

# Fred. Olsen Energy ASA

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## Report for the 1<sup>st</sup> quarter 2016

**Figures in USD**

**FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF USD 139 MILLION IN 1Q 2016**

### **HIGHLIGHTS**

- **Revenues were 235 million**
- **EBITDA was 139 million**
- **Operating profit (EBIT) was 64 million**
- **Profit before tax was 39 million**
- **Earnings per share were 0.50**

**CONTACT PERSONS:** Hjalmar Krogseth Moe/Jannicke Nergaard Berg  
Tel: 22 34 10 00  
<mailto:hjalmar.krogseth.moe@fredolsen-energy.no>  
<mailto:jannicke.nergaard.berg@fredolsen-energy.no>

## Figures in USD

### FINANCIAL INFORMATION (*4th quarter 2015 in brackets*)

Operating revenues in the quarter were 235.3 million (265.2 million), a decrease of 29.9 million compared with the previous quarter. Revenues from the offshore drilling division were 230.0 million (260.0 million), a decrease of 30.0 million. The decrease in revenues within the offshore drilling division is mainly due to Bredford Dolphin coming off contract in January and Bideford Dolphin being out of service for a month due to yard stay, partly offset by higher uptime for Blackford Dolphin in the quarter compared with previous quarter. Revenues within the engineering and fabrication division were 5.7 million (5.5 million).

Operating costs were 96.0 million (123.7 million), a decrease of 27.7 million compared with previous quarter due to reduced activity and continued focus on reducing cost. Operating costs within the offshore drilling division decreased by 33.0 million to 88.4 million (121.4 million). Operating costs within the engineering and fabrication division increased with 5.4 million to 8.0 million (2.6 million).

Operating profit before depreciation (EBITDA) was 139.3 million (141.5 million). EBITDA within the offshore drilling division increased by 3.0 million to 141.6 million (138.6 million), and EBITDA within engineering and fabrication division was negative 2.3 million (2.9 million).

Depreciation and amortisation amounted to 75.4 million (86.2 million).

Operating profit after depreciation (EBIT) was 63.9 million (negative 102.7 million including a non-cash impairment charge of 158.0 million).

Net financial items were negative 25.3 million (negative 19.8 million).

Profit before tax was 38.6 million (negative 122.5 million).

Net profit, including an estimated tax charge of 5.8 million (positive 8.3 million), was 32.8 million (negative 114.2 million).

Earnings per share were 0.50 (negative 1.72).

## Figures in USD

### 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 located in Norway.

#### 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 2015. In the beginning of February the helideck of the unit was damaged during the storm "Tor". The unit had to undertake a yard stay and was back in operations in the beginning of March. The repair will be covered to a large extent by the insurance.

Borgland Dolphin continued operations under the 18 well drilling contract with a Rig Management Norway AS (RMN) managed consortium of four oil companies. The unit completed its five-year CRS in 2015.

Bredford Dolphin completed its operations under a drilling program for an AGR coordinated group of four oil companies, in the beginning of January. The rig is currently cold-stacked in Kvinesdal, Norway. The unit undertook its five-year CRS in 2012.

#### International

The ultra-deepwater drillship Bolette Dolphin continued drilling under its four-year drilling contract with Anadarko Petroleum Corporation. The contract expires in May 2018. The unit is currently drilling offshore Ivory Coast.

Belford Dolphin is preserved and cold-stacked in Labuan, Malaysia. The unit completed its five-year CRS in 2015, and is marketed for new contract possibilities worldwide.

Blackford Dolphin continued under a 572 days contract for Chevron, for operations in UK. The contract expires January 2017. The unit completed its five-year CRS in 2014.

Byford Dolphin continued under a three-year drilling contract with BP. The contract is estimated to expire 3<sup>rd</sup> quarter 2016. The unit completed its five-year CRS in 2015.

Borgsten Dolphin continued operations under the contract as Tender Support Vessel (TSV) at the Dunbar platform with Total E&P UK Ltd. In June 2015, the contract was amended and revised from October 2015 to January 2018, subject to certain early termination rights from end 2016. The unit completed its five-year CRS and upgrades to a TSV in February 2013.

Borgholm Dolphin is cold stacked at Harland & Wolff shipyard. The unit completed its five-year CRS in March 2013.

Borgny Dolphin is cold stacked at the Harland & Wolff shipyard in Belfast. The Class Renewal Survey was due in September 2014 and prospects for the unit is continuously being considered including sale and scrapping.

**Figures in USD**

**Engineering and Fabrication**

The Harland & Wolff shipyard continued its core activities within engineering, ship repair and shipbuilding. The main activities at the yard during the quarter has been dockings and repairs.

Oslo, 26<sup>th</sup> April 2016

The Board of Directors

**Fred. Olsen Energy ASA**



# Fred. Olsen Energy ASA

## Condensed Consolidated Financial Statements

### GROUP INCOME STATEMENT

Unaudited

(USD mill)	Note	1Q 2016	4Q 2015	1Q 2015	Year 2015
Operating revenues		230,7	257,9	272,0	1 085,6
Recharged income		4,6	7,3	11,9	30,8
<b>Total revenues</b>	<i>1</i>	<b>235,3</b>	<b>265,2</b>	<b>283,9</b>	<b>1 116,4</b>
Operating costs		(91,5)	(116,3)	(114,9)	(449,0)
Recharged expenses		(4,5)	(7,4)	(11,7)	(30,4)
<b>Total operating expenses</b>	<i>1</i>	<b>(96,0)</b>	<b>(123,7)</b>	<b>(126,6)</b>	<b>(479,4)</b>
<b>Oper. profit before depr. (EBITDA)</b>		<b>139,3</b>	<b>141,5</b>	<b>157,3</b>	<b>637,0</b>
Depreciation and amortisation	<i>6</i>	(75,4)	(86,2)	(91,1)	(354,1)
Impairment		-	(158,0)	-	(607,9)
<b>Operating profit/(loss) (EBIT)</b>		<b>63,9</b>	<b>(102,7)</b>	<b>66,2</b>	<b>(325,0)</b>
Net financial (expense)/income	<i>8</i>	(25,3)	(19,8)	8,7	(23,0)
<b>Profit/(loss) before income taxes</b>		<b>38,6</b>	<b>(122,5)</b>	<b>74,9</b>	<b>(348,0)</b>
Income tax expense		(5,8)	8,3	(5,2)	(2,6)
<b>Profit/(loss) for the period</b>		<b>32,8</b>	<b>(114,2)</b>	<b>69,7</b>	<b>(350,6)</b>
<b>Attributable to:</b>					
Shareholders		33,0	(114,3)	69,6	(350,9)
Non-controlling interests		(0,2)	0,1	0,1	0,3
<b>Profit/(loss) for the period</b>		<b>32,8</b>	<b>(114,2)</b>	<b>69,7</b>	<b>(350,6)</b>

EPS :

Basic earnings per share	0,50	-1,72	1,05	-5,30
Diluted earnings per share	0,50	-1,72	1,05	-5,30

### 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 2016	4Q 2015	1Q 2015	Year 2015
Profit/(loss) for the period	32,8	(114,2)	69,7	(350,6)
Actuarial gains/(losses) on defined benefit pension plans	-	20,8	-	20,8
Income tax relating to components of other comprehensive income	-	(7,2)	-	(7,2)
Exchange differences on translation of foreign operations	2,1	(2,5)	(1,1)	(5,4)
<b>Total comprehensive income/(loss) for the period</b>	<b>34,9</b>	<b>(103,1)</b>	<b>68,6</b>	<b>(342,4)</b>
<b>Attributable to:</b>				
Shareholders	35,1	(103,4)	68,5	(342,8)
Non-controlling interests	(0,2)	0,3	0,1	0,4
<b>Total comprehensive income/(loss) for the period</b>	<b>34,9</b>	<b>(103,1)</b>	<b>68,6</b>	<b>(342,4)</b>



# Fred. Olsen Energy ASA

## Condensed Consolidated Financial Statements

### STATEMENT OF FINANCIAL POSITION

Unaudited

(USD mill)

		31 Mar 16	31 Dec 15	31 Mar 15
Intangible assets		11,9	11,2	12,2
Property, plant & equipment	6	1 790,9	1 862,4	2 989,7
Other non-current assets		20,2	22,9	30,8
<b>Total non-current assets</b>		<b>1 823,0</b>	<b>1 896,5</b>	<b>3 032,7</b>
Inventories		120,7	120,0	119,6
Trade and other receivables		117,4	135,1	182,1
Other current assets		218,3	207,7	29,4
Cash and cash equivalents		197,1	214,1	152,4
<b>Total current assets</b>		<b>653,5</b>	<b>676,9</b>	<b>483,5</b>
<b>Total assets</b>		<b>2 476,5</b>	<b>2 573,4</b>	<b>3 516,2</b>
Share capital		193,3	193,3	193,3
Other equity		807,1	772,2	1 183,2
Non-controlling interests		-	-	-
<b>Total Equity</b>		<b>1 000,4</b>	<b>965,5</b>	<b>1 376,5</b>
Non-current interest-bearing loans and borrowings	5	916,2	1 002,1	1 238,6
Other non-current liabilities		103,7	100,3	135,1
<b>Total non-current liabilities</b>		<b>1 019,9</b>	<b>1 102,4</b>	<b>1 373,7</b>
Current interest-bearing loans and borrowings	5	312,2	325,7	190,9
Other current liabilities	6	144,0	179,8	575,1
<b>Total current liabilities</b>		<b>456,2</b>	<b>505,5</b>	<b>766,0</b>
<b>Total equity and liabilities</b>		<b>2 476,5</b>	<b>2 573,4</b>	<b>3 516,2</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>Year 2015</b>								
Balance at 1 January 2015	193,3	83,5	6,9	(1,2)	1 025,4	1 307,9	-	1 307,9
Loss for the year	-	-	-	-	(350,6)	(350,6)	-	(350,6)
Other comprehensive income/(loss)	-	-	(5,4)	-	13,6	8,2	-	8,2
<b>Balance at 31 Dec 2015</b>	<b>193,3</b>	<b>83,5</b>	<b>1,5</b>	<b>(1,2)</b>	<b>688,4</b>	<b>965,5</b>	<b>-</b>	<b>965,5</b>
<b>Jan-Mar 2016</b>								
Profit for the year	-	-	-	-	32,8	32,8	-	32,8
Other comprehensive income	-	-	2,1	-	-	2,1	-	2,1
<b>Balance at 31 Mar 2016</b>	<b>193,3</b>	<b>83,5</b>	<b>3,6</b>	<b>(1,2)</b>	<b>721,2</b>	<b>1 000,4</b>	<b>-</b>	<b>1 000,4</b>



# Fred. Olsen Energy ASA

## Condensed Consolidated Financial Statements

### CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (USD mill)	Note	Jan-Mar 2016	Jan-Mar 2015	Year 2015
<b>Cash flows from operating activities</b>				
Profit/(loss) before income tax		38,6	74,9	(348,0)
<i>Adjustment for:</i>				
Depreciation, amortisation and impairment		75,4	91,1	962,0
Interest expense		11,9	11,3	55,1
Gain/(loss) on sales of fixed assets		-	0,1	(0,1)
Changes in working capital		(21,5)	(29,9)	21,8
Unrealised loss/(gain) financial instruments/debt		11,2	(20,3)	(44,2)
<b>Cash generated from operations</b>		<b>115,6</b>	<b>127,2</b>	<b>646,6</b>
Interest paid		(10,5)	(11,9)	(46,9)
Taxes paid		6,2	(7,0)	(19,5)
<b>Net cash from operating activities</b>		<b>111,3</b>	<b>108,3</b>	<b>580,2</b>
<b>Cash flows from investing activities</b>				
Net investment in fixed assets		(12,7)	(158,5)	(474,3)
Proceeds from sale of equipment		0,1	1,5	0,2
<b>Net cash used to investing activities</b>		<b>(12,6)</b>	<b>(157,0)</b>	<b>(474,1)</b>
<b>Cash flows from financing activities</b>				
Borrowing of interest bearing debt		40,0	-	130,0
Repayments of interest bearing debt	5	(156,4)	-	(219,9)
<b>Net cash used in financing activities</b>		<b>(116,4)</b>	<b>-</b>	<b>(89,9)</b>
Foreign currency		0,7	(2,3)	(5,5)
Net change in cash and cash equivalents		(17,7)	(48,7)	16,2
Cash and cash equivalents at the beg. of period		214,1	203,4	203,4
<b>Cash and cash equiv. at the end of period</b>		<b>197,1</b>	<b>152,4</b>	<b>214,1</b>



# Fred. Olsen Energy ASA

## Condensed Consolidated Financial Statements

### Notes

#### 1. Segment information

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
<b>1Q 2016</b>				
Revenues from external customers	230,0	5,3	-	235,3
Inter-segment revenues	-	0,4	(0,4)	-
<b>Total revenues</b>	<b>230,0</b>	<b>5,7</b>	<b>(0,4)</b>	<b>235,3</b>
Operating costs	(88,4)	(8,0)	0,4	(96,0)
<b>Oper. profit before depr. (EBITDA)</b>	<b>141,6</b>	<b>(2,3)</b>	-	<b>139,3</b>
Depreciation and amortisation	(74,8)	(0,6)	-	(75,4)
<b>Operating profit/(loss) (EBIT)</b>	<b>66,8</b>	<b>(2,9)</b>	-	<b>63,9</b>
<b>4Q 2015</b>				
Revenues from external customers	260,0	5,2	-	265,2
Inter-segment revenues	-	0,3	(0,3)	-
<b>Total revenues</b>	<b>260,0</b>	<b>5,5</b>	<b>(0,3)</b>	<b>265,2</b>
Operating costs	(121,4)	(2,6)	0,3	(123,7)
<b>Oper. profit before depr. (EBITDA)</b>	<b>138,6</b>	<b>2,9</b>	-	<b>141,5</b>
Depreciation and amortisation	(84,7)	(1,5)	-	(86,2)
Impairment	(158,0)	-	-	(158,0)
<b>Operating (loss)/profit (EBIT)</b>	<b>(104,1)</b>	<b>1,4</b>	-	<b>(102,7)</b>
<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/(loss) (EBIT)</b>	<b>65,9</b>	<b>1,7</b>	<b>(1,4)</b>	<b>66,2</b>
<b>Year 2015</b>				
Revenues from external customers	1 103,8	12,6	-	1 116,4
Inter-segment revenues	-	89,1	(89,1)	-
<b>Total revenues</b>	<b>1 103,8</b>	<b>101,7</b>	<b>(89,1)</b>	<b>1 116,4</b>
Operating costs	(470,2)	(95,4)	86,2	(479,4)
<b>Oper. profit before depr. (EBITDA)</b>	<b>633,6</b>	<b>6,3</b>	<b>(2,9)</b>	<b>637,0</b>
Depreciation and amortisation	(350,9)	(3,2)	-	(354,1)
Impairment	(607,9)	-	-	(607,9)
<b>Operating (loss)/profit (EBIT)</b>	<b>(325,2)</b>	<b>3,1</b>	<b>(2,9)</b>	<b>(325,0)</b>

\* Includes Fred. Olsen Energy ASA

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
<b>31 Mar 16</b>				
Segment assets	2 427,5	49,2	(0,2)	2 476,5
Segment liabilities	1 424,1	52,2	(0,2)	1 476,1
<b>31 Mar 15</b>				
Segment assets	3 449,8	82,6	(16,2)	3 516,2
Segment liabilities	2 070,1	85,8	(16,2)	2 139,7





# Fred. Olsen Energy ASA

## Condensed Consolidated Financial Statements

### 2. Introduction

The consolidated interim financial statements for 1<sup>st</sup> Quarter 2016 ended 31 March 2016, comprise Fred. Olsen Energy ASA and its subsidiaries (together referred to as the "Group").

The interim accounts have been prepared in accordance with IAS 34 as adopted by EU and the Securities and Trading Act. 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 2015.

The consolidated financial statements of the Group for the year ended 31 December 2015 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 26<sup>th</sup> April 2016.

### 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 2015.

### 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 2015.

### 5. Interest-bearing loans and borrowings

As per March 2016 the Group has repaid USD 135 million and drawn USD 40 million of the fleet facility during the period. Available lines under the long-term fleet facility were USD 270 million as per 31 March 2016. The Group has purchased NOK 184 million in its bond loan FOE04. The net outstanding after the purchases is NOK 1 003 million as per 31 March 2016.



# Fred. Olsen Energy ASA

## Condensed Consolidated Financial Statements

### 6. Property, plant and equipment

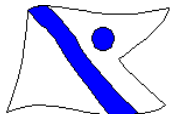
(USD mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
<b>Cost</b>				
Balance at 1 January 2016	4 128,7	93,0	21,3	4 243,0
Acquisitions	3,5	0,4	0,0	3,9
Disposals	(3,0)	(0,1)	0,0	(3,1)
Movements in foreign currency	0,0	(0,6)	(0,1)	(0,7)
<b>Balance at 31 Mar 2016</b>	<b>4 129,2</b>	<b>92,7</b>	<b>21,2</b>	<b>4 243,1</b>
<b>Depreciation</b>				
Balance at 1 January 2016	2 297,6	72,9	10,1	2 380,6
Depreciation	73,8	1,5	0,1	75,4
Disposals	(2,9)	(0,1)	0,0	(3,0)
Movements in foreign currency	0,0	(0,8)	0,0	(0,8)
<b>Balance at 31 Mar 2016</b>	<b>2 368,5</b>	<b>73,5</b>	<b>10,2</b>	<b>2 452,2</b>
<b>Carrying amounts</b>				
At 1 January 2016	1 831,1	20,1	11,2	1 862,4
At 31 Mar 2016	1 760,7	19,2	11,0	1 790,9

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 31<sup>st</sup> March 2016, impairment tests of the Group's fleet were undertaken. 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. There is no material changes to the assumptions used in the annual report and no impairment was recorded in the 1<sup>st</sup> Quarter 2016. The management are monitoring the market development closely and 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 2015.



# Fred. Olsen Energy ASA

## Condensed Consolidated Financial Statements

### **8. Financial expenses/income**

Unrealized foreign exchange loss of USD 17 million is included in Q1 2016, which is mainly related to the NOK Bond loans.

Unrealized gain on currency contracts of USD 5 million is included in Q1 2016.