



Financial results 3Q 2014

Oslo,
28 October 2014

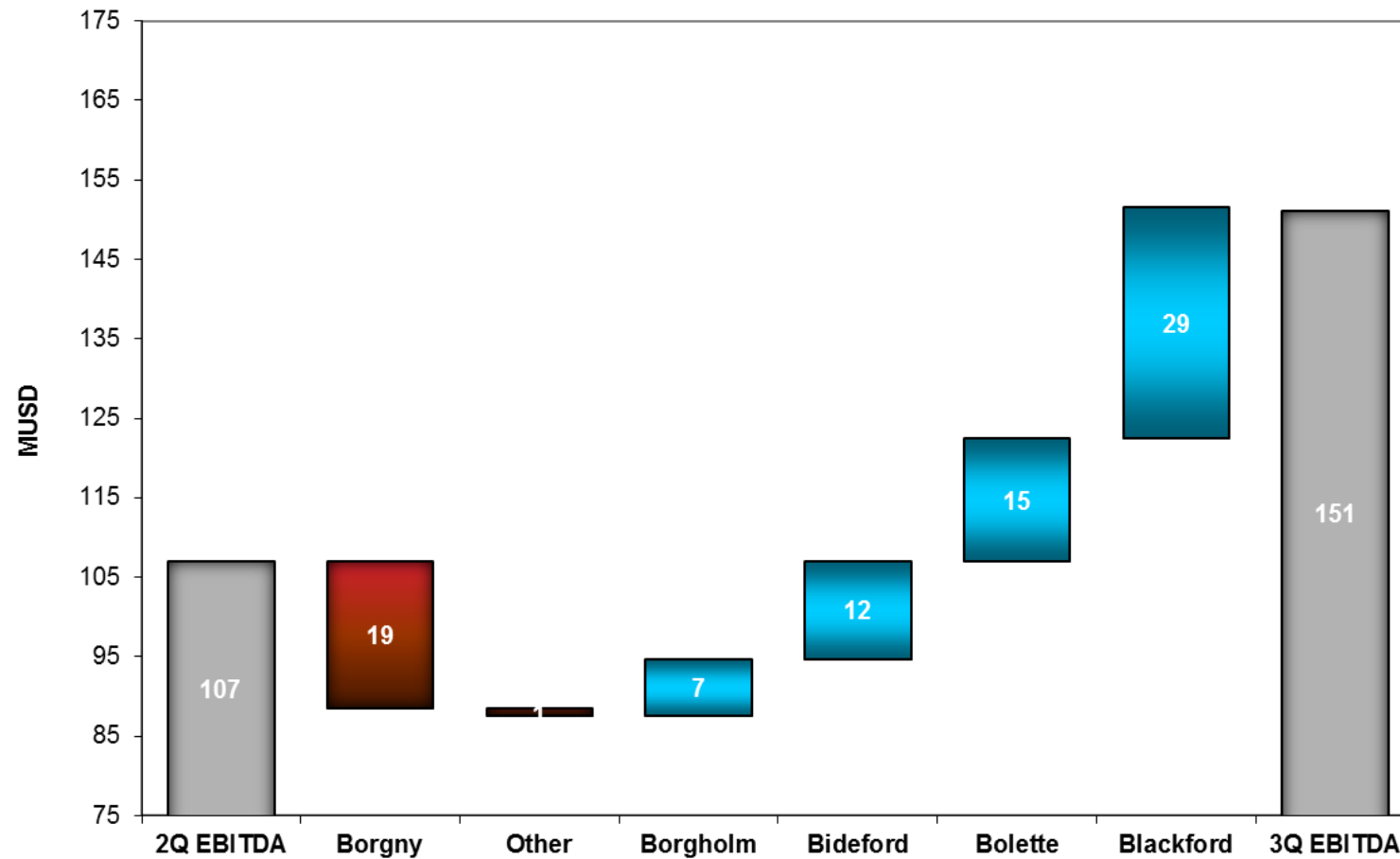
AGENDA

- **FINANCIAL RESULTS 3Q 2014**
- MARKETS
- OPERATIONS
- SUMMARY

Income Statement – Key Figures

(USD mill)	3Q 2014	2Q 2014	Change
Operating revenues	310,0	256,8	53,2
Recharged income	25,4	16,5	8,9
Total revenues	335,4	273,3	62,1
Operating costs	(159,6)	(150,5)	(9,1)
Recharged expenses	(25,3)	(16,2)	(9,1)
Total operating expenses	(184,9)	(166,7)	(18,2)
Oper. result before depr. (EBITDA)	150,5	106,6	43,9
Depreciation	(92,4)	(87,8)	(4,6)
Impairment	(42,7)	-	(42,7)
Operating result (EBIT)	15,4	18,8	(3,4)
Net financial items	(11,8)	(2,5)	(9,3)
Result before tax	3,6	16,3	(12,7)
Estimated tax	(11,4)	(9,3)	(2,1)
Net result	(7,8)	7,0	(14,8)

EBITDA Comparison 3Q 2014 vs. 2Q 2014



Financial Items Breakdown

(USD mill)	3Q 2014	2Q 2014	Change
Interest income	0,6	1,0	(0,4)
Gains on financial instruments	0,6	-	0,6
Financial income	1,2	1,0	0,2
Interest expenses	(12,1)	(14,8)	2,7
Capitalized borrowing cost (projects)	1,7	2,0	(0,3)
Losses on financial instruments	(2,2)	(1,2)	(1,0)
Other financial expenses	(21,2)	(2,8)	(18,4)
Financial expenses	(33,8)	(16,8)	(17,0)
Net foreign currency gain/(loss)	20,8	13,3	7,5
Net financial items	(11,8)	(2,5)	(9,3)

Offshore Drilling Segment

(USD mill)	3Q 2014	2Q 2014	Change
Operating revenues	305,6	249,0	56,6
Recharged income	25,4	16,5	8,9
Total revenues	331,0	265,5	65,5
Operating costs	(152,8)	(140,9)	(11,9)
Recharged expenses	(25,3)	(16,2)	(9,1)
Total operating expenses	(178,1)	(157,1)	(21,0)
Oper. result before depr. (EBITDA)	152,9	108,4	44,5
Depreciation	(91,8)	(87,2)	(4,6)
Impairment	(42,7)	-	(42,7)
Operating result (EBIT)	18,4	21,2	(2,8)

Engineering & Fabrication Segment

(USD mill)	3Q 2014	2Q 2014	Change
Operating revenues (external)	4,4	7,8	(3,4)
Inter-segment revenues	9,2	15,9	(6,7)
Total operating revenues	13,6	23,7	(10,1)
Operating costs	(9,6)	(18,7)	9,1
Oper. result before depr. (EBITDA)	4,0	5,0	(1,0)
Depreciation	(0,6)	(0,6)	-
Operating result (EBIT)	3,4	4,4	(1,0)

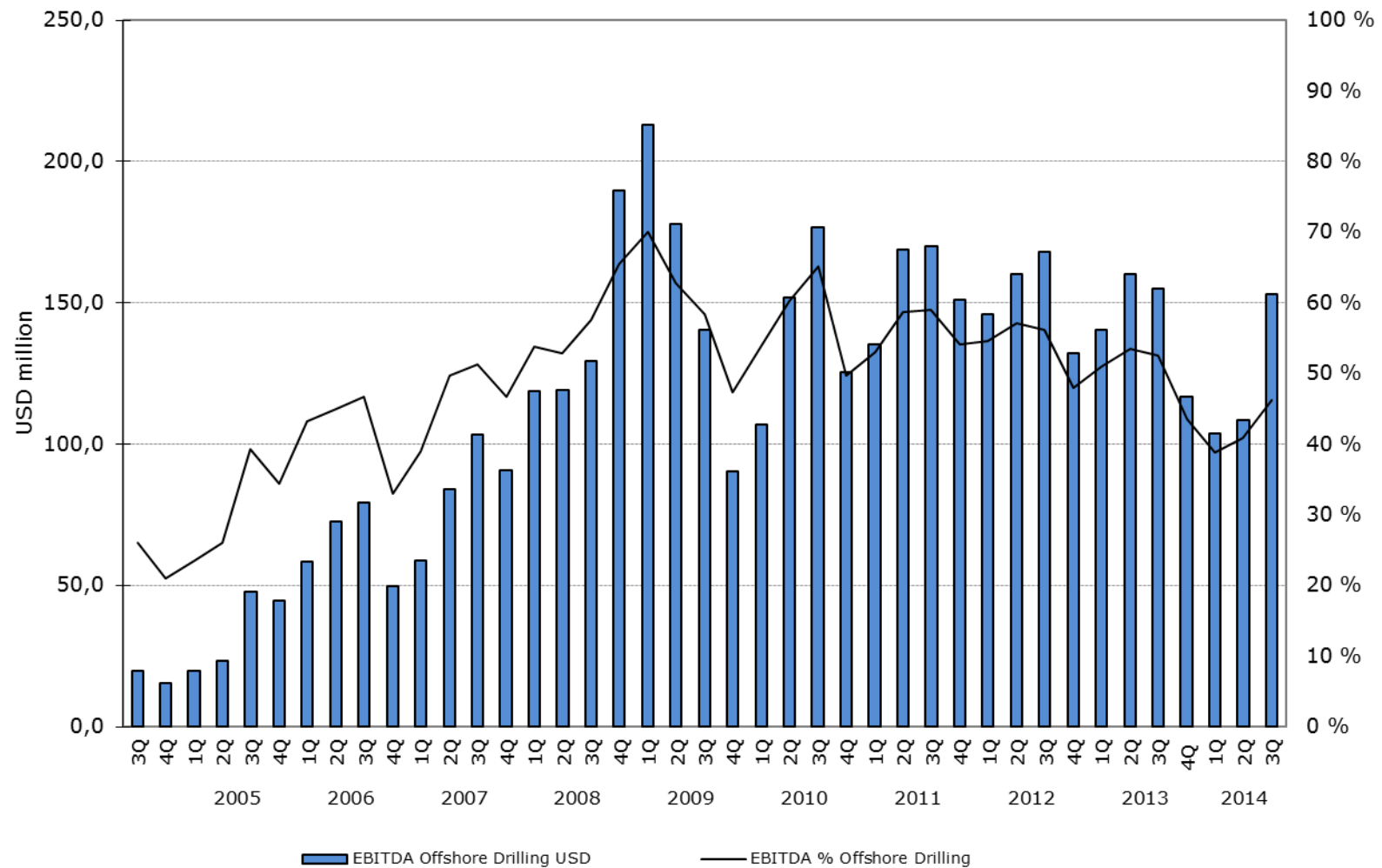
Consolidated Balance Sheet

(USD mill)	3Q 2014	2Q 2014	Change
Intangible assets	15,3	16,0	(0,7)
Property, plant & equipment	2 795,8	2 822,8	(27,0)
Other non-current assets	28,3	27,1	1,2
Total non-current assets	2 839,4	2 865,9	(26,5)
Other current assets	360,4	309,3	51,1
Cash and cash equivalents	174,5	226,1	(51,6)
Total current assets	534,9	535,4	(0,5)
Total assets	3 374,3	3 401,3	(27,0)
Equity	1 234,4	1 242,7	(8,3)
Non-current interest bearing debt	1 409,6	1 300,2	109,4
Other non-current liabilities	131,2	133,9	(2,7)
Total non-current liabilities	1 540,8	1 434,1	106,7
Current interest bearing debt	95,5	176,4	(80,9)
Current liabilities newbuilds	247,2	213,8	33,4
Other current liabilities	256,4	334,3	(77,9)
Total current liabilities	599,1	724,5	(125,4)
Total equity and liabilities	3 374,3	3 401,3	(27,0)

Consolidated Cash Flow

(USD mill)	3Q 2014	2Q 2014	Change
Profit before income taxes	3,6	16,3	(12,7)
Depreciation and impairment	135,1	87,8	47,3
Interest expense	10,4	12,8	(2,4)
Gain on sale of assets	0,2	-	0,2
Changes in working capital	(99,9)	25,7	(125,6)
Unrealized loss/(gain) financial instruments	(18,0)	(11,5)	(6,5)
Cash generated from operations	31,4	131,1	(99,7)
Interest paid	(7,4)	(15,4)	8,0
Taxes paid	(2,9)	(3,3)	0,4
Net cash flow from operating activities	21,1	112,4	(91,3)
Net investment in fixed assets	(133,9)	(181,4)	47,5
Cash flow used in investment activities	(133,9)	(181,4)	47,5
Borrowing of loans	1 150,0	151,8	998,2
Repayment of loans	(1 088,8)	(31,6)	(1 057,2)
Dividend paid	-	(222,6)	222,6
Cash flow from financing activities	61,2	(102,4)	163,6
Foreign currency	-	(1,2)	1,2
Net change in cash and cash equivalents	(51,6)	(171,4)	119,8
Cash at beginning of period	226,1	398,7	(172,6)
Cash at end of period	174,5	226,1	(51,6)

Offshore drilling EBITDA and margin



Fleet status

Rig	Type / design	W depth ft	Location	Client	Contract status	Day rate (in USD)	Next CR survey
Ultra-deepwater and deepwater units							
Bollsta Dolphin	SS / Moss	10 000	UK	Chevron	4Q 2015- 4Q 2020	560 000	3Q 2020
Bolette Dolphin	DS/ Gusto P10'	12 000	West Africa	Anadarko	2Q 2014 - 2Q 2018	488 000	1Q 2019
Belford Dolphin	Drillship	10 000	Mozambique	Anadarko	January '12 - January '16	489 000	1Q 2015
Blackford Dolphin	SS / Aker H-3	7 000	UK	MPX	July '14 - October '14	419 000	4Q 2018
			UK	Nexen	October '14 - May '15	428 000	
			UK	Chevron	June '15 - January '17	428 000	
				Option	January '17 - October '17		
Midwater floaters Norway							
Bideford Dolphin	SS / Aker H-3	1 500	Norway	Statoil Option	February '14 - February '17 February '17 - February '19	NOK 1015' + USD 301'	2Q 2019
Borgland Dolphin	SS / Aker H-3	1 500	Norway	Consortium*	April '14 - September '17	NOK 1046' + USD 349'	4Q 2014
Bredford Dolphin	SS / Aker H-3	1 500	Norway	Consortium**	October '13 - September '15	NOK 1025' + USD 274'	2Q 2017
Midwater floaters UK							
Byford Dolphin	SS / Aker H-3	1 500	UK	BP Option	April '13 - April '16 May '16 - April '19	345 500	1Q 2015
Borgsten Dolphin	Tender support / AH-3		UK	Total Option	February '13 -May '16 June '16 - June '17	202 000/ 240 500 incl. capital contribution	1Q 2018
Borgholm Dolphin	Accomodation / AH-3		UK	BG Option	October '14 - April '15 Mai '15 - June '15	240 000	4Q 2017
Borgny Dolphin	SS / Aker H-3	2 300			Idle		-

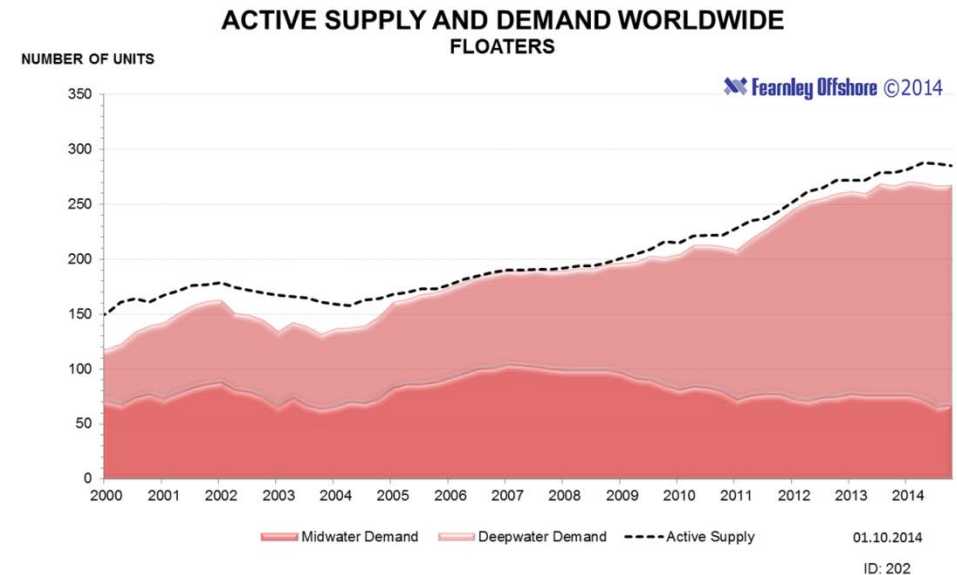
Participants in the consortiums:

* Wintershall, Tullow Oil, E.ON Ruhrgas, Suncor Energy ** RWE DEA, Lundin, Noreco, Repsol

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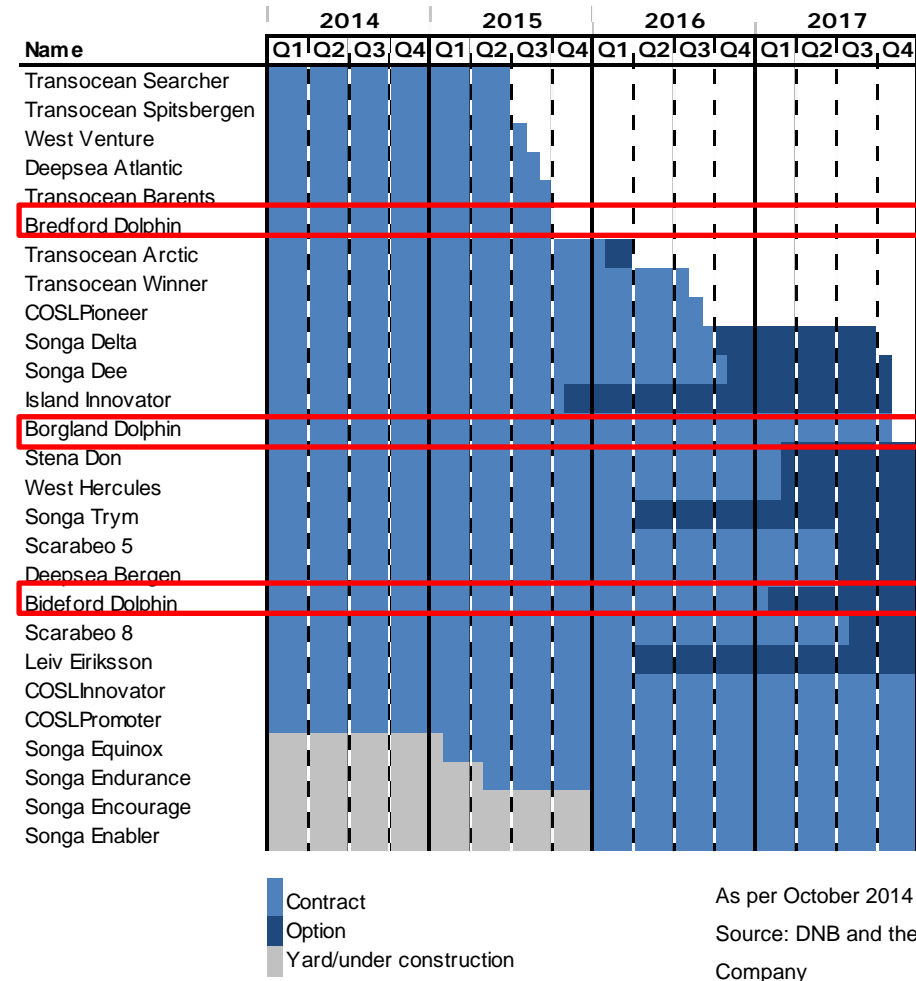
Global market – floating units

- Operators are curtailing development and exploration programs
- Continued low contracting activity in all market segments
- An increase in number of idle rigs is seen, predominantly in international mid water and deepwater markets
- As a result, dayrates have decreased in all market segments

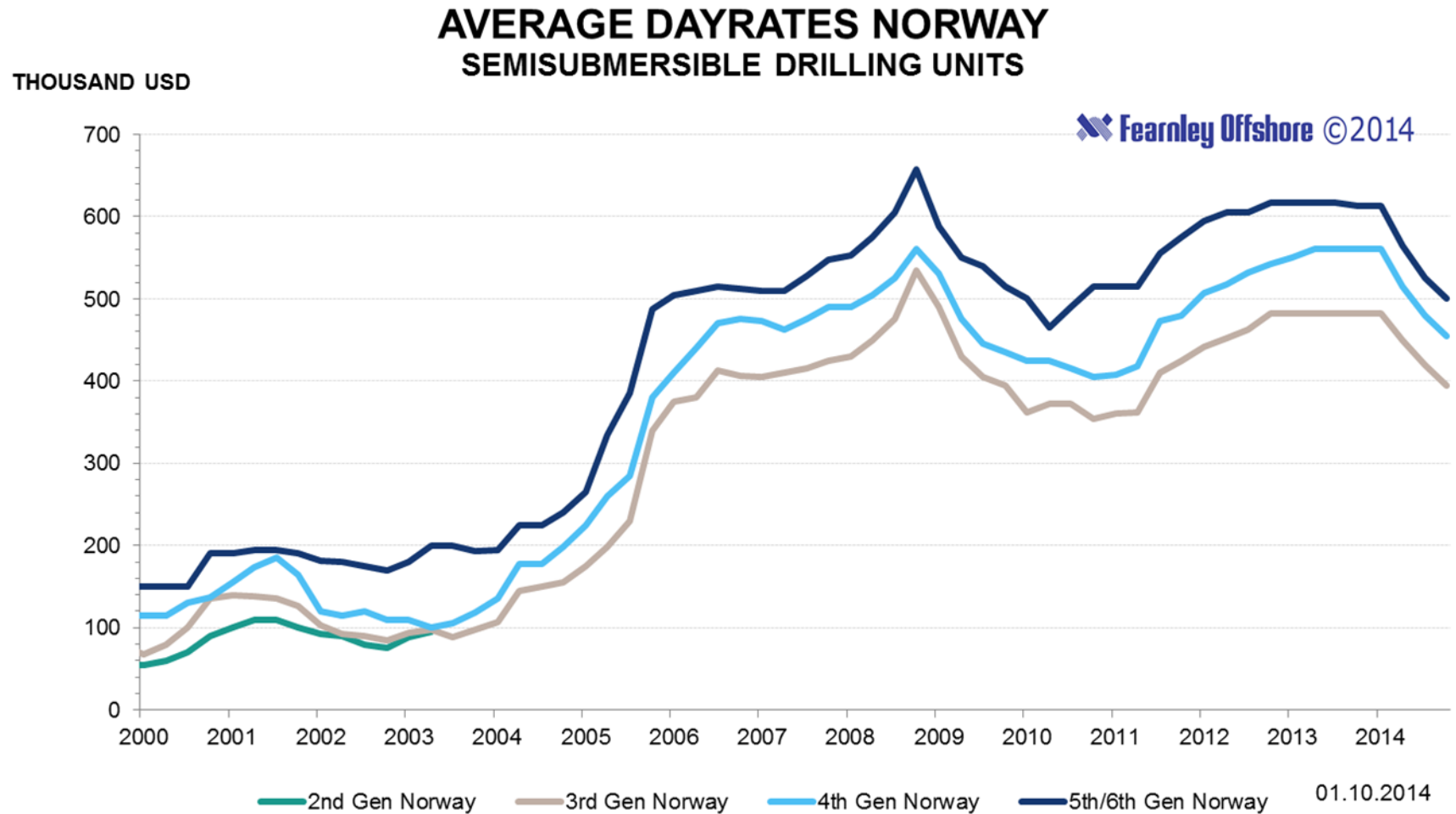


Norwegian floater market

- Continued low contracting activity, options not being exercised
- Several units leaving Norway for contracts in other regions
- Shorter term exploration demand
- Longer term, both exploration and development demand expected, with several requests for development projects in 2016/2017



Average dayrates Norway

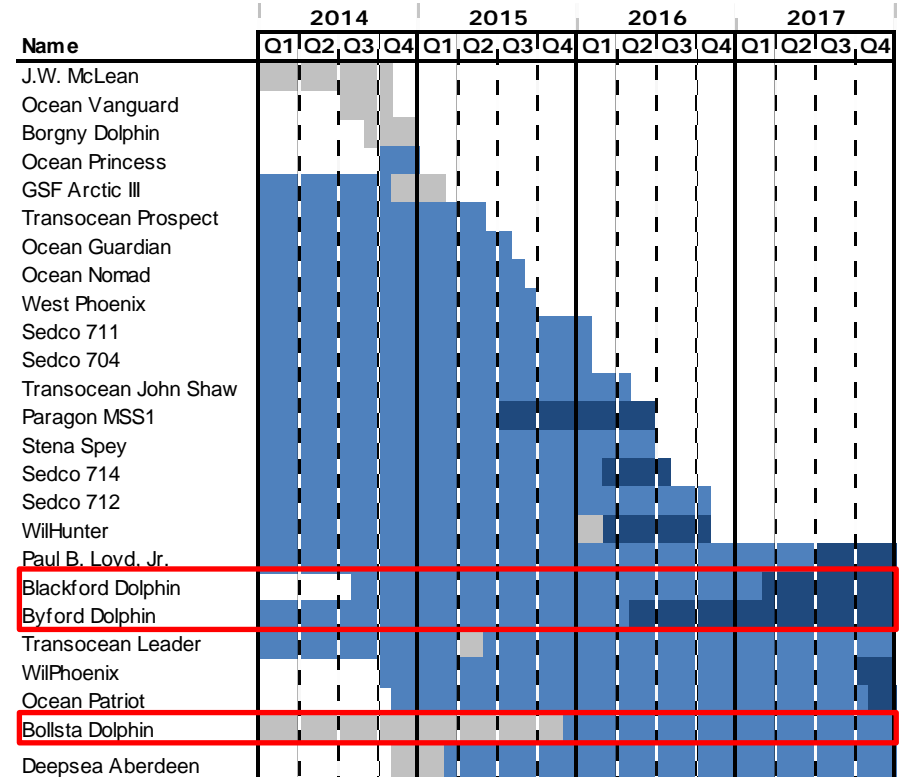


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UK floater market

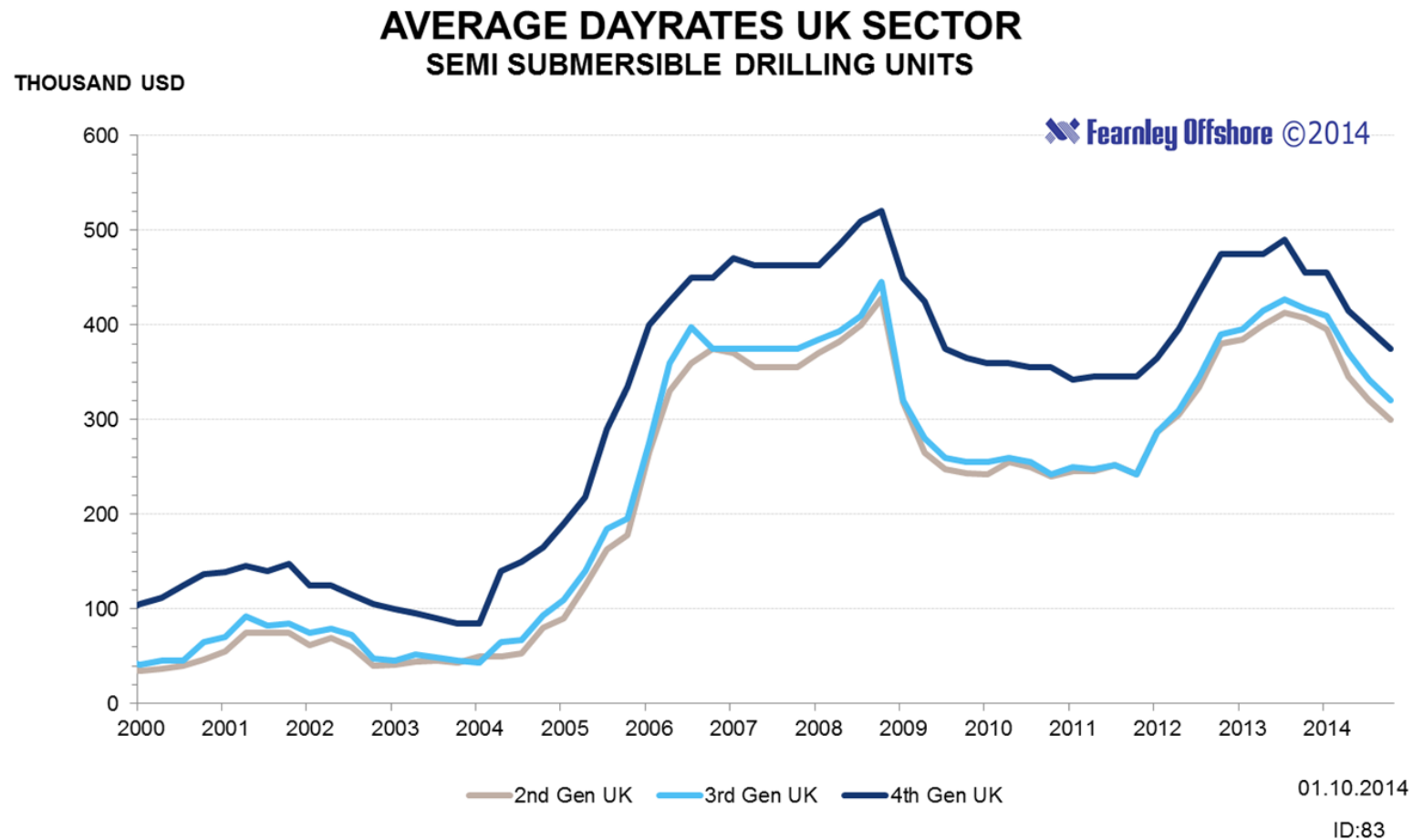
- Moderate contracting activity during the quarter
- Shorter term exploration and appraisal opportunities expected, followed by in-field and new development projects
- Less visibility in the accommodation segment



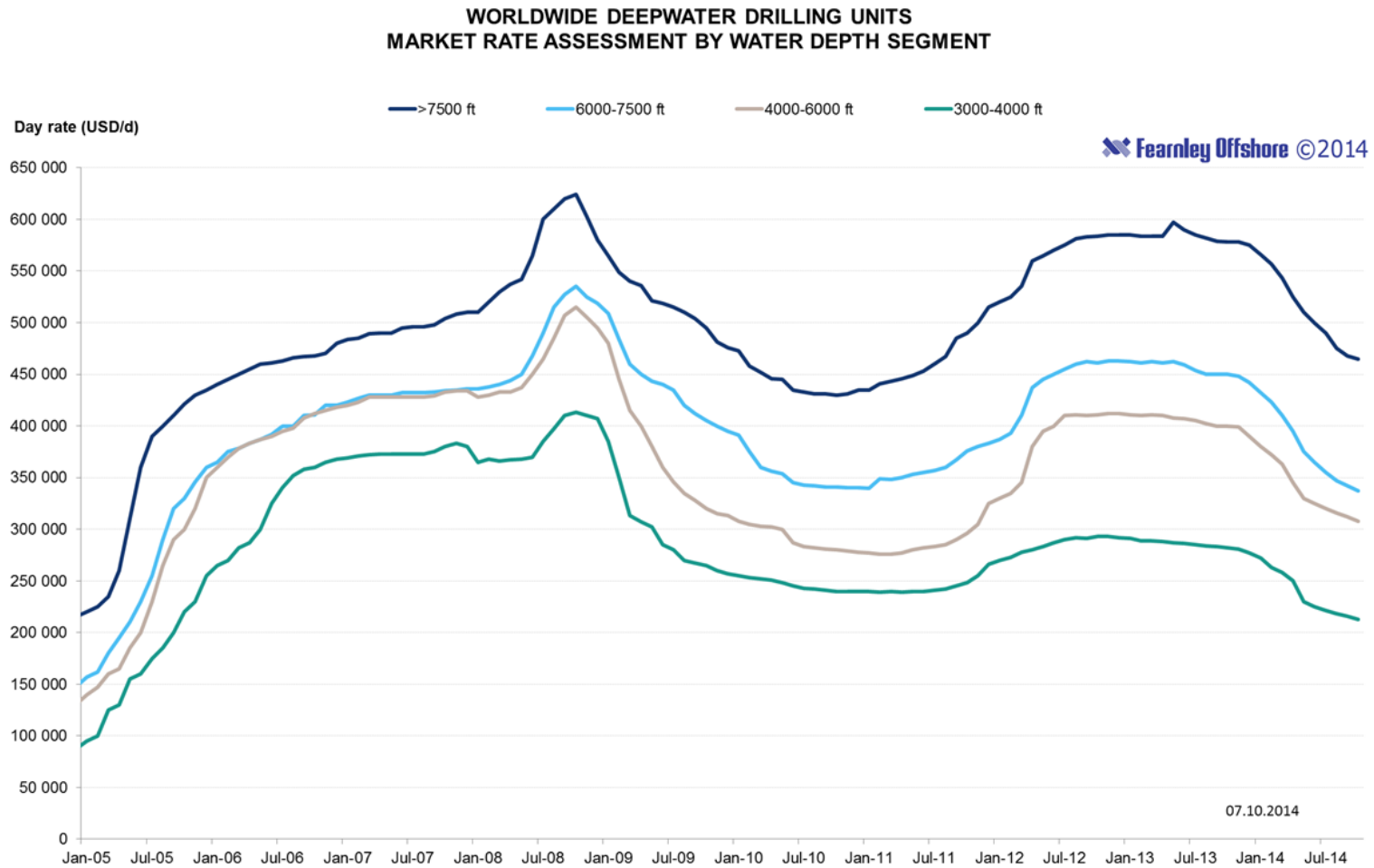
As per October 2014

Source: DNB

Average dayrates UK



Worldwide deepwater dayrates

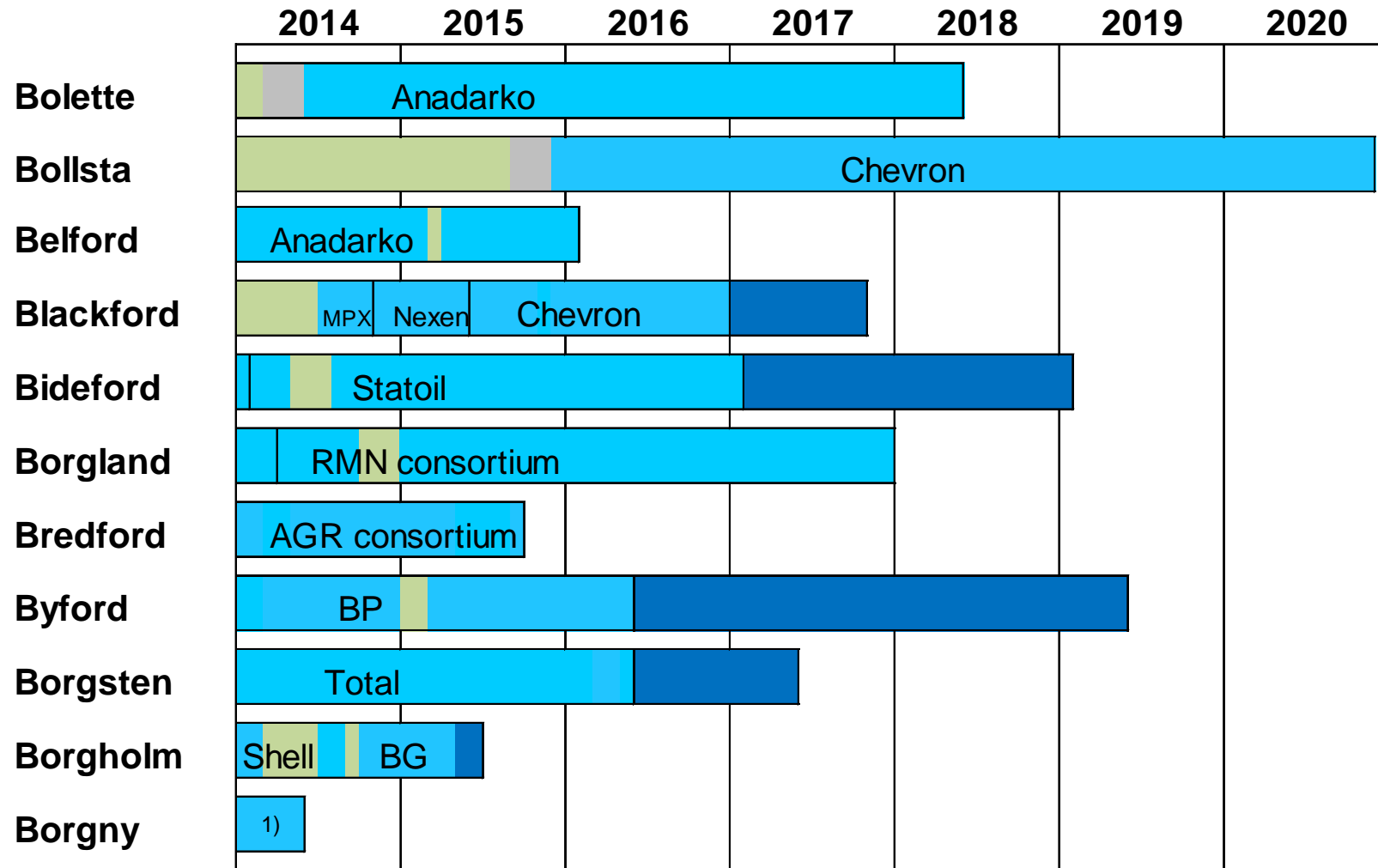


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Fred. Olsen Energy – Operating worldwide



Contract overview



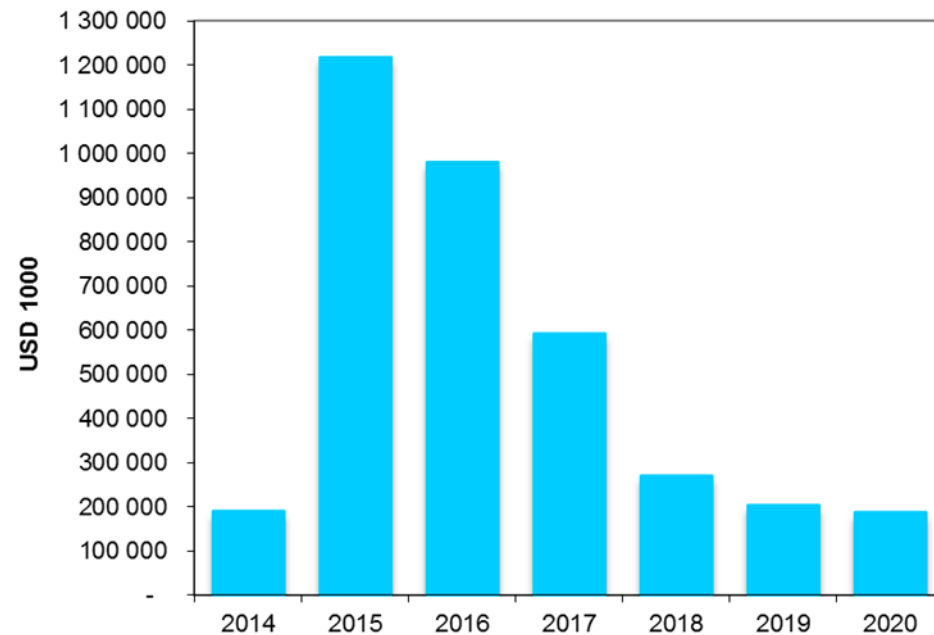
1) Petrobras

Option Mobilization Yard

Average contract length of ca. 23 months

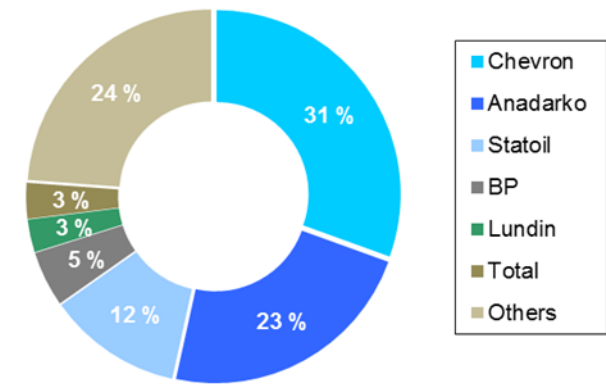
Contract backlog

Contract backlog



Total backlog ca. USD 3.6 billion

Customer base



Bollsta Dolphin

- Harsh environment ultra deepwater semi-submersible under construction
- Moss Maritime CS 60 E (Enhanced) design from Hyundai Heavy Industries
- Delivery is scheduled to 3Q 2015
- Block erection completed during the quarter
- Mechanical completion commenced
- Has secured a five-year contract with Chevron for operations West of Shetland in the UK sector



Ultra deepwater

Bolette Dolphin

- Newbuild ultra deepwater drillship from Hyundai Heavy Industries delivered 21st of February 2014
- Continued operations under a four-year contract with Anadarko for international operations
- Currently drilling three wells offshore the Ivory Coast and will thereafter continue with a drilling campaign offshore Colombia



Belford Dolphin

- Continued under a four-year contract with Anadarko estimated to expire 1Q 2016
- Operating offshore Mozambique
- Next five-year class renewal survey to take place in 1Q 2015



Midwater - Norway

Borgland Dolphin

- Commenced a new contract with a new RMN consortium in April 2014. Estimated duration is 3.5 years
- The five year class renewal survey commenced at Hanøytangen first week of October 2014. The duration of the yard stay is estimated to 90 days at a total cost of USD 160 million, including a life extension program of USD 50 million for steel upgrades and replacements
- Installation of a new BOP will also be undertaken during the yard stay



Bideford Dolphin

- Operates under a three-year contract with Statoil
- Completed its five-year class renewal survey end of July 2014 and resumed operations for Statoil thereafter
- The total cost for the class renewal survey was USD 110 million



Midwater - Norway / United Kingdom

Bredford Dolphin

- Continued under the 12-well contract with an AGR consortium. The contract is expected to expire end of 3Q 2015
- The class renewal survey was completed August 2012



Borgholm Dolphin

- Completed the contract with Shell end of August 2014 and undertook a planned yard stay to increase the height of the gangway pedestal
- Resumed operations in October and started under the contract with BG
- Class renewal survey was completed March 2013



Midwater - United Kingdom (cont.)

Byford Dolphin

- Continued under a three-year drilling contract with BP Exploration, estimated to expire April 2016
- The class renewal survey and installation of a new five ram BOP and control system is scheduled to 1Q 2015



Borgsten Dolphin

- Continued under the tender support services contract of 40 months duration with Total E&P UK. Two six month options exist under the contract
- Completed class renewal survey and conversion to tender support vessel in February 2013



Deepwater – United Kingdom

Blackford Dolphin

- The unit completed the five-year class renewal survey and upgrades at H&W yard end of June
- Completed a one-well for MPX North Sea Ltd. in October, to be followed by the contract with Nexen and thereafter a 572 days contract with Chevron. Chevron has an option for extending the contract between 300 and 700 days



Harland & Wolff

- Focus on ship repair, ship building, steel fabrication and engineering services
- Fabrication of the Humber gateway offshore windfarm substation jacket was completed during the quarter
- Borgny Dolphin will be in lay-up at the quay side of Harland & Wolff. The unit is now cold stacked and has entered into a supervision agreement with the yard



Summary

■ Financial

- Revenues were USD 335 million
- EBITDA was USD 151 million
- Profit before tax was USD 4 million
- Impairment of Borgny Dolphin of USD 43 million
- Contract backlog amounting to approximately USD 3.6 billion

■ Operational

- Bideford Dolphin class renewal survey completed end of July
- Borgholm Dolphin completed planned yard stay for increasing the height of the gangway pedestal

■ Market

- Average contract duration approximately 23 months

