



# Fred. Olsen Energy ASA

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## Report for the 1<sup>st</sup> quarter 2014

Figures in USD

**FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF USD 102 MILLION IN 1Q 2014**

### **HIGHLIGHTS**

- Revenues were 278 million
- EBITDA was 102 million
- Operating profit (EBIT) was 39 million
- Profit before tax was 25 million
- Earnings per share were 0.35
  
- Change of reporting currency to USD
- New bond loan – NOK 1.100 million
- Bolette Dolphin delivered 21<sup>st</sup> February 2014

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## Figures in USD

### FINANCIAL INFORMATION (*4th quarter 2013 in brackets*)

Operating revenues in the quarter were 277.8 million (298.0 million), a decrease of 20.2 million compared with the previous quarter. Revenues from the offshore drilling division were 267.1 million (281.3 million), a decrease of 14.2 million. The decrease in revenues within the offshore drilling division is mainly due to yardstay for Borgholm Dolphin and downtime for Bredford Dolphin, partly offset by mobilisation fee for Bolette Dolphin and increased charter rate for Bideford Dolphin. Revenues within the engineering and fabrication division were 48.4 million (25.1 million), of which 37.7 million (8.4 million) were related to intra-group activities.

Operating costs were 175.8 million (181.3 million), a decrease of 5.5 million compared with previous quarter. Operating costs within the offshore drilling division increased by 5.0 million. Operating costs within the engineering and fabrication division increased with 12.9 million, including eliminations of 23.4 million.

Operating profit before depreciation (EBITDA) was 102.0 million (116.7 million). EBITDA within the offshore drilling division decreased by 19.2 million to 103.8 million (123.0 million), and EBITDA within engineering and fabrication division was negative 1.8 million (6.3 million) including elimination of internal profit.

Depreciation and amortisation amounted to 62.6 million (60.1 million).

Operating profit after depreciation (EBIT) was 39.4 million (56.6 million).

Net financial expenses were 14.9 million (4.5 million). Capitalized interest expenses related to the newbuilds in the quarter amounted to 3.2 million (4.8 million).

Profit before tax was 24.5 million (52.1 million).

Net profit, including an estimated tax charge of 1.0 million (6.4 million), was 23.5 million (45.7 million).

Earnings per share were 0.35 (0.70).

The Board has proposed to the Annual General Meeting on 27<sup>th</sup> May 2014 an ordinary dividend payment of NOK 10 per share and an extraordinary dividend of NOK 10 per share. Subject to approval, the shares will be quoted ex. dividend from 28<sup>th</sup> May 2014. Estimated date of payment of dividend is 20<sup>th</sup> June 2014.

## Figures in USD

### OPERATIONS

#### Drilling Division

The offshore fleet of Fred. Olsen Energy ASA with subsidiaries (the Group) consists of three 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 in the quarter. The operator has an option for a two year contract extension. The rig arrived the Coast Center Base yard (CCB) 21<sup>st</sup> April to undertake its Class Renewal Survey. The Class Renewal Survey (CRS) is estimated to cost USD 100 million and take 65 days including mobilization.

Borgland Dolphin completed a four-year drilling contract with a consortium of oil companies in April and commenced a 18 well drilling contract, estimated to 3.5 years, with a Rig Management Norway AS managed consortium of four oil companies. The unit will undertake its five-year CRS in 4Q 2014.

Bredford Dolphin continued operations under a drilling program for an AGR coordinated group of four oil companies at the Norwegian Continental Shelf. The unit will undertake its five-year CRS in 2017. In January 2014 the rig had a breach in one of the riser joints under operations which led to 25 days off-hire for the unit.

#### International

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

Blackford Dolphin is currently at Harland & Wolff in Belfast, Northern Ireland, for its five-year CRS and upgrades. The CRS and upgrades are estimated to be completed in June to a cost of USD 195 million, the increase since last quarter is due to additional structural work. Upon completion of the CRS the unit will drill one well for MPX North Sea Ltd in the UK sector and one well offshore Ireland for Capricorn Ireland Ltd (a wholly owned subsidiary of Cairn Energy PLC). In July 2013 a new nine-month contract was entered into with Nexen for operations in UK. In December 2013 a new 572 days contract was entered into with Chevron for UK operations. Chevron has an option to extend the contract for a further period of between 300 and 700 days.

Borgny Dolphin continued operations under a five-year drilling contract with Petrobras in the quarter. An early completion of the contract was agreed with Petrobras, and the rig will be de-mobilised in May/June followed by exportation from Brasil.

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

## **Figures in USD**

Borgsten Dolphin continued under a 40 months contract as Tender Support Vessel (TSV) at the Dunbar platform with Total E&P UK Ltd. Options exist for a contract 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 yard-stay of nine weeks at the end of April. Upon re-commencement of the contract with Shell U.K. Limited it was discovered additional issues with the anchoring system. The rig has now demobilized to Invergordon to undertake repairs. In December 2012 a new 9 months accommodation contract was entered into with BG with estimated commencement in August 2014. Borgholm is scheduled to undertake a planned yard stay of one month to increase the height of the pedestal before the BG contract. The unit completed its five-year CRS in March 2013.

The ultra-deepwater drillship Bolette Dolphin was delivered from Hyundai Heavy Industries in Korea in February 2014. The unit is currently in Port Elizabeth in South Africa to load onboard the second BOP. The unit will continue mobilization to Liberia second week in May and commence drilling under a four-year drilling contract with Anadarko Petroleum Corporation.

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. In the quarter H&W continued the E.ON contract for fabrication substation foundation jacket and the CRS and upgrade of Blackford Dolphin.

Oslo, 6<sup>th</sup> May 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	1Q 2014	4Q 2013	1Q 2013	Year 2013
Operating revenues		259,2	288,3	272,8	1 148,6
Recharged income		18,6	9,7	9,8	45,8
<b>Total revenues</b>		<b>277,8</b>	<b>298,0</b>	<b>282,6</b>	<b>1 194,4</b>
Operating costs		(157,7)	(172,2)	(132,5)	(578,1)
Recharged expenses		(18,1)	(9,1)	(9,5)	(43,7)
<b>Total operating expenses</b>		<b>(175,8)</b>	<b>(181,3)</b>	<b>(142,0)</b>	<b>(621,8)</b>
<b>Oper. profit before depr. (EBITDA)</b>		<b>102,0</b>	<b>116,7</b>	<b>140,6</b>	<b>572,6</b>
Depreciation and amortisation	6	(62,6)	(60,1)	(61,2)	(242,3)
<b>Operating profit (EBIT)</b>		<b>39,4</b>	<b>56,6</b>	<b>79,4</b>	<b>330,3</b>
Net financial (expense)/income	8	(14,9)	(4,5)	(1,3)	(16,4)
<b>Profit before income taxes</b>		<b>24,5</b>	<b>52,1</b>	<b>78,1</b>	<b>313,9</b>
Income tax expense		(1,0)	(6,4)	(4,5)	(18,0)
<b>Profit for the period</b>		<b>23,5</b>	<b>45,7</b>	<b>73,6</b>	<b>295,9</b>
<b>Attributable to:</b>					
Shareholders		23,2	46,2	73,6	296,6
Non-controlling interests		0,3	(0,5)	-	(0,7)
<b>Profit for the period</b>		<b>23,5</b>	<b>45,7</b>	<b>73,6</b>	<b>295,9</b>

EPS :

Basic earnings per share	0,35	0,70	1,11	4,48
Diluted earnings per share	0,35	0,70	1,11	4,48

### 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 2014	4Q 2013	1Q 2013	Year 2013
Profit for the period	23,5	45,7	73,6	295,9
Actuarial gains/(losses) on defined benefit pension plans	-	(0,6)	-	(0,6)
Income tax relating to components of other comprehensive income	-	(1,1)	-	(1,1)
Exchange differences on translation of foreign operations	(0,2)	-	(1,7)	(0,8)
<b>Total comprehensive income for the period</b>	<b>23,3</b>	<b>44,0</b>	<b>71,9</b>	<b>293,4</b>
<b>Attributable to:</b>				
Shareholders	23,0	44,0	71,9	293,5
Non-controlling interests	0,3	-	-	(0,1)
<b>Total comprehensive income for the period</b>	<b>23,3</b>	<b>44,0</b>	<b>71,9</b>	<b>293,4</b>



# Fred. Olsen Energy ASA

## Condensed Financial Statements in accordance with IFRS

### STATEMENT OF FINANCIAL POSITION

Unaudited

(USD mill)

		31 Mar 14	31 Mar 13	31 Dec 13
Intangible assets		16,5	16,9	16,2
Property, plant & equipment	6	2 595,9	2 316,4	2 476,2
Other non-current assets		27,4	27,0	27,0
<b>Total non-current assets</b>		<b>2 639,8</b>	<b>2 360,3</b>	<b>2 519,4</b>
Inventories		109,0	86,0	103,0
Trade and other receivables		178,5	204,0	189,6
Other current assets		38,2	35,6	31,7
Cash and cash equivalents		398,7	239,6	222,1
<b>Total current assets</b>		<b>724,4</b>	<b>565,2</b>	<b>546,4</b>
<b>Total assets</b>		<b>3 364,2</b>	<b>2 925,5</b>	<b>3 065,8</b>
Share capital		193,3	193,3	193,3
Other equity		1 266,9	1 244,9	1 243,6
Non-controlling interests		-	-	-
<b>Total Equity</b>		<b>1 460,2</b>	<b>1 438,2</b>	<b>1 436,9</b>
Non-current interest-bearing loans and borrowings	5	1 191,4	695,3	662,2
Other non-current liabilities		130,6	117,4	124,6
<b>Total non-current liabilities</b>		<b>1 322,0</b>	<b>812,7</b>	<b>786,8</b>
Current interest-bearing loans and borrowings	5	176,4	131,2	131,2
Other current liabilities	6	405,6	543,4	710,9
<b>Total current liabilities</b>		<b>582,0</b>	<b>674,6</b>	<b>842,1</b>
<b>Total equity and liabilities</b>		<b>3 364,2</b>	<b>2 925,5</b>	<b>3 065,8</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 2013</b>								
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	-	-	(1,7)	-	73,6	71,9	-	71,9
<b>Balance at 31 Mar 2013</b>	<b>193,3</b>	<b>83,5</b>	<b>14,1</b>	<b>(1,2)</b>	<b>1 148,5</b>	<b>1 438,2</b>	<b>-</b>	<b>1 438,2</b>
<b>Year 2013</b>								
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)	-	294,2	293,4	-	293,4
Dividend	-	-	-	-	(222,8)	(222,8)	-	(222,8)
<b>Balance at 31 Dec 2013</b>	<b>193,3</b>	<b>83,5</b>	<b>15,0</b>	<b>(1,2)</b>	<b>1 146,3</b>	<b>1 436,9</b>	<b>-</b>	<b>1 436,9</b>
<b>Jan - Mar 2014</b>								
Total comprehensive income	-	-	(0,2)	-	23,5	23,3	-	23,3
<b>Balance at 31 March 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>



# Fred. Olsen Energy ASA

## Condensed Financial Statements in accordance with IFRS

### CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (USD mill)	Note	Jan-Mar 2014	Jan-Mar 2013	Year 2013
<b>Cash flows from operating activities</b>				
Profit before income tax		24,5	78,1	313,9
<i>Adjustment for:</i>				
Depreciation and amortisation		62,6	61,2	242,3
Interest expense	8	7,8	5,2	19,5
Gain/(loss) on sales of fixed assets		-	(0,1)	(0,6)
Changes in working capital		13,8	(40,9)	(13,3)
Unrealised loss/(gain) financial instruments/debt		5,5	(2,1)	(11,2)
<b>Cash generated from operations</b>		<b>114,2</b>	<b>101,4</b>	<b>550,6</b>
Interest paid		(8,6)	(9,9)	(38,1)
Taxes paid		(3,2)	(1,7)	(15,2)
<b>Net cash from operating activities</b>		<b>102,4</b>	<b>89,8</b>	<b>497,3</b>
<b>Cash flows from investing activities</b>				
Net investment in fixed assets		(495,0)	(44,1)	(212,4)
Proceeds from sale of equipment		-	0,2	1,2
<b>Net cash used to investing activities</b>		<b>(495,0)</b>	<b>(43,9)</b>	<b>(211,2)</b>
<b>Cash flows from financing activities</b>				
Borrowing of interest bearing debt		631,8	-	115,0
Repayments of interest bearing debt	5	(62,8)	(50,3)	(191,2)
Dividend paid		-	-	(225,5)
<b>Net cash from financing activities</b>		<b>569,0</b>	<b>(50,3)</b>	<b>(301,7)</b>
Foreign currency		0,2	(5,1)	(11,4)
Net change in cash and cash equivalents		176,4	(4,4)	(15,6)
Cash and cash equivalents at the beg. of period		222,1	249,1	249,1
<b>Cash and cash equiv. at the end of period</b>		<b>398,7</b>	<b>239,6</b>	<b>222,1</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 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>4Q 2013</b>				
Revenues from external customers	281,3	16,7	-	298,0
Inter-segment revenues	-	8,4	(8,4)	-
<b>Total revenues</b>	<b>281,3</b>	<b>25,1</b>	<b>(8,4)</b>	<b>298,0</b>
Operating costs	(158,3)	(31,4)	8,4	(181,3)
<b>Oper. profit before depr. (EBITDA)</b>	<b>123,0</b>	<b>(6,3)</b>	<b>-</b>	<b>116,7</b>
Depreciation and amortisation	(59,7)	(0,4)	-	(60,1)
<b>Operating profit (EBIT)</b>	<b>63,3</b>	<b>(6,7)</b>	<b>-</b>	<b>56,6</b>
<b>1Q 2013</b>				
Revenues from external customers	274,7	7,9	-	282,6
Inter-segment revenues	-	-	-	-
<b>Total revenues</b>	<b>274,7</b>	<b>7,9</b>	<b>-</b>	<b>282,6</b>
Operating costs	(134,6)	(7,4)	-	(142,0)
<b>Oper. profit before depr. (EBITDA)</b>	<b>140,1</b>	<b>0,5</b>	<b>-</b>	<b>140,6</b>
Depreciation and amortisation	(60,8)	(0,4)	-	(61,2)
<b>Operating profit (EBIT)</b>	<b>79,3</b>	<b>0,1</b>	<b>-</b>	<b>79,4</b>
<b>Year 2013</b>				
Revenues from external customers	1 152,5	41,9	-	1 194,4
Inter-segment revenues	-	8,8	(8,8)	-
<b>Total revenues</b>	<b>1 152,5</b>	<b>50,7</b>	<b>(8,8)</b>	<b>1 194,4</b>
Operating costs	(572,8)	(57,8)	8,8	(621,8)
<b>Oper. profit before depr. (EBITDA)</b>	<b>579,7</b>	<b>(7,1)</b>	<b>-</b>	<b>572,6</b>
Depreciation and amortisation	(240,7)	(1,6)	-	(242,3)
<b>Operating profit (EBIT)</b>	<b>339,0</b>	<b>(8,7)</b>	<b>-</b>	<b>330,3</b>





# Fred. Olsen Energy ASA

## Condensed Financial Statements in accordance with IFRS

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
<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
<b>31 Mar 13</b>				
Segment assets	2 870,4	55,2	(0,1)	2 925,5
Segment liabilities	1 430,7	56,7	(0,1)	1 487,3
<b>31 Dec 13</b>				
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 1st Quarter 2014 ended 31 March 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 1<sup>st</sup> 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](http://www.fredolsen-energy.com).

These consolidated interim financial statements were approved by the Board of Directors on 6<sup>th</sup> May 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.



# Fred. Olsen Energy ASA

## 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

The Group has repaid USD 62.8 million of the credit facility as per 31 March 2014. The Group has borrowed USD 631.8 million in Q1 2014, including a new bond loan of NOK 1 100 million. The bond was raised in the Norwegian bond market at a coupon of 3 months libor+ 3.0%, with maturity in February 2019. Per 31 March 2014 USD 300 million is undrawn and available under the credit facility for general corporate purposes.

### 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 2014	3 789,5	99,1	21,0	3 909,6
Acquisitions	180,5	1,4	0,0	181,9
Disposals	(0,3)	(0,3)	0,0	(0,6)
Movements in foreign currency	0,0	0,9	0,1	1,0
<b>Balance at 31 Mar 2014</b>	<b>3 969,7</b>	<b>101,1</b>	<b>21,1</b>	<b>4 091,9</b>
<b>Depreciation</b>				
Balance at 1 January 2014	1 351,1	71,3	11,0	1 433,4
Depreciation	60,9	1,6	0,1	62,6
Disposals	(0,3)	(0,3)	0,0	(0,6)
Movements in foreign currency	0,0	0,6	0,0	0,6
<b>Balance at 31 Mar 2014</b>	<b>1 411,7</b>	<b>73,2</b>	<b>11,1</b>	<b>1 496,0</b>
<b>Carrying amounts</b>				
At 1 January 2014	2 438,4	27,8	10,0	2 476,2
At 31 Mar 2014	2 558,0	27,9	10,0	2 595,9

Bollsta Dolphin, under construction, is included as acquisition above with USD 76.7 million based on percent of completion. The total accrued cost related to Bollsta Dolphin per 31 March 2014 is USD 165 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 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

Net financial income per 31 March 2014 include USD 0.3 million of unrealised gain on currency contracts. Interest cost of USD 3.2 million is capitalized to Bolette Dolphin (until delivery) and Bollsta Dolphin under construction.