

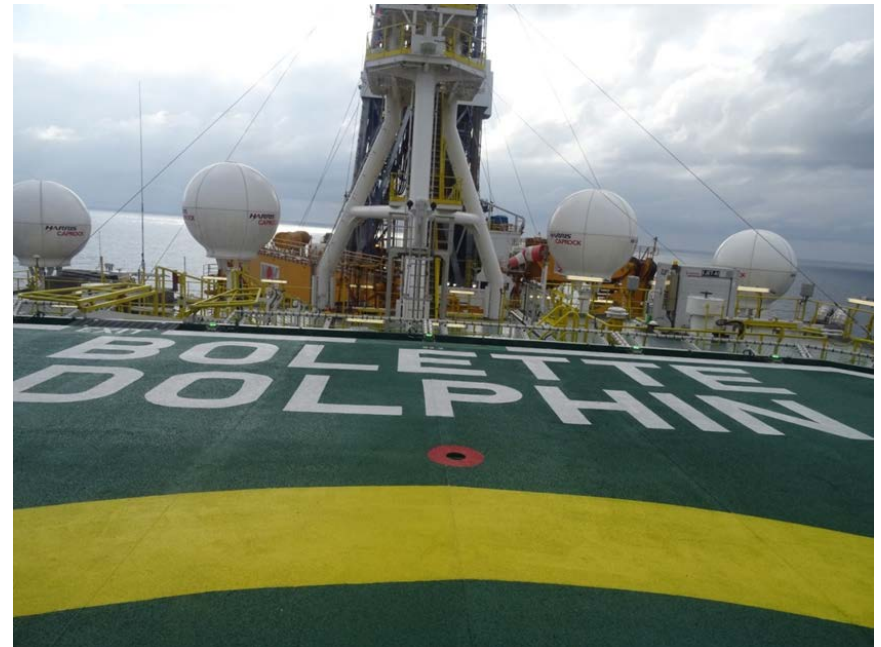


Financial results 2Q 2017

Oslo
July 13, 2017

AGENDA

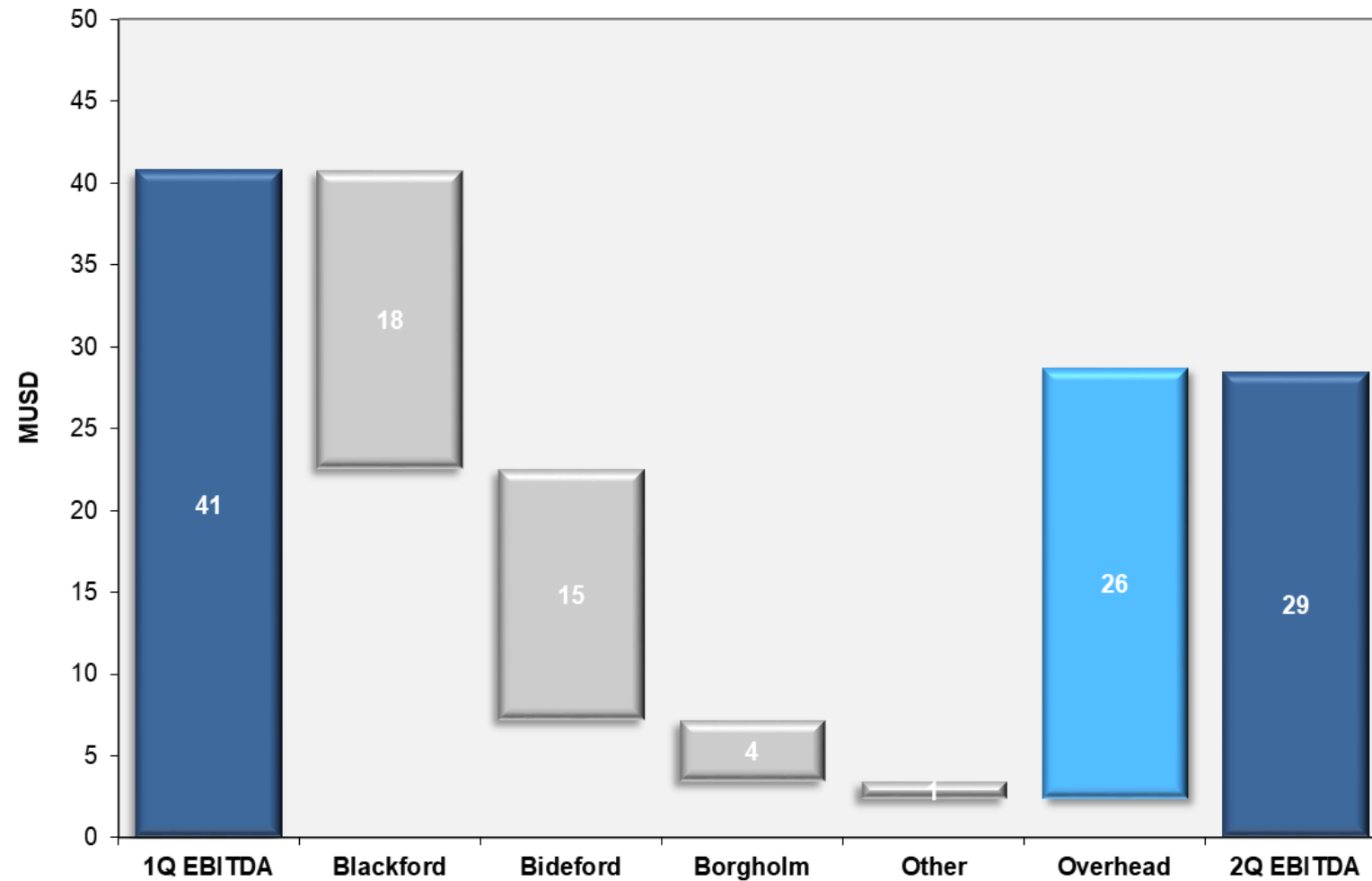
- **FINANCIAL RESULTS 2Q 2017**
- MARKET
- OPERATIONS
- SUMMARY



Income Statement – Key Figures

(USD mill)	2Q 2017	1Q 2017	Change
Operating revenues	53,0	95,5	(42,5)
Recharged income	1,9	2,9	(1,0)
Total revenues	54,9	98,4	(43,5)
Operating costs	(24,6)	(54,7)	30,1
Recharged expenses	(1,8)	(2,9)	1,1
Total operating expenses	(26,4)	(57,6)	31,2
Oper. result before depr. (EBITDA)	28,5	40,8	(12,3)
Depreciation	(57,1)	(55,0)	(2,1)
Impairment	(75,0)	-	(75,0)
Operating result (EBIT)	(103,6)	(14,2)	(89,4)
Net financial items	(12,2)	(6,6)	(5,6)
Result before tax	(115,8)	(20,8)	(95,0)
Estimated tax	(7,4)	(5,6)	(1,8)
Net result	(123,2)	(26,4)	(96,8)

EBITDA comparison 2Q 2017 vs. 1Q 2017



Financial Items Breakdown

(USD mill)	2Q 2017	1Q 2017	Change
Interest income	0,9	4,6	(3,7)
Gains on financial instruments	0,2	0,5	(0,3)
Financial income	1,1	5,1	(4,0)
Interest expenses	(8,6)	(8,3)	(0,3)
Losses on financial instruments	(0,3)	(0,3)	-
Other financial expenses	(1,6)	(2,8)	1,2
Financial expenses	(10,5)	(11,4)	0,9
Net foreign currency gain	(2,8)	(0,3)	(2,5)
Net financial items	(12,2)	(6,6)	(5,6)

Offshore Drilling Segment

(USD mill)	2Q 2017	1Q 2017	Change
Operating revenues	49,7	90,2	(40,5)
Recharged income	1,9	2,9	(1,0)
Total revenues	51,6	93,1	(41,5)
Operating costs	(19,7)	(48,6)	28,9
Recharged expenses	(1,8)	(2,9)	1,1
Total operating expenses	(21,5)	(51,5)	30,0
Oper. result before depr. (EBITDA)	30,1	41,6	(11,5)
Depreciation	(56,6)	(54,5)	(2,1)
Impairment	(75,0)	-	(75,0)
Operating result (EBIT)	(101,5)	(12,9)	(88,6)

Engineering & Fabrication Segment

(USD mill)	2Q 2017	1Q 2017	Change
Operating revenues (external)	3,3	5,3	(2,0)
Inter-segment revenues	0,5	0,2	0,3
Total operating revenues	3,8	5,5	(1,7)
Operating costs	(5,4)	(6,3)	0,9
Oper. result before depr. (EBITDA)	(1,6)	(0,8)	(0,8)
Depreciation	(0,5)	(0,5)	-
Operating result (EBIT)	(2,1)	(1,3)	(0,8)

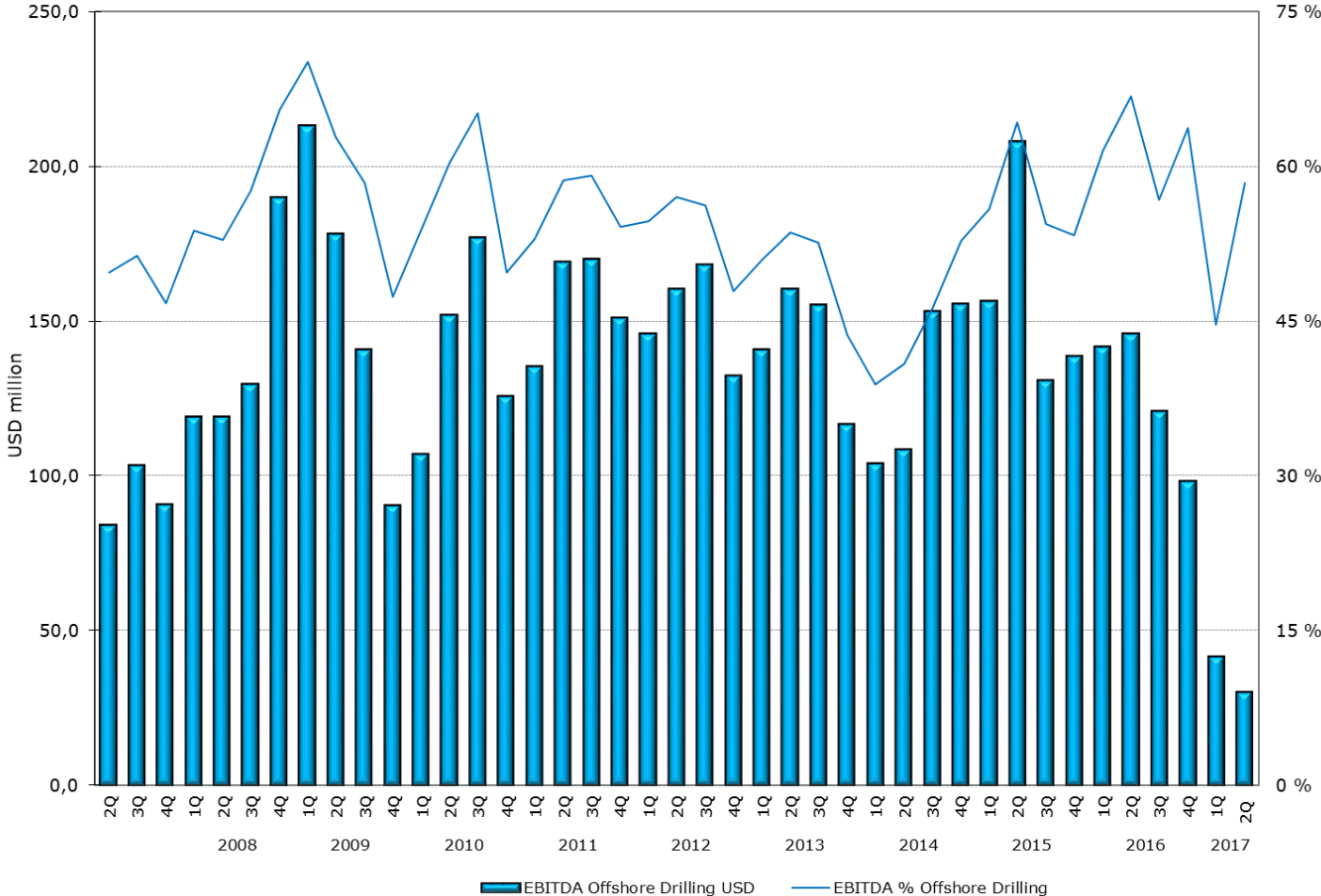
Consolidated Balance Sheet

(USD mill)	30 Jun 2017	31 Mar 2017	Change
Property, plant & equipment	1 177,7	1 307,3	(129,6)
Other non-current assets	11,1	17,4	(6,3)
Total non-current assets	1 188,8	1 324,7	(135,9)
Other current assets	160,4	189,4	(29,0)
Cash and cash equivalents	351,9	333,3	18,6
Total current assets	512,3	522,7	(10,4)
Total assets	1 701,1	1 847,4	(146,3)
Equity	703,6	826,8	(123,2)
Non-current interest bearing debt	780,8	776,9	3,9
Other non-current liabilities	71,2	92,7	(21,5)
Total non-current liabilities	852,0	869,6	(17,6)
Current interest bearing debt	95,5	95,5	-
Other current liabilities	50,0	55,5	(5,5)
Total current liabilities	145,5	151,0	(5,5)
Total equity and liabilities	1 701,1	1 847,4	(146,3)

Consolidated Cash Flow

(USD mill)	2Q 2017	1Q 2017	Change
Profit before income taxes	(115,8)	(20,8)	(95,0)
Depreciation and impairment	132,1	55,0	77,1
Interest expense	9,8	9,2	0,6
Changes in pension plan	(23,7)	-	(23,7)
Changes in working capital	29,6	29,2	0,4
Unrealized loss/(gain) financial instruments	2,5	0,5	2,0
Cash generated from operations	34,5	73,1	(38,6)
Interest paid	(8,7)	(8,9)	0,2
Taxes paid	(5,1)	(3,9)	(1,2)
Net cash flow from operating activities	20,7	60,3	(39,6)
Net investment in fixed assets	(1,7)	(8,8)	7,1
Cash flow used in investment activities	(1,7)	(8,8)	7,1
Repayments of interest bearing loans	-	(9,1)	9,1
Cash flow used in financing activities	-	(9,1)	9,1
Foreign currency	(0,4)	0,5	(0,9)
Net change in cash and cash equivalents	19,0	42,4	(23,4)
Cash at beginning of period	333,3	290,4	42,9
Cash at end of period	351,9	333,3	18,6

Offshore drilling EBITDA and margin

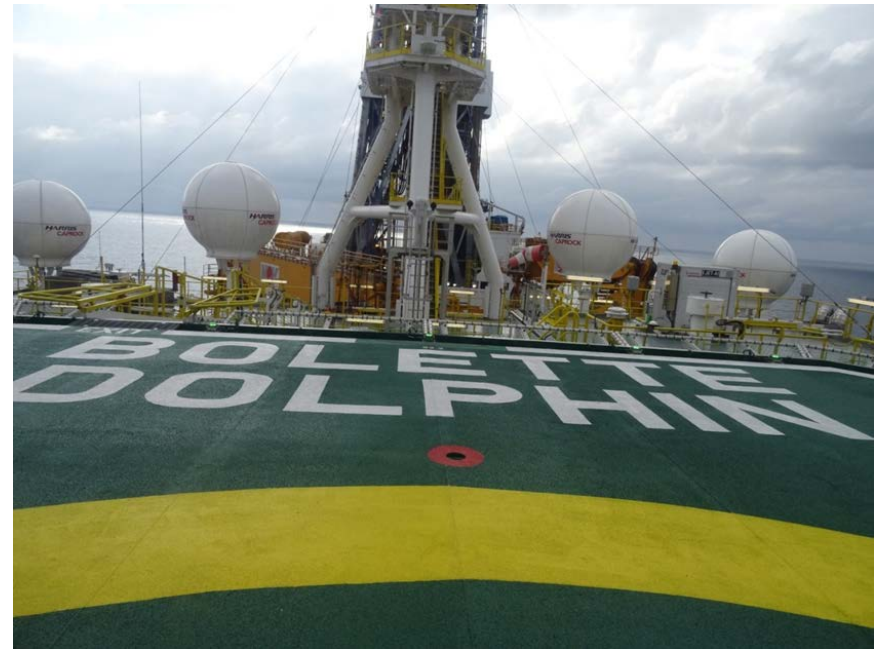


Fleet status

RIG	DESIGN	W DEPTH	LOCATION	CLIENT	CONTRACT STATUS	DAY RATE (USD)	NEXT CRS
ULTRA- / DEEPWATER UNITS							
Bolette Dolphin	DS/ Gusto P10'	12 000	Ivory Coast	Anadarko	May 2014 - August 2017 Termination for convenience	419 000/ 488 000 Termination fee USD 96 million	1Q 2019
Blackford Dolphin	SS / Aker H-3	7 000	Norway (UK compliant)		Smart stacked		3Q 2019*
Belford Dolphin	DS / LMG Marin	10 000	Malaysia		Preserved and maintained		
MID WATER FLOATERS NORWAY							
Bideford Dolphin	SS / Aker H-3	1 500	Norway	Statoil	June - October 2017	172 000	2Q 2019
Borgland Dolphin	SS / Aker H-3	1 500	Norway		Smart stacked		4Q 2020*
Bredford Dolphin	SS / Aker H-3	1 500	Norway		Preserved and maintained		2Q 2017
MID WATER FLOATERS UK							
Byford Dolphin	SS / Aker H-3	1 500	Norway (UK compliant)		Smart stacked		1Q 2021*
Borgsten Dolphin	Tender support / AH-3		UK		Cold stacked / to be decommissioned		

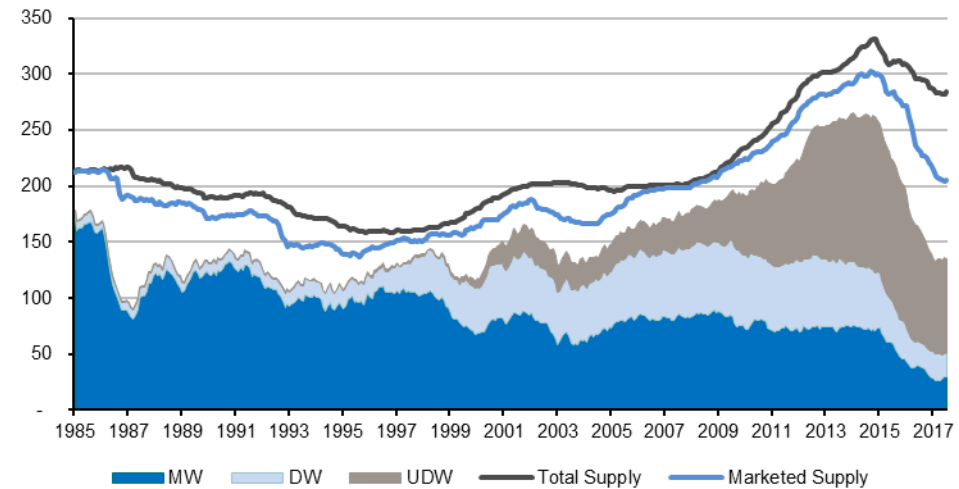
* Will be further delayed if further smart stacking period

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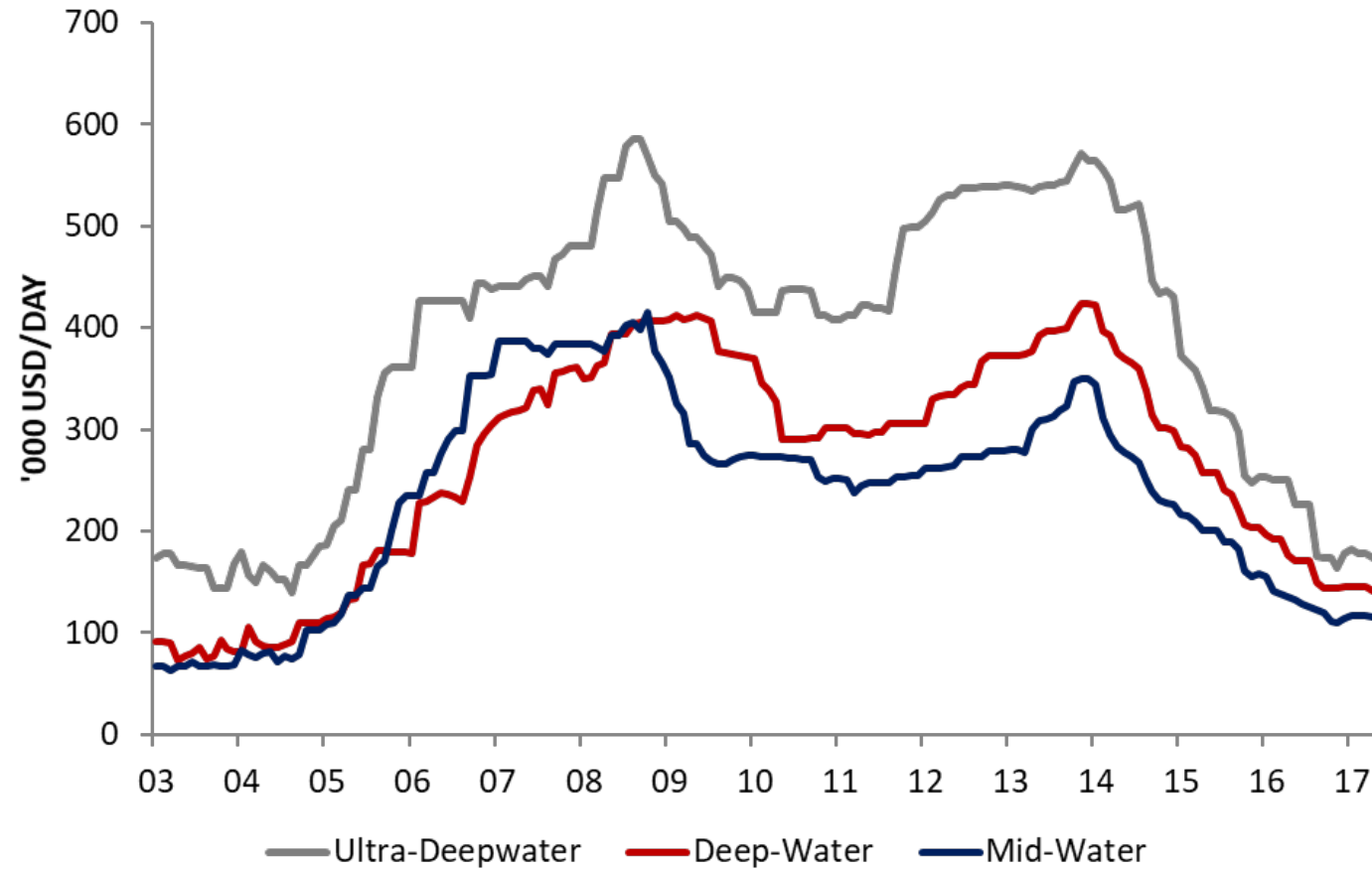
Global market – floating units

- The market is turning in 2017 and longer term indicators are positive
- The increase in requests and contract activity is continuing in the North Sea market
- Contract awards in the UDW market has also increased in the first half of 2017
- The decrease in offshore E&P spending seems to be levelling off with E&P companies also directing spending to short cycle and higher return activity offshore
- The pressure on day-rates is expected to be reduced, however contract durations will continue to be of shorter term nature



Source: DNB

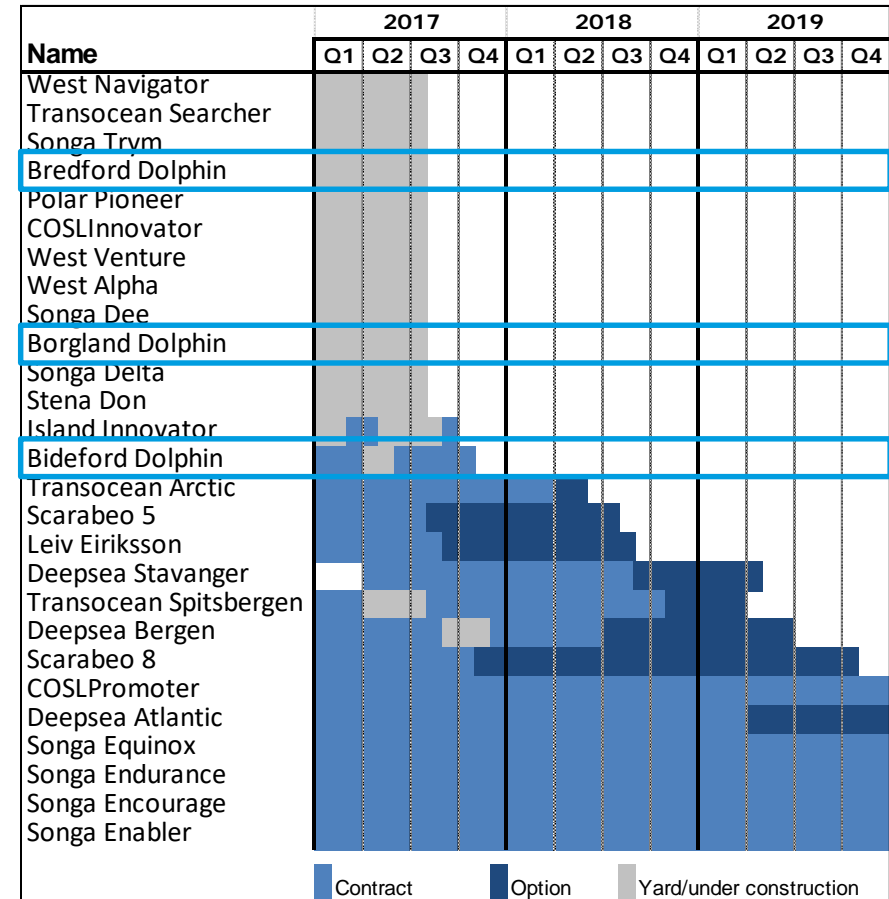
Dayrates- worldwide



Source: Clarksons Platou Offshore

Norwegian floater market

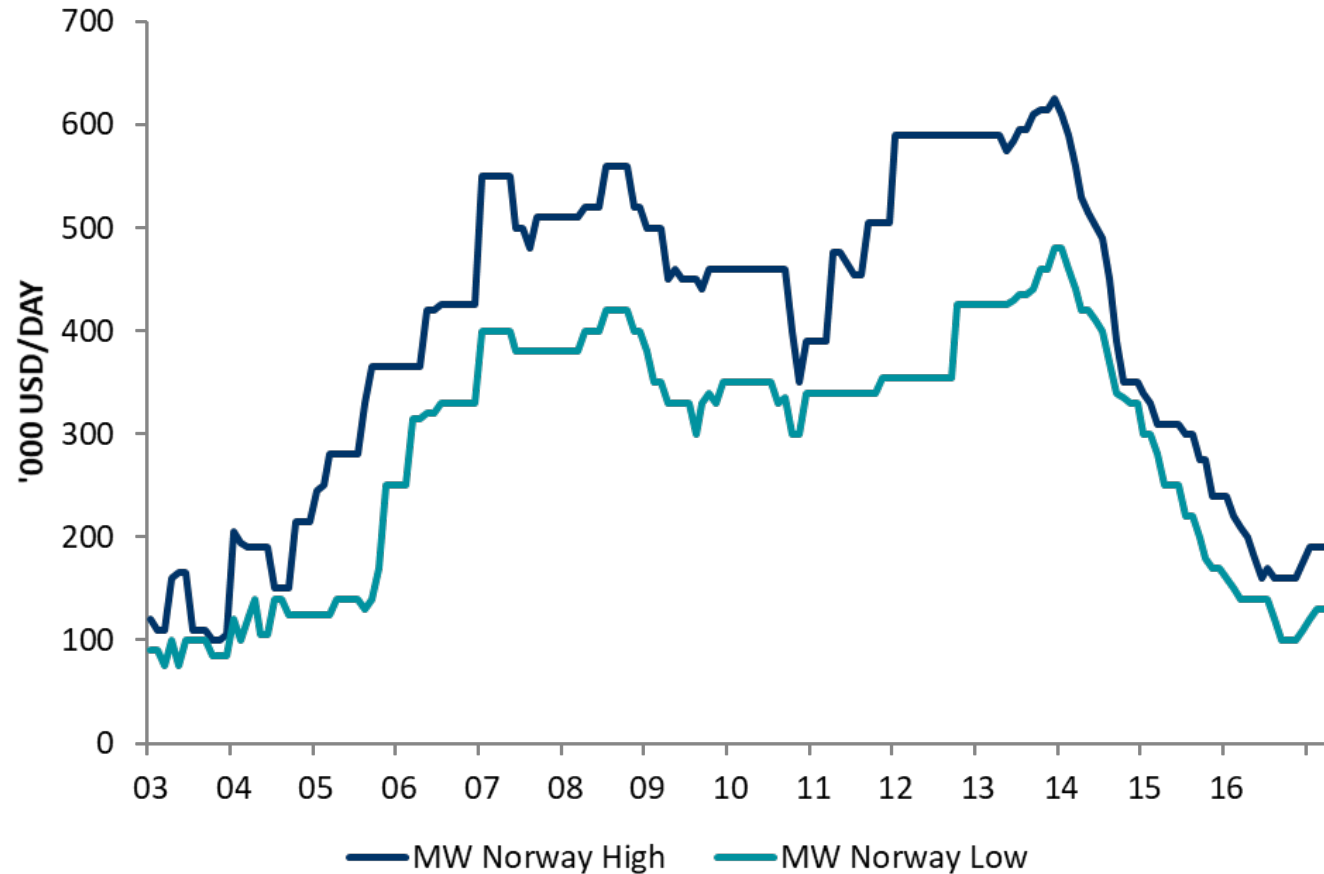
- The utilization of the rig fleet in Norway is currently at a historically low level
- There has been an increase in number of requests and tenders through 2017, both for shorter and longer term work
- An increase in activity on mature fields is expected in 2018
- Several new contracts have been awarded and this is expected to continue with work targeted for 2018 and 2019



As per July 2017

Source: DNB and the Company

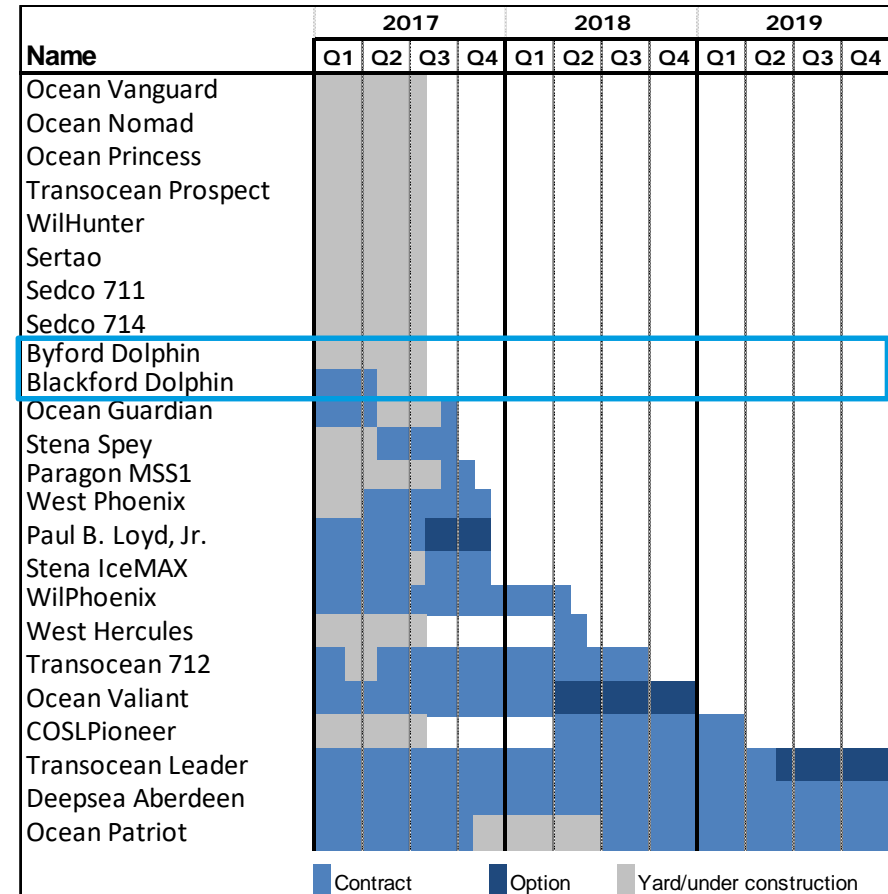
Average dayrates Norway



Source: Clarksons Platou Offshore

UK floater market

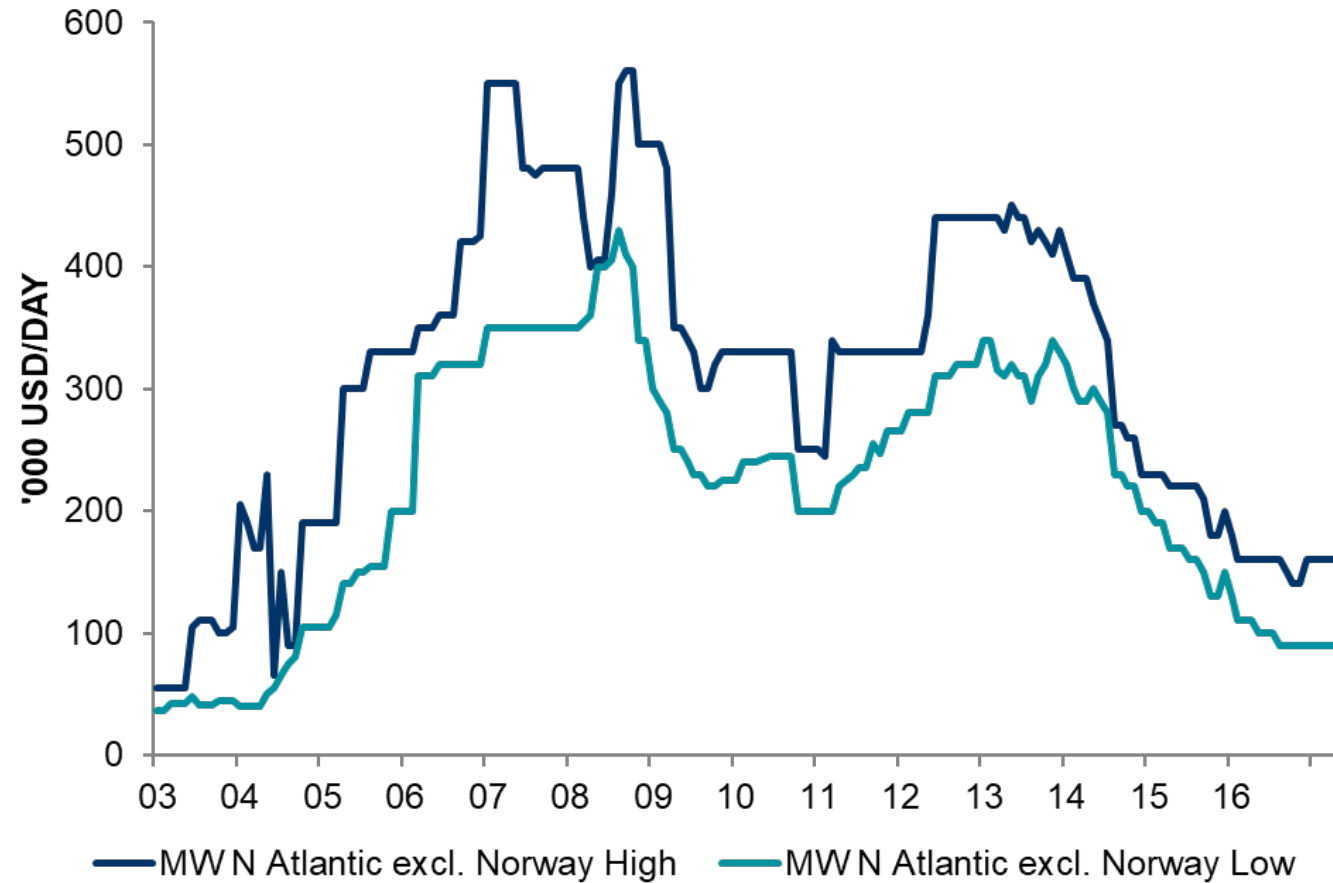
- The development in the UK market is similar to Norway with a low utilization of the fleet
- However, the number of requests and tender activity is still continuing to increase
- New contract awards are expected for work primarily in 2018, but with some contracts also extending into 2019



As per July 2017

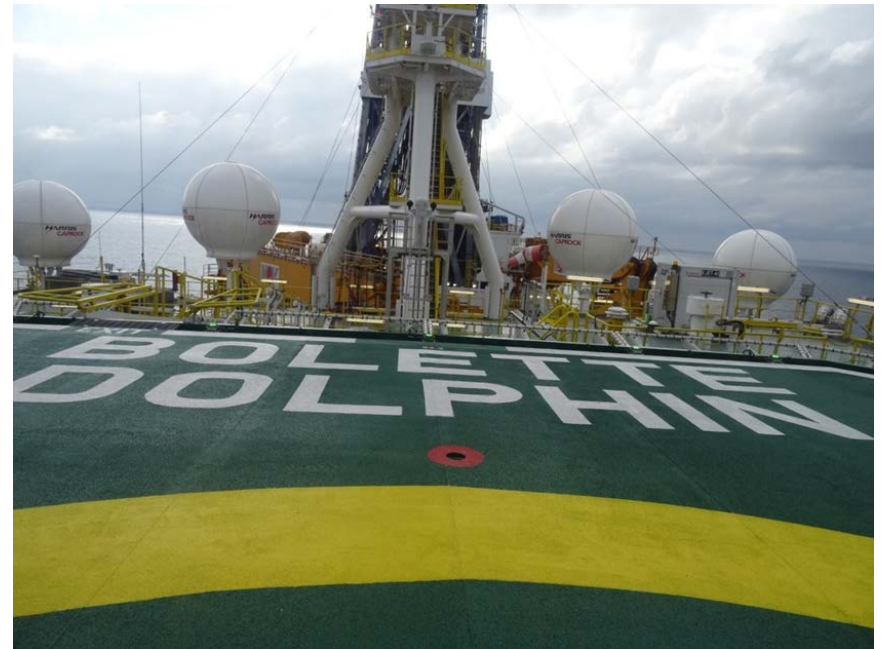
Source: DNB and the Company

Average dayrates UK



Source: Clarksons Platou Offshore



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Fred. Olsen Energy – Operating worldwide



Contract overview

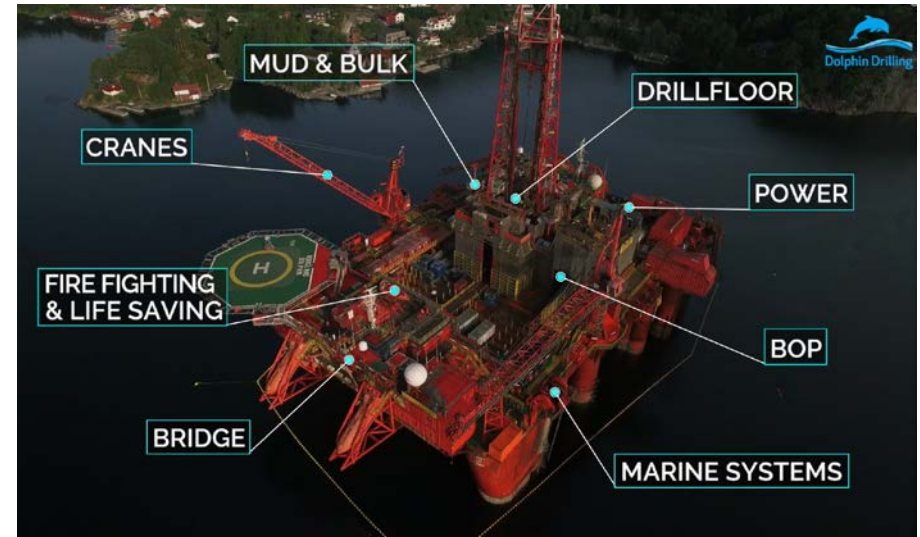
Unit	2017	2018
Bolette	Anadarko	
Belford	Preserved and maintained	
Blackford	Chevron Smart stacked	
Bideford	Statoil Statoil	
Borgland	Smart stacked	
Bredford	Preserved and maintained	
Byford	Smart stacked	
Borgsten	Cold stacked	
 Firm contract  Terminated for convenience. Termination fee of USD 96 million		

Total backlog approx. USD 147 million*

*Including termination fee of USD 96 million

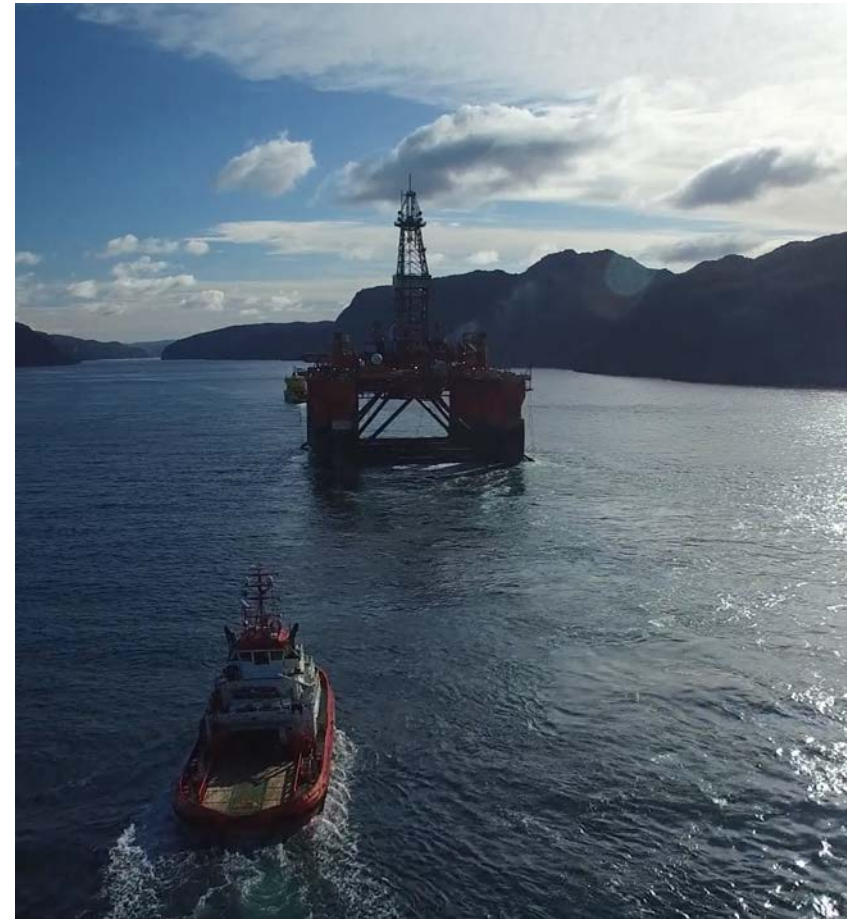
Smart stacking proves to be effective

- Lay-up teams with operational experience on regular rotation
- Team living on-board and carries out maintenance and extensive system integration testing
- Maintain competence - an experienced core crew is essential to restart operations efficiently
- Using social media to stay “In touch” with previous crew
- Technical condition is improved during smart stacking period



Bideford Dolphin returned to operation

- Bideford Dolphin mobilized for the Statoil contract end of May after 2 months of smart stacking
- Re-hired 145 of 150 crew members
- Full restart process carried out according to established procedures
- Confirms that the procedure for smart stacking and restarting is working as planned
- Top operational and HSE performance in June 2017



Ultra deepwater



Bolette Dolphin

- Continued operations under a four-year contract with Anadarko offshore the Ivory Coast
- The contract was terminated for convenience by Anadarko effective from September 2017. A termination fee of USD 96 million will be received
- The company is assessing lay-up alternatives in the shorter term, and will work for contract opportunities worldwide both in the short and medium term



Belford Dolphin

- The unit is preserved and maintained, located outside Labuan, Malaysia
- Marketed for contract possibilities worldwide
- Completed the five-year class renewal survey at the Keppel yard in October 2015

Deepwater / midwater- UK



Blackford Dolphin

- Completed the contract with Chevron end of April
- Is now smart stacked in Flekkefjord, Norway, ready for operations
- Completed its class renewal survey in June 2014
- The date of the next class renewal survey will depend on the smart stacking period



Byford Dolphin

- The unit is smart stacked in Lyngdal, Norway, ready for operations
- The unit completed its class renewal survey July 2015
- The date of the next class renewal survey will depend on the smart stacking period

Midwater - Norway



Bideford Dolphin

- In smart stacking from end of March to end of May
- Resumed operations for Statoil end of May for a one well drilling program. The option for on additional well was exercised and the contract is estimated to expire end of October 2017
- Completed its class renewal survey July 2014



Borgland Dolphin

- The unit is smart stacked in Lyngdal, Norway, ready for operations
- The unit completed its class renewal survey February 2015
- The date of the next class renewal survey will depend on the smart stacking period

Midwater – Norway / UK



Bredford Dolphin

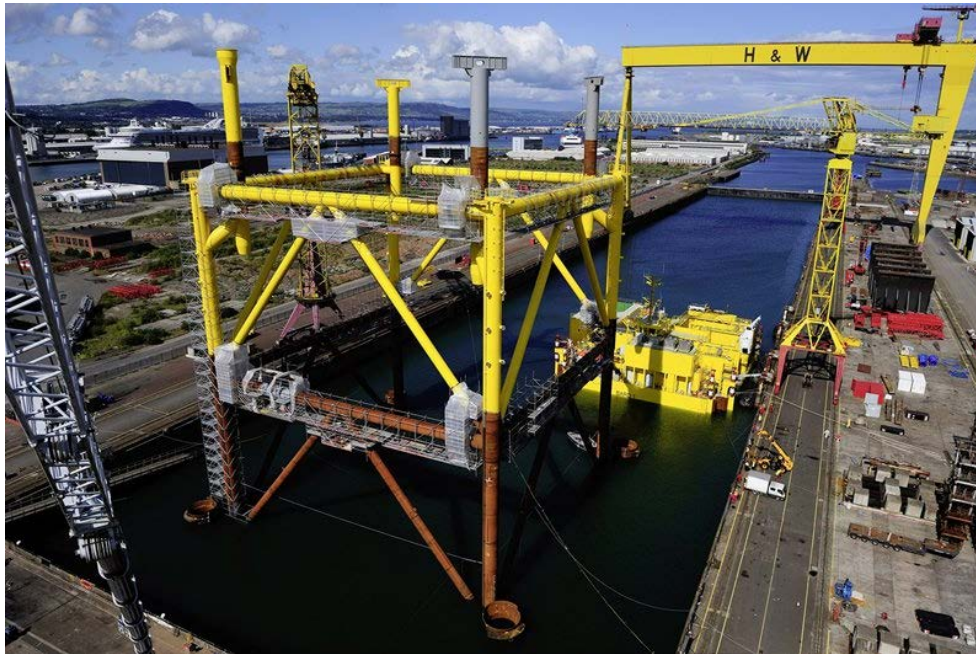
- The unit is preserved and cold stacked at Kvinesdal, Norway
- The class renewal survey was completed August 2012
- A renewal of the class certificates will not be carried out in 2017 in the current market conditions
- Bredford Dolphin won an arbitration case that involved a disagreement regarding the duration of a well and will receive a compensation of approximately USD 14 million



Borgsten Dolphin

- The tender support unit will be sold for decommissioning
- The transaction is estimated to take place during 3Q 2017

Harland & Wolff



- The activity has been modest during the quarter
- The contract with ST3 for supply of suction buckets for Dong Energy's Borkum Riffgrund 2 commenced and progressed as planned in the quarter
- The jacket contract as subcontractor to Lamprell is delayed and the main deliveries will take place in 2018

Summary

Financial

- Revenues were USD 55 million
- EBITDA was USD 29 million
- Profit after tax was negative USD 123 million
- Non-cash impairment of USD 75 million related to Blackford Dolphin
- Bredford Dolphin won an arbitration case - USD 14 million to be received

Market

- Contract backlog amounting to approximately USD 147 million
- Bolette Dolphin: Contract terminated for convenience by Anadarko. Termination fee of USD 96 million to be received
- Bideford Dolphin: Option for one well exercised by Statoil

Operational

- Bideford Dolphin resumed operations end of May
- Borgsten Dolphin to be sold for decommissioning

