



Fred. Olsen Energy ASA

Report for the 1st quarter 2010

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 626 MILLION FOR THE 1 ST QUARTER 2010

HIGHLIGHTS

- Revenues were 1,197 million.
- EBITDA was 626 million
- Operating profit (EBIT) was 390 million
- Profit before tax was 306 million
- Earnings per share were 4.4
- New 3 years drilling contract for Bideford Dolphin
- Byford Dolphin commenced 3 years drilling contract with BP

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Figures in NOK

FINANCIAL INFORMATION (*4th quarter 2009 in brackets*)

Operating revenues in the quarter were 1,196.5 million (1,127.9 million), an increase of 68.6 million compared with the previous quarter. Revenues from the offshore drilling division were 1,174.4 million (1,098.6 million), an increase of 75.8 million. Revenues from the engineering and fabrication division were 22.1 (29.6 million), a decrease of 7.5 million. The increase in revenues within the offshore drilling division is mainly due to commencement of new contract for Borgland Dolphin with increased dayrate, partly offset by 25 days downtime for Blackford Dolphin and Borgholm Dolphin being off contract in the quarter.

Operating costs were 570.7 million (598.2 million), a decrease of 27.5 million compared with previous quarter. Operating costs within the offshore drilling division decreased by 37.0 million, partly offset by an increase within the engineering and fabrication division of 9.2 million. The decrease in operating costs within the offshore drilling division is mainly due to reduced operating cost on idle units and general lower repair and maintenance activity in the first quarter.

Operating profit before depreciation (EBITDA) was 625.8 million (529.7 million). EBITDA within the offshore drilling division increased by 112.8 million to 633.4 million (520.6 million), and EBITDA within engineering and fabrication division decreased by 16.7 million to negative 7.6 million (positive 9.1 million).

Depreciation and amortisation amounted to 236.0 million (237.5 million).

Operating profit after depreciation (EBIT) was 389.8 million (292.2 million).

Net financial expenses were 83.8 million (35.9 million).

Profit before tax was 306.0 million (256.3 million).

Net profit, including an estimated tax charge of 12.6 million (6.4 million), was 293.4 million (249.9 million).

Earnings per share were 4.4 (3.7).

The Board will propose to the Annual General Meeting on 26th May 2010 an ordinary dividend payment of NOK 10, - per share. Subject to approval, the shares will be quoted ex. dividend from 27th May. Estimated date of payment of dividend is on or about 15th July 2010.

Figures in NOK

OPERATIONS

Drilling Division

During the first quarter there has been an increasing tendering activity within all floater segments. This has globally materialized in new contracts both in the mid-water and deepwater segments. The Group's offshore fleet 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 in Norway.

Norway

Bideford Dolphin continued operations under the three-year drilling program offshore Norway for Statoil ASA. The contract will expire in January 2011. In March 2010, a new three-year drilling contract for the unit was entered into with Statoil in direct continuation with the existing contract. The contract will expire in January 2014. Statoil has an option to extend the contract with an additional year within 1st November 2010. The rig completed its five year class renewal survey in July 2009.

Borgland Dolphin completed a three-year drilling contract with Statoil ASA in January 2010 and commenced a new four year drilling contract with a consortium consisting of 8 oil companies, managed by Rig Management Norway AS. The rig completed its five year class Renewal Survey in December 2009.

Bredford Dolphin continued operations under a three-year drilling contract with AGR Group and a consortium of licensees on the Norwegian Continental Shelf. The contract will expire in June 2010. In June 2009, a new one well drilling contract with an estimated duration of 90 days was entered into with RWE Dea Norge AS for operation on the Norwegian Continental Shelf. In January 2010 a new one well drilling contract, estimated to 60 days, was entered into with RWE Dea Norge AS in direct continuation with the unit's forthcoming contract with RWE Dea Norge AS. The contract is estimated to expire in December 2010.

International

The ultra deepwater drillship Belford Dolphin continued operations under a three-year drilling contract with Anadarko Petroleum Corporation, which will expire in April 2010. In November 2007, another three-year drilling contract for the unit was entered into with Anadarko in direct continuation with the existing contract. This contract will expire in April 2013. The rig 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 December 2011. The unit is currently operating offshore the east coast of India.

Borgny Dolphin commenced 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 and is currently going through an inspection program and final acceptance test before commencing contract. The project cost has been revised from USD 160 million to 180 million including a disputed amount of USD 14 million.

Figures in NOK

Byford Dolphin completed its five year class Renewal Survey and upgrades in Ølen and commenced its three-year drilling contract with BP Exploration Operating Co. Ltd. in the beginning of April. Due to delays and an extended acceptance program the project cost has been revised from USD 110 million to USD 120 million.

Borgsten Dolphin completed its nine months drilling contract with Maersk Oil North Sea Limited mid August 2009. Borgsten Dolphin is scheduled to complete its five year class Renewal Survey early May. A drilling contract for 2 wells, estimated to 75 days, was entered into with Hurricane Exploration PLC in January 2010 with commencement early May. The unit is available for new contracts from July 2010.

Borgholm Dolphin, the accommodation unit, completed an accommodation contract with BG Group mid December 2009. The unit is currently in lay-up in Invergordon and is available for new assignments.

Engineering and Fabrication

The Harland & Wolff shipyard continued operations within engineering, ship repair and shipbuilding. The yard has so far in 2010 faced a challenging market situation with more limited number of contract opportunities and pressure on margins. The yard continues to pursue contract opportunities within its core business, and further to develop the yard as a logistic and assembly area for windfarms. The next windfarm project is scheduled to be initiated in 4th quarter 2010.

Oslo, 29th April 2010
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 2010	4th Q 2009	1st Q 2009	Year 2009
Operating revenues		1 128,8	1 067,1	2 030,0	6 354,9
Recharged income		67,7	60,8	78,6	245,1
Total revenues		1 196,5	1 127,9	2 108,6	6 600,0
Operating costs		(504,6)	(538,3)	(581,4)	(2 378,7)
Recharged expenses		(66,1)	(59,9)	(76,4)	(240,1)
Total operating expenses		(570,7)	(598,2)	(657,8)	(2 618,8)
Oper. profit before depr. (EBITDA)		625,8	529,7	1 450,8	3 981,2
Depreciation and amortisation	6	(236,0)	(237,5)	(251,7)	(973,4)
Operating profit (EBIT)		389,8	292,2	1 199,1	3 007,8
Net financial (expense)/income	8	(83,8)	(35,9)	(52,1)	(179,8)
Profit before income taxes		306,0	256,3	1 147,0	2 828,0
Income tax expense		(12,6)	(6,3)	(32,6)	(73,8)
Profit for the period		293,4	250,0	1 114,4	2 754,2
Attributable to:					
Shareholders		294,1	247,9	1 113,9	2 749,0
Minority interests		(0,7)	2,1	0,5	5,2
Profit for the period		293,4	250,0	1 114,4	2 754,2
<i>EPS :</i>					
Basic earnings per share		4,4	3,7	16,8	41,5
Diluted earnings per share		4,4	3,7	16,8	41,5

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 2010	4th Q 2009	1st Q 2009	Year 2009
Profit for the period	293,4	250,0	1 114,4	2 754,2
Exchange differences on translation of foreign operations	197,5	(528,9)	(263,7)	(950,7)
Total comprehensive income for the period	490,9	(278,9)	850,7	1 803,5
Attributable to:				
Shareholders	491,8	(280,4)	850,4	1 798,3
Minority interests	(0,9)	1,5	0,3	5,2
Total comprehensive income for the period	490,9	(278,9)	850,7	1 803,5



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

STATEMENT OF FINANCIAL POSITION

Unaudited

(NOK mill)

		31 Mar 10	31 Mar 09	31 Dec 09
Intangible assets		98,6	98,6	98,6
Property, plant & equipment	6	10 689,6	9 837,4	9 981,3
Other non-current assets		52,9	40,5	53,6
Total non-current assets		10 841,1	9 976,5	10 133,5
Inventories		357,8	356,5	345,3
Trade and other receivables		1 072,3	1 515,2	989,6
Other current assets		433,5	457,0	387,0
Cash and cash equivalents		872,4	3 621,9	2 014,1
Total current assets		2 736,0	5 950,6	3 736,0
Total assets		13 577,1	15 927,1	13 869,5
Share capital		1 333,9	1 333,9	1 333,9
Other equity		4 828,9	5 045,2	4 337,0
Minority interests		7,7	4,3	8,7
Total Equity		6 170,5	6 383,4	5 679,6
Non-current interest-bearing loans and borrowings	5	4 990,5	7 025,6	5 450,8
Other non-current liabilities		315,7	353,0	287,7
Total non-current liabilities		5 306,2	7 378,6	5 738,5
Other current liabilities		784,2	695,4	1 180,5
Current interest-bearing loans and borrowings	5	1 316,2	1 469,7	1 270,9
Total current liabilities		2 100,4	2 165,1	2 451,4
Total equity and liabilities		13 577,1	15 927,1	13 869,5

GROUP STATEMENT OF CHANGES IN EQUITY

Unaudited

(NOK mill)

	Share capital	Share premium	Capital reserves	Translation reserves	Reserve for own shares	Retained earnings	Total	Minority interests	Total equity
Balance at 1 January 2009	1 333,9	548,1	0,6	326,2	(8,6)	3 328,5	5 528,7	4,0	5 532,7
Total comprehensive income	-	-	(0,6)	(263,7)	-	1 114,7	850,4	0,3	850,7
Purchase of own shares	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
Balance at 31 Mar 2009	1 333,9	548,1	-	62,5	(8,6)	4 443,2	6 379,1	4,3	6 383,4
Balance at 1 January 2009	1 333,9	548,1	0,6	326,2	(8,6)	3 328,5	5 528,7	4,0	5 532,7
Total comprehensive income	-	-	(0,6)	(950,7)	-	2 750,2	1 798,9	4,6	1 803,5
Dividend	-	-	-	-	-	(1 656,6)	(1 656,6)	-	(1 656,6)
Balance at 31 Dec 2009	1 333,9	548,1	-	(624,5)	(8,6)	4 422,1	5 671,0	8,6	5 679,6
Jan - March 2010									
Total comprehensive income	-	-	-	197,5	-	294,3	491,8	(0,9)	490,9
Dividend	-	-	-	-	-	-	-	-	-
Balance at 31 Mar 2010	1 333,9	548,1	-	(427,0)	(8,6)	4 716,4	6 162,8	7,7	6 170,5



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (NOK mill)	Jan - Mar 2010	Jan - Mar 2009	Year 2009
Cash flows from operating activities			
Profit before income tax	306,0	1 147,0	2 828,0
<i>Adjustment for:</i>			
Depreciation and amortisation	236,0	251,7	973,4
Interest expense	19,8	70,8	167,1
(Gain)/loss on sales of fixed assets	-	-	(1,8)
Changes in working capital	(175,1)	15,0	381,4
Unrealised loss/(gain) financial instruments/currency	26,3	(59,1)	(123,3)
Cash generated from operations	413,0	1 425,4	4 224,8
Interest paid	(23,7)	(99,8)	(218,1)
Taxes paid	(13,5)	(15,7)	(73,3)
Net cash from operating activities	375,8	1 309,9	3 933,4
Cash flows from investing activities			
Net investment in fixed assets	(919,4)	(144,7)	(1 879,8)
Proceeds from sale of equipment	0,3	0,2	4,0
Net cash used to investing activities	(919,1)	(144,5)	(1 875,8)
Cash flows from financing activities			
Borrowing of interest bearing debt	-	-	-
Repayments of interest bearing debt	5	(1 053,8)	(1 716,6)
Dividend paid	9	-	(1 656,6)
Purchase of treasury shares	-	-	-
Net cash from financing activities	(653,8)	(1 053,8)	(3 373,2)
Foreign currency	55,4	(163,5)	(344,1)
Net change in cash and cash equivalents	(1 197,1)	111,6	(1 315,6)
Cash and cash equivalents at the beg. of period	2 014,1	3 673,8	3 673,8
Cash and cash equiv. at the end of period	872,4	3 621,9	2 014,1



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

Notes

1. Segment information

Segment Results

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
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

4th 2009

Revenues from external customers	1 098,6	29,3	-	1 127,9
Inter-segment revenues	-	0,3	(0,3)	-
Total revenues	1 098,6	29,6	(0,3)	1 127,9
Operating costs	(578,0)	(20,5)	0,3	(598,2)
Oper. profit before depr. (EBITDA)	520,6	9,1	-	529,7
Depreciation and amortisation	(235,8)	(1,7)	-	(237,5)
Operating profit (EBIT)	284,8	7,4	-	292,2

1st Q 2009

Revenues from external customers	2 059,9	48,7	-	2 108,6
Inter-segment revenues	-	-	-	-
Total revenues	2 059,9	48,7	-	2 108,6
Operating costs	(615,6)	(42,2)	-	(657,8)
Oper. profit before depr. (EBITDA)	1 444,3	6,5	-	1 450,8
Depreciation and amortisation	(250,1)	(1,6)	-	(251,7)
Operating profit (EBIT)	1 194,2	4,9	-	1 199,1

Year 2009

Revenues from external customers	6 391,5	208,5	-	6 600,0
Inter-segment revenues	-	0,4	(0,4)	-
Total revenues	6 391,5	208,9	(0,4)	6 600,0
Operating costs	(2 460,0)	(159,2)	0,4	(2 618,8)
Oper. profit before depr. (EBITDA)	3 931,5	49,7	-	3 981,2
Depreciation and amortisation	(966,6)	(6,8)	-	(973,4)
Operating profit (EBIT)	2 964,9	42,9	-	3 007,8

* Includes Fred. Olsen Energy ASA

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
31 Mar 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 Mar 09				
Segment assets	15 734,1	248,7	(55,7)	15 927,1
Segment liabilities	9 351,8	247,6	(55,7)	9 543,7
31 Dec 09				
Segment assets	13 626,0	292,3	(48,8)	13 869,5
Segment liabilities	8 008,4	230,3	(48,8)	8 189,9



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

2. Introduction

The consolidated interim financial statements for 1st Quarter 2010 ended 31 March 2010, 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 2009.

The consolidated financial statements of the Group for the year ended 31 December 2009 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 29 April 2010.

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 2009.

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 2009.

5. Interest-bearing loans and borrowings

The Group has repaid USD 110 million of the fleet loan per 31 March 2010.



Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

6. Property, plant and equipment

(NOK mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2010	13 055,7	487,6	108,9	13 652,2
Acquisitions	593,9	2,9	1,5	598,3
Disposals	(2,1)	(1,0)	0,0	(3,1)
Movements in foreign currency	465,3	(5,8)	(0,8)	458,7
Balance at 31 March 2010	14 112,8	483,7	109,6	14 706,1
Depreciation				
Balance at 1 January 2010	3 214,3	395,3	61,3	3 670,9
Depreciation	229,1	6,5	0,4	236,0
Disposals	(2,1)	(0,8)	0,0	(2,9)
Movements in foreign currency	119,4	(6,5)	(0,4)	112,5
Balance at 31 March 2010	3 560,7	394,5	61,3	4 016,5
Carrying amounts				
At 1 January 2010	9 841,4	92,3	47,6	9 981,3
At 31 March 2010	10 552,1	89,2	48,3	10 689,6

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% 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 2009.

8. Financial expenses

Net financial expenses per 31 March 2010 include NOK 18 million of unrealised loss related to changes in fair value of interest rate contracts.