

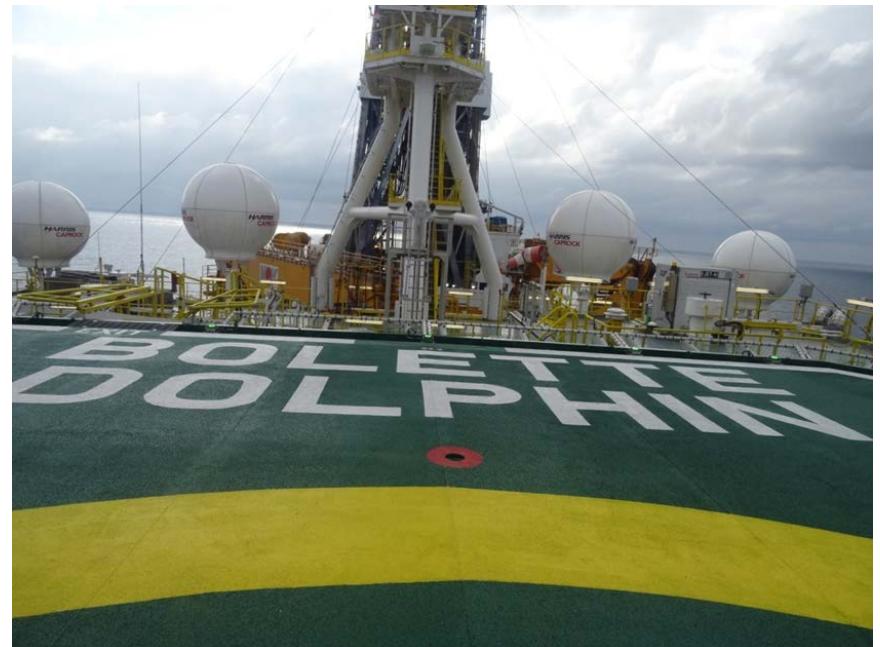


## Financial results 2Q 2016

Oslo,  
14 July 2016

# AGENDA

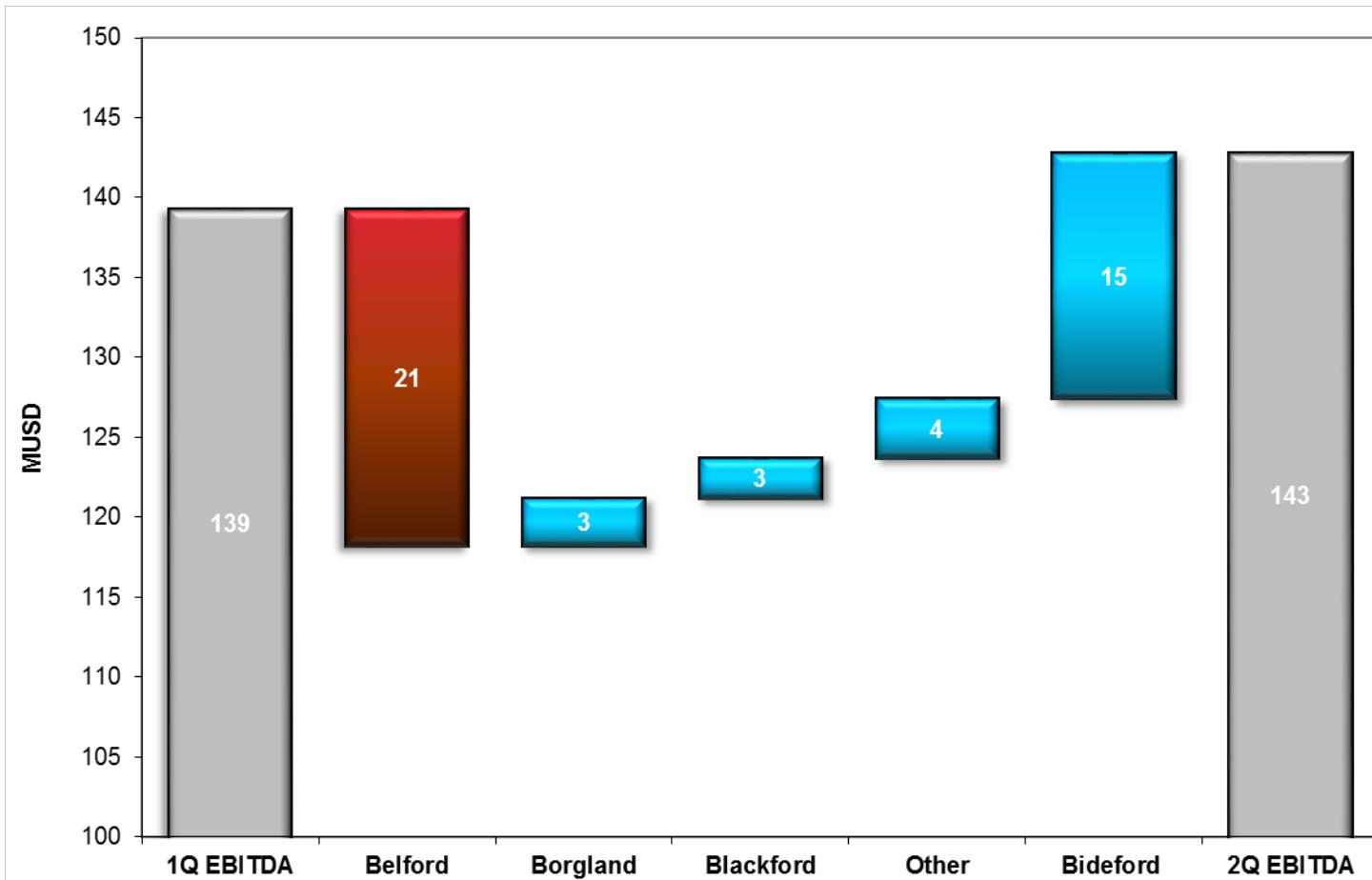
- FINANCIAL RESULTS 2Q 2016
- MARKET
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- SUMMARY



# Income Statement – Key Figures

(USD mill)	2Q 2016	1Q 2016	Change
Operating revenues	215,3	230,7	(15,4)
Recharged income	4,0	4,6	(0,6)
<b>Total revenues</b>	<b>219,3</b>	<b>235,3</b>	<b>(16,0)</b>
Operating costs	(72,6)	(91,5)	18,9
Recharged expenses	(3,9)	(4,5)	0,6
<b>Total operating expenses</b>	<b>(76,5)</b>	<b>(96,0)</b>	<b>19,5</b>
<b>Oper. result before depr. (EBITDA)</b>	<b>142,8</b>	<b>139,3</b>	<b>3,5</b>
Depreciation	(79,6)	(75,4)	(4,2)
Impairment	(159,0)	-	(159,0)
<b>Operating result (EBIT)</b>	<b>(95,8)</b>	<b>63,9</b>	<b>(159,7)</b>
Net financial items	(11,1)	(25,3)	14,2
<b>Result before tax</b>	<b>(106,9)</b>	<b>38,6</b>	<b>(145,5)</b>
Estimated tax	(7,1)	(5,8)	(1,3)
<b>Net result</b>	<b>(114,0)</b>	<b>32,8</b>	<b>(146,8)</b>

# EBITDA Comparison 2Q 2016 vs. 1Q 2016



# Financial Items Breakdown

(USD mill)	2Q 2016	1Q 2016	Change
Interest income	0,5	0,2	0,3
Other financial income	-	0,4	(0,4)
Gains on financial instruments	9,3	5,1	4,2
<b>Financial income</b>	<b>9,8</b>	<b>5,7</b>	<b>4,1</b>
Interest expenses	(9,7)	(10,5)	0,8
Losses on financial instruments	(11,1)	(1,3)	(9,8)
Other financial expenses	(1,9)	(2,2)	0,3
<b>Financial expenses</b>	<b>(22,7)</b>	<b>(14,0)</b>	<b>(8,7)</b>
Net foreign currency gain	1,8	(17,0)	18,8
<b>Net financial items</b>	<b>(11,1)</b>	<b>(25,3)</b>	<b>14,2</b>

# Offshore Drilling Segment

(USD mill)	2Q 2016	1Q 2016	Change
Operating revenues	214,3	225,4	(11,1)
Recharged income	4,0	4,6	(0,6)
<b>Total revenues</b>	<b>218,3</b>	<b>230,0</b>	<b>(11,7)</b>
Operating costs	(68,7)	(83,9)	15,2
Recharged expenses	(3,9)	(4,5)	0,6
<b>Total operating expenses</b>	<b>(72,6)</b>	<b>(88,4)</b>	<b>15,8</b>
<b>Oper. result before depr. (EBITDA)</b>	<b>145,7</b>	<b>141,6</b>	<b>4,1</b>
Depreciation	(79,0)	(74,8)	(4,2)
Impairment	(159,0)	-	(159,0)
<b>Operating result (EBIT)</b>	<b>(92,3)</b>	<b>66,8</b>	<b>(159,1)</b>

# Engineering & Fabrication Segment

(USD mill)	2Q 2016	1Q 2016	Change
Operating revenues (external)	1,0	5,3	(4,3)
Inter-segment revenues	0,2	0,4	(0,2)
<b>Total operating revenues</b>	<b>1,2</b>	<b>5,7</b>	<b>(4,5)</b>
Operating costs	(4,1)	(8,0)	3,9
<b>Oper. result before depr. (EBITDA)</b>	<b>(2,9)</b>	<b>(2,3)</b>	<b>(0,6)</b>
Depreciation	(0,6)	(0,6)	-
<b>Operating result (EBIT)</b>	<b>(3,5)</b>	<b>(2,9)</b>	<b>(0,6)</b>

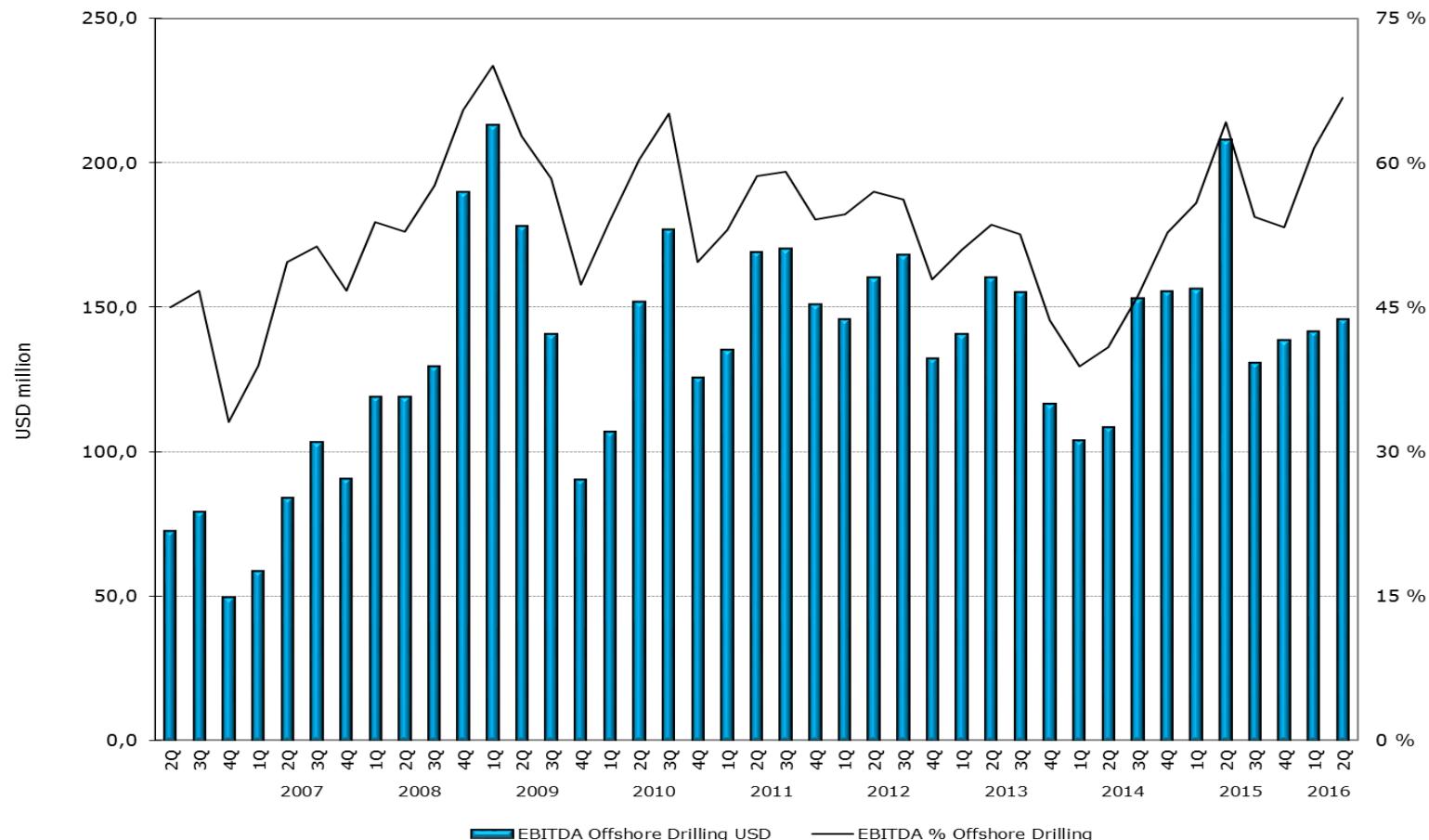
# Consolidated Balance Sheet

(USD mill)	30 Jun 2016	31 Mar 2016	Change
Intangible assets	11,8	11,9	(0,1)
Property, plant & equipment	1 553,7	1 790,9	(237,2)
Other non-current assets	19,9	20,2	(0,3)
<b>Total non-current assets</b>	<b>1 585,4</b>	<b>1 823,0</b>	<b>(237,6)</b>
Other current assets	467,2	456,4	10,8
Cash and cash equivalents	132,9	197,1	(64,2)
<b>Total current assets</b>	<b>600,1</b>	<b>653,5</b>	<b>(53,4)</b>
<b>Total assets</b>	<b>2 185,5</b>	<b>2 476,5</b>	<b>(291,0)</b>
<b>Equity</b>	<b>885,3</b>	<b>1 000,4</b>	<b>(115,1)</b>
Non-current interest bearing debt	910,9	916,2	(5,3)
Other non-current liabilities	102,2	103,7	(1,5)
<b>Total non-current liabilities</b>	<b>1 013,1</b>	<b>1 019,9</b>	<b>(6,8)</b>
Current interest bearing debt	190,9	312,2	(121,3)
Other current liabilities	96,2	144,0	(47,8)
<b>Total current liabilities</b>	<b>287,1</b>	<b>456,2</b>	<b>(169,1)</b>
<b>Total equity and liabilities</b>	<b>2 185,5</b>	<b>2 476,5</b>	<b>(291,0)</b>

# Consolidated Cash Flow

(USD mill)	2Q 2016	1Q 2016	Change
Profit before income taxes	(106,9)	38,6	(145,5)
Depreciation and impairment	238,6	75,4	163,2
Interest expense	11,1	11,9	(0,8)
Changes in working capital	(42,3)	(21,5)	(20,8)
Unrealized loss/(gain) financial instruments	(10,3)	11,2	(21,5)
<b>Cash generated from operations</b>	<b>90,2</b>	<b>115,6</b>	<b>(25,4)</b>
Interest paid	(10,5)	(10,5)	-
Taxes paid	(8,0)	6,2	(14,2)
<b>Net cash flow from operating activities</b>	<b>71,7</b>	<b>111,3</b>	<b>(39,6)</b>
Net investment in fixed assets	(6,0)	(12,6)	6,6
<b>Cash flow used in investment activities</b>	<b>(6,0)</b>	<b>(12,6)</b>	<b>6,6</b>
Proceeds from interest bearing loans	90,0	40,0	50,0
Repayments of interest bearing loans	(217,1)	(156,4)	(60,7)
<b>Cash flow used in financing activities</b>	<b>(127,1)</b>	<b>(116,4)</b>	<b>(10,7)</b>
Foreign currency	(2,8)	0,7	(3,5)
Net change in cash and cash equivalents	(61,4)	(17,7)	(43,7)
Cash at beginning of period	197,1	214,1	(17,0)
<b>Cash at end of period</b>	<b>132,9</b>	<b>197,1</b>	<b>(64,2)</b>

# Offshore drilling EBITDA and margin



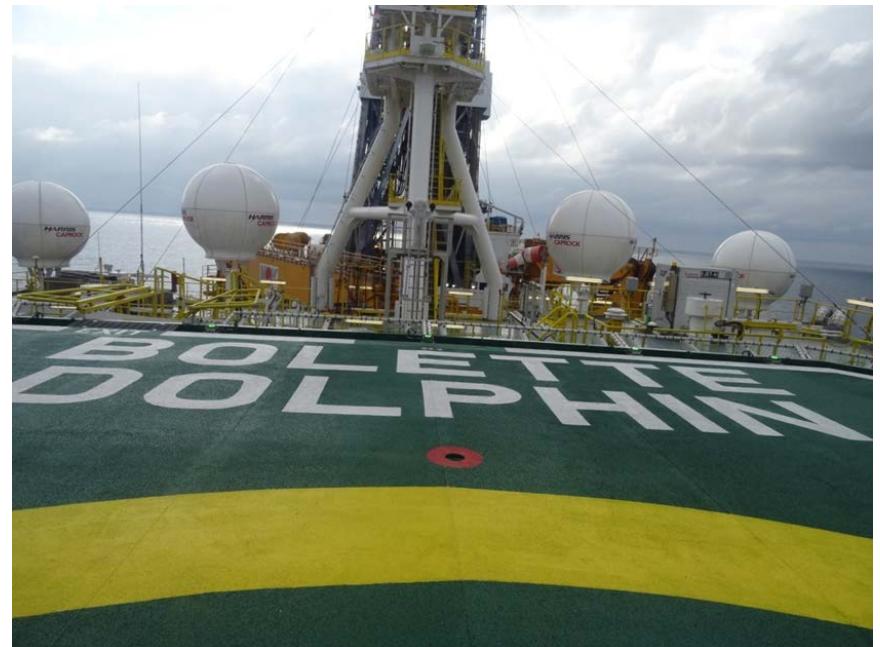
# Fleet status

RIG	DESIGN	W DEPTH	LOCATION	CLIENT	CONTRACT STATUS	DAY RATE (USD)	NEXT CRS
<b>ULTRA- / DEEPWATER UNITS</b>							
Bolette Dolphin	DS/ Gusto P10'	12 000	Ivory Coast	Anadarko	2Q 2014 - 2Q 2018	488 000	1Q 2019
Belford Dolphin	DS / LMG Marin	10 000	Malaysia		Idle		
Blackford Dolphin	SS / Aker H-3	7 000	UK	Chevron	July '15 - January '17	428 000	2Q 2019
<b>MID WATER FLOATERS NORWAY</b>							
Bideford Dolphin*	SS / Aker H-3	1 500	Norway	Statoil	January '14 - January '17	NOK 1048' + USD 301'	2Q 2019
Borgland Dolphin	SS / Aker H-3	1 500	Norway	Consortium**	April '14 - August '16	NOK 1057' + USD 349'	1Q 2020
Bredford Dolphin	SS / Aker H-3	1 500	Norway		Idle		2Q 2017
<b>MID WATER FLOATERS UK</b>							
Byford Dolphin	SS / Aker H-3	1 500	UK	BP	April '13 - September '16	345 500	2Q 2020
Borgsten Dolphin	Tender support / AH-3		UK	Total	October '15 - January '18	166 000	1Q 2018
Borgholm Dolphin	Accomodation / AH-3		UK		Idle		4Q 2017

\* Suspended approx. three months at a suspension rate of 80%

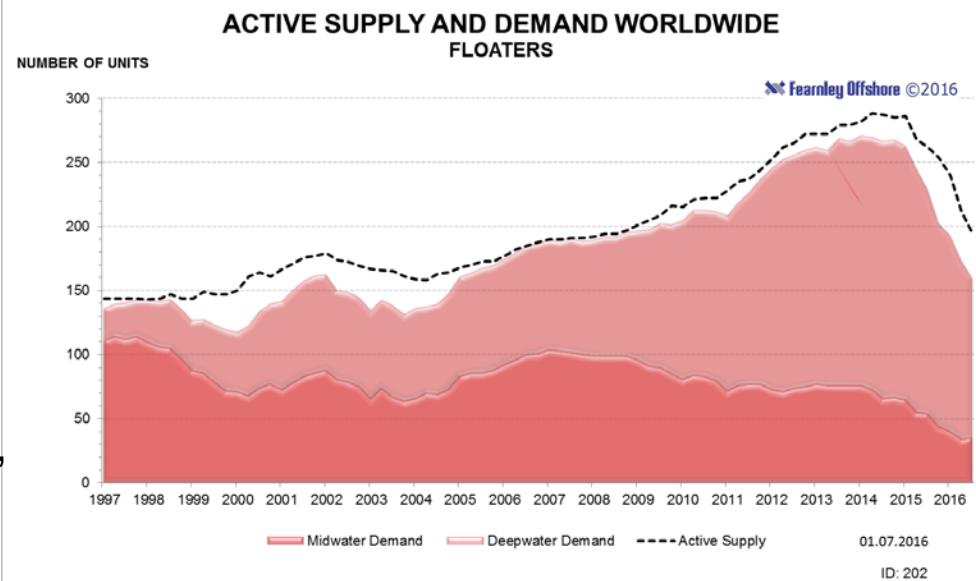
\*\* Participants in the consortium: Wintershall, Tullow Oil, E.ON Ruhrgas, Suncor Energy

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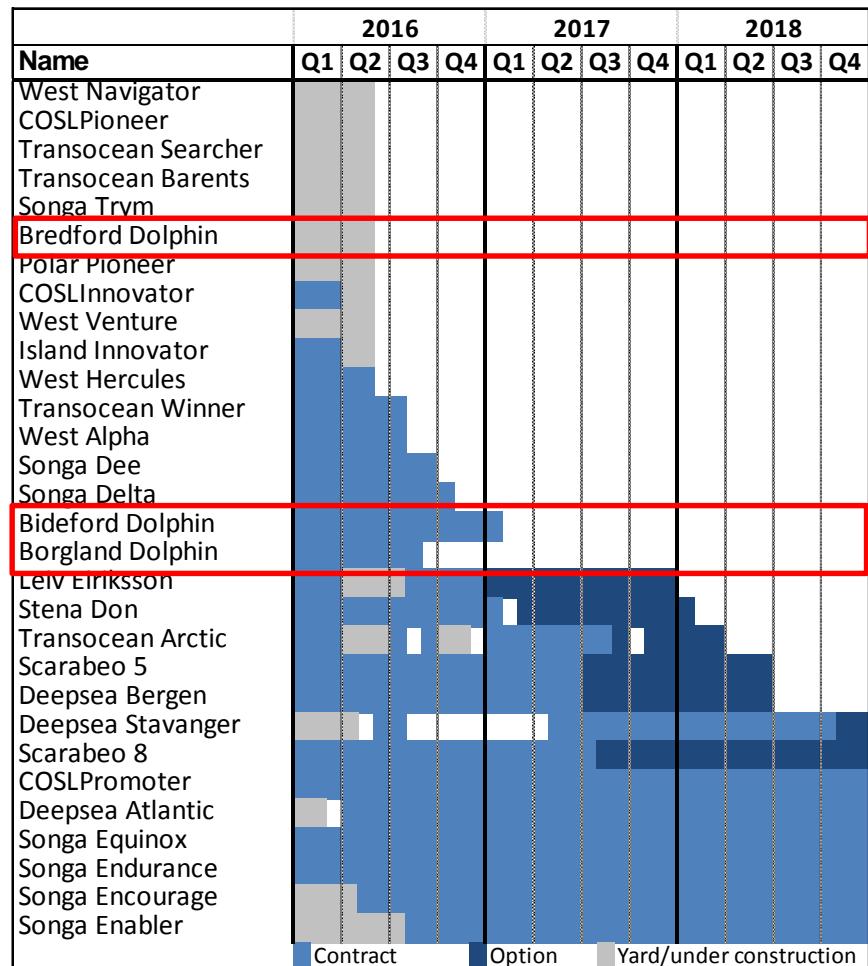
# Global market – floating units

- A rebalancing of the oil market is emerging late 2016/early 2017
- Modest recovery in oil price expected to continue going forward
- Natural decline becoming visible from North America shale producers and mature offshore fields
- Overcapacity dominates the rig scene, consequently cold stacking and scrapping will continue
- Earlier recovery of the mid-water is expected to materialize as compared to the ultra-deepwater



# Norwegian floater market

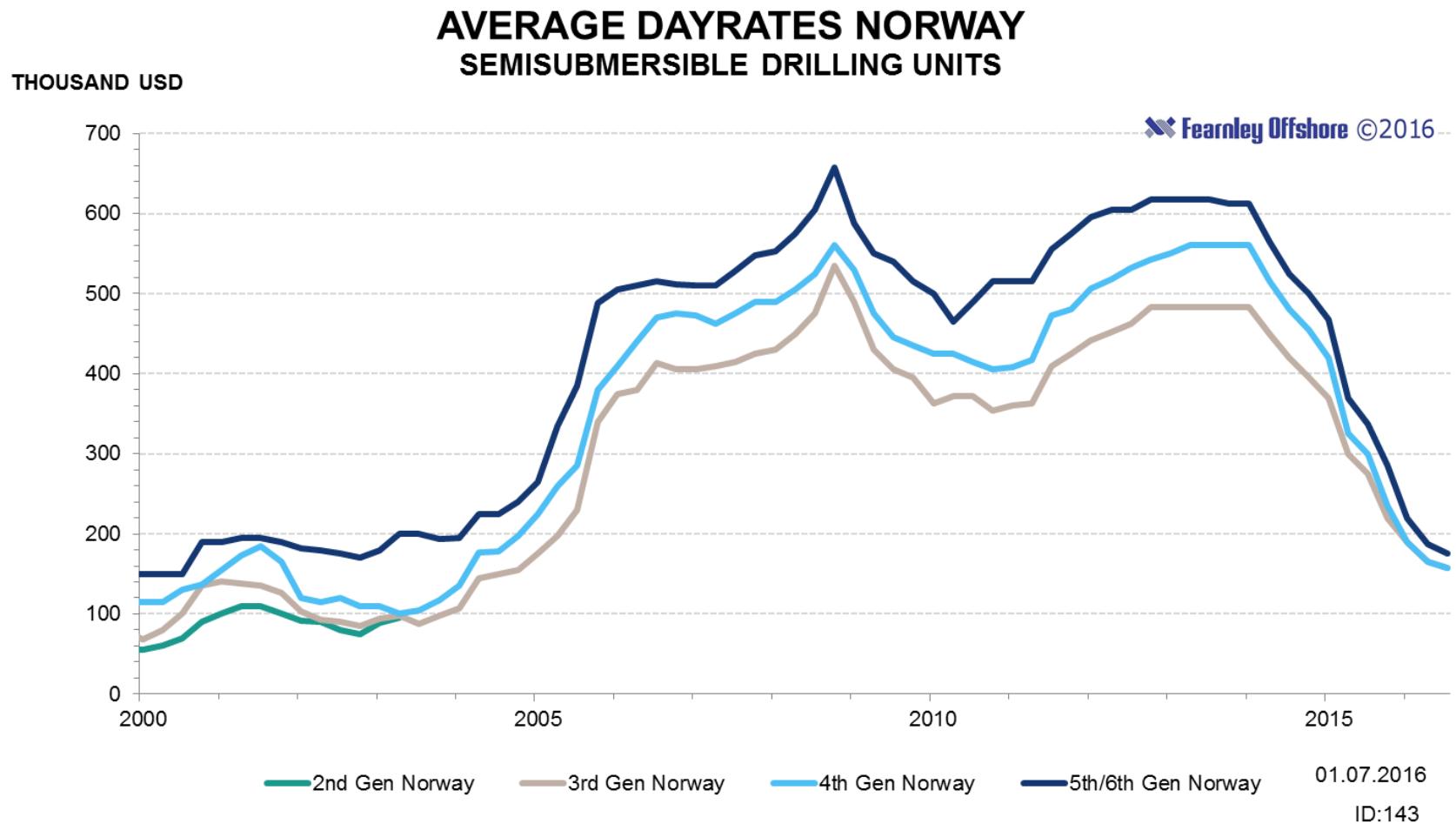
- There has been a considerable reduction in the utilization of the rig fleet in Norway during the last year and this is expected to continue into 2017
- Expect increased number of cold stacked units
- Few new visible contract opportunities in second half 2016 and into 2017



As per July 2016

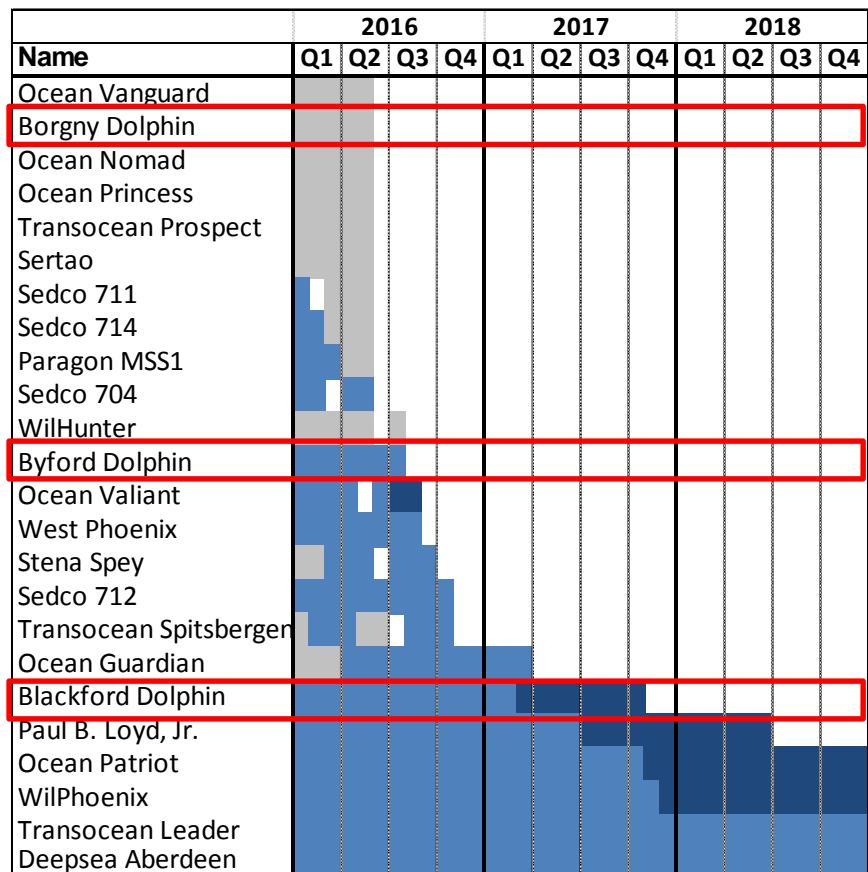
Source: DNB and the Company

## Average dayrates Norway



# UK floater market

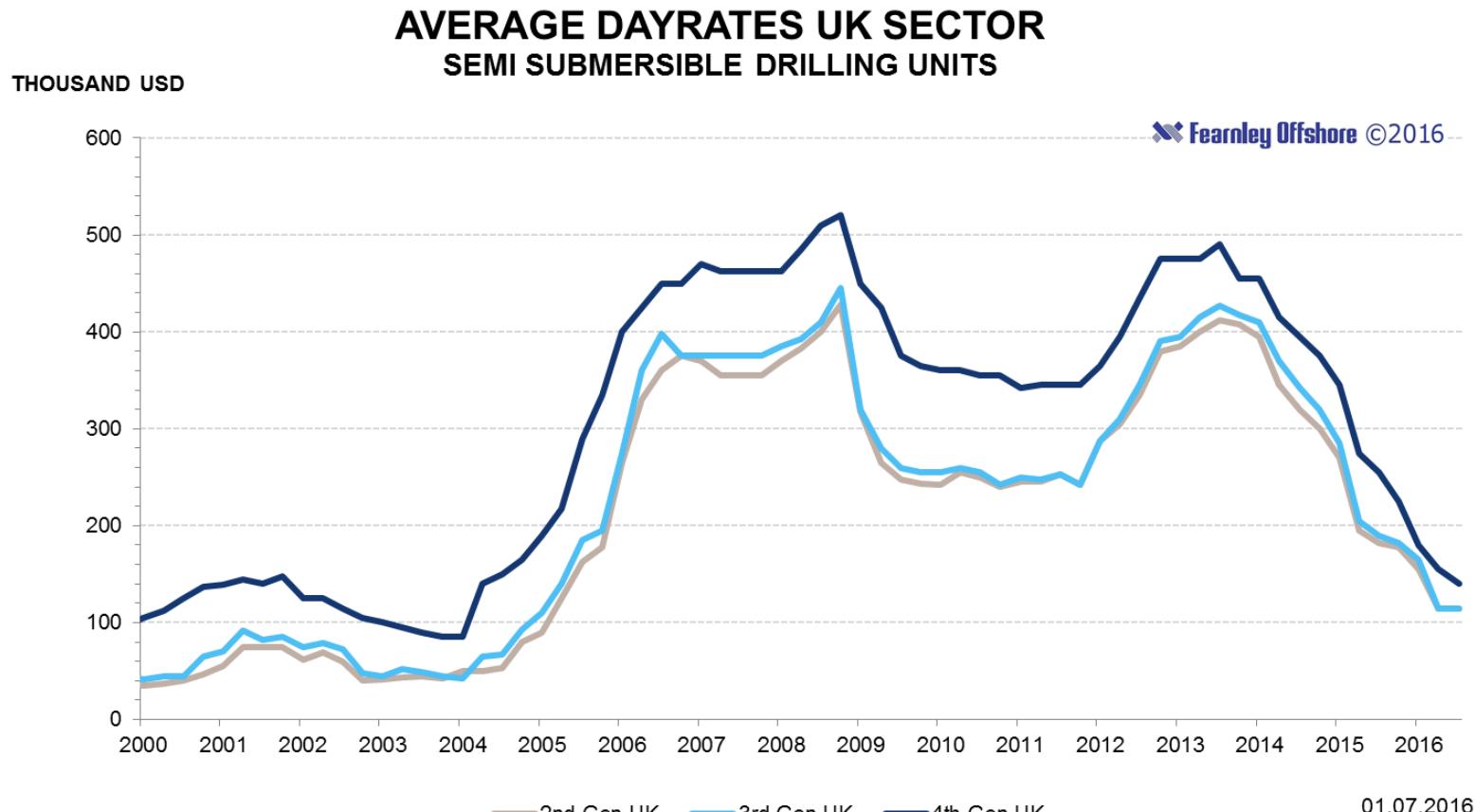
- The utilization in the UK market is approaching a historical low
- However some requests and tender activity for work with start up late 2016 and into 2017
- A moderate improvement in drilling activity is expected
- The low project and maintenance activity in general is affecting the accommodation segment, with no short-term visibility



As per July 2016

Source: DNB

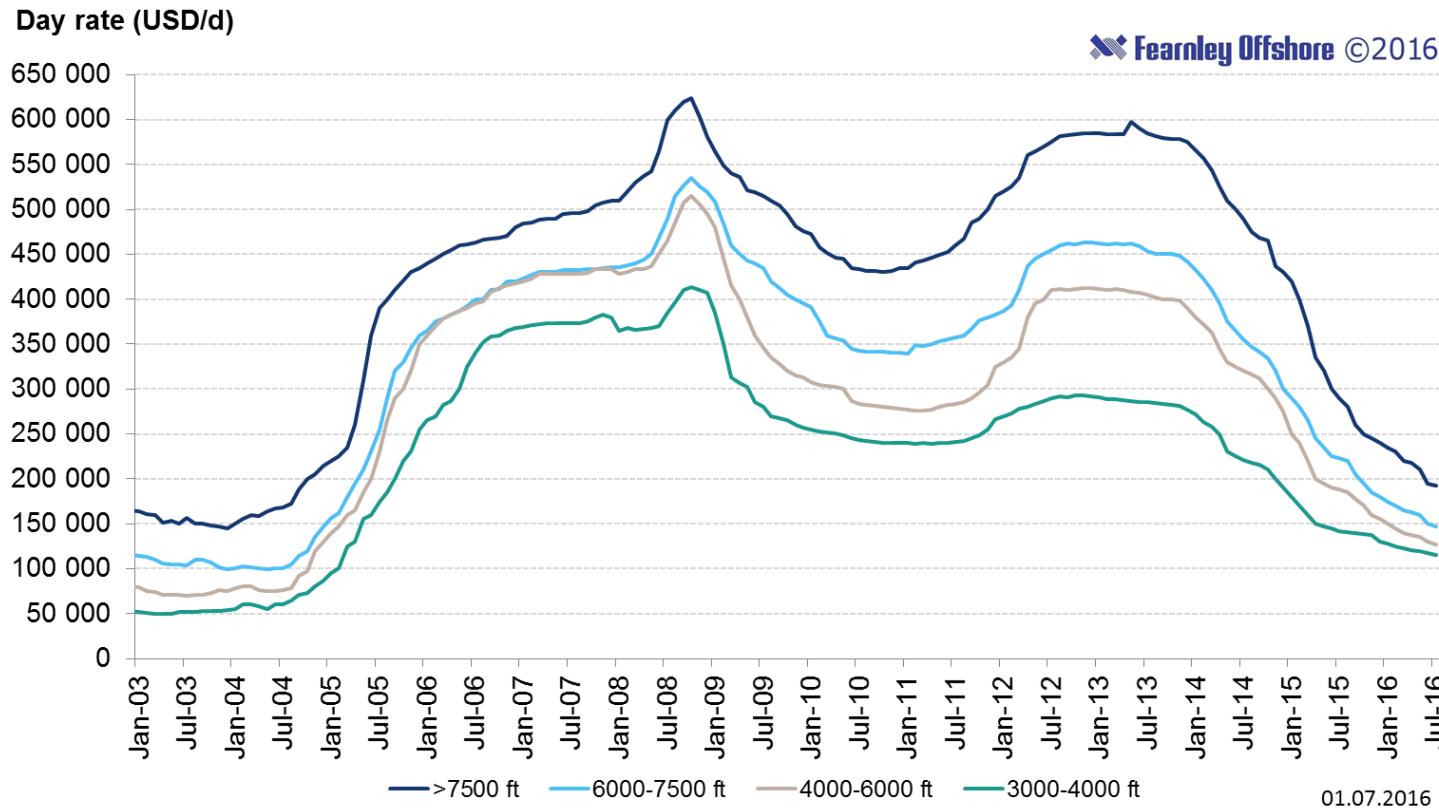
# Average dayrates UK



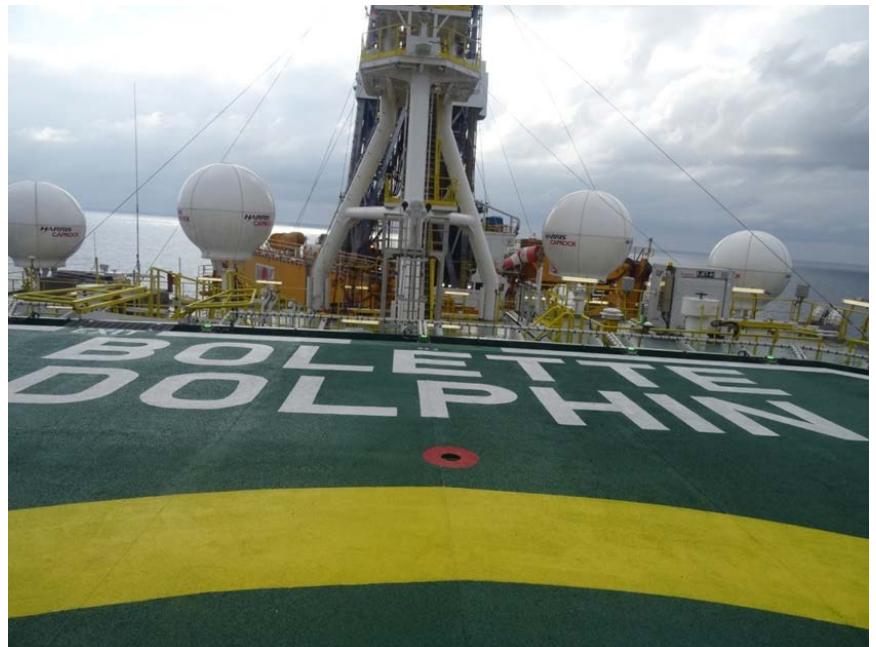
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# Deepwater dayrates - worldwide

## WORLDWIDE DEEPWATER DRILLING UNITS MARKET RATE ASSESSMENT BY WATER DEPTH SEGMENT



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# Fred. Olsen Energy – Operating worldwide

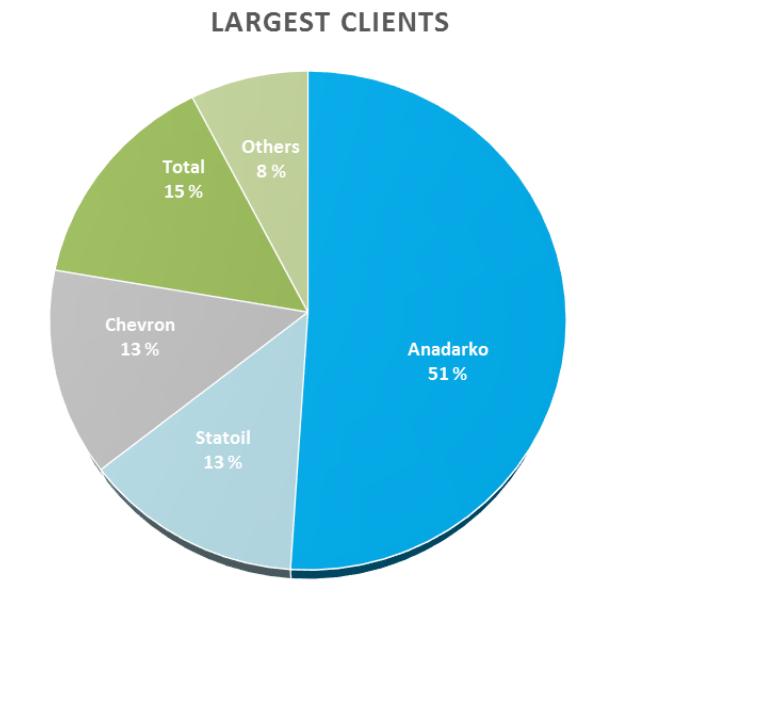
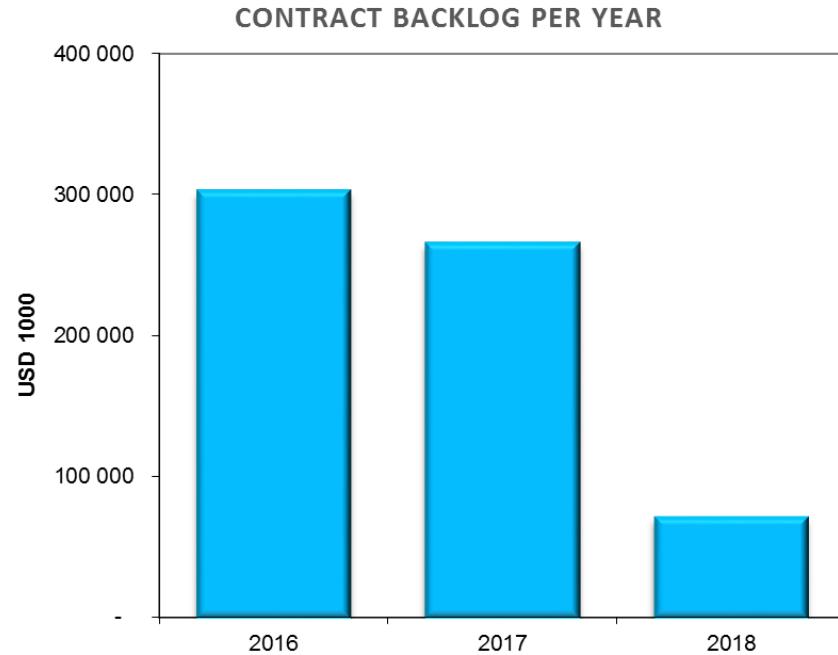


## Contract overview

Unit	2016	2017	2018
Bolette		Anadarko	
Belford	1)		
Blackford		Chevron	
Bideford	Statoil 2)		
Borgland	RMN Cons.		
Bredford			
Byford	BP		
Borgsten		Total	
Borgholm			
	1) Terminated for convenience		
	2) Suspended		

Average contract length approximately 6.5 months

# Contract backlog



Total backlog approx. USD 650 million

# Ultra deepwater

## Bolette Dolphin

- Ultra-deepwater drillship delivered in February 2014 from Hyundai Heavy Industries Ltd.
- Operates under a four-year contract with Anadarko, estimated to expire 2Q 2018
- The unit is currently drilling offshore the Ivory Coast



## Belford Dolphin

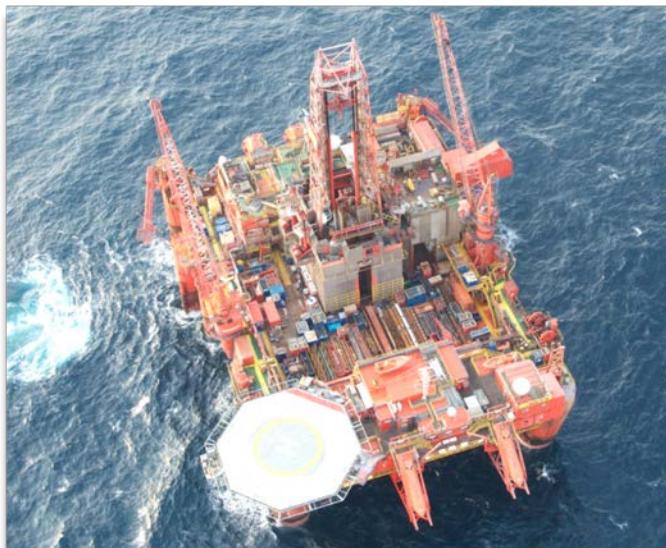
- Completed the five-year class renewal survey at the Keppel yard in October 2015
- Has undergone a preservation program and is cold stacked, located outside Labuan, Malaysia
- The unit is marketed for contract possibilities worldwide



# Midwater - Norway

## Borgland Dolphin

- Continued its operations under the 18-well contract with an RMN consortium
- The duration of the drilling program has been significantly reduced by some of the clients and the rig is now estimated to complete the contract in August 2016
- Due to the significant deviation between original contract estimate and actual days of operations, the Company will explore its legal rights to recover some of the reduced income
- The unit completed its class renewal survey February 2015



## Bideford Dolphin

- Operates under a three-year contract with Statoil, estimated to be completed end of January 2017
- Completed its class renewal survey July 2014
- In June 2016, the Company received a notice of suspension from Statoil. The suspension period is approximately three months, starting in the beginning of July. Compensation during the suspension period is 80% of the dayrate



# Midwater - Norway / United Kingdom

## Bredford Dolphin

- Completed the 12-well contract with an AGR consortium early January 2016
- The unit is cold stacked at Kvinesdal, Norway
- The class renewal survey was completed August 2012



## Borgholm Dolphin

- The unit is cold stacked and located at the quay side of Harland & Wolff
- Class renewal survey was completed March 2013



# Midwater - United Kingdom (cont.)

## Byford Dolphin

- Continued under the contract with BP Exploration in the UK. The contract is estimated to expire 3Q 2016
- The unit completed its class renewal survey July 2015



## Borgsten Dolphin

- Continued under the tender support services contract with Total E&P UK
- The contract rate was amended from October 2015 with estimated expiry of the contact in January 2018, subject to certain early termination rights
- Completed class renewal survey and conversion to tender support vessel in February 2013



# Deepwater – United Kingdom

## Blackford Dolphin

- Continued the 572 days contract with Chevron offshore UK
- The contract is estimated to expire around January 2017
- Completed its class renewal survey in June 2014



# Decommissioning of Borgny Dolphin

- Borgny Dolphin has been cold stacked at the Harland & Wolff shipyard in Belfast after the contract with Petrobras expired in 2014 with no renewal of class certificates
- After all alternative solutions have been evaluated, the Company has decided to decommission the unit
- The transaction is estimated to take place in third quarter 2016



## Harland & Wolff

- Focus on ship repair, ship building, steel fabrication and engineering services
- The activity has been limited during the quarter
- Borgny Dolphin and Borgholm Dolphin remained cold-stacked at the yard



# Summary

- **Financial**
  - Revenues were USD 219 million
  - EBITDA was USD 143 million
  - Profit before tax was USD negative 107 million
  - Impairments amounted to USD 159 million
  - Contract backlog amounting to approximately USD 650 million
- **Operational**
  - Bideford Dolphin suspended through third quarter 2016
- **Market**
  - Average contract duration approximately 6.5 months

