



Annual Report 2009

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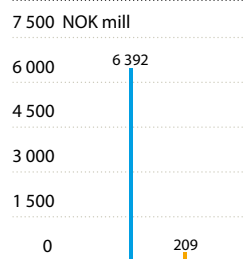
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A Brief Presentation

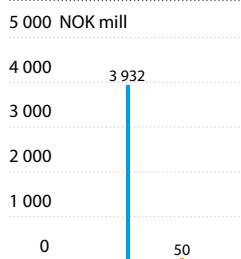
Fred. Olsen Energy ASA (The Company) is listed on the Oslo Stock Exchange and is a leading provider of exploration and development services to the oil and gas industry. The Company is based on more than 150 years experience within shipping and close to 40 years in offshore drilling, and provides competitive solutions to the benefit of its customers, employees and shareholders.



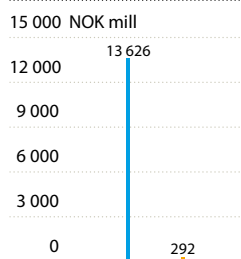
Revenues 2009



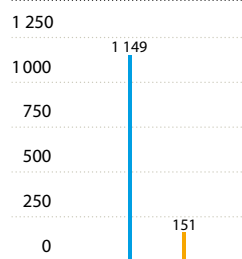
EBITDA 2009



Assets per 31.12.2009



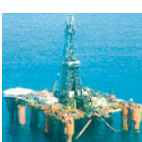
Employees per 31.12.2009

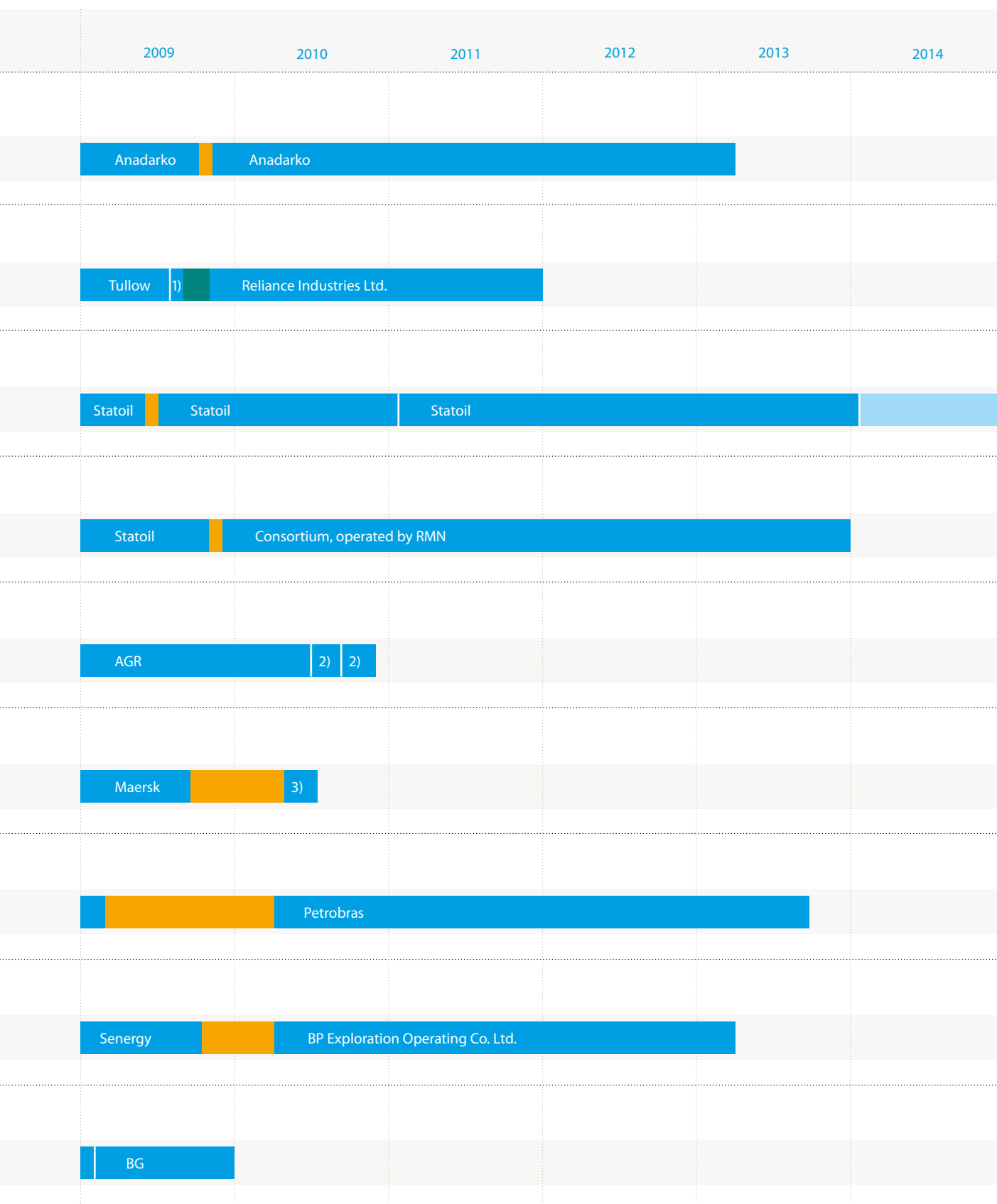


Offshore drilling

Engineering and fabrication (including eliminations)

Contract Overview

	Name/ Ownership	Type	Location	Built year/ upgrade	Water depth	Features
	Belford Dolphin (100%)	Drill ship	Mozambique	2000	10 000 ft	80 000 barrels storage 15 000 psi
	Blackford Dolphin (100%)	Aker H-3 Enhanced	India	1974/-08	7 000 ft	2*85 t deck cranes 15 000 psi
	Bideford Dolphin (100%)	Aker H-3 Enhanced	Norway, North Sea	1975/-99	1 500 ft	1*45 t + 1*50 t deck cranes 10 000 psi
	Borgland Dolphin (100%)	Aker H-3 Enhanced	Norway, North Sea	1976/-99	1 500 ft	1*45 t + 1*60 t deck cranes 15 000 psi
	Bredford Dolphin (100%)	Aker H-3	Norway, North Sea	1976 /-81/-97/-01/-07	1 500 ft	2*50 t deck cranes 10 000 psi
	Borgsten Dolphin (100%)	Aker H-3	UK, North Sea	1975 /-85/-95/-00	1 500 ft	1*50 t + 1*40 t deck cranes 10 000 psi
	Borgny Dolphin (100%)	Aker H-3	Brazil	1977 /-85/-91/-92/-97/-02 /-10	2 300 ft	2*50 t deck cranes 10 000 psi
	Byford Dolphin (100%)	Aker H-3	UK, North Sea	1973 /-85/-90/-96/-98 /-10	1 500 ft	1*40 t + 1*60 t deck cranes 15 000 psi
	Borgholm Dolphin (100%)	Aker H-3 Accommodation	UK, North Sea	1975/-02		2*49 t deck cranes 600 beds



1) Vitol 2) RWE Dea 3) Hurrican ■ Deepwater upgrade ■ Mobilisation ■ Yard stay / Class Renewal Survey ■ Option

Financial Summary 2005-2009

Income Statement Data	All amounts in NOK mill	2009	2008	2007	2006	2005
Revenues		6 600.0	5 786.8	4 277.0	4048.2	2882.9
Operating profit before depreciation (EBITDA)		3 981.2	3 336.7	1 954.9	1709.0	920.6
Net result after tax (hereof majority interests)		2 749.0	2 092.6	1 391.9	973.8	-15.7
Minority interests		5.1	4.0	0	0	0

Assets

Current assets	3 736.0	6 129.5	1 930.8	1 932.9	1 700.2
Long term assets	10 133.5	10 556.0	7 266.4	6 301.7	5 539.6
Total assets	13 869.5	16 685.5	9 197.2	8 234.6	7 239.8

Liabilities and equity

Interest bearing debt	6 721.7	9 963.0	4 157.0	3 376.1	3 295.3
Total liabilities	8 189.9	11 152.8	5 109.0	4 297.3	4 289.2
Equity of majority	5 671.0	5 528.7	4 088.2	3 937.3	2 950.6
Minority interests	8.7	4.0	0	0	0
Total liabilities and equity	13 869.5	16 685.5	9 197.2	8 234.6	7 239.8

Key Figures	Definitions	2009	2008	2007	2006	2005
Market capitalization	1	14 806.1	12 271.7	19 841.4	19 225.9	14 864.1
Net interest bearing debt	2	4 707.6	6 289.2	3 443.4	2 463.6	2 578.2
Enterprise value	3	19 513.7	18 560.9	23 284.8	21 689.5	17 442.3
Debt/Book equity ratio		1.19	1.80	1.02	0.86	1.12
Debt/Market capital ratio		0.45	0.81	0.21	0.18	0.22
Current ratio	4	1.52	2.33	0.95	2.02	1.30
EBITDA margin	5	60.3 %	57.7 %	45.7 %	42.2 %	31.9 %
Average number of shares outstanding		66.7 mill	66.7 mill	66.2 mill	62.9 mill	60.5 mill
Share price at year end	6	222.0	184.0	297.5	292.0	243.0
Basic earnings per share (EPS)	7	41.5	31.4	21.0	15.5	-0.3
Diluted earnings per share		41.5	31.4	20.9	15.1	-0.3
Capital expenditures per share		-34.1	-30.9	-34.1	-26.4	-8.5
Price/Earnings	8	5.4	5.9	14.1	18.9	neg.
Price/Book	9	2.6	2.2	4.9	4.9	5.0
EV/EBITDA		4.9	5.6	11.9	12.7	18.9

- 1 Closing price * number of shares at year-end
- 2 Short-term debt + Long-term debt - Cash and cash equivalents
- 3 Market capitalisation + Net interest bearing debt
- 4 Current assets / Current liabilities
- 5 EBITDA / Revenues
- 6 Last trade on last trading day of the year
- 7 Net profit / average number of shares outstanding
- 8 Closing price / EPS
- 9 Closing price / Book value per share

Board of Director's Report 2009

The operating activities of Fred. Olsen Energy ASA and its subsidiaries ("Group") consist of offshore drilling as well as engineering and fabrication services. The parent company of the Group is Fred. Olsen Energy ASA the ("Company"), with its corporate headquarter located in Oslo, Norway. The Group manages its activities from offices in Norway, the UK, Singapore, the US (Houston), India, Mozambique, Hungary, Bermuda and Brazil. Operation of the Group's offshore units is managed through Dolphin AS (100% owned) in Stavanger and Dolphin Drilling Ltd. (100% owned) in Aberdeen. The Harland & Wolff (H&W) shipyard, located in Belfast, Northern Ireland, and related activities form the Group's engineering and fabrication division (92,2% owned).

Gross revenues in 2009 were NOK 6 600 million, an increase of NOK 813 million from the previous year. The Group achieved earnings before interest, taxes, depreciation and amortization (EBITDA) of NOK 3 981 million compared to EBITDA of NOK 3 337 million in 2008. The cash flow from operations amounted to NOK 4 225 million compared to NOK 2 150 million for 2008. Net interest bearing debt at 31 December 2009 for the Group was NOK 4 708 million.

Markets and prospects

The number of tenders and fixtures within the offshore drilling market has been limited in 2009, compared to a high level in 2007 and 2008 with increasing lead-times, due to a low oil price in the beginning of 2009 and a challenging funding situation, especially for small independent oil companies. However, during 2009 the oil price has increased from around

USD 40 per barrel in the beginning of the year to become relatively stable in the second half of 2009 and into 2010 at levels between USD 60 and 80 per barrel. Towards the end of 2009 there has been an increase in the number of enquiries and pre-tendering activity, which globally has materialized in new contracts.

During the period 2009 to 2012 a total of 97 new build offshore floating drilling units are scheduled to enter the market of which a total of 19 units were delivered in 2009. Only three of these new units are specifically designed for the mid-water segment. Despite the relatively high number of newbuilds, the majority of these will commence operation on long-term contracts at attractive dayrates. At year-end 2009 73% of the newbuilds have secured contracts.

The Group operates two deepwater units Belford Dolphin and Blackford Dolphin, six mid-water semi-submersible drilling rigs and one semi-submersible accommodation unit, of which three drilling rigs comply for operations in Norwegian waters. Geographically, the Group currently operates in Norway, the UK, Mozambique, India and Brazil.

New contracts at higher dayrates and a full operational year for the semi-submersible Blackford Dolphin represents an increased contribution to the Group, which was partly offset by several class renewal surveys in 2009. Increased revenues reflect the Group's strong order book and currently the Group has seven out of nine units in operation. At year-end, the Group's offshore units had an average contract length of 23 months (33 months in 2008). The secured contract value for the fleet as per 31

December 2009 was approximately USD 2.6 billion (USD 3.6 billion in 2008).

Offshore Drilling

The drilling activities generated revenues of NOK 6 392 million compared to NOK 5 593 million in 2008. Within this segment, the Group achieved EBITDA of NOK 3 932 million. In 2008, the corresponding result was NOK 3 286 million.

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. This contract will expire in January 2014. Statoil has an option to extend the contract with one 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 for 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

Oil Price

140 USD/BARREL

120

100

80

60

40

02.01.2007

18.03.2010



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a new one well drilling contract with an estimated duration of 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.

The ultra deepwater drillship Belford Dolphin continued operations under a three years drilling contract with Anadarko Petroleum Corporation, which expires 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 continued operations under a three years drilling contract for Reliance Industries Ltd. which will expire in December 2011. The unit is currently operating offshore Eastern India.

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 required more steel replacement than originally anticipated which increased the cost and time for the yard stay. The unit is estimated to commence operation in April 2010.

Byford Dolphin arrived at Westcon in Ølen, Norway, on the 17th of October to carry out its five year class Renewal Survey and several upgrades. The class renewal survey with additional upgrades was completed and the unit

is estimated to commence its renegotiated contract with BP Exploration Operating Co. Ltd. in April 2010.

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 April 2010. A contract for drilling of two 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 a contract with BG Group mid December 2009. The unit is currently in lay-up in Invergordon and is available for new assignments.

In order to meet the high demand for qualified personnel, the Group is actively expanding its recruitment base. The Group is continuing to develop its recruitment company in Hungary.

Engineering and Fabrication

Total revenues within the engineering and fabrication division amounted to NOK 209 million and EBITDA was NOK 50 million. In 2008, total revenues were NOK 231 million and EBITDA was NOK 58 million. The H&W yard continued its operations in engineering, ship repair and shipbuilding. The yard has also been utilized as a logistics and assembly base for windfarms. The core workforce increased by 8 persons in 2009; to 151 employees.

The company will continue to seek to secure contracts for additional windfarms and wind-

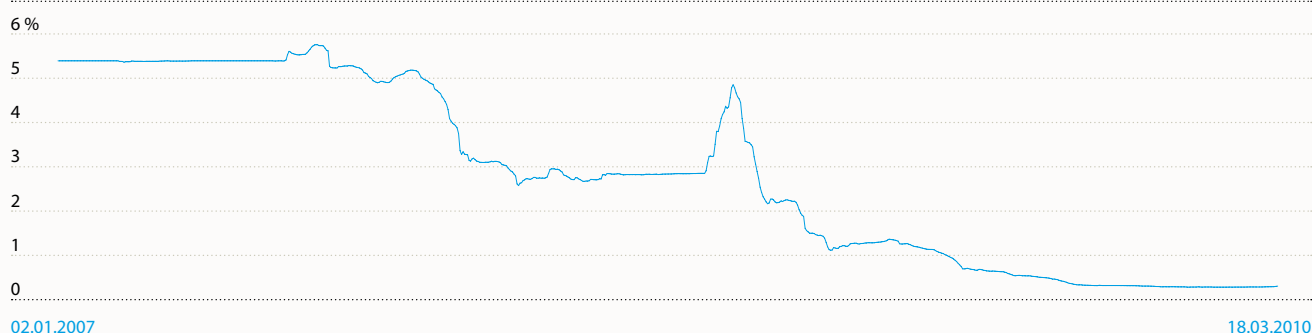
farm related projects, in addition to shipbuilding, ship repair and engineering in the years to come.

Financial result and balance sheet at year end

Consolidated revenues of NOK 6 600 million represent an increase of 14% compared to 2008, primarily reflecting increased revenues from offshore drilling services. EBITDA for the Group was NOK 3 981 million, an increase of NOK 664 million, or 19%, compared to 2008. After depreciation and amortization of NOK 973 million, the operating profit was NOK 3 008 million, compared to an operating profit of NOK 2 609 million in 2008. Net financial expenses were NOK 180 million, a decrease of 311 million from the previous year. Profit before taxes was NOK 2 828 million compared to NOK 2 118 million in 2008. The net profit for the year was NOK 2 754 million against NOK 2 097 million in 2008. At year-end, the Group had consolidated assets of NOK 13 870 million. The ratio of net interest bearing debt to total assets was 34 % compared to 38 % at the beginning of the year. The book value of the equity was NOK 5 680 million. Cash flow generated from operations was NOK 3 933 million against NOK 1 857 million in 2008. Cash and cash equivalents decreased by NOK 1 660 million during the year, from NOK 3 674 million to NOK 2 014 million at the end of the year.

Fred. Olsen Energy ASA is a holding company and provides management services for the subsidiaries within the Group. The Company had revenues of NOK 3 million in 2009 compared to no revenues in 2008. EBITDA for the year was negative NOK 43 million compared with negative NOK 40 million in 2008. Net profit was NOK 1 070 million compared to NOK

USD Interest Rate, 3 Month Libor



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2 291 million in 2008. The decrease is mainly due to a group contribution of NOK 1 000 million compared to a group contribution of NOK 2 500 million in 2008. The annual accounts of The Company and the consolidated accounts are based on the assumption of continued operation.

International Financial Reporting Standards (IFRS)

The consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act and International Financial Reporting Standards (IFRS) as adopted by EU and interpretations adopted by the International Accounting Standards Board (IASB). The accounts for the parent company have been prepared in accordance with the Norwegian Accounting Act.

Investment and capital resources

Capital expenditures amounted to NOK 2 277 million in the year compared to NOK 2 058 million in 2008. The capital expenditures were mainly related to the Group's class renewal surveys and upgrades of six units during 2009. The Group's debt consists of one credit facility. The facility is a combined term loan and revolving credit facility of initially USD 1 500 million, established in May 2008, with final maturity in 2014. The purpose of the facility was to refinance all of the Company's bank loans at that time. The outstanding amount under the credit facility at year-end was USD 1 170 million. As per year-end and the date of this report, the Group is in compliance with all covenants in its loan agreements.

Research and development activities

The Group's research and development activities are an integrated part of the ongoing operations and are being carried out through cooperation with various engineering- and equipment supply vendors. The Group constantly monitors and evaluates new drilling rig related technology, including those materializing through the operations and project developments. The implementation of a new "Riser Handling system" for the deepwater conversion of the Blackford Dolphin is a result of a project specific research and development activity within the Group. The development of the new "Riser Handling system" for Blackford Dolphin has materialized in patents being applied for and granted in several countries. Expenditures on research activities, undertaken with the prospect of gaining technical knowhow and understanding, are recognised in the income statement as incurred expenses.

Financial risks

The Group is exposed to certain financial risks related to its activities. These are mainly foreign exchange risks, interest rate risks and credit risks. The Group continuously monitors and manages its financial risks by hedging its exposure. See also note 13.

Liquidity risk

In May 2008, a new term loan and revolving credit facility with an original frame amount of USD 1 500 million, the outstanding which represent maximum borrowing capacity under the facility year end was USD 1 170 million, was established to refinance all of the Company's bank debt; by year end the credit facility was fully drawn. The Company is in

compliance with covenants in its loan agreement. See also note 14 for further details.

Foreign exchange

The Group's financial statements are presented in NOK. The Group's revenues consist primarily of USD, NOK and GBP with USD as the most dominant currency. The Group's expenses are primarily in NOK, GBP and USD. As such, the Group's earnings are exposed to fluctuations in the currency market. The Group's future foreign exchange exposure is dependent upon the currency denomination of revenues and expenses, however, in the longer term, parts of the USD/NOK exposure are neutralized due to a significant portion of the Group's debt being denominated in USD.

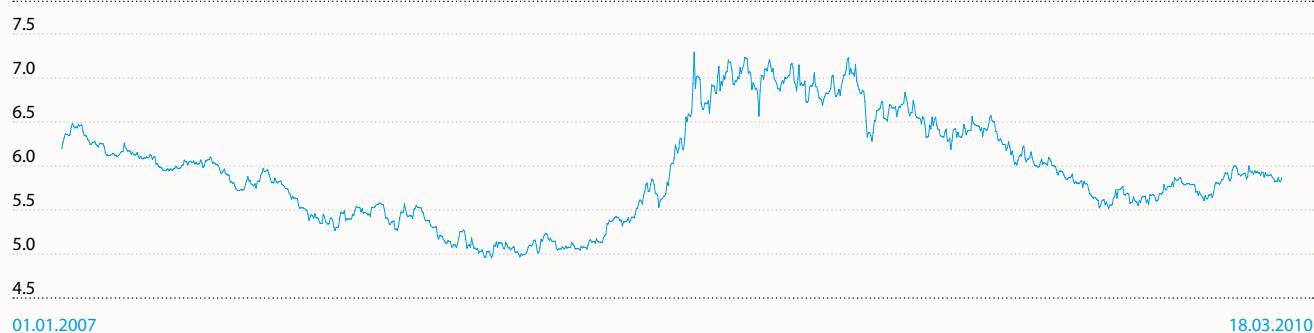
Interest rate

The Group is exposed to fluctuations in interest rates for USD. At 31 December 2009 approximately 38 % of the Group's interest expense was based on interest rate swap agreements. The remaining portion of the debt was based on floating interest rates (USD LIBOR) plus a margin.

Credit risk

Due to the nature of the Group's operations, revenues and related receivables are typically concentrated amongst a relatively small customer base, including national oil companies, super majors, majors and independent oil companies. The Group continuously evaluates the credit risk associated with customers and, when considered necessary, requires certain guarantees. The Group's short-term investments are limited to cash deposits in the Group's relationship banks and derivative financial instruments are normally entered

USD/NOK



Board of Director's Report 2009

into with the Group's main relationship banks. As such, the Group considers its exposure to credit risk to generally be moderate.

Corporate Governance

The Company emphasizes the importance of maintaining and further developing its corporate governance policy and supports the principles set out in the Norwegian Code of Practice for Corporate Governance. A description of the Company's compliance with the above recommended corporate governance principles is presented on pages 56 to 58.

The Board of Directors consists of five board members who are elected for a two-year period. All of the Directors are independent of the Company's management and three of them are independent also in relation to the Company's main shareholders Ganger Rolf ASA and Bonheur ASA. 40% of the Board of Directors are women. During 2009 the Board of Directors had 7 meetings. The Board of Directors has appointed an Audit Committee consisting of two Directors, of which one is independent of the main shareholders of the Company. The charter of the audit committee is to assist the Board of Directors in fulfilling its responsibilities concerning the financial reporting process, internal controls, management of financial risks, the audit process and the Group's process for monitoring compliance with applicable laws and regulations. The Board of Directors has appointed a Compensation Committee comprising four Directors, including the Chairman of the Board. The Compensation Committee discusses and recommends to the Board of Directors salary and benefits for the Chief Executive Officer and senior management as well as the management incentive

schemes for the Group. The compensation to the Chief Executive Officer comprises salary, pension scheme, company car and performance bonus.

In 2007 the Company distributed dividends for the first time since the listing in 1997. The Company paid a dividend of NOK 10, - per share for 2006 and stated that the Company will pursue a yearly strategy to pay a dividend of NOK 10, - per share. The Board has decided to propose to the Annual General Meeting in May 2010 a dividend payment of NOK 10, - per share for the year 2009. Dividends will be distributed subject to earnings, the Company's investment plans, financial strategy and approval by the shareholders. In addition, the Company may consider share buy-backs in accordance with the authorization to the Board of Directors from the Annual General Meeting.

Share Capital Issues

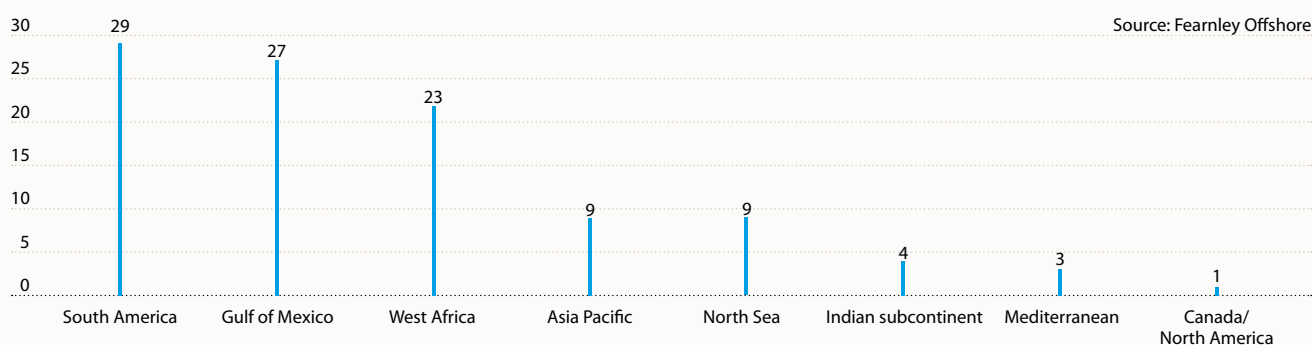
The Annual General Meeting in May 2009 authorized the Board of Directors to issue up to 6 700 000 new shares in the Company through an equity issue and to issue up to 6 700 000 new shares by raising loans with the right to subscribe for new shares for a period of up to one year. At 1 January 2009, the Company owned 430 100 of its own shares. At 31 December 2009 the Company's share capital amounted to NOK 1 334 million, corresponding to 66 694 229 shares at par value NOK 20, - each. At year-end the Company owned 430 100 own shares.

Safety, work environment, organization and equal opportunities

The Group has a strong focus on health, safety and working environment (HSE) for its employees, subcontractors and its customers.

Continuous efforts involve planning, training of personnel and careful selection of subcontractors. The Group maintains a "zero accident" objective and is closely monitoring its established procedures for operations, projects and worksites both onshore and offshore. The lost time accident frequency (LTA) for offshore drilling and related services in 2009 was 2.5 per one million working hours, compared to 2.0 per one million working hours in 2008. The Group has performed several HSE activities in 2009 in order to continuously improve the HSE culture. Special focus in 2009 has been on training of rig management on- and offshore. Key elements in the training programme have been effective supervision, HSE competence training, planning and risk evaluations of each job performed. Further, the rig management and the crew have been trained and motivated to observe, intervene and report in the planning and executing phase in order to prevent and reduce risks for accidents in the early phase of jobs performed. HSE Trend Analyses and Working Environment Mapping have been performed in order to compare results with the HSE goals. In 2009 even further technical measures were taken on the rigs to prevent spills to the external environment and also to reduce noise in machinery spaces. Chemical exposure has also had a strong systematic focus in 2009. Internal audits have been carried out in order to verify knowledge and implementation of the Management System and the result from these audits confirm that the Management System is well known and accessible, however, the implementation process needs continuous focus. It is the Group's policy to conduct business in accordance with the letter and spirit of the law and with the overriding ethical standards of good

Deepwater Units Supply > 3000 feet by area (25.03.2010)



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business conduct. The HSE both offshore and onshore is considered to be good which is documented in regular mappings.

Absence due to illness was 3.7% (2008: 3.9%), for the Group and 1.2% (2008: 3.9%) for the parent company. The Group continues to focus on reducing such absence. The Group aims to be a workplace with equal opportunities, offering challenging and motivating jobs to all personnel, regardless of nationality, culture, religion and gender. The composition of genders within the Group reflects the available recruitment base for offshore work, which traditionally is dominated by men, being the nature of the offshore industry worldwide. However, the Group's policy is to offer equal opportunities for males and females and efforts are made to attract female employees. Two out of five members of the Board of Directors are women, including the Chairman of the Board. At year-end 2009 the Group had 1 300 employees, including 10 in the parent company. 104 of the employees were women and 15 percent of leading onshore personnel within the Group are female.

Significant legal matters

During 2009 the Group had five disputes with business counterparts. See also note 18.

External Environment

The Group's operations may involve activities that entail potential risks to the external environment. The discharge produced from processes and operations in the offshore oil-and gas drilling industry, directly and indirectly through chemical interaction can derange the balance of the environment. The Group is careful in its approach to the environment and continuously strives to reduce the use of hazardous chemicals and materials to minimize negative effects and continually seeks alternative products to safeguard the environment. The parent company acts as a holding company to the Group and has no activities that entail potential significant risks to the external environment.

Appointment of new Chief Executive Officer (CEO)

Helge Haakonsen, the company's CEO since its formation in 1997, retired with effect from 1st

November 2009. Helge Haakonsen was succeeded by Ivar Brandvold. The Board would like to express its appreciation to Helge Haakonsen for his effort and contribution in managing and developing the Company since the formation of Fred. Olsen Energy ASA in 1997.

Allocation of profit

The Board proposes an ordinary dividend of NOK 10, - per share for 2009. Net profit after tax for the parent company was NOK 1 070 million, which is proposed to be allocated as follows:

For dividend	663 million
Free reserves	407 million
Total allocated	1 070 million

Annual General Meeting

The date of the Annual General Meeting is scheduled for 26 May 2010.

Oslo, 31 December 2009 / 24 March 2010

Fred. Olsen Energy ASA

Anette S. Olsen
Chairman

Jan Peter Valheim

Cecilie B. Heuch

Øivin Fjeldstad

Agnar Gravdal

Ivar Brandvold
Chief Executive Officer

Fred. Olsen Energy – Group

Directors' Responsibility Statement

Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Directors' report and the consolidated and separate annual financial statements for Fred. Olsen Energy ASA, for the year ending and as of 31 December 2009 (annual report 2009).

Fred. Olsen Energy ASA's consolidated financial statements have been prepared in accordance with IFRSs and IFRICs as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act, and that should be used as of 31 December 2009. The separate financial statements for Fred. Olsen

Energy ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of 31 December 2009. The Board of Directors' Report for the group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian accounting standard no 16, as of 31 December 2009.

To the best of our knowledge:

- the consolidated and separate annual financial statements for 2009 have been prepared in accordance with applicable accounting standards

- the consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and profit (or loss) as a whole as of 31 December 2009 for the group and the parent company
- the board of directors' report for the group and the parent company includes a true and fair review of
 - the development and performance of the business and the position of the group and the parent company.
 - the principal risks and uncertainties the group and the parent company face.

Oslo, 31 December 2009 / 24 March 2010

Fred. Olsen Energy ASA

Anette S. Olsen
Chairman

Jan Peter Valheim

Cecilie B. Heuch

Øivin Fjeldstad

Agnar Gravdal

Ivar Brandvold
Chief Executive Officer

Fred. Olsen Energy – Group

Consolidated Statement of Separate Income

For the years ended 31 December

Amounts in NOK 000's	Note	2009	2008
Revenues	2,17,19	6 600 042	5 786 773
Materials		-36 204	-46 789
Salaries and other personnel costs	3,17	-1 160 834	-1 121 591
Other operating expense	4,17	-1 421 773	-1 281 739
Operating profit before depreciation, amortisation and net financial expense		3 981 231	3 336 654
Impairment	7	0	-35 029
Depreciation and amortisation	7	-973 403	-692 658
Operating profit before net financial expense		3 007 828	2 608 967
Financial income		355 004	92 301
Financial expense		-534 881	-583 745
Net financial expense	5,13,17	-179 877	-491 444
Profit before tax		2 827 951	2 117 523
Income tax expense	6	-73 799	-20 888
Profit for the year		2 754 152	2 096 635
Attributable to:			
Equity holders of the parent		2 749 004	2 092 595
Minority interest		5 148	4 040
Profit for the year	11	2 754 152	2 096 635
Basic earnings per share	21	41.49	31.39
Diluted earnings per share	21	41.49	31.39

The notes represent an integral part of the financial statements.

Fred. Olsen Energy – Group

Group Consolidated Statement of Comprehensive Income

For the years ended 31 December

Amounts in NOK 000's	Note	2009	2008
Profit for the year		2 754 152	2 096 635
Exchange differences on translation of foreign operations		-950 644	1 095 294
Total comprehensive income for the year		1 803 508	3 191 929
Attributable to:			
Equity holders of the parent		1 798 898	3 187 889
Minority interests		4 610	4 040
Total comprehensive income for the year	11	1 803 508	3 191 929

The notes represent an integral part of the financial statements.

Fred. Olsen Energy – Group

Consolidated Statement of Financial Position

As at 31 December

Amounts in NOK 000's	Note	2009	2008
Assets			
Property, plant and equipment	7	9 981 300	10 415 371
Intangible assets	8	98 577	98 577
Other non-current assets	15,17	5 228	6 721
Deferred tax assets	9	48 431	35 285
Total non-current assets		10 133 536	10 555 954
Consumable spare parts		345 238	373 478
Prepayments and tax refunds		387 002	504 294
Trade and other receivables	13,17	989 595	1 577 904
Cash and cash equivalents	10	2 014 127	3 673 834
Total current assets		3 735 962	6 129 510
Total assets		13 869 498	16 685 464
Equity			
Share capital		1 333 884	1 333 884
Share premium		548 125	548 125
Capital reserves		0	622
Translation reserves		-624 525	326 119
Reserve for own shares		-8 602	-8 602
Retained earnings		4 422 076	3 328 515
Share of equity attributable to shareholders of the parent	11	5 670 958	5 528 663
Minority interests		8 650	4 040
Total equity		5 679 608	5 532 703
Liabilities			
Interest-bearing loans and borrowings	12,13,17	5 450 815	8 123 448
Employee benefits	15	197 077	196 422
Financial instruments	13	90 642	200 875
Total non-current liabilities		5 738 534	8 520 745
Interest-bearing loans and borrowings	12,13,17	1 270 874	1 839 581
Trade and other payables	17	215 505	272 761
Financial instruments	13	12 424	66 216
Tax payable		27 079	19 464
Other accrued expenses and deferred revenue		925 474	433 994
Total current liabilities		2 451 356	2 632 016
Total liabilities		8 189 890	11 152 761
Total equity and liabilities		13 869 498	16 685 464

The notes represent an integral part of the financial statements.

Oslo, 31 December 2009 / 24 March 2010
Fred. Olsen Energy ASA

Anette S. Olsen	Jan Peter Valheim	Cecilie B. Heuch	Øivin Fjeldstad	Agnar Gravdal	Ivar Brandvold
Chairman					Chief Executive Officer

Fred. Olsen Energy – Group

Consolidated Statement of Changes in Equity

Amounts in NOK 000's	Share capital	Share premium	Capital reserves	Translation reserves	Reserve for own shares	Retained earnings	Total	Minority interests	Total equity
Balance at 1 January 2008	1 333 877	548 107	3 144	-769 175	-80	2 972 290	4 088 163	0	4 088 163
Total comprehensive income for the period	0	0	-2 522	1 095 294	0	2 095 117	3 187 889	4 040	3 191 929
Dividends	0	0	0	0	0	-1 667 256	-1 667 256	0	-1 667 256
Acquisitions of own shares	0	0	0	0	-8 522	-71 636	-80 158	0	-80 158
Conversion of convertible bonds and derecognition of equity component, net of tax	7	18	0	0	0	0	25	0	25
Balance at 31 December 2008	1 333 884	548 125	622	326 119	-8 602	3 328 515	5 528 663	4 040	5 532 703
Balance at 1 January 2009	1 333 884	548 125	622	326 119	-8 602	3 328 515	5 528 663	4 040	5 532 703
Total comprehensive income for the period	0	0	-622	-950 644	0	2 750 164	1 798 898	4 610	1 803 508
Dividends	0	0	0	0	0	-1 656 603	-1 656 603	0	-1 656 603
Balance at 31 December 2009	1 333 884	548 125	0	-624 525	-8 602	4 422 076	5 670 958	8 650	5 679 608

Fred. Olsen Energy – Group

Consolidated Statement of Cash Flows

For the year ended 31 December

Amounts in NOK 000's	Note	2009	2008
Cash flows from operating activities			
Profit before income tax		2 827 951	2 117 523
<i>Adjustment for:</i>			
Depreciation, amortisation and impairment	7	973 403	727 687
Interest expense	5	167 125	179 106
Loss/(gain) on sale of property, plant and equipment		-1 777	737
Unrealised (gain)/loss on financial instruments		-123 270	265 140
Changes in trade and other receivables		390 362	-593 585
Changes in trade and other payables		-48 726	-118 023
Changes in other balance sheet items		39 753	-428 340
Cash generated from operations		4 224 821	2 150 245
Interest paid		-218 130	-244 099
Income taxes paid		-73 295	-49 200
Net cash from operating activities		3 933 396	1 856 946
Cash flows from investing activities			
Purchases of property, plant and equipment		-1 879 847	-1 680 532
Proceeds from sale of equipment		4 068	788
Net cash used in investing activities		-1 875 779	-1 679 744
Cash flows from financing activities			
Proceeds from interest bearing loans		0	7 581 375
Repayments of interest bearing loans		-1 716 561	-3 689 209
Purchase of treasury shares	11	0	-80 158
Dividends paid	11	-1 656 603	-1 667 256
Net cash from financing activities		-3 373 164	2 144 752
Net increase/(decrease) in cash and cash equivalents		-1 315 547	2 321 954
Cash and cash equivalents at 1 January		3 673 834	713 605
Effect of exchange rate fluctuations on cash held		-344 160	638 275
Cash and cash equivalents at 31 December	10	2 014 127	3 673 834

The notes represent an integral part of the financial statements.

Notes to the Consolidated Financial Statements

Note 1 - Significant accounting policies

Fred. Olsen Energy ASA the ("Company") is a company domiciled in Norway.

The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 24 March 2010.

Statement of compliance

The consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of preparation

The financial statements are presented in Norwegian Kroner (NOK), rounded to the nearest thousand. They are prepared on the historical cost basis except that derivative financial instruments are measured at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed regularly. Actual results may differ from these estimates.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

Basis of consolidation

Subsidiaries

The consolidated financial statements include the Company and its subsidiaries (the Group of companies). The Company normally con-

solidates subsidiaries when it has the ability to exercise control through ownership, directly or indirectly, of more than 50% of the voting power, for instance, as set out in the Norwegian Public Limited Liability Companies Act 1-3. In addition, the Company must also consider other arrangements that provide the Company the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities as determined under IFRS.

Transactions eliminated in consolidation

All material intra-group transactions, any unrealised income and expenses arising from intra-group transactions and intra-group balances have been eliminated in preparing the consolidated financial statements.

Foreign currency

Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are presented in NOK, which is the functional currency of the Company, and the presentation currency of the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign subsidiaries are translated into NOK at the foreign exchange rate at the balance sheet date. The revenues and expenses of foreign subsidiaries

are translated using average monthly foreign exchange rate, which approximates that foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation are recognised directly as a separate component of equity.

Financial Instruments

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are classified as at fair value through profit or loss.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised in profit or loss. There are no derivatives to which hedge accounting is applied.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date. The fair value of forward exchange contracts is their market price at the balance sheet date, being the present value of the quoted forward price as provided by financial institutions.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits and other short-term highly liquid assets that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments

Notes

issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below as applicable.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Convertible bonds

Convertible bonds that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments consisting of a liability component and an equity component. The equity component of the convertible bonds is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement then reflects the market rate for notes without conversion. Converted options during the year are split between liability and equity accordingly.

The interest expense on the liability component is calculated by applying the prevailing market interest rate at the time of transaction for similar non-convertible debt to the liability component of the instrument at the time of transaction. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note until the maturity date.

Trade and other payables

Trade and other payables are stated at cost.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets and modifications includes the cost of material, direct labour and other direct attributable cost to bring the asset to a working condition for its intended use.

Where components of an item of property, plant and equipment have different useful lives, they are accounted for separately.

Subsequent expenditures are capitalised when it is probable that they will give rise to future economic benefits. Other costs are recognised in the income statement as incurred.

Borrowing costs are capitalised as part of the cost on certain qualifying assets in accordance to the revised IAS 23. A qualifying asset is one which necessarily takes a substantial period of time to be made ready for its intended use, which are generally assets that are subject to major development or construction projects.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each component of property, plant and equipment. The estimated useful lives, residual values and decommissioning costs are reviewed at each financial year end. No decommissioning costs have been recorded to date, and the presence of any obligations is reviewed at each financial year end. Any changes are accounted for prospectively as a change in accounting estimate.

The estimated useful lives are as follows:

Rigs	15 to 25 years
Deepwater Drillship	25 years
Major component	5 to 15 years
Plant and Buildings	5 to 50 years
Machinery and Equipment	3 to 10 years

Repairs and maintenance

Costs for special periodic surveys/renewal surveys (SPS/RS) on offshore units required by classification societies, are capitalised and depreciated over the anticipated period between surveys, generally five years. Other repair and maintenance costs are expensed as incurred.

Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on the acquisition of subsidiaries, and is the difference between the cost of the acquisition and the fair value of the not identifiable asset acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Consumable spare parts

The Group categorizes spare parts into two groups, spare parts and spare assets. A spare part is a consumable that is not depreciated, but expensed when used against repair and maintenance cost. A spare asset is larger spare item that is recorded as a rig component and depreciated. Consumables are recorded at cost less a reserve for overstocked items.

Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. When considering impairment indicators, the Group considers both internal (e.g. adverse changes in performance) and external sources (e.g. adverse changes in the business environment). These are analyzed by reviewing dayrates and broker valuations. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. The value in use is calculated as the present value of the expected future cash flows for the individual units.

The value in use is used for the annual impairment test for goodwill, which is the present value of the future cash flows from continuing use and ultimate disposal expected to be derived from the cash generating unit that includes goodwill, which is Dolphin AS, representing the Group's North Sea activities on the Norwegian continental shelf. The discount rate

Notes

used in the calculations is based on a risk-free rate and a market risk premium.

An impairment loss is recognised if the carrying amount of an asset exceeds the recoverable amount.

Employee benefits

Pensions

The Company and certain of its subsidiaries have pension plans for employees which provide for a defined pension benefit upon retirement. The benefit to be received by employees generally depends on many factors including length of service, retirement date and future salary increases. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date reflecting the maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary.

In respect of actuarial gains and losses that arise in calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

In addition, employees of other subsidiaries are covered by multi-employer pension plans administered by trade unions and by plans administered by related companies. Costs related to these plans are expenses as incurred.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Revenue

Charter rate contracts

Revenue derived from charter-hire contracts or other service contracts is recognised in the period that services are rendered at rates established in the relevant contracts. Certain contracts include mobilisation fees payable at the start of the contract. In cases where the fee covers a general upgrade of a rig or equipment which increases the value of the rig or equipment beyond the contract period, the fee is recognised as revenue over the contract period whereas the investment is depreciated over the remaining lifetime of the asset. In cases where the fee covers specific upgrades or equipment specific to the contract, the mobilisation fee is recognised as revenue over the estimated contract period. The related investment is depreciated over the estimated contract period. In cases where the fee covers specific operating expenses at the start up of the contract the fees are recognised in the same period as the expenses.

Long-term engineering and fabrication contracts

Revenues on long-term contracts are recognised using the percentage of completion method throughout the performance period of the contract when the outcome can be measured reliably. The percentage of completion is typically calculated based on the ratio of contract costs incurred to date to total estimated contract costs after providing for all known or anticipated costs. On certain contracts the Group may use the ratio of incurred to total estimated direct labour hours to determine the percentage of completion. Costs include material, direct labour and engineering. Selling, general and administrative expenses are charged to operations as incurred. The effect of changes in estimates of contract costs is recorded currently. An expected loss on a contract is recognised immediately in the income statement.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues earned under the percentage of completion method but not yet billable under the terms of the contract. Amounts billed in advance of satisfying revenue recognition criteria on long term contracts are classified as billings in excess of costs and estimated earnings on uncompleted contracts.

Generally, contract revenues become billable upon the Group attaining certain contract

milestones. The Group typically does not require collateral from customers except in situations where warranted due to assessments of risk factors.

Expenses

Operating lease expenses

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable, foreign exchange gains or losses, and gains and losses on financial instruments.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Segment reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions

Notes

with the other of the Group's component. The Group provides services and operates within the two operating segments; offshore drilling and engineering and fabrication. The operating segments' results are reviewed regularly by the Group's management to make decisions and assess its performance, and for which discrete financial information is available.

Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had one category of dilutive potential ordinary shares; convertible notes. The convertible notes are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. Potential ordinary shares that are anti-dilutive are excluded from the calculation.

New accounting pronouncements applied

The following standards and interpretations were applicable to the Group and were effective during 2009:

IFRS 8, Operating Segments (effective from 1 January 2009)

The information required to be presented for segment information is based on the information that internally is provided to the Group's management. The Group has applied this interpretation from 1 January 2009, with no impact on the financial statements.

IAS 1, Presentation of financial statements – a revised presentation (effective from 1 January 2009)

The Group applies revised IAS 1. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. These standards, amendments and interpretations are not expected to have any effect on the consolidated financial statements of the Group although they could effect prospective transactions..

Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

For accounting purposes the Group makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from the eventual outcome, but are regarded as the best estimate at balance sheet date. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

I) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on best estimate of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

II) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any

changes in these assumptions will impact the calculated pension obligations. The Group determines the appropriate discount rate at the end of each year. This is rate that used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The rate used for Norwegian subsidiaries is based on 10 year government bonds. Beyond 10 years the rate has been based on an extrapolation of the government bond rate and long-term swap rates for the relevant period. Other key assumptions for pension obligation are based on current market conditions.

III) Estimates for rigs and drill ship

At each balance sheet date judgement is used to determine whether there is any indication of impairment of the Group fleet of rigs and the drill ship. If any such indication exists, the asset's recoverable amount is estimated. When considering impairment indicators, the Group considers both internal (e.g. adverse changes in performance) and external sources (e.g. adverse changes in the business environment). These are analyzed by reviewing dayrates and broker valuations. If an indicator of impairment is noted, further management estimate is required to determine the amount, if any, of impairment. In order to measure for potential impairment, the carrying amount of the rigs and drill ship would be compared to the recoverable amount, which is the value in use. The value in use is calculated as the present value of the expected future cash flows for the individual units, requiring significant management estimates of the proper discount rates as well as the length and amounts of cash flows. An impairment loss would then be recognised to the extent the carrying amount exceeds the recoverable amount.

IV) Estimated fair value of cash generating unit for impairment testing of goodwill

In accordance with the accounting policy the Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating unit have been determined based on a value-in-use calculation. This calculation requires the use of estimates and is based on assumptions that are consistent with the market valuation of the Group.

Notes

Note 2 - Segment reporting

Segment information is presented in respect of the Group's operating segments and is based on the Group's management and internal reporting structure. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis.

Inter-segment pricing is determined on an arm's length basis.

Business segments

The Group comprises the following main business segments:

- Offshore drilling provides services to the offshore oil and gas industry. Fred.Olsen Energy ASA is included within the offshore drilling segment.
- Engineering and fabrication provides engineering, fabrication, ship building and repair services for various offshore, onshore and transportation industries. In addition, the yard holds a waste management license and has been used as logistics and assembly base for offshore windfarms.

Geographical information

The offshore drilling segment provides services on a worldwide basis while engineering and fabrication segment primarily provides services in the UK. The revenue is based on the geographical location of the customers. The capital expenditures are based on the location of the company that is actually doing the investment.

Business segments

Amounts in NOK 000's	Offshore drilling		Engineering and fabrication		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenues from external customers	6 391 520	5 592 665	208 522	194 108	0	0	6 600 042	5 786 773
Inter-segment revenues	0	0	365	36 656	-365	-36 656	0	0
Total revenues	6 391 520	5 592 665	208 887	230 764	-365	-36 656	6 600 042	5 786 773
							0	0
Operating expenses	-2 459 976	-2 307 143	-159 200	-173 039	365	30 063	-2 618 811	-2 450 119
Segment result before depreciation, amortisation and impairment	3 931 544	3 285 522	49 687	57 725	0	-6 593	3 981 231	3 336 654
Depreciation and amortisation	-966 569	-687 093	-6 834	-5 565	0	0	-973 403	-692 658
Impairment	0	-35 029	0	0	0	0	0	-35 029
Segment result	2 964 975	2 563 400	42 853	52 160	0	-6 593	3 007 828	2 608 967
Net financing cost	-183 099	-495 796	3 222	4 352	0	0	-179 877	-491 444
Income tax expense	-90 764	-40 814	16 965	19 926	0	0	-73 799	-20 888
Profit/(loss) for the period	2 691 112	2 026 790	63 040	76 438	0	-6 593	2 754 152	2 096 635
Segments assets	13 625 999	16 482 119	292 316	261 196	-48 817	-57 851	13 869 498	16 685 464
Segments liabilities	8 008 449	10 945 309	230 258	265 303	-48 817	-57 851	8 189 890	11 152 761
Capital expenditures	2 259 686	2 040 569	17 059	17 681	0	0	2 276 745	2 058 250
Net cash from operating activities	3 877 747	1 794 907	55 649	62 039	0	0	3 933 396	1 856 946
Net cash used in investing activities	-1 858 720	-1 662 063	-17 059	-17 681	0	0	-1 875 779	-1 679 744
Net cash from /(used) in financing activities	-3 373 164	2 146 270	0	-1 518	0	0	-3 373 164	2 144 752

Geographical information

	Europe		Asia		Americas		Africa		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenues from external customers	4 531 052	4 514 294	270 193	3 424	684 960	1 019 200	1 113 837	249 855	6 600 042	5 786 773
Capital expenditure	45 114	26 250	2 231 631	2 032 000	0	0	0	0	2 276 745	2 058 250

Of the total revenue in 2009, Norway and UK contributed 40% and 29% respectively (2008: 46% and 32%). Revenue from Statoil in 2009 constituted 25% of the total revenue (2008: 31%), revenues from Anadarko and Senergy constituted 16% and 10% respectively of the total revenue.

Notes

Note 3 - Salaries and other personnel costs

Amounts in NOK 000's	2009	2008
Salary	910 385	813 947
Social security costs and employee taxes	124 914	117 833
Pension costs	89 524	60 127
Training	35 953	32 499
Temporary staff	39 597	45 649
Other	52 477	51 536
Capitalised personnel expenses	-92 016	0
Total	1 160 834	1 121 591
Average number of employees	1 293	1 203
Number of employees at year end	1 300	1 250
Average man-labour year	1 362	1 310

Other includes insurance expenses for offshore and onshore personnel, health plan and other personnel expenses.

The costs of employee benefits that are incurred for employees working directly on the construction of assets have been capitalised and are included as part of the rig costs. See note 7.

Note 4 - Other operating expenses

Amounts in NOK 000's	2009	2008
Repairs and maintenance on offshore units	489 079	386 573
Integrated services/recharged expenses	240 061	275 617
Rig overheads	186 823	241 912
Travel	107 699	85 621
General operating expenses	52 660	40 599
Insurance	102 802	77 578
Provision for bad debt	72 893	31 435
Professional and operational fees	88 735	57 486
Catering costs	68 038	73 621
Property rental expenses	12 597	10 560
Loss on sale of assets	386	737
Total	1 421 773	1 281 739

Fees for audit and other services provided by the Group's auditor are as follows:

Amounts in NOK 000's	2009	2008
Audit	4 037	4 652
Tax advisory services	974	1 083
Other non-audit services	199	301
Total	5 210	6 036

Notes

Note 5 - Net financial expense

Amounts in NOK 000's	2009	2008
Financial income		
Interest income	24 029	38 365
Gain on financial instruments	209 708	3 892
Foreign exchange gain	121 267	50 044
Total	355 004	92 301
Financial expense		
Interest expense	167 125	179 106
Amortised borrowing cost	20 285	19 229
Loss on financial instruments	71 108	306 163
Other financial expense	3 945	6 086
Foreign exchange loss	272 418	73 161
Total	534 881	583 745
Net financial expense	-179 877	-491 444

Net financial expense include non-cash interest on borrowings calculated using the effective interest rate method.

Gain on financial instruments in 2009 include unrealised gain of NOK 83 mill (2008: loss of NOK 198 mill) related to interest rate contracts and unrealised gain of NOK 40 mill (reversal of accruals from 2008) related to currency contracts (2008: loss of NOK 68 mill).

The interest cost for 2008 above is net of capitalised interest. See note 7.

Note 6 - Income tax expense

Amounts in NOK 000's	2009	2008
Current tax expense	91 233	39 247
Deferred tax benefit	-17 434	-18 359
Total income tax expense in income statement	73 799	20 888
Deferred tax recognised directly in equity	0	-2

Reconciliation of effective tax rate	2009	
Profit before tax		2 827 951
Income tax using the domestic corporation tax rate	28.0 %	791 826
Permanent differences	0.3 %	7 731
Effect of foreign subsidiaries	-25.0 %	-707 837
Change in limitation of deferred tax assets related to tax loss carryforward	-0.6 %	-17 921
Effective tax rate	2.6 %	73 799
Reconciliation of effective tax rate	2008	
Profit before tax		2 117 523
Income tax using the domestic corporation tax rate	28.0 %	592 906
Permanent differences	0.1 %	2 236
Effect of foreign subsidiaries	-33.9 %	-717 633
Change in limitation of deferred tax assets related to tax loss carryforward	6.8 %	143 379
Effective tax rate	1.0 %	20 888

Notes

Note 7 - Property, plant and equipment

Amounts in NOK 000's	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2008	8 771 670	500 807	103 380	9 375 857
Acquisitions	2 028 770	22 881	6 599	2 058 250
Disposals	-39 628	-18 166	-617	-58 411
Effect of movements in foreign exchange	2 574 129	11 768	4 777	2 590 674
Balance at 31 December 2008	13 334 941	517 290	114 139	13 966 370
Balance at 1 January 2009	13 334 941	517 290	114 139	13 966 370
Acquisitions	2 231 401	37 937	7 407	2 276 745
Disposals	-181 984	-16 463	-3 225	-201 672
Effect of movements in foreign exchange	-2 328 646	-51 130	-9 449	-2 389 225
Balance at 31 December 2009	13 055 712	487 634	108 872	13 652 218
Accumulated depreciation				
Balance at 1 January 2008	1 756 091	406 921	64 964	2 227 976
Depreciation charge for the year	679 830	11 288	1 540	692 658
Impairment	0	35 029	0	35 029
Disposals	-39 488	-17 336	-51	-56 875
Effect of movements in foreign exchange	656 898	-6 975	2 288	652 211
Balance at 31 December 2008	3 053 331	428 927	68 741	3 550 999
Balance at 1 January 2009	3 053 331	428 927	68 741	3 550 999
Depreciation charge for the year	950 655	21 339	1 409	973 403
Disposals	-181 775	-14 850	-2 882	-199 507
Effect of movements in foreign exchange	-607 934	-40 082	-5 961	-653 977
Balance at 31 December 2009	3 214 277	395 334	61 307	3 670 918
Carrying amounts				
At 1 January 2008	7 015 579	93 886	38 416	7 147 881
At 31 December 2008	10 281 610	88 363	45 398	10 415 371
At 1 January 2009	10 281 610	88 363	45 398	10 415 371
At 31 December 2009	9 841 435	92 300	47 565	9 981 300

Capitalised costs on the rigs in 2009 included NOK 0.3 million (2008: NOK 30 million) related to services and materials provided by the Group's engineering and fabrication segment.

Interest cost of NOK 77 million was capitalised to the Blackford rig under construction in 2008. The weighted average expenditures during the construction period until August 2008 were used in calculating the amount on which interest is capitalised. The interest rates used were the actual interest rate for the loan financing the project.

Decommissioning costs

There is no decommissioning liability on the drillship or the drilling rigs as there is no legal or constructive obligation to dismantle or restore the assets. In practice, assets of this nature are rebuilt when no longer useful, laid up or scrapped. For a standard vessel special demobilising yards pay for a vessel to be scrapped per light displacement tonne (LDWT) of the vessel.

Residual values

The residual value is reviewed at each year end, with any change in estimate it is accounted for prospectively.

..the note continues on the next page

The most common method to estimate residual values for ships is to use scrap price which is publicly noted by brokers in USD per LDWT of a complete vessel with all normal machinery and equipment on board. This method is used to determine the residual value for the drillship Belford Dolphin. The estimated residual value for Belford Dolphin as at 31 December 2009 is USD 10.2 million (2008: USD 7.7 million).

Drilling rigs are much more complicated to scrap than ships and have much less metal and scrapable/recoverable material due to their construction, design and nature. The price that could be recovered from the sale for scrap is estimated to approximate the cost of extracting this scrap metal. Therefore, no residual value is recorded since if the assets were disposed of in their expected ages and conditions at the end of their useful lives, at current prices no material net amount is estimated to be recovered.

Useful lives

The useful lives of the assets are reviewed at each year end. Management has reviewed each of the rigs by expected usage and considered the scheduled 5 years class renewal surveys (RS) going forward. Borgland and Bideford completed their RS in 2009 while Borgny, Byford and Borgsten are currently undertaken their RS and will be finalised early 2010. Estimates of the lifetimes for 2nd generations rigs are based on the assumption that they will carry out their next forthcoming class RS and continue to operate five years thereafter. Belford, Blackford, Bideford, Borgland and Bredford are either new or substantially upgraded, and have longer expected useful lifetimes than the 2nd generation rigs. Two more scheduled class renewal surveys have been assumed followed by five years operation for Bideford, Borgland and Bredford. Three more scheduled class renewal surveys are assumed for Belford. Blackford Dolphin completed its upgrade in August 2008 with an estimated lifetime of 25 years.

In million of NOK	Estimates	Net book value as at	
	Remaining lifetime as at 31 December 2009	2009	2008
Belford	20	1 317	1 678
Bideford	15	821	814
Borgland	15	1 075	917
Byford	10	587	194
Borgny	10	1 020	317
Borgsten	10	260	277
Bredford	13	852	1 104
Borgholm	8	203	285
Blackford	24	3 706	4 696
Total rigs and drillship		9 841	10 282

Impairment

The Group has recognised an impairment loss of NOK 35 million in 2008 on specialised equipment included in Machinery and Equipment. The impairment loss was the difference between the carrying amount and the estimated recoverable amount, which is determined based on the fair value less costs to sell. No impairment loss was recorded in 2009.

Commitments

Commitments related to ongoing projects are approximately USD 40 million as at 31 December 2009.

Note 8 - Intangible assets

Goodwill

The intangible asset balance of NOK 98 577 consists entirely of goodwill relating to Dolphin AS, included in the offshore drilling segment.

Impairment

The Group performs an impairment test of the goodwill in December of each year. Value in use calculation is used for the impairment test, which is the present value of the future cash flows from continuing use and ultimate

disposal expected to be derived from the cash generating unit which is Dolphin AS. Fair value is not readily determinable.

The value in use calculation was based on the following key assumptions.

- Cash flows were projected based on operating cash flows from firm contract day rates and expected day rates less budgeted operating expenses for the rigs being operated by Dolphin AS which was extrapolated over 12

years representing the remaining assets lives of the rigs. A zero growth rate was applied.

- A pre tax discount rate of 8 percent was applied in determining the recoverable amount of the unit.

The impairment test showed no need for recording any impairment loss.

Sensitivity

Cash flows could vary significantly for Dolphin AS, however an impairment would still not be expected to be incurred.

Notes

Note 9 - Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Amounts in NOK 000's	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	-4 966	-3 017	63 212	76 661	58 246	73 644
Interest bearing loans and borrowings	0	0	0	246	0	246
Provisions	-2 351	-38 035	0	0	-2 351	-38 035
Other items	-61 055	-38 967	2 499	2 957	-58 556	-36 010
Tax value of loss carry-forward recognised	-45 770	-35 130	0	0	-45 770	-35 130
Tax (assets)/liabilities	-114 142	-115 149	65 711	79 864	-48 431	-35 285
Set off 1)	65 711	60 167	-65 711	-60 167	0	0
Net tax (assets)/liabilities	-48 431	-54 982	0	19 697	-48 431	-35 285

1) Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income tax levied to the same taxable entity.

Unrecognised deferred tax assets:

Deferred tax assets have not been recognised in respect of the following items:

Amounts in NOK 000's	2009	2008
Deductible temporary differences	57 215	80 389
Tax losses	676 975	988 830
Other	12 401	19 372
Total unrecognised deferred tax assets	746 591	1 088 591

As at 31 December 2009, the tax losses carried forward totaling NOK 2.6 billion are primarily from the UK and Norway. Approximately NOK 1.2 billion of these tax losses carried forward are available to offset the taxable income for subsidiaries in UK and NOK 1.4 billion for subsidiaries in Norway. The major part of these losses is not recorded as a deferred tax asset due to uncertainty of the level of the future suitable taxable profits.

The Norwegian tax authorities have filed a decision against the Group. The Group has appealed the decision but included the effect above in 2008 and 2009.

The tax losses carried forward have no expiry date.

Note 10 - Cash and cash equivalents

Amounts in NOK 000's	2009	2008
Cash related to payroll tax withholdings	29 364	26 812
Other restricted cash	20 723	25 105
Total restricted cash	50 087	51 917
Unrestricted cash	1 964 040	3 621 917
Total cash and cash equivalents	2 014 127	3 673 834

Other restricted cash relates primarily to cash restricted for certain drilling contract obligations.

Notes

Note 11 - Capital and reserves

Share capital and share premium

Par value per share	NOK 20
Number of shares authorized	80 094 229
Number of shares issued	66 694 229

Outstanding shares

	2009	2008
As at 1 January	66 264 129	66 689 862
Own shares acquired	0	-426 100
Conversion of convertible bonds	0	367
As at 31 December	66 264 129	66 264 129

In 2008 bondholders converted convertible bonds of TNOK 25 giving an increase in the number of shares by 367.

Capital reserves

This reserve represents the equity component of convertible debt instruments and fair value reserve of the bond loan.

	2009	2008
Component of convertible debt instruments net of tax	0	1
Fair value reserve of bond loan	0	621
Total	0	622

The recognition in income and expense of NOK 622 (2008: NOK 2 522) represents the difference between the nominal interest rate for the convertible notes (4.5%) and the market rate for notes without conversion (8.75%) and effective interest of bond loan (nominal 4.5%, market rate 5.8%), net of tax.

Interest expense for the new bond was accounted for using the effective interest rate method.

Translation reserves

This reserve represents exchange differences resulting from the consolidation of subsidiaries having different functional currencies.

Reserve for own shares

The Company held 430 100 shares as at 31 December 2009 (unchanged from 2008).

Dividend

The Board has decided to propose to the Annual General Meeting in May 2010 an ordinary dividend payment of NOK 10,- per share for the year 2009. This will amount to NOK 663 million based on outstanding shares as at 31 December 2009.

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 (2008: 1 667.3 million).

Notes

Note 12 - Interest-bearing loans and borrowings

Amounts in NOK 000's	Nominal Value 31.12.09	Contractual cash flows	Due in					2015 and thereafter
			2010	2011	2012	2013	2014	
Fleet loans (USD)	6 758 739	6 960 541	1 341 252	1 326 637	1 312 022	735 811	2 244 819	0
Total Interest bearing loans and borrowings	6 758 739	6 960 541	1 341 252	1 326 637	1 312 022	735 811	2 244 819	0

Amounts in NOK 000's	Nominal Value 31.12.08	Contractual cash flows	Due in					2014 and thereafter
			2009	2010	2011	2012	2013	
FOE Bonds (NOK)	300 500	314 023	314 023	0	0	0	0	0
FOE Convertible Bonds (NOK)	190	199	199	0	0	0	0	0
Fleet loans (USD)	9 728 471	10 484 798	1 756 902	1 719 562	1 682 223	1 644 884	929 323	2 751 904
Total Interest bearing loans and borrowings	10 029 161	10 799 020	2 071 124	1 719 562	1 682 223	1 644 884	929 323	2 751 904

Amounts in NOK 000's	Currency	Interest rate	Maturity	31.12.09		31.12.08	
				Nominal value	Balance	Nominal value	Balance
FOE Bonds	NOK	4,5% (Fixed)		0	0	300 500	299 585
FOE Convertible Bonds	NOK	4,5% (Fixed)		0	0	190	189
Fleet loan USD 1 500 million facility	USD	Libor + margin 1)	2014	6 758 739	6 721 689	9 728 471	9 663 255
Total Interest bearing loans and borrowings				6 758 739	6 721 689	10 029 161	9 963 029
Current interest bearing loans and borrowings					1 270 874		1 839 581
Non-current interest bearing loans and borrowings					5 450 815		8 123 448
Total interest bearing loans and borrowings					6 721 689		9 963 029

1) The fleet loan is based on USD Libor (1,3 or 6 months) plus a margin. The margin is grid based according to defined leverage intervals.

All of the interest bearing debt of the Group at 31 December 2009, NOK 6 759 million or USD 1 170 million is denominated in US dollars (2008: NOK 9 728 million or USD 1 390 million).

Dolphin International AS, a subsidiary of Fred. Olsen Energy ASA, signed a six years bank term loan and credit facility of originally USD 1 500 million in May 2008. There are semi-annual installments of USD 110 million. The facility refinanced all existing bank loans and is used for general corporate purposes. The facility is provided by 11 international banks and was arranged by Danske Bank, Deutsche Bank, ING Bank and Nordea Bank Norge ASA.

Bondholders converted convertible bonds of TNOK 25 during 2008.

Note 13 - Financial risk management

Capital management

The Board's objective is to have a healthy financial position in order to maintain market confidence and sustain future development of the business. The Board monitors the capital structure and return on capital on a continuous basis, with the aim to maintain a strong capital base while maximizing the return on capital. The Board has during the last years proposed a dividend on a yearly basis and may propose extraordinary dividends from time to time.

The Company may from time to time purchase its own shares in the market within the authorization given by the Annual General Meeting. The Company does not have a formal defined share buy-back program however this will be evaluated on a continuous basis.

The Group has general corporate covenants in its loan agreements and is in compliance with all covenants in these agreements.

Market risk

The Group is exposed to credit-, interest rate- and foreign currency risks in its operations. Derivative financial instruments are from time to time entered into to hedge against fluctuations in foreign currency rates and interest rate levels. The Group does not enter into commodity contracts.

Credit risk

Due to the nature of the Group's operations, revenues and related receivables are typically concentrated amongst a relatively small customer base of international oil and gas companies. The Group continually evaluates the credit risk associated with customers and, when considered necessary, requires certain guarantees, either in the form of parent company guarantees, bank guarantees or cash collateral. The Group's short-term investments are limited to cash deposits in the Group's relationship banks and derivative financial instruments are normally entered into with the Group's main relationship banks. As such, the Group considers its exposure to credit risk to generally be moderate.

At 31 December 2009 there was no significant concentration of credit risk. Maximum exposure to credit risk is reflected in the carrying value of each financial asset, including derivative financial instruments, in the balance sheet.

Amounts in NOK 000's	2009	2008
Loans and receivables	990 598	1 578 848
Cash and cash equivalents	2 014 127	3 673 834
Total	3 004 725	5 252 682

Receivables are to be collected from the following type of customers:

Amounts in NOK 000's	2009	2008
Loans to employees	1 003	944
Trade receivables due from related parties	-	1 260
Customers	989 595	1 576 644
Total	990 598	1 578 848

The ageing of trade receivables at the reporting date was:

	2009			2008		
	Nominal value	Provision	Balance	Nominal value	Provision	Balance
Not due	771 534	-3 981	767 553	1 113 705	0	1 113 705
Overdue 0-30 days	30 584	-3 808	26 776	191 918	0	191 918
Overdue 30-90 days	25 475	-6 520	18 955	137 945	-34 967	102 978
Overdue 90-180 days	0	0	0	132	0	132
Overdue 180-360 days	128 671	-60 032	68 639	101	0	101
Overdue > 360 days 1)	167 298	-59 626	107 672	247 400	-78 330	169 070
Total	1 123 562	-133 967	989 595	1 691 201	-113 297	1 577 904

1) see note 18

Notes

Liquidity risk

The following are the contractual maturities of financial liabilities including interest payments. In May 2008, a new combined term loan and revolving credit facility with an original amount of USD 1 500 million was established to refinance the entire Group's bank debt. The new facility has final maturity in 2014. The Group is in compliance with covenants in all loan agreements. The Group continuously evaluates the refinancing need and will carry out refinancing transactions from time to time. The overview of the Group's loans and adjacent repayment schedule is further detailed in note 12.

Amounts in NOK 000's	Carrying value	Contractual cash flows	Due in					2015 and thereafter
			2010	2011	2012	2013	2014	
31 December 2009								
Non-derivative financial liabilities	6 758 739	6 960 541	1 341 252	1 326 637	1 312 022	735 811	2 244 819	0
Derivative financial commitments	103 066	333 810	98 385	75 600	67 362	46 235	8 405	37 823

Amounts in NOK 000's	Carrying value	Contractual cash flows	Due in					2014 and thereafter
			2009	2010	2011	2012	2013	
31 December 2008								
Non-derivative financial liabilities	10 029 161	10 799 020	2 071 124	1 719 562	1 682 223	1 644 884	929 323	2 751 904
Derivative financial commitments	265 512	291 122	121 259	56 621	49 543	42 466	21 233	0

Interest rate risk

The Group is exposed to fluctuations in interest rates for USD and NOK. The Group has historically used interest rate derivatives to achieve a mix of exposure to fixed and floating interest rate on its debt instruments. During the recent years, the Group has had between 7% and 70% of its interest expenses based on fixed rates, either as fixed rate loans or through interest rate derivatives. As per 31 December 2009 approximately 38% of outstanding debt was at fixed rate. At 31 December 2009 the Group's USD denominated debt amounted to USD 1,170 million, of which USD 720 million is based on floating interest rates (USD LIBOR) plus a margin. USD 450 million is based on fixed rates plus a margin, whereof USD 50 million is fixed for 10 years, USD 300 million is fixed for 5 years and USD 100 million for 3 years. The average interest rate for the fixed rate agreements is 3.56%.

The following table summarizes the interest rate swaps entered into in connection with the refinancing of the bank loan in May 2008:

Currency	Amount	Fixed rate %	Expiry date
USD	100 000 000	3.68	2011
USD	300 000 000	3.58	2013
USD	50 000 000	3.16	2019

Unrealized gain of NOK 83 million (2008: loss of NOK 198 million) and realized loss of NOK 68 million (2008: NOK 8 million) was recorded as financial expense in 2009 related to fixed rate agreements.

Foreign currency risk

The Group is exposed to foreign currency risks related to its operations and debt instruments. The Group's financial statements are denominated in Norwegian kroner (NOK) and most of the subsidiaries use US dollar (USD) as their functional currency. Some subsidiaries also use the British Pound (GBP) as their functional currency. The Group's revenues consist primarily of NOK, GBP and USD with USD as the main currency. The Group's expenses are primarily in NOK, GBP and USD. As such, the Group's earnings are exposed to fluctuations in the foreign currency market. The Group's future foreign currency exposure is dependent upon the currency denomination of future operating contracts and denomination of operating expenses. In 2009, approximately 72% of revenues and 18% of operating expenses are in USD. In the longer term, parts of the USD/NOK exposure is neutralised due to all of the Group's debt being denominated in USD.

At 31 December 2009, the Group had outstanding currency derivative contracts for forward sale of USD 25 million against GBP.

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The GBP hedging of 25 million are structured as convertible forwards as follows:

	Value	Forward rate	Knock in rate	Expiry date
GBP/USD	5 000 000	1.640	1.455	07.01.2010
GBP/USD	5 000 000	1.660	1.425	17.06.2010
GBP/USD	5 000 000	1.625	1.418	27.09.2010
GBP/USD	5 000 000	1.640	1.453	30.03.2010
GBP/USD	5 000 000	1.670	1.406	29.11.2010

USD at spot rate as long as the spot rate does not fall below the knock in rate, in which cases the forward rate will be used.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. Net fair market value of currency forward contracts as per 31 December 2009 was NOK 2.3 million recorded as current liabilities (2008: NOK 66.2 million). A gain of NOK 126 million related to foreign exchange contracts was recorded as financial income in 2009 (2008: loss of NOK 96 million).

Sensitivity analysis

In managing interest- and currency risks the Group aims to reduce the impact on its earnings from short-term fluctuations in interest rates and currency exchange rates. Over the longer term changes in currency exchange rates and interest rate levels will have an impact on the Group's earnings.

Interest rate sensitivity

At 31 December 2009 it is estimated that 1 – one percent incremental change in USD LIBOR will have an effect on the net result of approximately NOK 21,5 million (2008: NOK 32.5 million), taken into account the fixed rate portion of the loans.

The Group is exposed to fluctuations in the interest rates. Managing the exposure could reduce the short-term fluctuations in the Group's earnings. At the reporting date the following table shows the amounts of financial instruments with fixed and variable interest:

Amounts in NOK 000's	2009	2008
Fixed rate instruments		
Financial liabilities	-2 599 515	-3 400 250
Variable rate instruments		
Bank deposits	2 014 127	3 673 834
Financial liabilities	-4 159 224	-6 928 911
Total variable rate instruments	-2 145 097	-3 255 077

Exchange rate sensitivity from operations

For the year 2009 a 10% increase in USD/NOK would increase the Group's profit by approximately NOK 307 million while a 10% increase in GBP/NOK would decrease the profit by approximately NOK 78 million.

Exchange rate sensitivity on balance sheet items and derivatives as at reporting date

At December 2009, an incremental change in the GBP/USD and the USD/NOK exchange rate will have the following impact on profit before tax due to the currency derivatives of USD 25 million which is sold against GBP (please see section on foreign currency risk), accounts payable denominated in GBP, accounts receivables in USD and currency deposits where currencies differ from the various functional currencies:

Impact on profit in NOK	GBP/USD				USD/NOK			
	2009		2008		2009		2008	
% Change in exchange rates	10 %	-10 %	10 %	-10 %	10 %	-10 %	10 %	-10 %
Through outstanding currency derivatives	21.1	-3.1	5.0	-58.7	-	-	-19.3	39.6
Through accounts payable	-4.6	4.6	-2.0	2.0	-	-	-	-
Through accounts receivable	-	-	-	-	12.0	-12.0	31.0	-31.0
Through currency deposit accounts	-1.1	1.1	-1.7	1.7	14.8	-14.8	9.4	-9.4
Total impact in NOK million	15.4	2.6	1.3	-55.0	26.9	-26.9	21.1	-0.8

Notes

Furthermore, the Group has received a guarantee from Keppel Verolme of EUR 33 million related to the payment made by the Group to the yard, please refer to note 18 for further information. The guarantee of EUR 33 million may therefore be impacted on changes in the EUR/NOK exchange rate.

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Amounts in NOK 000's	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at amortised cost				
Loans and receivables	990 598	990 598	1 578 848	1 578 848
Cash and cash equivalents	2 014 127	2 014 127	3 673 834	3 673 834
Total	3 004 725	3 004 725	5 252 682	5 252 682
Liabilities carried at fair value				
Non-current liabilities				
Interest rate swaps	90 642	90 642	200 875	200 875
Current liabilities				
Interest rate swaps	10 109	10 109	-	-
Currency contracts	2 315	2 315	66 216	66 216
Total	103 066	103 066	267 091	267 091
Liabilities carried at amortised cost				
Secured bank loans	6 721 689	6 758 739	9 963 029	10 029 161
Trade and other payables	215 505	215 505	272 761	272 761
Total	6 937 194	6 974 244	10 235 790	10 301 922

The Group is required to disclose the hierarchy of how fair value is determined for financial instruments recorded at fair value in the consolidated financial statements. The hierarchy gives highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 includes assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly. The Group's derivative financial instruments including foreign currency contracts and interest swap agreements are valued using Level 2 inputs.

Note 14 - Mortgages and guarantees

Amounts in NOK 000's	2009	2008
Interest bearing debt	6 758 739	9 728 471
Other guarantees and liabilities	295 118	350 650
Total	7 053 857	10 079 121
The net book value of assets pledged as security:		
Rigs and drillship	9 841 435	10 281 610
Others	50 762	70 598
Total	9 892 197	10 352 208

As a normal part of its operations, the Group has provided performance guarantees in relation to certain of its drilling contracts. In addition, the Group has provided a bank guarantee for the remaining EUR 33 million of the total claim from a supplier. See note 18 for further information.

Notes

Note 15 - Employee benefits

Pension plans

Fred. Olsen Energy ASA including its subsidiaries Dolphin AS and Harland & Wolff Group Ltd/Harland & Wolff Heavy Industries Ltd have independent pension plans that provide employees with a defined benefit upon retirement. The employees participating in these plans are entitled to future pension payments based on length of service and salary upon retirement. The total number of employees involved in the pension plans as of 31 December 2009 was 645 and the number of pensioners was 2 185, of which the majority is related to Harland & Wolff. Each of these pension plans are operated independently of each other and have no recourse in case of underfunding to either other pension plans or other companies within the Group.

Employees not eligible for coverage under the defined benefit plans in the UK are eligible to participate in pension plans in accordance with local industrial, tax and social regulations. All of these plans are considered defined contribution plans. The Company's contributions to the UK defined contribution plans for year ended December 31, 2009 and 2008 were NOK 3.3 million and NOK 3.5 million respectively. The Company's contribution to Norwegian seamen pension was NOK 10.5 million.

The pension plan for the Norwegian Group companies is in accordance with the Norwegian law concerning mandatory occupational pension (OTP).

Fred. Olsen Energy ASA has pension agreement for senior management, in which the beneficiaries will receive 70% of their final year salary with early retirement at the age of 65. This is unfunded pension obligations.

The status of the defined benefit obligations is as follows:

Amounts in NOK 000's	2009	2008
Present value of unfunded obligations	9 727	6 375
Present value of funded obligations	1 528 796	1 460 568
Total present value of obligations	1 538 523	1 466 943
Plan assets at market value	1 248 595	1 217 955
Present value of net obligations	-289 928	-248 988
Unrecognised net experience loss	97 074	57 346
Net liability for defined benefit obligations	-192 854	-191 642
Hereof unfunded pension plans (net liability)	-10 414	-7 498
Hereof funded pension plans	-182 440	-184 144
Net liability for defined benefit obligations	-192 854	-191 642
Other investments	4 223	4 780
Employee benefits	-197 077	-196 422
Net liability at 31 December	-192 854	-191 642

Movements in the net liability for defined benefit obligations recognised in the balance sheet

Funded	2009	2008
Net liability at 1 January	-184 144	-189 492
Pension contribution (incl. Social security)	60 932	36 575
Expenses recognised in the income statement	-70 280	-41 504
Foreign currency translation	11 052	10 277
Net liability at 31 December	-182 440	-184 144
Unfunded	2009	2008
Net liability at 1 January	-7 498	-5 528
Payments during the year to pensioners (incl. Social security)	0	122
Expenses recognised in the income statement	-2 916	-2 092
Net liability at 31 December	-10 414	-7 498

Notes

Movements in plan assets

Amounts in NOK 000's	2009	2008
Fair value of plan assets at 1 January	1 217 955	1 479 494
Contributions paid into the plan	55 248	33 983
Benefits paid by the plan	-71 437	-80 364
Expected return of plan assets	80 843	89 071
Actuarial gain/(losses)	49 255	-219 464
Foreign currency translation	-83 269	-84 765
Fair value of plan assets at 31 December	1 248 595	1 217 955

Major categories of plan assets

	2009	2008
Equity instruments	30 %	27 %
Bonds	50 %	52 %
Annuities	16 %	16 %
Other assets	4 %	5 %
Plan assets	100 %	100 %

Movements in liabilities for defined benefit obligations recognised in the balance sheet

Funded	2009	2008
Gross liability for defined benefit obligations at 1 January	1 460 568	1 577 321
Benefits paid by the plan	-71 437	-80 364
Current service costs	61 344	47 588
Interest on pension liability	84 150	82 471
Actuarial losses/(gains)	89 782	-79 458
Paid social security	-6 764	-3 725
Foreign currency translation	-88 847	-83 265
Gross liability at 31 December	1 528 796	1 460 568
Unfunded	2009	2008
Gross liability for defined benefit obligations at 1 January	6 375	2 289
Benefits paid by the plan	0	-122
Current service costs	2 791	2 336
Interest on pension liability	274	108
Actuarial losses	287	1 764
Gross liability at 31 December	9 727	6 375

Expense recognised in the income statement for defined benefit plans

Amounts in NOK 000's	2009	2008
Current service costs	64 135	49 925
Interest on obligations	84 424	82 579
Expected return of plan assets	-80 843	-89 071
Amortisation expense	5 481	163
Net pension cost for defined benefit plans	73 197	43 596

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Assumptions used in the calculation of pension obligations are as follows:

	2009	2008
Assumed salary increases	2.8-5.0%	2.8-5.5%
Discount rates	4.3-5.7%	4.3-6.7%
Interest rates	2.8-5.7%	4.3-6.7%
Expected rates of return on pension plan assets	5.3-7.2%	5.3-6.8%

Sensitivity analysis:

Funded Pension Plans: 0.25% change in future salary increase and the official pension index (G), gives a 3% change in Service cost and 1% change in the projected benefit obligations. A 0.25% change in the discount rate gives a change in Service Cost of 5% and 4% change in the projected benefit obligations.

Unfunded Pension Plans: 0.25% change in future salary increase and the official pension index (G), gives a 2% change in Service cost and 2% change in projected benefit obligations. A 0.25% change in the discount rate gives a change in Service Cost and projected benefit obligation of 5%.

Expected contributions to funded defined benefit plans in 2010 are NOK 58 million. Expected payments of benefits for the unfunded plans are in 2010 estimated at NOK 0.1 million.

Amounts in NOK 000's	2009	2008	2007	2006	2005
Present value of the defined benefit obligation - funded	-1 528 796	-1 460 568	-1 577 321	-1 739 799	-1 668 204
Present value of the defined benefit obligation - unfunded	-9 727	-6 375	-2 289	-253	0
Fair value of plan assets	1 248 595	1 217 955	1 479 494	1 670 693	1 576 762
Deficit in the plan (-)	-289 928	-248 988	-100 116	-69 359	-91 442
Experience adjustments arising on plan liabilities - funded	89 782	-79 458	-1 835	56 746	-37 830
Experience adjustments arising on plan liabilities - unfunded	287	1 764	-747	294	0
Experience adjustments arising on plan assets	49 255	-219 464	-52 037	61 491	122 106

Note 16 - Rental & Leases

Leases

The Group has certain long-term operating leases expiring on various dates, some which contain renewal options.

Nominal accumulated non-cancellable operating lease rentals are as follows:

Amounts in NOK 000's	2009	2008
Less than one year	5 370	5 440
Between one and five years	12 598	9 796
More than five years	201 545	232 805
Total	219 513	248 041

The Group does not have any financial leases. The Group subsidiary Compact Properties in Belfast has a property lease contract that expires in 2114 and is the major part of the above.

Notes

Note 17 - Related parties

In the ordinary course of business, the Group recognises revenues and expenses with related companies, which may have a significant impact on the Group's consolidated financial statements. The Group receives certain administrative, financial, and legal advisory services from Fred. Olsen & Co. The agreements are on arms-length terms and are subject to ordinary termination provisions. Other related parties relate entirely to Ganger Rolf ASA and Bonheur ASA which are the owners of a combined 53.4 % of the Group, and their subsidiaries and Fred. Olsen & Co. Revenues, purchases, interest income and expenses from such companies were as follows:

Amounts in NOK 000's	2009	2008
Revenues		
Bulford Dolphin Pte Ltd	1 542	1 854
Others	1 434	2 017
Total	2 976	3 871

Operating expenses		
Fred. Olsen & Co.	6 373	6 303
Total	6 373	6 303

Interest expenses		
Bonheur ASA/Ganger Rolf ASA	4 246	13 523
Total	4 246	13 523

Amounts in NOK 000's	2009	2008
Accounts receivable		
Bulford Dolphin Pte Ltd	0	791
Others	0	469
Total	0	1 260

Accounts payable		
Fred. Olsen & Co.	191	127
Bulford Dolphin Pte Ltd	0	128 955
Bonheur ASA/Ganger Rolf ASA	446	0
Total	637	129 082

Long-term debt		
Bonheur ASA/Ganger Rolf ASA	0	300 500
Total	0	300 500

Loan to employees		
Chief Executive Officer	0	0
Loan to employees	1 003	944
Total	1 003	944

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Notes

The remunerations of Board of Directors and senior management were as follows:

Amounts in NOK 000's	Board of Directors	
	2009	2008
Remuneration	1 080	1 080
Total	1 080	1 080

Amounts in NOK 000's	Senior Management	
	2009	2008
Salary	13 078	11 764
Bonus	1 642	1 976
Pension costs	4 130	2 387
Other	2 446	2 277
Total	21 296	18 404

2009

Amounts in NOK 000's	Board remuneration	Salary	Bonus	Other	Pension	Total
Senior management						
Ivar Brandvold, Chief Executive Officer (from 21 Sep)		969	454	73	-	1 496
Helge Haakonsen, Chief Executive Officer (until 31 Oct)	147	3 224	300	187	824	4 682
Hjalmar Krogseth Moe, Chief Financial Officer	78	1 338	94	138	499	2 147
Total parent company	225	5 531	848	398	1 323	8 325
Per Johansson, Managing Director		2 194	180	1 004	1 151	4 529
Joakim Kleppe, Managing Director		1 710	144	55	736	2 645
Robert Cooper, Managing Director		1 765	314	216	196	2 491
Johan Finnestad, Managing Director		1 878	156	548	724	3 306
Total	225	13 078	1 642	2 221	4 130	21 296
Board of Directors						
Anette S. Olsen	250					250
Øivin Fjeldstad	200					200
Jan Peter Valheim	200					200
Agnar Gravdahl	200					200
Cecilie B. Heuch	200					200
Stephen Knutzon	30					30
Total	1 080	0	0	0	0	1 080

Notes

2008

	Board					
Amounts in NOK 000's	remuneration	Salary	Bonus	Other	Pension	Total
Senior management						
Helge Haakonsen, Chief Executive Officer	155	3 909	825	190	338	5 417
Hjalmar Krogseth Moe, Chief Financial Officer	83	1 102	264	131	284	1 864
Total parent company	238	5 011	1 089	321	622	7 281
Per Johansson, Managing Director		2 046	499	1 381	658	4 584
Joakim Kleppe, Managing Director		1 606	125	55	648	2 434
Robert Cooper, Managing Director		1 673	155	268	207	2 303
Iain Mitchell, Managing Director		1 428	108	14	252	1 802
Total	238	11 764	1 976	2 039	2 387	18 404
Board of Directors						
Anette S. Olsen	250					250
Øivin Fjeldstad	200					200
Jan Peter Valheim	200					200
Agnar Gravdahl	200					200
Cecilie B. Heuch	200					200
Stephen Knutzon	30					30
Total	1 080	0	0	0	0	1 080

Senior Management consists of Group management (Chief Executive Officer and Chief Financial Officer) and the Managing Directors in the subsidiaries, for a total of 6 employees.

The management has a management cash bonus scheme. The beneficiaries of the scheme are senior management and certain key personnel. Annual payments under the scheme, maximised to one year's salary, are subject to the Group achieving certain pre-defined financial criteria, including achieved budget goals and development of the Company's share price.

Guidelines for 2010

The Board of Directors of Fred.Olsen Energy ASA has a Compensation Committee comprising four Directors including the Chairman of the Board and two Directors independent of the main shareholders. The Compensation Committee discusses and recommends to the Board salary and benefits for the Chief Executive Officer and senior management as well as management incentive schemes for the Group.

The policy of Fred.Olsen Energy ASA is to offer competitive payments and benefits to senior management to attract qualified management within the company's business segments. The company seeks to apply competitive and motivating remuneration principles to attract, develop and retain highly qualified employees.

The salaries paid to the senior management are determined on the basis of the responsibility and complexity of the appointment in question. A part of the remuneration to the senior management is based on the company's financial performance and related to achieved budget goals and the increase in market value of the shares for the company.

The remuneration for 2009 has been in accordance with the statement presented at the Annual General Meeting in May 2009.

Notes

Note 18 - Contingencies

Outstanding receivables from customers

As per 31 December 2009 the Group was involved in legal disputes with one specific customer with the claims in dispute amounted to USD 18.3 million.

In addition to the above the Group was as per 31 December 2009 involved in discussions with three specific customers regarding contractual issues amounting to in total USD 18.9 million.

The Group has made provisions of USD 12 millions based on evaluations of the status of the outstanding receivables.

Outstanding issues from suppliers

As at 31 December 2009 the Group is involved in legal dispute with a specific supplier. The total claim from the supplier is capped at EUR 66 million and the total counter claim from the Group is capped at USD 43 million. The Group has prepaid a deposit of EUR 33 million against a bank guarantee in order to get the asset released from the supplier.

Based on evaluation of the contractual status of the outstanding claim, the Group made no provision for the dispute. The final outcome will affect the carrying amount of the rig.

Note 19 - Uncompleted contracts

At 31 December 2008 the Group's engineering and fabrication division had long term uncompleted activities on various ship repair, ship building, manufacturing and engineering activities at Harland & Wolff. There were no long term uncompleted contracts as at 31 December 2009.

Profit recognised of estimated earnings and net outstanding receivables on long term uncompleted contracts (with unconsolidated entities) are as follows:

Amounts in NOK 000's	2009	2008
Contract Revenue during the period, external	208 522	194 108
Contract Revenue during the period, internal	365	36 656
Contract cost incurred plus recognised profit on uncompleted contracts	0	77 658
Estimated profit	0	22 550
Less progress billings to date	0	-107 526
Accrued and (deferred) revenue, net	0	-7 318

The accrued and (deferred revenue) is included in the accompanying balance sheet under the following captions:

Amounts in NOK 000's	2009	2008
Accounts receivable	0	455
Other accrued expenses and deferred revenue	0	7 773
Accrued and (deferred) revenue, net	0	-7 318

Note 20 - Shareholder information

The shareholder, who hold more than 1% of the shares at 31 December 2009 are as follows:

Shareholder	Percent of shares	Number of shares
Bonheur ASA	26.71 %	17 814 382
Ganger Rolf ASA	26.71 %	17 814 382
Folketrygdfondet	3.55 %	2 370 050
Clearstream banking S.A	2.26 %	1 507 479
JP Morgan Chase bank	1.96 %	1 305 641
DZ Bank International S.A.	1.39 %	924 820
Bank of New York Mellon	1.24 %	829 775
State Street Bank and Trust Co.	1.19 %	793 503
Others	34.99 %	23 334 197
Total	100.00 %	66 694 229

Shares owned directly by the Company's directors and senior corporate management at 31 December 2009:

Name	Title	Shares
Anette S. Olsen	Chairman	100 *)
Øivin Fjeldstad	Director	3 220

*) Private Fred. Olsen related interests directly/indirectly hold a majority shareholding interest with the Company.

Note 21 - Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

Earnings		
Amounts in NOK 000's	2009	2008
Earnings for the purpose of basic earnings per share	2 749 004	2 092 595
<i>Effect of dilutive potential ordinary shares:</i>		
Interest on convertible bonds	0	12
Earnings for the purpose of diluted earnings per share	2 749 004	2 092 607
Number of shares		
In thousands of shares	2009	2008
Weighted average number of ordinary shares for the purposes of basic earnings per share	66 264	66 658
<i>Effect of dilutive potential ordinary shares:</i>		
Convertible bonds	0	2
Weighted average number of ordinary shares for the purposes of diluted earnings per share	66 264	66 660
Earnings per share		
	2009	2008
Basic	41.49	31.39
Diluted	41.49	31.39

Note 22 – Subsidiaries

The ownership percentage in subsidiaries companies as of 31 December 2009 was as follows:

Company	Jurisdiction	Shareholding and voting shares
Dolphin AS	Norway	100.0 %
Dolphin International AS	Norway	100.0 %
Blackford Dolphin Pte. Ltd.	Singapore	100.0 %
Bideford Dolphin Pte. Ltd.	Singapore	100.0 %
Borgland Dolphin Pte. Ltd.	Singapore	100.0 %
Borgsten Dolphin Pte. Ltd.	Singapore	100.0 %
Byford Dolphin Pte. Ltd.	Singapore	100.0 %
Borgny Dolphin Pte. Ltd.	Singapore	100.0 %
Dolphin Drilling Pte. Ltd.	Singapore	100.0 %
Borgholm Dolphin Pte. Ltd.	Singapore	100.0 %
Bredford Dolphin Pte. Ltd.	Singapore	100.0 %
Dolphin Drilling Personnel Pte. Ltd.	Singapore	100.0 %
Dolphin Drilling Ltd	Scotland	100.0 %
Dolphin Mexicana AS	Norway	100.0 %
Dolphin Drilling South Africa (Proprietary) Ltd.	South Africa	100.0 %
Perforadora Dolphin Mexicana	Mexico	100.0 %
Navis Drilling Ltda	Brazil	100.0 %
Dolphin Drilling do Ltda	Brazil	100.0 %
Atlan Shipping Co. Ltd.	Bermuda	100.0 %
Harland and Wolff Group PLC	Northern Ireland	92.2 %
Harland and Wolff Heavy Industries Ltd.	Northern Ireland	92.2 %
Harland and Wolff Ro Ro Ltd.	Northern Ireland	92.2 %
Compact Holdings (NI) Ltd	Northern Ireland	100.0 %
Compact Properties (NI) Ltd	Northern Ireland	100.0 %

Fred. Olsen Energy ASA

Income Statement

For the years ended 31 December

Amounts in NOK 000's	Note	2009	2008
Revenues		2 631	0
Salaries and other personnel costs	3	-28 370	-22 403
Other operating expenses	4	-16 780	-16 887
Operating loss before depreciation and financial income / expense		-42 519	-39 290
Depreciation and amortisation	7	-505	-276
Operating loss before financial expense		-43 024	-39 566
Financial income		1 146 910	2 808 037
Financial expense		-34 157	-477 022
Net financial income	5	1 112 753	2 331 015
Profit before tax		1 069 729	2 291 449
Income tax expense	6	0	0
Profit for the year		1 069 729	2 291 449
Proposed allocations:			
Dividends		662 641	1 656 603
To free reserves		407 088	634 846
Total allocations		1 069 729	2 291 449

The notes represent an integral part of the financial statements.

Fred. Olsen Energy ASA

Balance Sheet

As at 31 December

Amounts in NOK 000's	Note	2009	2008
Assets			
Property, plant and equipment	7	23 191	3 284
Investments in subsidiary companies	16	3 154 533	3 154 533
Other non-current assets	8, 15	190 594	227 603
Deferred tax assets	6	0	0
Total non-current assets		3 368 318	3 385 420
Other current assets		3 142	1 946
Trade and other receivables	9, 15	1 004 459	2 506 982
Cash and cash equivalents	10	64 725	65 559
Total current assets		1 072 326	2 574 487
Total assets		4 440 644	5 959 907
Equity			
Share capital		1 333 884	1 333 884
Treasury shares		-8 602	-8 602
Share premium		548 125	548 125
Other equity		1 586 722	1 179 635
Total equity	11	3 460 129	3 053 042
Liabilities			
Interest-bearing loans and borrowings	12, 15	296 085	0
Other non-current liabilities	3	10 459	7 590
Total non-current liabilities		306 544	7 590
Interest-bearing loans and borrowings	12, 15	0	420 690
Trade and other payables	13, 15	2 068	744 592
Dividend	11	662 641	1 656 603
Currency derivatives	17	2 315	64 637
Other accrued expenses	14	6 946	12 753
Total current liabilities		673 970	2 899 275
Total liabilities		980 514	2 906 865
Total equity and liabilities		4 440 644	5 959 907

The notes represent an integral part of the financial statements.

Oslo, 31 December 2009 / 24 March 2010

Fred. Olsen Energy ASA

Anette S. Olsen
Chairman

Jan Peter Valheim

Cecilie B. Heuch

Øivin Fjeldstad

Agnar Gravdal

Ivar Brandvold
Chief Executive Officer

Fred. Olsen Energy ASA

Statement of Cash Flows

For the years ended 31 December

Amounts in NOK 000's	2009	2008
Cash flows from operating activities		
Profit before income taxes	1 069 729	2 291 449
<i>Adjustment for:</i>		
Group contribution	1 500 000	-2 500 000
Reversal of impairment loss investment in subsidiaries	0	-140 000
Depreciation and amortization	505	276
Interest expense	3 381	47 879
Gain on sale of property, plant and equipment	-48	0
Unrealised currency gain	-36 047	11 158
Changes in trade and other receivables	-1 675	67 608
Changes in trade and other payables	-11 865	736 016
Changes in other balance sheet items	-58 839	2 199
Cash generated from operations	2 465 141	516 585
Interest paid	-13 531	-35 129
Net cash from operating activities	2 451 610	481 456
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	196	0
Purchase of property, plant and equipment	-20 560	-2 430
Net investment in subsidiary	0	-100 000
Net cash used in investing activities	-20 364	-102 430
Cash flows from financing activities		
Repayments of interest-bearing loans	-300 690	-902 440
Intercompany loans	-474 787	2 203 317
Dividend paid	-1 656 603	-1 667 256
Purchase of treasury shares	0	-80 158
Net cash used in financing activities	-2 432 080	-446 537
Net decrease in cash and cash equivalents	-834	-67 511
Cash and cash equivalents at 1 January	65 559	133 070
Cash and cash equivalents at 31 December	64 725	65 559

The notes represent an integral part of the financial statements.

Notes to the Financial Statements

Note 1 - Basis of presentation

Fred. Olsen Energy ASA (the Company) is domiciled in Norway. The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Norway.

The financial statements which have been prepared by the Company's Board of Directors and management should be read in conjunction with the report of the board of directors and the auditors report. The financial statements have been prepared in accordance

with the requirements of the Norwegian Accounting Act.

The notes and accounting policies refer to the Company's financial statements unless specified otherwise.

Note 2 - Summary of significant accounting policies

Foreign currency

Gains and losses on transactions denominated in foreign currencies are included in financial income/(expense). Assets and liabilities are translated at the exchange rate on the balance sheet date.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are depreciated on a straight-line basis over 3-5 years.

Investments in subsidiaries

Investments in subsidiaries are accounted for using the cost method in the Company's accounts. The investments are valued at cost less any impairment losses. Write downs to fair value are recognised when the impairment is considered not to be temporary. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

Classification and valuation of other balance-sheet items

Current assets and current liabilities include items due within one year. Other assets and liabilities due after one year are classified as non-current assets or non-current liabilities. Current assets are valued at the lowest of cost and fair value. Current liabilities are valued at nominal value at the time of recognition.

Cash and cash equivalents

Cash and cash equivalents include cash and bank deposits that are readily convertible to cash.

Non-current assets

The carrying amount of the Company's non-current assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, each asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is determined by the higher of fair value or estimated future discounted cash flows. In estimating future discounted cash flows, certain assumptions are made concerning discount rates which vary depending on the asset, terms of relevant contracts, foreign currencies, useful life of the assets and market growth. Impairment losses are recognised in the income statement.

Financial instruments

Interest rate derivatives

The Company uses derivative financial instruments to manage the Group's exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Unrealised gains and losses on interest rate derivatives are recognised on a current basis.

Forward exchange contracts

The Company enters into forward currency contracts throughout the year to reduce the currency exposure on income, expenses, investments and debt in Great British pounds (GBP), United States dollars (USD) and Norwegian kroner (NOK). Unrealised gains/losses on foreign exchange contracts used to offset the

effect of anticipated transactions are marked to market and recognised as financial income or expense.

Income taxes

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates as they apply to taxable income in the years in which the differences are expected to be recovered or settled. Deferred tax assets are recognised in the balance sheet to the extent that is more likely than not that benefits will be recognised.

Use of estimates

In the preparation of the financial statements, management is required to make estimates and assumptions affecting reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

The Company's pension plans for employees provide for a defined pension benefit upon retirement. The benefit to be received by employees generally depends on many factors including length of service, retirement date and future salary increases. The Company accounts for defined benefit pension plans in accordance with NRS 6A, which means that the company can elect to present pension liabilities in NGAAP accounts in accordance with IAS 19. Costs related to these plans are expensed as incurred.

Note 3 - Salaries and other personnel costs

Amounts in NOK 000's	2009	2008
Salaries	16 604	12 099
Social security expenses	2 211	2 154
Pension costs	4 965	3 365
Pension paid during the year	824	0
Travel expenses	2 740	2 184
Other	1 026	2 601
Total	28 370	22 403
Average number of employees	11	11

Salaries, remuneration and other personnel expenses to the Chief Executive Officer, Senior Management and Board of Directors, see note 17 for the Group.

Pension plans

Fred. Olsen Energy ASA has pension plans that provide employees with a defined benefit upon retirement. The employees participating in these plans are entitled to future pension payments based on length of service and salary upon retirement. The total number of employees involved in the pension plans as of 31 December 2009 was 11. The pension plan assets consist primarily of bank deposits, investments in fixed income and equity securities. The pension plan for the Company is in accordance with the Norwegian law concerning mandatory occupational pension (OTP).

The Company has an extended pension plan agreement for CEO and Senior Management, in which the beneficiaries will receive 70% of their final year salary at early retirement at the age of 65. This was until 31 December 2006 a funded pension plan. From 1 January 2007 this was changed to unfunded pension obligations.

The funded status of the defined pension plans is as follows:

Amounts in NOK 000's	2009	2008
Projected benefit obligation	21 068	16 163
Plan assets at market value	14 011	10 541
Funded status	-7 057	-5 622
Unrecognised net experience loss	821	2 812
Net pension liability	-6 236	-2 810

At 31 December 2009 the net pension assets are presented in the balance sheet with NOK 4.2 million as pension asset and NOK 10.4 million as pension liability.

Assumptions used in the calculation of pension obligations are as follows:

	2009	2008
Assumed salary increases	4.0%	4.0%
Discount rates	4.3%	4.3%
Interest rates	4.3%	4.3%
Expected rates of return on pension plan assets	5.3%	5.3%

Net periodic pension costs for defined benefit plans are as follows:

Amounts in NOK 000's	2009	2008
This period's earned pensions	4 816	3 895
Interest expense on pension liabilities	695	469
Earnings on pension funds	-599	-668
Amortisation expense	53	-331
Net pension cost for defined benefit plans	4 965	3 365

..the note continues on the next page

Notes

The following loans were outstanding to employees of the Company:

Amounts in NOK 000's	2009	2008
Loan to employees	148	154
Total	148	154

Loans comply with company law requirements and are adequately secured, when required.

Note 4 - Other operating expenses

Amounts in NOK 000's	2009	2008
General operating overheads	15 444	15 621
Insurance	11	15
Property rental expenses	1 325	1 251
Total	16 780	16 887

Fees for audit and other services provided by the Company's auditor are as follows:

Amounts in NOK 000's	2009	2008
Audit fees	1 530	1 541
Tax advisory services	338	118
Other non-audit services	12	160
Total	1 880	1 819

Note 5 - Financial income and expense

Amounts in NOK 000's	2009	2008
Financial income		
Interest income	8 141	50 441
Group contribution	1 000 000	2 500 000
Reversal of impairment loss shares in subsidiaries	0	140 000
Gain on foreign currency contracts	94 767	4 500
Foreign exchange gains	44 002	113 096
Total	1 146 910	2 808 037
Financial expense		
Interest expense	13 947	47 879
Loss on foreign currency contracts	2 717	98 882
Other financial expense	1 039	1 298
Foreign exchange losses	16 454	328 962
Total	34 157	477 022
Net financial income/(expense)	1 112 753	2 331 015

The board of the subsidiary Dolphin International AS has proposed a Group contribution to Fred. Olsen Energy ASA of NOK 1 000 million.

Interest income is related to return on cash and cash equivalents and loans to other companies in the Group.

Other financial expenses relate primarily to realised and unrealised loss on various derivatives and amortisation of capitalised borrowing costs.

Information regarding interest income and expenses from group companies and other related parties is provided at note 15.

Note 6 - Taxes

Temporary differences between the book and tax basis of assets and liabilities, and related deferred taxes, are as follows:

Amounts in NOK 000's	2009	2008
Temporary difference	-1 827	-67 769
Losses carried forward	-758 712	-762 571
Limitation of deferred tax assets	760 539	830 340
Net basis for deferred tax (assets)/liabilities	0	0

Deferred tax assets have not been recognised in respect of these items, because it is not probable that future taxable profits will be available against which the Company can utilize the benefits.

The provisions for income taxes are as follows:

Amounts in NOK 000's	2009	2008
Profit before income tax	1 069 729	2 291 449
Change in temporary differences	-65 293	67 767
Permanent differences	-999 929	-2 499 998
Basis taxes payable	4 507	-140 782
Tax rate	28 %	28 %

Effective tax rate:

Amounts in NOK 000's	2009	2008
Expected income tax expense according to statutory tax rate (28%)	299 524 28 %	641 606 28 %
Permanent differences	-279 980	-699 999
Tax losses not recognised	-19 544	58 394
Income tax	0 0 %	0 0 %

Note 7 - Property, plant and equipment

Amounts in NOK 000's	2009	2008
Cost		
Balance at 1 January	6 832	4 402
Additions during the period	20 656	2 430
Disposals during the period	-886	0
Balance at 31 December	26 602	6 832
Accumulated depreciation		
Balance at 1 January	3 548	3 272
Depreciation during the period	505	276
Disposals during the period	-642	0
Balance at 31 December	3 411	3 548
Net book value at 31 December	23 191	3 284

Notes

Note 8 - Other non-current assets

Amounts in NOK 000's	2009	2008
Pension assets (see note 3)	4 223	4 780
Long-term receivables (see note 15)	186 371	222 772
Capitalised borrowing costs	0	51
Total	190 594	227 603

Capitalised borrowing costs relate to expenses incurred in connection with establishing the Company's interest-bearing loans and borrowings.

Note 9 - Trade and other receivables

Amounts in NOK 000's	2009	2008
Related parties (note 15)	1 004 459	2 506 982
Total	1 004 459	2 506 982

Note 10 - Cash and cash equivalents

Amounts in NOK 000's	2009	2008
Payroll taxes	685	713
Total restricted cash	685	713
Unrestricted cash	64 040	64 846
Total cash and cash equivalents	64 725	65 559

Notes

Note 11 - Capital and reserves

Amounts in NOK 000's	Share capital	Treasury shares	Share premium	Paid in other equity	Other equity	Total
Balance at 1 January 2008	1 333 877	-80	548 107	154 801	461 624	2 498 329
Net profit for the year	0	0	0	0	2 291 449	2 291 449
Conversion of convertible notes	7	0	18	0	0	25
Treasury shares	0	-8 522	0	0	-71 636	-80 158
Dividend	0	0	0	0	-1 656 603	-1 656 603
Balance at 31 December 2008	1 333 884	-8 602	548 125	154 801	1 024 834	3 053 042
Balance at 1 January 2009	1 333 884	-8 602	548 125	154 801	1 024 834	3 053 042
Net profit for the year	0	0	0	0	1 069 729	1 069 729
Proposed dividend	0	0	0	0	-662 641	-662 641
Balance at 31 December 2009	1 333 884	-8 602	548 125	154 801	1 431 921	3 460 129

Treasury shares

The Company has not purchased any own shares in 2009 and at 31 December 2009 the Company holds 430 100 of its own shares.

Par value

The par value per share in the Company is NOK 20.

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 of NOK 15,- per share for the year 2008. The payment was made in June 2009 and amounted to NOK 1 656.6 million.

The Board has decided to propose to the Annual General Meeting in May 2010 and ordinary dividend payment of NOK 10,- per share for the year 2009. This will amount to NOK 662.6 million based on outstanding shares as at 31 December 2009.

Unrestricted equity

The unrestricted equity of the parent Company is as follows:

Amounts in NOK 000's	
Other equity	1 431 921
Paid in other equity	154 801
Treasury Shares	-8 602
Total	1 578 120

Notes

Note 12 - Interest-bearing loans and borrowings

In March 2009 the Company redeemed all outstanding loans as per 31 December 2008.

Note 13 - Trade and other payables

Amounts in NOK 000's	2009	2008
Trade	185	858
Related parties (note 15)	1 883	743 734
Total	2 068	744 592

See note 15 for additional information on balances with group companies and other related parties.

Note 14 - Other accrued expenses

Amounts in NOK 000's	2009	2008
Accrued interest expense	0	10 150
Accrued wages	6 129	2 448
Other	817	155
Total	6 946	12 753

Note 15 - Related parties

In the ordinary course of business, the Company recognises revenues and expenses with related companies, which may have a significant impact on the Company's financial statements. The Company receives certain administrative, financial, and legal advisory services from Fred. Olsen & Co. The agreements are on arms-length terms and are subject to ordinary termination provisions. Other related parties relate entirely to Ganger Rolf ASA and Bonheur ASA which are the owners of a combined 53.4 % of the shares in the Company, and their subsidiaries and Fred. Olsen & Co.

Revenues, purchases, interest income and interest expenses from such companies were as follows:

Amounts in NOK 000's	2009	2008
Revenues		
Subsidiaries	2 626	0
Other related parties	5	0
Total	2 631	0
Operating expenses		
Other related parties	6 373	6 303
Total	6 373	6 303
Interest income		
Subsidiaries	5 840	46 983
Total	5 840	46 983
Interest expenses		
Subsidiaries	10 563	17 035
Other related parties	3 381	13 523
Total	13 944	30 558

Revenues from subsidiaries are recharge of personnel expenses.

Amounts in NOK 000's	2009	2008
Other non-current assets		
Subsidiaries	186 223	222 618
Other related parties	148	154
Total	186 371	222 772
Trade and other receivables		
Subsidiaries	1 004 459	2 506 982
Total	1 004 459	2 506 982

The subsidiaries will repay the loans based on the "pay-as-you earn" principle. The interest rate is based on market rate plus a margin.

Other non-current liabilities		
Subsidiaries	296 085	0
Total	296 085	0
Other current liabilities		
Subsidiaries	0	120 000
Other related parties	0	300 500
Total	0	420 500
Trade and other payables		
Subsidiaries	1 246	743 734
Other related parties	637	0
Total	1 883	743 734

See note 5, 9, and 13 for further information on transactions with related parties.

Note 16 - Shares in subsidiaries and other equity investments

Subsidiaries	Business Offices	% of holding & voting shares	Equity	Net profit/ (loss)	Amounts in NOK 000's			Book value
					Historical cost	Accumulated impairment	Reversal of impairment	
Dolphin AS	Tananger, Norway	100 %	291 878	8 614	850 611	-555 693	140 000	434 918
Dolphin International AS	Oslo, Norway	100 %	4 064 225	2 296 568	2 717 264	0	0	2 717 264
Atlan Shipping Co. Ltd.	Hamilton, Bermuda	100 %	-48 842	-1 779	855 491	-853 212	0	2 279
Navis Drilling Ltda.	Brazil	2 %	-2 080	-6 001	72	0	0	72
Total					4 423 438	-1 408 905	140 000	3 154 533

Note 17 - Financial instruments

The Company is exposed to interest rate- and foreign currency risks in its operations. Derivative financial instruments are from time to time entered into hedge against fluctuations in foreign currency rates and interest rate levels.

Interest rate risk

The Company may be exposed to interest rate risk and may use interest rate derivatives or fixed rate loans to achieve a satisfactory mix of exposure to fixed and floating interest rate on it's debt instruments.

The Company's USD debt as of 31 December 2009 is a loan from one of the company's subsidiaries. The interest rate is based on floating interest rates (USD Libor) plus a margin. The Company had no interest rate derivatives at 31 December 2009 or 2008.

Foreign currency risk

At 31 December 2009, the Company had outstanding currency derivative contracts for forward sale of USD 25 million (2008: USD 35 million) against GBP.

The GBP hedging of 25 million are structured as convertible forwards as follows:

	Value	Forward rate	Knock in rate	Expiry date
GBP/USD	5 000	1.640	1.455	07.01.2010
GBP/USD	5 000	1.660	1.425	17.06.2010
GBP/USD	5 000	1.625	1.418	27.09.2010
GBP/USD	5 000	1.640	1.453	30.03.2010
GBP/USD	5 000	1.670	1.406	29.11.2010

USD at spot rate as long as the spot rate does not falls below the knock in rate, in which cases the forward rate will be used.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. Net fair market value of currency forward contracts as per 31 December 2009 was NOK 2.3 million recorded as current liabilities (2008: NOK 64.6 million). A net gain of NOK 92 million related to foreign exchange contracts was recorded as financial income in 2009 (2008: loss of NOK 94.4 million).

Note 18 - Contingency

The Company has provided a bank guarantee of EUR 33 mill relating to a legal dispute with a supplier.

For further information see note 18 for the Group.

Auditor's Report



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To the Annual Shareholders' Meeting of Fred. Olsen Energy ASA

AUDITOR'S REPORT FOR 2009

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of the Fred Olsen Energy ASA as of 31 December 2009, showing a profit of NOK 1 069 729 000 for the parent company and a total comprehensive income of NOK 1 803 508 000 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the consolidated statement of financial position, the consolidated statement of separate income and the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the parent company's financial statement. The rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion,

- the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent Company as of 31 December 2009, and of the results of its operations and its cash flows for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the group accounts are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2009, and of the total comprehensive income, its cash flows and the changes in equity for the year then ended, in accordance with the rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and comply with the law and regulations.

Oslo, 14 April 2010

KPMG AS

Asbjørn Næss

State Authorized Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only

Corporate Governance

Implementation and reporting on corporate governance

The Company emphasizes the importance of maintaining and further developing its corporate governance policy and supports the principles set out in the Norwegian Code of Practice for Corporate Governance.

Business

According to the Articles of Association, the Company's purpose is to carry on shipping business, including the ownership and leasing of floating platforms and everything related thereto, including owning shares and interests in companies with similar or related business. In carrying out their duties, assignments or appointments for the Company, all employees are expected to follow high standards of ethical and non-discrimination behavior.

Equity and dividends

To the extent it is considered desirable; the Company may raise new equity in the capital market. In this connection the Board of Directors received an authorization from the Annual General Meeting in 2009 to increase the share capital by 6 700 000 shares through an equity issue and to increase the share capital by another 6 700 000 shares by raising loans with the right to subscribe for new shares. The proxy expires on next Annual General Meeting. At 31 December 2009 the Company held 430 100 shares of its own shares. In 2007 the Company distributed dividends for the first time since the listing in 1997. The Company paid dividends of NOK 10,- per share and stated that the Company will pursue a yearly strategy to pay a dividend of NOK 10,- per share subject to earnings, investment plans and financial strategy. The Board of Directors has decided to propose to the Annual General Meeting in May 2010 a dividend payment of NOK 10,- per share for the year 2009. Dividends will be distributed subject to earnings, the Company's investment plans, financial strategy and approval by the shareholders. The Company may consider share buy-backs in accordance with the authorization to the Board of Directors from the Annual General Meeting.

Treatment of shareholders, transactions with close associates

The Company's shares are listed on Oslo Stock Exchange. Shares have been issued in only one share class. All shares in the Company have equal rights and all shareholders have the right to participate in General Meetings.

A competent Board of Directors consisting of Board members independent of the Company's main shareholders, Bonheur ASA and Ganger Rolf ASA, deals with possible conflict-of-interest matters.

Freely negotiable shares

The Company has no restrictions on ownership and voting rights.

General Meetings

The annual general meeting is normally held in May each year. Invitations are sent to shareholders. Shareholders registered in VPS (the Norwegian Registry of Securities) can vote in person or by proxy. The Annual General Meeting of shareholders elects the Board of Directors, nominates the external auditor, determines the auditor's remuneration, approves the annual result and dividend proposed by the Board of Directors and determines the remuneration to the Board of Directors.

Nomination committee

In view of the main shareholders of the Company controlling a majority of the shares, it is the current view of the Board of Directors not to appoint a nomination committee.

Corporate Assembly and Board of Directors, composition and independence

In accordance with Norwegian law, the Board of Directors is responsible for managing the Company and for ensuring that the Company's operations are organized in a satisfactory manner. The Company's Articles of Association provides that the Board of Directors shall have no less than three and no more than seven members. In accordance with Norwegian law, the CEO and at least half of the members of the Board of Directors must either be resident in Norway, or be citizens of and resident in an EU/EEA country. The General Meeting of the shareholders elects the members of the Board of Directors. The Board of Directors consists of five Board members who are elected for a two-year period. All of the Directors are independent of the Company's management and three of them are independent also in relation to the Company's main shareholders, Ganger Rolf ASA and Bonheur ASA. 40% of the Members of the Board are women. In 2009 the Board of Directors had 7 meetings. Three Directors attended all Board meetings, while two directors were excused from one meeting each. The Company has no Corporate Assembly.

The Board of Directors consists of:

Anette S. Olsen (b. 1956), Chairman. Ms. Olsen has been the Chairman of the Board since the inception of the Company in 1997. Since 1994 Ms. Olsen has been the sole proprietor of Fred. Olsen & Co. - which i.a. provides administrative services to the stock listed companies Bonheur ASA and Ganger Rolf ASA. Ms. Olsen holds chairman and ordinary board positions with a number of companies, hereunder with First Olsen Ltd., Fred. Olsen Renewables Ltd., Fred. Olsen Cruise Lines Ltd., Timex Corporation and NHST Media Group AS. Ms. Olsen holds a BA in Business Organization and an MBA. Ms. Olsen is a Norwegian citizen, resident in Oslo, Norway.

Øivin Fjeldstad (b. 1936), Director. Mr. Fjeldstad served as a deputy to the Board for several years and has been a Director since 2002. He is now active as an independent consultant and board member. He was for 4 years senior adviser to HSH Nordbank, Hamburg/Kiel. In the period 1993 – 98 he was Managing Director of DnB Luxembourg SA. He has previous experience as deputy managing director of Bergen Bank/Den norske Bank, and served 4 years as group finance director in Akergruppen. At present he holds chairman and board positions with a number of companies including The Anders Jahre Humanitarian Foundation and EWS foundation, and he has previous experience from several boards both in Norwegian and foreign companies. Mr. Fjeldstad has political experience as a former member of the Norwegian parliament. He is a graduate of the Norwegian School of Business and Economics. Mr. Fjeldstad is a Norwegian citizen, resident in Ringerike, Norway.

Agnar Gravdal (b. 1941), Director. Mr. Gravdal became a Director of the Board in May 2007. He is currently working as independent consultant after being CEO at the Rosenberg Yard from 2003-2007. In addition, he has many years experience from CEO positions within various companies in the Kværner group, Aker group and Umoe group as well as from development and design of advanced LNG ships. He was the chairman of the board in TBL Offshore, board member in Fred. Olsen Production, SWAY AS, Scanfuel AS and Inwind AS. He holds a Master Degree in Naval Architecture and Marine Engineering from NTNU 1968. Mr. Gravdal is a Norwegian citizen, resident in Stavanger, Norway.

Corporate Governance

Cecilie B. Heuch (b. 1965), Director. Ms. Heuch became a Director of the Board in 2007. She is presently Director of Corporate HR and Safety, Health and Environment in Det Norske Veritas. Ms. Heuch has previously worked for Norsk Hydro in the fertilizer division (now Yara), in Hydro Aluminium and in Corporate staff. She has had several positions within economic and market analysis, strategy and business development. Ms. Heuch graduated from Institut d'Etudes Politiques de Paris. She has a MSc from London School of Economics and a Business diploma from Henley Management College. Ms. Heuch is a Norwegian citizen, resident in Bærum, Norway.

Jan Peter Valheim (b. 1951), Director. Mr. Valheim joined the Board in May 2007 after he resigned from the position as Chief Financial Officer (CFO) of the Company and joined Fred. Olsen & Co. as CFO. Prior to joining FOE in 2002, Mr. Valheim had previously held positions in Scribona AB, PC Lan ASA, Saga Petroleum ASA and Fearnley Finans AS. Mr. Valheim is a graduate from BI Norwegian School of Management. He is a Norwegian citizen and resides in Bærum, Norway.

The work of the Board of Directors

The Company has implemented guidelines for the work of the Board of Directors. The purpose of these guidelines is to establish a practical tool for the Board in its exercise of good corporate governance. The current composition of Directors reflects adequate competence relative to the main business areas of the Group. The Board of Directors has appointed an Audit Committee consisting of two Directors, of which one is independent of the main shareholders of the Company. The charter of the audit Committee is to assist the Board in fulfilling its responsibilities concerning the financial reporting process, internal controls, management of financial risks, the audit process, and the Company's process for monitoring compliance with applicable laws and regulations. The Audit Committee has regular meetings with the management and the external auditor. Parts of the meetings with the external auditor are without participation of the management.

The Board of Directors has appointed a Compensation Committee comprising four Directors including the Chairman of the Board and two of the independent Directors. The Compensation Committee discusses and recom-

mends to the Board salary and benefits for the Chief Executive Officer and senior management as well as the management incentive schemes for the Group.

Risk management and internal control

The Company's risk management- and internal control procedures are reviewed by the Audit Committee in accordance with its charter. The operational risk management and internal control is carried out within each business segment in accordance with the nature of the operations and the government legislation in the relevant jurisdiction. In addition, the Company from time-to-time carries out internal audits related to specific projects. Risk management related to foreign exchange, interest rate management and short-term investments is handled by the parent company on behalf of the subsidiaries, in accordance with established authorizations, policies and procedures. The Company receives reports on the financial development of each business segment and subsidiary on a monthly basis.

Remuneration of the Board of Directors

An annual fee remunerates each Director. See also note 17 on page 38.

Executive Management

The Chief Executive Officer (CEO) is appointed by and serves at the discretion of the Board of Directors. He is responsible for the daily management and the operations of the Company. The CEO is not a member of the Board of Directors.

The executive management consists of:

Ivar Brandvold, Chief Executive Officer. Mr. Brandvold joined the company in September 2009, and was appointed President and Chief Executive Officer as of November 2009. He succeeded Mr. Helge Haakonsen who had reached his retirement age after having been the company's CEO since its formation in 1997. Before joining the company, Mr. Brandvold held the position as Chief Operating Officer of DNO International ASA. He also has previously 23 years of experience from Norsk Hydro ASA, of which he has held a number of positions within the company's oil and gas activities, including the overall responsibility for Norsk Hydro's global drilling operations from 2002 to 2007. Mr. Brandvold has a Master of Science degree from The Norwegian Institute of Science and Technology (NTNU) in Trondheim,

Norway. Mr. Brandvold is a Norwegian citizen, and resides in Bergen, Norway.

Hjalmar Krogseth Moe, Chief Financial Officer. Mr. Moe has been Chief Financial Officer since June 2007. Mr. Moe joined Fred. Olsen Energy ASA in January 2005 as Financial Manager, and has previously held positions in Aros Securities and A. Sundvall ASA/Kaupthing ASA. Mr. Moe is a graduate from BI Norwegian School of Management. He is a Norwegian citizen and resides in Bærum, Norway.

Joakim Kleppe, Chief Executive Officer of Dolphin AS since June 2002. Mr. Kleppe was previously Senior Vice President HR/QHS&E & ICT at Dolphin AS and had been working within similar responsibilities and professions for 16 years for Kværner/Kværner Oil & Gas. Mr. Kleppe is a graduate from University of Bergen and Rogaland Distrikthøyskole, Stavanger. Mr. Kleppe is a Norwegian citizen and resides in Stavanger, Norway.

Johan Finnestad, Managing Director Dolphin Drilling Ltd. since January 2009. Johan Finnestad was previously Senior Vice President operation for Dolphin AS since 2001. Mr. Finnestad has worked in the oil industry since 1984. He joined Dolphin AS in 1984 and was a member of the management in Dolphin AS since 1996. Mr. Finnestad is a graduate from Technical School in Stavanger and holds all drilling related certificates. Mr. Finnestad is a Norwegian citizen, and resides in Scotland.

Per Johansson, Managing Director Dolphin Drilling Pte. Ltd. since May 2007. Per Johansson has been Managing Director for Dolphin Drilling Ltd since 2003. Mr. Johansson has worked in the oil industry since 1977. He joined Dolphin Drilling Ltd. in 1990 and has been a member of the management in Dolphin Drilling Ltd. since 1995. Mr. Johansson is a graduate from Technical School and holds all drilling related certificates. Mr. Johansson is a Norwegian citizen, and resides in Singapore.

Robert J Cooper, Chief Executive Officer, Harland and Wolff Group Plc. Mr. Cooper was appointed CEO of Harland and Wolff Group PLC in February 2003. Prior to that he held the position as financial director in the Harland and Wolff Group from 1993. Mr. Cooper joined the Company in 1983 as a trainee accountant, and after completing his ICMA professional exami-

Corporate Governance

nations he held a number of positions within the finance department. Mr. Cooper is a UK citizen residing in Northern Ireland.

Remuneration of the executive management

Management has had a cash bonus scheme since 2005. The beneficiaries of the scheme are the executive management and certain key personnel. Annual payments under the scheme, maximized to one year's salary, are subject to the Group achieving certain predefined financial criteria, including achieved budget goals and development of the Company's share price. See also note 17 on page 38.

Information and communications

The Company provides information to the market through quarterly and annual reports; investor- and analyst presentations open to the media and by making operational and financial information available on the Company's website. Events of importance are made available to the stock market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Information is provided in Norwegian and English.

Takeovers

In light of the Company's shareholder structure, with the controlling shareholders holding a majority of the shares, the Board of Directors has not found it appropriate to establish separate guidelines to prepare for a take-over situation.

Auditor

The auditor is appointed by the Annual General Meeting which also determines the auditor's fees. The same firm of auditors should as a main rule be appointed for all subsidiaries. The auditor should not perform any work for the Company which could lead to conflicts of integrity, and the Audit Committee is responsible for ensuring that the auditor's independent role is maintained. In accordance with the requirement of the auditor being independent, the Company is cautious when using the elected external auditor for tasks other than the financial audit required by law. Nevertheless, the auditor may be used for tasks that are naturally related to the audit, such as technical assistance with tax returns, annual accounts, understanding of accounting and tax rules

and confirmation of financial information in various contexts. Information about fees paid by the Company to the auditor is provided in the annual report. The Audit Committee is kept informed, on a regular basis, of all work undertaken by the auditor. The auditor provides the Board with an annual written confirmation that a number of requirements, including independence and objectivity are met. The auditor attends meetings of the Audit Committee that deal with the financial statements and that review the report on the auditor's view of the Company's accounting principles, risk areas and internal controls routines.



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