,3	(1,4)	157,3
Depreciation and amortisation	(90,5)	(0,6)	-	(91,1)
Impairment	-	-	-	-
Operating profit (EBIT)	65,9	1,7	(1,4)	66,2
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
Jan-June 2015				
Revenues from external customers	603,5	6,3	-	609,8
Inter-segment revenues	-	89,9	(89,9)	-
Total revenues	603,5	96,2	(89,9)	609,8
Operating costs	(239,3)	(91,6)	87,0	(243,9)
Oper. profit before depr. (EBITDA)	364,2	4,6	(2,9)	365,9
Depreciation and amortisation	(184,1)	(1,2)	-	(185,3)
Impairment	(418,9)	-	-	(418,9)
Operating profit (EBIT)	(238,8)	3,4	(2,9)	(238,3)
Jan-June 2014				
Revenues from external customers	532,6	18,5	-	551,1
Inter-segment revenues	-	53,6	(53,6)	-
Total revenues	532,6	72,1	(53,6)	551,1
Operating costs	(320,4)	(63,0)	40,9	(342,5)
Oper. profit before depr. (EBITDA)	212,2	9,1	(12,7)	208,6
Depreciation and amortisation	(149,3)	(1,1)	-	(150,4)
Operating profit (EBIT)	62,9	8,0	(12,7)	58,2
Year 2014				
Revenues from external customers	1 158,1	26,0	-	1 184,1
Inter-segment revenues	-	65,8	(65,8)	-
Total revenues	1 158,1	91,8	(65,8)	1 184,1
Operating costs	(637,5)	(77,0)	46,6	(667,9)
Oper. profit before depr. (EBITDA)	520,6	14,8	(19,2)	516,2
Depreciation and amortisation	(327,1)	(2,3)	-	(329,4)
Impairment	(42,7)	-	-	(42,7)
Operating profit (EBIT)	150,8	12,5	(19,2)	144,1

* 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 June 15				
Segment assets	3 169,7	110,2	(18,3)	3 261,6
Segment liabilities	2 118,9	111,7	(18,3)	2 212,3
30 June 14				
Segment assets	3 322,9	78,4	-	3 401,3
Segment liabilities	2 085,3	73,3	-	2 158,6
31 Dec 14				
Segment assets	3 405,7	65,7	(2,8)	3 468,6
Segment liabilities	2 092,6	70,9	(2,8)	2 160,7

* Includes Fred. Olsen Energy ASA

2. Introduction

The consolidated interim financial statements for 2nd Quarter 2015 ended 30 June 2015 and the 1st half year, 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.

The Board of Directors approved these consolidated interim financial statements on 9th July 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.

5. Interest-bearing loans and borrowings

Available lines under the long-term fleet facility were USD 300 million as per 30 June 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
Cost				
Balance at 1 January 2015	4 552,8	95,6	23,4	4 671,8
Acquisitions	381,8	2,2	0,9	384,9
Disposals	(9,0)	(0,9)	0,0	(9,9)
Movements in foreign currency	0,0	(0,5)	(0,1)	(0,6)
Balance at 30 June 2015	4 925,6	96,4	24,2	5 046,2
Depreciation				
Balance at 1 January 2015	1 688,1	71,4	10,7	1 770,2
Depreciation	182,0	3,1	0,2	185,3
Impairment	418,9	0,0	0,0	418,9
Disposals	(9,0)	(0,3)	0,0	(9,3)
Movements in foreign currency	0,0	(0,1)	(0,1)	(0,2)
Balance at 30 June 2015	2 280,0	74,1	10,8	2 364,9
Carrying amounts				
At 1 January 2015	2 864,7	24,2	12,7	2 901,6
At 30 June 2015	2 645,6	22,3	13,4	2 681,3

Bollsta Dolphin, under construction, is included as acquisition above with USD 101 million based on percent of completion. The total accrued cost related to Bollsta Dolphin per 30 June 2015 is USD 374 million recorded under other current liabilities.

On a quarterly basis, the Group assesses whether there is an indication that a Cash Generating Unit (CGU) may be impaired. We consider each individual unit to be a CGU, as defined in IAS 36.6, as each individual unit generates independent cash flows. One indicator of impairment we consider is if the net book value of a CGU is below the average market value provided from two independent brokers. Another indicator of impairment we consider is if the carrying amount of the net assets of the Group exceeds the Group's market capitalisation. The Group estimates the recoverable amount for each CGU based on the value in use calculation by estimating the future expected cash inflows and outflows derived from continuing use of each CGU and applying the appropriate discount rate on the future cash flows.

As at Q2 2015, impairment tests of the Group's fleet were undertaken. As a result, the Group recognised a total impairment loss of USD 418.9 million in Q2 2015. The estimated recoverable amount for each CGU was based on the value in use calculation, except for Borgny Dolphin, where an estimated fair value less costs of disposal basis was applied which we consider to be categorised in Level 3 of the fair value hierarchy. The Group applied a discount rate of 8.15% when determining the recoverable amount of the units using the value in use calculation.

During Q2 2015, recent fixtures in the market combined with certain contract negotiations of the Group, indicates that the day rates for the offshore drilling industry is continuing the negative trend. Furthermore, we expect the low number of new contracts awarded in the industry during the last few months to result in more units going into layup in the near term future. This resulted in lower assumptions for day rates and utilisation of the Group's fleet in our impairment tests compared to previously estimated.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

The impairment recognized during the period and the net book values, which represent the estimated recoverable amount, as at 30th June 2015 is as follows:

<i>In Mill USD</i>	Impairment	Net book value as at	
	Jan-June 2015	30.06.2015	31.12.2014
Blackford Dolphin	172,0	469	683
Bredford Dolphin	89,0	62	164
Belford Dolphin	80,0	132	190
Byford Dolphin	37,0	248	86
Borgholm Dolphin	31,0	26	72
Borgny Dolphin	9,9	10	28
Total impairment	418,9		

The Group's estimated recoverable amount includes a number of assumptions such as future performance of the units, future contract opportunities, availabilities and day rates. If the Group experience changes to any of the assumptions, the Group may be required to recognise additional impairment adjustments or reverse impairment to the assets.

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 3.5 million is capitalized to Bollsta Dolphin under construction.