



Pareto Oil and Offshore Conference 2017

CEO Ivar Brandvold

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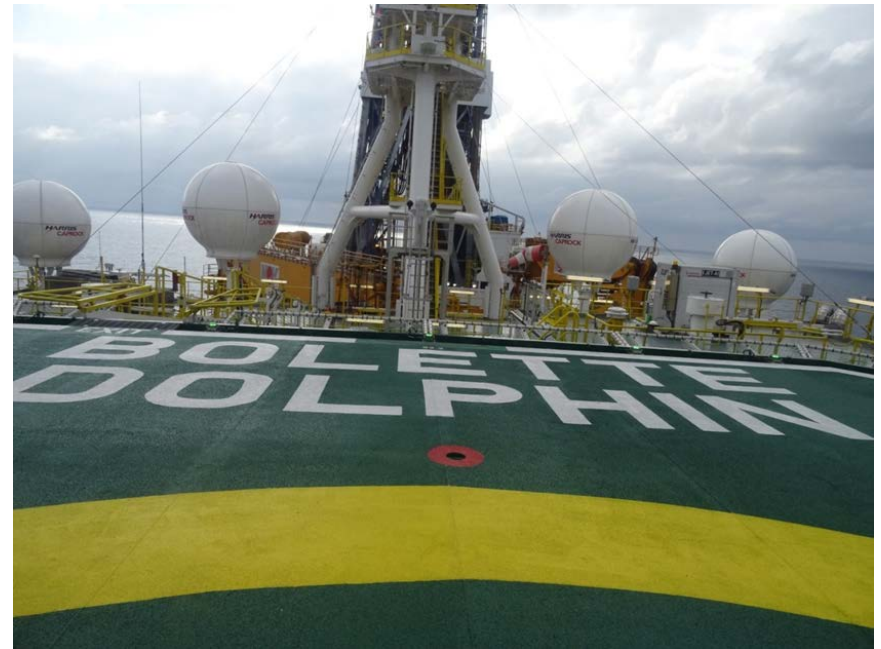
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AGENDA

- **THE COMPANY**
- **THE MARKET**
- **SUMMARY**



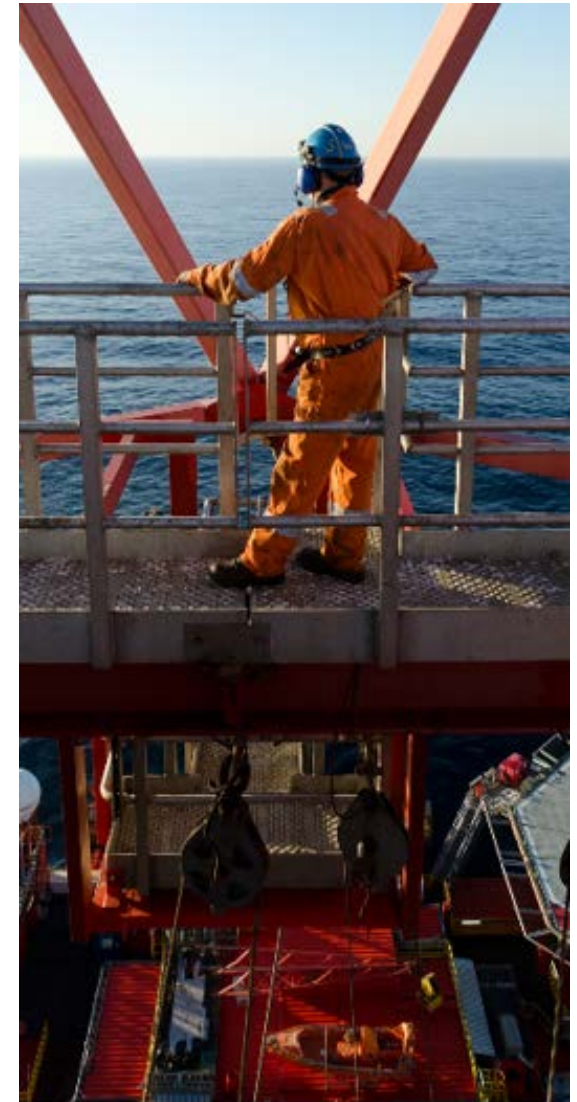
Setting the scene

The market

- Continued growth in energy and oil demand
- The oil and gas downturn has bottomed out, with increased E&P spending in 2017 vs 2014-2016
- The requirement for offshore drilling units is materializing later in the upturn
- Strong increase in requests and tender activity

The company

- 2017 believed to be the most difficult year – marking the trough in this cycle
- Adjusted to market reality since 2014 with strong cash discipline and continued cost reductions
- Introduced smart stacking to preserve the units ready for operation and extend class certificates

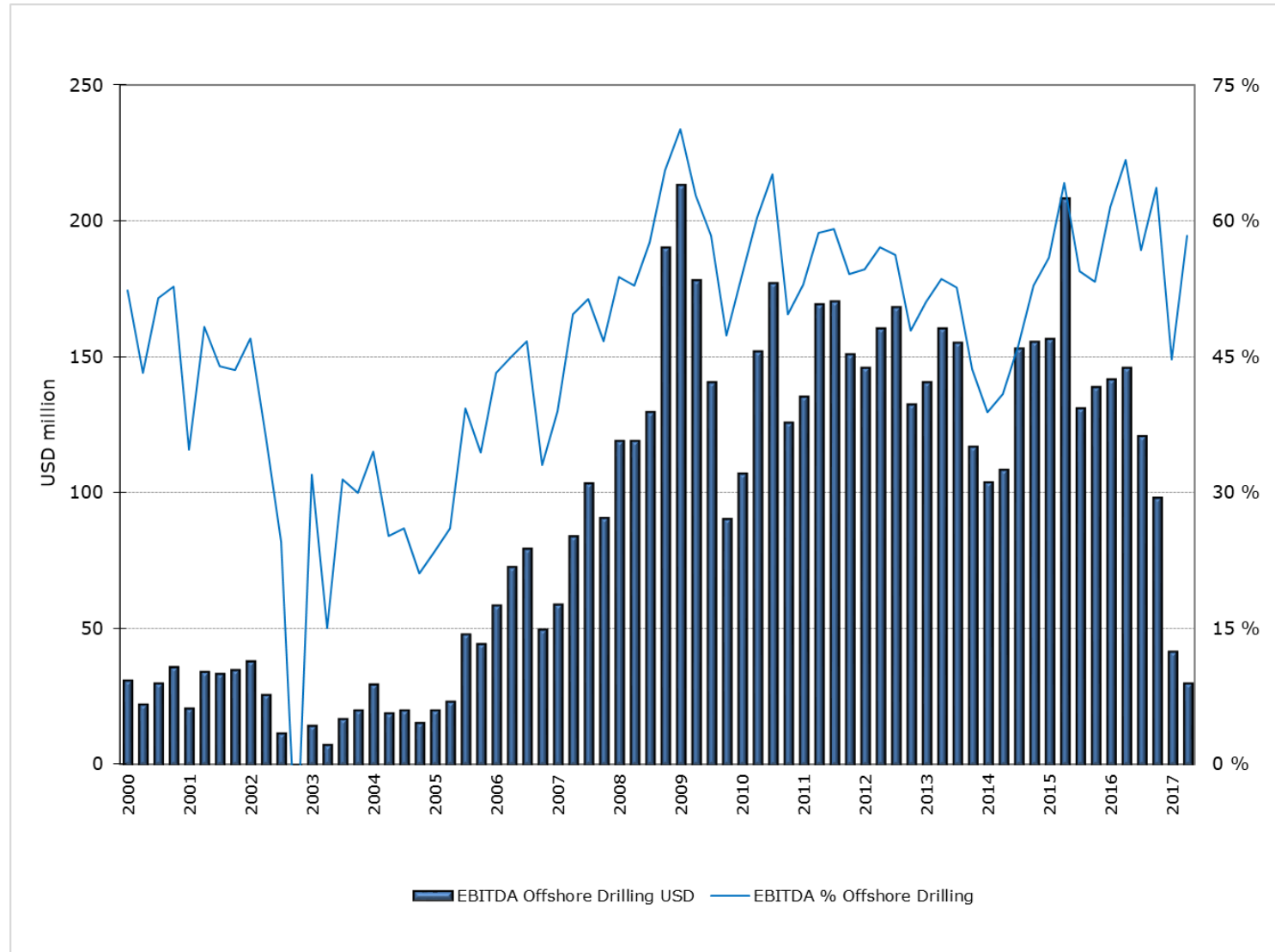


Fred. Olsen Energy ASA – at a glance

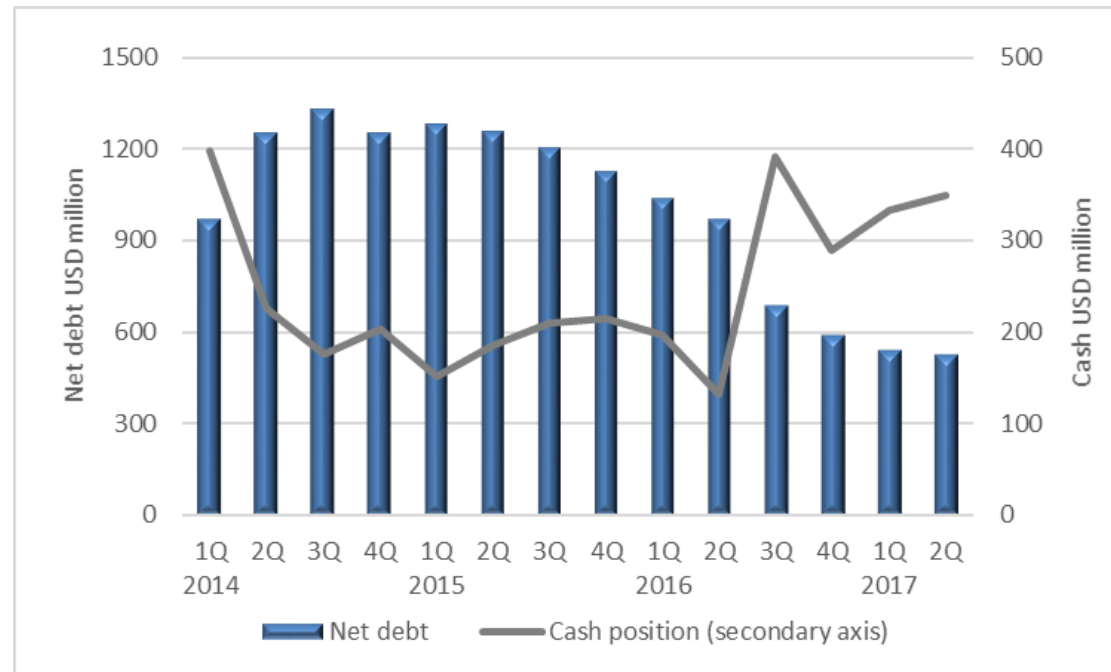
- One of the most experienced harsh environment rig contractors
 - Entered the drilling industry in Norway in 1965
 - International drilling contractor
 - Frontier, development and infield well operations
- Fit for purpose units
 - UK and Norwegian midwater is our main market
 - Frontier operations through ultra deepwater projects
- Headquartered in Oslo, with operations through Dolphin Drilling in Aberdeen and Stavanger
- Bonheur ASA is the main shareholder of 51.9%
- Majority owner of the Harland & Wolff shipyard, Belfast



EBITDA development through this cycle



Development of cash and net debt position during the downturn



- Solid cash position through strong cost control and capital discipline
- Termination fee for Bolette Dolphin of USD 96 million paid in 3Q 2017
- Net debt approximately USD 530 million as per 2Q 2017

Positioning the company for a recovering market

Operational excellence

- Deliver consistent high performance and efficient operations
- Focus on continued cost discipline and low opex
- Prioritize capital expenditures to support high regularity

New contracts

- Pursue new contract opportunities for core units
- Secure contracts for the units at acceptable dayrates and commercial value

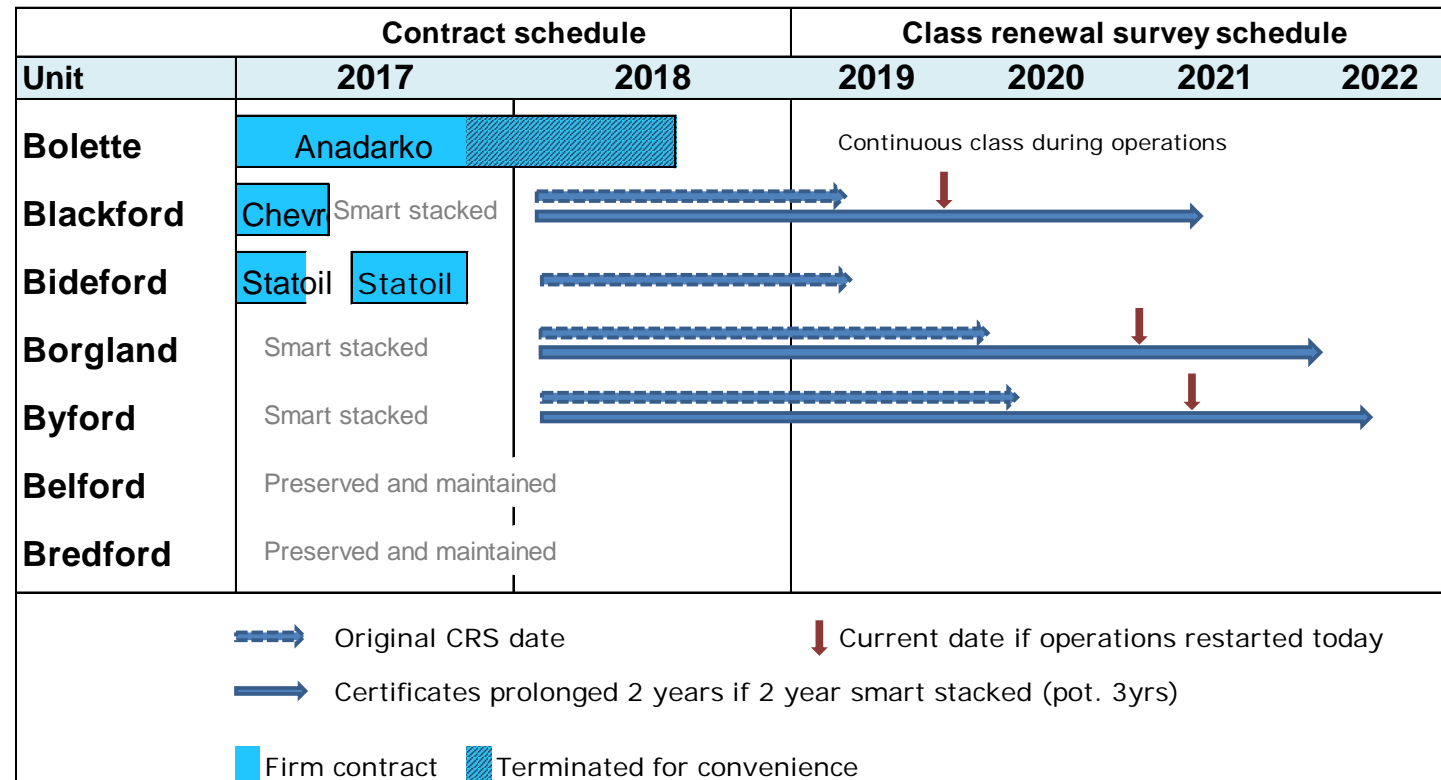
Maintaining units ready for operations

- Smart Stacked rigs are preserved and maintained with regular system integration testing
- DNV GL regime of prolonged survey intervals - Validity of Class and Statutory certificates are extended equal to the smart stacking period
- Delayed capex and renewal of the class certificate

Preserving cash and waiver approval

- Solid cash position with USD 350 million at 2Q 2017 (before termination fee for Bolette Dolphin)
- Waiver of market value and EBITDA related covenants approved until end of June 2018

Fleet and contracting strategy



- Positioning the company for a recovering market
- Conserve class certificates on core units to benefit from expected recovery in dayrates
- Our Aker H3 units are well suited for cost effective smart stacking
- Bolette Dolphin is laid up in hot mode, contract opportunities are pursued aggressively

Main focus on the core fleet

- ✓ High operational performance
- ✓ High technical condition
- ✓ Fit for purpose
- ✓ Ready for operations

Bideford
Dolphin



- ✓ Total rebuild '98
- ✓ Drilling & completion workhorse
- ✓ Consistent top performer for Statoil

Borgland
Dolphin



- ✓ Total rebuild '99
- ✓ Drilling & completion workhorse
- ✓ Top performance for a variety of customers

Blackford
Dolphin



- ✓ Total rebuild '08
- ✓ High spec UK rig
- ✓ Versatile, DW capable

Byford
Dolphin



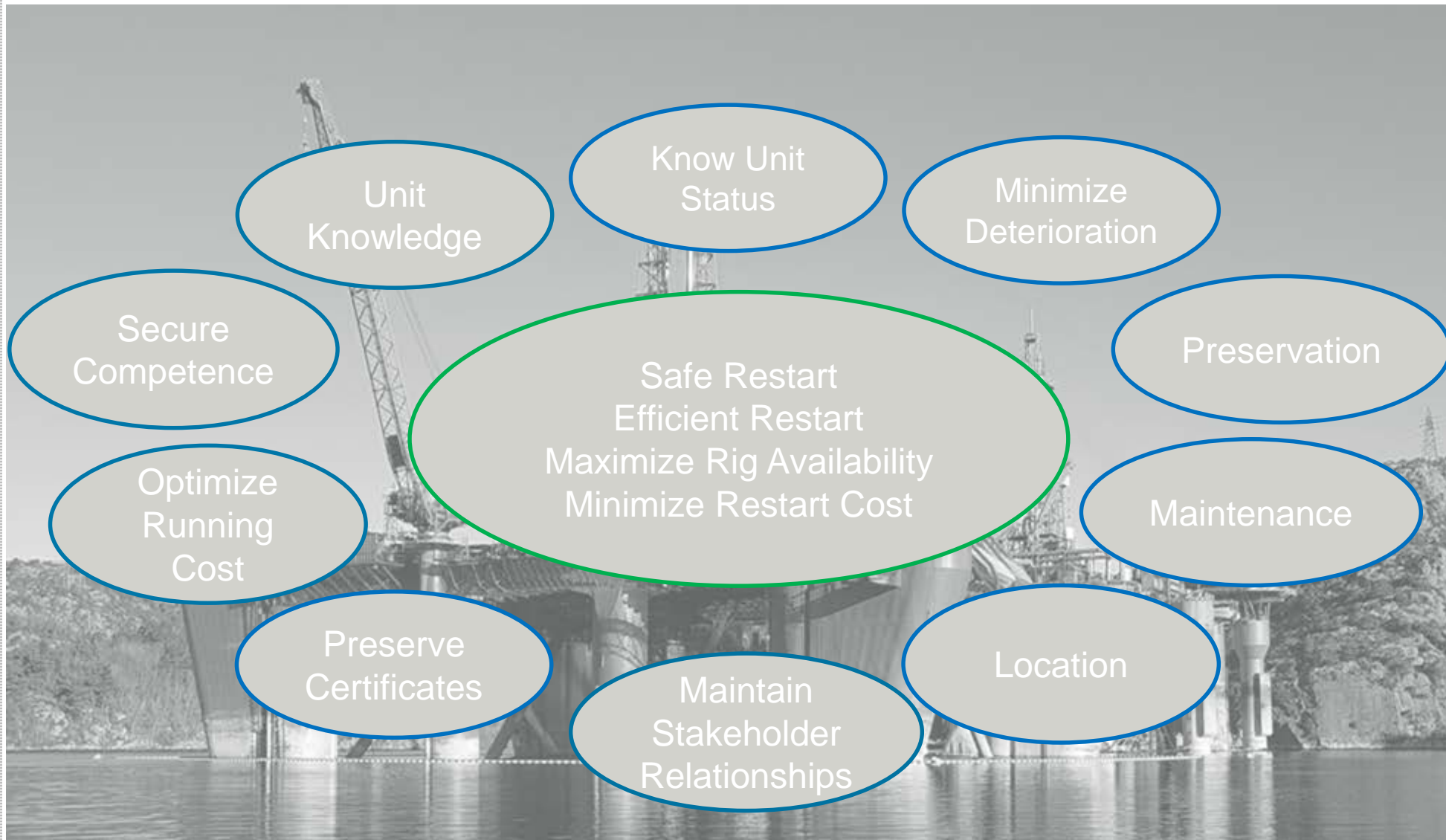
- ✓ The last 6 years with BP in UK
- ✓ Mix of drilling and completion/work-over
- ✓ 12pts mooring

Bolette
Dolphin



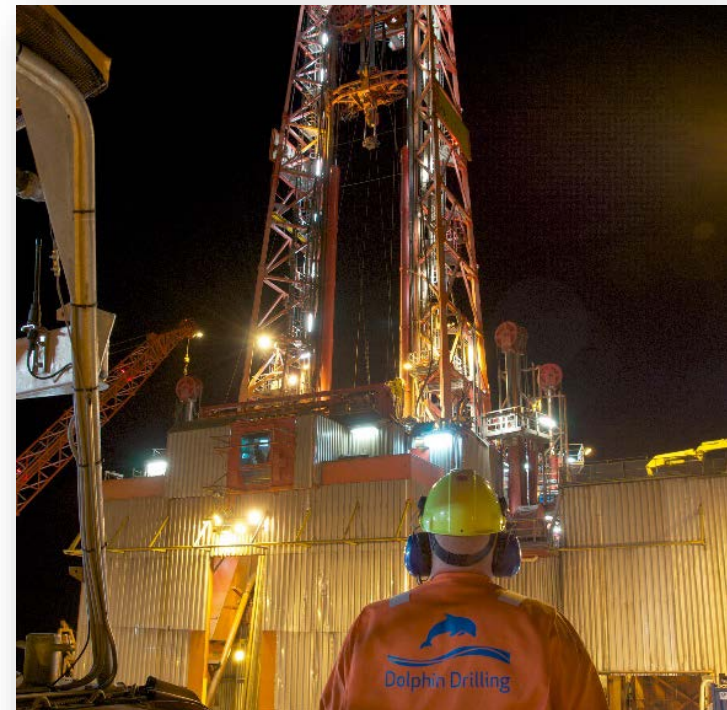
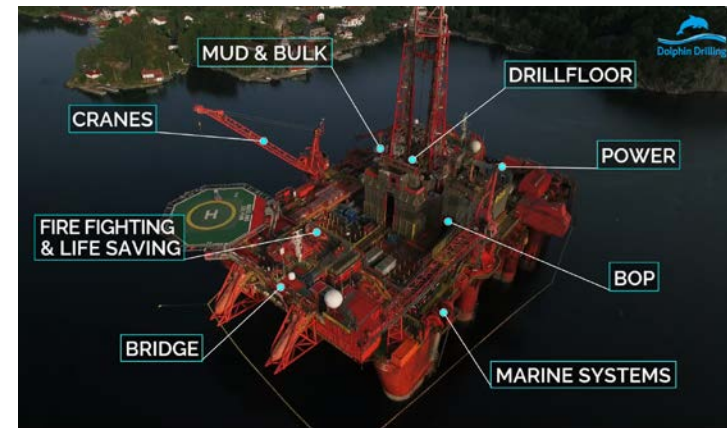
- ✓ High spec. 6G UDW
- ✓ Consistent top performance
- ✓ Proven MPD operations

Ready when the market returns



Smart stacking proves to be effective

- Lay-up teams with operational experience on regular rotation
- Team living on-board carrying out maintenance and extensive system integration testing
- Maintain competence - an experienced core crew is essential to restart operations efficiently
- Using social media to stay “In touch” with previous crew
- Technical condition is improved during smart stacking period
- Planned for 2 years, may be extended to 3 years if necessary



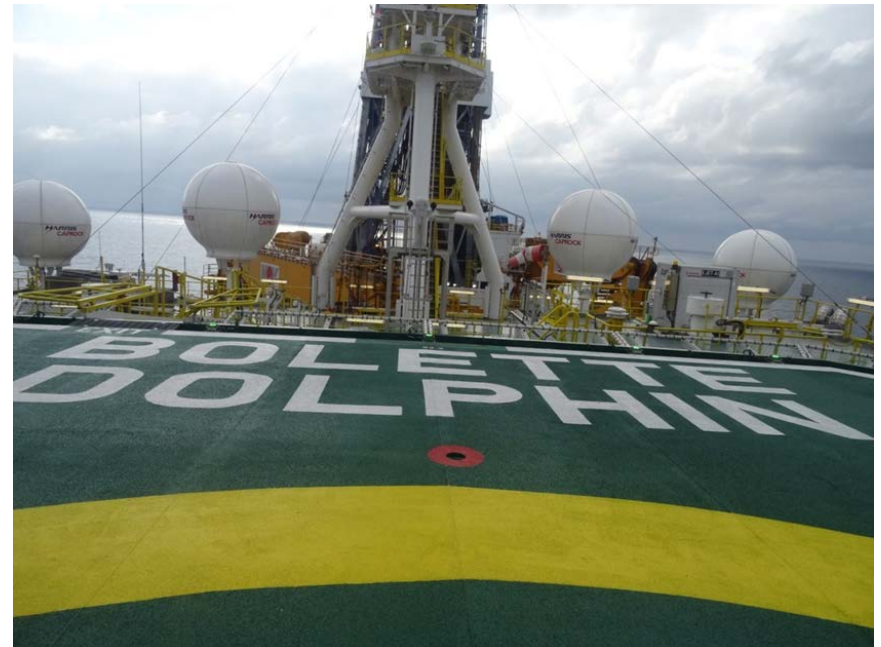
Bideford Dolphin returned to operation

- Bideford Dolphin mobilized for the Statoil contract end of May after 2 months of smart stacking
- Re-hired 145 of 150 crew members
- Full restart process carried out according to established procedures
- Confirms that the procedure for smart stacking and restarting is working as planned
- Top operational and HSE performance



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Macro fundamentals

- Continued growth in energy and oil demand
- Market turnaround seen in 2017
- A total increase in E&P spending of approx. 12% expected in 2017, driven by onshore
- A further decline of approx. 15% in offshore E&P spending expected in 2017
- However, E&P companies are now also directing spending to short cycle and higher return activity offshore as well as robust green field projects
- Prudence is seen in the US shale sphere, with producers and investors focusing on full cycle economics
- Prolonged OPEC agreement is having a positive effect on the demand/supply balance
- Main market driver will be production decline of mature fields

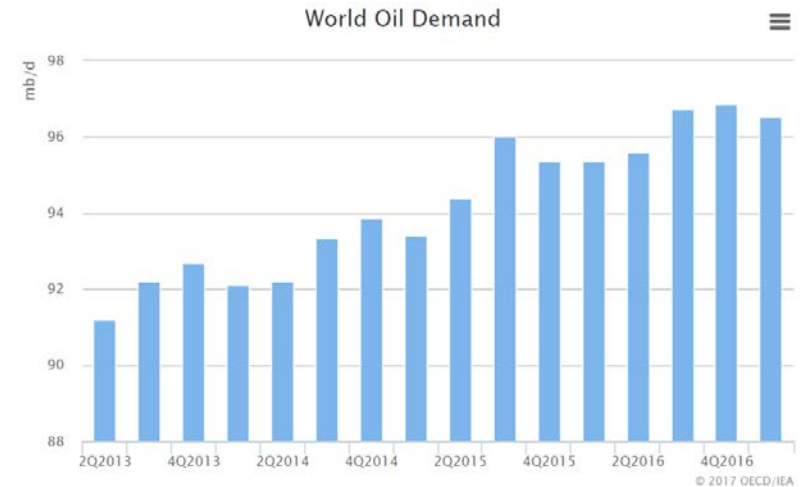
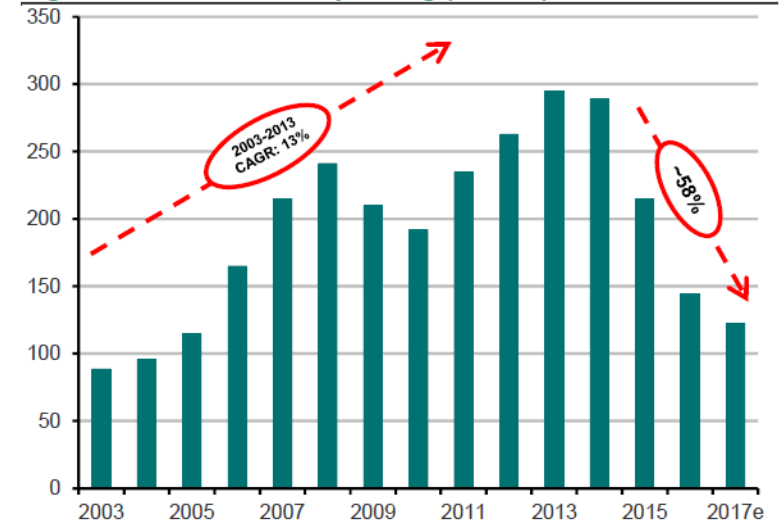


Figure 2: Offshore E&P spending (USDbn)

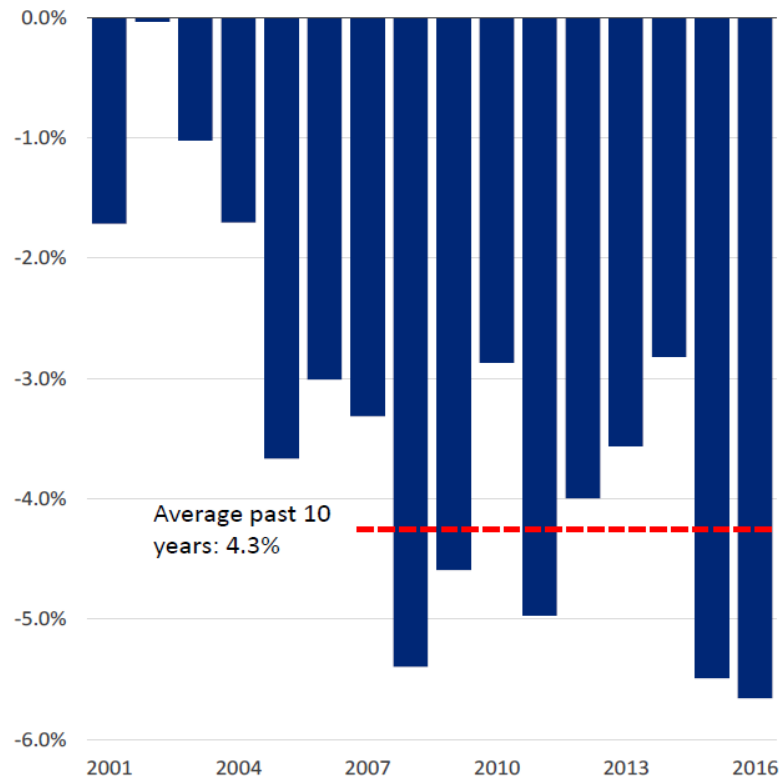


Source: DNB Markets

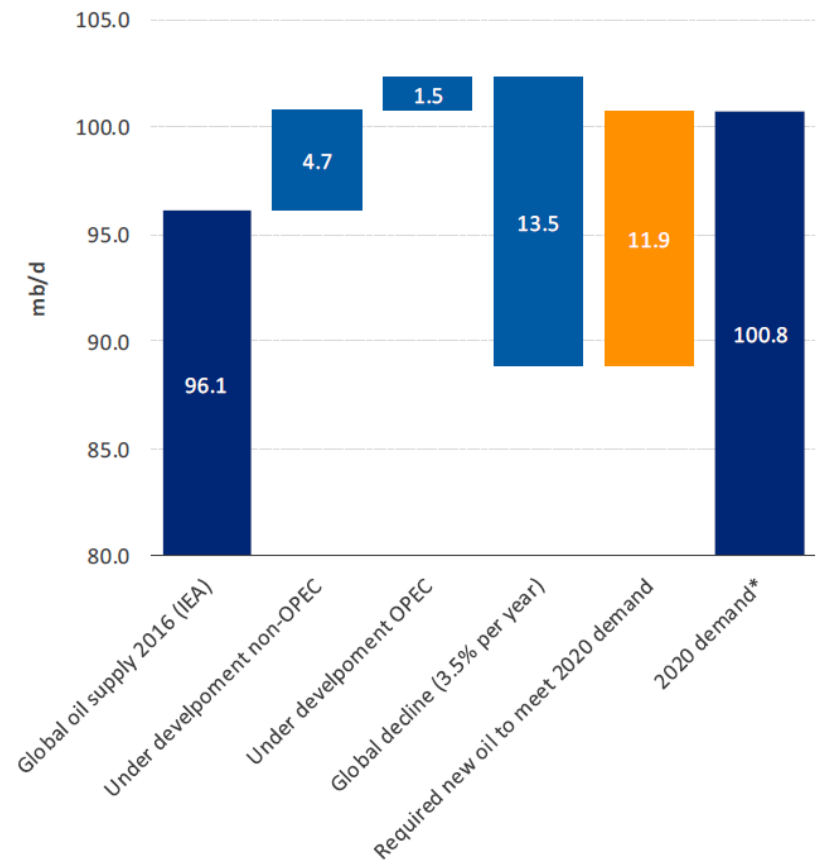
The main market driver; Production decline of mature fields

Oil market scenario 2020: 12 million b/d new developments needed

Decline rates from mature assets*



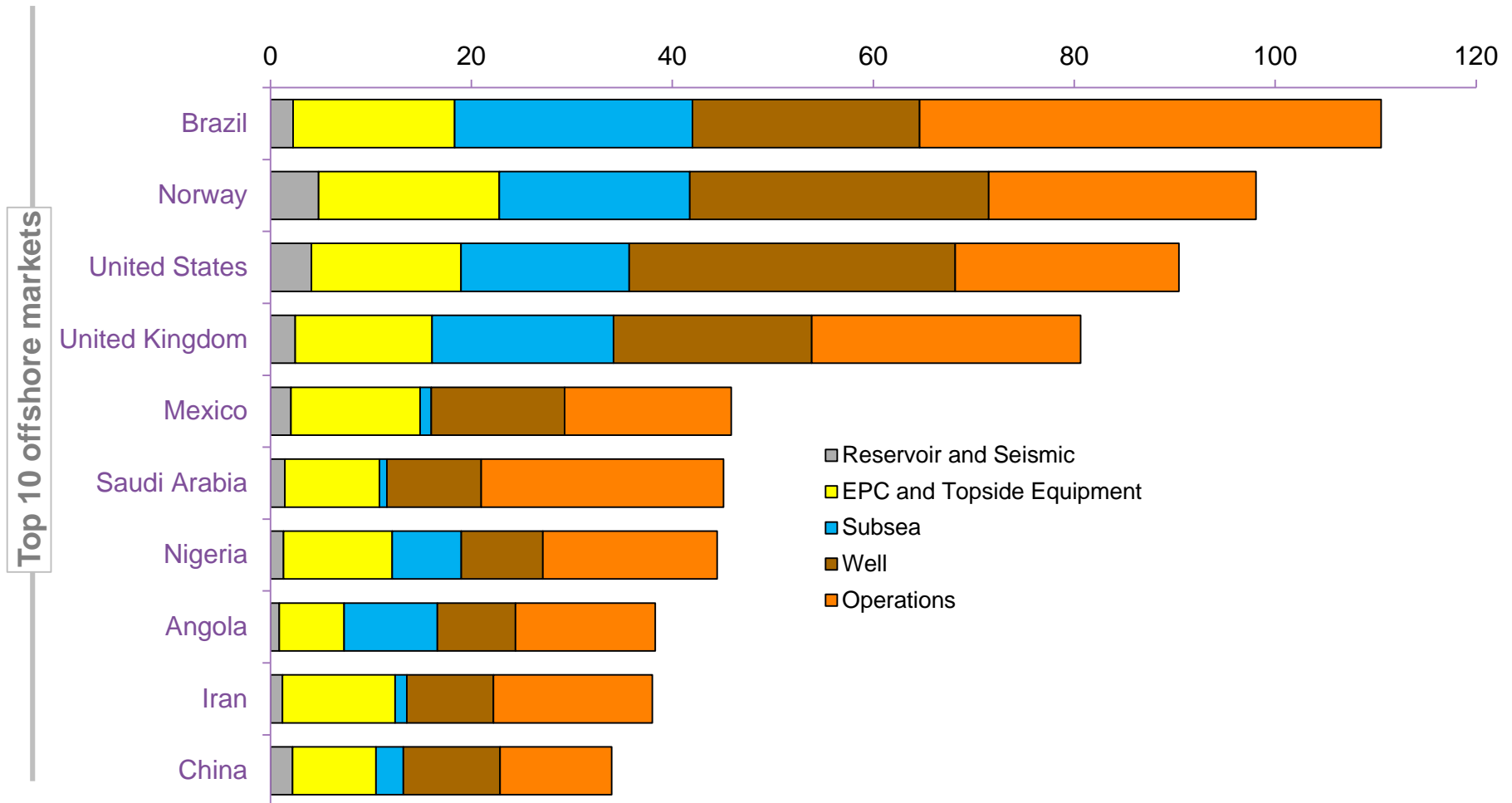
Oil market scenario 2020: 12 million b/d new developments needed



Source: SB1 Markets E&P research team

UK and Norway combined is expected to be the largest market

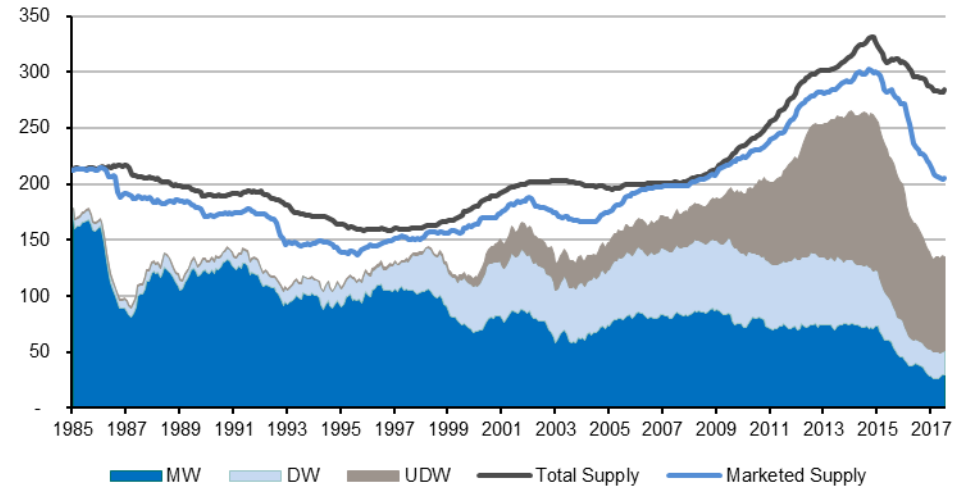
Top 10 offshore markets 2018-2021 by service segment
USD billion



Source: Rystad Energy

Global market – floating units

- The market is turning in 2017 and longer term indicators are positive
- The requirement for offshore drilling units is materializing later in the upturn
- Strong increase in requests and contract activity in the North Sea market
- A high number of new development projects to be sanctioned in Norway from 2017
- Contract awards in the UDW market has also increased in 2017
- The pressure on day-rates is expected to be reduced, however contract durations will continue to be of shorter term nature

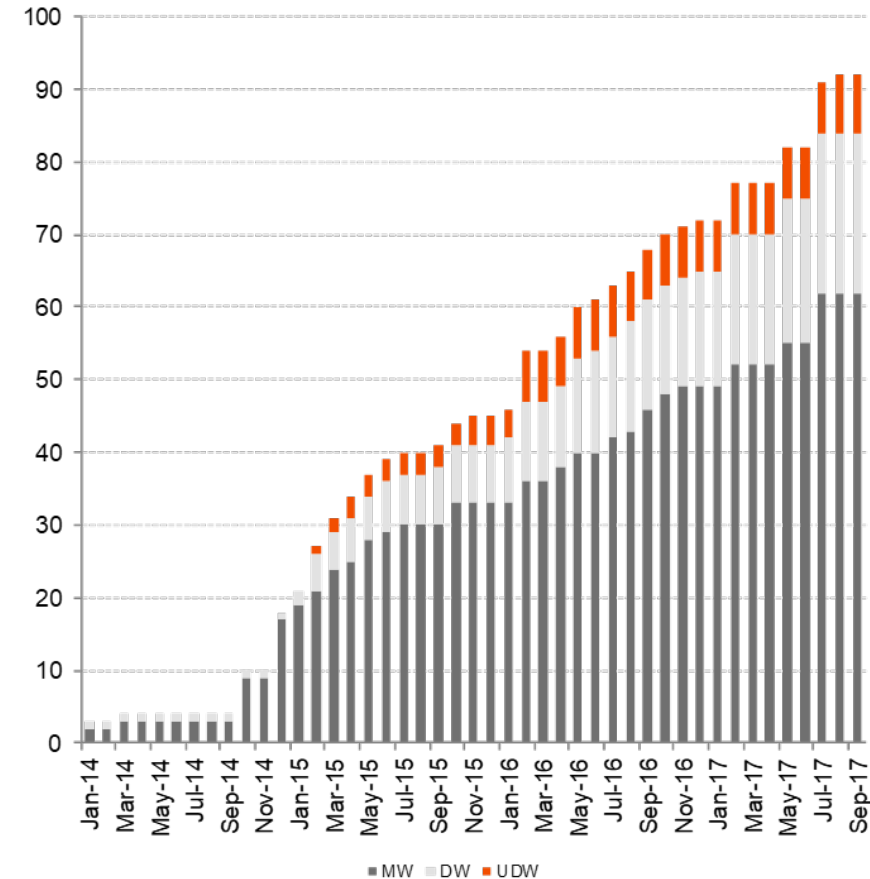


Source: DNB

Earlier recovery expected in the midwater

- A reduction of more than 50% of the purpose built mid-water fleet since 2014 due to fleet attrition
- Whereas more than 30% increase in the UDW fleet due to newbuilds entering the market in the same period
- The demand in the midwater North Sea market is resuming earlier than the ultra deepwater market in general
- Borgny Dolphin, Borgholm Dolphin (accommodation) and Borgsten Dolphin (TSV) have been retired from our fleet

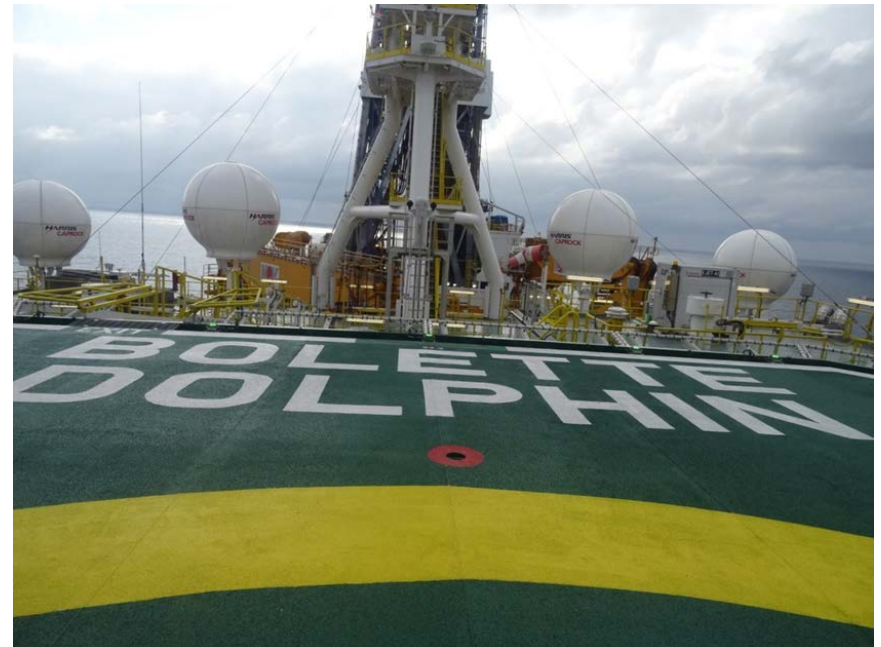
Floater rig attrition, cumulative



Source: Kepler Cheuvreux / ODS Petrodata

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Summary

The market

- Earlier recovery of the harsh environment mid-water market is materializing
- Scrapping of midwater and HE rigs is supportive
- High tender and request activity in Norway and UK
- A high number of new development projects to be sanctioned in Norway from 2017

The company

- Strong cash discipline and continued cost reductions
- Smart stacking and delay of capex for core rigs
- Fred. Olsen Energy units well positioned in a recovering market in the North Sea

