



Fred. Olsen Energy ASA

Report for the 1st quarter 2011

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 763 MILLION FOR THE 1 ST QUARTER 2011

HIGHLIGHTS

- Revenues were 1,479 million
- EBITDA was 763 million
- Operating profit (EBIT) was 447 million
- Profit before tax was 383 million
- Earnings per share were 5.6
- New four-well drilling contract for Borgsten Dolphin

Post quarter events:

- New ultra deepwater drillship ordered from Hyundai Heavy Industries Co., Ltd in April
- Completed bond issue of NOK 1.400 million in May
- New one-well Letter of Intent for Blackford Dolphin in April
- New three-well Letter of Intent for Blackford Dolphin in April

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Figures in NOK

FINANCIAL INFORMATION (*4th quarter 2010 in brackets*)

Operating revenues in the quarter were 1,479 million (1,531 million), a decrease of 52 million compared with the previous quarter. Revenues from the offshore drilling division were 1,428 million (1,512 million), a decrease of 84 million. Revenues from the engineering and fabrication division were 51 million (19 million), an increase of 32 million. The decrease in revenues within the offshore drilling division is mainly due to lower utilization for Borgsten Dolphin, lower dayrate for Bredford Dolphin in the first quarter compared to the previous quarter, and Bideford Dolphin commencing the new three year contract with Statoil in January at a lower dayrate.

Operating costs were 716 million (787 million), a decrease of 71 million compared with previous quarter. Operating costs within the offshore drilling division decreased by 90 million, partly offset by an increase in operating cost within the engineering and fabrication division of 19 million. The decrease in operating costs within the offshore drilling division is mainly due to reduced operating cost for Blackford Dolphin in Brazil and lower overhead cost.

Operating profit before depreciation (EBITDA) was 763 million (744 million). EBITDA within the offshore drilling division increased by 6 million to 757 million (751 million), and EBITDA within engineering and fabrication division increased by 13 million to 6 million (negative 7 million).

Depreciation and amortisation amounted to 316 million (331 million).

Operating profit after depreciation (EBIT) was 447 million (413 million).

Net financial expenses were 65 million (positive 1 million).

Profit before tax was 383 million (414 million).

Net profit, including an estimated tax charge of 11 million (25 million), was 372 million (389 million).

Earnings per share were 5.6 (5.9).

The Board has proposed to the Annual General Meeting on 24th May 2011 an ordinary dividend payment of NOK 10 per share and an extraordinary dividend of NOK 10 per share. Subject to approval, the shares will be quoted ex. dividend from 25th May. Estimated date of payment of dividend is on or about 15th July 2011.

A subsidiary has ordered a new ultra deepwater drillship at Hyundai Heavy Industries Co., Ltd. shipyard in Korea. The unit is scheduled to be delivered in 3rd quarter 2013 at a total cost of USD 615 million (including spare parts, owner furnished equipment and project team). The contract includes an option for the purchase of a similar second drillship from Hyundai Heavy Industries Co., Ltd. exercisable within October 2011.

The company completed a senior unsecured bond issue on 4th May 2011 of NOK 1,400 million, with a coupon of NIBOR + 4.25%. The maturity date for the bond will be 12th May 2016

Figures in NOK

OPERATIONS

Drilling Division

The offshore fleet of Fred. Olsen Energy ASA with subsidiaries (the Group) consists of two deepwater units and six mid-water semi-submersible drilling rigs in addition to one accommodation unit. Three of the semi-submersible drilling rigs are operating on the Norwegian Continental Shelf. The new ultra deepwater drillship, to be delivered in 3Q 2013 from Hyundai Heavy Industries Co., Ltd. will be a valuable contribution to the Group's fleet.

Norway

In January 2011 Bideford Dolphin completed operations under a three-year drilling contract for Statoil ASA and commenced a new three-year drilling program with Statoil ASA. The contract will expire in January 2014. The unit completed its five-year Class Renewal Survey in July 2009.

Borgland Dolphin continued operations under the four-year drilling contract with a consortium consisting of 8 oil companies, managed by Rig Management Norway AS. The contract will expire in January 2014. The unit completed its five-year Class Renewal Survey in December 2009.

Bredford Dolphin commenced a three-well contract with Lundin Norge AS in January 2011, with an estimated contract duration of 180 days. In December 2010, a one-well contract, estimated to 60 days, was entered into with Premier Oil Norge AS commencing in direct continuation with the contract with Lundin Norge AS. The five-year Class Renewal Survey is scheduled to be undertaken mid 2012.

International

The ultra deepwater drillship Belford Dolphin continued operations under a three-year drilling contract with Anadarko Petroleum Corporation mid April 2010. The contract will expire in April 2013. The unit is currently operating offshore Mozambique. The unit completed its five-year Class Renewal Survey in November 2009.

Blackford Dolphin continued operations under a three-year drilling contract with Reliance Industries Ltd., which will expire in early January 2012. The unit is currently under a sublet to Statoil for operations offshore Brazil. In April 2011, a new one-well LOI was entered into for operations in Brazil with commencement in direct continuation with the Reliance contract. In May 2011, a new three-well LOI with Karoon Petroleo & Gas S.A. was entered into for operations in Brazil with commencement in direct continuation with the above mention well. The unit will undertake its five-year Class Renewal Survey mid 2013.

Borgny Dolphin commenced operations under a five-year drilling contract with Petrobras in September 2008. The contract is estimated to expire in September 2013. The unit completed its five-year Class Renewal Survey and upgrade in April 2010.

Byford Dolphin commenced operations under a three-year contract with BP Exploration Operating Co. Ltd in the beginning of April 2010 in the UK sector of the North Sea. The contract will expire April 2013. The unit completed its five-year Class Renewal Survey and upgrades in April 2010.

Figures in NOK

Borgsten Dolphin completed a two-well drilling contract with Hurricane Exploration PLC in October 2010. In March 2011, a new four-well drilling contract was entered into with TAQA Bratani Limited for operations in UK sector of the North Sea. There is one optional well attached to the contract. The unit commenced the drilling contract mid April 2011.

Borgholm Dolphin, the accommodation unit, commenced early March a nine-month accommodation contract with BP Exploration Operating Co. Ltd., for work on the Andrew field in the UK sector of the North Sea. In February 2011, a new ten-month contract was entered into with BP for operation in UK sector with commencement in direct continuation with current contract. There is a total option period of four months in connection with the last contract.

Engineering and Fabrication

The Harland & Wolff shipyard continued its activities within engineering, ship repair and shipbuilding. Harland & Wolff commenced construction of two substations for Siemens in addition to initializing a windfarm project as a logistic and assembly base. Harland & Wolff continues to pursue contract opportunities within its core business, and is further developing the yard as a logistic and assembly area for windfarms.

Oslo, 9th May 2011
The Board of Directors
Fred. Olsen Energy ASA



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

GROUP INCOME STATEMENT

Unaudited

(NOK mill)	Note	1st Q 2011	4th Q 2010	1st Q 2010	Year 2010
Operating revenues		1 449,6	1 490,9	1 128,8	5 824,2
Recharged income		29,4	40,0	67,7	194,4
Total revenues		1 479,0	1 530,9	1 196,5	6 018,6
Operating costs		(688,3)	(748,5)	(504,6)	(2 429,9)
Recharged expenses		(27,8)	(38,7)	(66,1)	(188,1)
Total operating expenses		(716,1)	(787,2)	(570,7)	(2 618,0)
Oper. profit before depr. (EBITDA)		762,9	743,7	625,8	3 400,6
Depreciation and amortisation	6	(315,5)	(330,6)	(236,0)	(1 221,5)
Operating profit (EBIT)		447,4	413,1	389,8	2 179,1
Net financial (expense)/income	8	(64,6)	0,8	(83,8)	(170,5)
Profit before income taxes		382,8	413,9	306,0	2 008,6
Income tax expense		(11,0)	(25,0)	(12,6)	(73,6)
Profit for the period		371,8	388,9	293,4	1 935,0
Attributable to:					
Shareholders		371,4	389,5	294,1	1 938,3
Non-controlling interests		0,4	(0,6)	(0,7)	(3,3)
Profit for the period		371,8	388,9	293,4	1 935,0

EPS :

Basic earnings per share	5,6	5,9	4,4	29,3
Diluted earnings per share	5,6	5,9	4,4	29,3

Outstanding shares

Average number of ordinary shares, basic	66,3	66,3	66,3	66,3
Average number of ordinary shares, diluted	66,3	66,3	66,3	66,3

GROUP STATEMENT OF COMPREHENSIVE INCOME

Unaudited

	1st Q 2011	4th Q 2010	1st Q 2010	Year 2010
Profit for the period	371,8	388,9	293,4	1 935,0
Exchange differences on translation of foreign operations	(359,6)	11,2	197,5	(12,7)
Total comprehensive income for the period	12,2	400,1	490,9	1 922,3
Attributable to:				
Shareholders	12,0	400,8	491,8	1 925,6
Non-controlling interests	0,2	(0,7)	(0,9)	(3,3)
Total comprehensive income for the period	12,2	400,1	490,9	1 922,3



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

STATEMENT OF FINANCIAL POSITION

Unaudited

(NOK mill)

		31 March 11	31 March 10	31 Dec 10
Intangible assets		98,6	98,6	98,6
Property, plant & equipment	6	9 302,7	10 689,6	10 113,6
Other non-current assets		38,1	52,9	39,8
Total non-current assets		9 439,4	10 841,1	10 252,0
Inventories		385,8	357,8	400,7
Trade and other receivables		1 036,1	1 072,3	945,2
Other current assets		425,7	433,5	425,6
Cash and cash equivalents		1 272,5	872,4	1 498,2
Total current assets		3 120,1	2 736,0	3 269,7
Total assets		12 559,5	13 577,1	13 521,7
Share capital		1 333,9	1 333,9	1 333,9
Other equity		5 612,1	4 828,9	5 600,1
Non-controlling interests		5,5	7,7	5,3
Total Equity		6 951,5	6 170,5	6 939,3
Non-current interest-bearing loans and borrowings	5	3 401,0	4 990,5	4 250,6
Other non-current liabilities		342,5	315,7	366,7
Total non-current liabilities		3 743,5	5 306,2	4 617,3
Other current liabilities		651,5	784,2	676,7
Current interest-bearing loans and borrowings	5	1 213,0	1 316,2	1 288,4
Total current liabilities		1 864,5	2 100,4	1 965,1
Total equity and liabilities		12 559,5	13 577,1	13 521,7

GROUP STATEMENT OF CHANGES IN EQUITY

Unaudited

(NOK mill)

	Share capital	Share premium	Translation reserves	Reserve for own shares	Retained earnings	Total	Non-contr. interests	Total equity
Jan - March 2010								
Balance at 1 January 2010	1 333,9	548,1	(624,5)	(8,6)	4 422,1	5 671,0	8,6	5 679,6
Total comprehensive income			197,5		294,3	491,8	(0,9)	490,9
Balance at 31 March 2010	1 333,9	548,1	(427,0)	(8,6)	4 716,4	6 162,8	7,7	6 170,5
Year 2010								
Balance at 1 January 2010	1 333,9	548,1	(624,5)	(8,6)	4 422,1	5 671,0	8,6	5 679,6
Total comprehensive income	-	-	(12,0)	-	1 937,6	1 925,6	(3,3)	1 922,3
Dividend	-	-	-	-	(662,6)	(662,6)	-	(662,6)
Balance at 31 Dec 2010	1 333,9	548,1	(636,5)	(8,6)	5 697,1	6 934,0	5,3	6 939,3
Jan - March 2011								
Total comprehensive income	-	-	(359,4)	-	371,4	12,0	0,2	12,2
Balance at 31 March 2011	1 333,9	548,1	(995,9)	(8,6)	6 068,5	6 946,0	5,5	6 951,5



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (NOK mill)	Note	Jan - Mar 2011	Jan - Mar 2010	Year 2010
Cash flows from operating activities				
Profit before income tax		382,8	306,0	2 008,6
<i>Adjustment for:</i>				
Depreciation and amortisation		315,5	236,0	1 221,5
Interest expense		16,1	19,8	81,8
Gain on sales of fixed assets		-	-	(2,4)
Changes in working capital		(95,4)	(175,1)	(24,0)
Unrealised loss/(gain) financial instruments		(19,9)	26,3	41,5
Cash generated from operations		599,1	413,0	3 327,0
Interest paid		(20,0)	(23,7)	(82,7)
Taxes paid		(25,6)	(13,5)	(60,0)
Net cash from operating activities		553,5	375,8	3 184,3
Cash flows from investing activities				
Net investment in fixed assets		(106,6)	(919,4)	(1 692,4)
Proceeds from sale of equipment		0,2	0,3	5,3
Net cash used to investing activities		(106,4)	(919,1)	(1 687,1)
Cash flows from financing activities				
Repayments of interest bearing debt	5	(606,5)	(653,8)	(1 296,0)
Dividend paid		-	-	(662,6)
Net cash from financing activities		(606,5)	(653,8)	(1 958,6)
Foreign currency		(66,3)	55,4	(54,5)
Net change in cash and cash equivalents		(159,4)	(1 197,1)	(461,4)
Cash and cash equivalents at the beg. of period		1 498,2	2 014,1	2 014,1
Cash and cash equiv. at the end of period		1 272,5	872,4	1 498,2



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Notes

1. Segment information

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
1st Q 2011				
Revenues from external customers	1 428,2	50,8	-	1 479,0
Inter-segment revenues	-	-	-	-
Total revenues	1 428,2	50,8	-	1 479,0
Operating costs	(671,3)	(44,8)	-	(716,1)
Oper. profit before depr. (EBITDA)	756,9	6,0	-	762,9
Depreciation and amortisation	(313,7)	(1,8)	-	(315,5)
Operating profit (EBIT)	443,2	4,2	-	447,4
4th Q 2010				
Revenues from external customers	1 511,9	19,0	-	1 530,9
Inter-segment revenues	-	-	-	-
Total revenues	1 511,9	19,0	-	1 530,9
Operating costs	(760,9)	(26,3)	-	(787,2)
Oper. profit before depr. (EBITDA)	751,0	(7,3)	-	743,7
Depreciation and amortisation	(329,0)	(1,6)	-	(330,6)
Operating profit (EBIT)	422,0	(8,9)	-	413,1
1st Q 2010				
Revenues from external customers	1 174,4	22,1	-	1 196,5
Inter-segment revenues	-	-	-	-
Total revenues	1 174,4	22,1	-	1 196,5
Operating costs	(541,0)	(29,7)	-	(570,7)
Oper. profit before depr. (EBITDA)	633,4	(7,6)	-	625,8
Depreciation and amortisation	(234,1)	(1,9)	-	(236,0)
Operating profit (EBIT)	399,3	(9,5)	-	389,8
Year 2010				
Revenues from external customers	5 959,9	58,7	-	6 018,6
Inter-segment revenues	-	-	-	-
Total revenues	5 959,9	58,7	-	6 018,6
Operating costs	(2 521,0)	(97,0)	-	(2 618,0)
Oper. profit before depr. (EBITDA)	3 438,9	(38,3)	-	3 400,6
Depreciation and amortisation	(1 214,9)	(6,6)	-	(1 221,5)
Operating profit (EBIT)	2 224,0	(44,9)	-	2 179,1

* Includes Fred. Olsen Energy ASA



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Condensed Financial Statements in accordance with IFRS

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
31 March 11				
Segment assets	12 325,1	282,4	(48,0)	12 559,5
Segment liabilities	5 396,0	260,0	(48,0)	5 608,0
31 March 10				
Segment assets	13 363,2	264,8	(50,9)	13 577,1
Segment liabilities	7 240,5	217,0	(50,9)	7 406,6
31 Dec 10				
Segment assets	13 326,2	246,4	(50,9)	13 521,7
Segment liabilities	6 403,4	229,9	(50,9)	6 582,4

* Includes Fred. Olsen Energy ASA

2. Introduction

The consolidated interim financial statements for 1st Quarter 2011 ended 31 March 2011, comprise Fred. Olsen Energy ASA and its subsidiaries (together referred to as the "Group").

These consolidated interim financial statements have been prepared in accordance with 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 2010.

The consolidated financial statements of the Group for the year ended 31 December 2010 are available upon request from the Company's office in Oslo or at www.fredolsen-energy.no.

These consolidated interim financial statements were approved by the Board of Directors on 9 May 2011.

3. Significant accounting policies

The main accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2010.

4. Estimates

The preparations of interim financial statements require use of estimates, judgments and assumptions which may affect the use of accounting principles and recognized assets, liabilities, income and expenses. The resulting accounting estimates may differ from the eventual outcome.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts are the same as described in the annual report for the year 2010.

5. Interest-bearing loans and borrowings

The Group has repaid USD 110 million of the fleet loans per 31 March 2011.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

6. Property, plant and equipment

(NOKmill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2011	14 093,5	501,9	105,0	14 700,4
Acquisitions	78,4	2,4	0,2	81,0
Disposals	(6,7)	(0,5)	0,0	(7,2)
Movements in foreign currency	(825,2)	(13,5)	(2,4)	(841,1)
Balance at 31 March 2011	13 340,0	490,3	102,8	13 933,1
Depreciation				
Balance at 1 January 2011	4 111,9	412,5	62,4	4 586,8
Depreciation	308,4	6,6	0,4	315,4
Disposals	(6,5)	(0,5)	0,0	(7,0)
Movements in foreign currency	(252,1)	(9,9)	(2,8)	(264,8)
Balance at 31 March 2011	4 161,7	408,7	60,0	4 630,4
Carrying amounts				
At 1 January 2011	9 981,6	89,4	42,6	10 113,6
At 31 March 2011	9 178,3	81,6	42,8	9 302,7

7. Related parties

In the ordinary course of business, the Group recognises revenues and expenses with related companies. Related parties are (1) Ganger Rolf ASA and Bonheur ASA which are the owners of a combined 53.77% (adjusted for own shares) of the Group, (2) their subsidiaries and (3) Fred.Olsen & Co. The Group receives certain administrative, financial, and legal advisory services from Fred.Olsen & Co. There are no material changes since the financial statements for the year ended 31 December 2010.

8. Financial expenses

Net financial expenses per 31 March 2011 include NOK 14 million of unrealised gain related to changes in fair value of interest rate contracts and NOK 6 million of unrealised gain on currency contracts.