



Fred. Olsen Energy ASA

Report for the 4th quarter 2014 and preliminary results for 2014

Figures in USD

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 157 MILLION FOR THE 4TH QUARTER 2014 AND EBITDA OF 516 MILLION FOR THE YEAR 2014

HIGHLIGHTS FOR THE QUARTER

- Revenues were 298 million
- EBITDA were 157 million
- Operating profit (EBIT) was 71 million
- Profit before tax was 104 million
- Earnings per share were 1.4

Post quarter events:

- Suspending the dividend payment

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Figures in USD

FINANCIAL INFORMATION (3rd quarter 2014 in brackets)

Operating revenues in the quarter were 297.6 million (335.4 million). Revenues within the offshore drilling division decreased by 37 million, mainly due to yard stay for Borgland Dolphin in connection with the 5-year class renewal survey (CRS). This was partly offset by Bideford Dolphin, undergoing CRS in the previous quarter. Revenues within the engineering and fabrication division were 6.1 million, of which 3 million was related to intra-group activities.

Operating revenues for the year 2014 were 1,184 million.

Operating costs were 141 million (185 million), a decrease of 44 million compared with previous quarter. Operating costs within the offshore drilling division decreased by 39 million. The cost decrease is mainly due to reduced operating cost for Borgny Dolphin, which is cold stacked and reduced cost for Borgland Dolphin in connection with the 5-year class renewal survey. Operating costs within the engineering and fabrication division, including eliminations decreased by 5 million due to lower activities at the yard.

Operating costs for the year were 668 million.

Operating profit before depreciation (EBITDA) was 157 million (151 million). EBITDA for the year were 516 million.

Depreciation, amortisation and impairment amounted to 87 million (135 million). For the year 2014 it amounted to 372 million.

Operating profit after depreciation (EBIT) was 71 million (15 million). Operating profit (EBIT) for the year was 144 million.

Net financial items were 34 million (- 12 million) mainly due to unrealized currency gain related to the two bond loans (FOE 04 and FOE 05). Capitalized interest expenses related to the newbuild in the quarter amounted to 1.7 million (1.7 million). Net financial items for the year were 5 million and capitalized interest expenses related to the newbuilds were 8.6 million.

Profit before tax was 104 million (4 million). Profit before tax for the year was 149 million.

Net profit, including an estimated tax of 9 million (11 million), was 96 million (-8 million). Net profit after tax for the year was 118 million.

Basic earnings per share were 1.4 (-0.1). For the year 2014 basic earnings per share were 1.8.

Dividend

Due to the challenging offshore market and uncertainty of how long this will persist, the Board of Directors will propose to the Annual General Meeting in May to suspend the dividend payment.

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 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 operator has decided not to declare the option for a two-year extension. The unit completed its five-year CRS in 2014.

Borgland Dolphin continued its five-year CRS in the quarter. The yard-stay duration has been rescheduled and the CRS is estimated to be completed by end February. It has been a limited increase in scope, but the structure enhancement work has proven more time consuming than anticipated. The cost estimate remains at 160 million, including a life extension program of 50 million. Upon completion of the CRS, the rig will continue operations under an 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 3rd 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 has completed its operations offshore Ivory Coast and is currently drilling offshore Colombia.

Belford Dolphin continued operations under the four-year drilling contract with Anadarko Petroleum Corporation. The contract expires 1st quarter 2016. The unit is currently operating offshore Mozambique. The unit is now scheduled to undertake its five-year CRS in 2Q 2015.

Blackford Dolphin completed the one-well contract with MPX in October and commenced a contract with Nexen for operations in UK. The contract 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 continued under a 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. The unit commenced its CRS in January 2015. The yard-stay is estimated to be completed early May 2015 with a cost frame USD 125 million. Furthermore, a new BOP will be installed as previously announced.

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. BG has a one month option in relation to this contract.

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 and completed in the quarter, in addition to preparation for the Byford Dolphin CRS.

Oslo, 10th February 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	4Q 2014	3Q 2014	4Q 2013	Year 2014	Year 2013
Operating revenues		286,4	310,0	288,3	1 112,4	1 148,6
Recharged income		11,2	25,4	9,7	71,7	45,8
Total revenues		297,6	335,4	298,0	1 184,1	1 194,4
Operating costs		(129,6)	(159,6)	(172,2)	(597,4)	(578,1)
Recharged expenses		(10,9)	(25,3)	(9,1)	(70,5)	(43,7)
Total operating expenses		(140,5)	(184,9)	(181,3)	(667,9)	(621,8)
Oper. profit before depr. (EBITDA)		157,1	150,5	116,7	516,2	572,6
Depreciation and amortisation	6	(86,6)	(92,4)	(60,1)	(329,4)	(242,3)
Impairment		-	(42,7)	-	(42,7)	-
Operating profit (EBIT)		70,5	15,4	56,6	144,1	330,3
Net financial (expense)/income	8	33,7	(11,8)	(4,5)	4,5	(12,2)
Profit before income taxes		104,2	3,6	52,1	148,6	318,1
Income tax expense		(8,6)	(11,4)	(6,4)	(30,3)	(18,0)
Profit for the period		95,6	(7,8)	45,7	118,3	300,1
Attributable to:						
Shareholders		95,5	(8,1)	46,2	117,3	300,8
Non-controlling interests		0,1	0,3	(0,5)	1,0	(0,7)
Profit for the period		95,6	(7,8)	45,7	118,3	300,1

EPS :

Basic earnings per share	1,44	-0,12	0,70	1,77	4,54
Diluted earnings per share	1,44	-0,12	0,70	1,77	4,54

Outstanding shares

Average number of ordinary shares, basic	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

GROUP STATEMENT OF COMPREHENSIVE INCOME

Unaudited

	4Q 2014	3Q 2014	4Q 2013	Year 2014	Year 2013
Profit for the period	95,6	(7,8)	45,7	118,3	300,1
Actuarial gains/(losses) on defined benefit pension plans	(19,2)	-	(0,6)	(19,2)	(0,6)
Income tax relating to components of other comprehensive income	2,6	-	(1,1)	2,6	(1,1)
Exchange differences on translation of foreign operations	(5,5)	(0,5)	0,2	(8,1)	(0,8)
Total comprehensive income for the period	73,5	(8,3)	44,2	93,6	297,6
Attributable to:					
Shareholders	74,6	(8,6)	44,3	93,8	297,7
Non-controlling interests	(1,1)	0,3	(0,1)	(0,2)	(0,1)
Total comprehensive income for the period	73,5	(8,3)	44,2	93,6	297,6



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

STATEMENT OF FINANCIAL POSITION

Unaudited

(USD mill)

		31 Dec 14	30 Sep 14	31 Dec 13
Intangible assets		13,3	15,3	16,2
Property, plant & equipment	6	2 901,6	2 795,8	2 476,2
Other non-current assets		31,4	28,3	27,0
Total non-current assets		2 946,3	2 839,4	2 519,4
Inventories		115,2	112,6	103,0
Trade and other receivables		176,5	211,0	189,6
Other current assets		27,2	36,8	31,7
Cash and cash equivalents		203,4	174,5	222,1
Total current assets		522,3	534,9	546,4
Total assets		3 468,6	3 374,3	3 065,8
Share capital		193,3	193,3	193,3
Other equity		1 114,6	1 040,5	1 243,6
Non-controlling interests		-	0,6	-
Total Equity	9	1 307,9	1 234,4	1 436,9
Non-current interest-bearing loans and borrowings	5	1 359,9	1 409,6	662,2
Other non-current liabilities		139,0	131,2	124,6
Total non-current liabilities		1 498,9	1 540,8	786,8
Current interest-bearing loans and borrowings	5	95,5	95,5	131,2
Other current liabilities	6	566,3	503,6	710,9
Total current liabilities		661,8	599,1	842,1
Total equity and liabilities		3 468,6	3 374,3	3 065,8

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
Year 2013								
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)	-	298,4	297,6	-	297,6
Dividend	-	-	-	-	(227,0)	(227,0)	-	(227,0)
Balance at 31 Dec 2013	193,3	83,5	15,0	(1,2)	1 146,3	1 436,9	-	1 436,9
Year 2014								
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



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (USD mill)	Note	Year 2014	Year 2013
Cash flows from operating activities			
Profit before income tax		148,6	318,1
<i>Adjustment for:</i>			
Depreciation, amortisation and impairment		372,1	242,3
Interest expense	8	41,6	19,5
Gain/(loss) on sales of fixed assets		0,2	(0,6)
Changes in working capital		(27,4)	(5,1)
Unrealised loss/(gain) financial instruments/debt		(67,0)	(32,4)
Cash generated from operations		468,1	541,8
Interest paid		(44,2)	(38,1)
Taxes paid		(29,1)	(15,2)
Net cash from operating activities		394,8	488,5
Cash flows from investing activities			
Net investment in fixed assets		(941,0)	(212,4)
Proceeds from sale of equipment		0,3	1,1
Net cash used to investing activities		(940,7)	(211,3)
Cash flows from financing activities			
Borrowing of interest bearing debt		1 933,6	115,0
Repayments of interest bearing debt	5	(1 183,2)	(191,2)
Dividend paid	9	(222,6)	(227,0)
Net cash from financing activities		527,8	(303,2)
Foreign currency		(0,6)	(1,0)
Net change in cash and cash equivalents		(18,1)	(26,0)
Cash and cash equivalents at the beg. of period		222,1	249,1
Cash and cash equiv. at the end of period		203,4	222,1



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Notes

1. Segment information

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
4Q 2014				
Revenues from external customers	294,5	3,1	-	297,6
Inter-segment revenues	-	3,0	(3,0)	-
Total revenues	294,5	6,1	(3,0)	297,6
Operating costs	(139,0)	(4,4)	2,9	(140,5)
Oper. profit before depr. (EBITDA)	155,5	1,7	(0,1)	157,1
Depreciation and amortisation	(86,0)	(0,6)	-	(86,6)
Operating profit (EBIT)	69,5	1,1	(0,1)	70,5
3Q 2014				
Revenues from external customers	331,0	4,4	-	335,4
Inter-segment revenues	-	9,2	(9,2)	-
Total revenues	331,0	13,6	(9,2)	335,4
Operating costs	(178,1)	(9,6)	2,8	(184,9)
Oper. profit before depr. (EBITDA)	152,9	4,0	(6,4)	150,5
Depreciation and amortisation	(91,8)	(0,6)	-	(92,4)
Impairment	(42,7)	-	-	(42,7)
Operating profit (EBIT)	18,4	3,4	(6,4)	15,4
4Q 2013				
Revenues from external customers	281,3	16,7	-	298,0
Inter-segment revenues	-	8,4	(8,4)	-
Total revenues	281,3	25,1	(8,4)	298,0
Operating costs	(158,3)	(31,4)	8,4	(181,3)
Oper. profit before depr. (EBITDA)	123,0	(6,3)	-	116,7
Depreciation and amortisation	(59,7)	(0,4)	-	(60,1)
Operating profit (EBIT)	63,3	(6,7)	-	56,6
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
Year 2013				
Revenues from external customers	1 152,5	41,9	-	1 194,4
Inter-segment revenues	-	8,8	(8,8)	-
Total revenues	1 152,5	50,7	(8,8)	1 194,4
Operating costs	(572,8)	(57,8)	8,8	(621,8)
Oper. profit before depr. (EBITDA)	579,7	(7,1)	-	572,6
Depreciation and amortisation	(240,7)	(1,6)	-	(242,3)
Operating profit (EBIT)	339,0	(8,7)	-	330,3

* Includes Fred. Olsen Energy ASA

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
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
31 Dec 13				
Segment assets	3 007,3	62,1	(3,6)	3 065,8
Segment liabilities	1 567,3	65,2	(3,6)	1 628,9



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

2. Introduction

The consolidated interim financial statements for 4th Quarter 2014 ended 31 December 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 1st 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.

The Board of Directors approved these consolidated interim financial statements on 10th February 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 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 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 2013.

As of 31 December 2014, impairment analysis were performed in accordance with IAS 36 due to external indicators in the market. Borgny Dolphin was impaired in Q3, no further assets have been impaired based on the results of the impairment analysis.

5. Interest-bearing loans and borrowings

At the end of second quarter, Fred. Olsen Energy ASA signed a new six year bank credit facility of USD 2 000 million. The credit facility was used to repay existing bank loan of USD 1 089 million in the third quarter, and the remainder will be used to full-finance the newbuild Bollsta Dolphin and for general corporate purposes. USD 1 150 million is drawn under the new credit facility and available lines were USD 300 million as per 31 December 2014.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

The Group had repaid USD 94.4 million of the previous credit facility as per 30 June 2014. The Group had drawn USD 600 million during 1st half year 2014 in addition to a new bond loan of NOK 1 100 million. The bond was raised in the Norwegian bond market at a coupon of 3 months nibar + 3.0%, with maturity in February 2019.

6. Property, plant and equipment

(USD mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2014	3 789,5	99,1	21,0	3 909,6
Acquisitions	790,8	5,8	4,1	800,7
Disposals	(27,5)	(1,6)	0,0	(29,1)
Movements in foreign currency	0,0	(7,7)	(1,7)	(9,4)
Balance at 31 Dec 2014	4 552,8	95,6	23,4	4 671,8
Depreciation				
Balance at 1 January 2014	1 351,1	71,3	11,0	1 433,4
Depreciation	321,8	7,0	0,6	329,4
Impairment	42,7	0,0	0,0	42,7
Disposals	(27,5)	(1,1)	0,0	(28,6)
Movements in foreign currency	0,0	(5,8)	(0,9)	(6,7)
Balance at 31 Dec 2014	1 688,1	71,4	10,7	1 770,2
Carrying amounts				
At 1 January 2014	2 438,4	27,8	10,0	2 476,2
At 31 Dec 2014	2 864,7	24,2	12,7	2 901,6

Bollsta Dolphin, under construction, is included as acquisition above with USD 234 million based on percent of completion. The total accrued cost related to Bollsta Dolphin per 31 December 2014 is USD 293 million recorded under other current liabilities.

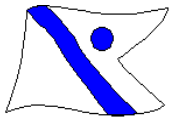
The impairment charge of USD 42.7 million is related to Borgny Dolphin.

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 2013.

8. Financial expenses

Interest cost of USD 8.6 million is capitalized to Bolette Dolphin (until delivery) and Bollsta Dolphin under construction.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

9. Dividend

The Annual General Meeting in May 2014 approved the Board's proposal of an ordinary dividend payment of NOK 10 and an extraordinary dividend payment of NOK 10 per share for the year 2013. The payment was made in June 2014 and amounted to NOK 1 325.3 million (USD 222.6 million).