Report for the 3rd quarter 2018

Figures in USD

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF USD - 25 MILLION IN 3Q 2018

HIGHLIGHTS

- **Revenues were 18 million**
- **EBITDA was negative 25 million**
- **Operating profit (EBIT) was negative 94 million**
- **Profit before tax was negative 103 million**
- **Earnings per share were negative 1.54**

- **Bredford and Belford Dolphin to be decommissioned**

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FINANCIAL INFORMATION (*2nd quarter 2018 in brackets)*

Operating revenues in the quarter were 17.9 million (17.3 million), a decrease of 0.6 million compared with the previous quarter. Revenues from the offshore drilling division were 12.6 million (5.9 million), an increase of 6.7 million. The increase in revenues within the offshore drilling division is mainly due to full operational quarter for Blackford Dolphin. Revenues within the engineering and fabrication division were 5.3 million compared to 11.4 million in second quarter.

Operating costs were 43.2 million (68.7 million), a decrease of 25.5 million compared with previous quarter. Operating costs within the offshore drilling division decreased by 22.2 million, mainly due to a write down of inventories for Belford Dolphin of 20.9 million in previous quarter, partly offset by a write down of inventories for Bredford Dolphin of 5 million. Operating costs within the engineering and fabrication division decreased with 3.3 million to 13.3 million.

Operating profit before depreciation (EBITDA) was - 25.3 million (-51.4 million). EBITDA within the offshore drilling division increased by 28.9 million to – 17.3 million, and EBITDA within engineering and fabrication division was - 8.0 million (- 5.2 million).

Depreciation and impairment amounted to 68.3 million (150.1 million), including a non-cash impairment charge of 19.7 million related to Bredford Dolphin and Bolette Dolphin.

Operating profit after depreciation and impairment (EBIT) was - 93.6 million (- 201.5 million).

Net financial items were - 9.2 million (- 6.2 million).

Profit before tax was - 102.8 million (- 207.7 million).

Net profit, including an estimated tax charge of 0.2 million (0.5 million), was - 102.6 million (- 207.2 million).

Earnings per share were - 1.54 (-3.12).

Financials
At 29 June, the waiver period with the Company's financial creditors expired. The Company and the financial creditors was not able to agree on an extension of the waiver.

At 3 July, the Company resolved to stop its service of interest and amortizations to its financial creditors, in order to preserve the liquidity reserves of Fred. Olsen Energy Group. As such, the Company did not make the payment of an instalment and interest payable to its secured lenders on such date. The Fred. Olsen Energy Group's operations will otherwise continue in their ordinary course.

Constructive discussions are continuing with the financial creditors and investors in order to solve the Company's financial situation. It is expected that a long term solution will require new equity and amendments to the Company's bank and bond facilities, including impairments of debt, in order to secure a viable financial foundation for the purpose of safeguarding the Company's position in the market. Sale of assets is also being considered. The going concern assumption underlying this interim report is based on the Board of Director's view that obtaining such a long term solution should be achievable.

Save for the risk resulting from the Company's non-service of its financial debt, there is no other material change related to financial risk, including interest rate and currency risks, since the release of the Annual Report for 2017.

According to IFRS a liability that is repayable on demand because loan conditions have been breached is classified as current. As a consequence the Group has reclassified all of the loans to current interest-bearing loans and borrowings.

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, and kept warm by regular integrated system testing and Class Renewal Survey (CRS) investments will be postponed. Under the DNVGL regime of prolonged survey intervals the validity of Class and Statutory certificates are extended equal to the smart stacking period.

Norway
Bideford Dolphin, which completed its five-year CRS in 2014, is 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.

International
The ultra-deepwater drillship Bolette Dolphin is currently smart stacked offshore Tenerife, and is marketed for new contract opportunities worldwide.

Blackford Dolphin continued under a three well contract with BP Exploration Operating Company Ltd. during the quarter. The unit commenced the contract 17 May 2018 and the contract is estimated to be completed end of October 2018.

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

Decommissioning of units
Bredford Dolphin is currently in lay-up in Kvinesdal, Norway and Belford Dolphin is currently in lay-up in Labuan, Malaysia.

After all alternative solutions have been evaluated, the Company has decided to decommission the two units.

Engineering and Fabrication
The Harland & Wolff shipyard continued its core activities within engineering, ship repair and shipbuilding. The financial situation of the yard is challenging. The yard is in a process to find a sustainable solution and continues to explore business opportunities in all markets.

Oslo, 23th October 2018
The Board of Directors

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GROUP INCOME STATEMENT

Unaudited

(USD mill)	Note	3Q 2018	2Q 2018	3Q 2017	Jan-Sept 2018	Jan-Sept 2017	Year 2017
Operating revenues		16,8	17,2	72,3	103,5	220,8	268,2
Recharged income		1,1	0,1	4,0	3,1	8,8	10,9
Total revenues	*1,5*	**17,9**	**17,3**	**76,3**	**106,6**	**229,6**	**279,1**
Operating costs		(42,3)	(68,7)	(47,2)	(148,7)	(126,5)	(163,5)
Recharged expenses		(0,9)	-	(3,8)	(2,8)	(8,5)	(10,7)
Total operating expenses	*1,7*	**(43,2)**	**(68,7)**	**(51,0)**	**(151,5)**	**(135,0)**	**(174,2)**
Operating profit before depreciation, impairment and net financial expenses (EBITDA)		**(25,3)**	**(51,4)**	**25,3**	**(44,9)**	**94,6**	**104,9**
Depreciation and amortisation	*7*	(48,6)	(53,4)	(55,0)	(158,4)	(167,1)	(222,5)
Impairment	*7*	(19,7)	(96,7)	-	(116,4)	(75,0)	(75,0)
Operating loss before net financial expenses (EBIT)		**(93,6)**	**(201,5)**	**(29,7)**	**(319,7)**	**(147,5)**	**(192,6)**
Net financial expenses		(9,2)	(6,2)	(15,5)	(33,6)	(34,3)	(45,4)
Loss before tax		**(102,8)**	**(207,7)**	**(45,2)**	**(353,3)**	**(181,8)**	**(238,0)**
Income tax expense		0,2	0,5	(0,5)	0,9	(13,5)	(19,4)
Loss for the period		**(102,6)**	**(207,2)**	**(45,7)**	**(352,4)**	**(195,3)**	**(257,4)**
Attributable to:							
Shareholders		(101,9)	(206,6)	(45,4)	(351,1)	(194,8)	(256,8)
Non-controlling interests		(0,7)	(0,6)	(0,3)	(1,3)	(0,5)	(0,6)
Loss for the period		**(102,6)**	**(207,2)**	**(45,7)**	**(352,4)**	**(195,3)**	**(257,4)**
EPS :							
Basic earnings per share		-1,54	-3,12	-0,69	-5,30	-2,94	-3,87
Diluted earnings per share		-1,54	-3,12	-0,69	-5,30	-2,94	-3,87
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 2018	2Q 2018	3Q 2017	Jan-Sept 2018	Jan-Sept 2017	Year 2017
Loss for the period	(102,6)	(207,2)	(45,7)	(352,4)	(195,3)	(257,4)
Actuarial gains on defined benefit pension plans	-	-	-	-	-	6,0
Income tax relating to components of other comprehensive income	-	-	-	-	-	(8,6)
Exchange differences on translation of foreign operations	-	(0,4)	2,4	1,3	2,4	0,1
Total comprehensive loss for the period	**(102,6)**	**(207,6)**	**(43,3)**	**(351,1)**	**(192,9)**	**(259,9)**
Attributable to:						
Shareholders	(102,0)	(207,3)	(43,5)	(349,9)	(192,8)	(258,9)
Non-controlling interests	(0,6)	(0,3)	0,2	(1,2)	(0,1)	(1,0)
Total comprehensive loss for the period	**(102,6)**	**(207,6)**	**(43,3)**	**(351,1)**	**(192,9)**	**(259,9)**

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STATEMENT OF FINANCIAL POSITION

Unaudited

(USD mill)		30 Sep 18	30 Jun 18	30 Sep 17	31 Dec 17
Property, plant & equipment	*7*	822,3	886,1	1 124,0	1 073,4
Other non-current assets		1,7	1,6	11,1	1,6
Total non-current assets		**824,0**	**887,7**	**1 135,1**	**1 075,0**
Inventories		73,3	77,2	113,1	103,1
Trade and other receivables		21,7	8,9	30,5	14,4
Other current assets	*6,10*	21,7	20,8	16,3	13,9
Cash and cash equivalents		153,8	192,6	451,9	435,0
Total current assets		**270,5**	**299,5**	**611,8**	**566,4**
Total assets		**1 094,5**	**1 187,2**	**1 746,9**	**1 641,4**
Share capital		193,3	193,3	193,3	193,3
Other equity		48,9	151,5	467,0	400,0
Non-controlling interests		-	-	-	-
Total Equity		**242,2**	**344,8**	**660,3**	**593,3**
Non-current interest-bearing loans and borrowings	*6*	-	-	688,9	686,2
Other non-current liabilities		60,4	60,5	70,0	61,2
Total non-current liabilities		**60,4**	**60,5**	**758,9**	**747,4**
Current interest-bearing loans and borrowings	*6*	745,7	737,0	190,9	190,9
Other current liabilities	*11*	46,2	44,9	136,8	109,8
Total current liabilities		**791,9**	**781,9**	**327,7**	**300,7**
Total equity and liabilities		**1 094,5**	**1 187,2**	**1 746,9**	**1 641,4**

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 2017								
Balance at 1 January 2017	193,3	83,5	2,1	(1,2)	575,5	853,2	-	853,2
Loss for the year	-	-	-	-	(257,4)	(257,4)	-	(257,4)
Other comprehensive income/(loss)	-	-	0,1	-	(2,6)	(2,5)	-	(2,5)
Balance at 31 Dec 2017	**193,3**	**83,5**	**2,2**	**(1,2)**	**315,5**	**593,3**	**-**	**593,3**
Jan-Sep 2018								
Loss for the period	-	-	-	-	(352,4)	(352,4)	-	(352,4)
Other comprehensive income	-	-	1,3	-	-	1,3	-	1,3
Balance at 30 September 2018	**193,3**	**83,5**	**3,5**	**(1,2)**	**(36,9)**	**242,2**	**-**	**242,2**

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CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited **(USD mill)**	**Note**	**Jan-Sep 2018**	**Jan-Sep 2017**	**Year 2017**
Cash flows from operating activities				
Loss before income tax		(353,3)	(181,8)	(238,0)
Adjustment for:				
Depreciation, amortisation and impairment	*7*	274,8	242,1	297,5
Interest expense		29,7	29,0	39,2
Gain on sale of property, plant and equipment		-	(2,8)	(2,9)
Changes in pension plan		-	(23,7)	(27,3)
Changes in working capital	*10*	(34,0)	142,4	140,2
Unrealised (gain)/loss financial instruments/debt		(0,3)	9,1	4,7
Cash generated from operations		(83,1)	214,3	213,4
Interest paid		(17,2)	(25,7)	(34,8)
Taxes paid		(7,5)	(9,3)	(10,9)
Net cash from operating activities		**(107,8)**	**179,3**	**167,7**
Cash flows from investing activities				
Net investment in fixed assets		(25,9)	(11,5)	(14,7)
Proceeds from sale of equipment		-	4,6	4,6
Net cash used to investing activities	*7*	**(25,9)**	**(6,9)**	**(10,1)**
Cash flows from financing activites				
Proceeds from interest bearing loans		-	-	-
Repayments of interest bearing loans	*6*	(147,5)	(12,9)	(12,9)
Net cash used in financing activites		**(147,5)**	**(12,9)**	**(12,9)**
Foreign currency		-	2,0	(0,1)
Net change in cash and cash equivalents		(281,2)	159,5	144,7
Cash and cash equivalents at the beg. of period		435,0	290,4	290,4
Cash and cash equiv. at the end of period		**153,8**	**451,9**	**435,0**

Notes

1. Segment information

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
3Q 2018				
Revenues from external customers	12,6	5,3	-	17,9
Inter-segment revenues	-	-	-	-
Total revenues	**12,6**	**5,3**	**-**	**17,9**
Operating costs	(29,9)	(13,3)	-	(43,2)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**(17,3)**	**(8,0)**	**-**	**(25,3)**
Depreciation and amortisation	(48,2)	(0,4)	-	(48,6)
Impairment	(19,7)	-	-	(19,7)
Operating loss before net financial expenses (EBIT)	**(85,2)**	**(8,4)**	**-**	**(93,6)**
2Q 2018				
Revenues from external customers	5,9	11,4	-	17,3
Inter-segment revenues	-	-	-	-
Total revenues	**5,9**	**11,4**	**-**	**17,3**
Operating costs	(52,1)	(16,6)	-	(68,7)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**(46,2)**	**(5,2)**	**-**	**(51,4)**
Depreciation and amortisation	(53,0)	(0,4)	-	(53,4)
Impairment	(96,7)	-	-	(96,7)
Operating loss before net financial expenses (EBIT)	**(195,9)**	**(5,6)**	**-**	**(201,5)**
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)**

* Includes Fred. Olsen Energy ASA

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(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
Jan-Sep 2018				
Revenues from external customers	82,2	24,4	-	106,6
Inter-segment revenues	-	-	-	-
Total revenues	**82,2**	**24,4**	**-**	**106,6**
Operating costs	(112,0)	(39,5)	-	(151,5)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**(29,8)**	**(15,1)**	**-**	**(44,9)**
Depreciation and amortisation	(157,1)	(1,3)	-	(158,4)
Impairment	(116,4)	-	-	(116,4)
Operating loss before net financial expenses (EBIT)	**(303,3)**	**(16,4)**	**-**	**(319,7)**
Jan-Sep 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)**
Year 2017				
Revenues from external customers	260,7	18,4	-	279,1
Inter-segment revenues	-	0,6	(0,6)	-
Total revenues	**260,7**	**19,0**	**(0,6)**	**279,1**
Operating costs	(149,5)	(25,3)	0,6	(174,2)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**111,2**	**(6,3)**	**-**	**104,9**
Depreciation and amortisation	(220,6)	(1,9)	-	(222,5)
Impairment	(75,0)	-	-	(75,0)
Operating loss before net financial expenses (EBIT)	**(184,4)**	**(8,2)**	**-**	**(192,6)**

30 Sep 18				
Segment assets	1 077,5	22,8	(5,8)	**1 094,5**
Segment liabilities	790,8	67,3	(5,8)	**852,3**
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**
31 Dec 17				
Segment assets	1 619,8	25,1	(3,5)	**1 641,4**
Segment liabilities	997,2	54,4	(3,5)	**1 048,1**

* Includes Fred. Olsen Energy ASA

Condensed Consolidated Financial Statements

2. Introduction

The consolidated interim financial statements for 3rd quarter ended 30 September 2018, 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 2017.

The consolidated financial statements of the Group for the year ended 31 December 2017 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 23rd October 2018.

3. Significant accounting policies

The Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the quarter. The other 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 2017.

IFRS 15 – Revenues from contracts with customers
Under IFRS 15, revenue from long-term engineering and fabrication contracts are recognized when the goods or services either over time or at a point in time. Progress for contracts recognized over time are measured using a cost progress method. Costs incurred to fulfil the contract during the project phase are capitalized and amortized over the contract term if they meet the criteria in the standard. Amounts paid up front by the customers will be recognized as a contract liability until services are delivered.

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 2017 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.

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5. Revenues

(USD mill)	3Q 2018	2Q 2018	3Q 2017	Jan-Sep 2018	Jan-Sep 2017	Year 2017
Lease revenue	2,1	1,1	15,2	3,2	80,3	82,6
Service revenue	9,1	4,4	28,4	13,5	102,9	115,6
Other income	1,4	0,4	27,5	65,5	32,6	62,6
Engineering and fabrication	5,3	11,4	5,2	24,4	13,8	18,3
Total revenues	**17,9**	**17,3**	**76,3**	**106,6**	**229,6**	**279,1**

Other income includes mainly the amortized termination fee of USD 25 million and the remaining balance of USD 36.7 million in the 1st quarter 2018 related to Bolette Dolphin.

6. Interest-bearing loans and borrowings

As per September 2018, the Group has repaid USD 147.5 million of the fleet facility. At 29 June, the waiver period with the Company's financial creditors expired. As a consequence the Group has reclassified all of the loans to current interest-bearing loans and borrowings and expensed all amortized loan costs. At 3 July, the Company resolved to stop its service of interest and amortizations to its financial creditors, in order to preserve the liquidity reserves of Fred. Olsen Energy Group. As such, the Company did not make payment of an instalment of USD 95.5 million and interest payable to its secured lenders on such date. Unpaid overdue interest to the secured lenders and bondholders amounts to USD 9 million as per September 2018 reported under Current interest-bearing loans and borrowings.

7. Property, plant and equipment

(USD mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2018	3 576,0	80,6	19,5	3 676,1
Acquisitions	25,0	0,4	0,0	25,4
Disposals	(9,1)	0,0	0,0	(9,1)
Reclassification	(11,7)	0,0	0,0	(11,7)
Movements in foreign currency	0,0	(1,9)	(0,4)	(2,3)
Balance at 30 Sept 2018	**3 580,2**	**79,1**	**19,1**	**3 678,4**
Depreciation				
Balance at 1 January 2018	2 523,2	69,2	10,3	2 602,7
Depreciation	154,5	3,4	0,5	158,4
Impairment	116,4	0,0	0,0	116,4
Disposals	(9,0)	0,0	0,0	(9,0)
Reclassification	(10,4)	0,0	0,0	(10,4)
Movements in foreign currency	0,0	(1,8)	(0,2)	(2,0)
Balance at 30 Sept 2018	**2 774,7**	**70,8**	**10,6**	**2 856,1**
Carrying amounts				
At 1 January 2018	1 052,8	11,4	9,2	1 073,4
At 30 Sept 2018	805,5	8,3	8,5	822,3

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 offshore unit generates independent cash flows. One indicator of impairment is if the net book value of a CGU is below the average market value provided from two independent brokers. Another indicator of impairment 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.

An impairment loss of USD 19.7 million was recorded in 3rd Quarter 2018 whereof USD 12.1 million is related to Bolette Dolphin. USD 7.6 million is related to Bredford Dolphin in addition to impairment of inventory of USD 5 million included in operating cost. The asset approximates the net decommissioning value. An impairment loss of USD 97 million was recorded in 2nd Quarter 2018 related to Belford Dolphin, in addition to an impairment of inventory of USD 20.9 million included in operating cost.

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.

8. Related parties

In the ordinary course of business, the Group recognizes 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 2017.

9. Financial risk management

Constructive discussions are ongoing with the financial creditors in order to solve the Company's financial situation. It is expected that a long term solution will require new equity and amendments to the Company's bank and bond facilities, potentially implying impairments of debt, in order to secure a viable financial foundation for the purpose of safeguarding the Company's position in the market. The going concern assumption underlying this interim report is based on the Board of Director's view that obtaining such a long term solution should be achievable.

10. Other current assets

Refinancing cost of USD 4.9 million is reported under other current assets. Refinancing cost is not reflected within EBITDA. Part of it could either be booked against equity or be part of liabilities carried at amortised cost.

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11. Other current liabilities

The Group received termination fee of USD 95.7 million in 3rd quarter 2017 whereof USD 34 million was included as income in 2017. The remaining amount of USD 61.7 million is included as other income in 1st quarter 2018. See also note 5.

12. 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

13. Contingencies

The Group has a dispute in UK with the HMRC regarding classification of a rig and its operation. The disputed tax amount is USD 14 million plus interest and legal fees. The dispute is expected to be settled mid-2019. The Group has not made any provision for the dispute.