Report for the 4th quarter 2009 and preliminary results for 2009

Figures in NOK

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 530 MILLION FOR THE 4TH QUARTER 2009 AND EBITDA OF 3,981 MILLION FOR THE YEAR

HIGHLIGHTS

- **Revenues were 1,128 million.**
- **EBITDA were 530 million**
- **Operating profit (EBIT) was 292 million**
- **Profit before tax was 256 million**
- **Earnings per share were 3.7**
- **Borgsten Dolphin entered into a Letter of Intent for a 75 days drilling contract**
- **Bredford Dolphin secured a 60 days drilling contract**
- **Revenues impacted by class Renewal Survey of 5 drilling units**
- **Proposed dividend payment of NOK 10.-**

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Figures in NOK

FINANCIAL INFORMATION (*3rd quarter 2009 in brackets)*

Operating revenues in the quarter were 1,128 million (1,490 million), a decrease of 362 million compared with the previous quarter. Revenues within the offshore drilling division decreased by 324 million, while revenues within the engineering and fabrication division, after intra-group eliminations, decreased by 38 million. The decrease in revenues within the offshore drilling division is mainly due to lower utilization following the class renewal surveys for Byford Dolphin, Borgsten Dolphin and Borgland Dolphin.

Operating revenues for the year were 6,600 million.

Operating costs were 598 million (640 million), a decrease of 42 million compared with previous quarter. Operating costs within the offshore drilling division decreased by 15 million. Operating costs within the engineering and fabrication division decreased by 27 million.

Operating costs for the year were 2,619 million.

Operating profit before depreciation (EBITDA) was 530 million (851 million).

EBITDA for the year were 3,981 million.

Depreciation and amortisation amounted to 238 million (241 million).

Depreciation and amortisation for the year was 973 million.

Operating profit after depreciation (EBIT) was 292 million (609 million).

Operating profit (EBIT) for the year was 3,008 million.

Net financial expenses were 36 million (85 million).

Net financial expenses for the year were 180 million.

Profit before tax was 256 million (525 million).

Profit before tax for the year was 2,828 million.

Net profit, including an estimated tax charge of 6 million (5 million), was 250 million (520 million).

Net profit after tax for the year was 2,754 million.

Basic earnings per share were 3.7 (7.8).

Basic earnings per share for the year were 41.5.

The Board has resolved to propose to the Annual General Meeting in May 2010 to pay a dividend of NOK 10.- per share

Figures in NOK

The **offshore drilling division** reported revenues of 1,099 million (1,422 million) and EBITDA of 521 million (830 million).

The **engineering and fabrication division** reported revenues of 30 million (68 million) and EBITDA of 9 million (21 million).

OPERATIONS

Drilling Division

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. The rig completed its five year class renewal survey in July 2009.

Borgland Dolphin completed a three-year drilling contract with Statoil ASA on 2nd January 2010 and commenced a new four year drilling 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 for the unit 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 years drilling contract with Anadarko Petroleum Corporation, which will expire in April 2010. In November 2007, a 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 completed a one well program for Reliance Industries Ltd. offshore Oman, under a contract expiring in December 2011. The unit is currently on the east side of India carrying out repairs, resulting in approximately 20 days offhire.

Borgny Dolphin commenced a five years drilling contract with Petrobras in September 2008. The contract is estimated to expire in September 2013. The unit commenced its five year class Renewal Survey and upgrade in the beginning of April 2009. After entering the yard the unit needed more steel replacement than originally anticipated. The unit will carry out an inclination test and undergo an inspection program. The unit is estimated to commence operation in March 2010. The estimated cost for the class Renewal Survey and upgrade combined has been revised from USD 145 million to USD 160 million.

Byford Dolphin arrived at Westcon in Ølen, Norway on the 17th October to carry out its five year class Renewal Survey and several upgrades. The class Renewal Survey with additional upgrades has been completed and the unit is currently going through final acceptance tests and is estimated to commence its contract late February. The project cost has been revised from USD 90 million to USD 110 million due to an increased scope of work, challenging weather conditions and renegotiation of the three year drilling contract with BP Exploration Operating Co. Ltd for operation in the UK sector of the North Sea. The revised contract value is reduced from USD 449 million to USD 355 million.

Borgsten Dolphin completed its nine months drilling contract with Maersk Oil North Sea Limited mid August 2009. Borgsten Dolphin is currently in Invergordon to carry out its five year class Renewal Survey which is scheduled to be completed in March 2010 at an estimated cost of USD 34 million. A Letter of Intent for drilling of 2 wells, estimated to 75 days, was entered into with Hurricane Exploration PLC in January 2010, commencing early May. The unit is available for new contracts from July 2010.

Borgholm Dolphin, the accommodation rig, 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. In addition the yard has been engaged in logistics and assembly activities related to offshore windfarms. The company will develop this business segment further and seek to secure contracts for additional windfarm projects. Harland & Wolff completed several windfarm related projects in 3rd and 4th quarter 2009. The next windfarm project is scheduled to be initiated in 4th quarter 2010.

OUTLOOK

The oil price has been relatively stable during the 2nd half of 2009 and into 2010. Despite the low volume of new fixtures in 2009 as a whole, we now see increased enquiries and pre-tendering activity in the offshore drilling markets

Oslo, 16th February 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	4th Q 2009	3rd Q 2009	4th Q 2008	Year 2009	Year 2008
Operating revenues		1 067,1	1 451,2	2 013,7	6 354,9	5 503,4
Recharged income		60,8	39,0	72,3	245,1	283,4
Total revenues		**1 127,9**	**1 490,2**	**2 086,0**	**6 600,0**	**5 786,8**
Operating costs		(538,3)	(602,1)	(657,2)	(2 378,7)	(2 174,9)
Recharged expenses		(59,9)	(37,4)	(67,1)	(240,1)	(275,2)
Oper. profit before depr. (EBITDA)		**529,7**	**850,7**	**1 361,7**	**3 981,2**	**3 336,7**
Depreciation and amortisation	*6*	(237,5)	(241,3)	(269,0)	(973,4)	(692,7)
Impairment		-	-	(35,0)	-	(35,0)
Operating profit (EBIT)		**292,2**	**609,4**	**1 057,7**	**3 007,8**	**2 609,0**
Net financial (expenses)/income	*8*	(35,9)	(84,9)	(438,0)	(179,8)	(491,5)
Profit before income taxes		**256,3**	**524,5**	**619,7**	**2 828,0**	**2 117,5**
Income tax expense		(6,3)	(4,6)	(8,3)	(73,8)	(20,9)
Profit for the period		**250,0**	**519,9**	**611,4**	**2 754,2**	**2 096,6**
Attributable to:						
Shareholders		247,9	518,3	607,4	2 749,0	2 092,6
Minority interests		2,1	1,6	4,0	5,2	4,0
Profit for the period		**250,0**	**519,9**	**611,4**	**2 754,2**	**2 096,6**
EPS :						
Basic earnings per share		3,7	7,8	9,1	41,5	31,4
Diluted earnings per share		3,7	7,8	9,1	41,5	31,4
Outstanding shares						
Average number of ordinary shares, basic		66,3	66,3	66,7	66,3	66,7
Average number of ordinary shares, diluted		66,3	66,3	66,7	66,3	66,7

GROUP STATEMENT OF COMPREHENSIVE INCOME

Unaudited	4th Q 2009	3rd Q 2009	4th Q 2008	Year 2009	Year 2008
Profit for the period	250,0	519,9	611,4	2 754,2	2 096,6
Exchange differences on translation of foreign operations	6,5	(528,9)	875,6	(950,7)	1 095,3
Total comprehensive income for the period	**256,5**	**(9,0)**	**1 487,0**	**1 803,5**	**3 191,9**
Attributable to:					
Shareholders	255,1	(10,5)	1 483,0	1 798,8	3 187,9
Minority interests	1,4	1,5	4,0	4,7	4,0
Total comprehensive income for the period	**256,5**	**(9,0)**	**1 487,0**	**1 803,5**	**3 191,9**

Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

STATEMENT OF FINANCIAL POSITION

Unaudited

(NOK mill)		31 Dec 09	30 Sep 09	31 Dec 08
Intangible assets		98,6	98,6	98,6
Property, plant & equipment	*6*	9 981,3	9 086,9	10 415,4
Other non-current assets		53,6	37,4	42,0
Total non-current assets		**10 133,5**	**9 222,9**	**10 556,0**
Inventories		345,2	308,3	373,5
Trade and other receivables		989,6	1 073,5	1 577,9
Other current assets		387,0	447,2	504,3
Cash and cash equivalents		2 014,2	2 185,6	3 673,8
Total current assets		**3 736,0**	**4 014,6**	**6 129,5**
Total assets		**13 869,5**	**13 237,5**	**16 685,5**
Share capital		1 333,9	1 333,9	1 333,9
Other equity		4 337,0	4 081,9	4 194,8
Minority interests		8,7	7,3	4,0
Total Equity	*9*	**5 679,6**	**5 423,1**	**5 532,7**
Non-current interest-bearing loans and borrowings	*5*	5 450,8	5 445,7	8 123,4
Other non-current liabilities		287,7	299,0	397,4
Total non-current liabilities		**5 738,5**	**5 744,7**	**8 520,8**
Other current liabilities		1 180,5	799,2	792,4
Current interest-bearing loans and borrowings	*5*	1 270,9	1 270,5	1 839,6
Total current liabilities		**2 451,4**	**2 069,7**	**2 632,0**
Total equity and liabilities		**13 869,5**	**13 237,5**	**16 685,5**

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 2008	1 333,9	548,1	3,1	(769,1)	(0,1)	2 972,2	4 088,1	-	4 088,1
Total comprehensive income	-	-	(2,5)	1 095,3	-	2 095,1	3 187,9	4,0	3 191,9
Purchase of own shares	-	-	-	-	(8,5)	(71,5)	(80,0)	-	(80,0)
Dividend	-	-	-	-	-	(1 667,3)	(1 667,3)	-	(1 667,3)
Balance at 31 Dec 2008	**1 333,9**	**548,1**	**0,6**	**326,2**	**(8,6)**	**3 328,5**	**5 528,7**	**4,0**	**5 532,7**
Year 2009									
Total comprehensive income	-	-	(0,6)	(950,7)	-	2 750,1	1 798,8	4,7	1 803,5
Dividend	-	-	-	-	-	(1 656,6)	(1 656,6)	-	(1 656,6)
Balance at 31 Dec 2009	**1 333,9**	**548,1**	**0,0**	**(624,5)**	**(8,6)**	**4 422,0**	**5 670,9**	**8,7**	**5 679,6**

Fred. Olsen Energy ASA

Condensed Financial Statements in accordance with IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited **(NOK mill)**		**Year 2009**	**Year 2008**
Cash flows from operating activities			
Profit before income tax		2 828,0	2 117,5
Adjustment for:			
Depreciation and amortisation		973,4	727,7
Interest expense		167,1	179,1
(Gain)/loss on sales of fixed assets		(1,8)	0,7
Changes in working capital		381,4	(1 139,9)
Unrealised loss/(gain) financial instruments/currency		(123,3)	265,1
Cash generated from operations		4 224,8	2 150,2
Interest paid		(218,1)	(244,1)
Taxes paid		(73,3)	(49,2)
Net cash from operating activities		**3 933,4**	**1 856,9**
Cash flows from investing activities			
Net investment in fixed assets		(1 879,8)	(1 680,5)
Proceeds from sale of equipment		4,0	0,8
Net cash used to investing activities		**(1 875,8)**	**(1 679,7)**
Cash flows from financing activites			
Borrowing of interest bearing debt		-	7 581,4
Repayments of interest bearing debt	*5*	(1 716,6)	(3 689,2)
Dividend paid	*9*	(1 656,6)	(1 667,3)
Purchase of treasury shares		-	(80,2)
Net cash from financing activites		**(3 373,2)**	**2 144,7**
Foreign currency		(344,0)	638,3
Net change in cash and cash equivalents		(1 315,6)	2 321,9
Cash and cash equivalents at the beg. of period		3 673,8	713,6
Cash and cash equiv. at the end of period		**2 014,2**	**3 673,8**

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
4th Q 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**
3rd 2009				
Revenues from external customers	1 422,3	67,9	-	1 490,2
Inter-segment revenues	-	-	-	-
Total revenues	**1 422,3**	**67,9**	**-**	**1 490,2**
Operating costs	(592,5)	(47,0)	-	(639,5)
Oper. profit before depr. (EBITDA)	**829,8**	**20,9**	**-**	**850,7**
Depreciation and amortisation	(239,6)	(1,7)	-	(241,3)
Operating profit (EBIT)	**590,2**	**19,2**	**-**	**609,4**
4th Q 2008				
Revenues from external customers	2 028,7	57,3	-	2 086,0
Inter-segment revenues	-	(1,5)	1,5	-
Total revenues	**2 028,7**	**55,8**	**1,5**	**2 086,0**
Operating costs	(699,2)	(22,5)	(2,6)	(724,3)
Oper. profit before depr. (EBITDA)	**1 329,5**	**33,3**	**(1,1)**	**1 361,7**
Depreciation and amortisation	(267,7)	(1,3)	-	(269,0)
Impairment	(35,0)	-	-	(35,0)
Operating profit (EBIT)	**1 026,8**	**32,0**	**(1,1)**	**1 057,7**
Year 2009				
Revenues from external customers	6 391,4	208,9	-	6 600,3
Inter-segment revenues	-	-	(0,3)	(0,3)
Total revenues	**6 391,4**	**208,9**	**(0,3)**	**6 600,0**
Operating costs	(2 459,9)	(159,2)	0,3	(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**
Year 2008				
Revenues from external customers	5 592,7	194,1	-	5 786,8
Inter-segment revenues	-	36,7	(36,7)	-
Total revenues	**5 592,7**	**230,8**	**(36,7)**	**5 786,8**
Operating costs	(2 307,2)	(173,0)	30,1	(2 450,1)
Oper. profit before depr. (EBITDA)	**3 285,5**	**57,8**	**(6,6)**	**3 336,7**
Depreciation and amortisation	(687,1)	(5,6)	-	(692,7)
Impairment	(35,0)	-	-	(35,0)
Operating profit (EBIT)	**2 563,4**	**52,2**	**(6,6)**	**2 609,0**

* Includes Fred. Olsen Energy ASA

(NOK mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
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
30 Sep 09				
Segment assets	12 999,3	288,5	(50,3)	13 237,5
Segment liabilities	7 613,1	251,6	(50,3)	7 814,4
31 Dec 08				
Segment assets	16 482,1	261,2	(57,8)	16 685,5
Segment liabilities	10 945,3	265,3	(57,8)	11 152,8

2. Introduction

The consolidated interim financial statements for 4th Quarter 2009 ended 31 December 2009, 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 2008.

The consolidated financial statements of the Group for the year ended 31 December 2008 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 16 February 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 2008.

Effective 1 January 2009, the group adopted IFRS 8, Operating segments. The information reviewed by the Group’s Management for operating segments under IFRS 8, is consistent with the Group’s historical segment disclosures. As a result, the adoption of IFRS 8 did not have a significant impact on the Group. In addition, the Group adopted the revised presentation of IAS 1 which requires the Group to present a statement of Comprehensive income which is presented herein.

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 2008.

5. Interest-bearing loans and borrowings

The Group has repaid USD 220 million of the fleet loan and redeemed bond loans, FOE02 and FOE03 of total NOK 300.7 million per 31 December 2009.

6. Property, plant and equipment

(NOK mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2009	13 334,9	517,3	114,1	13 966,3
Acquisitions	2 231,4	37,9	7,4	2 276,7
Disposals	(182,0)	(16,5)	(3,2)	(201,7)
Movements in foreign currency	(2 328,6)	(51,1)	(9,4)	(2 389,1)
Balance at 31 December 2009	**13 055,7**	**487,6**	**108,9**	**13 652,2**
Depreciation				
Balance at 1 January 2009	3 053,3	428,9	68,7	3 550,9
Depreciation	950,6	21,4	1,4	973,4
Disposals	(181,8)	(14,9)	(2,8)	(199,5)
Movements in foreign currency	(607,8)	(40,1)	(6,0)	(653,9)
Balance at 31 December 2009	**3 214,3**	**395,3**	**61,3**	**3 670,9**
Carrying amounts				
At 1 January 2009	10 281,6	88,4	45,4	10 415,4
At 31 December 2009	9 841,4	92,3	47,6	9 981,3

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 2008.

8. Financial expenses

Net financial expenses per 31 December 2009 include NOK 83 million of unrealised gain related to changes in fair value of interest rate contracts.

9. Dividend

The Annual General Meeting in May 2009 approved the Board's proposal of an ordinary dividend payment of NOK 10,- per share and an extraordinary dividend payment of NOK 15,- per share for the year 2008. The payment was made in June 2009 and amounted to NOK 1 656.6 million.

10. Receivables

The Group has received payments from customers which the Group was in legal disputes with. The payments were in line with expectations.