



Fred. Olsen Energy ASA

Report for the 4th quarter 2006 and preliminary results for 2006

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 342.8 MILLION FOR THE 4TH QUARTER 2006 AND EBITDA OF 1,709.0 MILLION FOR THE YEAR

HIGHLIGHTS FOR THE 4TH QUARTER

- Revenues were 965.2 million.
- EBITDA was 342.8 million
- Operating profit (EBIT) was 202.4 million
- Profit before tax was 185.9 million
- Net profit was 176,2 million
- Earnings per share were 2.7
- Bredford Dolphin moved to Remontowa shipyard in Gdansk, Poland for class renewal survey and upgrade for Norway
- New accommodation contracts for Borgholm Dolphin
- The Board proposes a dividend payment of NOK 10, - per share

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Figures in NOK

FINANCIAL INFORMATION (3rd quarter 2006 in brackets)

Operating revenues in the quarter were 965.2 million (1,119.1 million), a decrease of 153.9 million compared with the previous quarter. Revenues within the offshore drilling division decreased by 172.4 million while revenues from external customers within the engineering and fabrication division increased by 18.5 million. The reduction is mainly due to lower utilization of Bredford Dolphin and Borgholm Dolphin as well as a termination settlement with Statoil, relating to Byford Dolphin, of 47 million in the third quarter. Bredford Dolphin was off contract from early November due to the scheduled class renewal survey and upgrade at Remontowa shipyard in Gdansk, Poland. Borgholm Dolphin was off contract from mid December before commencing operation under a new accommodation contract in January 2007. Revenues within the engineering and fabrication division were 72.9 million, of which 37.8 million were related to inter-company activities and eliminated in the consolidated accounts.

Operating revenues for the year were 4,048.2 million.

Operating costs were 622.4 million (600.1 million), an increase of 22.3 million compared with the 3rd quarter. Operating costs within the offshore drilling division increased by 35.1 million while operating costs within the engineering and fabrication division include a gain on pension assets of 20.0 million. The increase in operating costs within the offshore drilling division is mainly due to higher repair and maintenance costs, higher crew expenses and management bonus payments for the year.

Operating costs for the year were 2,339.2 million.

Operating profit before depreciation (EBITDA) was 342.8 million (519.0 million).

EBITDA for the year was 1,709.0 million.

Depreciation amounted to 120.5 million (121.7 million). An impairment of 19.9 million was made on the booked asset value of slender riser equipment.

Depreciation for the year was 479.7 million.

Operating profit after depreciation (EBIT) was 202.4 million (397.3 million).

EBIT for the year was 1,209.4 million.

Net financial expenses were 16.5 million (46.1 million). The reduction in financial expenses is mainly due to capitalization of interest expenses of 45.4 million for the year, related to the upgrade of Blackford Dolphin.

Net financial expenses for the year were 212.3 million.

Profit before tax was 185.9 million (351.2 million).

Profit before tax for the year was 997.1 million.

Figures in NOK

Net profit, including an estimated tax charge of 9.7 million (3.8 million), was 176.2 million (347.4 million).

Net profit after tax for the year was 973.8 million.

Basic earnings per share were 2.7 (5.5).

Basic earnings per share for the year were 15.5. Earnings per share for the year on a fully diluted basis were 15.1.

Since its formation in 1997 the Company has retained all cash for operational purposes and no dividend payments to the shareholders have been made. In light of the current outlook for the company, the Board has decided to propose to the Annual General Meeting in May 2007 a dividend payment of NOK 10, - per share for the year 2006. The Company will pursue a yearly strategy to pay a dividend of NOK 10, - per share, subject to earnings, investment plans and financial strategy. In addition, the Company will consider share buy-backs in accordance with the authorization to the Board from the Annual General Meeting. Further, the Board will from time to time consider proposing extraordinary dividend payments.

The **offshore drilling division** reported revenues of 930.1 million (1,102.5 million) and an EBITDA of 307.3 million (514.8 million).

The **engineering and fabrication division** reported revenues of 72.9 million (127.9 million) and an EBITDA of 85.5 million (11.1 million).

OPERATIONS

Drilling Division

Bideford Dolphin continued operations under a drilling program offshore Norway for Norsk Hydro. A three years drilling contract for the rig has been entered into with Norsk Hydro Produksjon AS from January 2008 to January 2011.

Borgland Dolphin continued operations offshore Norway under a contract with Statoil, which expired end December 2006. A new three years contract for the rig has been entered into 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 drillship Belford Dolphin continued operations under the drilling contract with ONGC in India, expected to expire during 1st quarter 2007. A new three years contract has been entered into with Anadarko Petroleum Corporation. 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 January 2008.

Figures in NOK

Bulford Dolphin (owned by First Olsen Ltd. and 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 early 2008.

Byford Dolphin continued operations under its contract with CNR International (U.K.) Limited. The current term contract is estimated to expire in mid 2007. An agreement has been entered into with CNR for an extension of the contract for 275 days thereafter.

Bredford Dolphin continued operations under a contract with Peak Well Management Ltd. in the U.K. North Sea to early November. A three years drilling contract for the rig has been entered into with Drilling Production Technology as, on behalf of themselves and a consortium of licensees on the Norwegian continental shelf. The unit is going through a compulsory class renewal survey and upgrade for Norwegian requirements at Remontowa S.A. in Gdansk, Poland prior to commencement of operations in Norway, expected to be completed in March 2007. The capital expenditures related to the combined class renewal survey and the upgrade are estimated to USD 90 million.

Borgsten Dolphin has been operating for Nexen Petroleum UK Ltd. under a short term contract to late October 2006, followed by a 21 months term contract with Tullow Oil plc.

Borgholm Dolphin continued operations under a contract with Shell U.K. Ltd. in the UK sector of the North Sea to mid November 2006. Operations under a new contract commenced early January for accommodation work in the UK sector, expected to be completed late August 2007. In February 2007 a letter of intent for another contract was entered into, commencing in January 2008 for a period of approximately six months.

The upgrade of Blackford Dolphin to a deepwater drilling unit capable of operating in up to 7000 ft. of water depth continued at the Keppel Verolme yard in Rotterdam. A three-year drilling contract has been secured with Reliance Industries Ltd. with estimated arrival in India at year-end 2007 following completion of the ongoing deepwater upgrade, commissioning and mobilization to India. As previously reported, due to the tight market situation for equipment and personnel, costs have increased, and capital expenditures for the upgrade are estimated to be USD 475 million.

Engineering and Fabrication

The H&W yard continued its operations in engineering, ship repair and shipbuilding. The yard was awarded the contracts for construction of the accommodation- and power modules on Blackford Dolphin. The accommodation module was completed and delivered from the yard in October. The power module was delivered in December. During the quarter, the yard has also fabricated an accommodation extension module and provided engineering services related to the upgrade of Bredford Dolphin.

Figures in NOK

Outlook

Globally, the balance between supply and demand for offshore drilling units continued to be tight 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 (including the Belford Dolphin) and six mid water semi submersible drilling rigs in addition to an accommodation unit. The Group is also operating one mid water semi submersible drilling rig owned by a related company. Two of the semi submersible drilling rigs are operating in Norway. Upon completion of the Bredford Dolphin upgrade the Group will have three drilling rigs operating in Norwegian waters.

The Company is experiencing a strong positive cash flow which is expected to continue for the next years, which in turn should support the Company's dividend- and share buy-back strategy. In addition, the company will continue to consider possible investment opportunities to expand its drilling services.

Oslo, 12th February 2007
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)

	Note	4th Q 2006	3rd Q 2006	4th Q 2005	Year 2006	Year 2005
Operating revenues		965,2	1 119,1	897,9	4 048,2	2 882,9
Operating costs		(622,4)	(600,1)	(554,9)	(2 339,2)	(1 962,3)
Oper. profit before depr. (EBITDA)		342,8	519,0	343,0	1 709,0	920,6
Depreciation and amortisation		(120,5)	(121,7)	(155,5)	(479,7)	(618,2)
Impairment	3	(19,9)	-	-	(19,9)	-
Oper. profit before other items		202,4	397,3	187,5	1 209,4	302,4
Other items		-	-	(33,7)	-	(33,7)
Operating profit (EBIT)		202,4	397,3	153,8	1 209,4	268,7
Net financing cost		(16,5)	(46,1)	(86,0)	(212,3)	(280,6)
Profit before income taxes		185,9	351,2	67,8	997,1	(11,9)
Income tax benefit (expense)		(9,7)	(3,8)	(39,9)	(23,3)	(3,8)
Profit for the period		176,2	347,4	27,9	973,8	(15,7)
<i>EPS :</i>						
Earnings per share		2,7	5,5	0,5	15,5	(0,3)
Diluted earnings per share		2,7	5,2	0,5	15,1	(0,3)

Unaudited

Balance Sheet (NOK mill)

	31 Dec 06	30 Sep 06	31 Dec 05
Intangible assets	98,6	98,6	98,6
Property, plant & equipment	6 181,7	6 096,2	5 391,0
Other non-current assets	21,4	21,0	50,0
Total non-current assets	6 301,7	6 215,8	5 539,6
Inventories	220,4	170,1	177,2
Trade and other receivables	618,6	856,1	688,1
Other current assets	181,4	165,6	117,8
Cash and cash equivalents	912,5	1 110,1	717,1
Total current assets	1 932,9	2 301,9	1 700,2
Total assets	8 234,6	8 517,7	7 239,8
Share capital	1 316,8	1 316,8	1 224,1
Other equity	2 620,5	2 596,1	1 726,5
Total Equity	3 937,3	3 912,9	2 950,6
Non-current interest-bearing loans and borrowings	3 091,4	3 213,2	2 687,4
Other non-current liabilities	249,8	279,5	289,6
Total non-current liabilities	3 341,2	3 492,7	2 977,0
Other current liabilities	671,4	689,6	704,3
Current interest-bearing loans and borrowings	284,7	422,5	607,9
Total current liabilities	956,1	1 112,1	1 312,2
Total equity and liabilities	8 234,6	8 517,7	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
4th Q 2006				
Operating revenues	930,1	72,9	(37,8)	965,2
Operating costs	(622,8)	12,6	(12,2)	(622,4)
Oper. profit before depr. (EBITDA)	307,3	85,5	(50,0)	342,8
Depreciation and amortisation	(119,6)	(0,9)	-	(120,5)
Impairment	(19,9)	-	-	(19,9)
Operating profit (EBIT)	167,8	84,6	(50,0)	202,4
3rd Q 2006				
Operating revenues	1 102,5	127,9	(111,3)	1 119,1
Operating costs	(587,7)	(116,8)	104,4	(600,1)
Oper. profit before depr. (EBITDA)	514,8	11,1	(6,9)	519,0
Depreciation and amortisation	(120,4)	(1,3)	-	(121,7)
Operating profit (EBIT)	394,4	9,8	(6,9)	397,3
4th Q 2005				
Operating revenues	870,9	28,4	(1,4)	897,9
Operating costs	(571,0)	14,7	1,4	(554,9)
Oper. profit before depr. (EBITDA)	299,9	43,1	-	343,0
Depreciation and amortisation	(154,6)	(0,9)	-	(155,5)
Operating profit (EBIT)	145,3	42,2	-	187,5
Other items	(33,7)	-	-	(33,7)
Operating profit (EBIT)	111,6	42,2	-	153,8
Year 2006				
Operating revenues	3 934,7	498,9	(385,4)	4 048,2
Operating costs	(2 272,1)	(390,1)	323,0	(2 339,2)
Oper. profit before depr. (EBITDA)	1 662,6	108,8	(62,4)	1 709,0
Depreciation and amortisation	(475,4)	(4,3)	-	(479,7)
Impairment	(19,9)	-	-	(19,9)
Operating profit (EBIT)	1 167,3	104,5	(62,4)	1 209,4
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)	Note	Year 2006	Year 2005
Opening balance		2 950,6	2 241,8
Net profit (loss) for the period		973,8	(15,7)
Treasury shares		1,7	273,5
Equity element convertible bond/converted bonds/Share issue		305,1	55,6
Foreign currency translation adj.		(293,9)	395,4
Closing balance		3 937,3	2 950,6

Unaudited Cash Flow Statements (NOK mill)	Year 2006	Year 2005
Cash flows from operating activities		
Profit/(loss) before income tax	997,1	(11,9)
<i>Adjustment for:</i>		
Depreciation and amortisation	499,6	618,2
Interest expense	167,8	201,3
Gain on sales of fixed assets	(7,1)	-
Changes in working capital	22,1	(257,5)
Cash generated from operations	1 679,5	550,1
Interest paid	(202,3)	(178,2)
Taxes paid	(20,4)	(2,6)
Net cash from operating activities	1 456,8	369,3
Cash flows from investing activities		
Net investment in fixed assets	(1 628,7)	(535,4)
Proceeds from sale of equipment	16,2	-
Payments Navis settlement	(172,7)	-
Net cash used to investing activities	(1 785,2)	(535,4)
Cash flows from financing activities		
Borrowing of interest bearing debt	3 318,8	196,2
Repayments of interest bearing debt	(3 048,5)	(254,9)
Share issue	300,5	-
Treasury shares	1,7	273,5
Net cash from financing activities	572,5	214,8
Foreign currency	(48,7)	69,7
Net change in cash and cash equivalents	244,1	48,7
Cash and cash equivalents at the beg. of period	717,1	598,7
Cash and cash equiv. at the end of period	912,5	717,1



Fred. Olsen Energy ASA

1. Introduction

The condensed consolidated interim financial statements for 4th Quarter 2006, ended 31 December 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 12 February 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. Impairment

The impairment of NOK 19.9 mill is related to Slender riser equipment available for sale and is valued to the recoverable amount which is the estimated market value of the assets.