Fred. Olsen Energy ASA

Report for the 4th Quarter 2005 and preliminary results for 2005

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 343.0 MILLION FOR THE 4TH QUARTER 2005

HIGHLIGHTS FOR THE 4TH QUARTER

- **Revenues were 897.9 million**
- **EBITDA was 343.0 million**
- **Operating profit before other items was 187.5 million**
- **Operating profit (EBIT) was 153.8 million**
- **Result before tax was 67.8 million**
- **Net profit was 27.9 million**
- **New contracts during the second half of the year resulted in higher revenues and costs**
- **New contracts secured for Bulford Dolphin, Byford Dolphin, Borgholm Dolphin, Bredford Dolphin and Borgsten Dolphin**

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FINANCIAL INFORMATION (*3rd quarter 2005 in brackets)*

Operating revenues in the quarter were 897.9 million (800.2 million), an increase of 97.7 million compared with the previous quarter. Revenues within the offshore drilling division increased by 94.0 million and revenues within the engineering and fabrication division increased by 3.7 million. Compared with the 3rd quarter, the increase in revenues within the offshore drilling division is mainly due to higher utilisation and day rates. In addition, revenues increased due to a termination payment for Bulford Dolphin in 2005 and final settlement related to a drilling contract for Belford Dolphin in 2002. The increase in revenues was partly offset by 10 days off hire for Belford Dolphin when completing the compulsory five-year class renewal survey, and 8 days off hire for Borgsten Dolphin and 8 days off hire for Byford Dolphin, respectively, due to repairs during the quarter.

Operating revenues for the year were 2,882.9 million.

Operating costs were 554.9 million (494.3 million), an increase of 60.6 million. Operating costs within the offshore drilling division increased by 99.4 million, partly offset by a reduction of operating costs within the engineering and fabrication division of 38.8 million. The reduction in operating costs within the engineering and fabrication division is mainly due to the Actuary's recalculation of pension liabilities at Harland & Wolff of 40.1 million. Part of the increase in operating costs within the offshore drilling division is due to increased repair & maintenance costs during the quarter and provisions related to management bonus payments. A bonus scheme replacing the terminated stock option plan resulted in a payment of 16 million to leading employees.

Operating costs for the year were 1,962.3 million.

Operating profit before depreciation (EBITDA) for the quarter was 343.0 million (305.9 million).

EBITDA for the year was 920.6 million.

Depreciation amounted to 155.5 million (166.5 million). The reduction is mainly due to reversal of depreciation of goodwill during the first three quarters as required by IFRS and completed depreciation of the management agreement acquired from Reading & Bates in 2000 and related to the operation of Belford Dolphin.

Depreciation for the year was 618.2 million.

Operating profit before other items was 187.5 million (139.4 million).

Other items consists of 33.7 million in excess of provisions previously made, related to a final assessment by Borgarting lagmannsrett (a Norwegian Court of Appeals) in the dispute between the Company and an assignee to the position of a previous minority shareholder in Navis ASA who did not accept the offer related to the compulsory redemption made in February 2001.

The minority shareholder was redeemed at 12.49 per share, whilst Borgarting lagmannsrett arrived at a redemption price of 14.50 per share.

Figures in NOK

The minority shareholder represented 8,848,140 shares, corresponding to 6.6% of the total shares in Navis ASA.

After having commenced proceedings in the redemption case the previous minority shareholder in 2003 commenced separate proceedings against the Company seeking damages on the basis of the Company's mandatory bid for Navis shares in November 2000. In December 2005 the Oslo tingrett (a Norwegian City Court) ruled against these claims following which the plaintiff in January 2006 appealed the ruling.

Operating profit after depreciation (EBIT) was 153.8 million (139.4 million).

EBIT for the year was 268.7 million.

Net financial expenses were 86.0 million (42.3 million). The increase is mainly due to higher USD/NOK rate at the end of the 4th quarter compared with the previous quarter. The amount includes 38.0 million in losses on financial instruments, primarily due to reversal of previous gains related to currency swaps. In addition, the amount includes a reclassification of the equity portion of the convertible bond loan of 11.6 million previously booked as equity in the balance sheet in accordance with IFRS.

Net financial expenses for the year were 280.6 million.

Profit before tax was 67.8 million (97.1 million).

Net profit, after an estimated tax expense of 39.9 million, was 27.9 million (109.7 million). The tax expense for the quarter is due to a final assessment of the deferred tax benefits and expenses for 2004 and 2005 in connection with the implementation of IFRS.

The tax expense for the year was 3.8 million and net loss was 15.7 million.

The Company has decided to exercise its option to redeem the "FOE 01" 8.75% 2004/09-bond loan of NOK 760 million at 26th March 2006. Norsk Tillitsmann ("Norwegian Trustee") and Oslo Stock Exchange have been notified accordingly.

The Company has commenced establishing a larger credit facility more aligned with the Company's situation including a refinancing of its USD 300 million Credit Facility and the redemption of "FOE 01" bonds. The refinancing is scheduled to take place in March 2006.

A revised depreciation schedule for the offshore fleet will reduce annual depreciation for these units by approximately USD 17 million from 2006.

The **offshore drilling division** reported revenues of 870.9 million (776.9 million) and an EBITDA of 299.9 million (305.3 million).

The **engineering and fabrication division** reported revenues of 27.0 million (23.3 million) and an EBITDA of 43.1 million (0.6 million).

Figures in NOK

OPERATIONS

Drilling Division

Bideford Dolphin continued operations offshore Norway under a contract with Norsk Hydro estimated to expire mid 2007.

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 commenced a 19 months drilling programme for Equator Exploration Ltd. offshore West Africa in November 2005. The contract is estimated to expire in June 2007.

Byford Dolphin continued operations under its contract with CNR International (U.K.) Limited. CNR has exercised the two options and the contract is now estimated to expire in 4th quarter 2006. An agreement with CNR was entered into in November 2005 on a further extension of the contract of 275 days in direct continuation from the present contract.

Bredford Dolphin continued operations under a contract with Peak Well Management Ltd. in the U.K. North Sea with an estimated duration to end February 2006. In December 2005 a three-month contract was entered into in direct continuation of the present contract. In January 2006 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 in 3rd quarter 2006 following compulsory class renewal survey and upgrading of the rig to meet Norwegian requirements.

Borgsten Dolphin continued operations under a contract with ChevronTexaco North Sea Ltd. under a drilling programme in the U.K. sector of the North Sea. In September 2005 a new contract for the rig was secured with CNR International (U.K) Ltd for an approximate three months drilling programme in the UK North Sea commencing in February 2006. In December 2005 contracts were entered into with Nexen Petroleum UK Ltd. and Tullow Oil plc, respectively, for drilling operations in the UK North Sea. The drilling programmes have an estimated duration of 720 days of combined activity from around April 2006 in direct continuation from the unit’s existing contract commitments.

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Borgholm Dolphin continued operations under a contract with Shell U.K. Ltd. for accommodation support in the UK sector of the North Sea until January 2006. During the quarter further contracts for accommodation support in the UK were entered into with Talisman Energy (UK) Ltd. and Shell U.K Ltd commencing in February 2006 following a short standby period. The contracts will result in combined activity to end October 2006 with options for a further two months extension thereafter.

The deepwater upgrade of the semi submersible drilling rig Blackford Dolphin continued. 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. Completion of the upgrade is estimated to be mid 2007. The cost of the upgrade will be negatively influenced by the prevailing market conditions for equipment and yard costs worldwide. The Company is presently evaluating the alternatives for yard selection.

Engineering and Fabrication

The Harland & Wolff (H&W) yard continued its operations in engineering, ship repair and shipbuilding. The yard has been carrying out work related to several ship dockings. A large project during the quarter has been utilisation of the yard as logistics and assembly base for Barrow Windfarm Project. The core workforce has been stable at 95 employees.

Outlook

The market for offshore services continues to be strong. During the last 13 months, the Company has secured contracts with a total value of approximately USD 1,750 million which will provide significant earnings during the coming years.

Five units are available for new contracts from 2007, comprising of Bideford Dolphin, Byford Dolphin, Bulford Dolphin, Borgholm Dolphin and Blackford Dolphin.

Oslo, 8th February 2006
The Board of Directors
Fred. Olsen Energy ASA