Presentation to bondholders

January 2017

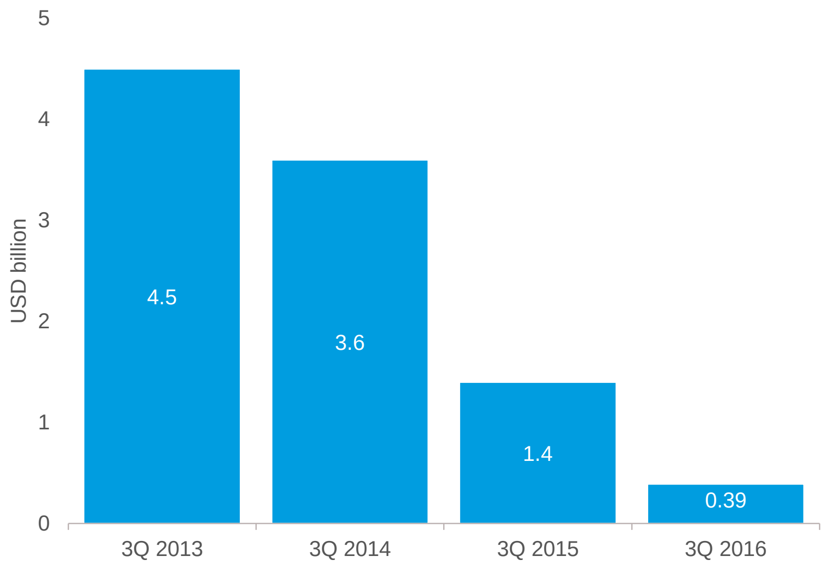
Fred. Olsen Energy ASA

Executive summary

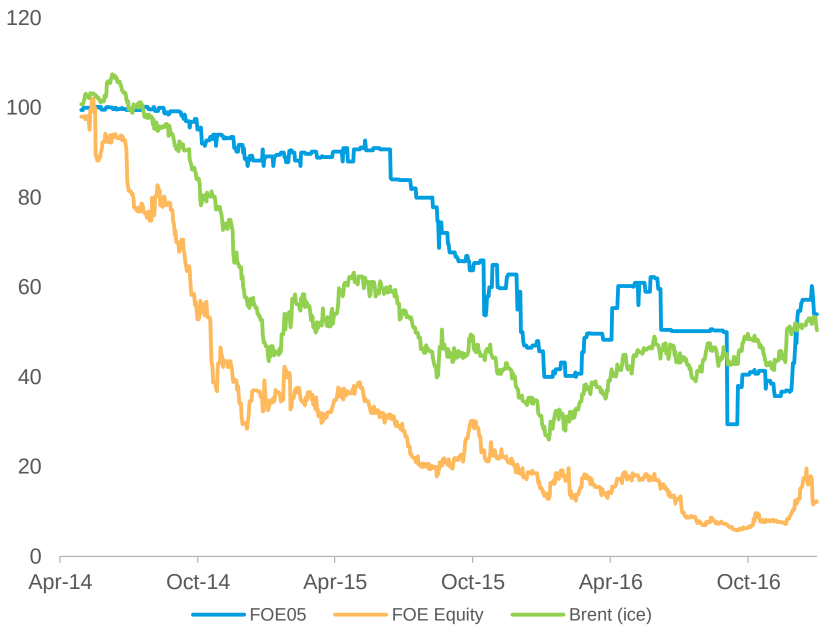
- With the weak offshore drilling market as background, Fred. Olsen Energy ("FOE") intends to temporarily waive certain covenants in our bank and bond agreements for a period up to 30 June 2018
- The intention is to provide the company operational and financial flexibility and preserve optionality for all stakeholders
- We have a strong cash balance of USD 391 million as of Q3 2016, very limited investments in the near term and have been successful in cutting onshore and offshore cost
- In our opinion, our assets will be in demand when the midwater market recovers
- A NOK 75 million pro rata partial repayment is offered to bondholders, which is the maximum agreed amount under the bank debt amendments
- Without receiving the covenant waivers, and without near-term contract awards, Fred. Olsen Energy could be in a covenant breach during the second half of 2017
- The contemplated amendments will provide Fred. Olsen Energy with time to pursue new contracts when the midwater market improves, while providing additional time to further develop and optimise our financing structure

The offshore rig industry is facing a deep and long downturn

FOE contract backlog development



FOE bond & equity trading performance*



- The prolonged weak oil price environment has prompted E&P companies to scale back investment programmes
- Drilling activity and utilization remains low
- Unfavourable capital market sentiment – new capital not obtainable for FOE without new contract awards

Source: Oslo Børs, Bloomberg, Company data, * Rebased to bond price as of January 10th, 2017

Fred. Olsen Energy has adapted to the market situation

Repaid FOE04 in full and cut dividends	■ FOE04 (NOK 1,400 million) repaid in May 2016 ■ No dividends paid since 2014
Aggressive cost-cutting	■ Fred. Olsen Energy has prepared its organisation for a market downturn since 2014 ■ Successful cost reductions both onshore and offshore ■ Lay-up costs reduced significantly to USD 3,000 – 10,000 per day
Limited investments	■ Newbuilding and class renewal programme completed ■ Fred. Olsen Energy will not initiate any additional class surveys without favourable contracts ■ Preservation of units and drilling equipment in layup will minimise reactivation time and cost
Retrieved Bollsta claim	■ Bollsta claim with HHI resolved efficiently and with a favourable outcome out of court ■ Settlement of USD 176.4 million received in Q3 2016

Rationale for an 18 month covenant waiver request

1 — Provide near-term visibility and reduce financial uncertainty

- Fred. Olsen Energy has a strong cash position – but credit metrics and covenants will come under pressure during H2 2017
- Removal of minimum value clause to avoid risk of potential near-term covenant breach and potential substantial cash outlay if broker valuations are further reduced
- The Bolette contract with Anadarko provides substantial free cash flow

2 — Enable FOE to take advantage of contract opportunities and continue to optimise financing structure

- FOE sees increased tendering activity in the midwater segment over the next 12-18 months which may enhance the company's debt service ability
- Clear ambition to further develop and optimise the capital structure when market visibility improves and the capital markets allows

3 — Avoid a value-destructive restructuring process in the current market conditions

- There are limited buyers of distressed drilling units – and at levels well below the secured debt levels
- Clear ambition to repay FOE05 over time – but need to maintain operational optionality through the downturn
- All stakeholders benefit from maintaining operations

A covenant waiver will provide FOE with operational and financial flexibility throughout the waiver period

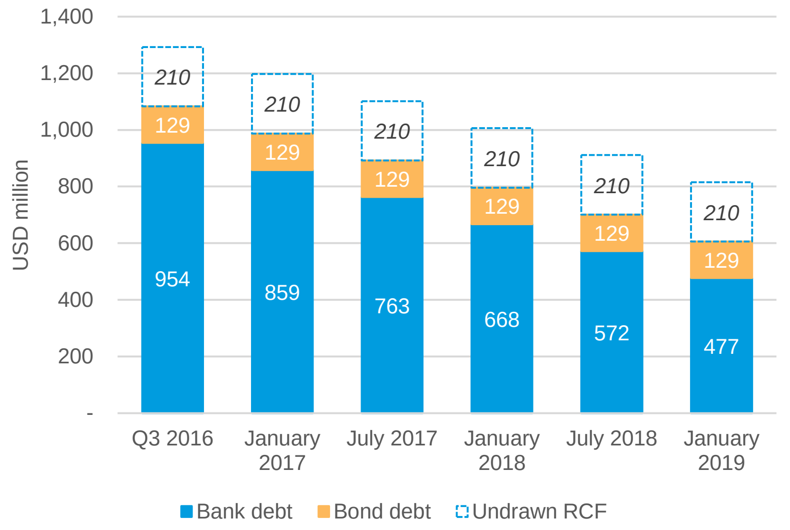
Main principles for the amendment request

- When preparing the amendment request, Fred. Olsen Energy has focused on:

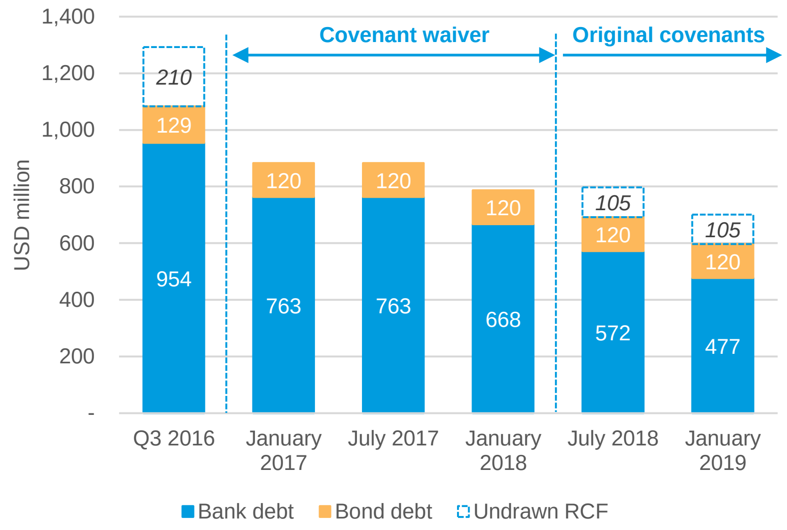
1. Alignment and adjustment of financial covenants to reduce near-term uncertainty for all stakeholders and avoid a value-destructive restructuring – original covenants to be reinstated well before maturity of FOE05
2. New restrictions on dividends to secure the interests of all creditors
3. Maintaining a liquidity buffer to withstand a challenging market in the short to medium term
4. Fair treatment of creditors in accordance with structural position:
   - Prepayment of bank debt will not change bondholders' position at maturity
   - NOK 75m pro rata partial repayment offered to bondholders, which is the maximum agreed amount under the bank debt amendments

Effects of amendments on debt profile

Old debt profile



New debt profile



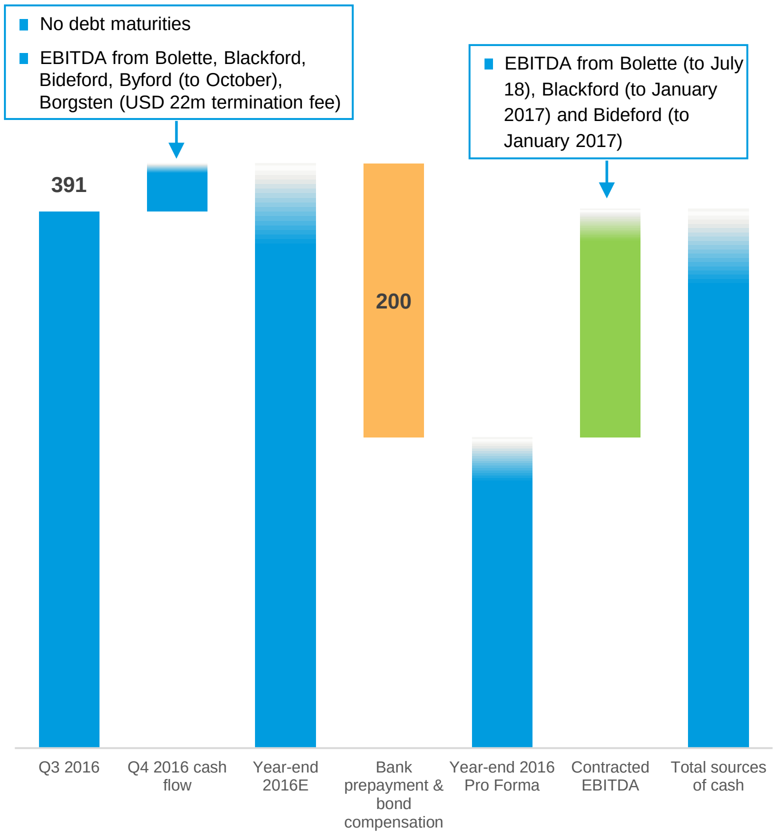
The effect of the new maturity profile will be:

1. Bank debt outstanding in February 2019 will be <u>unchanged</u>
2. Bond debt outstanding in February 2019 will be <u>reduced</u> (following the partial redemption)
3. Drawdown of undrawn facilities will be <u>limited</u> to USD 105m maximum

Assuming USD/NOK of 8.5

The amendments will provide time to pursue new employment

Sources of cash (USD million)
Based on market expectations



Source: Consensus estimates

Commentary

- Q3 cash balance of USD 391 million – the market expects positive Q4 2016 cash flow driven by current contracts and no debt maturities
- Contracted cash flow going forward from:
  - Bolette Dolphin (to July 2018) – USD 419,000 (through Q2 2017) / 488,000 (from Q3 2017) per day
  - Blackford Dolphin (to January 2017), USD 428,000 per day
  - Bideford Dolphin (to January 2017), USD 301,000 plus NOK 1,048,000 per day
- No 2017 bank debt amortisation (post prepayment)
- Very limited investment requirements
- Aggressive onshore and offshore reduction of expenses
- Lay-up costs across fleet expected in the range of USD 10,000 per day for ready stacked units and USD 3,000 per day for cold-stacked units
- Additional debt service potential from additional contract inflow over the next 12-18 months:

Illustrative effect of new contracts			
Dayrate (USD per day)	150,000	175,000	200,000
Utilisation (%)	96%	96%	96%
Opex (USD per day)	135,000	135,000	135,000

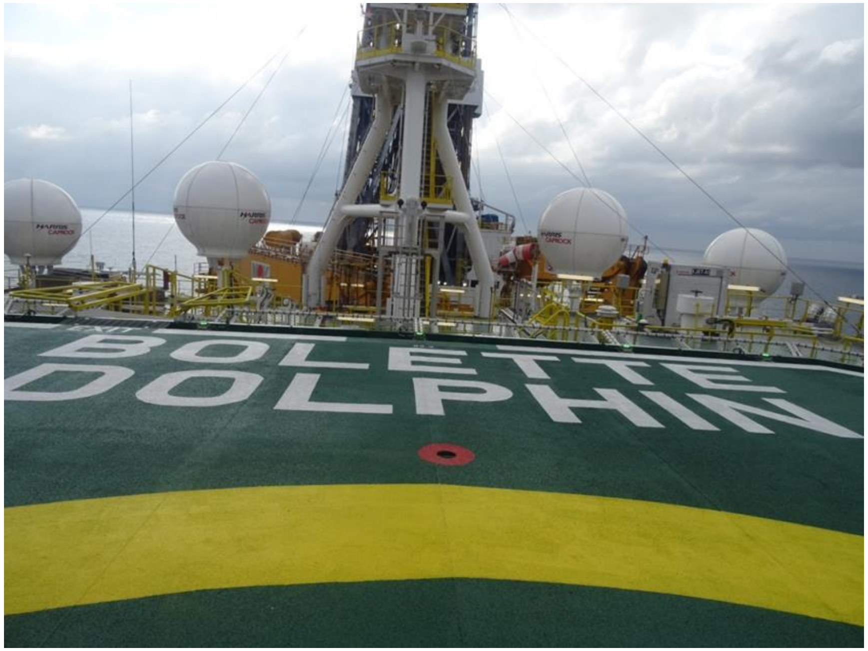
EBITDA (annualised), USD million			
1 contract	3	12	21
2 contracts	7	24	42
3 contracts	10	36	62

Summary

- By implementing the proposed covenant waivers, FOE will be able to pursue additional contracts when the midwater segment improves
- The proposal is a first step towards a refinancing of FOE05 while avoiding a value-destructive restructuring at this stage
- All stakeholders benefit from maintaining optionality in a going concern basis
- Fred. Olsen Energy will continue to further develop and improve our financing structure
- The bank debt amortisation schedule will be back on its original schedule in 2018
- Clear intention to pursue a refinancing in 2018 or earlier pending market conditions

APPENDIX

- **SETTING THE SCENE**
- ENERGY- AND OIL MARKET
- RIG MARKET
- THE COMPANY



Setting the scene

- In the midst of a very challenging market development
- Continuous adjustment since 2014 to market reality
- Strong cash discipline and continued cost reductions
- Preparing for a challenging 2017
- In the longer term
  - Secure the company's position in the market
  - Actively pursuing contract opportunities
  - For units coming off contract; preservation of the equipment and the units in order to minimize reactivation time and cost
  - Fred. Olsen Energy units well positioned in a recovering market

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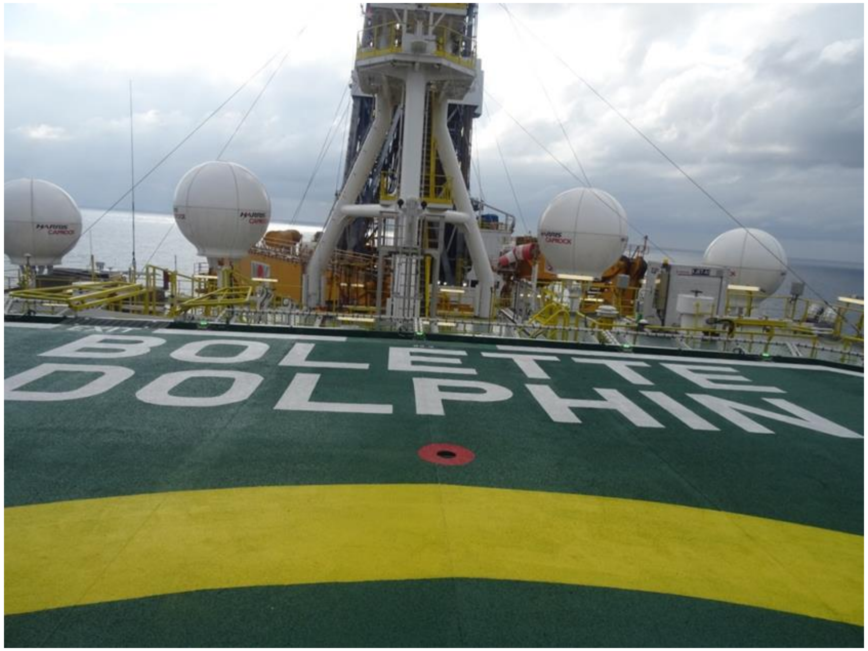
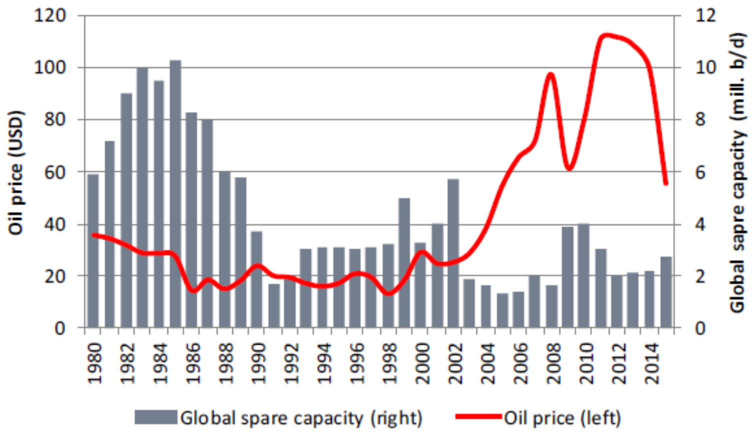


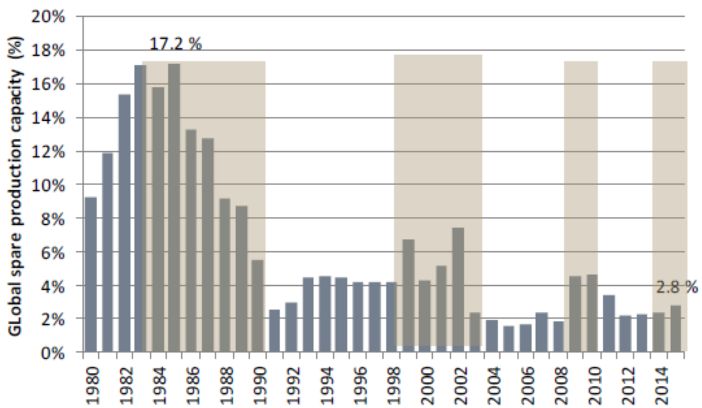
Where are we in the cycle?

Oil price

Global spare production capacity



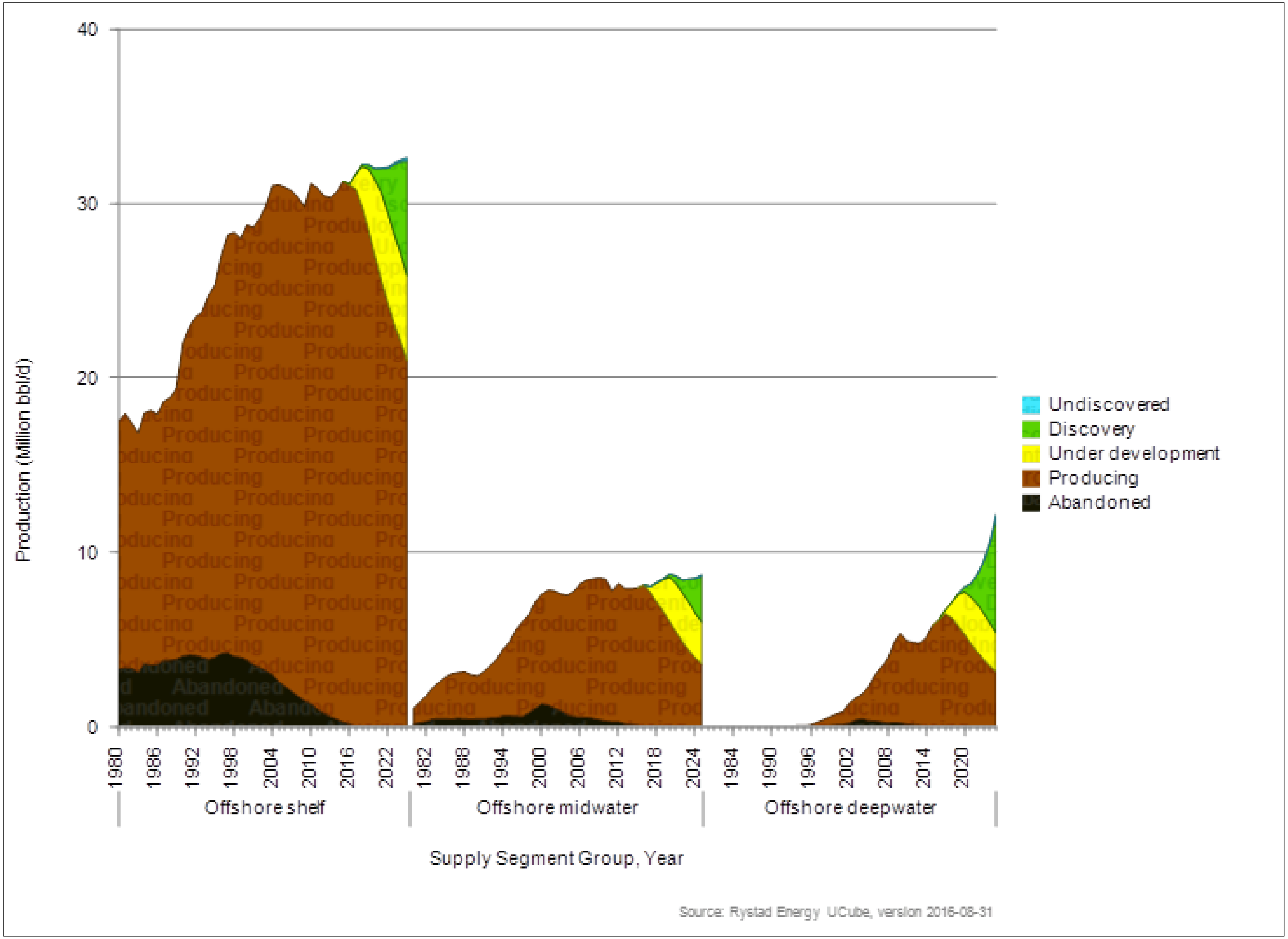
Global spare production capacity



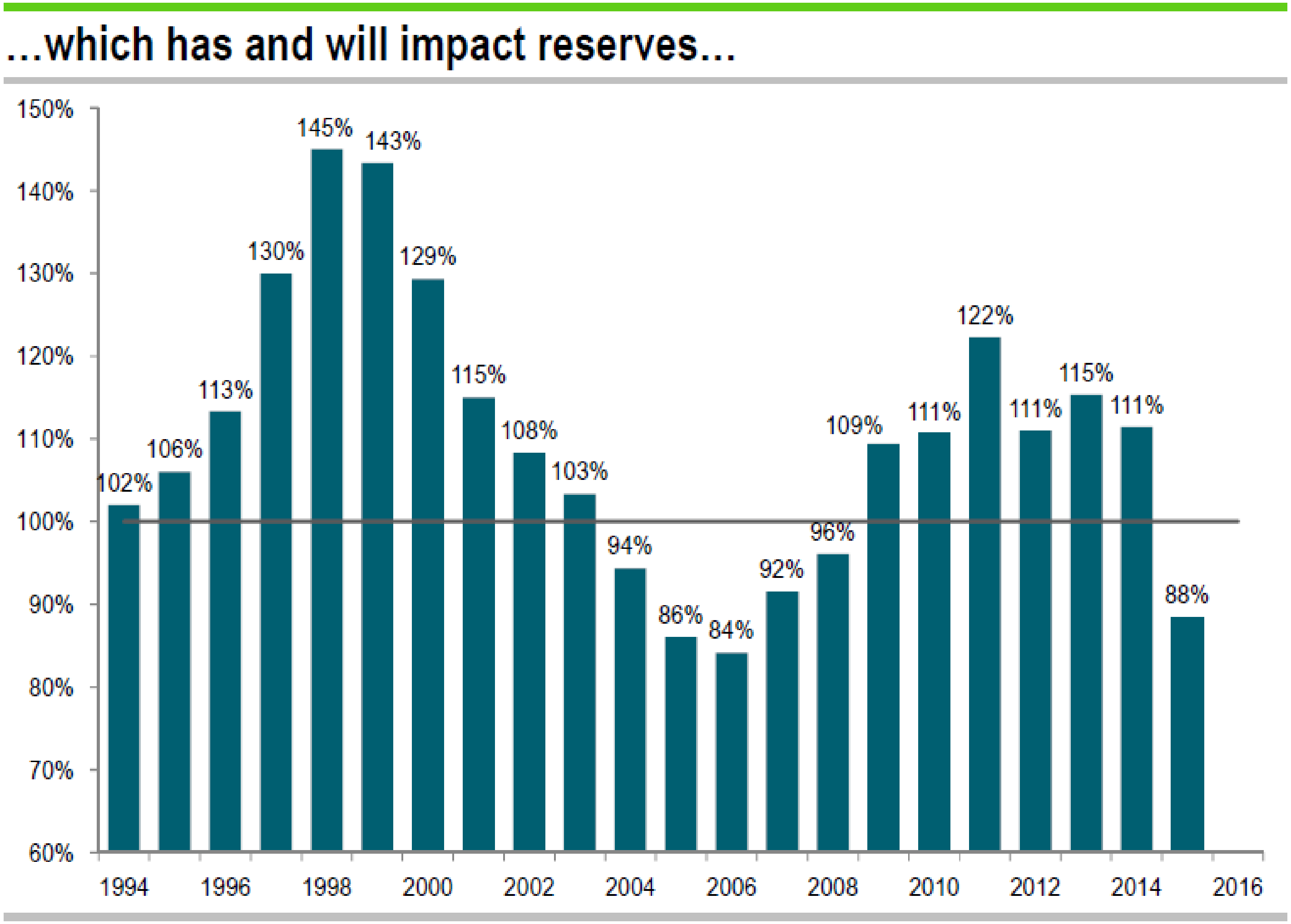
This is not a re-run of the 1980s

Source: ABG Sundal Collier, IEA, BP

Depletion is a reality



Reserve Replacement is becoming an issue



Source: SEB. Three-year average organic reserve replacement ratio (%)

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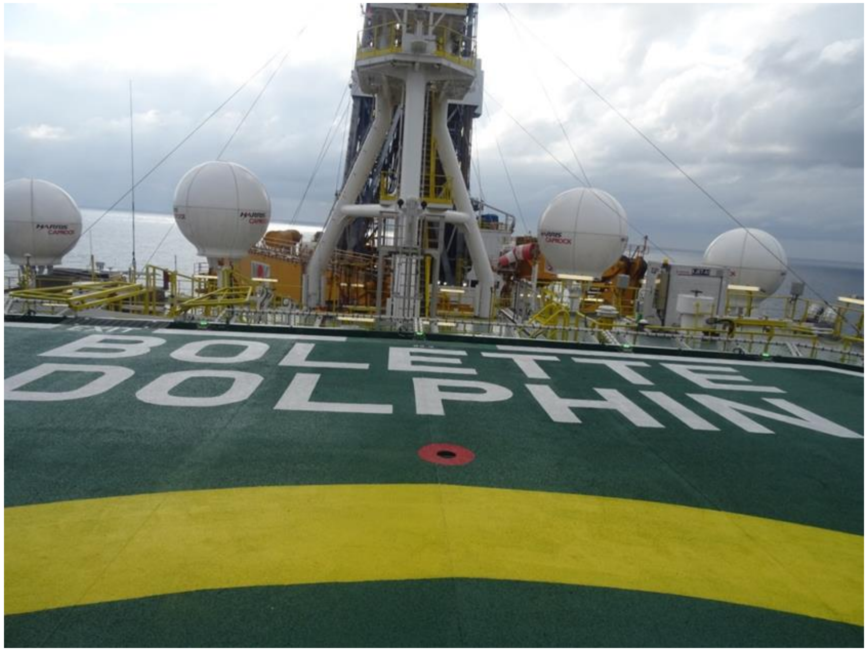
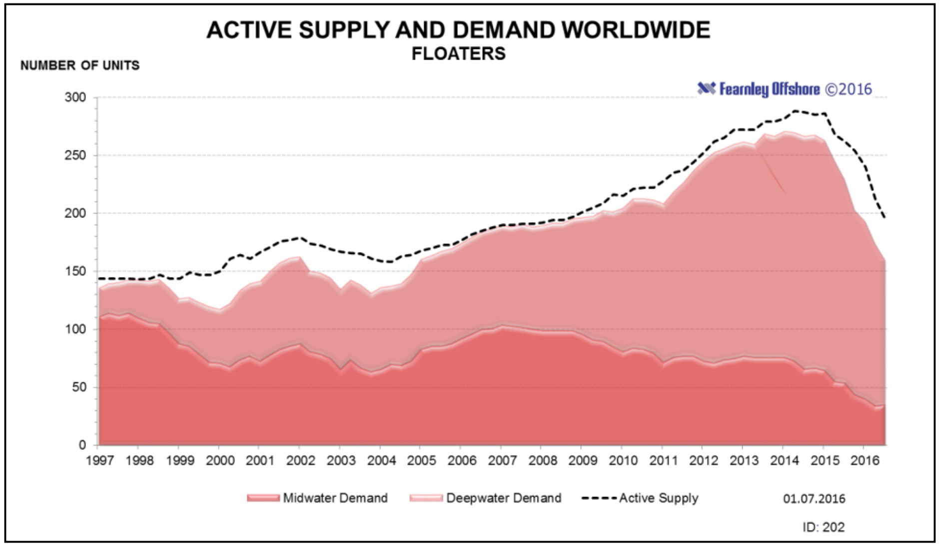
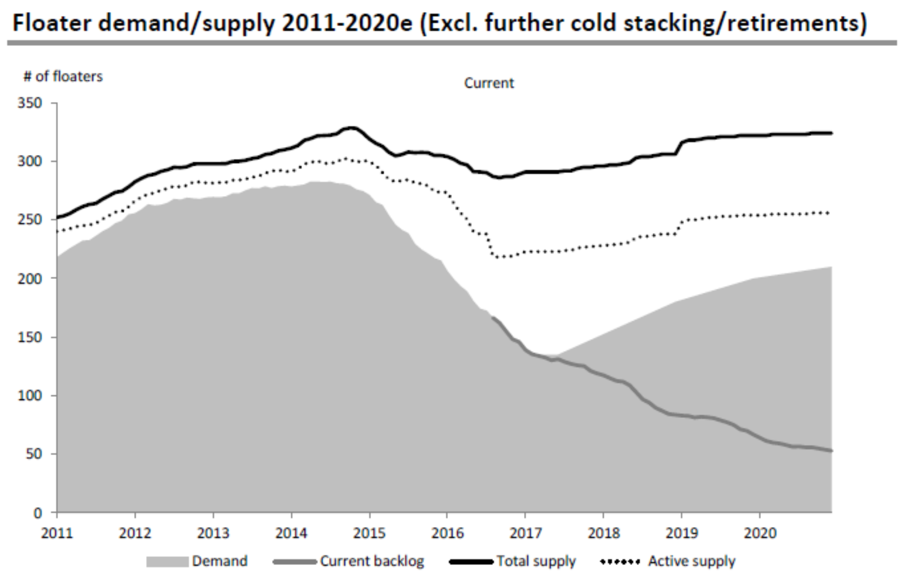


Global market – floating drilling rigs

- Overcapacity dominates the rig scene, consequently cold stacking and scrapping will continue
- Earlier recovery of the mid-water is expected to materialize as compared to the ultra deepwater
- Tender activity in the UK has increased considerably from a quieter 2015
- A high number of new development projects to be sanctioned in Norway from 2017



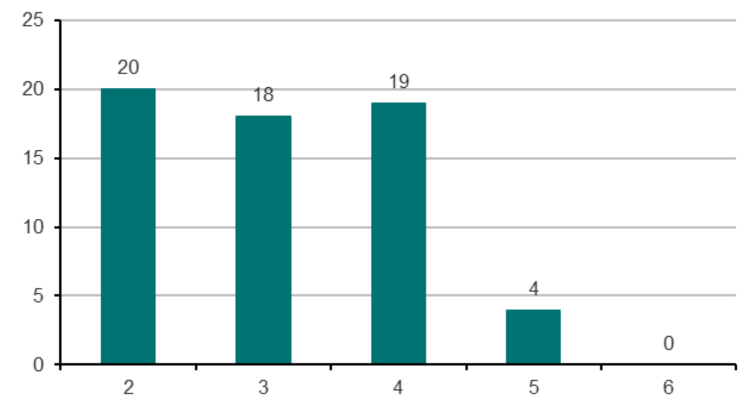


Source: Pareto Securities Equity Research

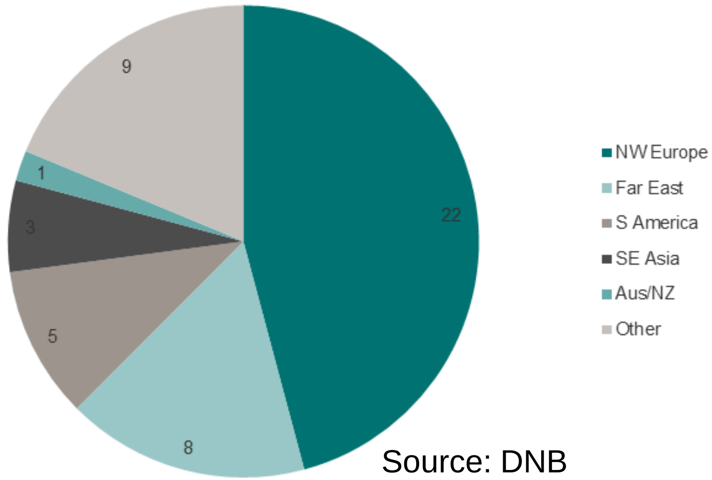
Retirements mainly in the mid-water market

- Predominantly scrapping of mid-water units
  - 61 units retired versus 37 units one year ago
  - A reduction of more than 50% of the mid-water fleet during the last few years
- UDW units are generally less suitable for mid-water work
  - Hence a larger imbalance in the UDW versus mid-water market is developing
- Borgny Dolphin retired from 4Q 2016

Retired rigs by generation



Currently working 2G-4G rigs by region

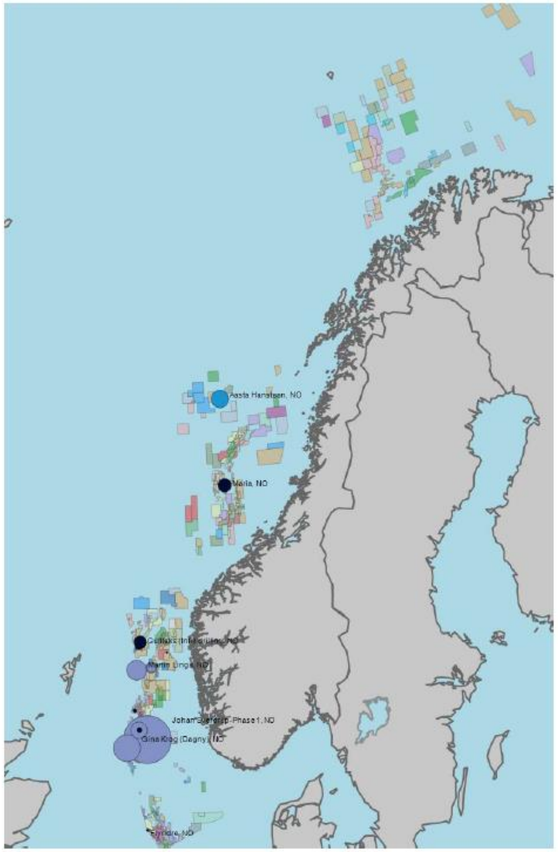


Source: DNB

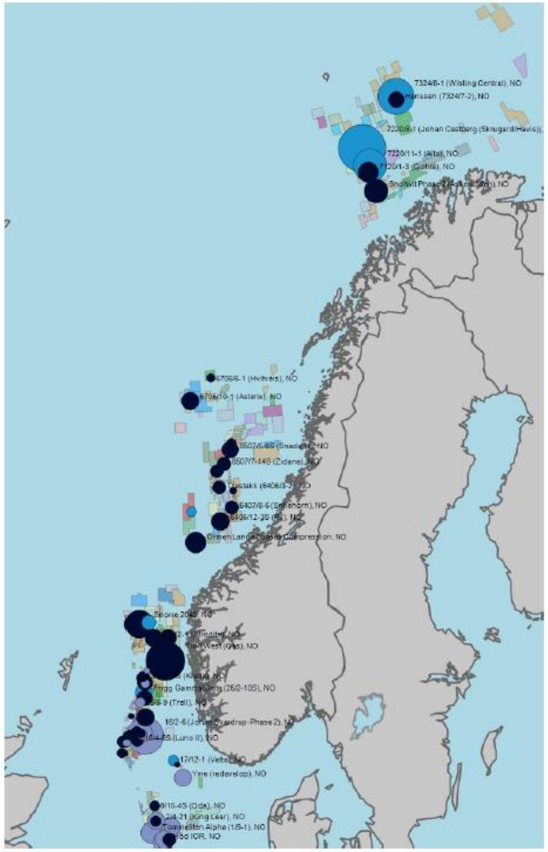
NCS – forecasted high activity in mature midwater areas

Activity moving north and increased number of subsea tiebacks

NCS Investments projects under development split by facility group



NCS Investments non-sanctioned projects next 10 years split by facility group

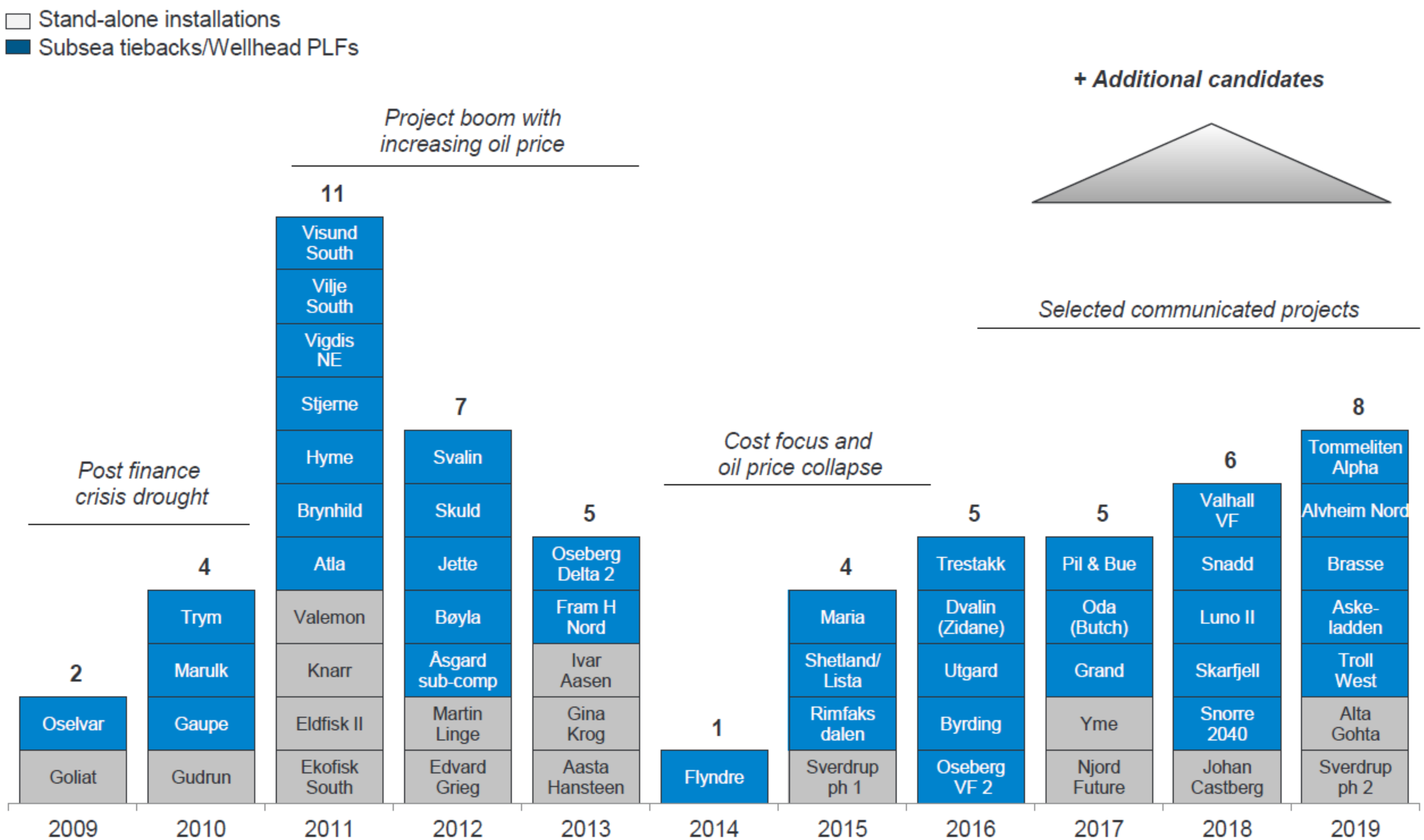


- Fixed
- Floater
- Subsea

Source: Rystad Energy NCS Solution

RYSTAD ENERGY

Communicated PDOs are already making the years towards 2020 look promising for the field development market*



Grand comprises of s Grane D, Grane F and Forsetti
Source: Rystad Energy UCube; Rystad Energy research and analysis

* ¾ developments from 2016 onwards are subsea

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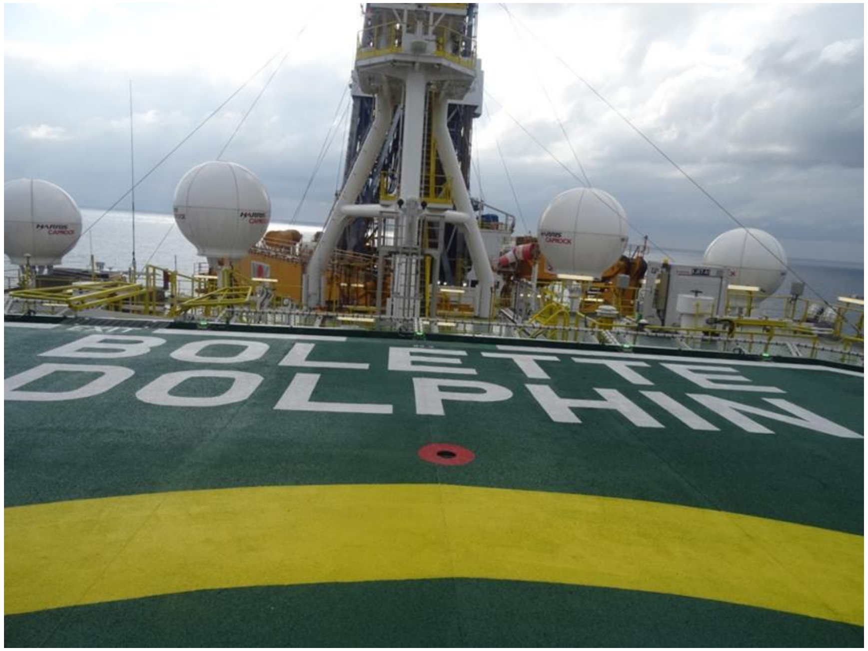
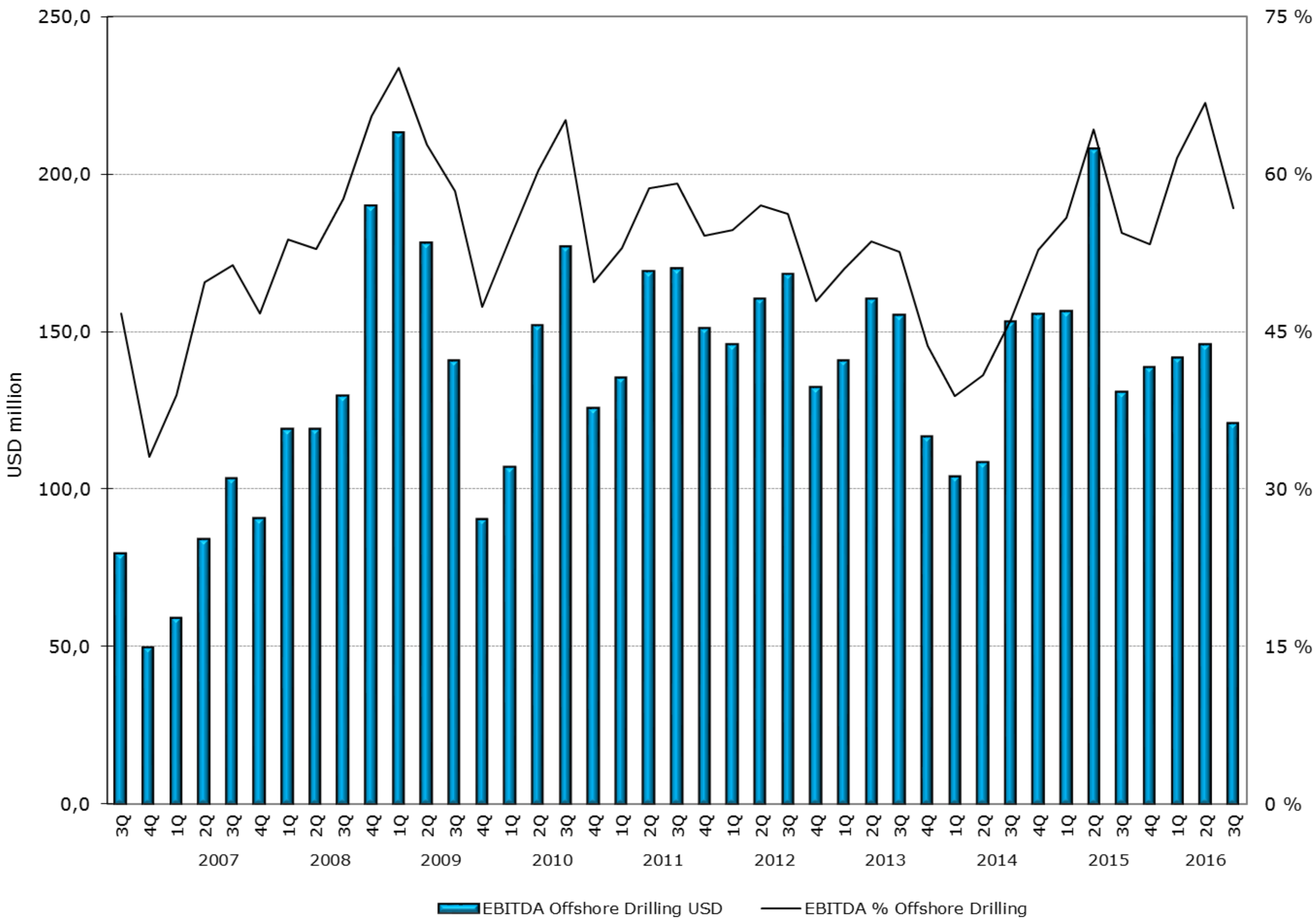


Overview – Fred. Olsen Energy ASA

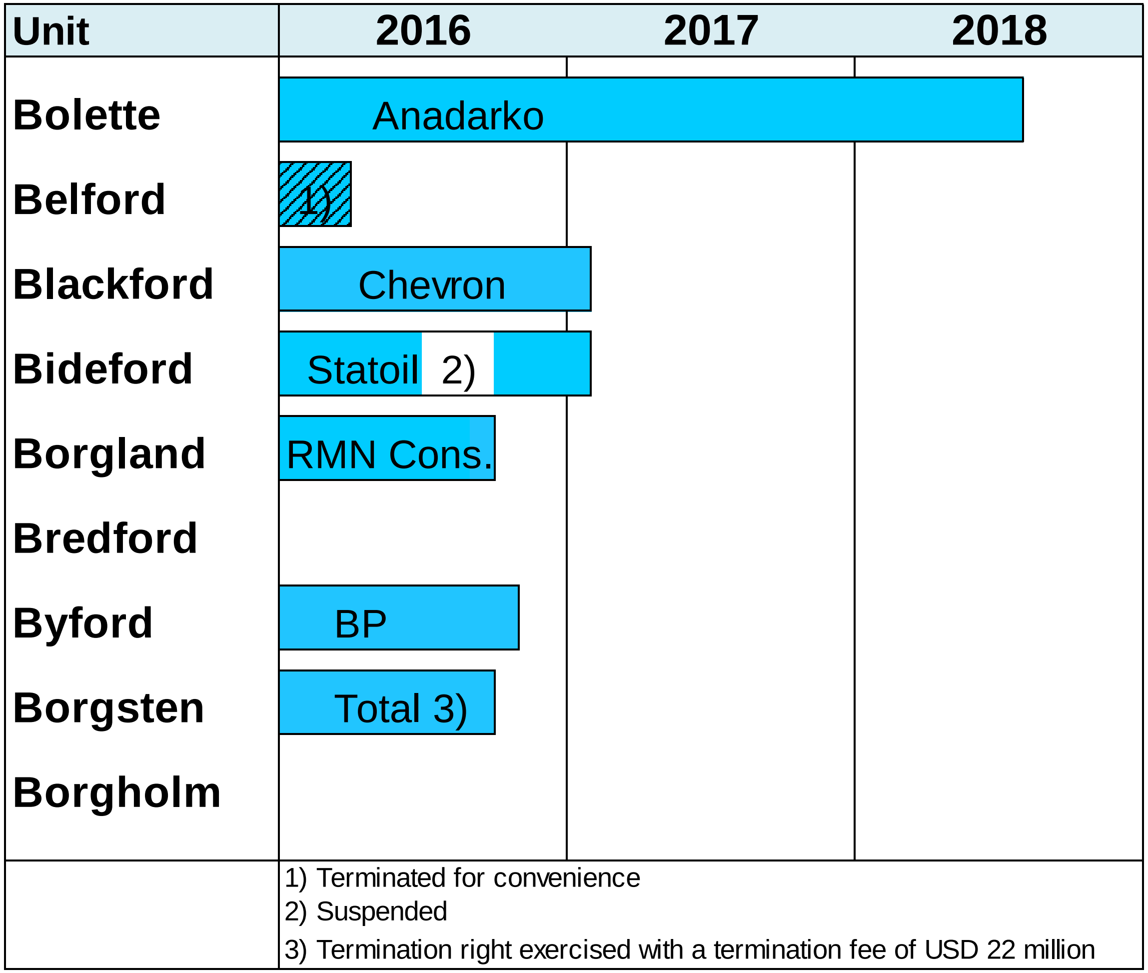
- International offshore drilling contractor with over 50 years experience
    - Entered the drilling industry in Norway in the mid 1960's
- Operating in the mid-and ultra deepwater markets
    - Large presence in the North Sea
    - Frontier operations through ultra deepwater operations
    - Majority owner of the Harland & Wolff yard, Belfast
- Bonheur ASA main shareholder of 51.9%
- Revenue for 2015 amounted to USD 1.1 billion
- EBITDA 2015 of USD 637 million

Offshore drilling EBITDA and margin



Fred. Olsen Energy – Operating worldwide

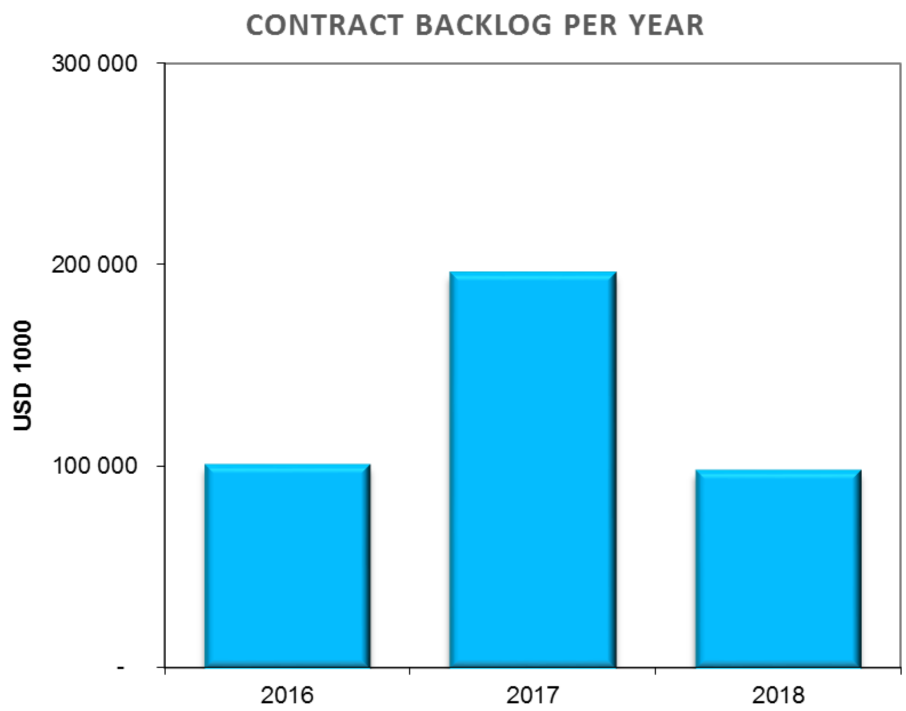
Contract overview

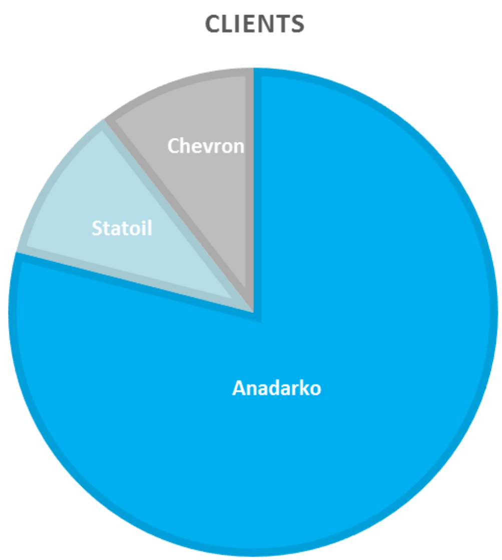


Fleet status

RIG	DESIGN	W DEPTH	LOCATION	CLIENT	CONTRACT STATUS	DAY RATE (USD)	NEXT CRS
ULTRA- / DEEPWATER UNITS							
Bolette Dolphin	DS/ Gusto P10'	12 000	Ivory Coast	Anadarko	May 2014 - July 2018	419 000/ 488 000	1Q 2019
Blackford Dolphin	SS / Aker H-3	7 000	UK	Chevron	July '15 - January '17	428 000	2Q 2019
Belford Dolphin	DS / LMG Marin	10 000	Malaysia		Idle		
MID WATER FLOATERS NORWAY							
Bideford Dolphin	SS / Aker H-3	1 500	Norway	Statoil	January '14 - January '17	NOK 1048' + USD 301'	2Q 2019
Borgland Dolphin	SS / Aker H-3	1 500	Norway		Idle		1Q 2020
Bredford Dolphin	SS / Aker H-3	1 500	Norway		Idle		2Q 2017
MID WATER FLOATERS UK							
Byford Dolphin	SS / Aker H-3	1 500	UK	BP	Idle		2Q 2020
Borgsten Dolphin	Tender support / AH-3		UK		Idle		1Q 2018
Borgholm Dolphin	Accomodation / AH-3		UK		Idle		4Q 2017

Contract backlog





Total backlog approx. USD 390 million per 3Q 2016

Our approach in the market

- Aggressively pursuing new contract opportunities, with due consideration of
  - Commercial potential/value
  - Risk profile
  - Strategic fit for each unit
- Alternatively preservation of the equipment and the units in order to
  - Protect the asset value
  - Minimize reactivation time and cost
  - Preserve class status
  - Delay main class renewal and associated CAPEX

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