



Financial results 4Q 2014

Oslo,
11 February 2015

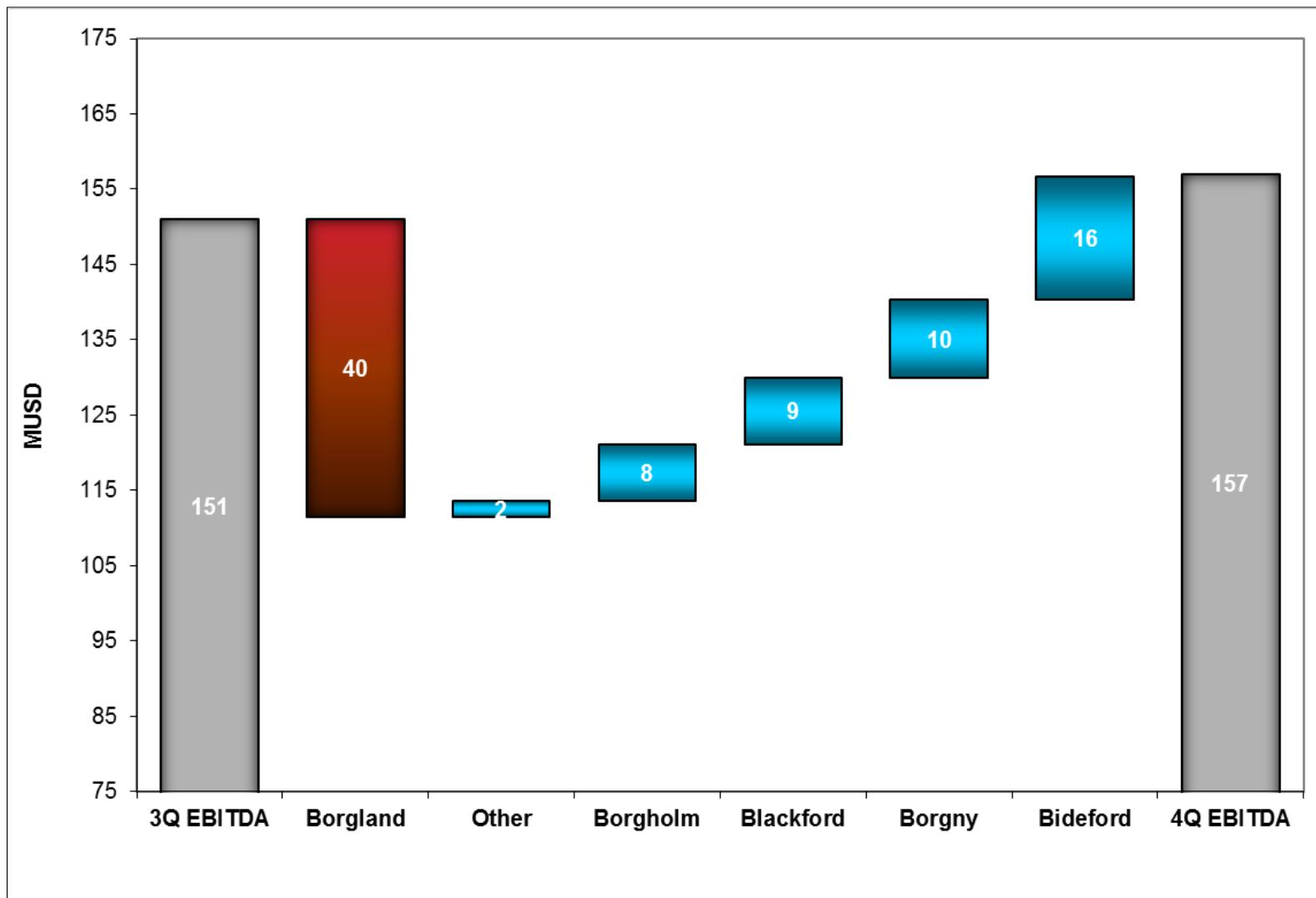
AGENDA

- **FINANCIAL RESULTS 4Q 2014**
- MARKET
- OPERATIONS
- SUMMARY

Income Statement – Key Figures

(USD mill)	4Q 2014	3Q 2014	Change
Operating revenues	286,4	310,0	(23,6)
Recharged income	11,2	25,4	(14,2)
Total revenues	297,6	335,4	(37,8)
Operating costs	(129,6)	(159,6)	30,0
Recharged expenses	(10,9)	(25,3)	14,4
Total operating expenses	(140,5)	(184,9)	44,4
Oper. result before depr. (EBITDA)	157,1	150,5	6,6
Depreciation	(86,6)	(92,4)	5,8
Impairment	-	(42,7)	42,7
Operating result (EBIT)	70,5	15,4	55,1
Net financial items	33,7	(11,8)	45,5
Result before tax	104,2	3,6	100,6
Estimated tax	(8,6)	(11,4)	2,8
Net result	95,6	(7,8)	103,4

EBITDA Comparison 4Q 2014 vs. 3Q 2014



Financial Items Breakdown

(USD mill)	4Q 2014	3Q 2014	Change
Interest income	0,4	0,6	(0,2)
Gains on financial instruments	-	0,6	(0,6)
Financial income	0,4	1,2	(0,8)
Interest expenses	(12,3)	(12,1)	(0,2)
Capitalized borrowing cost (projects)	1,7	1,7	-
Losses on financial instruments	(9,4)	(2,2)	(7,2)
Other financial expenses	(4,2)	(21,2)	17,0
Financial expenses	(24,2)	(33,8)	9,6
Net foreign currency gain/(loss)	57,5	20,8	36,7
Net financial items	33,7	(11,8)	45,5

Offshore Drilling Segment

(USD mill)	4Q 2014	3Q 2014	Change
Operating revenues	283,3	305,6	(22,3)
Recharged income	11,2	25,4	(14,2)
Total revenues	294,5	331,0	(36,5)
Operating costs	(128,1)	(152,8)	24,7
Recharged expenses	(10,9)	(25,3)	14,4
Total operating expenses	(139,0)	(178,1)	39,1
Oper. result before depr. (EBITDA)	155,5	152,9	2,6
Depreciation	(86,0)	(91,8)	5,8
Impairment	-	(42,7)	42,7
Operating result (EBIT)	69,5	18,4	51,1

Engineering & Fabrication Segment

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

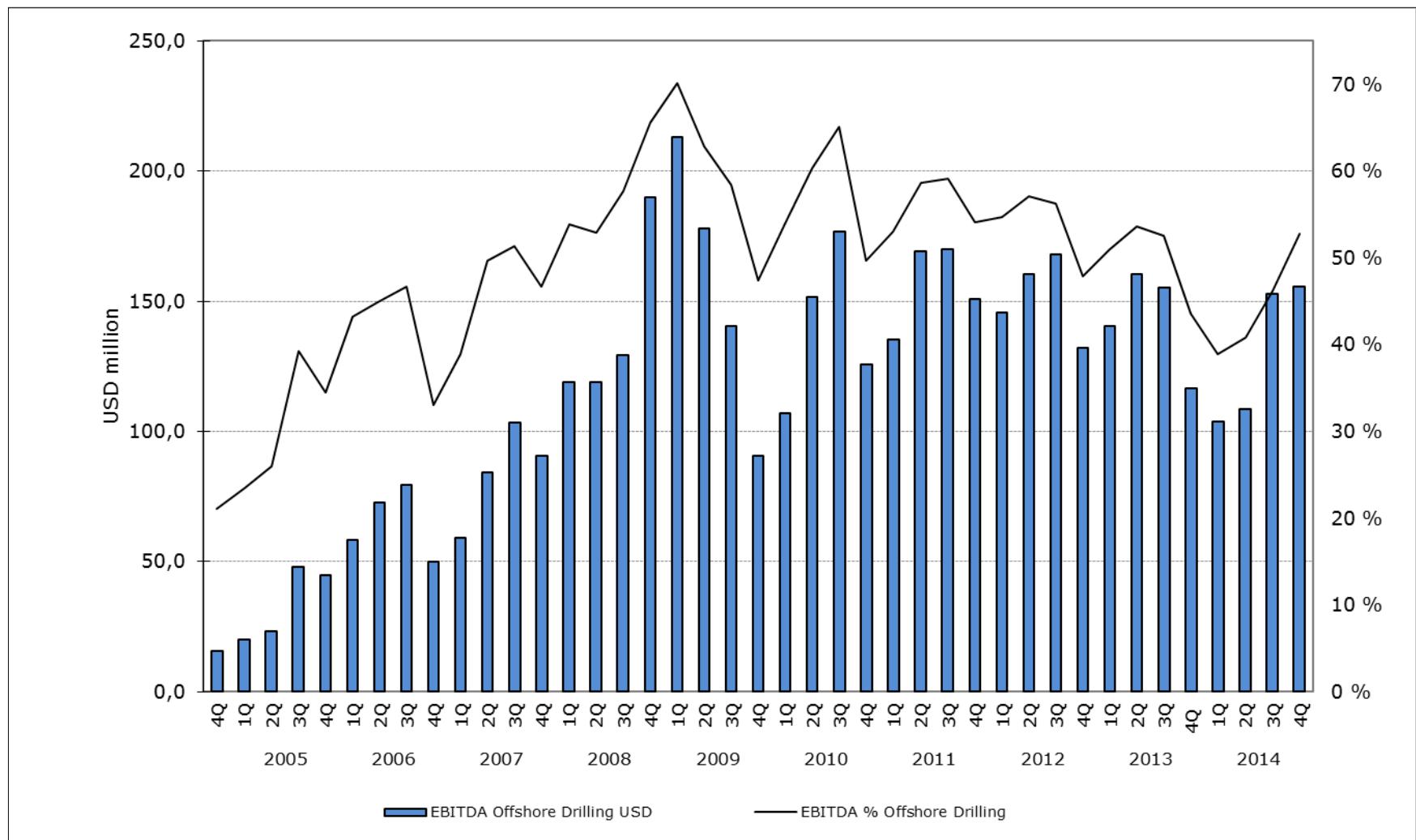
Consolidated Balance Sheet

(USD mill)	4Q 2014	3Q 2014	Change
Intangible assets	13,3	15,3	(2,0)
Property, plant & equipment	2 901,6	2 795,8	105,8
Other non-current assets	31,4	28,3	3,1
Total non-current assets	2 946,3	2 839,4	106,9
Other current assets	318,9	360,4	(41,5)
Cash and cash equivalents	203,4	174,5	28,9
Total current assets	522,3	534,9	(12,6)
Total assets	3 468,6	3 374,3	94,3
Equity	1 307,9	1 234,4	73,5
Non-current interest bearing debt	1 359,9	1 409,6	(49,7)
Other non-current liabilities	139,0	131,2	7,8
Total non-current liabilities	1 498,9	1 540,8	(41,9)
Current interest bearing debt	95,5	95,5	-
Current liabilities newbuilds	292,7	247,2	45,5
Other current liabilities	273,6	256,4	17,2
Total current liabilities	661,8	599,1	62,7
Total equity and liabilities	3 468,6	3 374,3	94,3

Consolidated Cash Flow

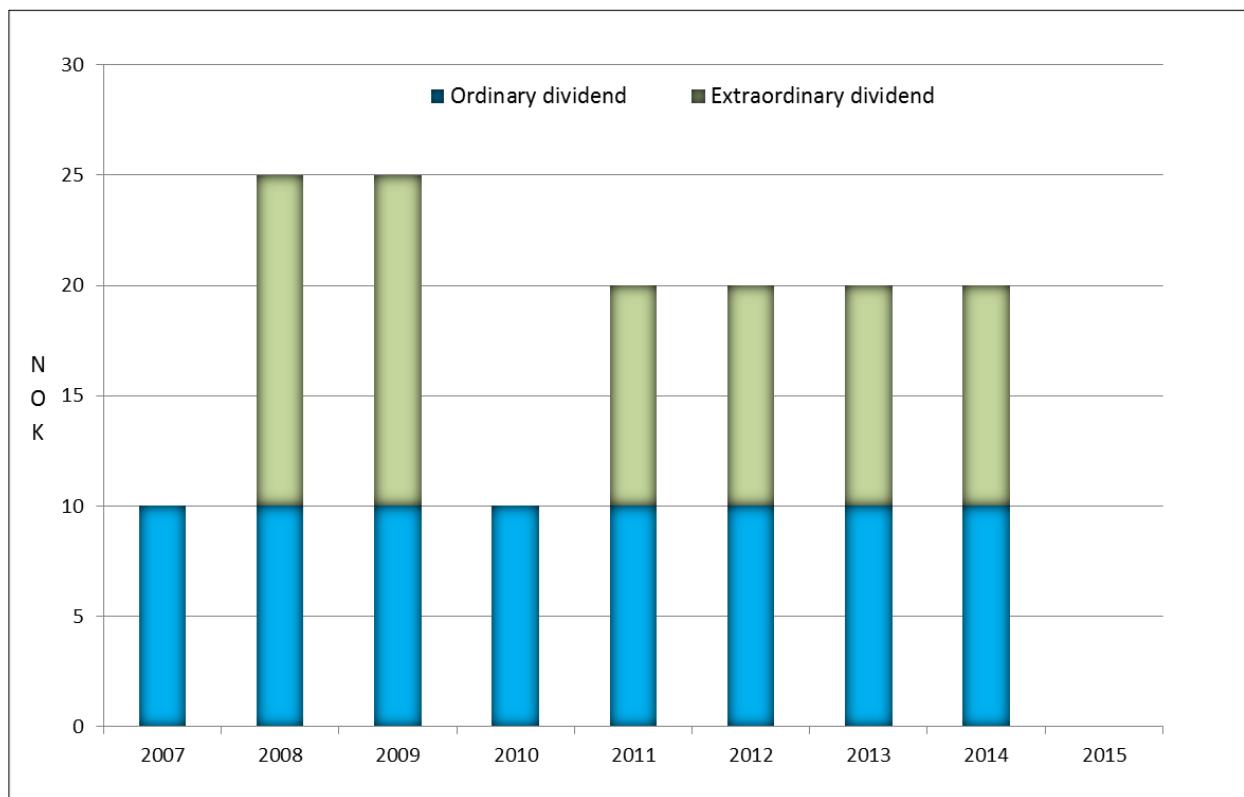
(USD mill)	4Q 2014	3Q 2014	Change
Profit before income taxes	104,2	3,6	100,6
Depreciation and impairment	86,6	135,1	(48,5)
Interest expense	10,6	10,4	0,2
Gain on sale of assets	-	0,2	(0,2)
Changes in working capital	33,4	(99,9)	133,3
Unrealized loss/(gain) financial instruments	(43,0)	(18,0)	(25,0)
Cash generated from operations	191,8	31,4	160,4
Interest paid	(12,8)	(7,4)	(5,4)
Taxes paid	(19,7)	(2,9)	(16,8)
Net cash flow from operating activities	159,3	21,1	138,2
Net investment in fixed assets	(130,7)	(133,9)	3,2
Cash flow used in investment activities	(130,7)	(133,9)	3,2
Borrowing of loans	-	1 150,0	(1 150,0)
Repayment of loans	-	(1 088,8)	1 088,8
Dividend paid	-	-	-
Cash flow from financing activities	-	61,2	(61,2)
Foreign currency	0,3	-	0,3
Net change in cash and cash equivalents	28,6	(51,6)	80,2
Cash at beginning of period	174,5	226,1	(51,6)
Cash at end of period	203,4	174,5	28,9

Offshore drilling EBITDA and margin



Dividend

- The Board of Directors will propose to the Annual General Meeting in May 2015 to suspend the dividend payment in 2015 due to the challenging offshore market and uncertainty of how long this will persist



Fleet status

Rig	Type / design	W depth ft	Location	Client	Contract status	Day rate (in USD)	Next CR survey
Ultra-deepwater and deepwater units							
Bolla 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	2Q 2015
Blackford Dolphin	SS / Aker H-3	7 000	UK UK	Nexen Chevron Option	October '14 - May '15 June '15 - January '17 January '17 - October '17	428 000 428 000	4Q 2018
Midwater floaters Norway							
Bideford Dolphin	SS / Aker H-3	1 500	Norway	Statoil	February '14 - February '17	NOK 1015' + USD 301'	2Q 2019
Borgland Dolphin	SS / Aker H-3	1 500	Norway	Consortium*	April '14 - December '17	NOK 1046' + USD 349'	Ongoing
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 - August '16 August '16 - July '19	345 500	Ongoing
Borgsten Dolphin	Tender support / AH-3		UK	Total Option	February '13 -May '16 June '16 - June '17	202 000/ 240 500 incl. capital contribution	
Borgholm Dolphin	Accomodation / AH-3		UK	BG Option	October '14 - May '15 June '15	240 000	4Q 2017
Borgny Dolphin	SS / Aker H-3	2 300			Idle		

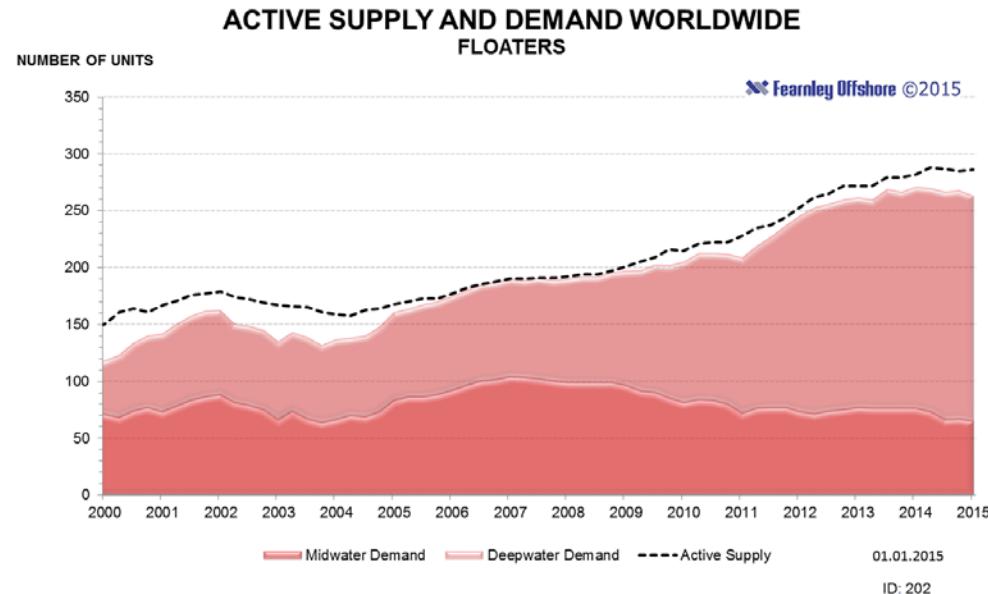
Participants in the consortium:

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

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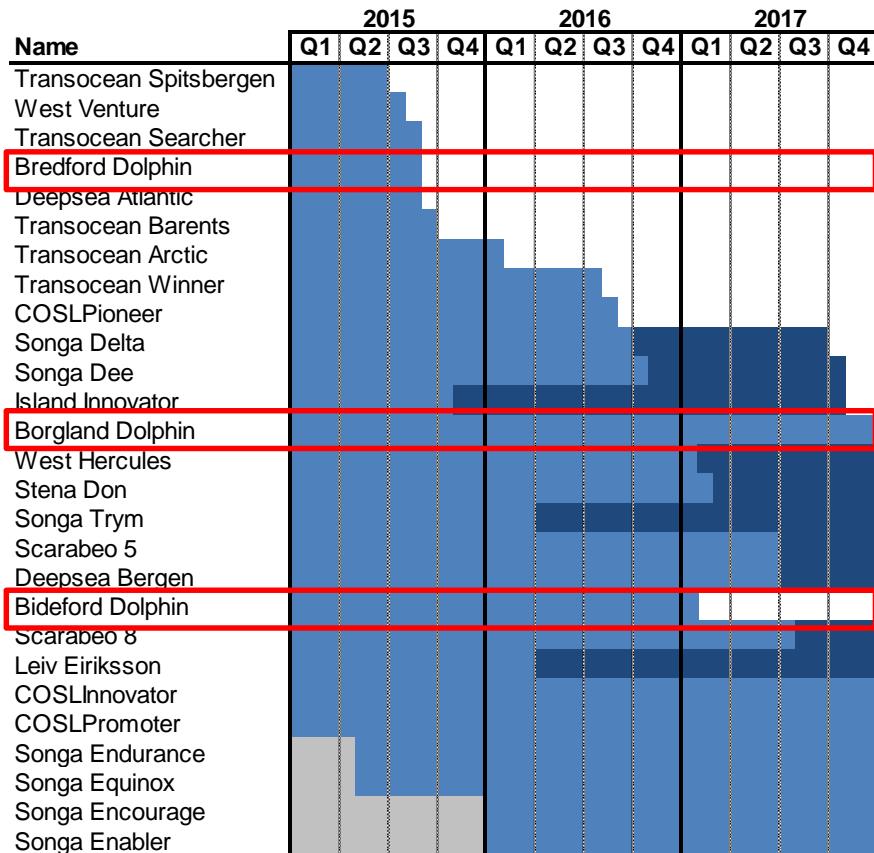
Global market – floating units

- Worsening of the rig market throughout 2014
- Continued low contracting activity expected through 2015 in all markets
- Increased stacking due to oversupply is expected
- Operators continue to reduce spending levels



Norwegian floater market

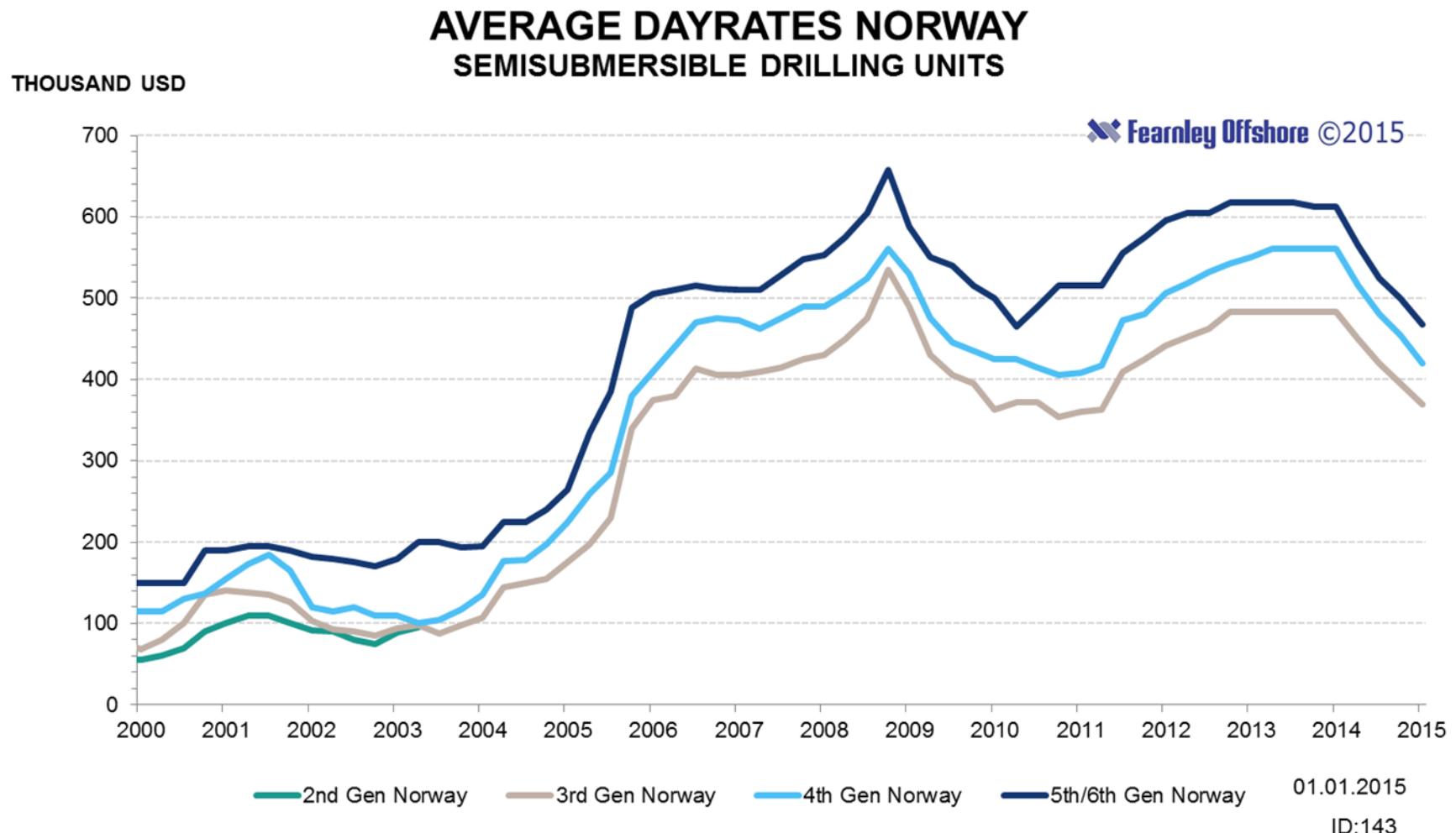
- Continued low contracting activity, with options not being exercised
- Several rigs will come off contract during 2015
- Contract renewal will be challenging and increased idle time is expected
- Recently announced development projects delayed



As per February 2015

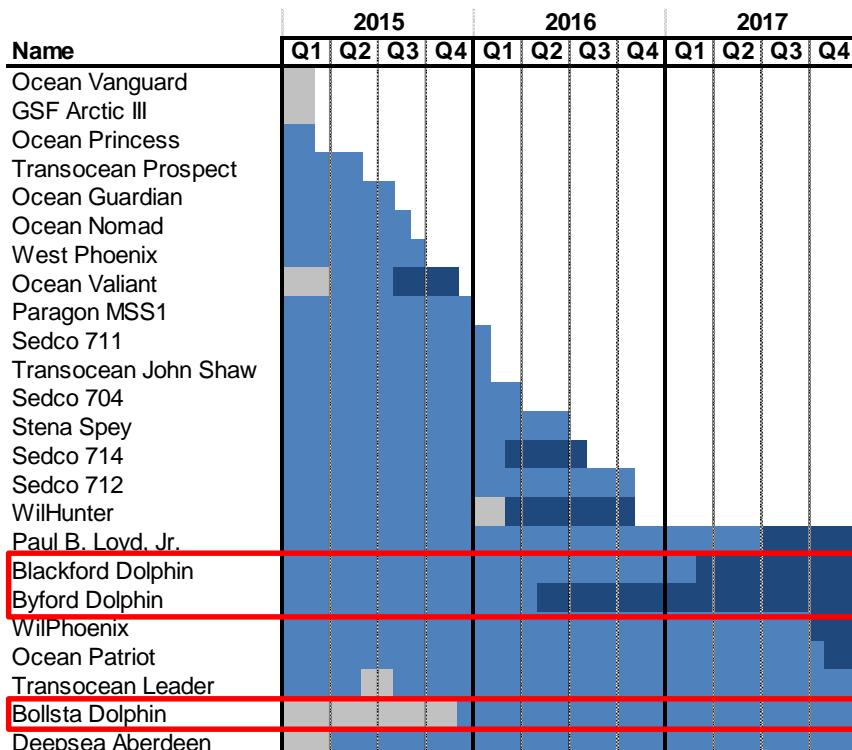
Source: DNB and the Company

Average dayrates Norway



UK floater market

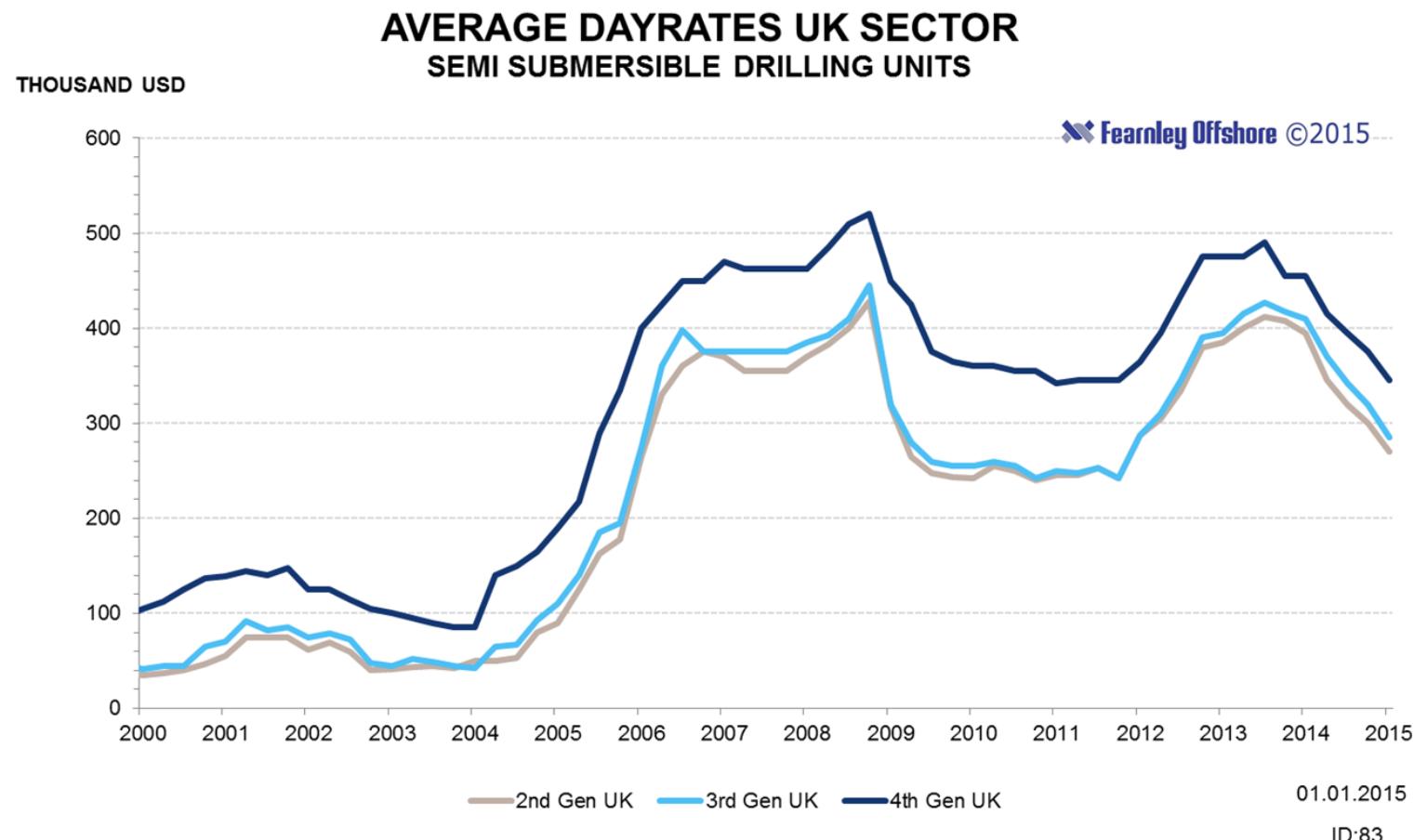
- Low activity in the UK market during the quarter
- A number of rigs will come off contract during the next 12 months, with limited visibility for contract renewal
- The low activity in the market in general is affecting the accommodation segment, with low visibility



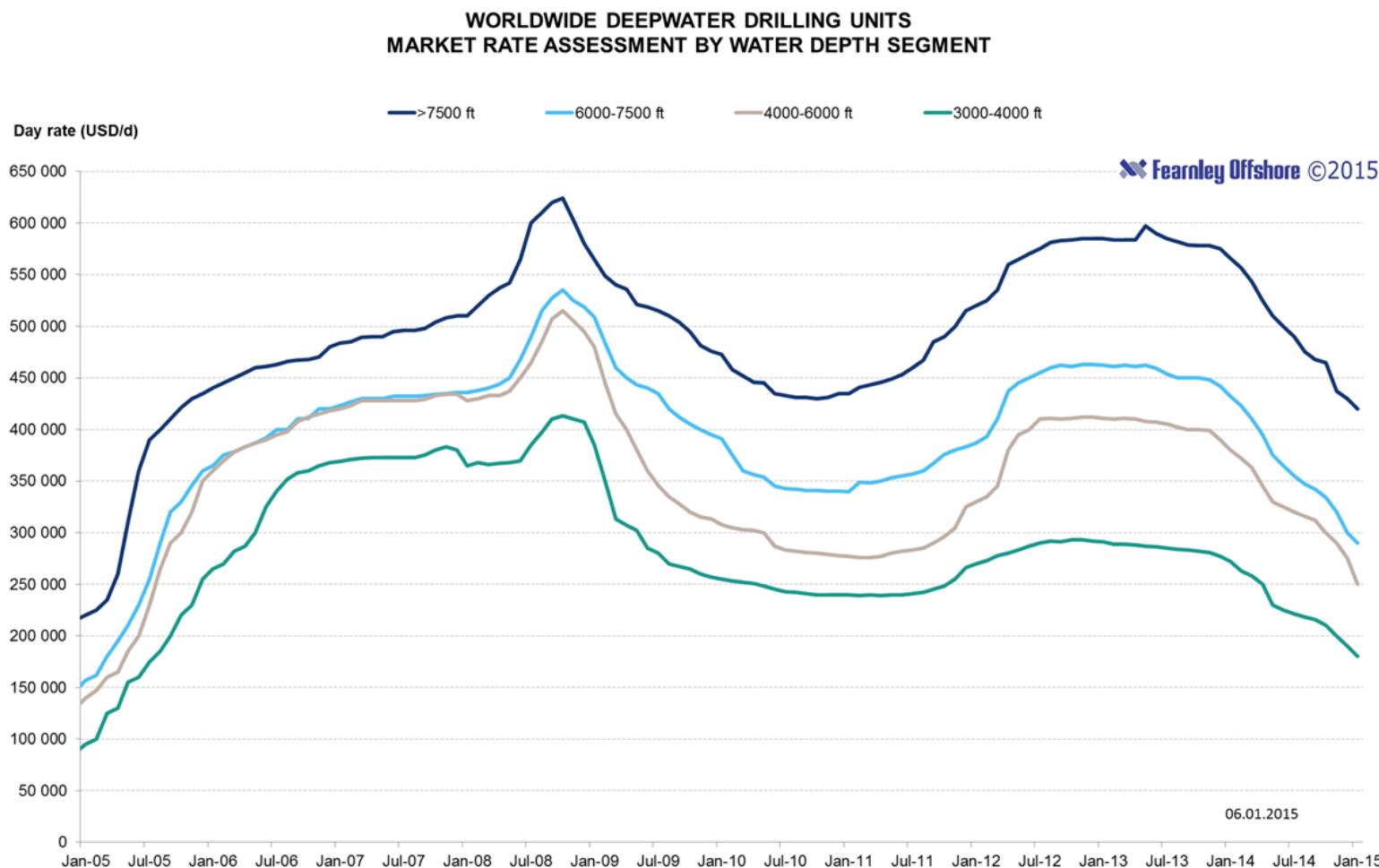
As per February 2015

Source: DNB and the Company

Average dayrates UK



Worldwide deepwater dayrates

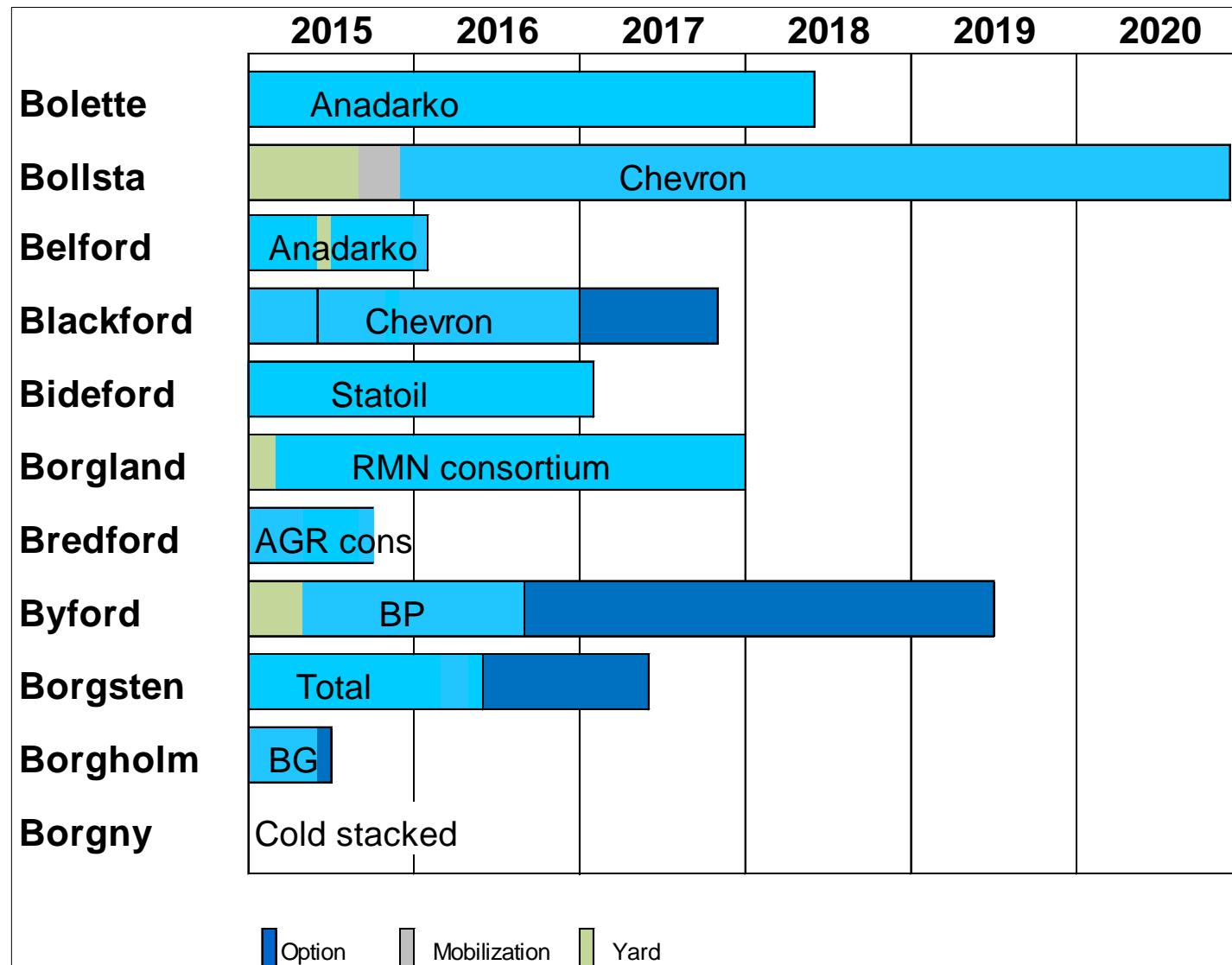


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Fred. Olsen Energy – Operating worldwide

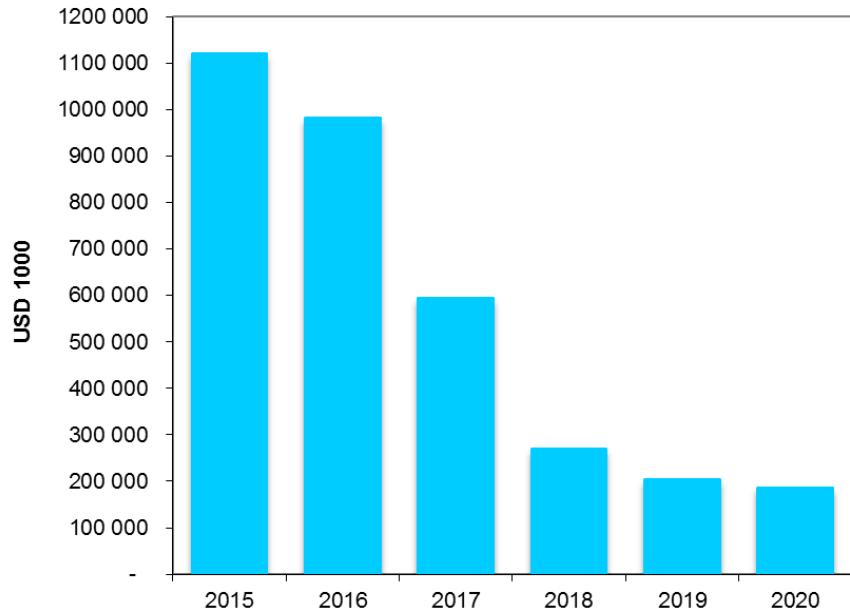


Contract overview

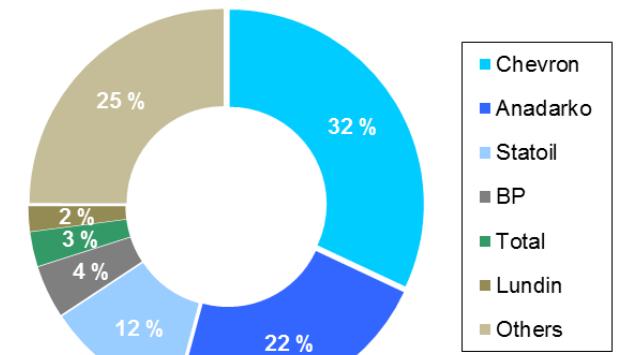


Average contract length of ca. 21 months

Contract backlog



Total backlog USD 3.3 billion



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
- Mechanical completion continues
- Has secured a five-year contract with Chevron for operations West of Shetland in the UK sector



Ultra deepwater

Bolette Dolphin

- Continued operations under a four-year contract with Anadarko, estimated to expire 2Q 2018
- Completed operations offshore the Ivory Coast during the quarter. Mobilized to Colombia and has commenced a two well drilling campain



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 2Q 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 continued and has been rescheduled to be completed by end of February. The total cost is estimated to USD 160 million, including a life extension program of USD 50 million
- A new 15K BOP is installed during the yard stay



Bideford Dolphin

- Operates under a three-year contract with Statoil
- The option attached to the contract was not exercised by the client
- Completed its five-year class renewal survey end of July 2014



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

- Resumed operations in October after the scheduled yard stay and commenced a new 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 3Q 2016
- The class renewal survey commenced in January 2015. The yard stay is estimated to be completed early May 2015 with a cost frame of USD 125 million
- Furthermore, a new BOP and control system will be installed



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 2014
- Completed a one-well for MPX North Sea Ltd. in October, and commenced the contract with Nexen, estimated to be completed end of May. A contact with Chevron of approximately 19 months will follow. 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
- Byford Dolphin undertaking its class renewal survey at the yard
- A number of ship dockings was carried out in the quarter, however lower activity compared to the previous quarter



Summary

- Financial
 - Revenues were USD 298 million
 - EBITDA was USD 157 million
 - Profit before tax was USD 104 million
 - Contract backlog amounting to approximately USD 3.3 billion
 - The Board of Directors will propose to the Annual General Meeting in May to suspend the dividend payment in 2015
- Operational
 - Borgland Dolphin class renewal survey continued
 - Byford Dolphin class renewal survey commenced
- Market
 - Average contract duration approximately 21 months

Q&A

