Report for the 3rd quarter 2017

Figures in USD

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF USD 25 MILLION IN 3Q 2017

HIGHLIGHTS

- **Revenues were 76 million**
- **EBITDA was 25 million**
- **Operating profit (EBIT) was negative 30 million**
- **Profit before tax was negative 45 million**
- **Earnings per share were negative 0.69**

- **Termination fee for Bolette Dolphin received in the quarter**

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FINANCIAL INFORMATION (*2nd quarter 2017 in brackets)*

Operating revenues in the quarter were 76.3 million (54.9 million), an increase of 21.4 million compared with the previous quarter. Revenues from the offshore drilling division were 71.1 million (51.6 million), an increase of 19.5 million. The increase in revenues within the offshore drilling division is mainly due to full operational quarter for Bideford Dolphin and the settlement of 14 million related to Bredford Dolphin including 1.6 million booked as interest income.

Operating costs were 51.0 million (26.4 million), an increase of 24.6 million compared with previous quarter. Operating costs within the offshore drilling division increased by 21.3 million, mainly due to a reduced pension liability, which was booked last quarter as a reduction in cost. Operating costs within the engineering and fabrication division increased with 2.8 million to 8.2 million.

Operating profit before depreciation (EBITDA) was 25.3 million (28.5 million). EBITDA within the offshore drilling division decreased by 1.8 million to 28.3 million, and EBITDA within engineering and fabrication division was - 3.0 million (- 1.6 million).

Depreciation and impairment amounted to 55.0 million (132.1 million).

Operating profit after depreciation and impairment (EBIT) was - 29.7 million (- 103.6 million).

Net financial items were - 15.5 million (- 12.2 million).

Profit before tax was - 45.2 million (- 115.8 million).

Net profit, including an estimated tax charge of 0.5 million (7.4 million), was - 45.7 million (- 123.2 million).

Earnings per share were - 0.69 (-1.86).

Net interest bearing debt amounts to 428 million (524 million), reduced by 96 million in the quarter.

Drilling Division
The offshore fleet of Fred. Olsen Energy ASA with subsidiaries (the Group) consists of three ultra-deepwater/deepwater units and four harsh environment mid-water semi-submersible drilling units.

The company has been successful in introducing smart-stacking for up to four of the rigs in order to preserve the units ready for new contracts. Smart-stacked rigs are preserved, maintained, kept warm by regular integrated system testing and Class Renewal Survey (CRS) investments will be postponed. Under the DNV GL regime of prolonged survey intervals the validity of Class and Statutory certificates are extended equal to the smart stacking period.

Norway
Bideford Dolphin continued operations under a drilling contract for Statoil ASA. The contract is estimated to be completed early November 2017. The unit completed its five-year CRS in 2014. Upon completion of the contract, the unit will be smart stacked in Flekkefjord, Norway, ready for new contracts.

Borgland Dolphin, which completed its five-year CRS in 2015, is smart stacked in Lyngdal, Norway, ready for new contracts.

Bredford Dolphin is currently preserved and maintained in Kvinesdal, Norway. The unit undertook its five-year CRS in 2012.

International
The ultra-deepwater drillship Bolette Dolphin completed drilling under its original four-year drilling contract with Anadarko Petroleum Corporation in July after the contract was terminated for convenience. The unit is currently warm-stacked outside Tenerife, and is marketed for new contract opportunities worldwide.

Belford Dolphin is preserved and maintained in Labuan, Malaysia. The unit completed its five-year CRS in 2015.

Blackford Dolphin, which completed its five-year CRS in 2014, is smart stacked in Flekkefjord, Norway, ready for new contracts.

Byford Dolphin, which completed its five-year CRS in 2015, is smart stacked in Lyngdal, Norway, ready for new contracts.

Engineering and Fabrication
The Harland & Wolff shipyard continued its core activities within engineering, ship repair and shipbuilding. The activity at the yard has been low in third quarter of 2017, which will continue into fourth quarter, as indicated in the 2Q 2017 report. The yard will continue to explore business opportunities in all markets.

Oslo, 24th October 2017
The Board of Directors

Condensed Consolidated Financial Statements

GROUP INCOME STATEMENT

Unaudited

(USD mill)	Note	3Q 2017	2Q 2017	3Q 2016	Jan-Sep 2017	Jan-Sep 2016	Year 2016
Operating revenues		72,3	53,0	210,4	220,8	656,4	808,9
Recharged income		4,0	1,9	3,2	8,8	11,8	16,1
Total revenues	*1*	**76,3**	**54,9**	**213,6**	**229,6**	**668,2**	**825,0**
Operating costs		(47,2)	(24,6)	(91,4)	(126,5)	(255,5)	(311,0)
Recharged expenses		(3,8)	(1,8)	(3,1)	(8,5)	(11,5)	(15,6)
Total operating expenses	*1*	**(51,0)**	**(26,4)**	**(94,5)**	**(135,0)**	**(267,0)**	**(326,6)**
Operating profit before depreciation, impairment and net financial expenses (EBITDA)		**25,3**	**28,5**	**119,1**	**94,6**	**401,2**	**498,4**
Depreciation and amortisation	*6*	(55,0)	(57,1)	(70,2)	(167,1)	(225,2)	(290,4)
Impairment	*6*	-	(75,0)	(61,3)	(75,0)	(220,3)	(230,8)
Operating loss before net financial expenses (EBIT)		**(29,7)**	**(103,6)**	**(12,4)**	**(147,5)**	**(44,3)**	**(22,8)**
Net financial expenses	*8*	(15,5)	(12,2)	(17,3)	(34,3)	(53,7)	(56,6)
Profit/(loss) before tax		**(45,2)**	**(115,8)**	**(29,7)**	**(181,8)**	**(98,0)**	**(79,4)**
Income tax expense		(0,5)	(7,4)	(4,2)	(13,5)	(17,1)	(26,0)
Loss for the period		**(45,7)**	**(123,2)**	**(33,9)**	**(195,3)**	**(115,1)**	**(105,4)**
Attributable to:							
Shareholders		(45,4)	(123,1)	(33,7)	(194,8)	(114,4)	(104,6)
Non-controlling interests		(0,3)	(0,1)	(0,2)	(0,5)	(0,7)	(0,8)
Loss for the period		**(45,7)**	**(123,2)**	**(33,9)**	**(195,3)**	**(115,1)**	**(105,4)**
EPS :							
Basic earnings per share		-0,69	-1,86	-0,51	-2,94	-1,73	-1,58
Diluted earnings per share		-0,69	-1,86	-0,51	-2,94	-1,73	-1,58
Outstanding shares							
Average number of ordinary shares, basic		66,3	66,3	66,3	66,3	66,3	66,3
Average number of ordinary shares, diluted		66,3	66,3	66,3	66,3	66,3	66,3

GROUP STATEMENT OF COMPREHENSIVE INCOME

Unaudited	3Q 2017	2Q 2017	3Q 2016	Jan-Sep 2017	Jan-Sep 2016	Year 2016
Loss for the period	(45,7)	(123,2)	(33,9)	(195,3)	(115,1)	(105,4)
Actuarial (loss)/gains on defined benefit pension plans	-	-	-	-	-	(8,2)
Income tax relating to components of other comprehensive income	-	-	-	-	-	0,7
Exchange differences on translation of foreign operations	2,4	-	(1,1)	2,4	3,1	0,6
Total comprehensive loss for the period	**(43,3)**	**(123,2)**	**(35,0)**	**(192,9)**	**(112,0)**	**(112,3)**
Attributable to:						
Shareholders	(43,5)	(123,0)	(35,1)	(192,8)	(111,9)	(111,0)
Non-controlling interests	0,2	(0,2)	0,1	(0,1)	(0,1)	(1,3)
Total comprehensive loss for the period	**(43,3)**	**(123,2)**	**(35,0)**	**(192,9)**	**(112,0)**	**(112,3)**

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GROUP INCOME STATEMENT

Unaudited

(USD mill)	Note	3Q 2017	2Q 2017	3Q 2016	Jan-Sep 2017	Jan-Sep 2016	Year 2016
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Total revenues	*1*	**76,3**	**54,9**	**213,6**	**229,6**	**668,2**	**825,0**
Operating costs		(47,2)	(24,6)	(91,4)	(126,5)	(255,5)	(311,0)
Recharged expenses		(3,8)	(1,8)	(3,1)	(8,5)	(11,5)	(15,6)
Total operating expenses	*1*	**(51,0)**	**(26,4)**	**(94,5)**	**(135,0)**	**(267,0)**	**(326,6)**
Operating profit before depreciation, impairment and net financial expenses (EBITDA)		**25,3**	**28,5**	**119,1**	**94,6**	**401,2**	**498,4**
Depreciation and amortisation	*6*	(55,0)	(57,1)	(70,2)	(167,1)	(225,2)	(290,4)
Impairment	*6*	-	(75,0)	(61,3)	(75,0)	(220,3)	(230,8)
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Net financial expenses	*8*	(15,5)	(12,2)	(17,3)	(34,3)	(53,7)	(56,6)
Profit/(loss) before tax		**(45,2)**	**(115,8)**	**(29,7)**	**(181,8)**	**(98,0)**	**(79,4)**
Income tax expense		(0,5)	(7,4)	(4,2)	(13,5)	(17,1)	(26,0)
Loss for the period		**(45,7)**	**(123,2)**	**(33,9)**	**(195,3)**	**(115,1)**	**(105,4)**
Attributable to:							
Shareholders		(45,4)	(123,1)	(33,7)	(194,8)	(114,4)	(104,6)
Non-controlling interests		(0,3)	(0,1)	(0,2)	(0,5)	(0,7)	(0,8)
Loss for the period		**(45,7)**	**(123,2)**	**(33,9)**	**(195,3)**	**(115,1)**	**(105,4)**
EPS :							
Basic earnings per share		-0,69	-1,86	-0,51	-2,94	-1,73	-1,58
Diluted earnings per share		-0,69	-1,86	-0,51	-2,94	-1,73	-1,58
Outstanding shares							
Average number of ordinary shares, basic		66,3	66,3	66,3	66,3	66,3	66,3
Average number of ordinary shares, diluted		66,3	66,3	66,3	66,3	66,3	66,3

GROUP STATEMENT OF COMPREHENSIVE INCOME

Unaudited	3Q 2017	2Q 2017	3Q 2016	Jan-Sep 2017	Jan-Sep 2016	Year 2016
Loss for the period	(45,7)	(123,2)	(33,9)	(195,3)	(115,1)	(105,4)
Actuarial (loss)/gains on defined benefit pension plans	-	-	-	-	-	(8,2)
Income tax relating to components of other comprehensive income	-	-	-	-	-	0,7
Exchange differences on translation of foreign operations	2,4	-	2,1	2,4	3,1	0,6
Total comprehensive loss for the period	**(43,3)**	**(123,2)**	**(31,8)**	**(192,9)**	**(112,0)**	**(112,3)**
Attributable to:						
Shareholders	(43,5)	(123,0)	(31,8)	(192,8)	(111,9)	(111,0)
Non-controlling interests	0,2	(0,2)	-	(0,1)	(0,1)	(1,3)
Total comprehensive loss for the period	**(43,3)**	**(123,2)**	**(31,8)**	**(192,9)**	**(112,0)**	**(112,3)**

Condensed Consolidated Financial Statements

STATEMENT OF FINANCIAL POSITION

Unaudited

(USD mill)		30 Sep 17	30 Jun 17	30 Sep 16	31 Dec 16
Property, plant & equipment	*6*	1 124,0	1 177,7	1 435,3	1 361,0
Other non-current assets		11,1	11,1	20,2	17,3
Total non-current assets		**1 135,1**	**1 188,8**	**1 455,5**	**1 378,3**
Inventories		113,1	111,9	120,8	113,1
Trade and other receivables		30,5	36,1	120,5	94,6
Other current assets		16,3	12,4	24,8	13,6
Cash and cash equivalents		451,9	351,9	391,0	290,4
Total current assets		**611,8**	**512,3**	**657,1**	**511,7**
Total assets		**1 746,9**	**1 701,1**	**2 112,6**	**1 890,0**
Share capital		193,3	193,3	193,3	193,3
Other equity		467,0	510,3	660,2	659,9
Non-controlling interests		-	-	-	-
Total Equity		**660,3**	**703,6**	**853,5**	**853,2**
Non-current interest-bearing loans and borrowings	*5*	688,9	780,8	887,0	879,6
Other non-current liabilities		70,0	71,2	101,3	90,9
Total non-current liabilities		**758,9**	**852,0**	**988,3**	**970,5**
Current interest-bearing loans and borrowings	*5*	190,9	95,5	190,9	-
Other current liabilities	*9*	136,8	50,0	79,9	66,3
Total current liabilities		**327,7**	**145,5**	**270,8**	**66,3**
Total equity and liabilities		**1 746,9**	**1 701,1**	**2 112,6**	**1 890,0**

GROUP STATEMENT OF CHANGES IN EQUITY

Unaudited

(USD mill)

	Share capital	Share premium	Translation reserves	Reserve for own shares	Retained earnings	Total	Non-contr. interests	Total equity
Year 2016								
Balance at 1 January 2016	193,3	83,5	1,5	(1,2)	688,4	965,5	-	965,5
Loss for the year	-	-	-	-	(105,4)	(105,4)	-	(105,4)
Other comprehensive income/(loss)	-	-	0,6	-	(7,5)	(6,9)	-	(6,9)
Balance at 31 Dec 2016	**193,3**	**83,5**	**2,1**	**(1,2)**	**575,5**	**853,2**	**-**	**853,2**
Jan-Sep 2017								
Loss for the year	-	-	-	-	(195,3)	(195,3)	-	(195,3)
Other comprehensive income	-	-	2,4	-	-	2,4	-	2,4
Balance at 30 Sep 2017	**193,3**	**83,5**	**4,5**	**(1,2)**	**380,2**	**660,3**	**-**	**660,3**

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CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited **(USD mill)**	**Note**	**Jan-Sep 2017**	**Jan-Sep 2016**	**Year 2016**
Cash flows from operating activities				
Profit/(loss) before income tax		(181,8)	(98,0)	(79,4)
Adjustment for:				
Depreciation, amortisation and impairment	6	242,1	445,5	521,2
Interest expense		29,0	32,6	43,0
Gain on sale of property, plant and equipment		(2,8)	-	-
Changes in pension plan		(23,7)	-	-
Changes in working capital	9	142,4	(48,3)	(30,1)
Unrealised loss/(gain) financial instruments/debt	8	9,1	2,9	(7,3)
Cash generated from operations		214,3	334,7	447,4
Interest paid		(25,7)	(29,5)	(38,0)
Taxes paid		(9,3)	(9,5)	(16,2)
Net cash from operating activities		**179,3**	**295,7**	**393,2**
Cash flows from investing activities				
Net investment in fixed assets		(11,5)	(20,6)	(23,9)
Settlement for Bollsta Dolphin Pte. Ltd.		-	176,4	176,4
Proceeds from sale of equipment		4,6	0,1	0,1
Net cash used to investing activities	6	**(6,9)**	**155,9**	**152,6**
Cash flows from financing activites				
Proceeds from interest bearing loans		-	195,0	195,0
Repayments of interest bearing loans	5	(12,9)	(469,0)	(659,9)
Net cash used in financing activites		**(12,9)**	**(274,0)**	**(464,9)**
Foreign currency		2,0	(0,7)	(4,6)
Net change in cash and cash equivalents		159,5	177,6	80,9
Cash and cash equivalents at the beg. of period		290,4	214,1	214,1
Cash and cash equiv. at the end of period		**451,9**	**391,0**	**290,4**

Condensed Consolidated Financial Statements

Notes

1. Segment information

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
3Q 2017				
Revenues from external customers	71,1	5,2	-	76,3
Inter-segment revenues	-	-	-	-
Total revenues	**71,1**	**5,2**	**-**	**76,3**
Operating costs	(42,8)	(8,2)	-	(51,0)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**28,3**	**(3,0)**	**-**	**25,3**
Depreciation and amortisation	(54,5)	(0,5)	-	(55,0)
Operating loss before net financial expenses (EBIT)	**(26,2)**	**(3,5)**	**-**	**(29,7)**
2Q 2017				
Revenues from external customers	51,6	3,3	-	54,9
Inter-segment revenues	-	0,5	(0,5)	-
Total revenues	**51,6**	**3,8**	**(0,5)**	**54,9**
Operating costs	(21,5)	(5,4)	0,5	(26,4)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**30,1**	**(1,6)**	**-**	**28,5**
Depreciation and amortisation	(56,6)	(0,5)	-	(57,1)
Impairment	(75,0)	-	-	(75,0)
Operating loss before net financial expenses (EBIT)	**(101,5)**	**(2,1)**	**-**	**(103,6)**
3Q 2016				
Revenues from external customers	212,6	1,0	-	213,6
Inter-segment revenues	-	0,6	(0,6)	-
Total revenues	**212,6**	**1,6**	**(0,6)**	**213,6**
Operating costs	(91,9)	(3,2)	0,6	(94,5)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**120,7**	**(1,6)**	**-**	**119,1**
Depreciation and amortisation	(69,7)	(0,5)	-	(70,2)
Impairment	(61,3)	-	-	(61,3)
Operating loss before net financial expenses (EBIT)	**(10,3)**	**(2,1)**	**-**	**(12,4)**
Jan-Jun 2017				
Revenues from external customers	215,8	13,8	-	229,6
Inter-segment revenues	-	0,7	(0,7)	-
Total revenues	**215,8**	**14,5**	**(0,7)**	**229,6**
Operating costs	(115,8)	(19,9)	0,7	(135,0)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**100,0**	**(5,4)**	**-**	**94,6**
Depreciation and amortisation	(165,6)	(1,5)	-	(167,1)
Impairment	(75,0)	-	-	(75,0)
Operating loss before net financial expenses (EBIT)	**(140,6)**	**(6,9)**	**-**	**(147,5)**
Jan-Sep 2016				
Revenues from external customers	660,9	7,3	-	668,2
Inter-segment revenues	-	1,2	(1,2)	-
Total revenues	**660,9**	**8,5**	**(1,2)**	**668,2**
Operating costs	(252,9)	(15,3)	1,2	(267,0)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**408,0**	**(6,8)**	**-**	**401,2**
Depreciation and amortisation	(223,5)	(1,7)	-	(225,2)
Impairment	(220,3)	-	-	(220,3)
Operating loss before net financial expenses (EBIT)	**(35,8)**	**(8,5)**	**-**	**(44,3)**

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(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
Year 2016				
Revenues from external customers	815,1	9,9	-	825,0
Inter-segment revenues	-	1,4	(1,4)	-
Total revenues	**815,1**	**11,3**	**(1,4)**	**825,0**
Operating costs	(308,9)	(19,1)	1,4	(326,6)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**506,2**	**(7,8)**	**-**	**498,4**
Depreciation and amortisation	(288,3)	(2,1)	-	(290,4)
Impairment	(230,8)	-	-	(230,8)
Operating loss before net financial expenses (EBIT)	**(12,9)**	**(9,9)**	**-**	**(22,8)**

30 Sep 17				
Segment assets	1 712,7	37,1	(2,9)	1 746,9
Segment liabilities	1 027,3	62,2	(2,9)	1 086,6
30 Sep 16				
Segment assets	2 076,4	36,7	(0,5)	2 112,6
Segment liabilities	1 215,0	44,6	(0,5)	1 259,1
31 Dec 16				
Segment assets	1 855,7	35,6	(1,3)	1 890,0
Segment liabilities	985,8	52,3	(1,3)	1 036,8

* Includes Fred. Olsen Energy ASA

Revenue split

(USD mill)	3Q 2017	2Q 2017	3Q 2016	Jan-Sep 2017	Jan-Sep 2016	Year 2016
Lease revenue	15,2	20,9	114,8	80,3	392,9	479,4
Service revenue	28,4	28,6	94,6	102,9	256,0	317,0
Other income	27,5	2,1	3,2	32,6	12,0	18,7
Engineering and fabrication	5,2	3,3	1,0	13,8	7,3	9,9
Total revenues	**76,3**	**54,9**	**213,6**	**229,6**	**668,2**	**825,0**

Other income in the quarter includes mainly settlement of USD 12.4 million related to the Bredford Dolphin contract, amortized termination fee of USD 8.2 million in the quarter related to Bolette Dolphin and gain of sale of units sold for decommisioning.

Condensed Consolidated Financial Statements

2. Introduction

The consolidated interim financial statements for 3rd quarter ended 30 September 2017, comprise Fred. Olsen Energy ASA and its subsidiaries (together referred to as the ”Group”).

The interim accounts have been prepared in accordance with IAS 34 as adopted by EU and the Securities and Trading Act. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016.

The consolidated financial statements of the Group for the year ended 31 December 2016 are available upon request from the Company’s office in Oslo or at www.fredolsen-energy.com.

The Board of Directors approved these consolidated interim financial statements on 24th October 2017.

3. Significant accounting policies

No significant new accounting principles have been adopted in the quarter. The main accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2016.

Fred. Olsen Energy is currently undertaking a Group wide project to analyze the effects of the new released IFRS standards, mainly IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. The project is not finalized and descriptions below may change as the project progresses.

IFRS 15 – Revenues from contracts with customers
No significant impact of IFRS 15 for the Group is expected when the standard is implemented 1 January 2018. The implementation will not have any impact on the underlying cash flows. The Group will transition to IFRS 15 on 1 January 2018 without changing comparatives, i.e. applying the modified retrospective approach.

IFRS 16 – Leases
The Group has compiled leasing contracts to be able to estimate the effect for the contracts where Group entities act as a lessee. For contracts where entities act as a lessor, and in addition provide services, the Group continues to analyze potential effects of the interaction between IFRS 15 and IFRS 16. The implementation of IFRS 16 will have no impact on the underlying cash flow.

Based on information gathered to date, and based on the assumptions taken, the group expects the lessee effect as of 30 June 2017 to be in in the range of USD 20 million to USD 30 million as an increased Right of Use assets and increased leasing liability for the Group. The effect on EBITDA is expected to be an increase of approximately USD 0.3 million.

The Group plan to transition to IFRS 16 on 1 January 2018 without changing comparatives, i.e. applying the modified retrospective approach.

IFRS 9 – Financial instruments
The Group expects no significant effect of the transition to IFRS 9. The Group will transition on 1 January 2018 without changing comparatives.

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4. Estimates

The preparations of interim financial statements require use of estimates, judgments and assumptions that may affect the use of accounting principles and recognized assets, liabilities, income and expenses. The resulting accounting estimates may differ from the eventual outcome.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts are the same as described in the annual report for the year 2016 whereof the estimates of fair values of the offshore units are the most significant.

Estimating the fair value is a complex process involving a number of key judgements and estimates regarding various inputs. Due to the nature of the asset, the valuation technique includes a discounted cash flow model that uses a number of inputs from internal sources due to lack of relevant and reliable observable inputs.

As a result of the current market situation and because the uncertainty is higher than usual for when new contracts will be entered into and the related future dayrate levels, fair value of the offshore units is exposed to high estimation uncertainty.

5. Interest-bearing loans and borrowings

As per September 2017, the Group has repaid NOK 75 million of its bond loan FOE05 in 1st quarter 2017 and USD 3.9 million of the fleet facility in 3rd quarter 2017.

6. Property, plant and equipment

(USD mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2017	3 856,7	74,3	18,3	3 949,3
Acquisitions	4,5	0,8	0,0	5,3
Disposals	(289,3)	0,0	0,0	(289,3)
Movements in foreign currency	0,0	5,6	1,2	6,8
Balance at 30 Sep 2017	**3 571,9**	**80,7**	**19,5**	**3 672,1**
Depreciation				
Balance at 1 January 2017	2 519,9	59,4	9,0	2 588,3
Depreciation	162,8	3,9	0,4	167,1
Impairment	75,0	0,0	0,0	75,0
Disposals	(287,7)	0,0	0,0	(287,7)
Movements in foreign currency	0,0	4,7	0,7	5,4
Balance at 30 Sep 2017	**2 470,0**	**68,0**	**10,1**	**2 548,1**
Carrying amounts				
At 1 January 2017	1 336,8	14,9	9,3	1 361,0
At 30 Sep 2017	1 101,9	12,7	9,4	1 124,0

On a quarterly basis, the Group assesses whether there is an indication that a Cash Generating Unit (CGU) may be impaired. We consider each individual offshore unit to be a CGU, as defined in IAS 36.6, as each individual

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offshore unit generates independent cash flows. One indicator of impairment we consider is if the net book value of a CGU is below the average market value provided from two independent brokers. Another indicator of impairment we consider is if the carrying amount of the net assets of the Group exceeds the Group's market capitalisation. The Group estimates the recoverable amount for each CGU based on the value in use calculation by estimating three scenarios with a percentage likelihood per unit for the future expected cash inflows and outflows derived from continuing use of each CGU and applying the appropriate discount rate on the future cash flows.

There is no material changes to the assumptions used in previous quarter.

Management is monitoring the market development closely and if the Group experience changes to any of the assumptions, the Group may be required to recognise additional impairment adjustments or reverse impairment to the assets. The market situation makes the valuations uncertain and volatile. The dayrates and timing of new contracts are both significant estimates and highly sensitive in the model.

7. Related parties

In the ordinary course of business, the Group recognises revenues and expenses with related companies. Related parties are (1) Bonheur ASA that is the owner of 51.9% of the Group, (2) Bonheurs subsidiaries and (3) Fred. Olsen & Co. The Group receives certain administrative, financial, and legal advisory services from Fred. Olsen & Co. There are no material changes since the financial statements for the year ended 31 December 2016.

8. Financial expenses/income

The Group received an interest income of USD 1.6 million in 3rd quarter 2017 related to the settlement of the Bredford Dolphin contract.

9. Other current liabilities

The Group received termination fee of USD 95.7 million in 3rd quarter 2017 whereof USD 8.2 million is included as income while USD 86.9 million is included in other current liabilities. The revenues will be amortized until August 2018.

10. Definitions of Non-IFRS financial measures

EBITDA: Profit or loss before income tax, net financial expenses, depreciation and impairment

EBIT: Profit or loss before net financial expenses and income tax

Net financial expenses: Interest income and expenses, exchange gain or losses, gain or losses on financial instruments and other financial expenses

Net debt: Interest-bearing loans and borrowings less cash and cach equivalents

Capital expenditures: Acquisitions of property, plant or equipment