

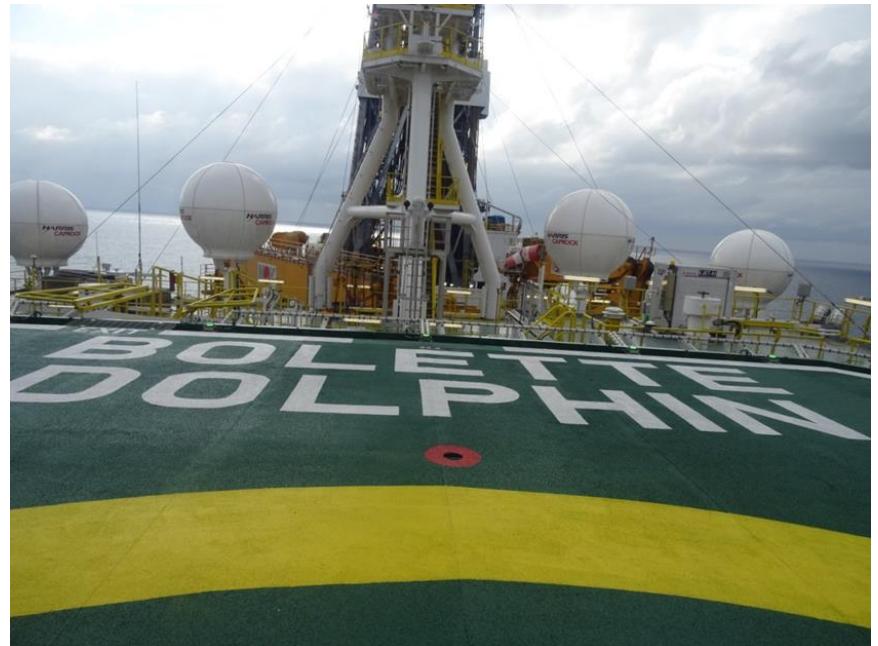


Financial results 1Q 2016

Oslo,
27 April 2016

AGENDA

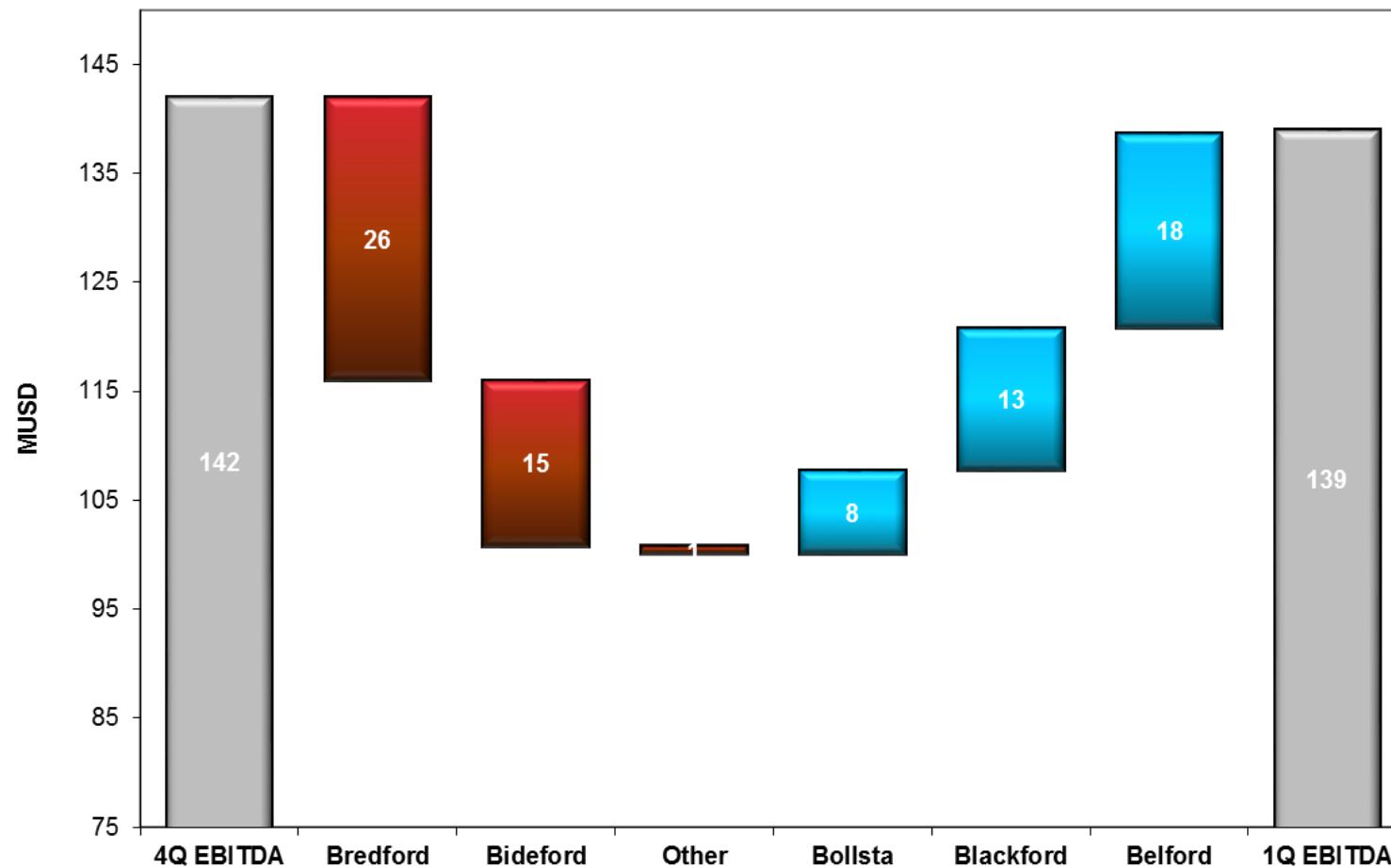
- **FINANCIAL RESULTS 1Q 2016**
- MARKET
- OPERATIONS
- SUMMARY



Income Statement – Key Figures

(USD mill)	1Q 2016	4Q 2015	Change
Operating revenues	230,7	257,9	(27,2)
Recharged income	4,6	7,3	(2,7)
Total revenues	235,3	265,2	(29,9)
Operating costs	(91,5)	(116,3)	24,8
Recharged expenses	(4,5)	(7,4)	2,9
Total operating expenses	(96,0)	(123,7)	27,7
Oper. result before depr. (EBITDA)	139,3	141,5	(2,2)
Depreciation	(75,4)	(86,2)	10,8
Impairment	-	(158,0)	158,0
Operating result (EBIT)	63,9	(102,7)	166,6
Net financial items	(25,3)	(19,8)	(5,5)
Result before tax	38,6	(122,5)	161,1
Estimated tax	(5,8)	8,3	(14,1)
Net result	32,8	(114,2)	147,0

EBITDA Comparison 1Q 2016 vs. 4Q 2015



Financial Items Breakdown

(USD mill)	1Q 2016	4Q 2015	Change
Interest income	0,2	0,4	(0,2)
Other financial income	0,4	0,5	(0,1)
Gains on financial instruments	5,1	0,9	4,2
Financial income	5,7	1,8	3,9
Interest expenses	(10,5)	(10,9)	0,4
Losses on financial instruments	(1,3)	(8,2)	6,9
Other financial expenses	(2,2)	(11,9)	9,7
Financial expenses	(14,0)	(31,0)	17,0
Net foreign currency gain	(17,1)	9,4	(26,5)
Net financial items	(25,4)	(19,8)	(5,6)

Offshore Drilling Segment

(USD mill)	1Q 2016	4Q 2015	Change
Operating revenues	225,4	252,7	(27,3)
Recharged income	4,6	7,3	(2,7)
Total revenues	230,0	260,0	(30,0)
Operating costs	(83,9)	(114,0)	30,1
Recharged expenses	(4,5)	(7,4)	2,9
Total operating expenses	(88,4)	(121,4)	33,0
Oper. result before depr. (EBITDA)	141,6	138,6	3,0
Depreciation	(74,8)	(84,7)	9,9
Impairment	-	(158,0)	158,0
Operating result (EBIT)	66,8	(104,1)	170,9

Engineering & Fabrication Segment

(USD mill)	1Q 2016	4Q 2015	Change
Operating revenues (external)	5,3	5,2	0,1
Inter-segment revenues	0,4	0,3	0,1
Total operating revenues	5,7	5,5	0,2
Operating costs	(8,0)	(2,6)	(5,4)
Oper. result before depr. (EBITDA)	(2,3)	2,9	(5,2)
Depreciation	(0,6)	(1,5)	0,9
Operating result (EBIT)	(2,9)	1,4	(4,3)

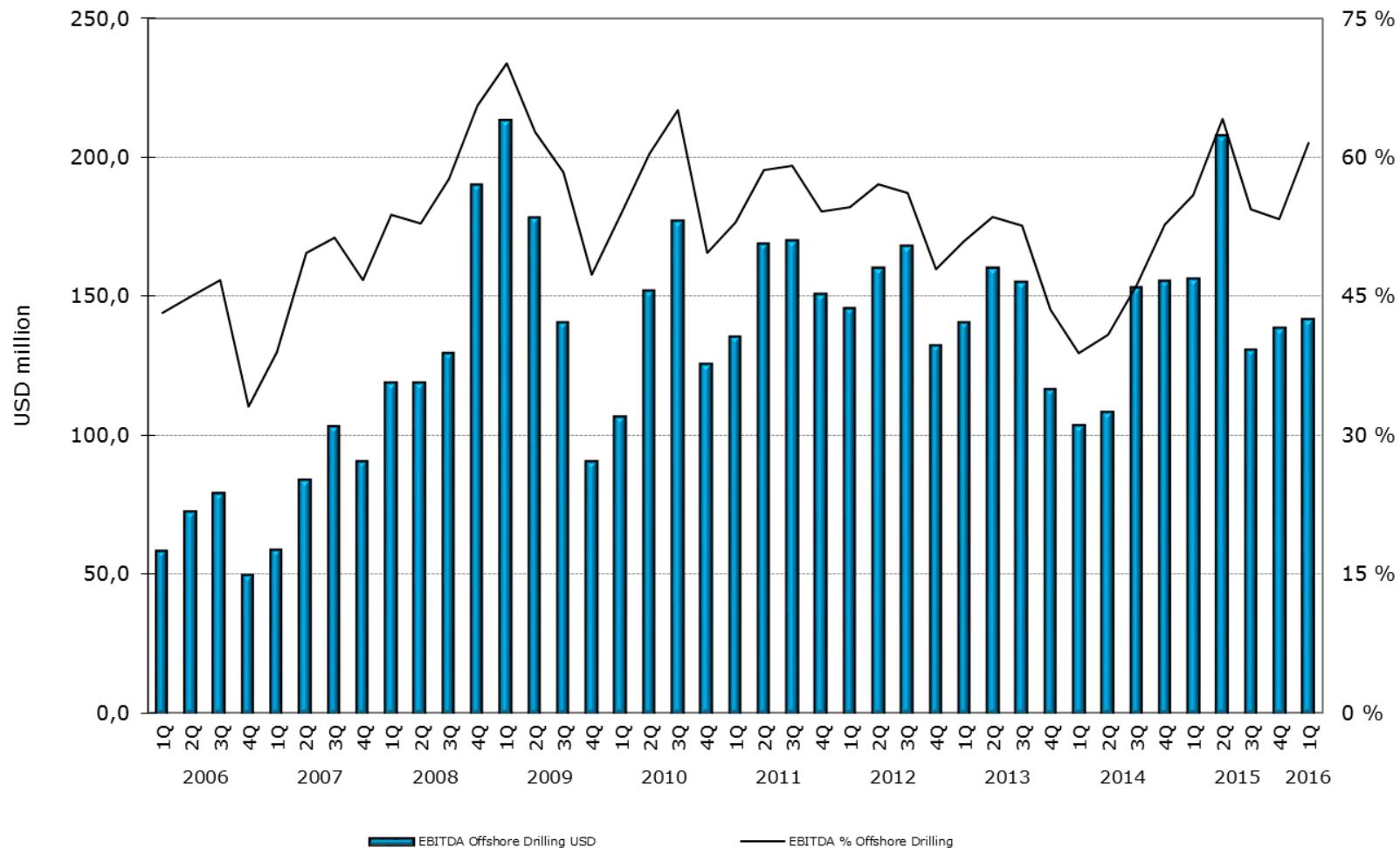
Consolidated Balance Sheet

(USD mill)	31 Mar 2016	31 Dec 2015	Change
Intangible assets	11,9	11,2	0,7
Property, plant & equipment	1 790,9	1 862,4	(71,5)
Other non-current assets	20,2	22,9	(2,7)
Total non-current assets	1 823,0	1 896,5	(73,5)
Other current assets	456,4	462,8	(6,4)
Cash and cash equivalents	197,1	214,1	(17,0)
Total current assets	653,5	676,9	(23,4)
Total assets	2 476,5	2 573,4	(96,9)
Equity	1 000,4	965,5	34,9
Non-current interest bearing debt	916,2	1 002,1	(85,9)
Other non-current liabilities	103,7	100,3	3,4
Total non-current liabilities	1 019,9	1 102,4	(82,5)
Current interest bearing debt	312,2	325,7	(13,5)
Other current liabilities	144,0	179,8	(35,8)
Total current liabilities	456,2	505,5	(49,3)
Total equity and liabilities	2 476,5	2 573,4	(96,9)

Consolidated Cash Flow

(USD mill)	1Q 2016	4Q 2015	Change
Profit before income taxes	38,6	(122,5)	161,1
Depreciation and impairment	75,4	244,2	(168,8)
Interest expense	11,9	11,0	0,9
Changes in working capital	(21,5)	51,7	(73,2)
Unrealized loss/(gain) financial instruments	11,2	(4,1)	15,3
Cash generated from operations	115,6	180,3	(64,7)
Interest paid	(10,5)	(11,7)	1,2
Taxes paid	6,2	(2,2)	8,4
Net cash flow from operating activities	111,3	166,4	(55,1)
Net investment in fixed assets	(12,6)	(74,2)	61,6
Cash flow used in investment activities	(12,6)	(74,2)	61,6
Borrowing of loans	40,0	-	40,0
Repayments of loans	(156,4)	(84,4)	(72,0)
Cash flow from financing activities	(116,4)	(84,4)	(32,0)
Foreign currency	0,7	(3,2)	3,9
Net change in cash and cash equivalents	(17,7)	7,8	(25,5)
Cash at beginning of period	214,1	209,5	4,6
Cash at end of period	197,1	214,1	(17,0)

Offshore drilling EBITDA and margin



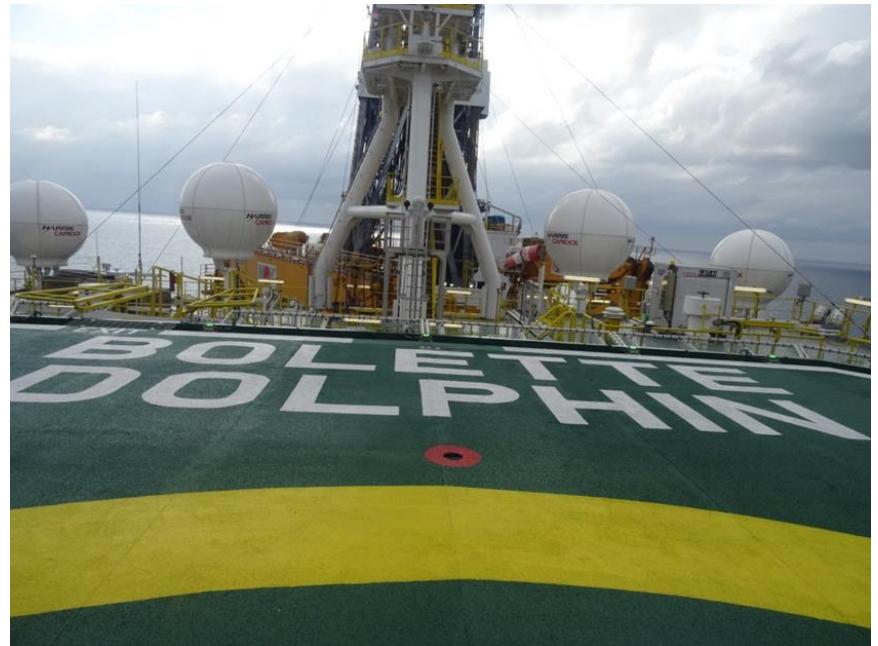
Fleet status

RIG	DESIGN	W DEPTH	LOCATION	CLIENT	CONTRACT STATUS	DAY RATE (USD)	NEXT CRS
ULTRA DEEPWATER UNITS							
Bolette Dolphin	DS/ Gusto P10'	12 000	Ivory Coast	Anadarko	2Q 2014 - 2Q 2018	488 000	1Q 2019
Belford Dolphin	DS / LNG Marin	10 000	Malaysia		Terminated for convenience		
Blackford Dolphin	SS / Aker H-3	7 000	UK	Chevron	July '15 - January '17	428 000	2Q 2019
MID WATER FLOATERS NORWAY							
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 - March '17	NOK 1057' + USD 349'	1Q 2020
Bredford Dolphin	SS / Aker H-3	1 500	Norway		Idle, cold stacked		2Q 2017
MID WATER FLOATERS UK							
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, cold stacked	(204 500 incl. cap.contribution)	4Q 2017
Borgny Dolphin	SS / Aker H-3	2 300			Cold stacked		

Participants in the consortium:

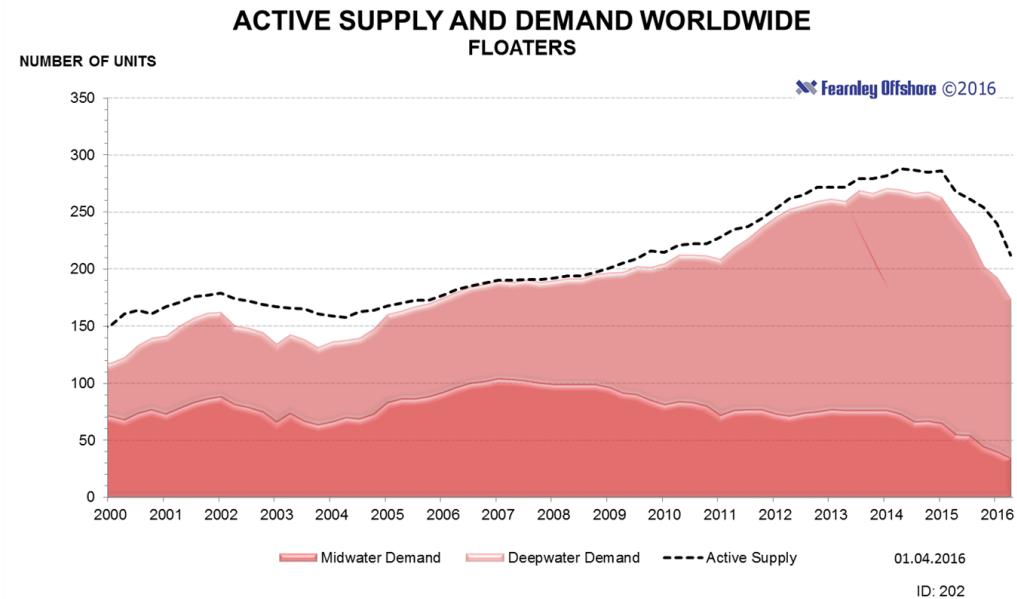
* Wintershall, Tullow Oil, E.ON Ruhrgas, Suncor Energy

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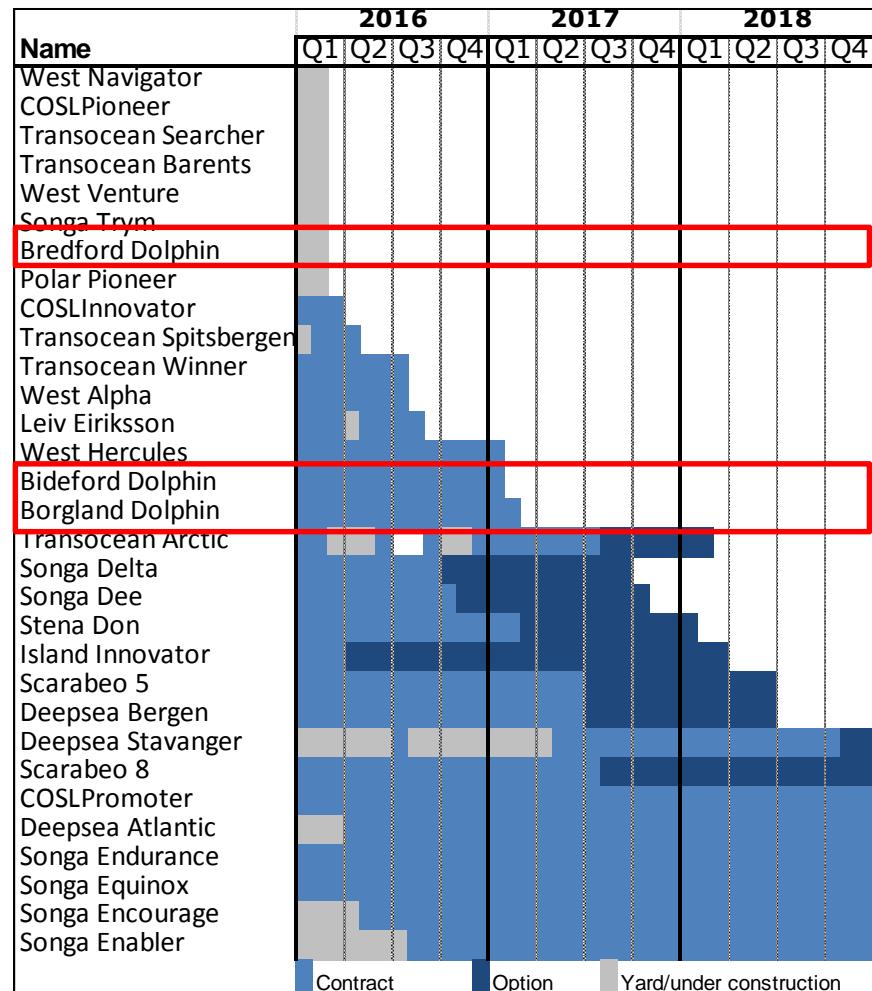
Global market – floating units

- Limited demand is still resulting in increasing overcapacity
- Day rates is expected to trend low
- Cold stacking and scrapping of units is expected to continue
- The market imbalance is expected to prevail during 2016 and into 2017
- Declining oil production during 2016 is expected as a result of the continued reductions in investment activity



Norwegian floater market

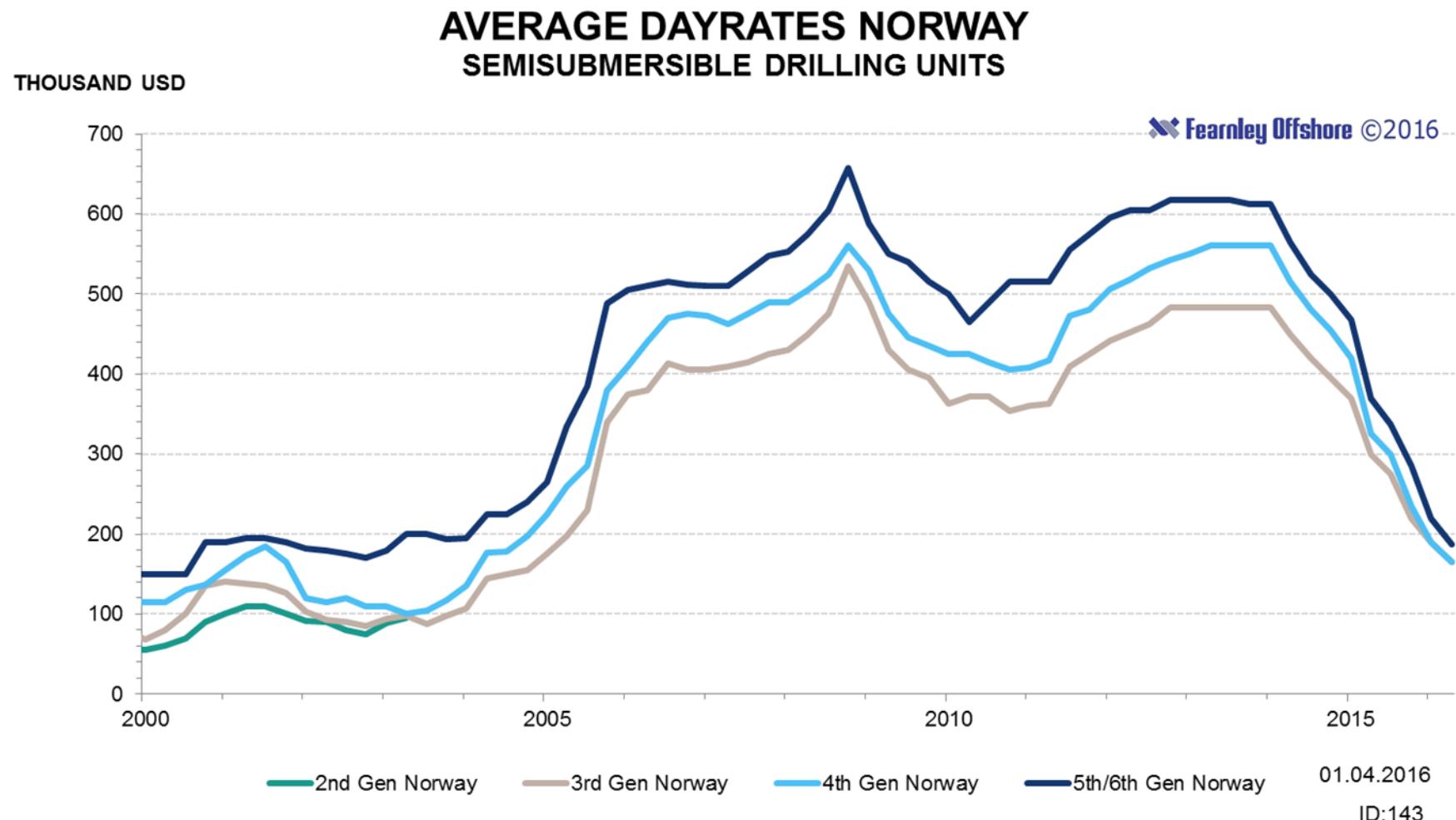
- There has been a considerable reduction in the utilisation of the rig fleet in Norway during the last year and this is expected to continue
- Expect increased number of cold stacked units
- There has been some contract activity, however few new visible contract opportunities in the near to mid term



As per April 2016

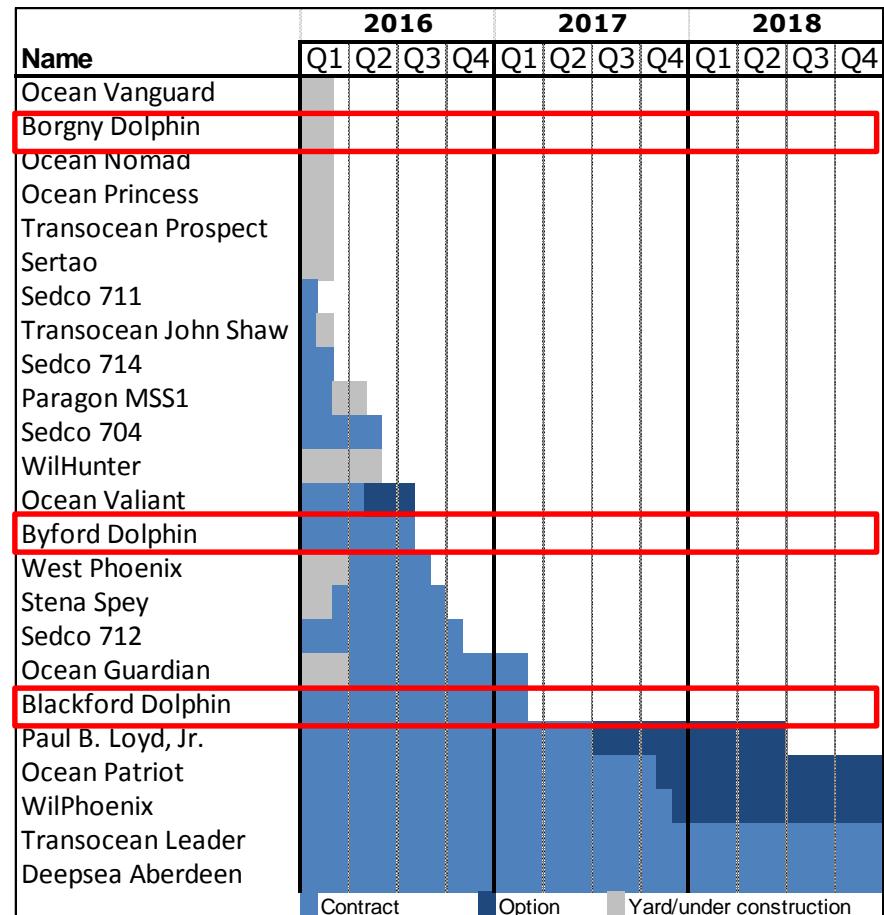
Source: DNB

Average dayrates Norway



UK floater market

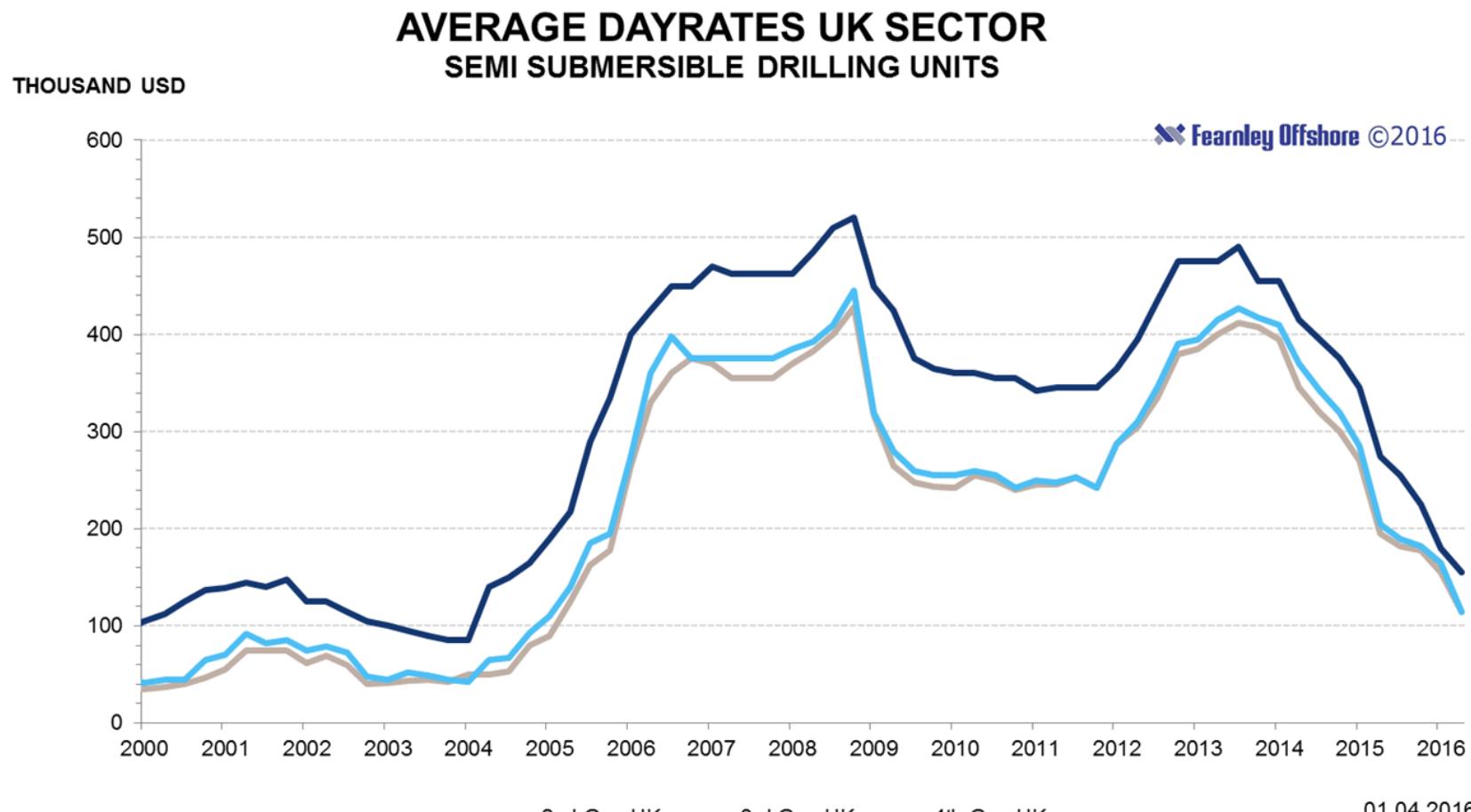
- The utilization in the UK market has decreased considerably during the last year
- Some requests and tender activity for work with start up in 2017
- The low project and maintenance activity in general is affecting the accommodation segment, with no short-term visibility



As per April 2016

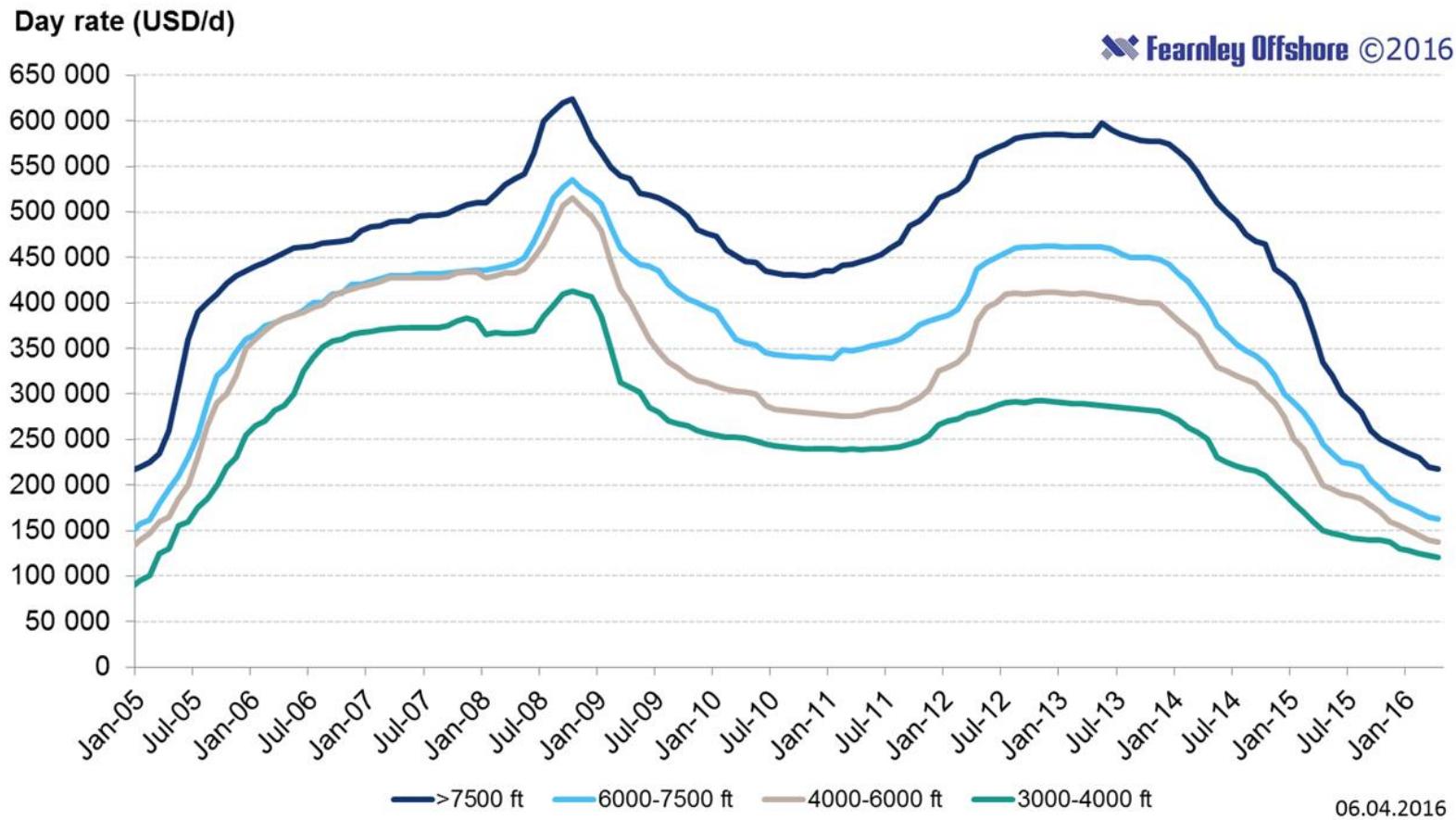
Source: DNB

Average dayrates UK

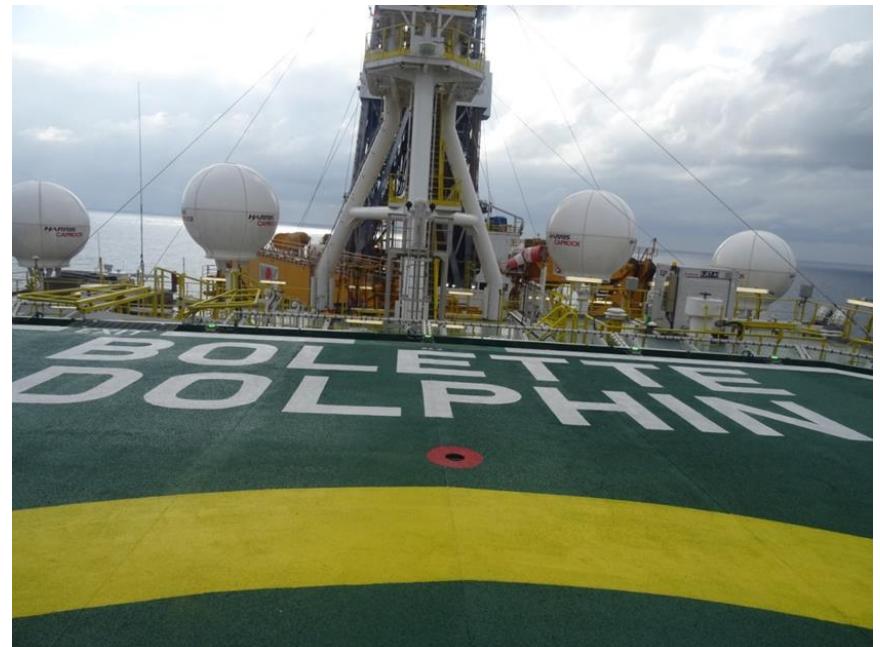


Deepwater dayrates - worldwide

WORLDWIDE DEEPWATER DRILLING UNITS MARKET RATE ASSESSMENT BY WATER DEPTH SEGMENT



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Fred. Olsen Energy – Operating worldwide

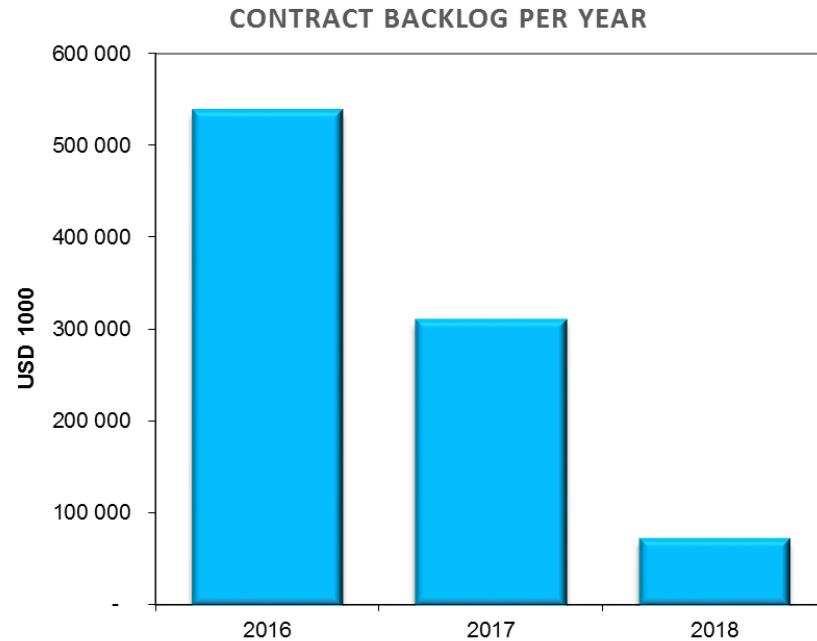


Contract overview

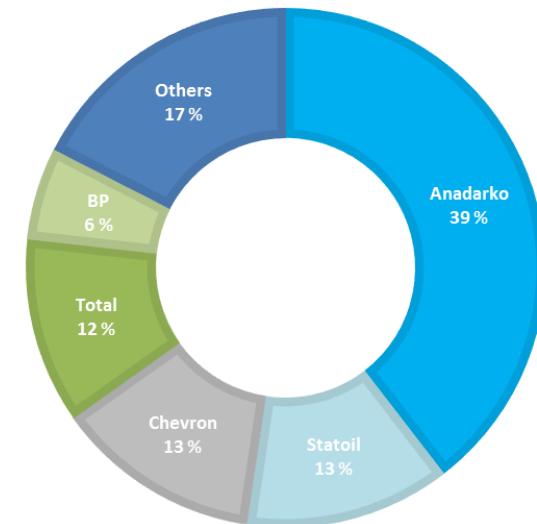
Unit	2016	2017	2018
Bolette		Anadarko	
Belford	1)		
Blackford		Chevron	
Bideford		Statoil	
Borgland		RMN Cons.	
Bredford			
Byford		BP	
Borgsten		Total	
Borgholm			
	1) Terminated for convenience		

Average contract length approximately 9 months

Contract backlog



LARGEST CLIENTS



Total backlog approximately USD 900 million

Ultra deepwater

Bolette Dolphin

- Operates under a four-year contract with Anadarko, estimated to expire 2Q 2018
- Has completed the first drilling campaign offshore Colombia and is currently drilling off 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, estimated to be completed 1Q 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 class renewal survey July 2014
- The unit was inshore during February to undertake repairs at the helideck after the winterstorm "Tor" and was back in operation early March. The repairs will to a large extent be covered by insurance



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



Harland & Wolff

- Focus on ship repair, ship building, steel fabrication and engineering services
- There has been several dockings and a repairs during the quarter
- Borgny Dolphin and Borgholm Dolphin remains cold-stacked at the yard



Summary

- **Financial**
 - Revenues were USD 235 million
 - EBITDA was USD 139 million
 - Profit before tax was USD 39 million
 - Contract backlog amounting to approximately USD 900 million
- **Operational**
 - Bredford Dolphin completed its contract early January 2016
- **Market**
 - Average contract duration approximately 9 months

