

Annual Report 2015



Contents

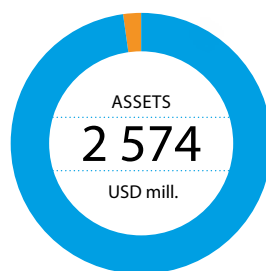
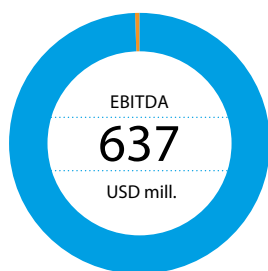
A Brief Presentation	3		
Contract Overview	4		
Financial Summary 2011-2015	6		
Board of Director's Report 2015	7		
Directors' Responsibility Statement	12		
Accounts Fred. Olsen Energy Group	13	Accounts Fred. Olsen Energy ASA	45
Consolidated Statement of Income	13	Income Statement	45
Consolidated Statement of Comprehensive Income	14	Balance Sheet	46
Consolidated Statement of Financial Position	15	Statement of Cash Flows	47
Consolidated Statement of Changes in Equity	17		
Consolidated Statement of Cash Flows	18	Notes to the Financial Statements	48
		Note 1 - Basis of presentation	48
Notes to the Consolidated Financial Statements	19	Note 2 - Summary of significant accounting policies	48
Note 1 - Significant accounting policies	19	Note 3 - Salaries and other personnel costs	49
Note 2 - Segment reporting	23	Note 4 - Other operating expenses	51
Note 3 - Salaries and other personnel costs	24	Note 5 - Financial income and expenses	51
Note 4 - Other operating expenses	24	Note 6 - Taxes	52
Note 5 - Net financial expenses	25	Note 7 - Property, plant and equipment	52
Note 6 - Income tax expenses	25	Note 8 - Other non-current assets	53
Note 7 - Property, plant and equipment	26	Note 9 - Trade and other receivables	53
Note 8 - Intangible assets	29	Note 10 - Cash and cash equivalents	53
Note 9 - Deferred tax assets and liabilities	30	Note 11 - Capital and reserves	53
Note 10 - Cash and cash equivalents	30	Note 12 - Interest-bearing loans and borrowing / Mortgages	54
Note 12 - Interest-bearing loans and borrowings	31	Note 13 - Trade and other payables	54
Note 13 - Financial risk management	32	Note 14 - Other accrued expenses	54
Note 14 - Mortgages and guarantees	35	Note 15 - Related parties	55
Note 15 - Employee benefits	36	Note 16 - Shares in subsidiaries and other equity investments	56
Note 16 - Rental & Leases	39	Note 17 - Financial instruments	56
Note 17 - Related parties	39		
Note 18 - Contingencies	42	Auditor's Report	57
Note 19 - Uncompleted contracts	42	Corporate Governance	59
Note 20 - Shareholder information	43	Corporate Social Responsibility Reporting	64
Note 21 - Earnings per share	43	Addresses	68
Note 22 - Subsidiaries	44		
Note 23 - Subsequent events	44		

A Brief Presentation











Fred. Olsen Energy ASA is listed on 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 160 years experience within shipping and 50 years in offshore drilling, and provides competitive solutions to the benefit of its customers, employees and shareholders.

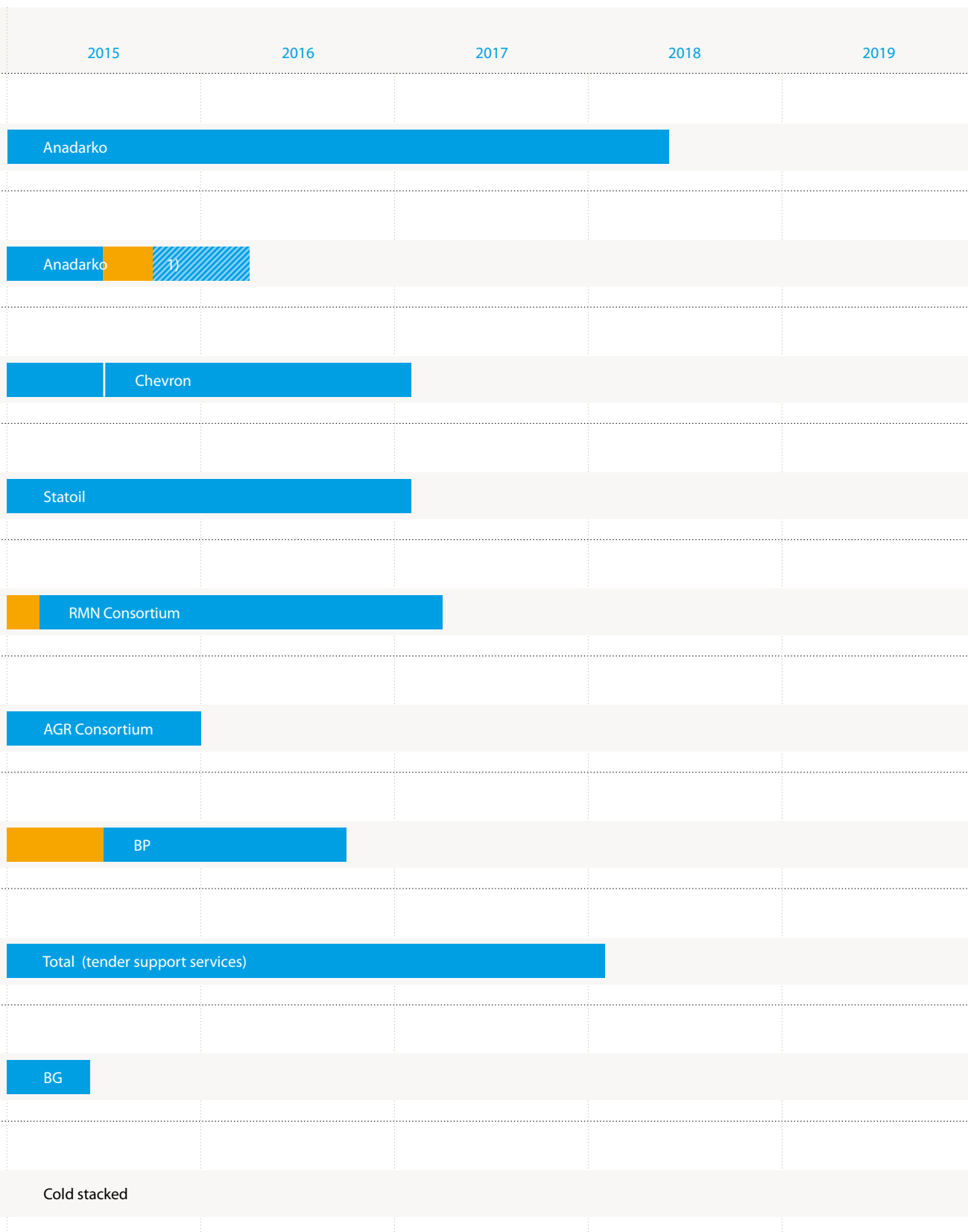


The Company is headquartered in Oslo with offices in Norway, the UK and Singapore.



Contract Overview

	Name/ (Ownership)	Type	Location	Built year/ last upgrade	Water depth	Features
	Bolette Dolphin (100%)	Gusto P 10 000	Colombia/ West-Africa	2014	12 000 ft	2*85 t, 1*100 t and 1*165 t deck cranes, 15 000 psi
	Belford Dolphin (100%)	LMG Marin Sea Prince	In lay up, Malaysia	2000	10 000 ft	80 000 barrels storage 2*80 t deck cranes, 15 000 psi
	Blackford Dolphin (100%)	Aker H-3 Enhanced	UK, North Sea	1974/2008	7 000 ft	2*85 t deck cranes 15 000 psi
	Bideford Dolphin (100%)	Aker H-3 Enhanced	Norway, North Sea	1975/1999	1 500 ft	1*45 t + 1*50 t deck cranes 10 000 psi
	Borgland Dolphin (100%)	Aker H-3 Enhanced	Norway, North Sea	1976/1999/2015	1 500 ft	1*45 t + 1*70 t deck cranes 15 000 psi
	Bredford Dolphin (100%)	Aker H-3	In lay up, Norway	1976/2007	1 500 ft	2*50 t deck cranes 10 000 psi
	Byford Dolphin (100%)	Aker H-3	UK, North Sea	1973/2010	1 500 ft	1*42 t + 1*53 t deck cranes 15 000 psi
	Borgsten Dolphin (100%)	Aker H-3 Tender support vessel	UK, North Sea	1975/2013	1 500 ft	1*55 t +1*50 t deck cranes
	Borgholm Dolphin (100%)	Aker H-3 Accommodation	In lay up, UK	1975/2002		1*37.5 t deck crane 314 beds in double cabins
	Borgny Dolphin (100%)	Aker H-3	In lay up, UK	1977/2010	2 300 ft	2*50 t deck cranes 10 000 psi



1) Terminated for convenience

■ Class Renewal Survey / yard

▨ Terminated

Financial Summary 2011-2015

Income Statement Data	All amounts in USD million	2015	2014	2013	2012	2011
Revenues		1 116.4	1 184.1	1 194.4	1 228.0	1 100.8
Operating profit before depreciation (EBITDA)		637.0	516.2	572.6	631.0	602.3
Net result after tax		- 350.6	117.3	300.8	325.4	348.1
Hereof non-controlling interests		0.3	1.0	- 0.7	0.3	0.2
Assets						
Current assets		676.9	522.3	546.4	533.4	710.1
Long term assets		1 896.5	2 946.3	2 519.4	2 323.4	1 770.4
Total assets		2 573.4	3 468.6	3 065.8	2 856.8	2 480.5
Liabilities and equity						
Interest bearing debt		1 327.7	1 455.4	793.4	884.6	959.2
Total liabilities		1 607.9	2 160.7	1 628.9	1 491.4	1 147.4
Equity of majority		965.5	1 307.9	1 436.9	1 365.4	1 331.9
Minority interests		-	-	-	-	1.15
Total liabilities and equity		2 573.4	3 468.6	3 065.8	2 856.8	2 480.5
Key Figures						
	Definitions	2015	2014	2013	2012	2011
Market capitalization	1	260.4	611.5	2 706.7	2 895.3	2 237.0
Net interest bearing debt	2	1 113.7	1 252.0	571.3	635.5	595.0
Enterprise value	3	1 374.1	1 863.5	3 278.0	3 530.8	2 832.0
Debt/Book equity ratio		1.38	1.11	0.55	0.65	0.72
Debt/Market capital ratio		5.10	2.38	0.29	0.31	0.43
Current ratio	4	1.30	0.79	0.65	0.88	2.05
EBITDA margin	5	57.1 %	43.6 %	47.8 %	51.3 %	54.7 %
Average number of shares outstanding		66.7 mill	66.7 mill	66.7 mill	66.7 mill	66.7 mill
Share price at year end in NOK	6	34.4	68.2	246.9	241.8	201.0
Earnings per share (EPS) in USD	7	- 5.3	1.77	4.54	4.88	5.22
Diluted earnings per share in USD		- 5.3	1.77	4.54	4.88	5.22
Capital expenditures per share		- 6.0	- 12.0	- 6.61	- 11.50	- 3.66
Price/Earnings	8	- 0.7	5.2	9.4	8.9	6.4
Price/Book	9	0.3	0.5	1.9	2.1	1.7
EV/EBITDA		2.2	3.6	5.9	5.6	4.8

- 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 / revenue
- 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 2015

The operating activities of Fred. Olsen Energy ASA and its subsidiaries (the Group) consist of offshore drilling and engineering and fabrication services. The parent company of the Group is Fred. Olsen Energy ASA (the Company), with its corporate headquarters located in Oslo, Norway. The Group manages its activities from offices in Norway, UK and Singapore. Operation of the Group's offshore units is managed through Dolphin Drilling AS (100% owned) in Stavanger and Dolphin Drilling Ltd. (100% owned) in Aberdeen. The Harland & Wolff (H&W) shipyard (92.2% owned), located in Belfast, Northern Ireland, and related activities form the Group's engineering and fabrication division.

Gross revenues in 2015 were USD 1 116 million, a decrease of USD 68 million from the previous year. The Group achieved Earnings Before Interest, Taxes, Depreciation, Amortisation and Impairment (EBITDA) of USD 637 million compared to EBITDA of USD 516 million in 2014. The cash flow from operations amounted to USD 580 million compared to USD 395 million for 2014. Net interest bearing debt at 31 December 2015 for the Group was USD 1 114 million.

Markets and prospects

The negative market development has continued through 2015, with the number of new rig contracts reaching another low point in 2015. The main contributing factors to the current market climate are a) oversupply of oil following more than 10 years of strong investment growth in new development projects within the upstream segment, b) low oil prices as a result of the oil oversupply, c) strong focus on cost- and activity reduction among the Exploration and Production (E&P) companies, and d) oversupply of floating drilling units driven by units coming off contracts combined with significant numbers of newbuilds entering the market over the recent years.

In the deepwater market E&P companies are experiencing cash flow constraints and need to allocate capital resources to those projects that result in the most attractive returns. At current oil prices, it is clear that new deepwater activity does not generally fit with these strategic drivers. This means that only a limited number of new contracts are being offered and rigs/drill ships are typically being released as they roll off long-term contracts. Contractors still have newbuild units on order and the delivery of these units has been delayed by mutual agreement with the shipyards in a number of cases. However, others have terminated yard contracts due to late delivery. This raises the prospect to shipyards owning several high specification units in the coming years. Given this imbalance in market dynamics there is little

scope for improvement in the short term. A rebalancing of the fleet will be required including a higher level of cold stacking/scrapping to help restore the market balance.

The shallow/mid water semi market faces largely the same issues as the deepwater market with limited new demand resulting in erosion of activity. Cold stacking and scrapping has continued to a limited extent during the last quarters, the units selected for removal from the market have typically been older and low specification semis and drillships that were not able to effectively compete under current conditions.

The reduction in effective fleet size has potential to help redress the market balance but support from improved oil prices and increased activities from E&P companies is still the overriding requirement. The effects of reduced investment activity within the offshore segments, as well as tight oil plays on land, are reduction in production volumes from these areas. This is expected to be the main driver in restoring oil supply and demand balance, hence lead to a recovery within the E&P segment in the medium to longer term. In the short term it is expected that the E&P players will direct their spending to less capital intensive and short-cycle higher-return activity. This would typically be within the most prolific onshore basins and mature offshore areas utilizing existing infrastructure. As a consequence of such a strategy, it is expected that mature shallow/mid water areas will experience a quicker recovery than the more capital intensive deepwater segment.

By year-end, the fleet contract backlog for the Group was 12 months (22 months in 2014). The firm contract value for the fleet as per 31 December 2015 was approximately USD 1.2 billion (USD 3.4 billion in 2014, including the contract for Bollsta Dolphin).

The Group owns three deepwater units, and five mid-water semi-submersible drilling rigs in addition to one tender support vessel and one accommodation unit.

Offshore Drilling

The drilling activities generated revenues of USD 1 104 million compared to USD 1 158 million in 2014. Within the drilling segment, the Group achieved EBITDA of USD 634 million. In 2014, the corresponding result was USD 521 million.

Bideford Dolphin continued operations under the three-year drilling contract for Statoil ASA. The unit completed its five-year Class Renewal Survey in third quarter 2014.

Board of Director's Report 2015

Borgland Dolphin continued operations under an 18 well drilling contract with a Rig Management Norway consortium consisting of four oil companies. The unit completed its five-year Class Renewal Survey in February 2015.

Bredford Dolphin continued operations under a 12 well drilling campaign with an AGR coordinated group of four oil companies for operation on the Norwegian Continental Shelf. The contract was completed in January 2016 and the rig is currently cold stacked in Kvinesdal, Norway. The unit completed its five-year Class Renewal Survey in August 2012.

Bolette Dolphin, which commenced its first contract in May 2014, continued operations under its four-year drilling contract with Anadarko Petroleum Corporation in 2015. The unit has operated in West Africa and Colombia during 2015.

Belford Dolphin continued operations under the four-year drilling contract with Anadarko Petroleum Corporation. A notice of termination for convenience was received from Anadarko and the contract was effectively terminated with effect from September 2015. The unit undertook its five-year Class Renewal Survey in 4th quarter 2015 and subsequently the unit has been preserved and is now in lay-up in Labuan, Malaysia.

Blackford Dolphin completed its drilling contract with Nexen for operations in UK in July 2015 and thereafter commenced a 572 days contract with Chevron, for UK operations. The unit completed its five-year Class Renewal Survey in July 2014.

Byford Dolphin continued operations under a three-year drilling contract with BP Exploration Operating Co. Ltd., which is estimated to expire in third quarter 2016. The rig completed its five-year Class Renewal Survey, including upgrades and installation of a new BOP, in July 2015.

Borgsten Dolphin continued operations for Tender Support service at the Dunbar platform with Total E&P UK Ltd. In June 2015 the contract was amended. The amendment covers a revised contract period from October 2015 to January 2018, subject to certain early termination rights from end 2016. Contract terms prior to October 2015 remained in accordance with the original agreement.

Borgholm Dolphin completed its accommodation contract with BG in May 2015. The accommodation rig is currently cold stacked at Harland & Wolff in Belfast, Northern Ireland. The unit completed its five-year Class Renewal Survey in 2012.

Borgny Dolphin completed operations with Petrobras first quarter 2014 and the rig was relocated to the Harland & Wolff yard in Belfast. The Class Renewal Survey was due in September 2014 and prospects for the unit is continuously being considered including sale and scrapping.

The construction contract for Bollsta Dolphin, which was under construction at Hyundai Heavy Industries Co. Ltd. (HHI), was cancelled in October 2015 due to delayed delivery from the yard. The drilling contract, which was entered into between Dolphin Drilling Ltd. and Chevron North Sea Ltd., was correspondingly terminated on amicable terms.

The yard has challenged the termination of Bollsta Dolphin and have raised a total claim against the Group of USD 329 million (or by way of an alternative, USD 90 million) in addition to a right to retain the pre-delivery instalment of USD 186 million paid by Bollsta Dolphin Pte Ltd. However, the Group remains firm that the cancellation was rightful and that Bollsta Dolphin Pte Ltd. is entitled to a full repayment of the first instalment (USD 186 million) plus interest and that none of HHI's claims holds any merit.

Engineering and Fabrication

Total revenues within the engineering and fabrication division amounted to USD 102 million and EBITDA was USD 6 million, including USD 89 million and USD 3 million respectively in inter-segment activities, eliminated in the consolidated figures. In 2014, total revenues were USD 92 million and EBITDA was USD 15 million excluding inter-segment activities. The H&W yard continued its operations in engineering, ship repair and shipbuilding. The most significant projects during the year were completion of the Class Renewal Survey of Byford Dolphin and repairs to the LNG carrier Al Oraiq. In addition, the yard has provided services to some 21 vessels ranging from short duration emergency repairs to normal maintenance repair dockings.

The core workforce decreased to 172 employees in 2015 (2014: 198). The company will continue to seek to secure contracts within renewable energy and offshore projects, shipbuilding, ship repair and engineering in the years to come.

Financial result and balance sheet at year end

Consolidated revenues were USD 1 116 million compared to USD 1 184 million in 2014. EBITDA for the Group was USD 637 million, an increase of USD 121 million compared to 2014. After depreciation, amortisation and impairment of USD 962 million including a non-cash impairment of USD 608 million, the operating profit before net financial expenses amounted to negative USD 325 mil-

Board of Director's Report 2015

lion, compared to USD 144 million in 2014. Net financial items were negative USD 23 million, a decrease of USD 27 million from the previous year. Profit before taxes was negative USD 348 million compared to USD 149 million in 2014. The net profit for the year was negative USD 351 million against USD 118 million in 2014. At year-end, the Group had consolidated assets of USD 2 573 million. The ratio of net interest bearing debt to total assets was 43% compared to 36% at the beginning of the year. The book value of the equity was USD 966 million. Net cash from operating activities was USD 580 million against USD 395 million in 2014. Cash and cash equivalents increased by USD 11 million during the year, from USD 203 million to USD 214 million at the end of the year.

Fred. Olsen Energy ASA is a holding company and provides management services to the subsidiaries within the Group. The Company had revenues of USD 1 million in 2015, compared to USD 1 million in 2014. EBITDA for the year was negative USD 7 million compared with negative USD 9 million in 2014. Net profit was USD 134 million compared to USD 125 million in 2014. The annual accounts of the Company and the consolidated accounts are based on the assumption of continued operation and going concern.

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 and Norwegian accounting standards.

Investment and capital resources

Capital expenditures amounted to USD 403 million in the year compared to USD 801 million in 2014. The capital expenditures were mainly related to the Group's Class Renewal Surveys and upgrades for Byford Dolphin and Borgland Dolphin.

Per 31 December 2015, the Group's debt consisted of one credit facility with a consortium of banks and two bond loans. The facility was refinanced in July 2014 and is a combined term loan and revolving credit facility of USD 1 450 million, with final maturity in 2020. The outstanding amount under the credit facility at year-end was USD 1 085 million. The bond loan FOE04 of NOK 1 400 million was raised in the Norwegian bond market in May 2011 and has final maturity in May 2016. By year-end, the Group had purchased NOK 213 million in the FOE04 bond loan. The bond loan FOE05 of NOK 1 100 million was raised in the Norwegian market in February 2014 and has final maturity in February 2019. See also note 12 on page 31.

Research and development activities

The Group's research and development activities are an integrated part of the 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. Expenditures on research activities, undertaken with the prospect of gaining technical know-how and understanding, are recognized 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 partly hedging its exposure. See also note 13, page 32 to 35.

Liquidity risk

The outstanding amount under the bank facility at year-end was USD 1 085 million. USD 270 million is undrawn and available under the facility. The Group has purchased NOK 213 million in its bond loan FOE04, with final maturity in May 2016, the net outstanding after the purchases is NOK 1 187 million as per 31 December 2015. The bond loan FOE05 amounts to NOK 1 100 million with maturity in February 2019. The Company is in compliance with all covenants in its loan agreements. See also note 12 for further details.

Foreign exchange

From 2014, the Group's financial statements are presented in USD. 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. 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.

Interest rate

The Group is exposed to fluctuations in interest rates for USD and NOK. At 31 December 2015 approximately 4% (2014: 3%) of the Group's interest expenses was based on fixed interest rate swap agreements. The remaining portion of the debt was based on floating interest rates (USD LIBOR and NIBOR) 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

Board of Director's Report 2015

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 into with the Group's main relationship banks. As such, the Group considers its exposure to credit risk to 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 59 to 63.

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 2015 the Board of Directors had 10 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 and performance bonus.

Dividends will be distributed subject to earnings, the Company's investment plans, financial strategy, market conditions 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. Due

to the challenging offshore market and uncertainty of how long this will persist, the Board of Directors will not propose dividend at the Annual General Meeting in May 2016.

Share Capital Issues

The Annual General Meeting in May 2015 authorized the Board of Directors to issue up to 6 669 422 new shares in the Company through an equity issue and to issue up to 6 669 422 new shares by raising loans with the right to subscribe for new shares for a period of up to one year. At the time of approving final accounts, these authorizations have not been used. At year-end the Company owned 430 100 own shares (2014: 430 100). At 31 December 2015 the Company's share capital amounted to NOK 1 334 million, corresponding to 66 694 229 shares at par value NOK 20 each.

Safety, work environment, organization and equal opportunities

The Group has a strong focus on health, safety and environment (HSE) for its employees, subcontractors and 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 work sites both onshore and offshore. The Total Recordable Incident (TRI) rate for offshore drilling and related services in 2015 was 6.95 per one million working hours, compared to 5.85 per one million working hours in 2014. TRI includes personnel injuries of the categories lost time incidents and medical treatment incidents.

Sick leave was 3.59% (2014: 4.58%) for the Group and 1.02% (2014: 1.20%) for the Company. The Group continues to focus on reducing sick leave. The Group strives to be a workplace with equal opportunities, offering challenging and motivating jobs to all personnel, regardless of nationality, culture, religion or gender. The composition of genders within the Group reflects the available recruitment base for offshore work, which traditionally has a higher proportion of men, being the nature of the offshore industry worldwide. However, the Group's policy is to offer equal opportunities for male and female. Two out of five members of the Board of Directors are women, including the Chairman of the Board. At year-end 2015 the Group had 1 335 employees, including 16 in the parent company. 148 of the employees were women and 7 percent of leading onshore personnel within the Group are women. A description of the Company's Corporate Social Responsibility is presented on pages 64 to 66.

Significant legal matters

During 2015 the Group had two legal dispute with business counterparts. See note 18 for further information.

Board of Director's Report 2015

External Environment

The Group's operations involve activities that entail potential risks to the external 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 seeks alternative products to safeguard the environment. The Company is a holding company and as such has no activities that entail potential significant risks to the external environment.

Allocation of profit

Net profit after tax for the parent company was USD 134 million, which is proposed allocated as follows:

To retained earnings	134 million
Total allocated	134 million

Annual General Meeting

The date of the Annual General Meeting is scheduled for 25 May 2016.

Oslo, 31 December 2015 / 6 April 2016

Fred. Olsen Energy ASA

Anette S. Olsen
Chairman

Jan Peter Valheim

Cecilie B. Heuch

Øivin Fjeldstad

Agnar Gravdal

Ivar Brandvold
Chief Executive Officer

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 2015 (annual report 2015). Fred. Olsen Energy ASA's consolidated financial statements have been prepared in accordance with IFRS and IFRIC as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act, and should be used as of 31 December 2015. 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 2015. The Board of Directors' Report for the Group and the Company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian accounting standard no 16, as of 31 December 2015.

To the best of our knowledge:

- the consolidated and separate annual financial statements for 2015 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 2015 for the Group and the Company.
- the Board of Directors' report for the Group and the Company includes a true and fair review of
 - the development and performance of the business and the position of the Group and the Company.
 - the principal risks and uncertainties the Group and the Company face.

Oslo, 31 December 2015 / 6 April 2016

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 Income

For the year ended 31 December

Amounts in USD 000's	Note	2015	2014
Revenues	2, 17, 19	1 116 445	1 184 066
Materials		-2 188	-11 824
Salaries and other personnel costs	3, 17	-254 767	-318 691
Other operating expenses	4, 17	-222 475	-337 338
Operating profit before depreciation, amortisation and net financial expenses		637 015	516 213
Depreciation and amortisation	7	-354 108	-329 418
Impairment	7	-607 940	-42 702
Operating profit/(loss) before net financial expense		-325 033	144 093
Financial income		92 158	127 095
Financial expenses		-115 151	-122 611
Net financial expenses/income	5, 13, 17	-22 993	4 484
Profit/(loss) before tax		-348 026	148 577
Income tax expenses	6	-2 602	-30 228
Profit/(loss) for the year		-350 628	118 349
Attributable to:			
Equity holders of the parent		-350 881	117 350
Non-controlling interest		253	999
Profit/(loss) for the year	11	-350 628	118 349
Basic earnings per share	21	-5.30	1.77
Diluted earnings per share	21	-5.30	1.77

The notes represent an integral part of the consolidated financial statements.

Fred. Olsen Energy – Group

Consolidated Statement of Comprehensive Income

For the year ended 31 December

Amounts in USD 000's	Note	2015	2014
Profit/(loss) for the year		-350 628	118 349
<i>Items that will never be reclassified to statement of separate income</i>			
Actuarial losses on defined benefit pension plans	15	20 799	-19 378
Income tax relating to components of other comprehensive income	6	-7 209	2 802
<i>Items that are or may be reclassified to statement of separate income</i>			
Exchange differences on translation of foreign operations	11	-5 363	-8 130
Total comprehensive income/(loss) for the year		-342 401	93 643
Attributable to:			
Equity holders of the parent		-342 764	93 798
Non-controlling interests		363	-155
Total comprehensive income/(loss) for the year		-342 401	93 643

The notes represent an integral part of the consolidated financial statements.

Fred. Olsen Energy – Group

Consolidated Statement of Financial Position

For the year ended 31 December

Amounts in USD 000's	Note	2015	2014
Assets			
Property, plant and equipment	7	1 862 393	2 901 586
Intangible assets	8	11 190	13 262
Other non-current assets	15, 17	197	205
Deferred tax assets	9	22 712	31 237
Total non-current assets		1 896 492	2 946 290
Consumable spare parts		120 030	115 165
Prepayments, tax refunds and other current assets	7	207 712	31 085
Trade and other receivables	13, 17	135 097	172 657
Cash and cash equivalents	10	214 098	203 425
Total current assets		676 937	522 332
Total assets		2 573 429	3 468 622

The notes represent an integral part of the consolidated financial statements.

...continues on the next page

Consolidated Statement of Financial Position

For the year ended 31 December

Amounts in USD 000's	Note	2015	2014
Equity			
Share capital		193 290	193 290
Share premium		83 549	83 549
Translation reserves		1 512	6 875
Reserve for own shares		-1 215	-1 215
Retained earnings		688 392	1 025 430
Share of equity attributable to shareholders of the parent	11	965 528	1 307 929
Non-controlling interests		0	0
Total equity		965 528	1 307 929
Liabilities			
Interest-bearing loans and borrowings	12, 13, 17	1 002 088	1 359 937
Employee benefits	15	97 463	133 899
Financial instruments	13	2 833	5 100
Total non-current liabilities		1 102 384	1 498 936
Interest-bearing loans and borrowings	12, 13, 17	325 658	95 455
Trade and other payables	17	31 825	58 346
Financial instruments	13	17 659	7 510
Tax payable		6 597	15 219
Other accrued expenses and deferred revenue	7	123 778	485 227
Total current liabilities		505 517	661 757
Total liabilities		1 607 901	2 160 693
Total equity and liabilities		2 573 429	3 468 622

The notes represent an integral part of the consolidated financial statements.

Oslo, 31 December 2015 / 6 April 2016

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 Changes in Equity

Amounts in USD 000's	Share capital	Share premium	Translation reserves	Reserve for own shares	Retained earnings	Total	Non-controll. interests	Total equity
Balance at 1 January 2014	193 290	83 549	15 005	-1 215	1 146 285	1 436 914	0	1 436 914
Profit for the year	0	0	0	0	118 349	118 349	0	118 349
Other comprehensive loss for the period	0	0	-8 130	0	-16 576	-24 706	0	-24 706
Dividends	0	0	0	0	-222 628	-222 628	0	-222 628
Balance at 31 December 2014	193 290	83 549	6 875	-1 215	1 025 430	1 307 929	0	1 307 929
Balance at 1 January 2015	193 290	83 549	6 875	-1 215	1 025 430	1 307 929	0	1 307 929
Loss for the year	0	0	0	0	-350 628	-350 628		-350 628
Other comprehensive income/(loss) for the period	0	0	-5 363	0	13 590	8 227	0	8 227
Balance at 31 December 2015	193 290	83 549	1 512	-1 215	688 392	965 528	0	965 528

The notes represent an integral part of the consolidated financial statements.

See also note 11.

Consolidated Statement of Cash Flows

For the year ended 31 December

Amounts in USD 000's	Note	2015	2014
Cash flows from operating activities			
Profit/(loss) before income tax		-348 026	148 577
<i>Adjustment for:</i>			
Depreciation and amortisation	7	354 108	329 418
Impairment	7	607 940	42 702
Interest expense	5	55 072	47 045
(Gain)/loss on sale of property, plant and equipment		-61	208
Unrealised gain on financial instruments/debt		-44 237	-67 007
Changes in trade and other receivables		5 619	-10 791
Changes in trade and other payables		16 317	-1 274
Changes in other balance sheet items		-116	-20 818
Cash generated from operations		646 616	468 060
Interest paid		-46 860	-44 198
Income taxes paid		-19 468	-29 069
Net cash from operating activities		580 288	394 793
Cash flows from investing activities			
Purchases of property, plant and equipment		-474 259	-940 978
Proceeds from sale of equipment		184	314
Net cash used in investing activities		-474 075	-940 664
Cash flows from financing activities			
Proceeds from interest bearing loans		130 000	1 933 618
Repayments of interest bearing loans		-219 864	-1 183 200
Dividends paid	11	0	-222 628
Net cash (used in)/from financing activities		-89 864	527 790
Net increase/(decrease) in cash and cash equivalents		16 349	-18 081
Cash and cash equivalents at 1 January		203 425	222 086
Effect of exchange rate fluctuations on cash held		-5 676	-580
Cash and cash equivalents at 31 December	10	214 098	203 425

The notes represent an integral part of the consolidated 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 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the Board of Directors on 6 April 2016.

Basis of accounting

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 US Dollar (USD), rounded to the nearest thousand.

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). Subsidiaries are entities controlled by the Group. See note 22 for details of the subsidiaries.

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 USD, which is 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 USD 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 the 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 recognised 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.

Notes

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.

Trade and other payables

Trade and other payables are stated at cost.

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. Rigs and drillships under construction are accounted for using the percent of completion method and recognised if it is probable that the future economic benefits associated with the asset will flow to the entity and its cost can be measured reliably.

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 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. Any changes are accounted for prospectively as a change in accounting estimate. No decommissioning costs have been recorded to date, and the presence of any obligations is reviewed at each financial year end.

The estimated useful lives are as follows:

Rigs	20 to 25 years
Deepwater Drillships	25 years
Major components	5 to 15 years
Plant and Buildings	5 to 50 years
Machinery and Equipment	3 to 10 years

Repairs and maintenance

Costs for special renewal surveys 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*

Goodwill represents amounts arisen on the acquisition of subsidiary, and is the difference between the cost of the acquisition and the fair value of identifiable net asset acquired.

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

Research and development

Expenditures on research and development 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 equipment. A spare part is a consumable that is not depreciated, but expensed when used against repair and maintenance cost. A spare equipment is larger spare item that is recorded as a rig component and depreciated. Consumables are recorded at cost and are expensed when used.

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 analysed by reviewing dayrates and broker valuations. Another indicator of impairment we consider is if the carrying amount of net assets of the Group exceeds the Group's market capitalisation. 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 Drilling AS, representing the Group's North Sea activities on the Norwegian continental shelf. The discount rate used in the calculations is based on a risk-free, a market risk premium and other input factors used in the CAPM and WACC model.

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

Notes

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.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised in other comprehensive income (OCI).

The Company and certain of its subsidiaries have a defined contribution plan, where the employer makes contributions on a regular basis to the employees individual pension account. The benefits received by the employee are based on the employer contributions and gains or losses from investing the capital. Contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

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 expensed 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.

Cancellation fees are recognised as revenue on a monthly basis until end of contract.

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 in OCI, in which case it is recognised in OCI.

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 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 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.

Notes

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 has no dilutive potential ordinary shares outstanding.

New accounting policies

No new standards or amendments to standards were adopted that are effective for annual reporting periods beginning 1 January 2015.

IFRS 9 Financial Instruments

Replaces the existing guidance in IAS 39 and is effective for annual reporting on or after 1 January 2018. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

Replaces existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs and is effective for annual reporting on or after 1 January 2017. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16 Leases

Replaces existing guidance in IAS 17 Leases. IFRS 16 eliminates the current dual accounting model for leases and will establish a single, on-balance sheet accounting model for lessees that is similar to the current finance lease accounting under IAS 17. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

There have not been any other new IFRS standards or interpretations issued after the completion of the annual consolidated financial statements for the year ended 31 December 2015 that have a significant impact on the Group's financial reporting.

Accounting estimates and judgments

Estimates and judgments 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 the 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 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 or OMF rate. 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 of fair value 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 analysed by reviewing dayrates and broker valuations. Another indicator is where the carrying amount of net assets of the Group exceeds the Group's market capitalisation. 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 normally 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 dayrates, utilisations, length and amounts of cash flows. An impairment loss is recognised to the extent the carrying amount exceeds the recoverable amount.

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

Goodwill is tested by the Group for impairment annually, as of December 31, or when impairment indicators are triggered. 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 assumptions utilised in our impairment assessment for rigs 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, internal management reports are reviewed on a monthly basis.

Inter-segment pricing is determined on an arm's length basis. The inter-segment revenues in 2015 in engineering and fabrication are mainly related to the Class Renewal Survey for Byford Dolphin.

Operating segments

The Group comprises the following operating segments:

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

Operating segments

Amounts in USD 000's	Offshore drilling		Engineering and fabrication		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues from external customers	1 103 831	1 158 082	12 614	25 984	0	0	1 116 445	1 184 066
Inter-segment revenues	0	0	89 081	65 821	-89 081	-65 821	0	0
Total revenues	1 103 831	1 158 082	101 695	91 805	-89 081	-65 821	1 116 445	1 184 066
							0	0
Operating expenses	-470 203	-637 462	-95 423	-76 978	86 196	46 587	-479 430	-667 853
Segment result before depreciation, amortisation and impairment	633 628	520 620	6 272	14 827	-2 885	-19 234	637 015	516 213
Depreciation and amortisation	-350 866	-327 118	-3 242	-2 300	0	0	-354 108	-329 418
Impairment	-607 940	-42 702	0	0	0	0	-607 940	-42 702
Segment result	-325 178	150 800	3 030	12 527	-2 885	-19 234	-325 033	144 093
Net financing costs	-23 173	4 266	180	218	0	0	-22 993	4 484
Income tax expenses	-2 602	-30 228	0	0	0	0	-2 602	-30 228
Profit/(loss) for the period	-350 953	124 838	3 210	12 745	-2 885	-19 234	-350 628	118 349
Segments assets	2 520 242	3 405 739	53 522	65 738	-335	-2 855	2 573 429	3 468 622
Segments liabilities	1 554 411	2 092 652	53 825	70 896	-335	-2 855	1 607 901	2 160 693
Capital expenditures	400 883	796 346	2 076	4 365	0	0	402 959	800 711
Net cash from operating activities	582 032	402 665	1 141	11 362	-2 885	-19 234	580 288	394 793
Net cash used in investing activities	-474 884	-955 533	-2 076	-4 365	2 885	19 234	-474 075	-940 664
Net cash (used in)/from financing activities	-89 864	527 790	0	0	0	0	-89 864	527 790

Geographical information

	Europe		Asia		Americas		Africa		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenues from external customers ¹⁾	804 601	824 172	665	86	172 126	33 996	139 053	325 812	1 116 445	1 184 066
Capital expenditure	231 402	9 884	171 557	790 827	0	0	0	0	402 959	800 711

Of the total revenue in 2015, Norway and UK contributed 43% and 29% respectively (2014: 38% and 30%). Revenues from Colombia constituted 17% (2014: 0). ¹⁾

Revenues from Statoil in 2015 constituted 15% (2014: 14%) and revenues from Anadarko constituted 28% (2014: 28%).

Based on location of the entries Norway contributed 42% (2014: 39%), UK 39% (2014: 49%) and Singapore 12% (3%) of the total revenue.

An insurance payment of USD 26 million was received for the drilling rig Blackford Dolphin and is included as revenue in 2015.

¹⁾ Based on location of units. Revenues in Asia are of administrative nature.

Notes

Note 3 - Salaries and other personnel costs

Amounts in USD 000's	2015	2014
Salaries	202 096	247 123
Social security costs and employee taxes	34 317	35 672
Pension costs	22 963	30 597
Training	8 982	11 608
Temporary staff	59 800	30 391
Other	11 567	15 323
Capitalised personnel expenses	-84 958	-52 023
Total	254 767	318 691
Average number of employees	1 512	1 615
Number of employees at year end	1 335	1 595
Average man-labour year	1 856	1 860

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 USD 000's	2015	2014
Repairs and maintenance on offshore units	88 814	116 403
Recharged expenses	30 427	70 502
Rig overheads	26 116	56 859
Travel	23 625	29 758
General operating expenses	7 283	9 183
Insurance	10 789	13 062
Provision for bad debt	632	0
Professional and operational fees	13 834	15 409
Catering costs	17 303	21 431
Property rental expenses	3 652	4 484
Loss on sale of assets	0	247
Total	222 475	337 338

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

Amounts in USD 000's	2015	2014
Audit	618	963
Tax advisory services	84	86
Other assurance services	12	0
Other non-audit services	49	19
Total	763	1 068

Notes

Note 5 - Net financial expenses

Amounts in USD 000's	2015	2014
Financial income		
Interest income	1 401	2 634
Other financial income	494	0
Gain on financial instruments	510	1 254
Foreign exchange gain	89 753	123 207
Total	92 158	127 095
Financial expenses		
Interest expenses	40 554	41 611
Amortised borrowing cost	14 518	5 434
Loss on financial instruments	16 298	13 118
Other financial expenses	8 243	26 163
Foreign exchange loss	35 538	36 285
Total	115 151	122 611
Net financial expense	-22 993	4 484

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

Gain on financial instruments in 2015 includes unrealised gain related to an interest contract (2014: realised gain of USD 1.2 million related to currency contracts).

Loss on financial instruments in 2015 relates to realised loss on fixed interest contracts of USD 1.5 million (2014: USD 1.5 million) and loss on currency contracts of USD 14.8 million whereof USD 8.5 million were unrealised (2014: USD 11.6 million whereof USD 10.5 million were unrealised).

The interest expenses is net of capitalised interest costs of USD 5.6 million (2014: USD 8.6 million). The Group's weighted average interest rate on current borrowings of 3% has been applied for the calculation.

Amortised borrowing costs includes the borrowing cost of USD 8 million related to the funding of Bollsta Dolphin expensed in 2015.

Note 6 - Income tax expenses

Amounts in USD 000's	2015	2014
Current tax expenses	4 414	35 636
Deferred tax expenses/(benefits)	-1 812	-5 408
Total income tax expenses in income statement	2 602	30 228
Income tax relating to components of other comprehensive income	7 209	-2 802
Reconciliation of effective tax rate	2015	
Profit before tax		-348 026
Income tax using the domestic corporation tax rate	27.0 %	-93 967
Permanent differences	-0.9 %	3 148
Permanent differences due to currency effect in tax filings	17.2 %	-11 393
Effect of foreign subsidiaries	-34.2 %	119 053
Change in limitation of deferred tax assets related to tax loss carryforward	-9.9 %	-14 239
Effective tax rate	-0.7 %	2 602
Reconciliation of effective tax rate	2014	
Profit before tax		148 577
Income tax using the domestic corporation tax rate	27.0 %	40 116
Permanent differences	0.5 %	817
Permanent differences due to currency effect in tax filings	-49.5 %	-73 554
Effect of foreign subsidiaries	-10.8 %	-16 111
Change in limitation of deferred tax assets related to tax loss carryforward	53.1 %	78 960
Effective tax rate	20.3 %	30 228

Notes

Note 7 - Property, plant and equipment

Amounts in USD 000's	Rigs and drillships	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2014	3 789 555	99 098	20 955	3 909 608
Acquisitions	790 755	5 852	4 104	800 711
Disposals	-27 515	-1 589	0	-29 104
Effect of movements in foreign exchange	0	-7 678	-1 670	-9 348
Balance at 31 December 2014	4 552 795	95 683	23 389	4 671 867
Balance at 1 January 2015	4 552 795	95 683	23 389	4 671 867
Acquisitions	398 613	3 723	623	402 959
Disposals	-345 064	-1 544	0	-346 608
Reclassifications	-477 624	1 414	-1 414	-477 624
Effect of movements in foreign exchange	0	-6 209	-1 343	-7 552
Balance at 31 December 2015	4 128 720	93 067	21 255	4 243 042
Accumulated depreciation				
Balance at 1 January 2014	1 351 094	71 274	11 003	1 433 371
Depreciation charge for the year	321 846	7 007	565	329 418
Impairment charge for the year	42 702	0	0	42 702
Disposals	-27 517	-1 067	0	-28 584
Effect of movements in foreign exchange	0	-5 745	-881	-6 626
Balance at 31 December 2014	1 688 125	71 469	10 687	1 770 281
Balance at 1 January 2015	1 688 125	71 469	10 687	1 770 281
Depreciation charge for the year	346 641	5 810	1 657	354 108
Impairment charge for the year	607 940	0	0	607 940
Disposals	-345 076	-1 409	0	-346 485
Reclassifications	0	1 600	-1 600	0
Effect of movements in foreign exchange	0	-4 530	-665	-5 195
Balance at 31 December 2015	2 297 630	72 940	10 079	2 380 649
Carrying amounts				
At 1 January 2014	2 438 461	27 824	9 952	2 476 237
At 31 December 2014	2 864 670	24 214	12 702	2 901 586
At 1 January 2015	2 864 670	24 214	12 702	2 901 586
At 31 December 2015	1 831 090	20 127	11 176	1 862 393

In October 2015, Bollsta Dolphin Pte Ltd decided to exercise its contractual right to terminate the construction contract. As a result of the termination, the Group has removed USD 477.6 million from "Rigs and drillships" whereof the 1st instalment to the yard of USD 186 million is included in "Prepayments, tax refunds and other current assets" and the remaining has been offset against other accrued expenses as we previously accounted for the construction of Bollsta Dolphin using the percentage of completion method. See also note 18 for further information.

In million of USD

Balance at 1 January 2015	541
Acquisitions	33
Impairment	-91
Prepayments	-186
Accrued expenses	-291
Balance at 31 December 2015	6

Notes

Decommissioning costs

There is no decommissioning liability on the drillships 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, laid up in dry dock or scrapped. For a standard vessel, special dismantling 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 accounted for prospectively.

The most common method to estimate residual values for ships is to use scrap price that 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 drillships Bolette Dolphin and Belford Dolphin. The estimated residual value for Bolette Dolphin and Belford Dolphin as at 31 December 2015 is USD 10.6 million and USD 8.1 million respectively (2014: 12.7 million and USD 13.8 million).

Drilling rigs are considerably more complicated to scrap than ships and have far 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 for the drilling rigs.

Useful lives

The useful lives of the assets are reviewed at least at each year end. Management has reviewed each of the rigs by expected usage and considered the scheduled 5 years Class Renewal Surveys going forward.

Blackford Dolphin completed its Class Renewal Surveys and was upgraded for UK sector in July 2014. Bideford Dolphin completed its Class Renewal Survey in 2014 while Borgland Dolphin and Byford Dolphin completed their Class Renewal Surveys in first half of 2015.

Borgholm Dolphin, Bredford Dolphin (from January 2016) and Borgny Dolphin are currently cold stacked due to market conditions. Belford Dolphin has completed its Class Renewal Survey in 2015 and is currently in lay-up under a preservation program.

Bolette Dolphin, Blackford Dolphin, Bideford Dolphin, Borgland Dolphin are either new or substantially upgraded, and have longer expected useful lifetimes than the 2nd generation rigs. Due to the market conditions, the estimated remaining lifetime for Blackford Dolphin has been reduced by five years. Two more scheduled Class Renewal Surveys are assumed for Blackford Dolphin.

In million of USD	Estimates		Net book value	
	Remaining lifetime as at		as at 31 December	
	31 Dec 2015	31 Dec 2014	2015	2014
Belford Dolphin	10	11	172	190
Bideford Dolphin	8.5	10	144	179
Borgland Dolphin	9	10	221	231
Byford Dolphin	4.5	5	178	86
Borgny Dolphin	0	5	-	28
Borgsten Dolphin	2	3	46	65
Bredford Dolphin	6.5	7.5	37	164
Borgholm Dolphin	1.5	2.5	10	72
Blackford Dolphin	13.5	19	433	683
Bolette Dolphin	23	24	584	626
Equipment / Bollsta Dolphin in 2014			6	541
Total rigs and drillships			1 831	2 865

..the note continues on the next page

Notes

Impairment

An impairment loss of USD 607.9 million was recorded in 2015 (2014: 42.7). Impairment tests have been undertaken for all the units in the fleet. Our determination of the recoverable amount for each cash-generating unit (CGU) is based on value in use calculation by estimating future cashflows to be derived from continuing use of each CGU. The Group applied pre-tax discount rates in the range from 9.04% to 9.82% (2014: 8.12% to 9.86%) for the various units. The post tax discount rates varies from 8.52% up to 9.04% due to differences in effective tax rates for the units from 0% up to 14%. For 2014 the post tax rates was 8.12% for all the units. The following impairments have been recorded:

In million of USD	Year 2015	Discount rates	
		Post-tax	Pre-Tax
Blackford Dolphin	172.0	8.54%	9.82%
Bredford Dolphin	110.0	8.90%	9.40%
Byford Dolphin	98.0	9.04%	9.04%
Belford Dolphin	80.0	8.52%	9.53%
Borgholm Dolphin	41.0	9.04%	9.04%
Borgny Dolphin	15.5	N/A	N/A
Bollsta Dolphin	91.4	N/A	N/A
Total impairment	607.9		

The global market for floating oil and gas drilling units have been weaker during 2015 compared to the expectations as per 31 December 2014. There is a significant reduction in investments from the oil companies globally in combination with oversupply of newbuild ultradeepwater units. This has created an imbalance in the market for offshore drilling units with low tender activity for new drilling contracts. The market is expected to be weak in 2016 and 2017 but strengthen in 2018. This is reflected in the estimates of future cashflows for the units.

The net book value of the units represents the estimated recoverable amount of the assets that have been impaired.

Blackford Dolphin is working on a contract with Chevron, estimated to be completed early 2017. The estimated future dayrates and utilisation have been reduced since the previous year.

Bredford Dolphin is in lay-up from January 2016. The units' expected utilisation and dayrates has been reduced since the previous year.

Byford Dolphin is working under a contract with BP estimated to be completed during 3rd quarter 2016. During first half of 2015 the unit completed its Class Renewal Survey. The units' expected utilisation and day-rates has been reduced since the previous year.

Bollsta Dolphin; Bollsta Dolphin Pte Ltd. has cancelled the newbuild contract. The cancellation resulted in impairment related to cost not included in the turn-key contract with the yard. This includes attributable cost related to project team, other project cost, capitalized borrowing cost and owner furnished equipment. The remaining value still reported under Rigs and Drillships of USD 6 million represents the estimated value of equipment that will be used by other units.

Belford Dolphin worked under a four year contract with Anadarko estimated to be completed at the end of first quarter 2016. The client decided to cancel the contract for convenience with effect from 30th September 2015. The unit has undertaken its Class Renewal Survey in second half of 2015 and is currently preserved and in lay-up. The units' expected utilisation and dayrates has been reduced since the previous year.

Borgholm Dolphin is currently in lay-up. The units' expected utilisation and dayrates has been reduced.

Borgny Dolphin is cold stacked in lay-up. The Class Renewal Survey was due in September 2014 and prospects for the unit is continuously being considered including sale and scrapping. The value of the unit is written down to zero.

Sensitivity

An increase of 1% on the post tax discount rate would have increased the impairment by USD 13 million.

The estimated dayrates and utilisations are significant assumptions in the calculation. If the market assumptions deviate considerably, it will have a material impact on the impairments or reversals.

Commitments

Commitments related to investments are approximately USD 9 million as at 31 December 2015.

Notes

Note 8 - Intangible assets

Amounts in USD 000's	Goodwill
Balance at 1 January 2014	16 203
Effect of movements in foreign exchange	-2 941
Balance at 31 December 2014	13 262
Balance at 1 January 2015	13 262
Effect of movements in foreign exchange	-2 072
Balance at 31 December 2015	11 190

Goodwill

The intangible asset balance of USD 11 190 consists entirely of goodwill relating to Dolphin Drilling AS, included in the offshore drilling segment.

Impairment

The Group performs an impairment test of the goodwill in December of each year. A 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 Drilling AS. Fair value is not readily determinable.

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

- Projected cash flows for the rigs being operated by Dolphin Drilling AS are based on budgets and forecasts for 2016, including firm contract day rates and expected future dayrates less operating expenses and an annual growth rate of 2.0% for subsequent periods over the remaining useful lives of the rigs in Norway.
- A post-tax discount rate of 8.12% was applied in determining the recoverable amount of the unit. (pre-tax discount rate of 12.9%).

The recoverable amount of Dolphin Drilling AS was estimated to be higher than its carrying amount and no impairment was required.

Sensitivity

Projected cash flows could vary due to changes in assumptions for Dolphin Drilling AS, however an impairment would still not be expected to be incurred due to the estimated recoverable amount exceeding the CGU's carrying amount by 11%.

The post-tax discount rate has to increase by more than 2.8% to trigger an impairment. The estimated day rates and utilizations are significant assumptions in the calculation.

Notes

Note 9 - Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Amounts in USD 000's	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Property, plant and equipment	-3 212	-3 192	0	23	-3 212	-3 169
Provisions	-470	-202	0	0	-470	-202
Other items	-19 064	-27 921	34	55	-19 030	-27 866
Tax value of loss carry-forward recognised	0	0	0	0	0	0
Tax (assets)/liabilities	-22 746	-31 315	34	78	-22 712	-31 237
Set off ¹⁾	34	78	-34	-78	0	0
Net tax (assets)/liabilities	-22 712	-31 237	0	0	-22 712	-31 237

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 USD 000's	2015	2014
Deductible temporary differences	78 410	8 207
Tax losses	198 666	192 917
Total unrecognised deferred tax assets	277 076	201 124

As at 31 December 2015, approximately USD 185 million of the tax losses carried forward are available to offset the taxable income for subsidiaries in UK and USD 648 million for subsidiaries in Norway, in total USD 833 million in tax losses carried forward for the Group. These losses are not recorded as a deferred tax asset due to uncertainty of the level of the future suitable taxable profits in the respective taxable jurisdictions.

The tax losses carried forward have no expiry date.

Note 10 - Cash and cash equivalents

Amounts in USD 000's	2015	2014
Cash related to payroll tax withholdings	3 868	5 054
Other restricted cash	2 008	2 106
Total restricted cash	5 876	7 160
Unrestricted cash	208 222	196 265
Total cash and cash equivalents	214 098	203 425

Notes

Note 11 - Capital and reserves

Share capital and share premium

Par value per share	NOK 20
Number of shares authorized	73 363 651
Number of shares issued	66 694 229

Outstanding shares

	2015	2014
As at 31 December	66 264 129	66 264 129

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 2015 (unchanged from 2014).

Dividend

In 2014 the dividend payments were USD 222.6 (NOK 1 325.3 million). No dividend was paid in 2015.

Note 12 - Interest-bearing loans and borrowings

Amounts in USD 000's	Currency	Interest rate	Maturity	31.12.15		31.12.14	
				Nominal value	Balance	Nominal value	Balance
Bond loan	NOK	3M Nibor + 4.25%	2016	134 749	134 557	188 344	187 692
Bond loan	NOK	3M Nibor + 3.00%	2019	124 872	123 709	147 985	146 455
Fleet loan USD 1 450 million facility	USD	Libor + 2.30%	2020	1 084 546	1 069 480	1 150 000	1 121 245
Total interest bearing loans and borrowings				1 344 167	1 327 746	1 486 329	1 455 392
Current interest bearing loans and borrowings					325 658		95 455
Non-current interest bearing loans and borrowings					1 002 088		1 359 937
Total interest bearing loans and borrowings					1 327 746		1 455 392

Of the interest bearing debt of the Group at 31 December 2015, USD 1 085 million is denominated in US dollars (2014: USD 1 150 million), and USD 260 million is denominated in NOK (2014: USD 336 million).

Per 31 December 2015 USD 270 million is undrawn and available under the credit facility for general corporate purposes.

Note 13 - Financial risk management

Capital management

The Group's objective is to have a sound 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. According to the market situation and financial position of the Group, dividend has been paid until 2014. In 2014 the dividend was suspended due to the challenging offshore market. For the year 2015, there is not prosed any dividend payment due to the same rationale. The main focus of the Group is to preserve liquidity and to undertake initiatives in order to be in a best possible financial position.

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

The Company has the following financial covenants in its loan agreements:

- Net debt/EBITDA to be less than 4.5x
- Interest coverage to be higher than 2.5x
- Minimum free cash of USD 30-50 million

Furthermore, the Company has a minimum market value clause in addition to other covenants customary to syndicated bank loans.

The Group is in compliance with the covenants in all loan 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 hedging 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 2015 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 USD 000's	2015	2014
Loans and receivables	321 641	172 816
Cash and cash equivalents	214 098	203 425
Total	535 739	376 241

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

Amounts in USD 000's	2015	2014
Loans to employees ¹⁾	151	159
First instalment paid to HHI for Bollsta Dolphin	186 393	-
Customers	135 097	172 657
Total	321 641	172 816

¹⁾ Average interest rate for loans to employees was 2.7% in 2015 and 2.5% for 2014. Part of the amount contains rolling travel advances.

The ageing of trade receivables at the reporting date was:

	2015			2014		
	Nominal value	Provision	Balance	Nominal value	Provision	Balance
Not due	133 603	0	133 603	149 115	0	149 115
Overdue 0-30 days	2	0	2	10 126	0	10 126
Overdue 30-90 days	664	0	664	268	0	268
Overdue 90-180 days	0	0	0	0	0	0
Overdue 180-360 days	2 077	-1 249	828	0	0	0
Overdue > 360 days ¹⁾	3 728	-3 728	0	16 933	-3 785	13 148
Total	140 074	-4 977	135 097	176 442	-3 785	172 657

¹⁾ see note 18

Notes

Liquidity risk

In June 2014, the Group refinanced its main bank credit facility. The new facility of USD 2 billion has final maturity in 2020 with semi annual instalments of USD 95.5 million from July 2015. In fourth quarter 2015, USD 550 million of this facility was cancelled subsequent to the cancellation of the construction contract for Bollsta Dolphin.

One of the Group's bond loans, FOE04, matures in May 2016. 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. The following are the contractual maturities of financial liabilities including interest payments.

Amounts in USD 000's	Nominal value 31.12.15	Contractual cash flows	Due in				
			2016	2017	2018	2019	2020
FOE04 bond loan (NOK)	134 749	137 380	137 380	0	0	0	0
FOE05 bond loan (NOK)	124 872	141 297	5 195	5 195	5 195	125 712	0
Fleet loan (USD)	1 084 546	1 157 600	216 849	210 625	205 615	200 606	323 905
Total Interest bearing loans and borrowings	1 344 167	1 436 277	359 424	215 820	210 810	326 318	323 905

Amounts in USD 000's	Nominal value 31.12.14	Contractual cash flows	Due in					
			2015	2016	2017	2018	2019	2020
FOE04 bond loan (NOK)	188 344	203 578	11 188	192 390	0	0	0	0
FOE05 bond loan (NOK)	147 985	176 621	6 881	6 881	6 881	6 881	149 097	0
Fleet loan (USD)	1 150 000	1 246 245	123 365	214 001	209 169	204 336	199 504	295 870
Total Interest bearing loans and borrowings	1 486 329	1 626 444	141 434	413 272	216 050	211 217	348 601	295 870

Interest rate risk

The Group is exposed to fluctuations in interest rates for USD and NOK. During the last years, the Group has predominantly had a floating interest policy. As per 31 December 2015 approximately 4% of outstanding debt was at fixed rate. At 31 December 2015 the Group's USD denominated debt amounted to USD 1 085 million, while the NOK denominated debt amounted to NOK 2 287 million. The debt with floating interest rate is based on US Libor or Nibor plus a margin. USD 50 million is based on a fixed rate of 3.16% plus a margin, and was fixed for 10 years from 2009.

Realized loss of USD 1.5 million and unrealized gain of USD 0.5 million (2014: realized loss of USD 1.5 million) was recorded as net financial expense in 2015 related to fixed rate agreements. The mark-to-market value of the interest rate swaps are measured as the difference between the agreed fixed rate and the current market interest rate with the corresponding maturity as the remaining fixed rate maturity.

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 US Dollar (USD) and most of the subsidiaries use US dollar 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 2015, approximately 87% of revenues and 25% of operating expenses are in USD. In the longer term, parts of the USD/NOK exposure is neutralised due to a majority share of the Group's debt being denominated in USD. 81% of total debt is denominated in USD, while 19% is denominated in NOK.

At 31 December 2015, the Group had outstanding currency derivative contracts for forward sale of USD 46 million towards GBP and USD 115 million towards NOK.

The hedging is structured as convertible forwards as follows on an average basis:

Currency	Amount	Fwd rate	Knock in	Expiry
GBP/USD		Range	Range	
USD	46 000 000	1.51 - 1.57	1.29 - 1.40	01.2016 - 09.2016
USD/NOK				
USD	15 000 000	7.88 - 8.16		02.2016 - 05.2016
USD	5 000 000	8.69 - 9.05	9.7	08.2016
USD	95 000 000	7.05 - 7.64	8.16 - 8.63	05.2016

..the note continues on the next page

Notes

USD will be sold at spot between forward price and knock-out level. If the spot rate touches the knock-out level the contract becomes a standard forward contract at forward rate, similarly one will receive forward rate if the spot rate is less favourable than the forward rate.

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 2015 was USD 17.7 million recorded as current liabilities. (2014: USD 7.5 million recorded as current liabilities and USD 1.8 million as non-current liabilities). A loss of USD 14.8 million related to foreign exchange contracts was recorded in 2015 (2014: net loss of USD 10.3 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 2015 it is estimated that 1% incremental change in USD LIBOR and NIBOR is estimated to have an effect on the net result of approximately USD 10.8 million (2014: USD 12.3 million), taken into account the fixed rate portion of the net debt.

The Group is exposed to fluctuations in the interest rates. At the reporting date the following table shows the amounts of financial instruments with fixed and variable interest:

Amounts in USD 000's	2015	2014
Fixed rate instruments		
Financial liabilities	-50 000	-50 000
Variable rate instruments		
Bank deposits	214 098	203 425
Financial liabilities	-1 294 167	-1 436 329
Total variable rate instruments	-1 080 069	-1 232 904

Exchange rate sensitivity from operations

For the year 2015 a 10% increase in NOK versus USD would decrease the Group's EBITDA by USD 4 million while a 10% increase in GBP versus USD would decrease the EBITDA by USD 15 million.

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

At December 2015, 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 46 million which is sold against GBP and USD 115 million sold against NOK (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 USD	GBP/USD				USD/NOK			
	2015		2014		2015		2014	
% change in exchange rates	10%	-10%	10%	-10%	10%	-10%	10%	-10%
Through outstanding currency derivatives	2.8	-4.3	3.5	-4.2	-20.1	0.5	0.2	9.1
Through accounts payable	-0.3	0.3	-0.1	0.1	-0.1	0.1	-0.5	0.5
Through accounts receivable	-	-	-	-	5.8	-5.8	2.6	-2.6
Through currency deposit accounts	0.6	-0.6	0.3	-0.3	-	-	1.0	-1.2
Total impact in USD million	3.1	-4.6	3.7	-4.4	-14.4	-5.2	3.3	5.8

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 USD 000's	2015			2014		
	Carrying amount	Fair value	Level	Carrying amount	Fair value	Level
Assets carried at amortised cost						
Loans and receivables	321 641	321 641	1	172 816	172 816	1
Cash and cash equivalents	214 098	214 098	1	203 425	203 425	1
Total	535 739	535 739		376 241	376 241	

Notes

Amounts in USD 000's	2015			2014		
	Carrying amount	Fair value	Level	Carrying amount	Fair value	Level
Liabilities carried at fair value						
Non-current liabilities						
Interest rate swaps	2 833	2 833	2	3 311	3 311	2
Currency contracts				1 789	1 789	2
Current liabilities						
Currency contracts	17 659	17 659	2	7 510	7 510	2
Total	20 492	20 492		12 610	12 610	
Liabilities carried at amortised cost						
Secured bank loans	1 069 480	1 084 546	2	1 121 245	1 150 000	2
Bond loan	258 266	218 739	2	334 147	319 515	2
Trade and other payables	31 825	31 825	1	58 346	58 346	1
Total	1 359 571	1 335 110		1 513 738	1 527 861	

The gain or loss on re-measurement to fair value for the financial instruments stated at fair values is recognized in profit or loss.

The mark to market value on the interest swaps is derived from the interest rate difference between the fixed rate and the relevant market interest rate for the remaining maturity of the interest rate swap.

The fair value of the bond loan is calculated using the average of bid and ask prices in the secondary market. Due to the nature of the bank loan the fair value is considered equivalent to the nominal value. The carrying amounts are a reasonable approximation of the fair value of the receivables, cash, trade and other payables.

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.

Note 14 - Mortgages and guarantees

Amounts in USD 000's	2015	2014
Interest bearing debt	1 084 546	1 150 000
Other guarantees and liabilities	2 008	2 106
Total	1 086 554	1 152 106
The net book value of assets pledged as security:		
Rigs and drillships	1 814 767	2 295 941
Total	1 814 767	2 295 941

As a normal part of its operations, the Group has provided performance guarantees in relation to certain of its drilling contracts.

Note 15 - Employee benefits

Pension plans

Fred. Olsen Energy ASA including its subsidiaries Dolphin Drilling 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 2015 was 629 and the number of pensioners was 1 655, 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.

Characteristics of the plans:

Harland & Wolff Group Ltd's:

The pension scheme liabilities are spread mainly across the deferred and pensioner categories. The weighted average duration of the scheme's liabilities is 14 years. The scheme remains open to accrual for existing active members but is not open for new members. As of 31 December the active members are 48. Existing members (excluding Executive members) accrue an annual pension of 1/60th (to 1/30th depending on membership category) of final salary for each year of pensionable service, increasing in line with inflation while in payments. The scheme also provide 50% spouse's pension on the death of a member.

Norway:

Employees have the right to future pension benefits based on the number of contribution years and the salary level at the pensionable age. The retirement age is 67 years. The offshore personnel retire at the age of age 60. The pension funds are administered by pension funds legally separated from the Group.

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 up to 70% of their final year salary with early retirement at the age of 65. This is unfunded pension obligations. Fred. Olsen Energy ASA has defined benefit plan for its employees but this is not open for new members. New employees participate in a defined contribution plan.

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 defined contribution plans for year ended December 31, 2015 and 2014 were USD 3.1 million and USD 6.4 million respectively. The Company's contribution to Norwegian seamen pension was USD 2.0 million in 2015 and USD 1.7 million in 2014.

The status of the defined benefit obligations is as follows:

Amounts in USD 000's	2015	2014
Present value of unfunded obligations	13 083	14 992
Present value of funded obligations	321 678	388 401
Total present value of obligations	334 761	403 393
Plan assets at market value	237 298	269 494
Net liability for defined benefit obligations	-97 463	-133 899
Hereof unfunded pension plans	-13 083	-14 992
Hereof funded pension plans	-84 380	-118 907
Net liability for defined benefit obligations	-97 463	-133 899
Other investments	0	0
Employee benefits	-97 463	-133 899
Balance at 31 December	-97 463	-133 899

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

Amounts in USD 000's	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
Funded						
Balance at 1 January	-388 401	-376 849	269 494	266 666	-118 907	-110 183
Pension contribution	0	0	15 675	8 232	15 675	8 232
Benefits paid by the plan	14 319	13 766	-12 991	-13 139	1 328	627
Total	14 319	13 766	2 684	-4 907	17 003	8 859
<i>Included in profit or loss:</i>						
Interest	-12 185	-15 499	8 488	10 963	-3 697	-4 536
Current service cost	-14 384	-16 348	0	0	-14 384	-16 348
Settlements	5 314	0	-3 749		1 565	0
Net pension cost	-21 255	-31 847	4 739	10 963	-16 516	-20 884
<i>Included in other comprehensive income:</i>						
Actuarial gain/(loss) arising from:						
Demographic assumptions	0	0	0	0	0	0
Financial assumptions	32 557	-37 669	-19 381	20 573	13 176	-17 096
Experience adjustments	7 158	2 565	0	0	7 158	2 565
	39 715	-35 104	-19 381	20 573	20 334	-14 531
Foreign currency translation	33 944	41 633	-20 238	-23 801	13 706	17 832
Balance at 31 December	-321 678	-388 401	237 298	269 494	-84 380	-118 907
Hereof Harland & Wolff Group Ltd	-230 271	-261 299	183 832	203 799	-46 439	-57 500
Unfunded					2015	2014
Balance at 1 January					-14 992	-11 093
Benefits paid by the plan					325	259
<i>Included in profit or loss:</i>						
Current service costs					-997	-1 137
Interest on pension liability					-339	-417
Net pension cost					-1 336	-1 554
<i>Included in other comprehensive income:</i>						
Actuarial gain/(loss) arising from:						
Financial assumptions					325	-1 035
Experience adjustments					141	-3 812
					466	-4 847
Foreign currency translation					2 454	2 243
Balance at 31 December					-13 083	-14 992

Total expense recognised in the income statement for all defined benefit plans:

Amounts in USD 000's	2015	2014
Current service costs	15 381	17 485
Interest on obligations	12 524	15 916
Expected return of plan assets	-8 488	-10 963
Gain on settlements	-1 565	0
Net pension cost for defined benefit plans	17 852	22 438
Hereof Harland & Wolff Group Ltd	1 789	2 974

..the note continues on the next page

Notes

Major categories of plan assets

	2015	2014
Equity instruments	34 %	33 %
Corporate bonds	43 %	43 %
Government bonds	10 %	11 %
Annuities	9 %	9 %
Real estate	3 %	3 %
Cash	1 %	1 %
Plan assets	100 %	100 %

Approximately 98% of the equities and 84% of the bonds are quoted at bid prices. The annuities have been valued on a basis consistent with the valuation of the Scheme's liabilities. There are no investments in the Company or in property occupied by the Group.

Total present value of obligations

Amounts in USD 000's	2015	2014
Employees	110 311	149 279
Deferred	90 764	102 529
Pensioners	133 686	151 585
Total present value of obligations	334 761	403 393

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

	2015		2014	
	UK	Norway	UK	Norway
Assumed salary increases	2.8%	2.25%	2.9%	2.5% - 3.5%
Discount rates	3.7%	2.5%	3.5%	2.5%

Sensitivity:

Amounts in USD 000's	Increase in PBO ¹⁾
Future salary and pension increase with 0.25%	-4 820
Discount rate decrease by 0.25%	-15 409
Future mortality increase by 1 year	-10 362

¹⁾ Projected Benefit Obligation

Expected contributions to funded defined benefit plans in 2016 are USD 13.3 million. Expected payments of benefits for the unfunded plans are in 2016 estimated to be USD 0.4 million.

Risks:

The major risks for the defined benefit plans are interest rate risk, investment risk, inflation risk and longevity risk.

A potential risk for the Harland and Wolff Group PLC pension scheme may impact on the ability to meet the benefits payable and on the stability of future contributions. A recovery plan was put in place following the 31 December 2013 actuarial valuation to eliminate the deficit as calculated on the valuation assumptions. The recovery plan assumes that future experience will match the valuation assumptions. If future experience is unfavourable (for example investment returns are lower than expected) the deficit will take longer than the plan (December 2026) to clear unless the recovery plan is appropriately revised.

Notes

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 USD 000's	2015	2014
Less than one year	1 107	1 131
Between one and five years	2 323	2 868
More than five years	41 327	43 956
Total	44 757	47 955

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

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 51.92 % of the Group, and their subsidiaries and Fred. Olsen & Co. Revenues and purchases from such companies were as follows:

Amounts in USD 000's	2015	2014
Revenues		
Others	30	228
Total	30	228
Operating expense		
Others	327	618
Fred. Olsen & Co.	936	1 081
Total	1 263	1 699
Accounts receivables		
Other	50	26
Total	50	26
Accounts payable		
Fred. Olsen & Co.	39	98
Other	34	21
Total	73	119
Loan to employees		
Loan to senior management	67	73
Loan to employees	84	86
Total	151	159

Average interest rate for loans to employees was 2.7% for 2015 and 2.5% for 2014. Part of the amount contains rolling travel advances.

The loan to senior management has monthly settlements and is fully repaid in 4th quarter 2018.

..the note continues on the next page

Notes

The remunerations of Board of Directors and Senior Management were as follows:

Amounts in USD 000's	Board of Directors	
	2015	2014
Remuneration	135	173
Total	135	173

Amounts in USD 000's	Senior Management	
	2015	2014
Salary	2 265	2 743
Bonus	841	1 292
Pension costs	226	169
Other	229	405
Total	3 561	4 609

2015

Amounts in USD 000's	Board					Total
	remuneration	Salary	Bonus ¹⁾	Other	Pension	
Senior Management						
Ivar Brandvold, Chief Executive Officer	23	675	297	23	31	1 049
Hjalmar Krogseth Moe, Chief Financial Officer	12	284	130	22	24	472
Total parent company	35	959	427	45	55	1 521
Gunnar Koløen, Managing Director		293	71	91	108	563
Joakim Kleppe, Managing Director		296	143	21	19	479
Robert Cooper, Managing Director		332	47	37	-	416
Graeme Murray, Managing Director		385	153	-	44	582
Total	35	2 265	841	194	226	3 561
Board of Directors						
Anette S. Olsen	31					31
Øivin Fjeldstad	25					25
Jan Peter Valheim	25					25
Agnar Gravdahl	25					25
Cecilie B. Heuch	25					25
Stephen Knutzon	4					4
Total	135	0	0	0	0	135

Notes

2014

Amounts in USD 000's	Board					Total
	remuneration	Salary	Bonus ¹⁾	Other	Pension	
Senior Management						
Ivar Brandvold, Chief Executive Officer	23	837	419	72	37	1 388
Hjalmar Krogseth Moe, Chief Financial Officer	11	355	185	26	29	606
Total parent company	34	1 192	604	98	66	1 994
Per Johansson, Managing Director (until 31st July)		308	297	147	31	783
Gunnar Koløen, Managing Director (from 1st August)		132	-	55	3	190
Joakim Kleppe, Managing Director		374	230	27	24	655
Robert Cooper, Managing Director		327	-	36	-	363
Graeme Murray, Managing Director		410	161	8	45	624
Total	34	2 743	1 292	371	169	4 609
Board of Directors						
Anette S. Olsen	40					40
Øivin Fjeldstad	32					32
Jan Peter Valheim	32					32
Agnar Gravdahl	32					32
Cecilie B. Heuch	32					32
Stephen Knutzon	5					5
Total	173	0	0	0	0	173

The pension above reflect the contribution to the plans. Earned pension entitlement to Chief Executive Officer is for 2015 USD 0.4 million (2014: 0.4 million).

Senior Management consists of Group management (Chief Executive Officer and Chief Financial Officer) and the Managing Directors in the subsidiaries, a total of 5 employees.

The management has a management cash bonus scheme. The beneficiaries of the scheme are senior management and certain key personnel. Annual bonus awards under the scheme are maximised to one year's salary. ¹⁾ One third of the annual bonus award will be paid upon approval of the final accounts, while the remaining balance will be paid evenly over the subsequent two years. The scheme is subject to the Group achieving certain predefined financial criteria, including achieved budget goals and development of the Company's share price. The Group has not any share based remuneration scheme.

Guidelines for 2015

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 2015 has been in accordance with the statement presented at the Annual General Meeting in May 2015.

Note 18 - Contingencies

The Group is subject to various legal and tax claims arising in the normal course of business which the Group assesses on a regular basis.

Outstanding receivables from customers

As per 31 December 2015 the Group was involved in legal disputes with one specific customer with the original claims in dispute amounted to USD 18.3 million. The Group won the legal dispute, originally amounting to USD 14 million and received payment of USD 11 million as per 31 December 2015. USD 3 million is still outstanding and is made provision for. Furthermore there are outstanding dispute regarding interest calculation on the original disputed amount.

Outstanding issues from suppliers

As per 31 December 2015 a Group Company was involved in an arbitration process with Hyundai Heavy Industries Co. Ltd. for Bollsta Dolphin, under which the yard's primary claims amounted to USD 329 million and their alternative claims to USD 90 million. In this arbitration the yard is claiming that the Group Company's cancellation of the newbuilding contract in issue was wrongful. On this basis the yard has also claimed entitlement to retain a first instalment paid by the Group Company in 2012 in the amount of USD 186 million whilst the Group Company has demanded a refund of this instalment together with interest at a rate of five percent from the date of receipt of this instalment by the yard. The arbitration hearing is set to begin in August 2016. The Group has not made provisions for the arbitration process. See also note 7 for Property Plant and Equipment and note 23 for Subsequent events.

Furthermore, a Group Company was involved in a second arbitration process with a yard amounting to NOK 199 million. The disagreement is related to a number of claims related to variation orders under the contract with the yard. The Group is of the opinion that it is not probable that the yard will succeed with the arbitration and the Group has not made provisions for the arbitration process.

A Group Company is involved in a customs issue in one of the countries of operation. This is not expected to have an material effect on the accounts.

Note 19 - Uncompleted contracts

At 31 December 2015 the Group's engineering and fabrication division had uncompleted activities on various ship repair, manufacturing and offshore wind farm logistics base activities at Harland & Wolff.

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

Amounts in USD 000's	2015	2014
Contract revenue during the period, external	12 614	25 984
Contract revenue during the period, internal	89 081	65 821
Contract cost incurred plus recognised profit on uncompleted contracts	700	1 296
Less progress billings to date	-671	-956
Accrued / (deferred) revenue, net	29	340

Deferred revenue is included in the accompanying balance sheet under the following captions:

Amounts in USD 000's	2015	2014
Accounts receivable	29	340
Deferred revenue	0	0
Accrued / (deferred revenue), net	29	340

Notes

Note 20 - Shareholder information

Shareholders holding more than 1% of the shares at 31 December 2015 are as follows:

Shareholder	Percent of shares	Number of shares
Bonheur ASA	25.96 %	17 314 382
Ganger Rolf ASA	25.96 %	17 314 382
Euroclear Bank S.A./N.V.	5.70 %	3 803 124
Folketrygdfondet	2.72 %	1 816 732
Clearstream Banking S.A	2.42 %	1 616 272
Nordnet Bank AB	2.08 %	1 387 361
J.P. Morgan Chase Bank N.A. London	1.31 %	874 342
Swedbank Robur Småbolagsfond	1.28 %	857 000
Danske Bank AS	1.26 %	839 424
J.P. Morgan Chase Bank N.A. London	1.04 %	696 083
Others	30.27 %	20 175 127
Total	100.00 %	66 694 229

Shares owned directly by the Company's directors and senior management at 31 December 2015:

Name	Title	Shares
Anette S. Olsen	Chairman	100 ¹⁾
Øivin Fjeldstad	Director	4 220
Agnar Gravdal	Director	20 000

¹⁾ 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 USD 000's	2015	2014
Earnings for the purpose of basic earnings per share	-350 881	117 350
Effect of dilutive potential ordinary shares	0	0
Earnings for the purpose of diluted earnings per share	-350 881	117 350

Number of shares

In 1000's	2015	2014
Weighted average number of ordinary shares for the purposes of basic earnings per share	66 264	66 264
Effect of dilutive potential ordinary shares	0	0
Weighted average number of ordinary shares for the purposes of diluted earnings per share	66 264	66 264

Earnings per share

	2015	2014
Basic	-5.30	1.77
Diluted	-5.30	1.77

Note 22 - Subsidiaries

The ownership percentage in subsidiaries companies as of 31 December 2015 was as follows:

Company	Jurisdiction	Shareholding and voting shares
Dolphin Drilling AS	Norway	100.0 %
Dolphin International AS	Norway	100.0 %
Dolphin Finans 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 %
Bolette Dolphin Pte. Ltd.	Singapore	100.0 %
Bollsta Dolphin Pte. Ltd.	Singapore	100.0 %
Dolphin Drilling Personnel Pte. Ltd.	Singapore	100.0 %
Dolphin Drilling Ltd	Scotland	100.0 %
Dolphin Drilling Operations Ltd.	Scotland	100.0 %
Dolphin Drilling South Africa (Proprietary) Ltd.	South Africa	100.0 %
Perforadora Dolphin Mexicana	Mexico	100.0 %
Dolphin Drilling Perfuração Brasil Ltda	Brazil	100.0 %
Dolphin Brasil Ltda	Brazil	100.0 %
Dolphin Drilling Malta Ltd.	Malta	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 %
Compact Holdings (NI) Ltd	Northern Ireland	100.0 %
Compact Properties (NI) Ltd	Northern Ireland	100.0 %

Note 23 - Subsequent events

In the beginning of February 2016 the Bideford Dolphin was damaged by green sea during the storm "Tor". The unit has been inshore for repair at yard and was back on contract 4th March 2016.

In February 2016 Bollsta Dolphin Pte Ltd received HHI's quantification of their additional claim that Bollsta was not entitled to cancel the newbuilding contract. See note 18 for further details.

Fred. Olsen Energy ASA

Income Statement

For the years ended 31 December

Amounts in USD 000's	Note	2015	2014
Revenues	15	775	983
Gain on sale of property	7	21	13
Salaries and other personnel costs	3	-5 505	-6 115
Other operating expenses	4	-2 426	-3 350
Operating loss before depreciation and net financial income		-7 135	-8 469
Depreciation	7	-15	-928
Operating loss before financial income		-7 150	-9 397
Group contribution and dividend		489 360	116 496
Financial income		62 009	128 592
Impairment of investments	16	-302 514	0
Financial expenses		-108 107	-110 967
Net financial income	5	140 748	134 121
Profit before tax		133 598	124 724
Income tax expense	6	0	0
Profit for the year		133 598	124 724
Proposed allocations:			
To other equity		133 598	124 724
Total allocations		133 598	124 724

The notes represent an integral part of the financial statements.

Fred. Olsen Energy ASA

Balance Sheet

As at 31 December

Amounts in USD 000's	Note	2015	2014
Assets			
Property, plant and equipment	7	61	148
Investments in subsidiary companies	16	1 943 084	1 770 598
Other non-current assets	8, 15	16 564	42 356
Deferred tax assets	6	0	0
Total non-current assets		1 959 709	1 813 102
Other current assets		208	185
Trade and other receivables	9, 15	57 492	134 329
Cash and cash equivalents	10	70 687	56 374
Total current assets		128 387	190 888
Total assets		2 088 096	2 003 990
Equity			
Share capital		193 290	193 290
Treasury shares		-1 215	-1 215
Share premium		83 550	83 550
Other equity		332 186	197 850
Total equity	11	607 811	473 475
Liabilities			
Interest-bearing loans and borrowings	12	1 018 509	1 390 874
Other non-current liabilities	3	13 301	15 582
Currency derivatives	17	0	1 789
Total non-current liabilities		1 031 810	1 408 245
Interest-bearing loans and borrowings	12	325 658	95 455
Trade and other payables	13, 15	95 854	7 631
Currency derivatives	17	17 659	7 331
Other accrued expenses	14	9 304	11 853
Total current liabilities		448 475	122 270
Total liabilities		1 480 285	1 530 515
Total equity and liabilities		2 088 096	2 003 990

The notes represent an integral part of the financial statements.

Oslo, 31 December 2015 / 6 April 2016

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 USD 000's	2015	2014
Cash flows from operating activities		
Profit before income taxes	133 598	124 724
<i>Adjustment for:</i>		
Group contribution and dividend	-125 499	-32 610
Depreciation	15	928
Impairment of investments in subsidiaries	302 514	0
Interest expenses	69 096	34 930
Gain on sale of property, plant and equipment	-21	-13
Unrealised currency gain financial instruments	-44 052	-69 334
Changes in trade and other receivables	708	1 454
Changes in trade and other payables	10 144	6 293
Changes in other balance sheet items	-8 777	-30 778
Cash generated from operations	337 726	35 594
Interest paid	-48 162	-27 689
Net cash from operating activities	289 564	7 905
Cash flows from investing activities		
Net purchase of property, plant and equipment	93	-59
Investment in subsidiary	-290 000	-80
Net cash used to investing activities	-289 907	-139
Cash flows from financing activities		
Borrowing of interest bearing loans	130 000	242 607
Repayments of interest bearing loans	-219 864	0
Intercompany interest-bearing loans	104 520	-12 000
Dividend paid	0	-217 106
Net cash from financing activities	14 656	13 501
Net increase in cash and cash equivalents	14 313	21 268
Cash and cash equivalents at 1 January	56 374	35 106
Cash and cash equivalents at 31 December	70 687	56 374

The notes represent an integral part of the financial statements.

Fred. Olsen Energy ASA

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.

Fred. Olsen Energy ASA is a company being consolidated into the Bonheur group of companies. Bonheur ASA has prepared consolidated financial statement and have business address Fred. Olsensgt. 2, Oslo.

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

Note 2 - Summary of significant accounting policies

Reporting currency/Functional currency

The Company changed its functional currency from NOK to USD from 1st January 2014.

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

The cashflow statement is prepared in accordance with the indirect method.

Cash and cash equivalents includes 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 loss on interest rate derivatives are recognised on a current basis.

Forward exchange contracts

The Company may enter into forward currency contracts throughout the year to hedge 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 expenses.

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. Amendments have been issued to IAS 19, which change the measurement principles of expected return on plan assets and remove the accounting policy choice for recognition of actuarial gains and losses using the corridor mechanism.

Note 3 - Salaries and other personnel costs

Amounts in USD 000's	2015	2014
Salaries	2 798	2 513
Social security expenses	560	673
Pension costs	1 622	2 145
Travel expenses	438	453
Other	87	331
Total	5 505	6 115
Average man-labour year	16	15

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 2015 was 13. 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).

As of 1st June 2012 the defined benefit plan was closed for new members, and new employees are included in the defined contribution plan.

The Company has an extended pension plan agreement for CEO and Senior Management, in which the beneficiaries will receive up to 70% of their final year salary at early retirement at the age of 65.

..the note continues on the next page

Notes

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

Amounts in USD 000's	2015	2014
Projected benefit obligation	-16 742	-19 237
Plan assets at market value	3 441	3 656
Net pension liability	-13 301	-15 582

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

Amounts in USD 000's	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015	2014	2015	2014	2015	2014
Funded and unfunded						
Balance at 1 January	-19 237	-15 376	3 656	3 854	-15 581	-11 522
Pension contribution	0	0	290	290	290	290
Benefits paid by the plan	327	307	-40	-47	287	260
	327	307	250	243	577	550
<i>Included in profit or loss:</i>						
Interest	-436	-579	90	163	-346	-416
Current service cost	-1 257	-1 708	0	0	-1 257	-1 708
Net pension cost	-1 693	-2 287	90	163	-1 603	-2 124
<i>Included directly in equity:</i>						
Actuarial gain/(loss) arising from:						
Financial assumptions	520	-1 382	24	119	544	-1 263
Experience adjustments	194	-3 626	0	0	194	-3 626
	714	-5 008	24	119	738	-4 889
Foreign currency translation	3 147	3 127	-579	-723	2 568	2 403
Balance at 31 December	-16 742	-19 237	3 441	3 656	-13 301	-15 582

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

	2015	2014
Assumed salary increases	2.25 %	2.5 %
Discount rates	2.5 %	2.5 %
Expected rates of return on pension plan assets	2.5 %	2.5 %

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

Amounts in USD 000's	2015	2014
This period's earned pensions	1 252	1 708
Interest expense on pension liabilities	434	579
Earnings on pension funds	-90	-163
Net pension cost for defined benefit plans	1 596	2 124
Net pension cost for defined contribution plans	26	21
Actuarial gain / (loss) on defined benefit pension plans recorded in equity	738	-4 864
Accumulated actuarial gain / (loss) on defined benefit pension plans through equity	-6 920	-7 658

Social security cost of pension cost is included in the calculation from the actuary, and is expensed in net pension cost. Earned pension entitlement to Chief Executive Officer are for 2015 USD 0.4 million (2014: USD 0.4 million).

Notes

The following loans were outstanding to employees of the Company:

Amounts in USD 000's	2015	2014
Loan to non management employees	100	73
Loan to Chief Executive officer	44	74
Total	144	147

The loan comply with Company law requirements and are adequately secured, when required. The interest rate for the loan to Chief Executive officer are the State regulated interest rate. The loan will be repaid monthly, and in full within October 2018.

Note 4 - Other operating expenses

Amounts in USD 000's	2015	2014
General operating overheads	2 228	3 133
Property rental expenses	198	217
Total	2 426	3 350

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

Amounts in USD 000's	2015	2014
Audit fees	216	307
Tax advisory services	8	18
Other non-audit services	48	3
Total	272	328

Note 5 - Financial income and expenses

Amounts in USD 000's	2015	2014
Financial income		
Interest income	5 759	1 656
Group contribution and dividend	489 360	116 496
Other financial income	494	1 089
Foreign exchange gains	55 756	125 847
Total	551 369	245 088
Financial expense		
Interest expenses	69 096	34 930
Loss on foreign currency contracts	14 813	10 455
Other financial expenses	20 202	16 426
Impairment of investments in subsidiaries	302 514	0
Foreign exchange losses	3 996	49 156
Total	410 621	110 967
Net Financial income	140 748	134 121

The Board of Directors of the subsidiary Dolphin Drilling AS has proposed a Group contribution to Fred. Olsen Energy ASA of USD 42.8 million. The Board of Directors of the subsidiary Dolphin Finans AS has proposed a Group contribution to Fred. Olsen Energy ASA of USD 14.3 million. The company has through the year 2015 received dividend from the subsidiaries Dolphin International AS and Dolphin Finans AS of USD 419.8 million and USD 12.4 million respectively.

Interest income is related to return on cash and cash equivalents and loans to other companies in the Group. Interest expenses is primarily expenses related to bank loan and bond loan, and amortised borrowing costs. Other financial expenses is primarily guarantee fee to other companies in the Group.

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

Notes

Note 6 - Taxes

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

Amounts in USD 000's	2015	2014
Temporary difference	-23 451	267
Temporary difference related to investment i shares	-6 162	0
Losses carried forward	-445 544	-332 227
Limitation of deferred tax assets	475 157	331 960
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 USD 000's	2015	2014
Profit before income tax	133 598	124 724
Change in temporary differences	29 838	-8 585
Dividend/Group contribution without tax effect	-432 200	-93 273
Permanent differences	288 993	-4 867
Currency effects in tax filings	-185 433	-237 612
Basis taxes payable	-165 204	-219 613
Tax rate	27 %	27 %

Effective tax rate:

Amounts in USD 000's	2015	2014
Expected income tax expense according to statutory tax rate	36 071 27 %	33 675 27 %
Permanent differences	-38 666	-26 498
Effect of tax losses utilised / not recognised	2 595	-7 178
Income tax	0 0 %	-0 0 %

Note 7 - Property, plant and equipment

Amounts in USD 000's	2015	2014
Cost		
Balance at 1 January	4 930	5 188
Additions during the period	4	72
Disposals during the period	-317	-330
Balance at 31 December	4 617	4 930
Accumulated depreciation		
Balance at 1 January	4 782	4 184
Depreciation during the period	15	928
Disposals during the period	-241	-330
Balance at 31 December	4 556	4 782
Net book value at 31 December	61	148

Notes

Note 8 - Other non-current assets

Amounts in USD 000's	2015	2014
Capitalised borrowing costs	16 420	30 937
Long-term receivables (see note 15)	144	11 419
Total	16 564	42 356

Note 9 - Trade and other receivables

Amounts in USD 000's	2015	2014
Related parties (note 15)	57 492	134 329
Total	57 492	134 329

Note 10 - Cash and cash equivalents

Amounts in USD 000's	2015	2014
Payroll taxes	159	170
Total restricted cash	159	170
Unrestricted cash	70 528	56 204
Total cash and cash equivalents	70 687	56 374

Note 11 - Capital and reserves

Amounts in USD 000's	Share capital	Treasury shares	Share premium	Paid in other equity	Other equity	Total
Balance at 1 January 2014	193 290	-1 215	83 550	24 931	53 060	353 616
Net profit for the year	0	0	0	0	124 723	124 723
Actuarial loss on defined benefit pension plans	0	0	0	0	-4 864	-4 864
Balance at 31 December 2014	193 290	-1 215	83 550	24 931	172 919	473 475
Balance at 1 January 2015	193 290	-1 215	83 550	24 931	172 919	473 475
Net profit for the year	0	0	0	0	133 598	133 598
Actuarial gain on defined benefit pension plans	0	0	0	0	738	738
Balance at 31 December 2015	193 290	-1 215	83 550	24 931	307 255	607 811

Treasury shares

The Company has not purchased nor sold any own shares in 2015 and at 31 December 2015 the Company holds 430 100 of its own shares.

Par value

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

Note 12 - Interest-bearing loans and borrowing / Mortgages

Amounts in USD 000's	Nominal value 31.12.15	Contractual cash flows	Interest rate	Principal and interest payments				
				2016	2017	2018	2019	2020
FOE04 bond loan (NOK)	134 749	137 380	3M Nibor + 4.25%	137 380	0	0	0	0
FOE05 bond loan (NOK)	124 872	141 297	3M Nibor + 3.00%	5 195	5 195	5 195	125 712	0
Fleet loan (USD)	1 084 546	1 157 600	Libor + 2.30%	216 849	210 625	205 615	200 606	323 905
Total parent company facilities	1 344 167	1 436 277		359 424	215 820	210 810	326 318	323 905

Fair value of the bond loans see note 13 for the Group.

In May 2011 the Company completed a senior unsecured bond issue of NOK 1 400 million, with a coupon of 3 months NIBOR + 4.25%.

The maturity date for the bond loan is 12th of May 2016. The company has purchased NOK 213 million in its bond loan. The net outstanding after the purchases is NOK 1 187 million as per 31st December 2015.

The Company issued a new bond loan of NOK 1 100 million in February 2014. The bond was raised in the Norwegian bond market at a coupon of 3 months NIBOR + 3.00 %.

In June 2014 the Company signed a new six year bank credit facility of USD 2 000 million. USD 550 million of the facility was cancelled as a result of the construction contract of Bollsta Dolphin being terminated. USD 1 085 million is drawn under the credit facility and available lines were USD 270 million as per 31 of December 2015.

Mortgages:

Amounts in USD 000's	2015	2014
Interest bearing debt	1 084 546	1 150 000
Total	1 084 546	1 150 000
The net book value of assets pledged as security:		
Rigs and drillships	1 814 767	2 295 941
Total	1 814 767	2 295 941

Note 13 - Trade and other payables

Amounts in USD 000's	2015	2014
Trade	23	172
Related parties (note 15)	95 831	7 459
Total	95 854	7 631

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

Note 14 - Other accrued expenses

Amounts in USD 000's	2015	2014
Accrued wages	927	1 978
Accrued interest	8 316	9 138
Other	61	737
Total	9 304	11 853

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 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 51.92% of the shares in the Company, and their subsidiaries and Fred. Olsen & Co.

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

Amounts in USD 000's	2015	2014
Revenues		
Subsidiaries	775	983
Total	775	983
Operating expenses		
Subsidiaries	91	57
Other related parties	1 134	1 297
Total	1 225	1 354
Financial income		
Subsidiaries	494 916	117 993
Total	494 916	117 993
Financial expense		
Subsidiaries	20 920	7 912
Total	20 920	7 912

Revenues from subsidiaries are recharge of personnel expenses and administrative income. Financial income relates to dividend and Group contribution.

Amounts in USD 000's	2015	2014
Other non-current assets		
Subsidiaries	0	11 272
Other related parties	144	147
Total	144	11 419
Trade and other receivables		
Subsidiaries	57 492	134 329
Total	57 492	134 329

The balance relates primarily to Group contributions and loans to subsidiaries.

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.

Amounts in USD 000's	2015	2014
Trade and other payables		
Subsidiaries	95 783	7 338
Other related parties	48	121
Total	95 831	7 459

See note 5, 8, 9 and 13 for further information on transactions with related parties.

Note 16 - Shares in subsidiaries and other equity investments

Amounts in USD 000's Subsidiaries	Business Offices	% of holding & voting shares	Equity	Net profit (loss)	Historical cost	Impair- ment	Book value
Dolphin Drilling AS	Tananger, Norway	100 %	25 509	31 016	50 785	-11 000	39 785
Dolphin International AS	Oslo, Norway	100 %	1 905 544	-8 871	1 528 205	0	1 528 205
Dolphin Finans AS	Oslo, Norway	100 %	255 648	2 142	280 081	0	280 081
Atlan Shipping Co. Ltd.	Hamilton, Bermuda	100 %	-92	-38	9 514	-9 514	0
Dolphin Drilling Perfuracao Brasil Ltda	Macaee, Brazil	2 %	-8 058	-4 111	12	0	12
Dolphin Drilling Operations Ltd	Aberdeen, UK	100 %	85 386	-1	87 001	-2 000	85 001
Dolphin Drilling Ltd	Aberdeen, UK	55 %	21 287	-300 366	290 000	-280 000	10 000
Total			2 285 224		2 245 598	-302 514	1 943 084

Investments in subsidiaries are accounted for using the cost method. The Company has accounted for an investment of USD 290 million and an impairment of USD 302.5 million.

The Company has received USD 432.2 million as dividend from subsidiaries.

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 to 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 the Company's debt instruments. The Company had no interest derivatives at 31 December 2015 or 2014.

Foreign currency risk

At 31 December 2015, the Company had outstanding currency derivative contracts for forward sale of USD 46 million against GBP (2014: USD 43.5 million) and USD 115 million against NOK (2014: USD 85 million).

The hedging is structured as convertible forwards as follows on an average basis:

	Total outstanding	Avg. forward rate	Avg. knock in rate	Expiry dates
GBP/USD	46 000 000	1.51-1.57	1.29-1.40	January - September 2016
USD/NOK	15 000 000	7.88-8.16	Forwards	February - May 2016
USD/NOK	5 000 000	8.69-9.05	9.7	August 2016
USD/NOK	95 000 000	7.05-7.64	8.16-8.63	May 2016

USD will be sold at spot between forward price and knock-out level. If the spot rate touches the knock-out level the contract becomes a standard forward contract at forward rate, similarly one will receive forward rate if the spot rate is less favourable than the forward rate.

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 2015 USD 17.7 mill recorded as current liability.(2014: USD 1.8 million as long term liabilities and USD 7.3 as current liabilities). A net loss of USD 14.8 million related to foreign exchange contracts was recorded as financial expense in 2015 (2014: net loss of USD 10.5 million).

Auditor's Report



KPMG AS
P.O. Box 7000 Majorstuen
Sørkedalsveien 6
N-0306 Oslo

Telephone +47 04063
Fax +47 22 60 96 01
Enterprise 935 174 627 MVA
Internet www.kpmg.no

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Fred. Olsen Energy ASA, which comprise the financial statements of the parent company Fred. Olsen Energy ASA and the consolidated financial statements of Fred. Olsen Energy ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at 31 December 2015, the income statement and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements comprise the statement of financial position as at 31 December 2015, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Chief Executive Officer's Responsibility for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of the parent company financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and for the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Offices in:

Oslo	Hamar	Sjien	Trondheim
Afa	Haugesund	Sandefjord	Tvinset
Arendal	Kranvik	Sandnessjøen	Tromsø
Bergen	Kristiansand	Stavanger	Ålesund
Bode	Larvik	Stord	
Elverum	Mo i Rana	Straume	
Finnsnes	Moide	Tromsø	

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Auditor's Report



Independent auditor's report 2015

Fred. Olsen Energy ASA

Opinion on the separate financial statements

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 Fred. Olsen Energy ASA as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Fred. Olsen Energy ASA and its subsidiaries as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption and the proposal for the allocation of profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 6 April 2016

KPMG AS

Arve Gevoll

State Authorized Public Accountant

Corporate Governance

Implementation and reporting on Corporate Governance

High standards of Corporate Governance is a cornerstone of the Fred. Olsen Energy Group. A strong Corporate Governance framework provides the guide to our overall approach to business operations, dealings and providing services to customers and adding shareholder value.

The Board of Directors in Fred. Olsen Energy ASA continually develops and refines its Corporate Governance policy and strive to be in compliance with the Norwegian Code of Practice for Corporate Governance (NUES). The Corporate Governance is subject to an annual assessment by the Board of Directors. Corporate Governance instituted throughout our Company reflects the economy and industry we operate in.

The Corporate Governance chapter is structured in the same order as the Norwegian Code of Practice. In the Board of Directors Report, Fred. Olsen Energy ASA is required to report our Corporate Governance in accordance with the Norwegian Accounting Act section 3-3b. We refer to this in the Board of Directors report.

Business

According to the Articles of Association, the Company's purpose is to carry out 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 businesses. In carrying out their duties, assignments or appointments for the Company, all employees are expected to follow high standards of ethical and non-discriminating behaviour. The objectives of the Company, as defined in its articles of association, are to own or carry out industrial and other associated businesses, management of capital and other functions for the Group, and to participate in or acquire other businesses. The principal strategies of the Group are presented in the Annual Report. Each year, the Board of Directors evaluates the strategy, goals and guidelines of the Company through designated strategy processes. Information concerning the financial position and principal strategies of the Company, and any changes thereto is disclosed to the market in the context of the Company's quarterly reporting and in designated market presentations.

Equity and dividends

To the extent it is considered desirable the Company may raise new equity in the capital market to strengthen its business within the offshore segment. In this regard the Board of Directors received an authorization from the Annual General Meeting in 2015 to increase the share capital by 6 669 422 shares through an equity issue and to increase the share capital by an-

other 6 669 422 shares through convertible loans. This mandate expires at the next Annual General Meeting. When the General Meeting of shareholders considers whether or not to authorize the Board of Directors to carry out share capital increases for multiple purposes, each purpose must be considered separately by the meeting. At 31 December 2015, the consolidated equity is USD 966 million (USD 1 308 million in 2014), which is equivalent to 38% (38%) of total assets. The Board of Directors considers this satisfactory. The Company's need for financial strength is considered at any given time in the light of its objectives, strategy and risk profile.

The Annual General Meeting authorized the Board in 2015 to purchase up to 10% of the Company's own shares, pursuant to Sections 9-2 onwards of the Norwegian Public Limited Companies Act, in order to allow greater flexibility around managing the Company's capital structure. This mandate expires at the next Annual General Meeting. As at 31 December 2015 the Company held 430 100 shares of its own shares.

Dividends will be distributed subject to earnings, the Company's investment plans, financial strategy, market conditions 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. Due to the challenging offshore market and uncertainty of how long this will persist, the Board of Directors will not propose dividend at the Annual General Meeting in May 2016.

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. The Company's transactions in own shares will be carried out in the market at market price. All shares in the Company have equal rights and all shareholders have the right to participate in General Meetings.

There has not been any share capital increases in the Company since the listing in 1997 except conversion of the convertible bond loan FOE 02 in the period 2005 to 2008. In a case where the preemptive right of existing shareholders is waived in connection with a capital increase a stock notice with the reasoning behind the proposal will be issued to the Oslo Stock Exchange.

In connection with transactions that are not immaterial between the Company and related parties (see note 17), a competent Board of Directors consisting of Board members independent of the Company's main shareholders, Bonheur ASA and Ganger Rolf ASA, will deal with any such matters and avoid conflicts of

Corporate Governance

interest. In such cases the Board will ensure that an independent valuation is presented to the Board.

The Company has established routines to ensure that the Board is notified if Directors or management directly or indirectly have material interest in agreements entered into by the Company.

Freely negotiable shares

The Company has no restrictions on ownership and voting rights.

General Meetings

The Annual General Meeting (AGM) is normally held in May each year. Invitations together with all supporting documents and resolution proposals are sent to shareholders and will also be available on the Company's website 21 days prior to the AGM. The supporting documents must contain all the documentation necessary to enable the shareholders to decide on the matters to be decided. The registration to participate in the AGM is set as close to the AGM date as possible.

The auditor is present at the AGM. The Chairman for the AGM is elected at the AGM. One shareholder together with the Chairman will sign the minutes and approval of the Notice of the Meeting and the Agenda. It is intended for the Board of Directors to attend the general meeting.

Shareholders registered in the Norwegian Registry of Securities (VPS) can vote in person or by proxy. Shareholders who can not attend the meeting are urged to authorize a proxy, and the system facilitates the use of proxies on each individual item on the agenda. Shareholders, who are not able to attend the Annual General Meeting in person, may execute a proxy in the name of another person attending the meeting. Such proxy may be issued to the Chairman Anette S. Olsen, CEO Ivar Brandvold or any other person. If no name is stated the proxy will be considered given to the Chairman of the meeting.

The Annual General Meeting of shareholders elects individually the members to the Board of Directors, appoints the external auditor, determines the auditor's remuneration, approves the annual result and any dividend proposed by the Board of Directors and determines the remuneration to the Board of Directors. The summons and registration form are distributed to all shareholders according to the address list in VPS, at least 21 days before the Annual General Meeting.

Nomination committee

Fred. Olsen Energy ASA has for the time being no Nomination Committee. Due to the ownership structure of the Company, the Company has not considered it adequate to establish a Nomination Committee. The Board will appoint a Nomination Committee as a sub-committee of the Board on an ad hoc basis as and if required.

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 Annual General Meeting of the shareholders elects each member of the Board of Directors individually. The Board of Directors currently consists of five Board members who are elected for a two-year period. The Chairman of the Board is elected annually by the Board of Directors.

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 2015 the Board of Directors had ten meetings. Board members are elected based on need for expertise, capacity and ability to make balanced decisions in the best interests of the shareholders in general. The Board shall operate independently of any special interests and function effectively as a collegiate body in the best interests of the shareholders in general. Four Directors attended all Board meetings, while one Director was excused from one meeting. The Board of Directors are encouraged to own shares in the Company. 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 is in charge of the management of the stock listed companies Bonheur ASA and Ganger Rolf ASA, where Ms. Olsen holds the position as Managing Director. Ms. Olsen holds chairman and ordinary board positions with a number of companies, amongst others with Fred. Olsen Ocean Ltd., Fred. Olsen Renewables Ltd., Fred. Olsen Cruise Lines Ltd., Timex Corpora-

Corporate Governance

tion 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, independent of the main shareholders. 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 professional non-executive board director. Previously, he has been senior adviser to HSH Nordbank, Hamburg/Kiel. In the period 1993 – 98 he was Managing Director of DnB Luxembourg SA. He has also 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 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, independent of the main shareholders. Mr. Gravdal became a Director of the Board in May 2007. He is 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 holds positions within several boards, including chairman of the board in Sway AS and Lyse Produksjon AS and board member in 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.

Cecilie B. Heuch (b. 1965), Director, independent of the main shareholders. Ms. Heuch became a Director of the Board in 2007. She is presently Chief Human Resource Officer in DNV GL. 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 Institutd'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 became a Director of the Board in May 2007 after he resigned from the posi-

tion as Chief Financial Officer (CFO) of the Company and joined Fred. Olsen & Co. as CFO. Prior to joining Fred. Olsen Energy ASA in 2002, Mr. Valheim has 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, resident 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's annual plan for exercising good Corporate Governance. The Board has prepared special instructions for the CEO. 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. Part 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 recommends to the Board salary and benefits for the CEO and senior management as well as the management incentive schemes for the Group. Meetings of the Board of Directors are chaired by the Chairman of the Board. If the Chairman of the Board is absent, the Board must select a member to chair the meeting.

The Board evaluates its own work and work methods annually, and the evaluation forms the basis for adjustments and measures. In addition, the Board's competencies, overall and those of each Board member, are evaluated.

Risk management and internal control

Board of Directors holds responsibility that proper guidelines and internal control processes are instituted and operated. The Company's risk management, financial reporting and internal control procedures are reviewed by the Audit Committee in accordance with its charter. The risk management process of the Group is carried out in accordance with the Group's Risk Management Manual. The process ensures identification and treatment of all relevant risks in order to support the organiza-

Corporate Governance

tion in achieving defined corporate objectives, enable explicit consideration of risks in decision-making and maintain the risk exposure of the Group at an acceptable level. The operational risk management, financial reporting and internal controls are carried out within each subsidiary in accordance with the nature of the operations and the government legislation in the relevant jurisdiction. In addition, the Company carries out internal audits related to specific projects and to the ongoing business. Risk management related to foreign exchange, interest rate management and short-term investments is handled by the Company on behalf of itself and the subsidiaries, in accordance with listed authorizations, policies and procedures. The Company receives reports on the financial development of each business segment and subsidiary on a monthly basis. The Audit Committee will raise issues to the Board of Directors if deemed necessary and a review of the Group's risks is part of an annual review.

Remuneration of the Board of Directors

The Board's remuneration reflects the Board's responsibility, expertise, time commitment and the complexity of the Company. All Directors are remunerated with a fixed fee and the remuneration is not linked to the Group's bonus scheme and there is no option program for Directors. If any additional remuneration is given to Board members it will be specified in the annual report. The remuneration to the Board of Directors is fully disclosed in note 17. In 2015 none of the Board of directors have worked for the Company outside of their directorships.

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 (b. 1956), Chief Executive Officer. Mr. Brandvold joined the company in September 2009, and was appointed President and Chief Executive Officer as of November 2009. Before joining the company, Mr. Brandvold held the position as Chief Operating Officer of DNO International ASA. He previously has 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 (b. 1971), 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 holds a Master of Business and Economics from BI Norwegian School of Management. He is a Norwegian citizen and resides in Bærum, Norway.

Graeme Murray (b. 1968), Managing Director of Dolphin Drilling Limited since April 2011 and became Managing Director also for Dolphin Drilling AS from end of December 2015. Prior to his appointment Mr. Murray was General Counsel of Subsea 7 for 10 years. Beginning his career as a solicitor in private practice, Mr. Murray has also held legal positions with Halliburton and Coflexip Stena. A member of the Law Society of Scotland, Mr. Murray has an LLB degree and postgraduate Diploma in Legal Practice from Aberdeen University and is a Notary Public. Mr. Murray is UK citizen and resides in Aberdeen, Scotland.

Gunnar Koløen (b. 1978), Managing Director, Dolphin Drilling Pte Ltd. Mr. Koløen was appointed Managing Director of Dolphin Drilling Pte Ltd in July 2014. He first joined the Company in July 2011 as CFO for Dolphin Drilling Pte Ltd. He has previously held positions in the Awilco Offshore Group (later known as China Oilfield Services Limited), Gram Car Carriers and KPMG. Mr. Koløen holds a Master of Science degree in Finance from University of Strathclyde and qualified as a state authorised public accountant from Norway. Mr. Koløen is a Norwegian citizen, and resides in Singapore.

Robert J Cooper (b. 1952), 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 examinations he held a number of positions within the finance department. Mr. Cooper is a UK citizen and resides in Belfast, Northern Ireland.

Remuneration of the executive management

The Board has adopted guidelines for remuneration of executive management in accordance with section 6-16a of the Norwegian Public limited Liability Companies Act. These guidelines are communicated to the Annual General Meeting.

The Board's Compensation Committee present and recommends to the Board of Directors salary and benefits for the Chief

Executive Officer and leading personnel as well as management incentive schemes for the Group.

Management has had a cash bonus scheme since 2005. The beneficiaries of the scheme are the executive management and certain key personnel. Annual awards 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 40.

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 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. The remuneration of the auditor is stated in the Annual Report and approved by the general meeting of shareholders. The same firm of auditors should also as a general rule be appointed for all subsidiaries. The auditor should not perform any work for the Company which could lead to conflicts of interest. The Audit Committee is responsible for ensuring that the auditor's independent role is maintained and, on an annual basis, the auditor presents a review of the Company's internal control procedure to the committee. A summary annual audit plan shall be presented to the Audit Committee once a year. In accordance with the auditor's independence requirement, 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 control routines. The external auditor also takes part in the Board's discussions on the final annual financial statements. Both the Audit Committee and Board of Directors ensures that it is able to discuss relevant matters with the auditor without the presence of the management.

Corporate Social Responsibility Reporting

Introduction

The Corporate Strategy, Corporate Governance and the Code of Conduct Policy constitute the fundamental steering principles in the Group. Together these form the foundation of how we should act and operate in the Group as well as giving the priorities and the direction of the Group.

Supplementary to these principles are the Corporate Management Systems. Together, these define the roles and responsibilities within the organization and towards our stakeholders, including employees, customers, shareholders, regulatory and governmental bodies, financial institutions, vendors and the environment as well as local communities and countries where we operate.

Working environment

The Group has a strong focus on health, safety and environment (HSE) for its employees, subcontractors and customers, embedded in our zero accident objective. We are closely monitoring the established procedures for operations, projects and work sites both onshore and offshore. Continuous efforts involve planning, training of personnel and careful selection of subcontractors. The objective of zero accident applies to personnel injuries, harm to the environment and material damage.

The Total Recordable Incident (TRI) rate for offshore drilling and related services in 2015 was 6,95 per one million working hours, compared to 5,85 per one million working hours in 2014. TRI includes personnel injuries of the categories lost time incidents, medical treatment incidents and work restricted cases.

Furthermore, all incidents relating to personnel, environment and equipment with a high potential risk factor are recorded separately (defined as "high potential"). All injuries and damages are registered and the potential risk factors are determined based on a five by five risk matrix system. Two personnel injuries were categorized as high potential during the year. The incidents were squeezed hand on the drill. The other high potential incidents are damages to equipment and certain falling objects during work operations. Incidents could have a potential for more serious damages or consequences and therefore co-operation and experience transfer between the operational regions have been systemized and improved by regular network meetings within each discipline and on top management level. HSE results are measured and benchmarked continuously in order to improve performance and to react proactively to negative trends.

To meet our zero accident objective on a long-term basis five areas of continuous improvement have been established. These can be summarized as follows:

- Adherence to the Management Systems; follow rules and procedures
- Observation techniques on site; including pictures and documented observations
- Red zone areas on the units; restricted zones for personnel entry
- Zip card reporting; reporting of incidents and actions for improvement
- Avoid falling objects; procedures related to preventing falling objects

When negative trends are observed or any rigs are underperforming on their KPIs, corrective actions are taken. We had an increasing trend on falling objects on the rigs. The negative trend turned and has improved over the last half of 2015. The TRI level has increased somewhat in 2015. The proactive risk awareness reporting level have improved in general on the rigs in 2015. Some rigs have doubled the number of the proactive reports in 2015.

Whenever an incident has occurred, investigations are carried out in order to understand the underlying causes and corrective actions are taken to improve. The implementation of mandatory last minute risk assessment and debrief prior to and after each work task have improved the planning process and the lesson learnt process.

Leadership training for offshore personnel has continued in 2015 with further focus on leadership and risk assessments. All the drilling rigs have implemented the red zone on drill floor.

The Group has performed several HSE activities in 2015 in order to continuously improve the HSE performance and culture. Special focus in 2015 has been focus on improving procedures in the management system, implementation of the red zone on drillfloor and training in the new management system. The management systems in the Group govern both HSE, onshore and operational related activities. HSE goals and key performance indicators (KPI) have been developed for 2016. The KPIs cover areas such as personnel injuries, emissions to the environment and damages to equipment. The goals and the KPIs have been developed and agreed with a high degree of workforce involve-

Corporate Social Responsibility Reporting

ment in order to achieve ownership and follow up. 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. Findings from audits are presented to relevant top management and to the department in question and corrective actions are taken. The internal audit plan is comprehensive and monthly status and updates are performed.

Sick leave was 3,59% in 2015 versus 4,58% in 2014. The Group continues to focus on reducing sick leave. We have training programs for employees with the aim of preventing sick leave, focusing for example on leaders responsibilities and their role in sick-leave follow-up work.

Equality

The Group aims to be a workplace with equal opportunities, offering challenging and motivating jobs to all personnel, regardless of gender. The composition of genders within the Group reflects the available recruitment base for offshore work, which traditionally has a higher proportion of men, being the nature of the offshore industry worldwide. For onshore operations, there are 24% women. There are no particular initiatives to attract or retain either female or male employees.

Two out of five members of the Board of Directors are women, including the Chairman of the Board. At year-end 2015 the Group had 1 335 employees. 11% of the employees are women and 7% of leading onshore personnel within the Group are women.

Discrimination

The Group aims to be a workplace with equal opportunities, offering challenging and motivating jobs to all personnel, regardless of nationality, culture, religion or gender. It is the Group's Code of Conduct Policy to conduct business in accordance with the letter and spirit of the law and with the overriding ethical standards of good business conduct including non-discriminating behaviour. The Group does not accept any form of discrimination or harassment e.g. based on race, color, religion, gender, age or disability.

The composition of nationalities reflects the available recruitment base for the offshore drilling industry. Per year-end 2015, there were more than 20 nationalities working for the Group. There are to a large extent local management teams in the foreign subsidiaries and as some of the well as local Managing Directors.

Environment

The Group's operations involve activities that entail potential risks to the external environment, with the main risks being emissions to air and discharges to sea.

One of the corporate focus areas going forward includes technical solutions and environmental initiatives with the aim to reduce the environmental impact of our business activities.

The Group is careful in its approach to the environment and discharges to sea are continuously monitored and reported. The Group strives to reduce the use of hazardous chemicals and materials through established routines and procedures and seeks alternative products to safeguard the environment.

The CO₂ emissions are continuously monitored and reported. The Group is consumer of different types of fuel oil in our operations. This is primarily for operations of the rigs, but also for travelling as well as heating of office buildings. The emission of CO₂ amounted to 148,859 metric tons in 2015, compared to 140,899 metric tons in 2014. The fuel consumption amounted to 53,383 metric tons in 2015 versus 50,578 in 2014.

The international rigs in the Group are ISO 9000-14 001 certified. The Norwegian rigs are in process of being certified to the same standards. Furthermore, the Group will during 2016 continue to evaluate measures that can be undertaken in order to further reduce the environmental impact from our operations.

Corporate Social Responsibility

The Corporate Strategy and Code of Conduct Policy constitute the foundation in managing our Corporate Social Responsibility as a Group. The Code of Conduct Policy is distributed to our main suppliers and relations as well as to all employees. The principles is emphasized regularly when representatives from the Senior Management have review meetings with management teams and employees.

The Corporate Strategy emphasizes the respect for human rights and ethical behaviour including the zero tolerance for corruption. In addition, compliance with the UK Bribery Act is managed through a separate Ethics and Bribery Procedure. All employees may be part of a union. There are no specific policy regarding human rights, however this is treated in the Code of Conduct.

Corporate Social Responsibility Reporting

The Group has a zero tolerance for corruption related to any parts of our business. The Code of Conduct Policy and Ethics and Bribery Procedure, underline that any form of corruption or bribery is strictly prohibited. This includes any type of undue payments made to influence someone conducting their duties. There shall be full transparency and all transactions shall be backed by invoices. Use of intermediaries is based on the internal procurement procedures in the Group. It is emphasized that all contracts with intermediaries shall include a contract clause stating that any corruptive actions or unethical behaviour is prohibited while representing any company within the Fred. Olsen Energy Group. Specific training regarding UK Bribery Act

has been carried out within the organization and towards sub-contractors. Furthermore, there are internal audit plans that are carried out on a yearly basis, of which some of the scope covers bribery and corruption.

There are clear and strict guidelines with regard to gifts received by any member of the Fred. Olsen Energy Group as well as for those offered by any Group member.

Initiatives in 2016 will be to continue to further enhance the knowledge of the Code of Conduct Policy, by introducing this through the new e-learning system.



Fred. Olsen Energy ASA

Enterprise number: 977 388 287
Fred. Olsens gate 2
N-0152 Oslo, Norway
Telephone: +47 22 34 10 00
Fax: +47 22 41 18 40
E-mail: adm@fredolsen-energy.no
www.fredolsen-energy.com

Ivar Brandvold,
Chief Executive Officer

Hjalmar Krogseth Moe,
Chief Financial Officer

Dolphin Drilling AS

Enterprise number: 920 473 210
Plattformveien 5
N-4056 Tananger, Norway
Telephone: + 47 51 69 43 00
Fax: + 47 51 69 61 56
www.dolphindrilling.no

Graeme Murray,
Managing Director

Dolphin Drilling Ltd.

UK Registration number: 1017560
Howe Moss Dr, Kirkhill Industr. Est.
Dyce, Aberdeen AB21 0GL, Scotland
Telephone: +44 1224 411 411
Fax: +44 1224 411 482
E-mail: marketing@dolphin-doc.no
www.dolphindrilling.no

Graeme Murray,
Managing Director

Dolphin Drilling Pte. Ltd.

Enterprise number: 200303833E
One Temasek Avenue
#36-02 Millenia Tower
Singapore 039192
Telephone: +65 6305 4710
Fax: +65 6305 4711
E-mail:
reception.singapore@dolphindrilling.com.sg
www.dolphindrilling.com.sg

Gunnar Kolbøen,
Managing Director

Harland and Wolff Group Plc.

UK Registration number: NI 38422
Queen's Island, Belfast BT3 9DU
Northern Ireland
Telephone: +44 2890 458 456
Fax: +44 2890 458 515
E-mail: sales@harland-wolff.com
www.harland-wolff.com

Robert Cooper,
Managing Director

Annual Report 2015