

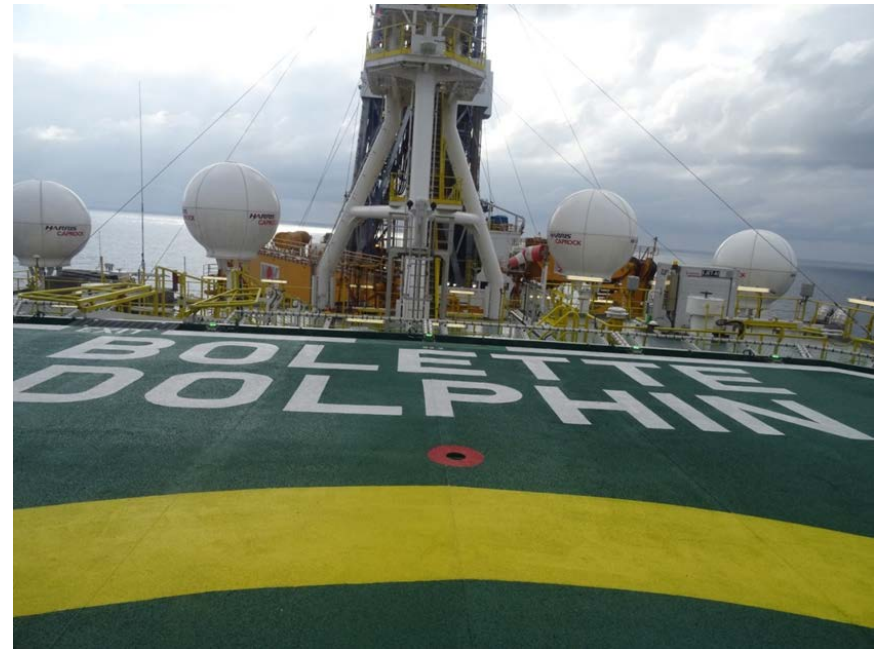


## Financial results 3Q 2015

Oslo,  
28 October 2015

# AGENDA

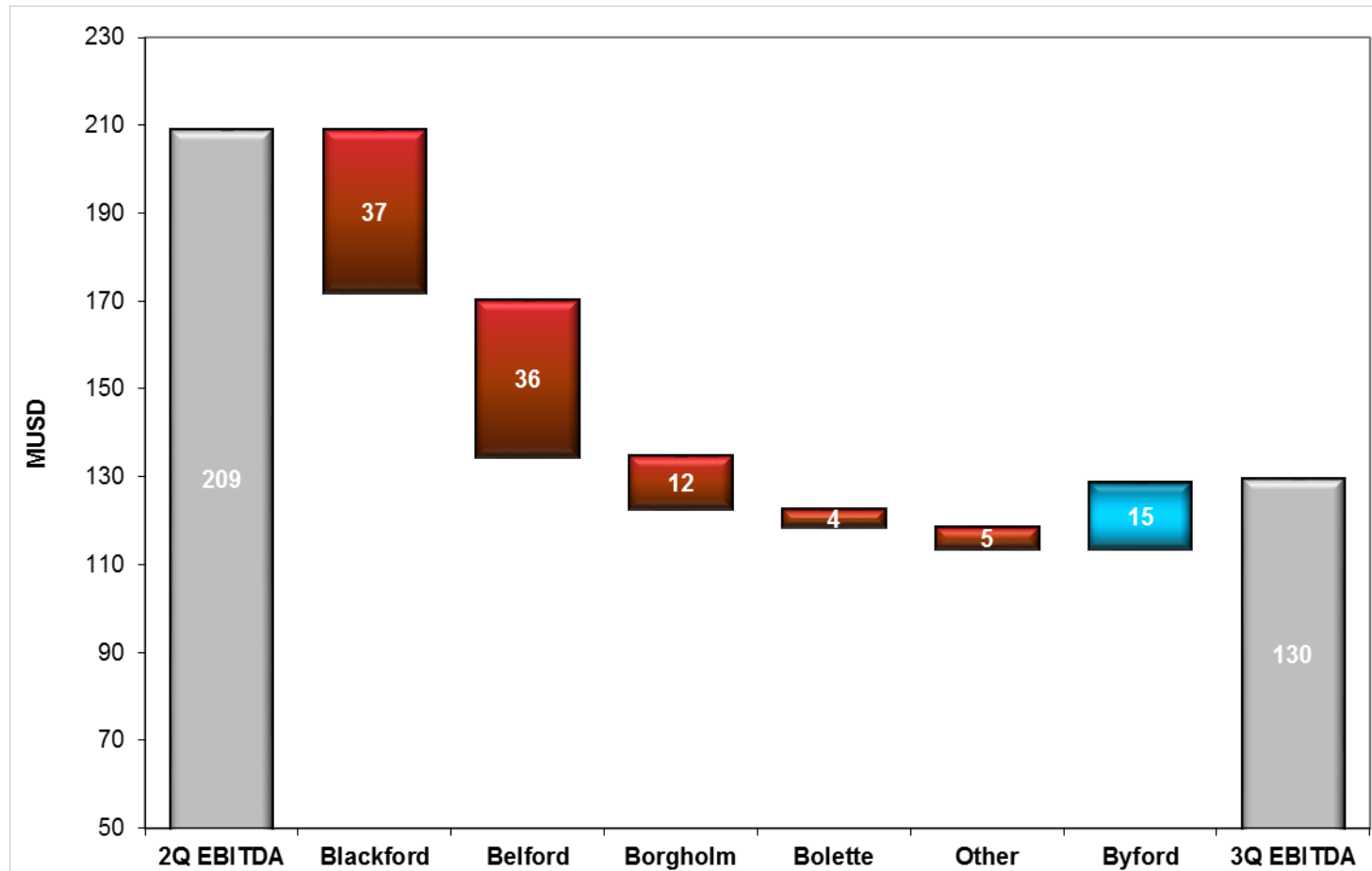
- **FINANCIAL RESULTS 3Q 2015**
- MARKET
- OPERATIONS
- SUMMARY



# Income Statement – Key Figures

(USD mill)	3Q 2015	2Q 2015	Change
Operating revenues	235,1	320,6	(85,5)
Recharged income	6,3	5,3	1,0
<b>Total revenues</b>	<b>241,4</b>	<b>325,9</b>	<b>(84,5)</b>
Operating costs	(105,7)	(112,1)	6,4
Recharged expenses	(6,1)	(5,2)	(0,9)
<b>Total operating expenses</b>	<b>(111,8)</b>	<b>(117,3)</b>	<b>5,5</b>
<b>Oper. result before depr. (EBITDA)</b>	<b>129,6</b>	<b>208,6</b>	<b>(79,0)</b>
Depreciation	(82,6)	(94,2)	11,6
Impairment	(31,0)	(418,9)	387,9
<b>Operating result (EBIT)</b>	<b>16,0</b>	<b>(304,5)</b>	<b>320,5</b>
Net financial items	6,3	(18,2)	24,5
<b>Result before tax</b>	<b>22,3</b>	<b>(322,7)</b>	<b>345,0</b>
Estimated tax	(0,9)	(4,8)	3,9
<b>Net result</b>	<b>21,4</b>	<b>(327,5)</b>	<b>348,9</b>

## EBITDA Comparison 3Q 2015 vs. 2Q 2015



# Financial Items Breakdown

(USD mill)	3Q 2015	2Q 2015	Change
Interest income	0,4	0,2	0,2
Gains on financial instruments	-	7,2	(7,2)
<b>Financial income</b>	<b>0,4</b>	<b>7,4</b>	<b>(7,0)</b>
Interest expenses	(11,7)	(11,7)	-
Capitalized borrowing cost (projects)	1,8	1,8	-
Losses on financial instruments	(7,7)	(0,4)	(7,3)
Other financial expenses	(3,5)	(3,6)	0,1
<b>Financial expenses</b>	<b>(21,1)</b>	<b>(13,9)</b>	<b>(7,2)</b>
Net foreign currency gain	27,0	(11,7)	38,7
<b>Net financial items</b>	<b>6,3</b>	<b>(18,2)</b>	<b>24,5</b>

# Offshore Drilling Segment

(USD mill)	3Q 2015	2Q 2015	Change
Operating revenues	234,0	318,3	(84,3)
Recharged income	6,3	5,3	1,0
<b>Total revenues</b>	<b>240,3</b>	<b>323,6</b>	<b>(83,3)</b>
Operating costs	(103,4)	(110,6)	7,2
Recharged expenses	(6,1)	(5,2)	(0,9)
<b>Total operating expenses</b>	<b>(109,5)</b>	<b>(115,8)</b>	<b>6,3</b>
<b>Oper. result before depr. (EBITDA)</b>	<b>130,8</b>	<b>207,8</b>	<b>(77,0)</b>
Depreciation	(82,0)	(93,6)	11,6
Impairment	(31,0)	(418,9)	387,9
<b>Operating result (EBIT)</b>	<b>17,8</b>	<b>(304,7)</b>	<b>322,5</b>

# Engineering & Fabrication Segment

(USD mill)	3Q 2015	2Q 2015	Change
Operating revenues (external)	1,1	2,3	(1,2)
Inter-segment revenues	(1,1)	56,2	(57,3)
<b>Total operating revenues</b>	<b>-</b>	<b>58,5</b>	<b>(58,5)</b>
Operating costs	(1,2)	(56,2)	55,0
<b>Oper. result before depr. (EBITDA)</b>	<b>(1,2)</b>	<b>2,3</b>	<b>(3,5)</b>
Depreciation	(0,6)	(0,6)	-
<b>Operating result (EBIT)</b>	<b>(1,8)</b>	<b>1,7</b>	<b>(3,5)</b>

# Consolidated Balance Sheet

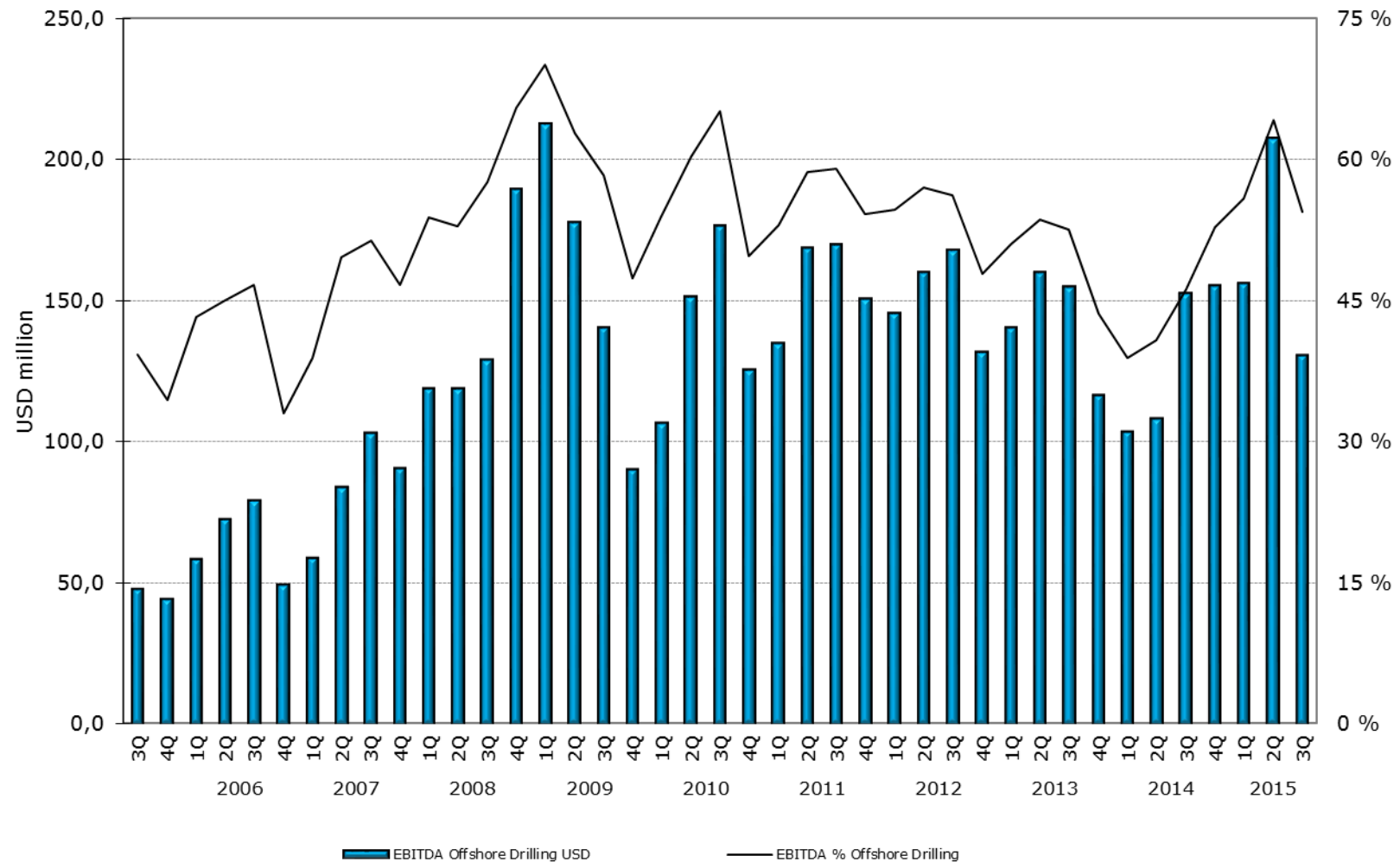
(USD mill)	3Q 2015	2Q 2015	Change
Intangible assets	11,6	12,5	(0,9)
Property, plant & equipment	2 702,2	2 681,3	20,9
Other non-current assets	30,3	32,0	(1,7)
<b>Total non-current assets</b>	<b>2 744,1</b>	<b>2 725,8</b>	<b>18,3</b>
Other current assets	284,4	349,8	(65,4)
Cash and cash equivalents	209,5	186,0	23,5
<b>Total current assets</b>	<b>493,9</b>	<b>535,8</b>	<b>(41,9)</b>
<b>Total assets</b>	<b>3 238,0</b>	<b>3 261,6</b>	<b>(23,6)</b>
<b>Equity</b>	<b>1 068,6</b>	<b>1 049,3</b>	<b>19,3</b>
Non-current interest bearing debt	1 056,0	1 070,8	(14,8)
Other non-current liabilities	123,7	133,8	(10,1)
<b>Total non-current liabilities</b>	<b>1 179,7</b>	<b>1 204,6</b>	<b>(24,9)</b>
Current interest bearing debt	355,6	369,1	(13,5)
Current liabilities newbuilds	417,0	374,0	43,0
Other current liabilities	217,1	264,6	(47,5)
<b>Total current liabilities</b>	<b>989,7</b>	<b>1 007,7</b>	<b>(18,0)</b>
<b>Total equity and liabilities</b>	<b>3 238,0</b>	<b>3 261,6</b>	<b>(23,6)</b>



# Consolidated Cash Flow

(USD mill)	3Q 2015	2Q 2015	Change
Profit before income taxes	22,3	(322,7)	345,0
Depreciation and impairment	113,6	513,1	(399,5)
Interest expense	9,8	9,9	(0,1)
Gain on sale of assets	-	(0,2)	0,2
Changes in working capital	11,9	1,2	10,7
Unrealized loss/(gain) financial instruments	(17,8)	(2,1)	(15,7)
<b>Cash generated from operations</b>	<b>139,8</b>	<b>199,2</b>	<b>(59,4)</b>
Interest paid	(11,7)	(11,6)	(0,1)
Taxes paid	(3,8)	(6,5)	2,7
<b>Net cash flow from operating activities</b>	<b>124,3</b>	<b>181,1</b>	<b>(56,8)</b>
Net investment in fixed assets	(94,3)	(148,7)	54,4
<b>Cash flow used in investment activities</b>	<b>(94,3)</b>	<b>(148,7)</b>	<b>54,4</b>
<b>Cash flow from financing activities</b>	<b>(5,5)</b>	<b>-</b>	<b>(5,5)</b>
Foreign currency	(1,0)	1,2	(2,2)
Net change in cash and cash equivalents	24,5	32,4	(7,9)
Cash at beginning of period	186,0	152,4	33,6
<b>Cash at end of period</b>	<b>209,5</b>	<b>186,0</b>	<b>23,5</b>

# Offshore drilling EBITDA and margin



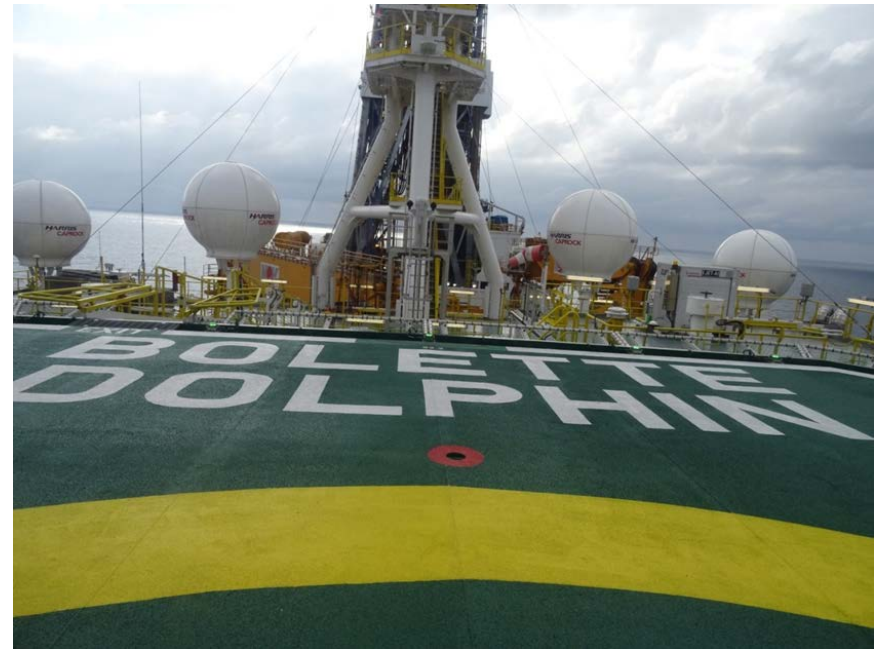
# Fleet status

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	Colombia	Anadarko	2Q 2014 - 2Q 2018	488 000	1Q 2019
Belford Dolphin	Drillship	10 000		Anadarko	Terminated for convenience		
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	February '14 - February '17	NOK 1048' + USD 301'	2Q 2019
Borgland Dolphin	SS / Aker H-3	1 500	Norway	Consortium*	April '14 - March '17	NOK 1057' + USD 349'	1Q 2020
Bredford Dolphin	SS / Aker H-3	1 500	Norway	Consortium**	October '13 - November '15	NOK 1035' + USD 274'	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 Total	February '13 -October '15 October '15 - January '18	202 000 (240 500 incl. capital contribution) 166 000 (204 500)	 1Q 2018
Borgholm Dolphin	Accommodation / AH-3		UK		Idle		4Q 2017
Borgny Dolphin	SS / Aker H-3	2 300			Cold stacked		

Participants in the consortiums:

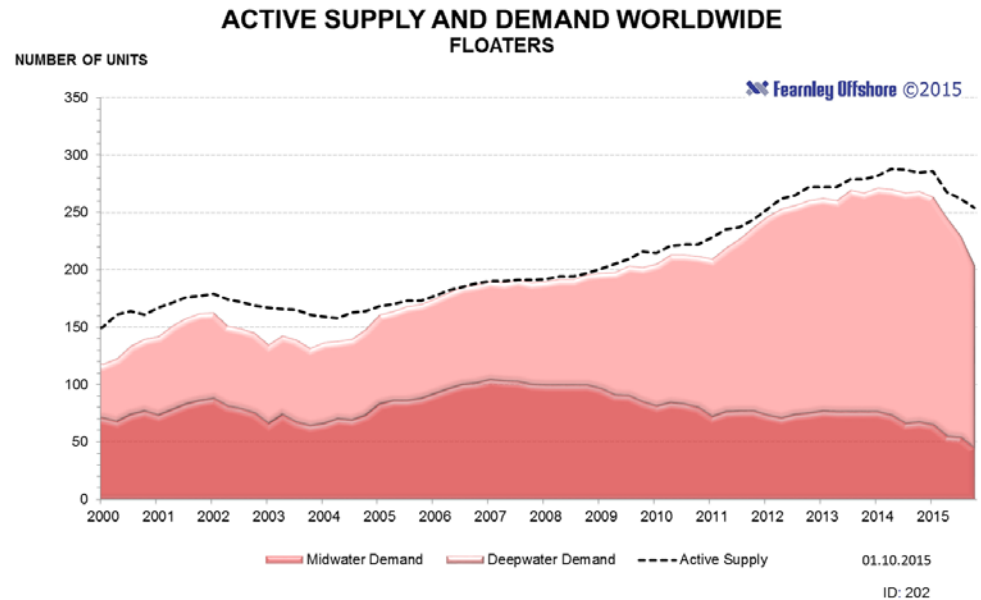
\* Wintershall, Tullow Oil, E.ON Ruhrgas, Suncor Energy    \*\* RWE DEA, Lundin, Noreco, Repsol

- FINANCIAL RESULTS
- **MARKET**
- OPERATIONS
- SUMMARY



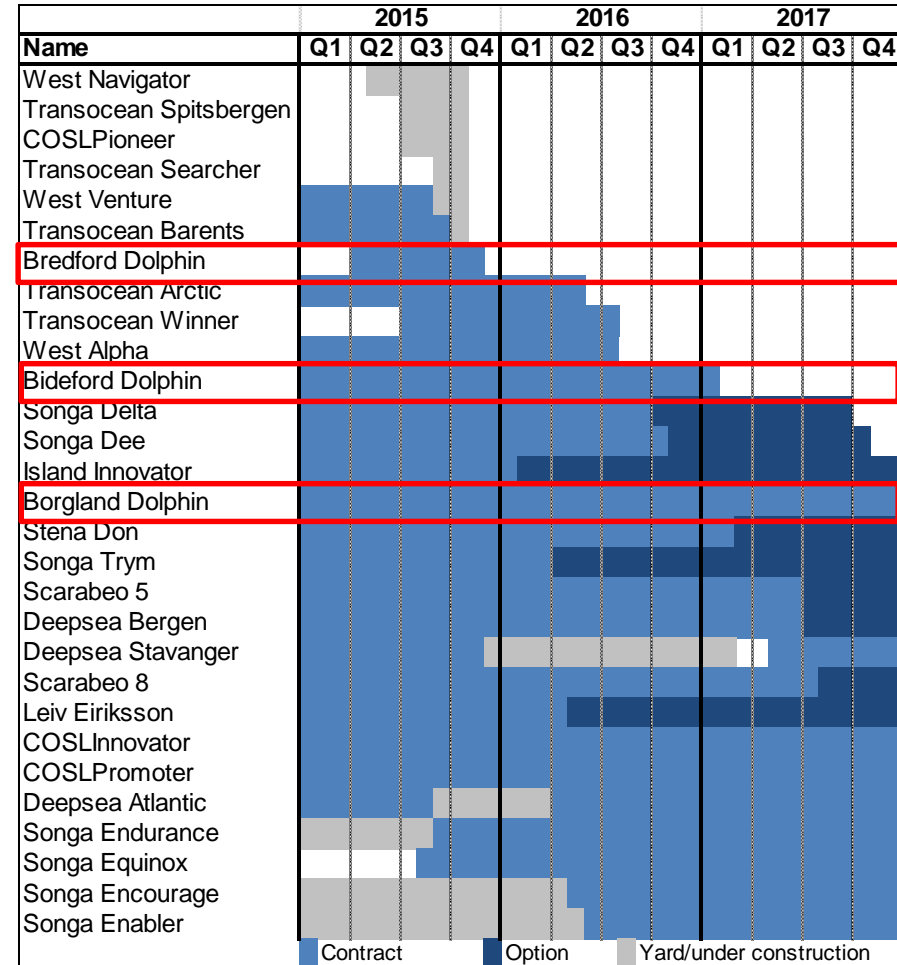
## Global market – floating units

- The market continues to be challenging in all segments
- Some increase in contracting activity, with day-rates pushed further down due to the market imbalance
- The market imbalance is expected to prevail through 2016 and into 2017
- Continued stacking and scrapping is taking place



# Norwegian floater market

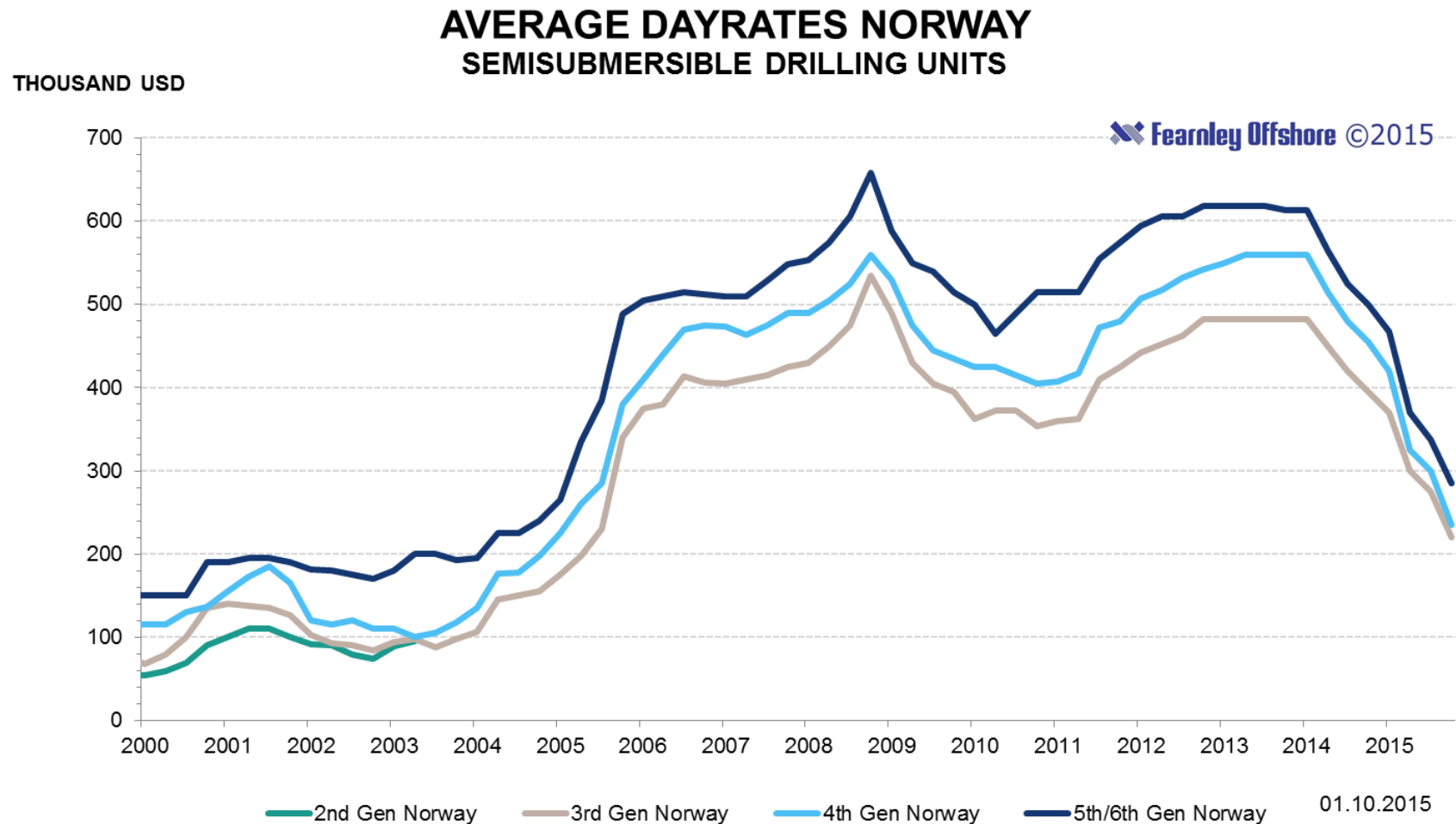
- The imbalance in the market is expected to continue into 2017
- Contract renewal in general is expected to be challenging, although there are some tenders in the market
- Bredford Dolphin will come off contract in November, with no near term contract possibilities



As per October 2015

Source: DNB

# Average dayrates Norway

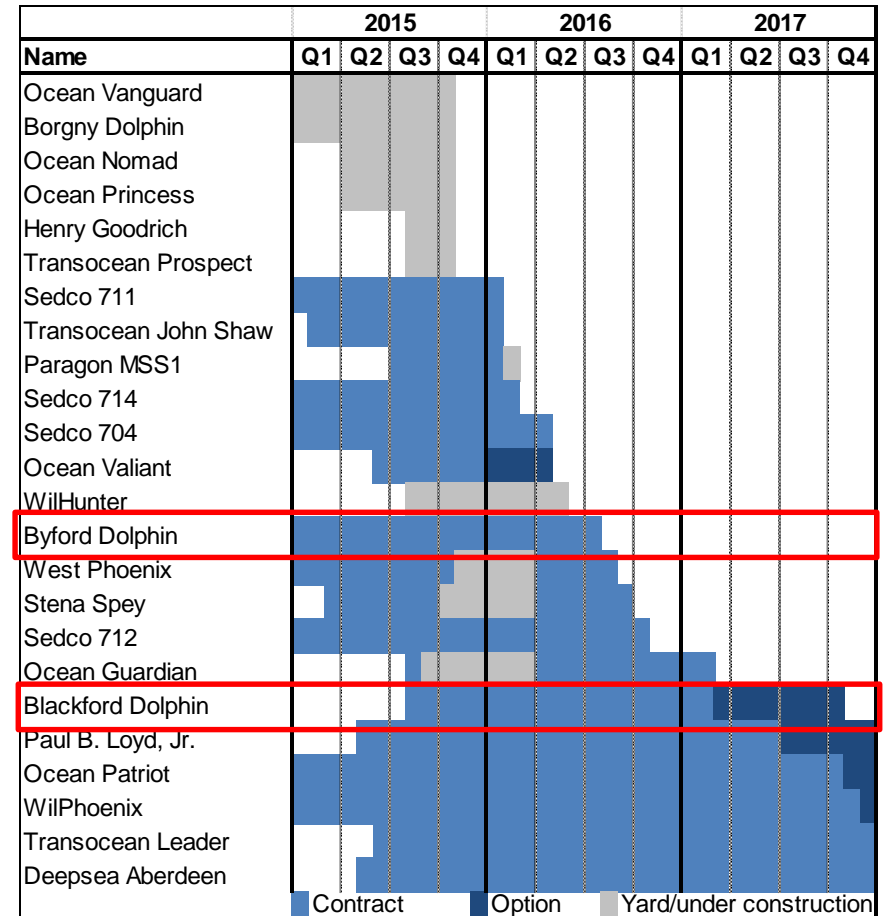


01.10.2015

ID:143

## UK floater market

- The UK market is still experiencing low contracting activity
- Some tender activity in the last quarter, however the visibility for 2016 is low
- The low project activity in general is affecting the accommodation segment, with low contracting activity also in this market

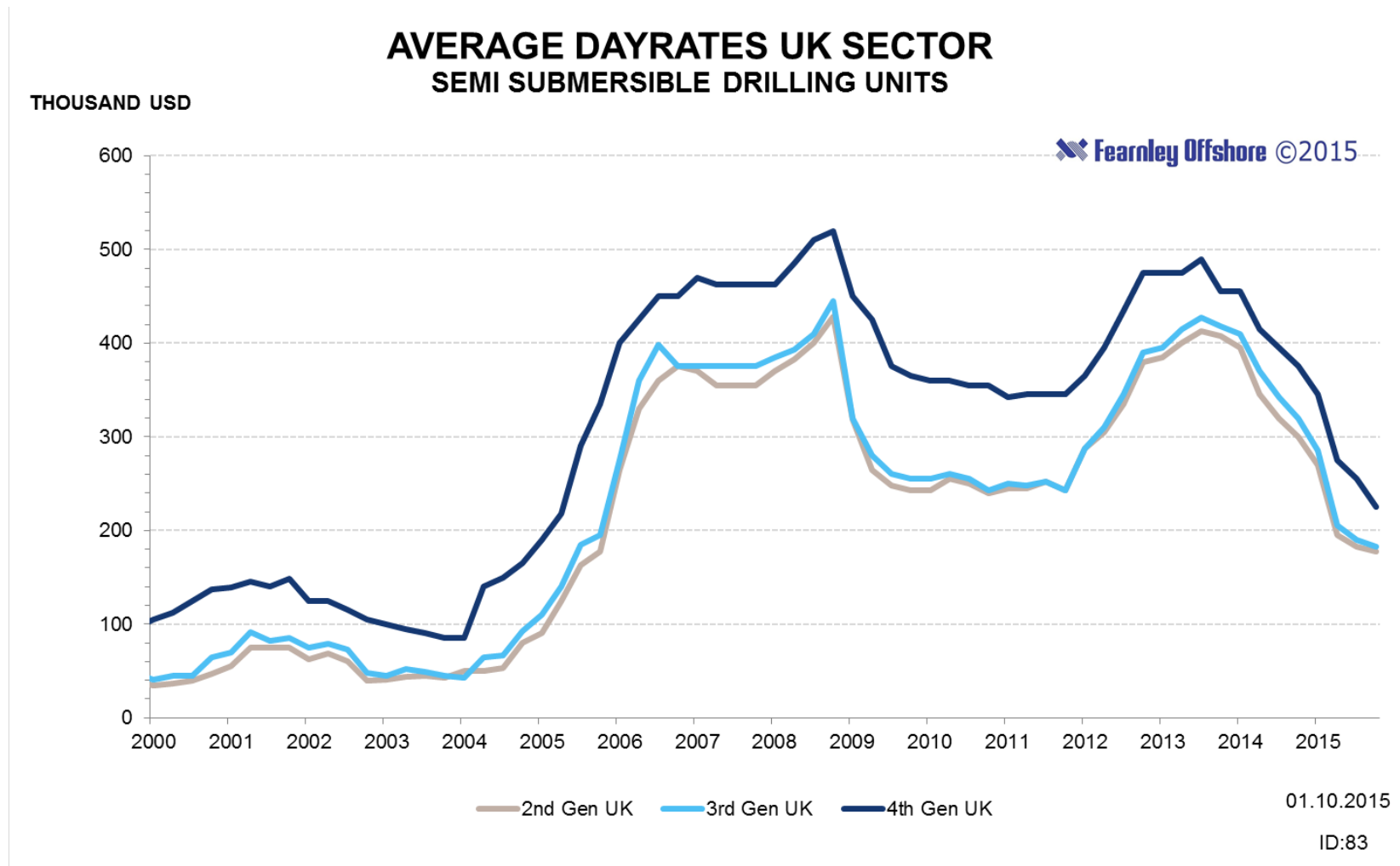


As per October 2015

Source: DNB

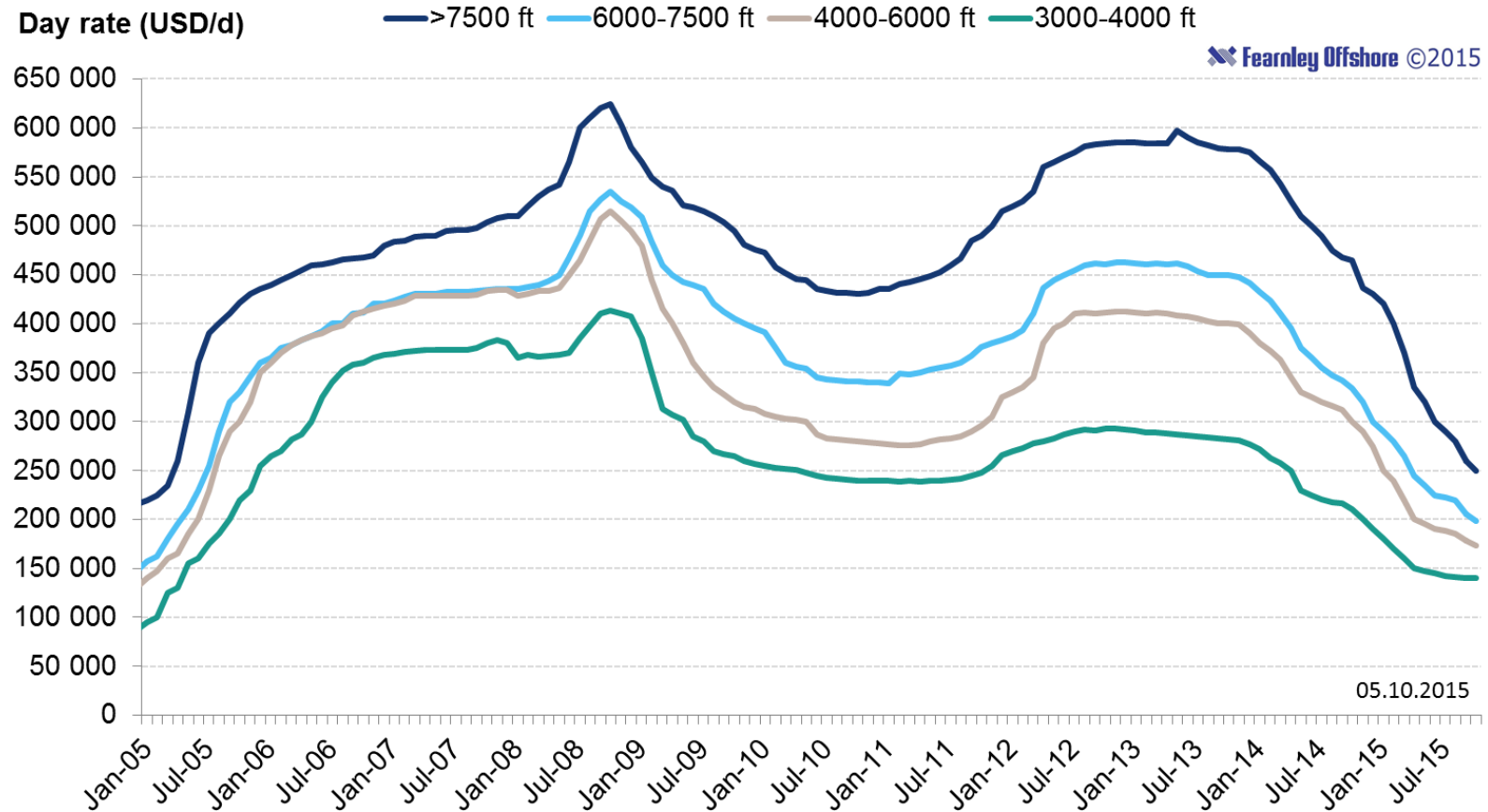


# Average dayrates UK



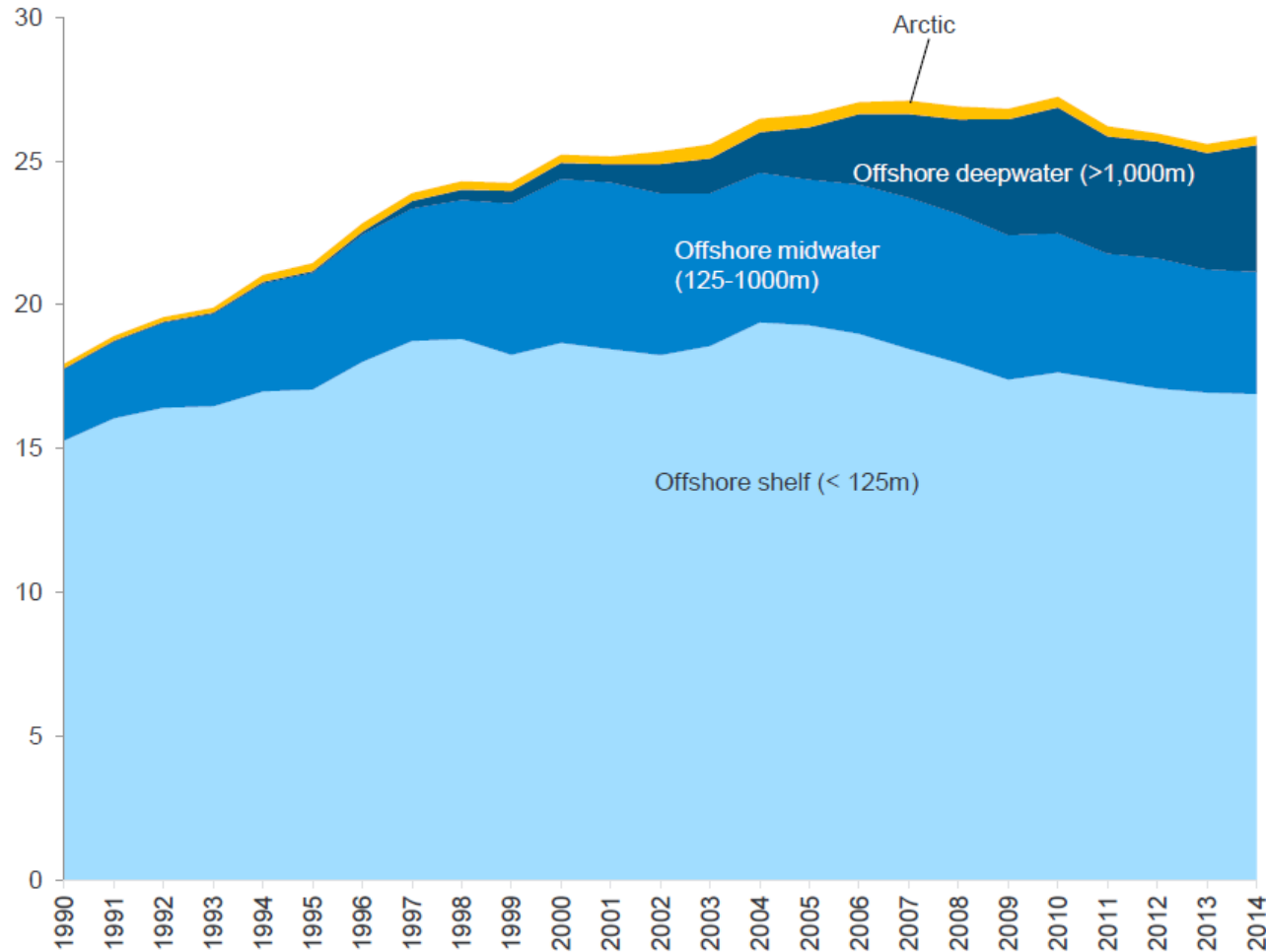
# Worldwide deepwater dayrates

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



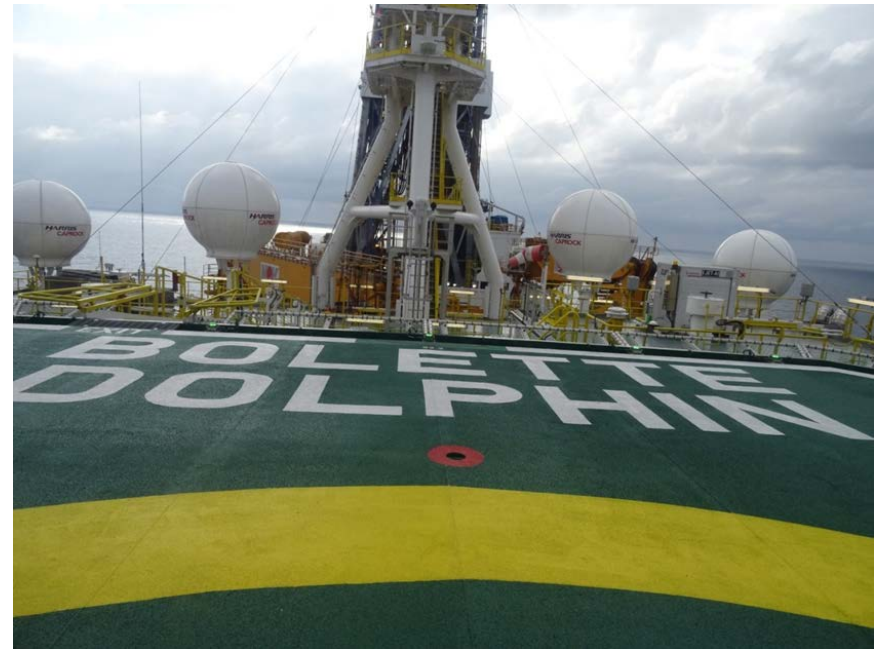
# Don't forget mid- and shallow water!

Global offshore liquids production 1990-2020 split by water depth segment  
Million bbl/d



Source: Rystad Energy

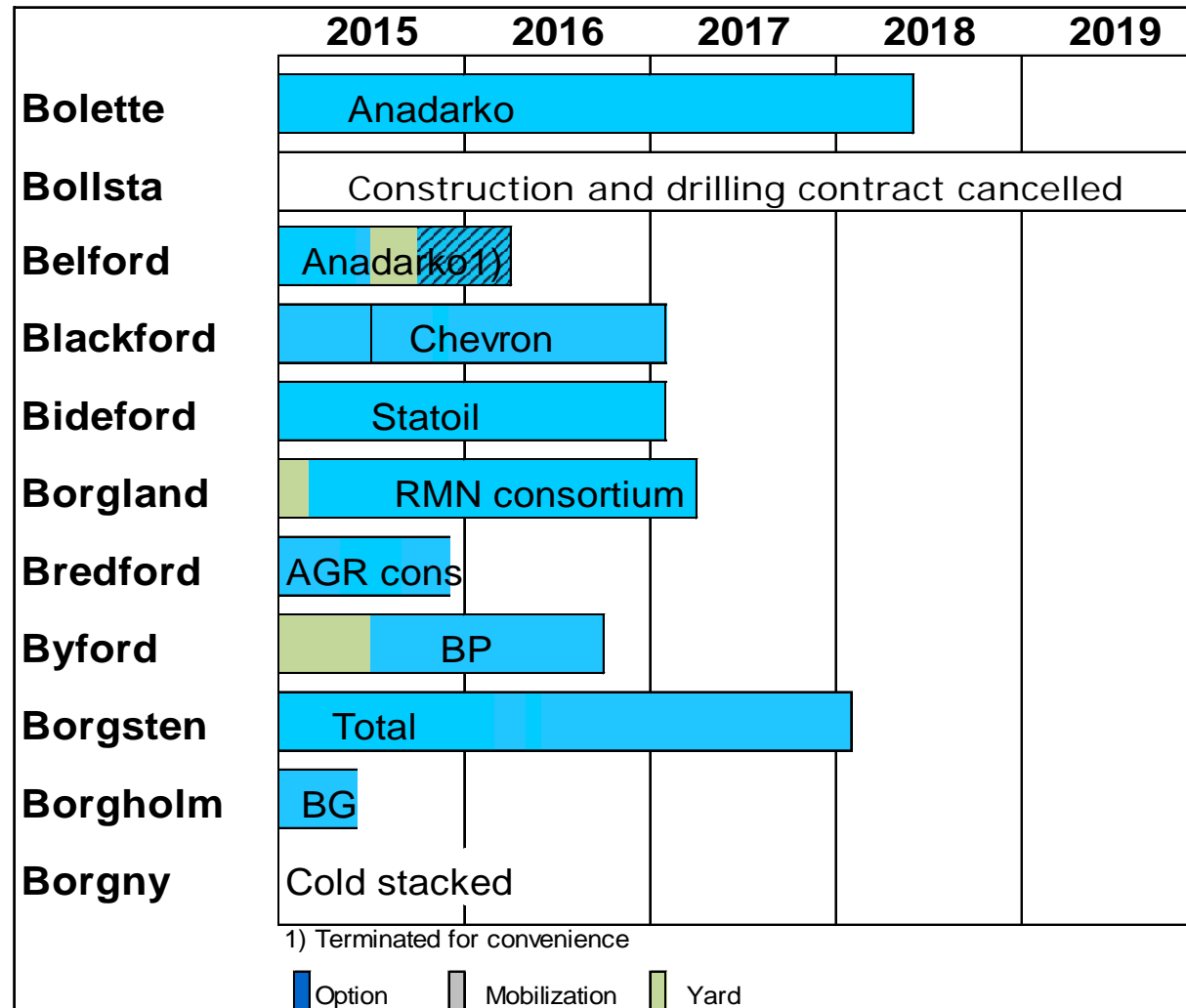
- FINANCIAL RESULTS
- MARKET
- **OPERATIONS**
- SUMMARY



# Fred. Olsen Energy – Operating worldwide

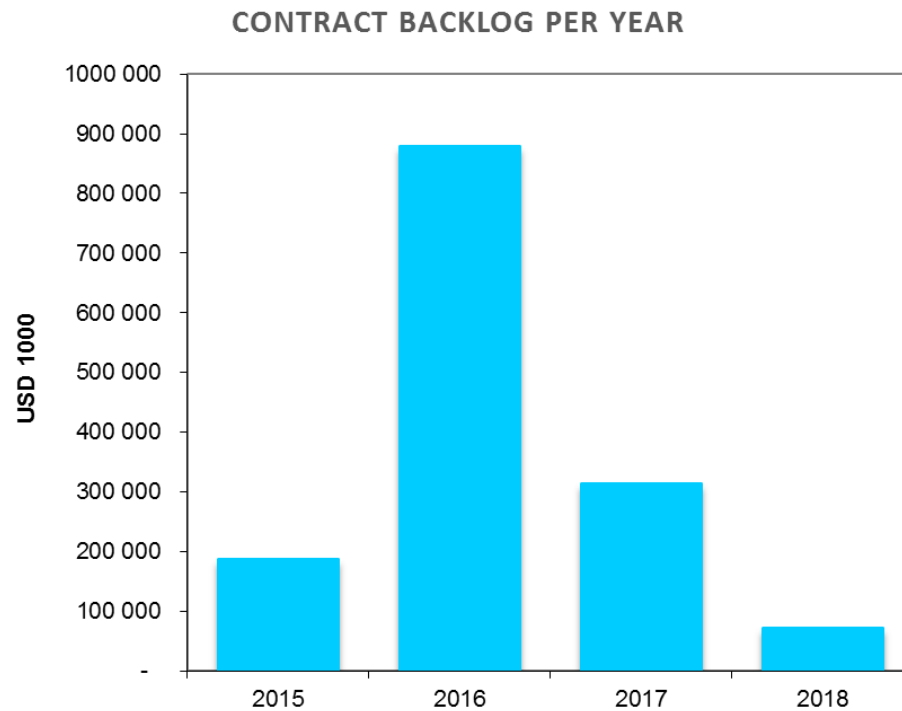


## Contract overview

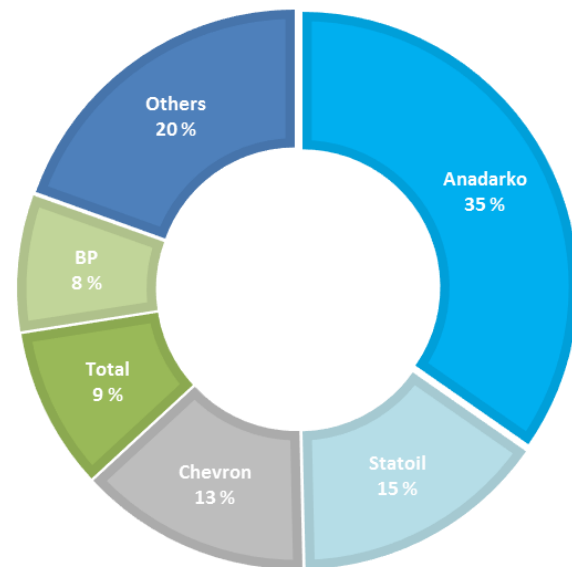


Average contract length ca. 13 months

# Contract backlog



**LARGEST CLIENTS**



**Total backlog ca. USD 1.4 billion**

# Bollsta Dolphin

- On 22 October, a notice of arbitration from Hyundai Heavy Industries Co. Ltd. (HHI) was received. HHI alleges that it is entitled to an additional payment of about MUS\$ 167 and additional time to complete and deliver Bollsta Dolphin
- The claim is considered to be without merit; principally because the construction contract is a so called turn-key delivery for a pre-agreed price. The contract also contains a specific variation order regime dealing with any adjustments or modifications. The amount of variations are negligible
- The construction of the unit was substantially delayed and it was therefore decided to exercise the contractual right to terminate the construction contract with HHI
- In connection with this termination, Chevron North Sea Limited and Dolphin Drilling Ltd. in good faith agreed on amicable terms to terminate the drilling contract





# Ultra deepwater

## Bolette Dolphin

- Operates under a four-year contract with Anadarko, estimated to expire 2Q 2018
- Continued drilling operations under a drilling campaign offshore Colombia
- The unit experienced downtime of 11 days related to subsea equipment



## Belford Dolphin

- Completed operations for Anadarko offshore Mozambique end of June
- Has carried out the five-year Class Renewal Survey at the Keppel yard during the quarter. The CRS was completed mid October at estimated cost and time
- The unit will undergo preservation activities whilst being marketed for new contract possibilities worldwide



# Midwater - Norway

## Borgland Dolphin

- Continued its operations under the 18-well contract with an RMN consortium.
- Updated drilling plans have been received from the RMN led consortium. Based on the received adjusted estimates for future wells, the operations are estimated to be completed 1Q 2017, instead of 4Q 2017
- 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 five-year class renewal survey July 2014



# Midwater - Norway / United Kingdom

## Bredford Dolphin

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



## Borgholm Dolphin

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





## Midwater - United Kingdom (cont.)

### Byford Dolphin

- The rig resumed the drilling contract with BP Exploration after completion of the CRS and acceptance testing end of July
- The contract is estimated to expire 3Q 2016
- Byford Dolphin experienced downtime of 16 days during the quarter related to subsea equipment



### Borgsten Dolphin

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



# Deepwater – United Kingdom

## Blackford Dolphin

- Commenced the 572 days contract with Chevron mid July after acceptance testing. The contract is estimated to expire around January 2017
- The unit experienced 22 days of downtime related to subsea equipment during the quarter as well as 12 days in 4<sup>th</sup> quarter
- Completed its class renewal survey in June 2014



## Harland & Wolff

- Focus on ship repair, ship building, steel fabrication and engineering services
- The activity during the quarter has been low, with only a limited number of ship dockings and ship repairs



# Summary

## ■ Financial

- Revenues were USD 241 million
- EBITDA was USD 130 million
- Profit before tax was USD 22 million
- Contract backlog amounting to approximately USD 1.4 billion

## ■ Operational

- A notice of arbitration from Hyundai Heavy Industries Co. Ltd. (HHI) was received
- Bollsta Dolphin construction contract and drilling contract cancelled

## ■ Market

- Average contract duration approximately 13 months



