



Fred. Olsen Energy ASA

Report for the 2nd Quarter 2006

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 455.7 MILLION FOR THE 2ND QUARTER 2006

HIGHLIGHTS FOR THE 2ND QUARTER

- Revenues were 1,028.0 million
- EBITDA was 455.7 million
- Operating profit (EBIT) was 341.9 million
- Profit before tax was 282.9 million
- Net profit was 278.1 million
- Basic earnings per share were 4.5
- Diluted earnings per share were 4.2
- Contracts secured for Bideford Dolphin until 2011 at a value of 3,3 billion
- The offshore market continues to be strong

CONTACT PERSONS: Jan Peter Valheim/Hjalmar Krogseth Moe
Tel: 22 34 10 00
<mailto:jan.peter.valheim@fredolsen.no>
<mailto:hjalmar.krogseth.moe@fredolsen.no>

Figures in NOK

FINANCIAL INFORMATION (*1st quarter 2006 in brackets*)

Operating revenues in the quarter were 1,028.0 million (935.9 million), an increase of 92.1 million. Revenues within the offshore drilling division increased by 108.1 million. Revenues from external customers within the engineering and fabrication division decreased by 16.0 million. The increase in revenues within the offshore drilling division is mainly due to higher day rates for several units. Revenues within the engineering and fabrication division were 140.5 million, of which 117.6 million were related to intercompany activities and eliminated in the consolidated accounts.

Operating costs were 572.3 million (544.4 million), an increase of 27.9 million. Operating costs within the offshore drilling division increased by 43.6 million. Operating costs related to external work within engineering and fabrication decreased by 15.7 million. The increase in operating costs within the offshore drilling division is mainly due to increased reimbursable expenses and higher crew expenses. Operating costs within the engineering and fabrication division were 134.2 million, of which 114.5 million were eliminated in the consolidated accounts.

Operating profit before depreciation (EBITDA) was 455.7 million (391.5 million).

Depreciation amounted to 113.8 million (123.7 million). The decrease is due to lower USD rate against NOK.

Operating profit after depreciation (EBIT) was 341.9 million (267.8 million).

Net financial expenses were 59.0 million (90.7 million). Financial expenses in the previous quarter included borrowing costs of 28.0 million, previously capitalized, following the refinancing of the USD 300 million credit facility in March and a call option premium of 34.5 million related to early redemption of the FOE01 8.75% 2004/09 NOK 760 million bonds.

Profit before tax was 282.9 million (177.1 million).

Net profit, after an estimated tax expense of 4.8 million, was 278.1 million (172.1 million).

Basic earnings per share were 4.5 (2.8). Earnings per share on a fully diluted basis were 4.2 (2.6).

The Company's offer to the holders of the FOE 02 4.5% 2004/09 subordinated convertible bond loan to participate in a private placement at NOK 68, - per share was accepted by 15 bondholders, holding NOK 301.6 million of the outstanding amount of NOK 358.8 million. The offer was made subject to bondholders agreeing to waive their conversion rights under the bonds. The private placement of 4,434,860 shares was completed in July. Except for the termination of the conversion right, the amended loan will continue at unchanged terms until maturity date on 30th March 2009. The remaining amount of NOK 57.2 million will continue to maturity as a separate convertible bond loan at unchanged terms.

The **offshore drilling division** reported revenues of 1,005.1 million (897.0 million) and an EBITDA of 452.5 million (388.0 million).

Figures in NOK

The **engineering and fabrication division** reported revenues of 140.5 million (157.6 million) and an EBITDA of 6.3 million (5.9 million).

OPERATIONS

Drilling Division

Bideford Dolphin continued operations under a drilling program offshore Norway for Norsk Hydro. In July a three years drilling contract for the rig was entered into with Norsk Hydro Produksjon AS from January 2008 until January 2011. At the same time the parties agreed to define the expiry date for the presently planned drilling program to 26.1.2008 against an additional compensation.

Borgland Dolphin continued operations offshore Norway under the current contract with Statoil, expiring end December 2006. In September 2005 a new contract for the rig was secured with Statoil ASA, on behalf of itself and the other licensees in the Tampen area on the Norwegian continental shelf. The contract period is for three years expiring 31.12.2009.

The deepwater drill ship Belford Dolphin continued operations under a three-year drilling contract with ONGC in India, expiring early 2007. In September 2005, a contract was secured with Anadarko Petroleum Corporation for three years. The new contract will follow in direct continuation from the present Belford Dolphin contract with ONGC.

Borgny Dolphin continued operations under a contract with Pemex in Mexico, expiring early 2008.

Bulford Dolphin (owned by First Olsen Ltd. and being operated in a pool with four of the Company's own units) continued its operations for Equator Exploration Ltd. offshore Nigeria. The contract is expected to expire in December 2007. In June eight of the personnel on the rig were taken hostages. The personnel were released unharmed after two days. The incident did not cause any pollution or material damage on the rig. However, the incident will delay the estimated time of transfer from a well based contract to a one year term contract with Equator to December 2006.

Byford Dolphin continued operations under its contract with CNR International (U.K.) Limited. The current term contract is now estimated to expire end June 2007. An agreement with CNR was entered into in November 2005 on a further extension of the contract of an additional 275 days.

Bredford Dolphin continued operations under a contract with Peak Well Management Ltd. in the U.K. North Sea. In January a drilling contract for the rig was entered into with Drilling Production Technology as, on behalf of themselves and a consortium of licensees on the Norwegian continental shelf. The duration of the contract is three years with estimated commencement late 2006, following a compulsory class renewal survey and upgrade for Norwegian requirements.

Borgsten Dolphin continued operations under a contract with CNR International (U.K.) Ltd in the UK North Sea to end May followed by commencement of a 720 days

Figures in NOK

combined drilling program for Nexen Petroleum UK Ltd. and Tullow Oil plc, respectively.

Borgholm Dolphin continued operations under a contract with Talisman Energy (UK) Ltd. to April followed by commencement of an accommodation support contract with Shell U.K. Ltd. in the UK sector of the North Sea. The contract expires end October 2006 with two one-month options for extension thereafter.

The upgrade of Blackford Dolphin to a deepwater drilling unit continued at the Keppel Verolme yard in Rotterdam. The upgraded unit will be able to operate in up to 7000 ft. of water with a new high capacity drilling package and an innovative deck layout. A three years drilling contract for Blackford Dolphin was secured in March with Reliance Industries Ltd with commencement in the 4th quarter 2007 after completion of the ongoing deepwater upgrade, commissioning and mobilization to India.

Due to the tight market situation for equipment and personnel, operating costs are expected to continue to increase. This will also have an impact on the Company's operations and upgrade projects.

Engineering and Fabrication

The H&W yard continued its operations in engineering, ship repair and shipbuilding. The yard has been awarded the contracts for construction of the accommodation- and power modules on Blackford Dolphin. The work commenced in the beginning of the year and is estimated completed in the 3rd quarter 2006. The core workforce is 98 employees.

Outlook

Globally, the balance between supply and demand for offshore drilling units tightened in all segments. The high demand for offshore drilling services is expected to continue during the next years.

When the upgrade of Blackford Dolphin is completed, the Group's offshore fleet will consist of two deepwater units and six mid water semi submersible drilling rigs in addition to an accommodation unit. Two of the semi submersible units are operating in Norway. Upon completion of the Bredford Dolphin upgrade the Group will have three units operating in Norwegian waters. Geographically, the Group currently operates in Norway, the UK, India, Mexico and Nigeria. From 2007 the deepwater region of the US Gulf will also be an area of operation.

All of the Group's operated units, except Blackford Dolphin, which is being upgraded, are on contract. Two units are available for new contracts in 2007, comprising Bulford Dolphin and Borgholm Dolphin. The Company is well positioned to capitalize further on the expected tight offshore drilling market.

Oslo, 17th July 2006
The Board of Directors
Fred. Olsen Energy ASA



Fred.Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Unaudited Consolidated Income Statement (NOK mill)	2nd Q 2006	1st Q 2006	2nd Q 2005	1st half 2006	1st half 2005	Year 2005
Operating revenues	1 028,0	935,9	614,5	1 963,9	1 184,8	2 882,9
Operating costs	(572,3)	(544,4)	(463,8)	(1 116,7)	(913,1)	(1 962,3)
Oper. profit before depr. (EBITDA)	455,7	391,5	150,7	847,2	271,7	920,6
Depreciation and amortisation	(113,8)	(123,7)	(148,2)	(237,5)	(296,2)	(618,2)
Oper. profit before other items	341,9	267,8	2,5	609,7	(24,5)	302,4
Other items	-	-	-	-	-	(33,7)
Operating profit (EBIT)	341,9	267,8	2,5	609,7	(24,5)	268,7
Net financing cost	(59,0)	(90,7)	(75,6)	(149,7)	(152,3)	(280,6)
Profit before income taxes	282,9	177,1	(73,1)	460,0	(176,8)	(11,9)
Income tax benefit (expense)	(4,8)	(5,0)	17,8	(9,8)	23,5	(3,8)
Profit for the period	278,1	172,1	(55,3)	450,2	(153,3)	(15,7)
<i>EPS :</i>						
Earnings per share	4,5	2,8	(0,9)	7,3	(2,6)	(0,3)
Diluted earnings per share	4,2	2,6	(0,9)	6,9	(2,6)	(0,3)

Unaudited Balance Sheet (NOK mill)	30 June 06	31 March 06	30 June 05	31 Dec 05
Intangible assets	98,6	98,6	103,0	98,6
Property, plant & equipment	5 636,4	5 586,0	5 345,3	5 391,0
Other non-current assets	11,8	10,3	86,1	50,0
Total non-current assets	5 746,8	5 694,9	5 534,4	5 539,6
Inventories	163,5	172,3	151,5	177,2
Trade and other receivables	825,3	658,1	594,8	688,1
Other current assets	108,9	149,8	164,9	117,8
Cash and cash equivalents	625,6	643,7	377,4	717,1
Total current assets	1 723,3	1 623,9	1 288,6	1 700,2
Total assets	7 470,1	7 318,8	6 823,0	7 239,8
Share capital	1 228,4	1 227,2	1 218,4	1 224,1
Other equity	1 903,3	1 795,7	1 454,1	1 726,5
Total Equity	3 131,7	3 022,9	2 672,5	2 950,6
Non-current interest-bearing loans and borrowings	3 206,2	3 350,9	2 885,0	2 687,4
Other non-current liabilities	266,4	266,0	343,6	289,6
Total non-current liabilities	3 472,6	3 616,9	3 228,6	2 977,0
Other current liabilities	579,6	548,7	691,3	704,3
Current interest-bearing loans and borrowings	286,2	130,3	230,6	607,9
Total current liabilities	865,8	679,0	921,9	1 312,2
Total equity and liabilities	7 470,1	7 318,8	6 823,0	7 239,8



Fred.Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Unaudited Segment Information

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
2nd Q 2006				
Operating revenues	1 005,1	140,5	(117,6)	1 028,0
Operating costs	(552,6)	(134,2)	114,5	(572,3)
Oper. profit before depr. (EBITDA)	452,5	6,3	(3,1)	455,7
Depreciation and amortisation	(112,8)	(1,0)	-	(113,8)
Operating profit (EBIT)	339,7	5,3	(3,1)	341,9
1st Q 2006				
Operating revenues	897,0	157,6	(118,7)	935,9
Operating costs	(509,0)	(151,7)	116,3	(544,4)
Oper. profit before depr. (EBITDA)	388,0	5,9	(2,4)	391,5
Depreciation and amortisation	(122,6)	(1,1)	-	(123,7)
Operating profit (EBIT)	265,4	4,8	(2,4)	267,8
2nd Q 2005				
Operating revenues	583,1	63,0	(31,6)	614,5
Operating costs	(431,5)	(59,3)	27,0	(463,8)
Oper. profit before depr. (EBITDA)	151,6	3,7	(4,6)	150,7
Depreciation and amortisation	(147,1)	(1,1)	-	(148,2)
Operating profit (EBIT)	4,5	2,6	(4,6)	2,5
1st half 2006				
Operating revenues	1 902,1	298,1	(236,3)	1 963,9
Operating costs	(1 061,6)	(285,9)	230,8	(1 116,7)
Oper. profit before depr. (EBITDA)	840,5	12,2	(5,5)	847,2
Depreciation and amortisation	(235,4)	(2,1)	-	(237,5)
Operating profit (EBIT)	605,1	10,1	(5,5)	609,7
1st half 2005				
Operating revenues	1 108,0	153,8	(77,0)	1 184,8
Operating costs	(833,0)	(147,3)	67,2	(913,1)
Oper. profit before depr. (EBITDA)	275,0	6,5	(9,8)	271,7
Depreciation and amortisation	(294,0)	(2,2)	-	(296,2)
Operating profit (EBIT)	(19,0)	4,3	(9,8)	(24,5)
Year 2005				
Operating revenues	2 755,8	207,0	(79,9)	2 882,9
Operating costs	(1 875,4)	(155,7)	68,8	(1 962,3)
Oper. profit before depr. (EBITDA)	880,4	51,3	(11,1)	920,6
Depreciation and amortisation	(614,4)	(3,8)	-	(618,2)
Operating profit (EBIT)	266,0	47,5	(11,1)	302,4
Other items	(33,7)	-	-	(33,7)
Operating profit (EBIT)	232,3	47,5	(11,1)	268,7

* Includes Fred. Olsen Energy ASA



Fred.Olsen Energy ASA

Unaudited Equity (NOK mill)	Notes	1st half 2006	1st half 2005	Year 2005
Opening balance		2 950,6	2 241,8	2 241,8
Net profit (loss) for the period		450,2	(153,3)	(15,7)
Treasury shares		1,7	273,5	273,5
Equity element convertible bond/converted bonds		13,0	41,9	55,5
Foreign currency translation adj.		(283,8)	268,6	395,5
Closing balance		3 131,7	2 672,5	2 950,6

Unaudited Cash Flow Statements (NOK mill)		1st half 2006	1st half 2005	Year 2005
Cash flows from operating activities				
Profit/(loss) before income tax		460,0	(176,8)	(11,9)
<i>Adjustment for:</i>				
Depreciation and amortisation		237,5	296,2	618,2
Interest expense		105,4	87,8	201,3
Changes in working capital		(49,0)	(123,7)	(257,5)
Cash generated from operations		753,9	83,5	550,1
Interest paid		(144,8)	(105,2)	(178,2)
Taxes paid		-	-	(2,6)
Net cash from operating activities		609,1	(21,7)	369,3
Cash flows from investing activities				
Net investment in fixed assets		(885,2)	(331,0)	(535,4)
Payments Navis settlement	2	(172,7)	-	-
Net cash used to investing activities		(1 057,9)	(331,0)	(535,4)
Cash flows from financing activities				
Borrowing of interest bearing debt		3 318,8	-	196,2
Repayments of interest bearing debt		(2 893,1)	(164,7)	(254,9)
Treasury shares		1,7	273,5	273,5
Net cash from financing activities		427,4	108,8	214,8
Foreign currency		(70,1)	22,6	69,7
Net change in cash and cash equivalents		(21,4)	(243,9)	48,7
Cash and cash equivalents at the beg. of period		717,1	598,7	598,7
Cash and cash equiv. at the end of period		625,6	377,4	717,1



Fred.Olsen Energy ASA

1. Introduction

The condensed consolidated interim financial statements for 2nd Quarter 2006, ended 30 June 2006, comprise Fred. Olsen Energy ASA and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group for the year ended 31 December 2005 are available upon request from the Company's office in Oslo or at www.fredolsen-energy.no.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2005.

These condensed consolidated interim financial statements were approved by the Board of Directors on 17 July 2006.

2. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2005.

3. Adjustments of balance sheet as at 1 Jan 05 according to IFRS

Adjustments have been done to the balance sheet compared to the balance sheet reported at 30 June 2005. These are related to adjustments of the restated financial statements in accordance with IFRS for the year ended 2004.

4. Navis Settlement

In December 2005 the final tranche of the Navis ASA share purchase in 2000-2001 was settled by a final court assessment at NOK 172.7 mill. The Company had made provisions of NOK 137 million in previous years. The payment was made in 1st Quarter 2006.