

Annual Report 2017



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Key Figures (consolidated accounts)

(Amounts in NOK million)		2017	2016	2015
Income statement				
Operating income		8 633.3	12 414.5	14 640.4
Operating profit before depreciation and impairment losses (EBITDA)		2 440.6	5 071.9	6 243.3
EBITDA-margin		28%	41%	43%
Operating profit/loss (-) (EBIT)		-944.8	-294.4	-2 361.3
Share of result in associates		-17.2	17.1	-2.1
Net finance income / expense (-)		-497.2	-409.8	-535.5
Profit / loss (-) before tax		-1 459.2	-687.2	-2 898.8
Tax income / expense (-)		-317.7	-316.9	94.9
Profit for the year		-1 776.9	-1 004.1	-2 803.9
Non-controlling interests		-912.5	-514.5	-1 542.4
Profit / loss (-) for the year (shareholders of the parent)		-864.4	-489.6	-1 261.5
Statement of financial position				
Non-current assets		19 243.5	22 160.0	28 220.1
Current assets		11 215.7	10 360.7	13 586.0
Equity ex non-controlling interests		8 514.1	9 461.5	9 100.8
Non-controlling interests		2 637.0	3 653.3	6 344.2
Non-current interest bearing liabilities		12 201.0	13 955.5	17 581.2
Other non-current liabilities		1 804.3	1 896.6	1 795.9
Current interest bearing liabilities		2 293.3	1 141.8	3 431.2
Other current liabilities		3 009.4	2 411.9	3 553.0
Total assets / total equity and liabilities		30 459.2	32 520.6	41 806.1
Liquidity				
Cash and cash equivalents as at 31 December	1)	8 592.6	7 228.0	8 340.3
Net change in cash and cash equivalents	1)	1 393.4	-153.3	2 038.0
Net cash from operating activities	1)	2 455.1	5 535.8	5 240.3
Current ratio	2)	212%	292%	195%
Capital				
Equity-to-assets ratio	3)	37%	40%	37%
Share capital		53.2	53.2	51.0
Total number of shares outstanding as at 31 December		42 531 893	42 531 893	32 345 668
Key performance indicators:				
Net interest bearing debt (NIBD)	4)	5 902	7 869	12 672
Capital employed (CE)	5)	17 053	20 984	28 117
Key figures per share				
(Amounts in NOK)				
Market price 31 December		89.75	72.25	53.00
Dividend per share		2.00	2.00	2.00

1) In accordance with cash flow statement. 2) Current assets as per cent of current liabilities. 3) Equity as per cent of total assets.

4) NIBD = Total interest bearing debt less cash and cash equivalents. 5) CE= NIBD + Total equity.

The non-controlling interests in the Bonheur Group of companies are presented in the income statement and statement of financial position. The non-controlling interests consist of 47.74% of Fred. Olsen Energy ASA, 37.01% of Ganger Rolf ASA (2015), 44.06% of NHST Media Group AS and indirectly 49.00% of Fred. Olsen Wind Limited (UK).

Bonheur ASA – Overview

Bonheur ASA (the “Company”) is domiciled in Norway, has its head office in Oslo and is listed on Oslo Stock Exchange. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company, its subsidiaries and associates (for accounting purposes only in the following referred to as the “Group of companies”). The Company has investments in several business activities, based upon its long term commitment to renewable energy, shipping, offshore drilling, and cruise. The Company is increasingly focusing on renewable energy.

At year-end 2017 the main investments are within the following business segments:

Renewable energy



The investments within renewable energy are organized through Fred. Olsen Renewables AS with subsidiaries (“FOR”). FOR is primarily engaged in development, construction and operation of wind farms. By the end of the year the installed capacity in operation was 679 MW.

In addition FOR has a portfolio of development projects onshore in the UK, France, Nor-

way and Sweden as well as offshore Ireland and the United States (Lake Erie).

FOR’s operating revenues in 2017 amounted to NOK 1 295 million, based on an annual production of 1 725 GWh. Operating result before depreciation (EBITDA) was NOK 885 million.

Shipping / Offshore wind



The shipping / offshore wind activities are organised through Fred. Olsen Ocean Ltd. (FOO) with subsidiaries. FOO is 100% owner of Fred. Olsen Windcarrier AS (“FOW”) with subsidiaries and Universal Foundation Norway AS (“UFN”).

Subsidiaries of FOW own and operate two modern self-propelled jack-up vessels specially designed for transportation, installation and service of offshore wind turbines. Global Wind Service A/S, a Danish limited company owned 75.5% by FOW, is an international supplier of qualified and skilled personnel to the onshore

and offshore global wind turbine industry. FOW owns a fleet of seven modern crew transfer vessels used in conjunction with the construction and maintenance of offshore wind farms. UFN together with the 100% owned subsidiary Universal Foundation A/S, Denmark, develops and delivers design and installation of its unique MonoBucket® foundation.

Operating revenues in 2017 amounted to NOK 1 528 million and operating result before depreciation (EBITDA) was NOK 370 million.

Offshore drilling



Offshore drilling consists of the Bonheur Group of companies' ownership of 51.9 % in the offshore drilling contractor Fred. Olsen Energy ASA (together with subsidiaries "FOE"), which is listed on Oslo Stock Exchange. FOE owns and operates three deep water units and four mid-water semi-submersible drilling rigs. In addition FOE is the majority owner of the ship yard Harland & Wolff in Belfast, Northern Ireland.

FOE was established in 1997 through the merger of the offshore activities of Ganger Rolf ASA and Bonheur ASA, and was listed on Oslo Stock Exchange in October the same year.

Dolphin Drilling Ltd., based in Aberdeen, Scotland, Dolphin Drilling AS in Stavanger and

Dolphin Drilling Pte. Ltd in Singapore form the main part of FOE's drilling division. It is recognized as a medium-sized international drilling operator and has had a leading position within offshore drilling services for more than 50 years.

The principal activities of Harland and Wolff Group Plc. (H&W) include offshore wind foundations, ship repair, engineering and design as well as projects for the offshore oil and gas industry.

In 2017, FOE generated operating revenues of NOK 2 308 million and operating result before depreciation (EBITDA) was NOK 871 million.

Cruise



The cruise segment is headed up by First Olsen (Holdings) Ltd and its principal trading subsidiary, Fred. Olsen Cruise Lines Ltd ("FOCL"), from the UK. FOCL and its fellow subsidiaries own and operate 4 cruise ships with an overall berth capacity of approximately 3 700 passengers. Cruise holidays on sale range from 2 night mini cruises in Europe, to over 100 nights on a World cruise. During 2017, FOCL undertook a maiden fly/cruise season in the Indian Ocean and launched a River cruise programme on board a chartered vessel sailing in 2018. FOCL continues to fo-

cus on developing unique and interesting itineraries that are culturally enriching. During 2017, 90 222 passengers were carried on the vessels.

Operating revenues in 2017 amounted to NOK 2 149 million and operating result before depreciation (EBITDA) was NOK 346 million.

Other investments



Other investments include the ownership of 54.0 % of NHST Media Group AS, which comprises four main business segments, Norwegian publications (the business newspaper Dagens Næringsliv and Morgenbladet), MyNewsdesk (Software-as-a-Service), Global publications (TradeWinds, Upstream, Intrafish, Fiskeribladet, Recharge and Europower) and Nautical Charts. Operating revenues in 2017 amounted to NOK 1 315 million and operating result before depreciation (EBITDA) was NOK 88 million.

Other investments also include an ownership of 12.6 % in the property development company Koksa Eiendom AS which sold their remaining properties during 2016 and early 2017.

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Bonheur ASA (the "Company") is a company domiciled in Norway which holds direct and indirect interests in a variety of business segments. The consolidated financial statements of the Company as at and for the year that ended 31 December 2017 comprise the Company, its subsidiaries and associates (for accounting purposes only in the following referred to as the "Group of companies").

The Company's head office is in Oslo. The different activities of the Group of companies take place in several countries and the main offices within these are situated in respectively Norway, Sweden, Denmark, UK, Malta, Singapore and Bermuda.

2017 turned out to be a year with stronger than expected economic growth. For the various industries in which the investments of the Company through subsidiaries are exposed the growth was strong, with the exception of offshore drilling. Global investments in renewable energy assets continued at an accelerated pace, supported by both political support and lower costs. Improved oil prices have contributed to the start of a recovery within the oil and gas industry, although investments remained at a low level in 2017. The global cruise industry continues to expand led by new ships and new experiences. Bonheur's results in 2017 reflect the relevant industry trends with improved operating results for the business segments Renewable energy, Shipping/offshore wind and Cruise, while Offshore drilling is negatively impacted by the low investment level within the oil and gas industry.

In 2017, the various business segments within which the Company is invested were further impacted by the following key developments in energy prices, market activity and investments;

Annual average electricity prices, which in the UK is driven by the gas price, increased by 12% during the year, while in Scandinavia the average electricity system price increased by 10%. Two new wind farm projects within Fred.Olsen Renewables came into operation in 2017. The installed generating capacity for the year increased to 679 MW, up from 596 MW at the end of 2016.

The two wind turbine installation vessels within the Shipping/Offshore wind segment experienced a busy year, with utilization at more than 80%. Installed offshore wind capacity in Europe increased by 25% in 2017, and ended at 15.8 GW. The industry expects this development in capacity to increase by a CAGR of 13% to 70 GW by 2030.

The Brent oil price ended in 2017 at USD 67, its highest level of the year. The price measured on an annual average basis, was up 25% in 2017. The Offshore drilling segment ended the year with none units in operation, down from three at the end of

2016. While the number of worldwide active offshore drilling rigs reached an all-time high in 2014, the number in 2017 was the lowest since 2000. The activity within the Offshore drilling segment has thus remained muted during the year although the offshore drilling market has shown signs of renewed optimism. Tender activity has increased, particularly for the North Sea.

In the Cruise segment, Balmoral and Braemar underwent upgrades during the year, while Boudicca is planned to be upgraded in the first half of 2018. Thus, the entire fleet will be renewed and positioned to deliver its customers a continued high level of service and destination driven experiences. The ex UK cruise market (UK port for departure and arrival) has grown by more than 9% annually over the last 14 years.

The Group of companies' results

(2016 in brackets)

Operating revenues amounted to NOK 8 633 million (NOK 12 414 million). Operating expenses amounted to NOK 6 193 million (NOK 7 343 million).

Operating result before depreciation, amortization and impairment charges (EBITDA) was NOK 2 441 million (NOK 5 072 million). Depreciation amounted to NOK 2 719 million (NOK 3 330 million). Impairment related to property, plant and equipment and intangible assets were NOK 666 million (NOK 2 037 million). Operating result (EBIT) was NOK -945 million (NOK -294 million).

Net financial items were NOK -497 million (NOK -410 million).

Net result for the year was NOK -1 777 million (NOK -1 004 million).

After non-controlling interests of NOK -913 million (NOK -515 million), controlling interests' share of result after estimated tax amounted to NOK -864 million (NOK -490 million). At year-end, the non-controlling interests of the Group of companies consisted of 48.08% of Fred. Olsen Energy ASA, 46.01% of NHST Media Group AS and 49% of Fred. Olsen Wind Limited (UK).

Net cash from operating activities was NOK 2 455 million, a decrease of NOK 3 081 million compared to 2016. Net cash from investing activities was NOK -382 million (NOK -981 million) and net cash from financing activities was NOK -679 million (NOK -4 708 million). Cash and cash equivalents at 31 December 2017 was NOK 8 593 million, an increase of NOK 1 365 million since year-end 2016.

Results from the main business segments within which the Company is invested

The financial results below are presented on 100% basis and net of intra-group eliminations.

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Renewable energy

The Renewable energy segment consists of Fred. Olsen Renewables AS with subsidiaries ("FOR"). In total FOR owns and operates wind farms with a total capacity of 679 MW.

Fred. Olsen Wind Ltd (FOWL) is a subsidiary of FOR, of which FOR holds 51%. FOWL owns 432.8 MW of the 679 MW total installed capacity. The UK listed infrastructure fund The Renewable Infrastructure Group Limited (TRIG) owns the remaining 49% of FOWL.

The remainder of 246.2 MW installed capacity and the future development projects are held by wholly owned subsidiaries of Fred. Olsen Renewables AS.

The construction work for Brockloch Rig Windfarm (formerly Windy Standard II) (61.5 MW) was completed in 4 quarter 2017. Late December 2017 FOR exercised an option to acquire 100% of the assets of the Windy Standard 1 windfarm for a nominal sum. The wind farm is now operating under the name of Brockloch Rig 1. The windfarm has an installed capacity of 21.6 MW and comprises 36 turbines each of 600kW capacity and will receive ROC income until 31 March 2027. The wind farm has consent till 2021 and an extension will be applied for.

In addition, FOR has a portfolio of development projects onshore in the UK, France, Norway and Sweden as well as offshore Ireland and the United States (Lake Erie).

During 2017 the development in technology has continued and in particular turbine technology is continuously improving. In all markets where FOR subsidiaries are operating the levelized cost of energy is close to or at the wholesale price (grid parity).

Despite the uncertainty following the Brexit vote, and the removal of the onshore wind support system, there is still considerable activity in the UK market, predominately in the secondary market (M&A), but also related to subsidy free new projects. The latter is driven by the fact that the technology improvements enable grid parity for UK projects.

In 2016, it became apparent that the politically established common Swedish and Norwegian renewable target of 28.4 TWh by 2020 would be fulfilled, and most likely even exceeded. In 2017 the Swedish Parliament approved an increase in its renewable target with 18 TWh from 2020 – 2030 Norwegian projects would be part of this market if constructed before the end of 2021.

Operating revenues were NOK 1 295 million (NOK 979 million) and the annual production was 1 725 GWh (1 400 GWh). EBITDA

was NOK 885 million (NOK 618 million). Operating result (EBIT) amounted to NOK 458 million (NOK 150 million), while net result was NOK 240 million (NOK 115 million).

Shipping/Offshore wind

Shipping/Offshore wind comprises the holding company Fred. Olsen Ocean Ltd. ("FOO") with subsidiaries including Fred. Olsen Windcarrier AS and its subsidiaries ("FOW").

Subsidiaries of FOW provide services for transportation, installation and service of offshore wind turbines utilizing the purpose built jack-up vessels Brave Tern and Bold Tern.

FOW owns a fleet of seven crew transfer vessels (CTV) built for transport of goods and personnel to and from offshore wind farms.

Global Wind Service A/S, owned 75.5% by FOW, is an international supplier of technicians to the global wind turbine industry market. GWS provides a range of installation and maintenance services, both onshore and offshore.

Universal Foundation A/S, indirectly fully owned by FOO, has developed a suction MonoBucket® offshore wind foundation. In 2017, Universal Foundation undertook studies and had ongoing discussions with major developers about the use of the Mono Bucket® foundation for planned offshore wind farms.

The offshore wind market is still predominantly a European market, although increasing interest and activity in Asia and USA is evident. There were approximately 4 100 offshore wind turbines in operation worldwide by the end of 2017, with several large projects in the pipeline for the next 3-4 years. Further growth is expected in Europe and other regions. Wind power auctions in Northern Europe have a fast paced capacity growth, and there is also increased requirements for cost effective installations, as well as for operation and maintenance of the offshore wind parks. FOO is well positioned to take a substantial role in providing these services.

Total revenues in 2017 amounted to NOK 1 528 million (NOK 1 075 million). Operating result before depreciation (EBITDA) was NOK 370 million (NOK 55 million). Operating result (EBIT) was NOK 209 million (NOK -198 million) and net result was NOK 130 million (NOK -340 million).

Offshore drilling

Offshore drilling comprises Fred. Olsen Energy ASA with subsidiaries ("FOE"), which is 51.9 % owned by the Company.

The offshore fleet of FOE consists of two drill ships and five semi-submersible drilling rigs. The activities also include shipbuilding,

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ship repair, construction of offshore wind foundations and engineering at the Harland & Wolff shipyard in Belfast.

During the latter part of 2017, the offshore semi-submersible drilling market experienced an increase in requests, tenders and contract awards, from a very low level in 2016. Particularly the harsh environment market in the North Sea has showed improvement in the number of requests and tenders. This increased activity has resulted in contract awards with commencements through the period 2018 to 2020. Day rates for field development activities in 2019/2020 have increased somewhat. In addition, there has been some increase in the activity in the ultra-deep-water segment, but due to the significant oversupply of drilling units designed for these waters, the corresponding day rates have not improved and are only marginally higher than operational expenditure.

Operating revenues amounted to NOK 2 308 million (NOK 6 932 million). Operating result before depreciation (EBITDA) was NOK 871 million (NOK 4 186 million) and operating result (EBIT) was NOK -1 603 million (NOK -175 million), including impairment losses of NOK 635 million (NOK 1 914 million).

Net result after tax was NOK -2 144 million (NOK -870 million).

Cruise

The cruise segment consists of First Olsen (Holdings) Ltd, which is indirectly wholly owned by the Company, and its subsidiary undertakings which own and operate the cruise vessels MS Black Watch, MS Boudicca, MS Braemar, and MS Balmoral. Fred. Olsen Cruise Lines Ltd carried 90 222 passengers during 2017 (2016: 90 838). The smaller sized vessels and the unique itineraries are key selling points of the brand, allowing passengers to travel to all corners of the world and create lifelong memories in comfortable and familiar surroundings.

Operating revenues were NOK 2 149 million (NOK 2 070 million). Operating result before depreciation (EBITDA) was NOK 346 million (NOK 320 million). Operating result (EBIT) was NOK 116 million (NOK 98 million) and net result was NOK 73 million (NOK 163 million).

Other investments

Other investments include the activities of the Company and other holding companies within the Group of companies in addition to the Company's ownership of 54.0 % in NHST Media Group AS and 12.6 % in Koksa Eiendom AS.

NHST Media Group AS

NHST Media Group AS has four main business segments, Norwegian publications (Dagens Næringsliv and Morgenbladet),

MyNewsdesk (Software-as-a-Service), Global Publications (Tradewinds, Upstream, Intrafish, Fiskeribladet, Recharge and Europower), and Nautical Charts.

NHST Media Group AS produced a turnover of NOK 1 315 million in 2017 (NOK 1 325 million). The shift towards digital products and services continues, mainly through MyNewsdesk. The market share and number of copies sold for most of the publications have in total been positive. The circulation revenues for the full year was NOK 786 million (NOK 724 million). The advertising revenue decreased by 12% to NOK 291 million for the full year (NOK 332 million). Operating cost was down by about 1% to NOK 1 281 million for the full year (NOK 1 298 million).

The result before depreciation (EBITDA) for the year was positive with NOK 88 million (NOK 71 million). Result before tax (EBT) for the year was NOK 24 million (NOK 27 million).

Koksa Eiendom AS

Bonheur ASA holds 12.6% of the shares in Koksa Eiendom AS. In November 2016, the remaining properties of Koksa were sold and final closing took place in January 2017 (cash settlement received by Koksa Eiendom AS amounted to NOK 1.4 bn). Dividends from the sale were distributed in second and third quarter 2017. The amount received by Bonheur was NOK 184 million.

Capital and financing

FOR had capital expenditures of NOK 265 million in the year related to the construction of the two wind farms in Scotland, i.e. Brockloch Rig (commenced production in 4Q17) and Crystal Rig III (commenced production in 4Q16.)

FOO had capital expenditures of NOK 84 million mainly related to the jack-up installation vessels "Brave Tern" and "Bold Tern".

Within FOE, capital expenditures amounted to NOK 85 million. The capital expenditures were mainly related to regular investments in the active fleet.

Cruise had capital expenditures of NOK 215 million related to class renewal survey, and general upgrade mainly in respect of Braemar and Balmoral.

In total, investments (capex) in property, plant and equipment during the year amounted to NOK 654 million. The Group of companies' net investments paid, amounted to NOK 382 million, mainly financed from operating activities. Dividend payments to shareholders of the Group of companies in total amounted to NOK 87 million (NOK 85 million). See cash flow statement.

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Gross interest bearing debt of the Group of companies as per 31 December 2017 was NOK 14 494 million, a decrease of NOK 603 million since year-end 2016. Cash and cash equivalents amounted to NOK 8 593 million, an increase of NOK 1 365 million since year-end 2016. Net interest bearing debt of the Group of companies at year-end was NOK 5 902 million, a decrease of NOK 1 968 million since year-end 2016. Equity to asset ratio was 37% at year-end 2017.

Investments were financed by cash from operations, dividends, bank credit facilities and bonds.

The Company is financed partly by unsecured bonds, while some of the main business segments have separate loans to finance their operations.

As at 31.12.2017 the Company had issued NOK 2 800 million in unsecured bonds, maturing between 2019 and 2022. One bond loan (BON 04) was repaid at maturity date 10 February 2017. On 22 February 2017, the Company summoned a bondholders' meeting in its bond issues "BON03", "BON05" and "BON06" with a proposal to amend the change of control provision in the corresponding bond agreements. On 9 March 2017, the proposed resolutions were approved.

On 12 May 2017, the Company successfully completed a new senior unsecured bond issue of NOK 500 million with maturity in May 2022. The terms of interest were 3 months Nibor plus margin of 4.00%.

On 27 October 2017, the Company successfully completed a new senior unsecured bond issue of NOK 500 million with maturity in November 2020, with terms of interest equal to 3 months Nibor plus margin 3.15%. In conjunction with the bond issue, the Company has bought back approximately NOK 54 million of its BON03 bonds maturing 11 February 2019 and approximately NOK 301 million of its BON05 bonds maturing 09 July 2019.

Within the business segment Renewable energy, FOR has per year end 2017 drawn GBP 283 million from a credit facility, mainly related to financing of the windfarms owned by Fred. Olsen Wind Ltd. (FOWL). This facility is not guaranteed by the Company.

Within Shipping / Offshore wind, FOO has per year end 2017 drawn EUR 87 million on a loan related to the financing of the installation vessels Brave Tern and Bold Tern. The loan is guaranteed by the Company.

Within Offshore drilling, FOE has drawn USD 759 million from a bank syndicate credit facility. The loan is not guaranteed by the

Company. On 15 December 2016 the bank syndicate approved a request for a temporary waiver of certain financial covenants until 30 June 2018.

In addition, FOE has an unsecured bond loan (FOE05) issued in the Norwegian bond market of NOK 1 100 million as per 31 December 2017. On 26 January 2017, the bondholders in FOE05 approved a request for temporarily waiving the net debt/EBITDA and the EBITDA/net interest expenses covenants until 30 June 2018. A partial redemption of NOK 75 million took place in February 2017, bringing the remaining bond loan down to NOK 1 025 million. FOE05 is maturing in 2019.

Due to the challenging market and contract situation FOE is in discussions with its financial creditors and is working to find a sustainable solution within the waiver period.

Most of the bank credit facilities within the Group of companies are secured by mortgages on the assets within the relevant business segment. The loan agreements will contain operational and financial covenants typical for credit arrangements of the relevant nature. As at 31 December 2017 and as per 12 April 2018, the Group of companies is in compliance with all covenants under existing loan agreements. See Note 3.

In the opinion of the Board of Directors, both the financial situation and the cash position of the Company are satisfactory and sufficient to meet the Company's current commitments.

Corporate Governance

The Corporate governance principles of the Company are aligned with the principles established by the Norwegian Code of Practice for Corporate Governance ("NUES" - as published in the latest revised version of 31 October 2014). The board aims at maintaining a framework of good control and corporate governance. The board is of the opinion that the Company complies with the above principles as adapted to the organisational structure that the Company is part of. A description of the Company's compliance with the above is presented on pages 95 to 97.

Corporate Social Responsibility

The Company is an investment company which holds majority interests within a variety of business segments and is itself not directly engaged in significant business activities, except by virtue of its direct and indirect investments in such companies having different exposures towards Corporate Social Responsibilities.

As an investment company, the day-to-day administrative services are performed by Fred. Olsen & Co.

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Each main subsidiary has established its own Corporate Social Responsibility guidelines, which are available on the individual entity's web site. The overriding guidelines on Corporate Social Responsibility of the Group of companies are thus expanded and further detailed as considered appropriate by each of these subsidiaries to reflect the nature of their individual businesses.

It is the policy of the Group of companies to conduct business in accordance with the letter and spirit of the law and within the overriding ethical standards of good business conduct, including non-discriminatory behaviour, respect for human rights, workers' rights, social aspects, environmental issues and anti-corruption. This is reflected in the respective companies' Code of Conduct, which as aforesaid is available on the relevant company's web site and to all its employees.

The Group of companies has not had any major incidents related to human rights, working rights, environmental issues or corruption during 2017 and will continue to work towards minimizing the likelihood of incidents which could be in breach of the Group of companies' Corporate Social Responsibility policies.

See the following web-sites

bonheur.no/CSR,
fredolsen-energy.com/about/#CSR,
fredolsen-ocean.com/about-us/#CSR,
fredolsenrenewables.com/corporate-social-responsibility,
fredolsencruises.com/legal/corporate-social-responsibility/
csr-policy

As an integral part of the Company's Corporate Social Responsibility, the Company annually considers financial contributions towards not only social and charitable purposes, but also towards projects and purposes that are considered to be close to the Company's sphere of interest. On a recurring basis, the Annual General Meeting based on corresponding recommendations from the Shareholders' Committee resolves the amount to be earmarked for such purposes.

In 2016, the Fred. Olsen Social Engagement Group (FOSEG) was established with a view to further strengthen the Company's effort within these areas by means of more directly engaging the employees of Bonheur-related entities in related tasks. The group has continued its work during 2017 and focuses on supporting qualifying sustainable projects, both globally and locally.

Globally, FOSEG have followed up on previous years' support towards the non-profit organization "Health and Human Rights Info (HHRI)". HHRI's object is to strengthen and develop health and psycho-social work towards people that have been exposed

to organized violence, war and serious violation of human rights by establishing and operating a resource database to assist health workers working amongst such people. Support has also been provided towards specific water irrigation projects in Ethiopia with a view to improve self-sustainability as well as support to increase entrepreneurship amongst women in Tanzania with focus on renewable energy solutions.

Locally, FOSEG promote various social activities around the headquarters in Fred. Olsens gate with emphasis on stimulating self-sustainability among youth and people in general that have fallen outside the society and/or the labor market. Kirkens Bymisjon (Oslo City Mission) and Stella Kvinnesenter (Stella Red Cross Centre for women by Oslo Red Cross) represent projects that have received support in this respect. In addition, Tøyen Sportsklubb has also received support for their important activities for youth.

Financial market risk

Political risk has not abated during 2017 and having a range of businesses operating internationally results in exposure for the Company, including with respect to the outcome of Brexit.

The financial market risks to which the Group of companies is exposed, are predominantly currency risks, interest rate risks, risks related to oil price and electricity prices. These financial risks are continuously monitored, and from time to time, financial instruments are used to hedge economic effects of such and related exposures.

There is also a credit risk related to customers within the individual companies, and risks associated with the general development of international financial markets.

Currency risk

The Group of companies' financial statements are presented in NOK. Revenues consist primarily of USD, GBP, EUR and NOK with USD as the dominant currency. The majority of the USD revenues are within FOE. The expenses are primarily in USD, GBP, EUR and NOK. As such, earnings are exposed to fluctuations in the currency market. The GBP is of course exposed to Brexit. However, in the longer term, parts of the currency exposure are neutralized due to the majority of the debt and a large part of expenses being denominated in the same currencies as the main revenues. Forward exchange contracts are from time to time entered into in order to reduce future currency exposures.

Interest rate risk

The Group of companies is exposed to interest rate fluctuations, as loans are frequently based on floating interest rates. By the

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turn of the year, parts of the outstanding loans had been hedged against interest fluctuations through interest rate swap agreements.

Oil price

The profitability of the offshore drilling segment is over time indirectly affected by the price of crude oil. Also, the Group of companies is exposed to fluctuations in bunker prices, which are fluctuating relative to the oil price. This exposure is primarily within the cruise operations, but is also influencing the Offshore drilling segment. By the end of the year, there were some short-term financial contracts outstanding, relating to securing part of the bunker costs, for the year 2018.

Electricity price

Until 2010 FOR was not exposed to short-term fluctuations of spot electricity prices. This is due to the contract structures related to some of FOR's wind farms in operation, whereby the contract prices are based on fixed electricity prices. However, the contract structures related to the FOR wind farms which commenced operation after 2010, are based on fluctuating electricity prices. Consequently, the FOR results are increasingly impacted by fluctuations in spot electricity prices; mainly in the UK, but also in Scandinavia.

Credit risk

There is a governing principle within the Group of companies to continuously evaluate credit risks associated with customers and, when considered necessary, to require appropriate guarantees. Consequently, the credit risk is considered to be moderate. The customer base within the oil and offshore wind service activities, is mostly international oil and energy companies. The customers within renewable energy are large utility companies. Credit risk within FOCL is regarded as low, due to cruise tickets being paid in advance.

Research and development activities

Within the different main business segments there are on-going developments of technologies and methods in cooperation with various supplier communities and engineering companies. By way of example, within the renewable energy segment relevant companies are working closely with leading suppliers of digital platforms to increase efficiency and regularity. There is generally a close relationship with suppliers to optimize operations and minimize environmental consequences.

The organization, work environment and equal opportunities

The Company is a holding company and does not have any employees. The day-to-day management of the Company is carried out by Fred. Olsen & Co., the proprietor of which is Anette S.

Olsen. As part of these services the role as the Company's managing director is held by Anette S. Olsen, (see below, as well as Note 7). The Group of companies employed on average 4 098 people during 2017 and had 4 002 employees at the end of the year.

Working environment

To the best of the board of directors' knowledge the working conditions across the Group of companies are satisfactory. Health, Safety and Environmental (HSE) – activities are organized so as to be managed within the individual business segments and in accordance with relevant industry norms. All business segments work systematically and preventively with HSE measures. This work takes place on a continuous basis, and has functioned satisfactorily throughout the year.

Absence due to sickness in the Group of companies in 2017 was 2.35% of total working time. The Group of companies is actively working to keep absence due to sickness at a low level. For further information on working environment within the Group of companies, please refer to each of the main subsidiaries' description of its Corporate Social Responsibility on their respective web site.

Equal opportunities

At the end of 2017, 24 % of the employees throughout the Group of companies were female. Two out of five (40 %) board directors of the Company are female.

To the best of the board of directors' knowledge a governing principle throughout the Group of companies is for each business segment to reflect working places with equal opportunities, offering challenging and motivating jobs to all personnel regardless of nationality, culture, religion and gender. This is believed to also reflect into a principle of equal pay for equal work, considering qualifications relating to knowledge, experience and performance with emphasis on the importance of a balanced work environment with a reasonable gender composition for the various position levels.

The composition of genders within the offshore industry reflects the available recruitment base, which traditionally has a higher proportion of men.

GDPR

EU's General Data Protection Regulation (GDPR) is coming into force by 25 May 2018. The Group of companies has established various projects which aim to incorporate the regulations into the corresponding compliance processes. Securing personal data is a key element in the Group of companies' Cyber security

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framework in order to ensure that the integrity and confidentiality of the data is maintained.

External environment

The Group of companies is engaged in activities which, to a varying degree, involve a potential risk to the environment.

To the best of the board of directors' knowledge safety and environmental protections are given high priority by the operations within each of the various business segments, and efforts are understood to be made on a continuous basis to prevent situations which might involve damage to health and environment. Important elements of this work are safe and rational operations, an active maintenance programme and an adequate handling of waste. Efforts are expected to continuously be made, in order to improve, and further develop the safety and environment culture at all levels.

The board of directors is mindful that especially activities within the offshore oil and gas industry involve operations in areas which are environmentally vulnerable. Some of the Group of companies' operations, in particular those related to the use of fossil fuel, effluents and emissions during operations and the risk of oil spills, may influence the external environment negatively. Safe and rational operations, and active maintenance programs will contribute to avoid accidents which may lead to damage to the external environment. The board of directors will expect such operations to be sought kept in accordance with relevant company standards, and within the rules and regulations in force in those areas and countries where the operations are taking place, and in cooperation with operators within the various domains.

With respect to those entities within the Group of companies that operates within renewable energy, primarily through the construction and operation of wind farms, the board of directors are equally mindful that the wind farms are subject to strict concession rules by the authorities in the countries in question. Wind power replaces more polluting energy sources and contributes to improve the environment, both locally and globally.

No incidents have occurred during the year within the aforementioned business segments causing serious damage to the external environment.

Subsequent events

Fred. Olsen Windcarrier AS and Northern Offshore Services (N-O-S) in January 2018 signed a cooperation agreement implying that Fred. Olsen Windcarrier's fleet of CTVs will be integrated with N-O-S's existing fleet operation.

Outlook 2018

2017 turned out to be a strong year for the World economy, with a 3.6% growth in GDP (estimated by the IMF). This growth was underpinned by increased real investments, a trend that is continuing into 2018. Fiscal stimulus from several central banks has resulted in extraordinary low interest rates, which is driving real investments up.

A significant risk, which may result in lower economic growth, is a potential normalisation of monetary policies from the central banks in the US and the EU. As the central banks reduce the strong monetary stimulus as unemployment seems under control, and inflation control gets more attention, this may lead to higher interest rates and less investments in real assets and thus, slower growth. Other key risks to continued strong economic growth are; i) increased global protectionism, ii) geopolitical tension. The handling of these matters by the US administration will be events that may result in a more or less healthy World economy in 2018 and 2019.

Brexit, which is expected to take place in 2019, is a particular concern for Bonheur's investments. There is a high probability that the final separation agreement becomes unfavourable to both the UK and the EU.

Global increased investments in renewable energy production is likely to continue in 2018. Especially wind and solar investments are expected to grow significantly going forward. According to the industry association (Wind Europe) wind power accounted for 44% of all new energy capacity in Europe in 2017. This strong growth is due to both strong political commitments, but most importantly that wind and solar energy investments in several geographies have become profitable without any subsidies. FOR aims to expand their portfolio of projects and assets within renewable energy in 2018.

Offshore Wind capacity is estimated by Wind Europe to grow by 13% p.a. from 2017-2030 driven by lower costs in the entire value chain for offshore wind. Due to rough climate and heavy wear and tear, a significant market for maintenance of offshore wind turbines, is likely to materialize in the years to come. FOO is well positioned to take part in the expected strong development of both the market for offshore wind installation and the resultant maintenance market.

The offshore drilling market is still suffering from the steep reduction in oil prices that hit the market in 2014, and the overcapacity of rigs and ships that was built up in the recent years. The oil price has recovered significantly in 2017, and there is now an expectation that the increased tender activity experienced

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in 2017 will continue in 2018 and 2019, provided the oil price remains at attractive levels.

Both the Global and the UK cruise markets are expected to continue their healthy growth, driven both by attractive demographics and economic growth. FOCL is well positioned to take part in this development. The main driver for continued growth for FOCL is the ability to develop attractive experiences and service concepts on board and ashore.

The board emphasizes that there will always be significant uncertainties in predicting future developments, including forming a view on macroeconomic developments. In particular, geopolitical risks appear to be high at present.

Parent company information

The Company's annual result before tax was NOK 1 470 million, an improvement of NOK 1 593 million as compared to 2016.

In 2017 the Company received dividend of in total NOK 1 865 million of which NOK 1 630 million from Fred. Olsen Renewables AS, NOK 167 million from First Olsen Holding AS and NOK 62 million from Koksa Eiendom AS. The Company had gain from dissolution of the subsidiary FO Capital Limited, Malta of NOK 159 million. During the year, the Company wrote down the book value on shares in the subsidiary Fred. Olsen Energy ASA by NOK

429 million. Book value after the write down is NOK 762 million. In 2016 the Company wrote down NOK 68 million on shares in other subsidiaries.

Net result was NOK 1 470 million, which is proposed to be allocated as follows:

For dividends	NOK	85 million
To other equity	NOK	1 385 million
Total allocated	NOK	1 470 million

In accordance with §3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the going concern assumption, on which the financial statements have been prepared, is considered to be appropriate. The accounts are defined by International Financial Reporting Standards (IFRS) for the Group of companies and NGAAP for the parent company. The Company's total capital as per 31 December 2017 was NOK 8 953 million. The Company's cash, cash equivalents and current receivables amounted to NOK 2 799 million.

Dividend/Annual General Meeting

With regard to the Annual General Meeting in 2018, the Board of Directors is proposing a dividend payment of NOK 2.00 per share subject no deviating views expressed by the Shareholders' Committee. The Annual General Meeting is scheduled for Wednesday 30 May 2018.

Oslo, 12 April 2018

Bonheur ASA - The Board of Directors

Fred. Olsen
Chairman
Sign.

Carol Bell
Director
Sign.

Nick Emery
Director
Sign.

Helen Mahy
Director
Sign.

Andreas Mellbye
Director
Sign.

Anette S. Olsen
Managing Director
Sign.

Bonheur ASA - Group of companies

Consolidated Income Statement

For the period 1 January - 31 December

(Amounts in NOK 1 000)	Note	2017	2016
Revenues	5	8 608 777	12 368 839
Gain on sale of property, plant and equipment		24 506	45 676
Total operating income		8 633 283	12 414 515
Cost of sales		- 862 925	- 789 908
Salaries and other personnel expenses	7, 19	-1 590 607	-2 275 938
Other operating expenses	6, 19	-3 738 810	-4 272 286
Loss on sale of property, plant and equipment		- 380	- 4 505
Total operating expenses		-6 192 722	-7 342 636
Operating profit / loss (-) before depreciation and impairment losses		2 440 561	5 071 878
Depreciation and amortisation	10, 11	-2 719 102	-3 329 579
Impairment of property, plant and equipment and intangible assets	10, 11	- 666 242	-2 036 720
Total depreciation and impairment losses		-3 385 344	-5 366 298
Operating profit / loss (-)		- 944 783	- 294 420
Share of profit / (loss-) in associates	12	- 17 191	17 050
Interest income		113 741	54 999
Other finance income		378 819	1 073 344
Finance income	8	492 560	1 128 343
Interest expenses		- 631 326	- 720 674
Other finance expenses		- 358 445	- 817 485
Finance expenses	8	- 989 771	-1 538 159
Net finance income / expense (-)		- 497 211	- 409 816
Profit / (-loss) before tax		-1 459 185	- 687 186
Tax income / expense (-)	9	- 317 677	- 316 889
Profit / (loss-) for the year		-1 776 862	-1 004 074
Allocated to:			
Share holders of the parent		- 864 183	- 489 561
Non-controlling interests		- 912 679	- 514 513
Profit / (loss-) for the year		-1 776 862	-1 004 074
Basic and diluted earnings per share (NOK)	17	-20.32	-11.68

The non-controlling interests in the Bonheur Group of companies are included in the Consolidated Income Statement.

The non-controlling interests consist of 47.74% of Fred. Olsen Energy ASA, 44.06% of NHST Media Group AS and 49.00% of Fred. Olsen Wind Limited (UK).

Bonheur ASA - Group of companies

Consolidated Statement of Comprehensive Income

For the period 1 January - 31 December

(Amounts in NOK 1 000)	Note	2017	2016
Loss for the period		-1 776 862	-1 004 074
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on pension plans	19	117 785	- 96 657
Recognition of pension liability from a subsidiary 1)		0	- 15 645
Other comprehensive income for the period		8 363	16 595
Income tax on other comprehensive income		-83 823	5 302
Total items that will not be reclassified to profit or loss		25 599	- 90 405
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange translation effects:			
- Foreign currency translation differences from foreign operations		-112 706	-1 042 103
Hedging effects:			
- Effective portion of changes in fair value of interest hedges		0	624
- Effective portion of changes in fair value of interest hedges transferred to profit or loss		0	- 624
Fair value effects related to financial instruments:			
- Net change in fair value of available-for-sale financial assets		-13 003	-91 428
- Net change in fair value of available-for-sale financial assets transferred to profit or loss		0	-16 663
Income tax on other comprehensive income	9	-12	-422
Total items that are or may be reclassified subsequently to profit or loss		- 125 721	-1 150 616
Other comprehensive income for the period, net of income tax		- 100 123	-1 241 021
Total comprehensive income for the period		-1 876 985	-2 245 095
Allocated to:			
Equity holders of the parent		- 862 384	-1 605 577
Non-controlling interests		-1 014 600	- 639 519
Total comprehensive income for the period		-1 876 985	-2 245 095

1) Multi-employee scheme not included in defined benefit obligation.

The non-controlling interests in the Bonheur Group of companies are included in the Consolidated Statement of Comprehensive income.

The non-controlling interests consist of 47.74% of Fred. Olsen Energy ASA, 44.06% of NHST Media Group AS and 49.00% of Fred. Olsen Wind Limited (UK).

Bonheur ASA - Group of companies

Consolidated Statement of Financial Position

(Amounts in NOK 1 000)	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Development costs		348 524	314 149
Publishing rights		162 000	162 000
Customer relationship, technology, patents, other		100 835	112 691
Goodwill		307 681	333 928
Intangible assets	11	919 040	922 768
Deferred tax asset	9	212 730	362 049
Rigs and other offshore units		8 638 137	11 523 375
Ships		3 615 441	3 499 543
Windfarms		4 909 014	4 795 864
Other fixed assets		418 001	445 459
Property, plant and equipment	10	17 580 593	20 264 242
Investments in associates	12	63 825	76 079
Investments in other shares	13	99 130	239 555
Bonds and other receivables	13	272 244	263 728
Pension funds	19	95 628	31 544
Financial fixed assets		530 826	610 906
Total non-current assets		19 243 189	22 159 965
Current assets			
Inventories	14	1 027 944	1 090 729
Trade receivables	15	726 161	1 281 933
Other receivables	15	869 376	760 011
Cash and cash equivalents	16	8 592 560	7 227 987
Total current assets		11 216 041	10 360 660
Total assets		30 459 231	32 520 625

The non-controlling interests in the Bonheur Group of companies are included in the Consolidated Income Statement.

The non-controlling interests consist of 47.74% of Fred. Olsen Energy ASA, 44.06% of NHST Media Group AS and 49.00% of Fred. Olsen Wind Limited (UK).

Consolidated Statement of Financial Position

(Amounts in NOK 1 000)	Note	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
Equity			
Share capital		53 165	53 165
Additional paid in capital		143 270	143 270
Total paid in capital		196 435	196 435
Retained earnings		8 317 625	9 265 073
Share of equity attributable to shareholders of the parent		8 514 060	9 461 508
Non-controlling interests		2 637 031	3 653 274
Total equity		11 151 091	13 114 782
Liabilities			
Employee benefits	19	942 714	1 203 506
Deferred tax liabilities	9	274 848	180 114
Interest bearing loans and borrowings	18	12 201 046	13 955 540
Other non-current liabilities	20	586 781	512 981
Total non-current liabilities		14 005 389	15 852 140
Current tax	9	155 613	184 274
Interest bearing loans and borrowings	18	2 293 322	1 141 793
Other accruals and deferred income	20	2 235 130	1 656 514
Trade and other payables	21	618 686	571 122
Total current liabilities		5 302 751	3 553 703
Total liabilities		19 308 140	19 405 843
Total equity and liabilities		30 459 231	32 520 625

The non-controlling interests in the Bonheur Group of companies are included in the Consolidated Income Statement.

The non-controlling interests consist of 47.74% of Fred. Olsen Energy ASA, 44.06% of NHST Media Group AS and 49.00% of Fred. Olsen Wind Limited (UK).

Oslo, 12 April 2018
Bonheur ASA - The Board of Directors

Fred. Olsen
Chairman
Sign.

Carol Bell
Director
Sign.

Nick Emery
Director
Sign.

Helen Mahy
Director
Sign.

Andreas Mellbye
Director
Sign.

Anette S. Olsen
Managing Director
Sign.

Bonheur ASA - Group of companies

Statement of Changes in Equity

(Amounts in NOK 1 000)	Share Capital	Share premium	Transl. reserve	Hedging reserve	Fair value reserve	Own shares 1)	Retained earnings	Non-controlling Total interests	Total equity	
Balance at 1 January 2016	50 987	25 920	2 110 015	-624	151 550	-113 270	6 876 206	9 100 784	6 344 158	15 444 942
Total comprehensive income for the period			-942 370	624	-108 514		-555 317	-1 605 577	-639 519	-2 245 095
Dividends to shareholders							-85 064	-85 064		-85 064
Effects from merger with Ganger Rolf ASA	2 178	117 350				113 270	1 818 567	2 051 365	-2 051 365	0
Balance at 31 December 2016	53 165	143 270	1 167 645	0	43 036	0	8 054 392	9 461 508	3 653 274	13 114 782
Balance at 1 January 2017	53 165	143 270	1 167 645	0	43 036	0	8 054 392	9 461 508	3 653 274	13 114 782
Total comprehensive loss for the period			34 382		-13 015		-883 751	-862 384	-1 014 600	-1 876 985
Dividends to shareholders in parent company							-85 064	-85 064		-85 064
Dividends to non-controlling interests in subsidiaries								0	-1 643	-1 643
Balance at 31 December 2017	53 165	143 270	1 202 028	0	30 021	0	7 085 576	8 514 060	2 637 031	11 151 091

Share capital

Par value per share	NOK 1.25
Number of shares issued	42 531 893

Shares outstanding and dividends

	2017	2016
Number of shares outstanding at 1 January	42 531 893	40 789 308
New shares issued	0	1 742 585
Number of shares outstanding at 31 December 2)	42 531 893	42 531 893
Total dividends per share	2.00	2.00

The board will propose to the Annual General Meeting on 30 May 2018 to approve a dividend of NOK 2.00 per share.

Translation reserve

The reserve represents exchange differences resulting from the consolidation of associates and subsidiaries having functional currencies other than NOK.

Hedging reserve

The reserve comprises the effective portion of cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Fair value reserve

The reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

Non-controlling interests

As at 31 December 2017 the non-controlling interests consist of 47.74% of Fred. Olsen Energy ASA (adjusted for own shares), 44.06% of NHST Media Group AS (adjusted for own shares) and 49.00% of Fred. Olsen Wind Limited (UK).

- 1) Own shares are the Bonheur shares that were owned by Ganger Rolf ASA. These shares were used as consideration to the Ganger Rolf shareholders in the merger.
- 2) See note 17.

Consolidated Cash Flow Statement

(Amounts in NOK 1 000)	Note	2017	2016
Cash flow from operating activities			
Net result after tax		-1 776 862	-1 004 075
<i>Adjustments for:</i>			
Depreciation / amortisation / impairment	10, 11	3 385 344	5 366 298
Impairment of investments / net change in fair value of financial assets		-37 171	-163 210
Net unrealized foreign exchange gain (-) / loss		16 063	148 539
Investment income	8	-178 768	-124 894
Interest expenses	8	631 326	720 674
Share of result in associates	12	17 191	-17 050
Net gain (-) / loss on sale of property, plant and equipment	10	-24 126	-41 171
Net gain (-) / loss on sale of investments	10	5 327	-94 415
Tax income (-) / expense	9	317 677	316 889
Cash generated before changes in working capital and provisions		2 356 001	5 107 585
Increase (-) / decrease in trade and other receivables		535 552	1 697 267
Increase / decrease (-) in current liabilities		305 471	-330 528
Cash generated from operations		3 197 024	6 474 324
Interest paid		-603 703	-700 807
Tax paid		-138 173	-237 684
Net cash from operating activities		2 455 148	5 535 833
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	10	45 818	10 258
Proceeds from sale of investments		92 178	301 484
Interest received		109 778	50 364
Dividends received		65 027	69 895
Acquisitions of property, plant and equipment		-756 826	-1 176 758
Acquisitions of other investments		61 679	-235 854
Net cash from investing activities		-382 346	-980 611
Cash flow from financing activities			
Net proceed from issue of shares in subsidiary		7 680	0
Increase in borrowings		998 253	1 643 332
Repayment of borrowings		-1 598 663	-6 266 761
Dividends paid		-86 707	-85 065
Net cash from financing activities		-679 437	-4 708 494
Net increase in cash and cash equivalents		1 393 365	-153 272
Cash and cash equivalents at 1 January		7 227 997	8 340 316
Effect of exchange rate fluctuations on cash held		-28 802	-959 047
Cash and cash equivalents at 31 December	16	8 592 560	7 227 997

Notes to the Consolidated Financial Statements

Note 1 – Principal accounting policies and key accounting estimates

The Company is domiciled in Norway. The address of the Company's registered office is Fred Olsens gate 2, Oslo.

The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group of companies" and individually as "Group entities") and the Group of companies's interest in associates.

The Group of companies is primarily involved in Renewable energy, Shipping / Offshore wind, Offshore drilling, and Cruise.

The annual accounts together with the appurtenant financial statements were addressed by the Board of Directors on 12 April 2018. The Shareholders' Committee will in turn in a meeting scheduled for 17 April 2018 consider recommending to the Annual General Meeting that the proposal to the annual accounts for 2017 together with the appurtenant financial statements as addressed and resolved upon by the Board in the said meeting on 12 April 2018, is approved. Eventual approval of the annual accounts together with the appurtenant financial statements lies with the Annual General Meeting scheduled for 30 May 2018.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations, as adopted by the European Union and the disclosure requirements following from the Norwegian Accounting Act, that are mandatory to apply at 31.12.2017.

Basis of preparation

These consolidated financial statements are presented in Norwegian Kroner (NOK), the functional currency of Bonheur ASA. All financial information presented in NOK has been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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. Actual results may differ from these estimates. Reassessment of accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

As to the offshore drilling segment, there are estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts. Estimating the fair value of the assets in the Offshore drilling segment is a complex process involving a number of key judgements and estimates regarding various independent inputs. Due to the nature of the assets, 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 independent inputs. As a result of the current market situation and because there are more than normal uncertainty concerning when new contracts will

be agreed and the related future dayrate levels, the calculation of fair value of the assets in the offshore drilling segment is exposed to high estimation uncertainty.

Judgements and estimates made by management in the application of IFRSs that have significant effect on the financial statements and estimates that have a significant risk of material adjustment in the next year are discussed in the specific notes.

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements by all Group entities. The Group of companies' accounting policies are described in the individual notes to the Consolidated Financial Statements.

Basis of consolidation

Subsidiaries

The consolidated financial statements include the Company and its subsidiaries (the Group of companies). See note 27 for details of the subsidiaries.

Associates (investments accounted for using the equity method)

Associates are those entities in which the Group of companies has significant influence, but not control, over the financial and operating policies. See note 12 for details of the associates.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any realised and unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Realised foreign currency differences from intra-group transactions which are recognised in profit or loss are not eliminated, because the Group of companies has a real exposure to a foreign currency. Unrealised foreign currency differences from intra-group transactions which are recognised in profit or loss are eliminated, but only to the extent that the currency difference is due to permanent financing.

Non-controlling interests

Non-controlling interests within the consolidated subsidiaries are identified as a separate item within the Group of companies' equity. Non-controlling interests consist of interests at the date of the original transaction and the non-controlling interests' share of changes in equity since that date. Losses applicable to the non-controlling interests in excess of the non-controlling interests' in the subsidiary's equity are allocated to the majority interests of the Group of companies as there is no obligation for the non-controlling interests to make an additional investment to cover the losses. Acquisitions and sales of non-controlling interests are accounted for entirely as an equity transaction as long as the subsidiary is still under the control of the Bonheur Group of companies.

Notes

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group of companies entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign operations

The assets and liabilities of subsidiaries with other functional currency than NOK, are translated into NOK at the exchange rate at the statement of financial position date. Revenues and expenses are translated using average monthly foreign exchange rates, which approximates exchange rates on the dates of the transactions. Foreign exchange differences arising on translation are recognised directly as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount of the component in equity is transferred to profit or loss.

Provisions

A provision is recognised if, as a result of a past event, the Group of companies has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Principal accounting policies

The Group of companies's accounting policies are described in the individual notes to the Consolidated Financial Statements. Considering all the accounting policies applied, Management regards the notes listed below as the most significant notes for the recognition and measurement of reported amounts.

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 Management considers reasonable and appropriate under the circumstances. The resulting accounting estimates may differ from the eventual outcome, but the Group of companies regard this as the best estimate at the balance sheet date. Please refer to the specific notes for further information on the key accounting estimates and judgments, see the notes listed below.

- Note 3 Financial Risk Management
- Note 5 Revenue
- Note 9 Income tax expenses and deferred tax
- Note 10 Property, plant and equipment

- Note 11 Intangible assets
- Note 13 Other investments
- Note 19 Employee benefits
- Note 23 Rental and leases
- Note 25 Contingencies and provisions

Forthcoming requirements

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group of companies has not early adopted new or amended standards in preparing these consolidated financial statements. During 2017 Bonheur ASA had a group project to analyze the effects of the new IFRS standards:

- IFRS 9 Financial instruments becomes mandatory for the Group of companies' 2018 consolidated financial statements. The standard deals with classification, measurement, hedge accounting and impairment of financial instruments, and will replace IAS 39 on these topics.
- IFRS 15 Revenue from Contracts with Customers becomes mandatory for the Group of companies' 2018 consolidated financial statements. The standard presents a single, principles-based five-step model for determination and recognition of revenue to be applied to all contracts with customers. The standard replaces existing IFRS requirements in IAS 11 Construction Contracts and IAS 18 Revenue, as well as supplemental IFRIC guidance.
- IFRS 16 Lease contracts becomes mandatory for the Group of companies' 2019 consolidated financial statements. The new standard will change the definition of lease contracts and may change which contracts that will fall within the standard and how these should be accounted for.

During the work with the new standards the Group of companies has found reasons to clarify the application of the principles under existing rules and, as a consequence, the Group of companies has split operating revenues from charter rate contracts into two elements, income from rentals and income from rendering of services. Further, the Group of companies has split out the government grant portion from sale of electricity.

These clarifications were implemented and presented in the annual report for 2016 with updated information for 2015 and a corresponding change in the presentation in note 5, Revenue. Income from rentals is regulated under IAS 17, while income from rendering of services was recognized in accordance with IAS 18. Recognizing of governmental grants was regulated under IAS 20. The assessment showed no effect on reported amounts. The new principles for recognizing revenue and government grants in accordance with IAS 17, IAS 18 and IAS 20 is described in note 5, Revenue.

The Group of companies assessment is that the implementation of IFRS 9 and IFRS 15 will have no significant effect for the Group of companies. The preliminary assessment of IFRS 16 is that implementation will have significant effect and leased assets will be recognized as a right of use. Bonheur ASA has decided to adopt IFRS 16 on 1 January 2019. Com-

Notes

parative figures will not be changed. For more detailed information, see note 28 Standards issued but not yet effective.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group of companies' consolidated financial statements.

- Annual improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Transfers of Investment Property (Amendments to IAS 40).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- available-for-sale financial assets are measured at fair value
- non-derivative bond loan (amortised cost)
- employee benefits are measured at fair value

The methods used to measure fair values are discussed further in note 2.

Definitions

List of Alternative Performance Measures (APM):

Bonheur ASA discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS.

In the quarterly report the following alternative performance measures are most frequently used. Below is a list followed by a definition of each APM.

General financial Alternative Performance Measures:

EBITDA:	Earnings before Depreciation, Impairment, Result from associates, Net financial expense and Tax
EBIT:	Operating result after depreciation (EBITDA less depreciation and impairments)
EBT:	Earnings before tax
EBITDA margin:	The ratio of EBITDA divided by operating revenues
NIBD:	Net Interest Bearing Debt is the sum of non current interest bearing debt and current interest bearing debt, less the sum of cash and cash equivalents
Capital employed:	NIBD + Total equity
Equity ratio:	The ratio of total equity divided by total capital

Note 2 – Determination of fair values

A number of the Group of companies' accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment (PPE)

The market value of PPE is the estimated amount for which a property could be exchanged on the date of valuation. The market value of items of vessels, rigs and drill ships is based on broker valuations, for other items it is based on quoted market prices for similar items. Fair value may also be based on value in use for the purpose of impairment testing. Value in use is the present value of the future net cash flows from continuing use and ultimate disposal of the asset.

(ii) Intangible assets

The fair value of other intangible assets, including goodwill, is based on the discounted net cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

If such a quoted bid price does not exist at the statement of financial position date, the following items are considered when estimating the fair value:

- the latest known trading price
- average price from transactions
- transactions with high volume

(iv) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of expected future cash flows.

(v) Derivatives

The fair value of forward exchange contracts is based on available market information. The fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is the estimated amount that the Group of companies would receive or pay to terminate the swap at the statement of financial position date, taking into account current interest rates and the counterparty's credit rating.

(vi) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Note 3 – Financial risk management

The Group of companies is exposed to certain financial risks related to its activities. The financial risks are continuously monitored and from time to time financial derivatives are used to economically hedge such exposures. The monitoring within the various business segments is carried out by the respective companies, in accordance with their policies and procedures, through internal reporting and online based information of movements and market values of relevant financial instruments. Reports on the companies' financial risk exposure are regularly submitted to the respective entities' Board of directors.

For more detailed information – see notes 18 and 22.

Financial market risk

Currency risk

The Group of companies' financial statements are presented in NOK. The Group of companies' revenues consist primarily of USD, GBP, EUR and NOK with USD as the most dominant currency. The USD revenues in 2017 are within the Offshore drilling segment, of which 88% of their revenues were USD. Almost all of the revenues within the Cruise segment and most of the revenues within the Renewable energy segment in 2017 were in GBP. The revenues within the Shipping / Offshore wind segment in 2017 were in EUR. Consequently, out of the group's gross revenues of NOK 8 633 million in 2017, approximately 25% were in USD, approximately 41% were in GBP and approximately 17% were in EUR. The remaining 17% were mainly in NOK. The Group's expenses are primarily in USD, GBP, EUR and NOK. As such, the Group of companies' earnings are exposed to fluctuations in the currency market. However, in the longer term parts of the currency exposure are neutralized due to the majority of the Group of companies' debt being denominated in the same currencies as the main revenues. Forward exchange contracts are from time to time entered into to further reduce currency exposure.

Interest rate risk

The Group of companies is exposed to interest rate fluctuations, as loans are frequently based on floating interest rates. By the turn of the year, most of the loans within the group of companies were based on floating interest rates. Parts of the outstanding loans are hedged against interest fluctuations through interest rate swap agreements. At year-end 17% (2016: 17%) of total loans were swapped into fixed rate obligations by use of interest rate swap agreements.

Oil price

The Group of companies is exposed to fluctuations in bunker prices, which are fluctuating with the oil price. This exposure is primarily within the Cruise segment. In 2017 approximately 4% of total operating expenses within the Group of companies were bunker expenses within the Cruise segment. By the end of the year, there were some short-term derivative contracts outstanding relating to securing part of the bunker costs for the year 2018.

Electricity price

Within the Renewable energy segment, the current contract structures for the three wind farms Rothes, Paul's Hill, Crystal Rig I are pri-

marily based on fixed electricity prices. Crystal Rig II, Mid Hill, Rothes II, Crystal Rig III, Brockloch Rig, Lista and Fäboliden are, however, in the spot market and exposed to fluctuations in the electricity prices. Fäboliden is also exposed to fluctuations in the price for electricity certificates.

Credit risk

The Group of companies continuously evaluates the credit risk associated with customers and, when considered necessary, seeks to obtain certain guarantees. The credit risk within the Group of companies is in general considered to be moderate without significant changes from the previous year. The customer base within Offshore drilling, which in 2017 provided 27% of the Group of companies' total revenues, is mostly international oil companies. Customers within Renewable energy, which in 2017 provided 15% of total revenues, are large electricity distributors, while customers within Shipping/Offshore wind are from the offshore wind industry. Customers within this segment provided in 2017 18% of total revenues. Credit risk within cruise (25% of total revenues in 2017) is also regarded to be moderate, due to cruise tickets being paid in advance.

Liquidity risk

Gross interest bearing debt of the Group of companies at year end was NOK 14 494 million (2016: NOK 15 097 million). Cash and cash equivalents amounted to NOK 8 593 million (2016: NOK 7 228 million). Net interest bearing debt of the Group of companies was NOK 5 902 million (2016: 7 869 million). Equity to assets ratio was 37% (2016: 40%).

The Group of companies' interest bearing debt consists of several loans. Some of the main business segments has arranged separate loans to cover their investments.

Within Offshore drilling, FOE has drawn USD 759 million from a bank syndicate credit facility. The loan is not guaranteed by the Company. On 15 December 2016 the bank syndicate approved a request for a temporary waiver of certain financial covenants until 30 June 2018.

In addition, FOE has an unsecured bond loan (FOE05) issued in the Norwegian bond market of NOK 1100 million as per 31 December 2017. On 26 January 2017, the bondholders in FOE05 approved a request for temporarily waiving the net debt/EBITDA and the EBITDA/net interest expenses covenants until 30 June 2018. A partial redemption of NOK 75 million took place in February 2017, bringing the remaining bond loan down to NOK 1 025 million. FOE05 is maturing in 2019.

Due to challenging market and contract situation, FOE is in discussions with its financial creditors, and is working to find a sustainable solution within the waiver period.

In 2017 investments were financed by cash from operations, dividends, bank credit facilities and bonds.

Dividend payments from Bonheur ASA in 2017 amounted to NOK 85 million (2016: 85 million).

The Group of companies' short-term cash investments are mainly limited to cash deposits in the Group of companies' relationship banks. Derivative financial instruments are normally entered into with the Group of companies' main relationship banks.

Capital Management

The objective of the Group of companies is to have a healthy financial position in order to maintain market confidence and sustain future development of the business.

The majority of the Group of companies' free available cash and cash equivalents have traditionally been held as bank deposits, however, investments in short- and long-term securities are also made. Capital management within the various business segments is carried out by these respective companies, based on their respective policies and procedures.

The Group of companies is in compliance with all external loan covenants as per 31 December 2017 and 12 April 2018. See liquidity risk above.

Note 4 – Operating segments

Accounting policies

A segment is a distinguishable component of the Group of companies that is engaged in providing related products or services (business segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group of companies' business segments. The business segments are determined based on the Group of companies' management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The Group of companies has five reportable segments, as described below, which are the main strategic business areas. The strategic business areas offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business areas, the Group of companies' chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. Information regarding the results of each reportable segments is included below. Performance is measured based on segment operating profit and profit after tax, as included in the internal management reports that are reviewed by the Group of companies' CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

The Group of Companies comprise the following business segments:

1) Renewable energy

The companies within the segment are engaged in development, construction and operation of wind farms in Scotland, Norway, Sweden, Ireland, France and USA.

2) Shipping / Offshore wind

The companies within the segment are engaged in logistics and services within the offshore wind industry.

3) Offshore drilling

Offshore drilling provides services to the offshore oil and gas industry.

4) Cruise

Cruise owns and operates four cruise ships and provides a diverse range of cruises to attract its passenger.

5) Other investments

The segment has investments within media, properties and various service companies.

Notes

Fully consolidated companies (Amounts in NOK 1 000)	Renewable energy 1)		Shipping/Offshore wind 2)		Offshore drilling 3)	
	2017	2016	2017	2016	2017	2016
Operating income - external	1 295 100	978 662	1 506 509	1 056 139	2 307 697	6 932 032
Operating income - internal	0	322	21 163	18 861	174	240
Operating costs	-410 208	-361 239	-1 157 716	-1 020 307	-1 437 146	-2 746 133
Depreciation	-426 937	-447 205	-154 067	-150 155	-1 839 295	-2 447 646
Impairment	0	-20 416	-6 928	-102 705	-634 538	-1 913 599
Operating profit/loss	457 955	150 125	208 961	-198 167	-1 603 107	-175 105
Interest income	9 783	20 091	585	686	86 146	16 801
Interest expenses	-204 707	-255 141	-57 920	-56 405	-298 107	-324 000
Tax income / expense (-)	-87 291	-59 776	-58 584	-38 538	-163 348	-218 954
Profit for the year	239 666	115 326	130 309	-340 225	-2 143 863	-870 098
Total assets	7 278 240	8 685 732	3 259 001	2 998 249	13 467 943	16 292 057
Total liabilities	5 019 527	5 117 400	1 889 348	1 836 909	8 599 840	8 937 091
Total equity	2 258 713	3 568 332	1 369 653	1 161 341	4 868 103	7 354 966
Capital expenditures	288 347	605 548	83 988	184 664	84 594	89 674

Fully consolidated companies (Amounts in NOK 1 000)	Cruise 4)		Other investments 5)		Eliminations		Group of companies total	
	2017	2016	2017	2016	2017	2016	2017	2016
Operating income - external	2 148 681	2 069 842	1 375 271	1 377 818	25	21	8 633 283	12 414 515
Operating income - internal	0	0	15 360	14 493	-36 696	-33 916	0	0
Operating costs	-1 802 540	-1 750 107	-1 421 784	-1 498 746	36 672	33 895	-6 192 722	-7 342 636
Depreciation	-229 715	-222 171	-69 089	-62 401	0	0	-2 719 102	-3 329 579
Impairment	0	0	-24 776	0	0	0	-666 242	-2 036 720
Operating profit/loss	116 427	97 564	-125 018	-168 837	0	0	-944 783	-294 420
Interest income	1 157	1 138	51 842	56 434	-35 772	-40 151	113 741	54 999
Interest expenses	-3 565	-1 422	-103 391	-121 874	36 365	38 168	-631 326	-720 674
Tax income / expense (-)	-412	-380	-8 325	382	282	378	-317 677	-316 889
Profit for the year	73 399	163 399	1 452 159	-159 366	-1 528 533	86 890	-1 776 862	-1 004 074
Total assets	2 104 200	2 000 228	10 058 266	13 988 484	-5 708 494	-11 444 126	30 459 156	32 520 625
Total liabilities	989 609	845 000	3 471 185	6 162 591	-661 444	-3 493 148	19 308 065	19 405 843
Total equity	1 114 591	1 155 228	6 587 081	7 825 893	-5 047 050	-7 950 978	11 151 091	13 114 782
Capital expenditures	218 033	130 627	49 552	65 153	0	0	724 514	1 075 665

Associates *) (Amounts in NOK 1 000)	Renewable energy 1)		Shipping/Offshore wind 2)		Offshore drilling 3)	
	2017	2016	2017	2016	2017	2016
Operating income	0	39 696	0	0	0	0
Operating costs	-15 197	-21 321	0	0	0	0
Depreciation / Impairment	-145	-13	0	0	0	0
Operating result	-15 342	18 361	0	0	0	0
Share of profit in associates	-16 486	17 451	0	0	0	0
Share of equity	63 631	75 930	0	0	0	0

Associates *) (Amounts in NOK 1 000)	Cruise 4)		Other investments 5)		Group of companies total	
	2017	2016	2017	2016	2017	2016
Operating income	0	0	4 071	101	4 071	39 796
Operating costs	0	0	-4 423	-502	-19 621	-21 823
Depreciation / Impairment	0	0	-597	0	-742	-13
Operating result	0	0	-949	-401	-16 291	17 960
Share of profit in associates	0	0	-705	-402	-17 191	17 050
Share of equity	0	0	194	149	63 825	76 079

*) For further information, please refer to note 12.

Notes

Fully consolidated companies	Europe		Asia		Americas	
(Amounts in NOK 1 000)	2017	2016	2017	2016	2017	2016
Operating income	7 599 117	10 363 490	86 348	56 799	517 607	400 976
Capital expenditure	637 613	1 033 188	68 545	41 178	18 355	1 299

Fully consolidated companies	Africa		Other regions		Consolidated	
(Amounts in NOK 1 000)	2017	2016	2017	2016	2017	2016
Operating income	410 429	1 588 670	19 782	4 578	8 633 283	12 414 515
Capital expenditure	0	0	0	0	724 514	1 075 665

The segment operating income is based on the geographical location of the customers. The group of companies' operating income is primarily originating in the Europe from ownership and operation of windfarms, offshore wind activities, offshore drilling services, cruise activities and NHST Media Group. The capital expenditures are based on the location of the company that is actually doing the investment.

Major customer

Of the total revenue within the Group of companies in 2017, UK and Norway contributed 50% and 21% respectively (2016: 45% and 28%). Revenues from the three major customers within the offshore drilling segment, constituted 23% (2016: 33%) of the total revenue within the Group of companies, of which Anadarko constitutes 14% (2016: 14%).

Notes

Note 5 – Revenue

*Accounting policies**Revenue from lease rentals*

The Group of companies recognizes revenue from lease on a systematic basis based on the benefits received from the leased assets. In cases where the consideration covers a general upgrade of a unit or equipment which increases the value of the unit or equipment beyond the contract period, the consideration is recognized as revenue over the contract period whereas the investment is depreciated over the remaining lifetime of the asset. In cases where the consideration covers specific upgrades or equipment specific to the contract, the mobilization consideration is recognized as revenue over the estimated contract period. The related investment is depreciated over the estimated contract period.

Revenue from rendering of services

The Group of companies recognizes revenue from rendering of services at fair value when the service is delivered.

Revenue from reimbursables

Revenue for the purchases of certain supplies, personnel services and other services provided on behalf of and at the request of our customers in accordance with a contract or agreement are recorded as revenue.

Acting as agent

When the Group of companies acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission earned by the Group of companies.

Long-term engineering and fabrication contracts

Revenues on long-term contracts are recognized using the percentage of completion method throughout the performance period of the contract when the outcome can be measured reliably.

Electric power

Revenue from sale of electric power is recognised in the period the power is generated and supplied to the customers, at rates in the relevant contracts. Revenue from sale of Green Certificates is recognized in the period the electricity is generated.

Green Certificate revenue in the UK consists mainly of Renewables Obligation Certificates (ROC). Windfarms built before the end of 2017 receive ROC's for 20 years.

Fäbodliden Vindkraft AB sells Green Certificates and Guarantees of Origin. Green Certificates are received for 15 years.

Lista Vindkraftverk AS received an investment grant from Enova during construction, so it does not qualify for the Certificate market. The windfarm sells Guarantees of Origin.

Cruise

Revenue is recognised in the period the service is rendered and consist of gross ticket income after discount and onboard income. Prepayments from sale of cruises are classified as deferred income until the cruise commences.

Media and newspaper

Revenue represents subscription income, sale of advertisements and services. Prepayments from sale of subscriptions are classified as deferred income and are recognised over the subscription period. Revenue from advertisements represents gross income after commissions, discount and claims and is recognised in the period they are published.

(Amounts in NOK 1 000)	2017	2016
Sales of electricity and other goods	752 716	638 733
Green certificate revenue	634 062	502 459
Lease revenue	1 038 169	4 168 097
Service revenue	5 423 044	6 766 588
Engineering and fabrication	152 165	83 655
Other operating revenue	608 620	209 308
Total revenue	8 608 777	12 368 839

Notes

Note 6 – Operating expenses

(Amounts in NOK 1 000)	2017	2016
Administrative expenses	228 172	251 141
Other operating expenses *)	3 510 638	4 021 145
Total	3 738 810	4 272 286

*) Other operating expenses are mainly related to operation of the cruise vessels (Fred. Olsen Cruise Lines Ltd.), offshore wind (Fred. Olsen Windcarrier AS and Universal Foundation Norway AS) and rig operation (Fred. Olsen Energy ASA). In 2017 cruise vessels operation amounts to NOK 1 563.6 million (2016: NOK 1 524.3 million) which are mainly onboard expenses, vessel operations expenses and Selling & Marketing expenses. Operation of offshore wind amounts to NOK 965.1 million (2016: NOK 840.0 million) and rig operation amounts to NOK 813.0 million (2016: NOK 1 440.2 million). Research and development expenditures of NOK 2.4 million are recognized in profit or loss in 2017 (2016: NOK 1.8 million).

Professional fees to the auditors

A breakdown of professional fees to the auditors, which is included in "Administrative expenses", is given below.

The fees encompass group auditor, KPMG, including affiliates of KPMG, and non-KPMG auditors of the Group.

Professional fees to the auditors	2017	2016
Statutory audit	16 653	16 477
Other attestation services	715	1 178
Tax advice	1 103	1 842
Other services outside the audit scope	4 607	3 153
Total (VAT exclusive)	23 077	22 650

Notes

Note 7 – Personnel expenses

Bonheur ASA (the Company) has no employees. The position as managing director is held by Anette S. Olsen as part of the day to day managerial services performed for Fred. Olsen & Co., comprising also financial, accounting and legal services. Bonheur ASA was in 2017 charged for its share of such costs, including the service fee for 2017.

In addition to the above, Fred. Olsen & Co. for the same period also charged subsidiaries of Bonheur ASA and other related companies for the provision of same or similar kind of services.

(Amounts in NOK 1 000)	Note	2017	2016
Salaries etc.			
Salaries		1 240 912	1 709 912
Social security costs		204 601	219 622
Employee benefits (pension costs)	19	-60 767	95 606
Other		116 882	148 331
Administration cost Fred. Olsen & Co. *)	26	88 979	102 468
Total		1 590 607	2 275 939
*) Hereof included Bonheur og Ganger Rolf ANS NOK 3.9 million.			
Loan to employees			
Loan to employees		8 628	6 806

At year end 2017 the Group of companies had 4 002 employees (2016: 4 194 employees by year end). The full time employment (FTE) was in 2017 4 006 employees and the average number of employees was 4 098 persons.

Notes

Note 8 – Finance income and expenses

Accounting policies

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, reversal of impairments, positive changes in the fair value of financial assets at fair value through profit or loss, currency gains and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group of companies' right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Dividends from non-listed securities are recognised in profit or loss at the date the Group of companies receives the dividends.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, losses on the disposal of available-for-sale financial assets, negative changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, currency losses and losses on hedging instruments that are recognised in profit or loss.

(Amounts in NOK 1 000)	2017	2016
Interest income on available-for-sale financial assets	4 107	5 442
Interest income on receivables	19 010	1 151
Interest income on bank deposits	90 624	48 406
Interest income	113 741	54 999
Dividend income on available-for-sale financial assets	65 027	69 895
Net gain on disposal of available-for-sale financial assets recognised directly in profit or loss	1 943	96 436
Foreign exchange gain	227 065	672 993
Net change in fair value of financial assets at fair value through profit or loss		
- classified as held for trading	82 102	228 325
Other finance income	2 682	5 695
Other finance income	378 819	1 073 344
Interest expense on financial liabilities measured at amortised cost	-631 326	-720 674
Interest expense	-631 326	-720 674
Foreign exchange loss	-223 576	-641 999
Net loss on disposal of available-for-sale financial assets recognised directly in profit or loss	-8 586	-2 021
Net change in fair value of financial assets at fair value through profit or loss		
- classified as held for trading	-23 496	-48 436
Impairment of available-for-sale financial assets	-5 998	-4 389
Various finance expenses	-96 789	-120 640
Other finance expenses	-358 445	-817 485
Net finance expense recognised in profit or loss	-497 211	-409 816

Notes

Note 9 – Income tax expense

Accounting Principles

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income. The Group of companies is subject to income taxes in numerous jurisdictions with different tax rates. In addition some countries have different tax regimes. For example in the UK, the ordinary tax rate for 2017 was 19%. The cruise segment in the UK was however taxed within the tonnage tax regime paying a tonnage tax fee derived from the weight on the vessels. Significant judgement is required in determining the worldwide provision for income taxes. During the ordinary course of business various transactions and assumptions will influence the ultimate tax determination. The Group of companies recognizes liabilities for anticipated tax issues based on best estimate of whether additional taxes will be due. Where the final tax outcome is different from the amounts initially recorded, such difference will impact the income tax and deferred tax provisions in the period the tax settlement is received. Current tax is the expected tax payable on the taxable income for the year, using enacted tax rates or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognized from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, or for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured using the tax rates that are based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if:

- i) there is a legally enforceable right to offset current tax liabilities and assets,
- ii) they relate to income taxes levied by the same tax authority on the same taxable entity,
- iii) on different tax entities if they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Recognition of net deferred tax asset is based on expected taxable income in the future.

Tax rates

Tax rate in Norway for the income year 2017 was 24%. In 2018 the tax rate will be 23%, hence deferred tax assets and liabilities are calculated with the tax rate of 23%.

On consolidated level, 2017 showed a loss before tax. Despite this negative result in 2017 the group of companies had cash effects of payable taxes within different jurisdictions and tax regimes. In addition current taxes (payable in 2018) and net expenses from changes in deferred taxes occurred.

Notes

Income taxes

(Amounts in NOK 1 000)	2017	2016
Profit/loss (-) before tax		
Norway	-258 936	-899 161
Other countries	-1 200 249	211 975
Total	-1 459 185	-687 186
Taxes paid (-) / received		
Norway	4 569	-561
Other countries	-142 742	-156 953
Total paid taxes	-138 173	-157 514
1) Current tax expense (-) / income		
Norway	21 839	-97 995
Other countries	-183 262	-209 515
Total current tax expense	-161 423	-307 510
2) Deferred taxes expense (-) /income		
Norway	-128 878	54 044
Other countries	-27 376	-63 422
Total deferred tax expense	-156 254	-9 379
Total income tax expenses 1)+2)	-317 677	-316 889

The income tax expense differs from the amounts computed when applying the Norwegian statutory tax rate to income before income taxes as a result of the following:

(Amounts in NOK 1 000)	2017	2016
Income / (-) loss before tax	-1 459 185	-687 186
Norwegian statutory rate	24%	25%
Provision for income taxes at statutory rate	350 204	171 797
<i>Increase (-reduction) in income taxes from:</i>		
Effect of tax rates other than statutory tax rate in Norway	-96 327	63 727
Tax exempt income within tonnage tax regimes net of vessel impairment	17 303	40 564
Impairment on tangible and intangible assets	-1 301	-276 264
Prior period adjustments	-48 027	-85 798
Changes in unrecognized deferred tax assets	-288 368	161 781
Non deductible and non taxable expenses/income	-111 826	-91 546
Currency effects (a)	-136 451	-308 615
Income/expense recognized directly in equity	-2 885	7 465
From continued operations	-21.8% -317 677	-47.2% -316 889

(a) Currency effects primarily relate to translating tax positions in functional currency to NOK.

Payable tax as presented in the Statement of Financial Position

Current tax payable Norway	5 391	37 201
Current tax payable other countries	150 223	147 073
Current tax payable	155 613	184 274

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Notes

Deferred tax:

The tax effects of temporary differences and tax loss carryforwards giving rise to deferred tax assets and liabilities were as follows as of December 31, 2017, and December 31, 2016:

(Amounts in NOK million)	Assets 2017	Liabilities 2017	Assets 2016	Liabilities 2016
Property, plant and equipment	12 766	-301 838	50 691	-191 885
Gain and loss accounts	0	0	0	-21 663
Loans and borrowings	5 289	-26 026	8 976	-14 438
Shares and bonds	1 114	-3 792	116 679	0
Other	59 252	-42 160	212 472	-115 150
Tax loss carryforwards	233 279	0	181 252	0
Subtotal	311 698	-373 816	525 071	-343 136
Set off of tax	-98 968	98 968	-163 022	163 022
Net tax assets / liabilities (-)	212 730	-274 848	362 049	-180 114

Deferred tax assets not been recognized in respect of the following items:	2017	2016
Deductible temporary differences	1 283 848	1 321 860
Tax losses	1 677 597	1 857 159
Total	2 961 445	3 179 019

At yearend 2017, the Group of companies had in total NOK 1.2 billion tax losses carryforward in UK, and NOK 6.6 billion in Norway, in total NOK 7.8 billion. The loss carryforward have no expiry date.

Tax disputes:

On 4 November 2013 a subsidiary, Fred. Olsen Ocean Ltd., was notified by the tax authorities of a possible change in the taxable income for 2005 – 2009. The company received a draft decision in December 2015 claiming additional tax for the period. The subsidiary challenged the claim. The company received a final decision in June 2016 leading to payable tax of NOK 67 million, including penalty tax and interests. The amount was accounted for in the 2 quarter and paid in the 3 quarter 2016. The subsidiary has challenged the decision.

Note 10 – Property, plant and equipment

Accounting policies

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the relevant plant and equipment and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Costs for special periodic surveys/renewal surveys (SPS/RS) on ships and offshore units required by classification societies, are capitalised and depreciated over the anticipated period between surveys, generally five years. Extensive upgrading and repairs after termination of contracts, are depreciated either over the assumed period to next survey or over the same profile as the unit if the unit's remaining useful life is shorter. Other maintenance and repair costs are expensed as incurred.

Borrowing costs are capitalised as part of cost of certain qualifying assets in accordance with IAS 23, "Borrowing cost". A qualifying asset is one which necessarily takes a substantial period of time to be made ready for its intended use, generally items that are subject to major development or construction projects.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for separately.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss.

(ii) Residual values

Residual values are assessed at the beginning of each accounting year and constitute the basis of the depreciation for the year. Residual values for ships and drilling vessels are estimated based on recoverable material reduced by other demobilisation costs related to the unit. Recoverable material for ships and drilling vessels is calculated as market steel price multiplied by the recoverable lightweight of the unit. Any changes in residual values are accounted for prospectively as a change in accounting estimate.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group of companies and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Financially leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group of companies will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Rigs	20 to 25 years	Machinery and Equipment	3 to 10 years
Deepwater Drillships	25 years	Windfarms	15 years
Vessels	10 to 20 years	Assets under construction	Nil
Wind installation vessels	20 years	Cars	7 years
Service vessels	15 years	IT Equipment	5 years
Major rig Components	5 to 15 years	Furniture and fixtures	5 to 10 years
Plant and Buildings	5 to 50 years		

The estimated useful lives, residual values and decommissioning costs are reviewed on a yearly basis. Any changes are accounted for prospectively as a change in accounting estimate.

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Notes

v) Impairment

The carrying amounts of the Group of companies' property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

When considering impairment indicators, the Group of companies considers both internal (e.g. adverse changes in performance) and external sources (e.g. adverse changes in the business environment). For offshore drilling rigs, vessels and drillship these are analysed by reviewing day rates and broker valuations. If an indicator of impairment is identified, management estimates the amount, if any, of impairment. In order to measure potential impairment, the carrying amount is compared to the recoverable amount, which 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, requiring significant management estimates of assumptions including discount rates as well as the timing and amounts of cash flows.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a positive 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, net of depreciation or amortisation, if no impairment loss had been recognised.

(Amounts in NOK 1 000)	Rigs and offshore units	Vessels	Windfarms	Other fixed assets	Total
Cost					
Balance at 1 January 2016	36 369 899	8 198 949	7 796 751	1 531 987	53 897 586
Adjustment opening balance				-20 158	-20 158
Adjusted balance at 1 January 2016	36 369 899	8 198 949	7 796 751	1 511 829	53 877 428
Acquisitions 1)	79 123	289 330	586 418	61 649	1 016 520
Reclassifications	0		120 673	-38	120 635
Disposals	-2 424 237			-102 992	-2 527 229
Effect of exchange rate fluctuations	-780 329	-1 194 589	-1 280 069	-148 432	-3 403 419
Balance at 31 December 2016	33 244 456	7 293 690	7 223 773	1 322 016	49 083 935
Balance at 1 January 2017	33 244 456	7 293 690	7 223 773	1 322 016	49 083 935
Adjustment opening balance				-2	-2
Adjusted balance at 1 January 2017	33 244 456	7 293 690	7 223 773	1 322 014	49 083 933
Acquisitions 1)	76 659	253 742	263 210	60 071	653 682
Reclassifications					0
Disposals	-2 379 992	-8 837		-17 903	-2 406 732
Effect of exchange rate fluctuations	-1 600 519	447 265	370 608	27 125	-755 521
Balance at 31 December 2017	29 340 604	7 985 860	7 857 591	1 391 307	46 575 362

Notes

(Amounts in NOK 1 000)	Rigs and offshore units	Vessels	Windfarms	Other fixed assets	Total
Depreciation and impairment losses					
Balance at 1 January 2016	20 239 826	4 094 659	2 455 512	1 022 815	27 812 812
Adjustment opening balance				-18 455	-18 455
Adjusted balance at 1 January 2016	20 239 826	4 094 659	2 455 512	1 004 360	27 794 357
Depreciation charge for the year	2 395 594	356 982	445 830	82 617	3 281 023
Impairment losses 3)	1 815 022	102 705		0	1 917 727
Reclassifications			-6 197	-38	-6 235
Disposals	-2 420 918			-99 077	-2 519 995
Effect of exchange rate fluctuations	-308 443	-760 199	-467 237	-111 305	-1 647 184
Balance at 31 December 2016	21 721 081	3 794 147	2 427 908	876 557	28 819 693
Balance at 1 January 2017	21 721 081	3 794 147	2 427 908	876 557	28 819 693
Adjustment opening balance				-662	-662
Adjusted balance at 1 January 2017	21 721 081	3 794 147	2 427 908	875 895	28 819 031
Depreciation charge for the year	1 794 404	360 821	425 421	82 240	2 662 887
Impairment losses 3)	634 539			6 928	641 466
Reclassifications					0
Disposals	-2 366 888	-6 445		-12 133	-2 385 466
Effect of exchange rate fluctuations	-1 080 669	221 896	95 247	20 376	-743 150
Balance at 31 December 2017	20 702 467	4 370 419	2 948 576	973 306	28 994 768
Carrying amounts					
At 1 January 2016	16 130 073	4 104 290	5 341 238	509 172	26 084 774
At 31 December 2016 2)	11 523 375	3 499 543	4 795 864	445 459	20 264 242
At 1 January 2017	11 523 375	3 499 543	4 795 864	445 459	20 264 242
At 31 December 2017 2)	8 638 137	3 615 441	4 909 014	418 001	17 580 594

Depreciation schedule is linear for all categories

- 1) Acquisitions in 2017 include no capitalized borrowing costs (2016: NOK 0).
- 2) Two of the windfarms in Fred. Olsen Renewables are financed through financial leases, and the total carrying amount excluded decommissioning provision per year end 2017 for these two windfarms is NOK 195 million (2016: NOK 254 million).
- 3) See separate description under "Impairment losses" on the next page

Impairment

The Group of companies continuously evaluates its assets on an individual basis at each reporting date to determine whether there is an objective evidence of impairment within the various business segments. Two Group segments had indications on need for impairment and tested the recoverable amounts.

Within the Group of companies, impairment of NOK 641 million (2016: NOK 1 918 million) was recognized on property, plant and equipment, split between the segments as follows:

(Amounts in NOK million)	2017	2016
Offshore drilling	634	1 815
Shipping / Offshore wind	7	103
Total Impairment	641	1 918

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Notes

OFFSHORE DRILLING

An impairment loss of USD 75.0 million (NOK 634 million) was recorded in 2017 (2016: USD 218.7 million = NOK 1 815 million).

Impairment tests have been undertaken for all the units in the fleet.

The determination of the recoverable amount for each Cash Generating Unit (CGU) is based on value in use calculation by estimating future cash flows to be derived from continuing use of each CGU including three scenarios with a percentage likelihood.

The FOE Group applied pre-tax discount rates in the range from 9.20% to 11.55% (2016: 10.45% to 10.91%) for the various units. The post-tax discount rates varies from 8.15% up to 8.59% (2016: 9.21% to 9.68%) due to differences in effective tax rates for the units.

The following impairments have been recorded:

	Year 2017	Year 2016	Discount rates 2017	
			Post-tax	Pre-tax
Borgland	-	88.0	8.57 %	9.52 %
Byford	-	89.2	8.15 %	11.55 %
Borgsten	-	21.5	N/A	N/A
Bredford	-	20.0	N/A	N/A
Blackford	75.0	-	8.15 %	10.36 %
Total impairment	75.0	218.7		

The global market for floating oil and gas drilling units have been weak the last years. There has been a large reduction in investments from the oil companies globally in combination with oversupply of newbuild ultradeep water units. This have created a weak market for offshore drilling units with low tender activity for new drilling contracts. The market is expected to still be challenging in 2018 but start recovering during 2018 and 2019. This is reflected in the estimates of future cash flows for the units.

The value in use calculation is based on estimated future cash flows, the estimates are based on the current low day-rates and low utilization for 2018 and 2019. Thereafter it is assumed an increased dayrate for all segments and normalized utilization for the remaining lifetime of the units.

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

Blackford Dolphin completed a contract in Q2 2017. Due to the negative development of day-rates and expected utilization, the assumptions have been reduced compared to previous years.

Estimating the fair value of the assets in the Offshore drilling segment is a complex process involving a number of key judgements and estimates regarding various independent inputs. Due to the nature of the assets, 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 independent inputs. As a result of the current market situation and because there are more than normal uncertainty concerning when new contracts will be agreed and the related future dayrate levels, the calculation of fair value of the assets in the offshore drilling segment is exposed to high estimation uncertainty.

Sensitivity

An increase of 1% on the post-tax discount rate would not trigger any further impairment.

The estimated day rates and utilizations are significant assumptions in the model. The estimates used in the model are based on the current low dayrates and low utilization for 2018 and 2019. Thereafter increased dayrates and normalized utilization. Any significant deviation from these assumptions will have a material impact.

SHIPPING / OFFSHORE WIND:

Equipment used for installation of mono suction buckets in Universal Foundation Denmark has been written down by DKK 5.2 million (NOK 6.9 million).

Note 11 – Intangible assets

Accounting policies

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

In respect of acquisitions goodwill is recognised initially at cost. Goodwill represents the excess of the cost of the acquisition over the Group of companies' interest in the net fair value of the net identifiable assets of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

(ii) Research and development

Expenses for research activities undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit and loss when incurred.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group of companies intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are capitalised. Other development expenditure is recognised in profit or loss as incurred. When a project is ready for intended use, it is reclassified from intangible assets to the respective groups of property, plant and equipment.

Capitalised development expenditure is measured at cost less accumulated impairment losses.

(iii) Technology, customer relationships and publishing rights

Items of technology and customer relationships are measured at cost less accumulated depreciation and impairment losses.

Technology relates to computer software, patented or unpatented technology or databases. Component recognised are online platform, payment solution and digital map service (nautical charts).

Customer relationships represent the value of the existing customers and are recognised as a separate component.

The estimated useful lives for the current and comparative periods are as follows:

Technology	5 years
Customer relationships	9 years

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item. The estimated useful lives are reviewed on a yearly basis. Any changes are accounted for prospectively as a change in accounting estimate.

Publishing rights/brand names comprise trade name, mastheads, domain name and content rights which contribute significantly to future economic benefit. Publishing rights and brand names are assumed to have indefinite remaining lives.

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Notes

(iv) Impairment

The carrying amounts of the Group of companies' intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

When considering impairment indicators, the Group of companies considers both internal (e.g. adverse changes in performance) and external sources (e.g. adverse changes in the business environment). 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 is compared to the recoverable amount, which 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, requiring significant management estimates of the proper discount rates as well as the length and amounts of cash flows.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes

(Amounts in NOK 1 000)	Development costs	Publishing rights	Goodwill	Customer relationship, technology, patents, other	Total
Cost					
Balance at 1 January 2016	403 507	162 000	416 340	237 104	1 218 951
Adjustment opening balance	16 366			0	16 366
Adjusted balance at 1 January 2016	419 873	162 000	416 340	237 104	1 235 317
Acquisitions	19 360		17 320	47 495	84 175
Reclassifications	-14 248		-23	23	-14 248
Disposals	-30 413		-98 577	-7 394	-136 384
Effect of exchange rate fluctuations	-62 911		-1 132	-182	-64 225
Balance at 31 December 2016	331 661	162 000	333 928	277 046	1 104 635
Balance at 1 January 2017	331 661	162 000	333 928	277 046	1 104 635
Adjustment opening balance	2		-5 856	0	-5 854
Adjusted balance at 1 January 2017	331 663	162 000	328 072	277 046	1 098 781
Acquisitions	26 690			44 141	70 831
Reclassifications	-2				-2
Disposals	0			-5 543	-5 543
Effect of exchange rate fluctuations	12 208		1 947	259	14 414
Balance at 31 December 2017	370 559	162 000	330 019	315 903	1 178 481
Depreciations and impairment losses					
Balance at 1 January 2016	875	0	0	117 744	118 619
Adjustment opening balance	14 983			0	14 983
Adjusted balance at 1 January 2016	15 858	0	0	117 744	133 602
Depreciation charge for the year	1 966			46 589	48 555
Impairment losses	20 416		98 577		118 993
Disposals	-20 416		-98 577		-118 993
Effect of exchange rate fluctuations	-312			22	-290
Balance at 31 December 2016	17 512	0	0	164 355	181 867
Balance at 1 January 2016	17 512	0	0	164 355	181 867
Adjustment opening balance	2			0	2
Adjusted balance at 1 January 2016	17 514	0	0	164 355	181 869
Depreciation charge for the year	1 870			54 345	56 215
Impairment losses			22 338	2 438	24 776
Reclassifications	1 816				1 816
Disposals				-5 703	-5 703
Effect of exchange rate fluctuations	833			-365	468
Balance at 31 December 2016	22 033	0	22 338	215 070	259 441
Carrying amounts					
At 1 January 2016	402 632	162 000	416 340	119 360	1 100 332
At 31 December 2016	314 149	162 000	333 928	112 691	922 768
At 1 January 2017	314 149	162 000	333 928	112 691	922 768
At 31 December 2017	348 526	162 000	307 681	100 833	919 040
Expected economic life	3 years			5 - 10 years	
Depreciation is linear					

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Notes

Impairment

Within the Group of companies, impairment of NOK 25 million (2016: NOK 119 million) was recognized on intangible assets, split between the segments as follows:

(Amounts in NOK million)	2017	2016
Renewable energy		20
Offshore drilling		99
Other (NHST Media Group)	25	
Total Impairment	25	119

Renewable Energy:

Development costs

No indication of impairment has been identified.

Accordingly no capitalized costs were written off in 2017 (2016 NOK 20 million).

Other

NHST Media Group AS

Indications of impairment has been identified for the cash-generating unit Nautical Charts, due to deficits over time.

Impairment testing has been performed during 2017. Value in use calculation was based on the following key assumptions:

- projected future cashflows for the cash-generating unit
- a post tax discount rate of 13,39% was applied in determining the recoverable amount.

The testing resulted in the following impairments within Nautical Charts:

(Amounts in NOK 1 000)		
Goodwill	22 338	(100% impairment)
Technology	907	(100% impairment)
Customer relationships	1 531	(partly impaired)
Total	24 776	

Notes

Note 12 – Investments in associates

Accounting policies

Associates are those entities in which the Group of companies has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method and are initially recognised at cost. The Group of companies' investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group of companies' share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group of companies, from the date that significant influence commences until the date that significant influence ceases. When the Group of companies' share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group of companies has an obligation or has made payments on behalf of the associate.

(Amounts in NOK 1 000)	Global Wind Power France Aps 1)	Other associates 2)	Total
Consolidated			
Date of acquisition	19/04/2016		
Business office	Thisted, Denmark		
Group of companies' ownership per 31 December 2016	51.00%		
Group of companies' board members per 31 December 2016	50.00%		
Group of companies' ownership per 31 December 2017	51.00%		
Group of companies' board members per 31 December 2017	50.00%		
Share of equity per 31.12.2016	75 930	149	76 079
Profit from the company accounts	-16 486	-916	-17 402
Eliminations/adjustments	0	211	211
Net profit included in Bonheur Group of companies	-16 486	-705	-17 191
Share issue	0	750	750
Currency translation differences	4 187	0	4 187
Share of equity per 31.12.2017	63 631	194	63 825

The presentation shows the accounts for the most significant associates as at 31 December 2017.

- 1) The owner company, Fred. Olsen Renewables AS' (FOR), investment (costprice) in Global Wind Power France Aps (GWP) is NOK 61.5 million inclusive currency revaluation. FOR and GWP have two boardmembers each and decisions of the Board of Directors shall be adopted by a simple majority of the votes of the members. It is therefore assessed that Bonheur does not control the operations of GWP and consequently does not fully consolidate GWP. See note 27 regarding the accounting policy for subsidiaries.
- 2) Including Codling Holding Ltd, Smartcom TV AS, Norcon Computing system AS and Task Technologies AS.

Summary financial information for significant equity accounted investees, not adjusted for the percentage ownership held by the Group of companies.

(Amounts in EUR 1 000)	Global Wind Power France Aps	
	2017	2016 1)
Operating income 2)	0	8 630
Operating profit / loss	-3 167	2 328
Profit for the year	-3 405	2 130
Total assets	7 560	10 812
Total liabilities	5 184	5 032
Total equity	2 375	5 780

- 1) The presentation shows the figures for the period 01.07.2015 - 31.12.2016.
- 2) In 2016 operating income were generated from sales of three wind projects.

Note 13 – Other investments

Accounting policies

Available-for-sale financial assets

The Group of companies' investments in equity securities and certain debt securities are classified as available-for-sale financial assets. The purchase or sale is recognized on the trade date. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Other

Other non-derivative financial instruments, including financial liabilities, are recognized initially at fair value and any directly attributable transaction costs. Subsequent to initial recognition, assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Impairment losses in respect of available-for-sale financial assets are recognized in other comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in other comprehensive income is transferred to profit or loss. An impairment loss is recognized in profit or loss if the decline in fair value below cost is significant or prolonged. A decline of at least 20 percent or for a period of at least nine months is considered significant and prolonged, respectively.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

Notes

Shares classified as available for sale

(Amounts in NOK 1 000)	Company share capital	Ownership %	Number of shares	Cost price	Fair value as per 31.12.17	Fair value as per 31.12.16
Public listed companies 1)						
Opera Software ASA	2 391	1.02%	1 216 666	5 075	31 877	45 382
Various shares				3 001	794	980
Total public listed companies				8 076	32 670	46 362
Shares with no publicly quoted market price 2)						
Koksa Eiendom AS 3)	514 812	12.62%	16 239 264	15 415	1	121 800
Scotrenewables Tidal Power Ltd.	GBP 10	12.69%	133 238	66 534	18 000	18 000
Open Hydro Ltd.	EUR 403	0.56%	228 820	6 376	6 376	6 376
Oslo Børs VPS Holding ASA	86 008	0.06%	25 582	490	2 814	2 174
Origami Energy Ltd.	GBP 0.14	21.95%	300 000	37 404	37 404	37 404
Homborsund Container DIS	-	2.00%	-	845	279	888
Verdane Capital VI K/S, contribution				416	416	197
Novus Energy Partners LP, contribution				0	0	5 148
Various shares				1 017	1 170	1 206
Total non-listed companies				128 496	66 460	193 194
Total				136 572	99 130	239 555

- 1) The fair value is determined by using the listed prices of the companies at year end.
- 2) Book value of non-listed companies is based on cost, if no reliable measure of fair value exists. Investments are written down based on the Group of companies' policies for impairment. All shares are measured at cost except for Oslo Børs VPS Holding ASA. This share is seldom traded and the fair value is determined by using average price from transactions during the year or from the list of non-listed shares from Norges Fondsmeglerforbund issued as per year end.
- 3) Bonheur's investment in Koksa Eiendom AS has been reduced to NOK 1 during 2017. Dividend received and repayment of paid in capital have been booked against the investment.

Bonds and other receivables (non-current assets)

(Amounts in NOK 1 000)	2017	2016
Bonds and securities (specification below)	205 212	198 007
Loans granted to associates	43 010	35 590
Other interest-bearing loans	7 875	10 040
Other non interest-bearing receivables	16 147	20 091
Total Bonds and other receivables (non-current assets)	272 244	263 728

Bonds classified as available for sale 1)

(Amounts in NOK 1 000)	Cost price	Currency	Average interest rate 2017	Fair value as per 31.12.17	Fair value as per 31.12.16
Non-current assets:					
Energy Services companies	62 484	NOK	1.9 %	67 361	32 730
Real Estate companies	42 175	NOK	2.0 %	42 165	41 927
Industry companies	55 673	NOK	2.5 %	55 537	91 611
Finance companies	17 178	NOK	2.1 %	17 081	21 748
Public administration	23 071	NOK	1.3 %	23 069	9 991
Total	200 581		2.1 %	205 212	198 007

- 1) Fair value is based on quoted market prices.

Notes

Note 14 – Inventories

Accounting policies

Inventories and bunkers are recorded at the lower of cost and net realisable value. The Group of companies categorizes spare parts into two groups, spare parts and spare assets. Spare parts are consumables that are not depreciated, but expensed when used against repair and maintenance cost. Consumables are measured at cost less a reserve for overstocked items. Spare assets are larger spare items that is recorded as a rig component and depreciated.

(Amounts in NOK 1 000)	2017	2016
Inventories and consumable spare parts	909 913	1 020 298
Bunkers	20 534	23 156
Articles of consumption onboard	34 610	23 202
Work in progress	62 886	24 073
Total	1 027 944	1 090 729

Per year end the Group of companies had inventories and consumable spare parts related to windfarms, installation vessels for offshore wind turbines, cruise vessels, rigs and from NHST Media Group. In addition, there were bunkers and articles of consumption onboard. The spare parts on rigs is booked as repair maintenance expenses in the income statement when used and is not depreciated. The book value of inventories is cost price. In 2017 inventories and consumable spare parts recognized as cost of sales amounted to NOK 866 million (2016: NOK 790 million). In 2017 there have been no write downs of inventories or reversals of write downs.

Note 15 – Trade and other receivables

Accounting policies

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of expected future cash flows.

Trade and other receivables (current assets)

(Amounts in NOK 1 000)	2017	2016
Other trade receivables	726 161	1 281 933
Total trade receivables	726 161	1 281 933
Other receivables and prepayments	857 840	725 691
Fair value derivatives	11 537	34 320
Total other receivables	869 376	760 011
Total trade and other receivables	1 595 537	2 041 944

At 31 December 2017 Harland & Wolff, a subsidiary of Fred. Olsen Energy Group, had uncompleted activities on various ship repair, ship building, manufacturing and engineering activities.

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

(Amounts in NOK 1 000)	2017	2016
Contract Revenue during the period, external	152 132	83 654
Contract Revenue during the period, internal	5 368	11 747
Contract cost incurred plus recognised profit on uncompleted contracts	94 482	823
Estimated profit	-5 914	0
Less progress billings to date	-102 340	-487
Effect of exchange rate fluctuations	111	9
Accrued and (deferred) revenue, net	-13 661	345

Work in progress is included in the accompanying statement of financial position under the following captions:

(Amounts in NOK 1 000)	2017	2016
Accounts receivables	1 231	345
Deferred revenue	-14 892	0
Accrued and (deferred) revenue, net	-13 661	345

Notes

Note 16 – Cash and cash equivalents

Accounting policies

Cash and cash equivalents include 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.

(Amounts in NOK 1 000)	2017	2016
Cash related to payroll tax withholdings	41 250	35 328
Other restricted cash *)	465 647	497 537
Total restricted cash	506 898	532 865
Unrestricted cash	8 085 662	6 695 132
Total cash & cash equivalents	8 592 560	7 227 997
Unused credit facilities	0	8 000

*) Other restricted cash mainly reflects deposits required when financing the windfarms in Fred. Olsen Renewables. The restricted cash relates to the financial leases of the windfarms Paul's Hill and Rothes.

Note 17 – Earnings per share

Accounting policies

The Group of companies presents basic earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period. Shares outstanding is total shares issued net of treasury shares.

Profit attributable to ordinary shareholders

(Amounts in NOK 1 000)	2017	2016
Loss for the year (Majority share)	-864 183	-489 561
Average number of outstanding shares during the year 1)	42 531 893	41 927 226
Basic earnings per share	-20.32	-11.68

Within the Group of Companies there are no financial instruments with possible dilutive effects.

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at 1 January	42 531 893	40 789 308
Issued ordinary shares 1 January - 6 May	-	40 789 308
New shares issued 1)	-	1 742 585
Issued ordinary shares 7 May - 31 December	-	42 531 893
Weighted average number of ordinary shares at 31 December	42 531 893	41 927 226

1) Average number of outstanding shares during 2017 and 2016 are based on number of outstanding shares per 31.12.2017 and 31.12.2016. As part of the merger between Bonheur ASA and Ganger Rolf ASA in 2016, there were issued 1 742 585 new shares.

Notes

Note 18 – Interest bearing loans and borrowings

(Amounts in NOK 1 000)	2017	2016
Non-current interest-bearing liabilities		
Secured bank loans	7 938 546	10 060 766
Unsecured loans	3 509 816	2 941 482
Finance lease liabilities	167 093	233 214
Other loans	585 591	720 079
Total	12 201 046	13 955 540
Current interest-bearing liabilities		
Current portion of secured bank loans	2 049 784	436 577
Current portion of unsecured loans	0	483 099
Current portion of finance lease liabilities	76 618	70 881
Bank overdraft/other	166 921	151 235
Total	2 293 322	1 141 793

Fred. Olsen Renewables Ltd had as at 31 December 2017, through its 51% owned subsidiary Fred. Olsen Wind Ltd., drawn a total of GBP 283 million under various bank loan facilities and finance leases. The interest rate of the bank loan facilities is GBP Libor plus a margin of ca. 1.40 % - 2.00 %. The various tranches of the bank loan facilities mature in the period 2021 - 2027. In addition, GBP 82.1 million was drawn by Fred. Olsen Wind Ltd. on two loans from The Renewables Infrastructure Group (UK) Investments Ltd., who holds 49% of the shares in Fred. Olsen Wind Ltd. The interest rate on these loans is 7% as part of the agreement with TRIG. Of the GBP 82.1 million, a loan of GBP 15 million matures in its full amount in 2030. The remaining loan is repaid through variable sized instalments in the period up until final maturity in 2021.

Fred. Olsen Ocean group, through its subsidiary Fred. Olsen Windcarrier, had per 31 December 2017 a loan balance of EUR 87.0 million relating to the financing facility of its jack-up vessels Brave Tern and Bold Tern. The loan has semi-annual repayments of EUR 7.25 million with a final repayment of EUR 50.75 million. The loan matures in July 2020 and has an interest rate of EURIBOR plus a margin of 2.85%.

Fred. Olsen Energy ASA had per 31 December 2017 a fleet loan based on USD Libor (3 months) plus a margin. As per 31.12.17 USD 759 million was drawn on the credit facility. A waiver request for temporarily waiving the minimum market value covenant until 30 June 2018, the net debt/EBITDA and the EBITDA/net interest expenses covenants was approved by the syndicate banks in December 2016. Subsequently, two instalments of USD 95.5 million for 2017 were prepaid in December 2016 and USD 105 million of the undrawn facility was cancelled. The remaining USD 105 million was temporarily suspended during the waiver period. In January 2017, the Bondholders in FOE05 subsequently approved a temporary waiver for the net debt/EBITDA and the EBITDA/net interest expenses covenants. Consequently, a partial redemption of NOK 75 million took place in February 2017.

On 25 January 2012 Bonheur ASA completed a NOK 300 million 7 years unsecured bond issue. Settlement date was 10 February 2012 and maturity date is 10 February 2019. The interest rate is 3 month NIBOR + 5.0%. On 26 June 2014 Bonheur ASA completed a NOK 900 million 5 years unsecured bond tap issue and a NOK 600 million 7 years unsecured bond tap issue. Settlement date was 9 July 2014 and maturity dates are 9 July 2019 and 9 July 2021, respectively. The interest rates are 3 month NIBOR + 3.1% and 3 month NIBOR + 3.5%, respectively. On 12 May 2017 Bonheur ASA completed a NOK 500 million 5 years unsecured bond issue. Settlement date was 24 May 2017 and maturity date is 24 May 2022. The interest rate is 3 month NIBOR + 4.0%. On 27 October 2017 Bonheur ASA completed a NOK 500 million 3 years unsecured bond issue. Settlement date was 9 November 2017 and maturity date is 9 November 2020. The interest rate is 3 month NIBOR + 3.15%. As per 31 December 2017 NOK 356 million of the bond issues was repurchased, leaving a total outstanding balance of NOK 2 444 million (par value).

Notes

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

(Amounts in NOK 1 000)	Currency	Nominal interest rate	Year of maturity	31 Dec. 2017 Carrying amount	31 Dec. 2016 Carrying amount
Renewable energy:					
Secured bank loan 2)	GBP	LIBOR + 1.55%	2024	276 210	287 274
Secured bank loan 2)	GBP	LIBOR + 1.55%	2020	88 733	117 119
Secured bank loan 2)	GBP	LIBOR + 1.55%	2021	172 645	205 641
Secured bank loan 2)	GBP	LIBOR + 1,55%	2027	1 125 043	1 139 133
Secured bank loan 2)	GBP	LIBOR + 1.55%	2027	76 249	72 963
Secured bank loan 2)	GBP	LIBOR + 2.0%	2026	389 989	407 164
Secured bank loan 2)	GBP	LIBOR + 2.0%	2026	583 111	605 170
Secured bank loan 2)	GBP	LIBOR + 2.0%	2026	186 929	194 334
Financial lease	GBP	4)	2020	80 115	107 212
Financial lease	GBP	4)	2021	163 595	196 883
Unsecured loan 5)	GBP	7%	2021/30	752 511	871 314
Other	GBP			49 690	49 008
				3 944 821	4 253 215
Shipping/Offshore wind:					
Secured bank loan 1)	EUR	EURIBOR + 2.85%	2020	856 106	922 259
Other	DKK			13 174	16 095
				869 280	938 354
Offshore drilling:					
Secured bank loan	USD	3)	2020	6 175 305	6 489 102
Unsecured Fred. Olsen Energy ASA bond loan 7)	NOK	NIBOR + 3.0%	2019	1 021 736	1 093 145
				7 197 040	7 582 247
Other:					
Unsecured Bonheur ASA bond loans 6)	NOK	NIBOR /5.0%/3.1%/3.5%/4.0%/3.15%	2019/'19/'21/'22/'20	2 433 227	2 273 517
Other	NOK			50 000	50 000
				2 483 227	2 323 517
Total interest-bearing debt				14 494 368	15 097 333

- 1) Financing facility for Fred. Olsen Windcarrier of the jack-up vessels Brave Tern and Bold Tern.
- 2) Financing facilities for Fred. Olsen Wind Ltd. and/or its subsidiaries.
- 3) The fleet loan is based on USD Libor (3 months) plus a margin.
- 4) Financial lease for subsidiaries of Fred. Olsen Wind Ltd.
- 5) A total of GBP 82.1 million was drawn by Fred. Olsen Wind Ltd. on two shareholder loans from The Renewables Infrastructure Group (UK) Investments Ltd.
- 6) The market value of the three outstanding Bonheur bond loans maturing in 2019, 2019 and 2021 were per year end 103.60, 101.55 and 100.00, respectively. The 2 remaining bond loans maturing in 2022 and 2020 were not listed as per 31 December 2017.
- 7) The market value of Fred. Olsen Energy ASA bond loan maturing in 2019 was 61.50.

Finance lease liabilities

Finance lease liabilities are payable as follows:

(Amounts in NOK 1 000)	Future minimum lease payments 2017	Interest 2017	Present value of minimum lease payments 2017	Future minimum lease payments 2016	Interest 2016	Present value of minimum lease payments 2016
Less than one year	87 634	8 447	79 187	84 112	10 772	73 340
Between one and five years	179 926	8 203	171 723	256 035	15 932	240 103
More than five years	-	-	-	-	-	-
Total	267 560	16 650	250 910	340 147	26 704	313 443

Notes

Book value of collateral

(Amounts in NOK 1 000)	Book value	
	31.12.2017	31.12.2016
Rigs and offshore units	8 619 951	11 465 574
Windfarms	2 641 306	3 579 960
Vessels	2 275 040	2 185 460
Other fixed assets	32 008	27 269
Total book value of collateral	13 568 305	17 258 264

Guarantees

Guarantees granted to associates		
Guarantees granted to Group companies entities (reflected in the group accounts by recorded debt)	1 148 892	1 169 169
Total	1 148 892	1 169 169

Guarantees are granted in connection with the following investments

Cruiseships	206 847	197 932
Windfarms	48 139	48 978
Wind vessels	856 106	922 259
Other *)	37 800	0
Total	1 148 892	1 169 169

*) Related to Koksa Eiendom AS.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Equity		Total
	Finance lease liabilities	Other interest bearing loans	Equity holders of the parent	Non-controlling interest	
Balance as per 1 January 2017	304 095	14 793 238	9 461 508	3 653 274	28 212 115
Changes from financing cash flows					
Proceeds from issue of share capital in subsidiary				7 680	7 680
Proceeds from long term loans and borrowings		998 253			998 253
Repayment of long term loans and borrowings		-1 522 013			-1 522 013
Repayment of finance lease liabilities	-76 650				-76 650
Dividend paid			-85 064	-1 643	-86 707
Total changes from financing cash flows	-76 650	-523 760	-85 064	6 037	-679 437
Effect on liabilities of changes in foreign exchange rates	16 265	-18 820			-2 555
Proceeds from issue of share capital in subsidiary				-7 680	-7 680
Comprehensive loss for the period *)			-862 384	-1 014 600	-1 876 984
Balance as per 31 December 2017	243 710	14 250 658	8 514 060	2 637 031	25 645 459

*) According to statement of changes in equity, page 18

Note 19 – Employee Benefits

Accounting policies

Defined benefit plans

The Company and certain of its subsidiaries have pension plans for employees which provide for a defined pension benefit upon retirement (Defined benefit plans). These pension schemes are accounted for in accordance with IAS19

The calculation of the liability is made on a linear basis, taking into account assumptions regarding the number of years of employment, discount rate, future return on plan assets, future changes in salaries and pensions, the size of defined national contributions and actuarial assumptions regarding mortality, voluntary retirement etc. Plan assets are stated at fair values. Net pension liability comprises the gross pension liability less the fair value of plan assets. Net pension liabilities from under-funded pension schemes are included in the balance sheet as long-term interest free debt, while over-funded schemes are included as long-term interest free receivables, if it is likely that the over-funding can be utilized. The effect of retroactive plan amendments without future benefits, are recognized in the income statement with immediate effect. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

Net pension cost, which consists of gross pension cost, less estimated return on plan assets adjusted for the impact of changes in estimates and pension plans, are classified as an operating cost, and is included in the line item "operating expenses".

Pension schemes base the discount rate on the yield of long term covered bonds (OMF) at the statement of financial position date, adjusted to reflect the terms of the obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Group of companies, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When benefits of a plan are improved, the portion of the increased benefit relating to past service is recognised as an expense in the income statement on a straight-line basis until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised in the income statement.

Employees of certain 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.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group of companies has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Accounting estimate – pension obligation

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 rate is 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.

Pension plans

Employees of the Group of companies have the right to future pension benefits (defined benefit plans) based upon the number of contribution years and the salary level at retirement. The scheme of each Group entity is administered by individual pension funds or by separate insurance companies. Some subsidiaries have defined contribution schemes for all or some of their employees. Total costs incurred in 2017 were NOK 58 million (2016: NOK 56 million). The pension plans in the Norwegian companies meet the Norwegian requirements for a Mandatory Company Pension (OTP).

In total, the number of members in the defined benefit plans by the end of 2017 were 2 083, of which 1 628 were pensioners (2016: 2 390 of which 1 804 pensioners). The majority of the pensioners were in the UK subsidiary Harland & Wolff. Employees of Fred. Olsen & Co. are members of Fred. Olsen & Co's Pension Fund. Employees of Fred. Olsen & Co. employed before 1 June 2012 have the right to future pension benefits (defined benefit plan) based on the number of contribution years and the salary level at the pensionable age. Employees employed after 1 June 2012 are covered by

...the note continues on the next page

contribution plans. The Group of companies has unfunded (unsecured) pension obligations towards some executives and other key personnel with salaries in excess of 12 G. The mentioned executives (including executives employed by Fred. Olsen & Co.) have the right to retirement upon reaching 65 years of age. Depending on the company, the pension obligations will represent 66% or 70% of the salary at the time of retirement, varying within the Group of companies.

The status of the defined benefit obligations is as follows:

(Amounts in NOK 1 000)	2017	2016
Present value of unfunded obligations	-609 945	-565 664
Present value of funded obligations	-2 763 681	-3 217 931
Total present value of obligations	-3 373 626	-3 783 595
Fair value of plan assets	2 526 539	2 611 632
Net liability for defined benefit obligations	-847 086	-1 171 962
Hereof unfunded pension plans (net liability)	-609 945	-565 664
Hereof funded pension plans	-237 142	-606 299
Recognised net defined benefit obligations	-847 086	-1 171 962
Financial fixed assets / pension funds	95 628	31 544
Liabilities / Employee benefits	-942 714	-1 203 506
Net liability as at 31 December	-847 086	-1 171 962

Movement in net defined benefit liabilities

Funded defined benefit obligations

(Amounts in NOK 1 000)	Defined benefit obligations		Fair value of plan assets		Net defined benefit liabilities	
	2017	2016	2017	2016	2017	2016
Balance at 1 January	-3 217 931	-3 549 320	2 611 632	2 821 407	-606 299	-727 913
Recognition of subsidiary		-11 764		14 831	0	3 067
	-3 217 931	-3 561 084	2 611 632	2 836 238	-606 299	-724 846
Pension contribution			88 007	102 926	88 007	102 926
Settlements / transfer of pension obligation	287 955	114 450	-286 325	-114 841	1 630	-391
Benefits paid by the plan	123 104	138 828	-122 259	-134 216	845	4 612
	411 059	253 278	-320 577	-146 131	90 482	107 147
Included in profit and loss:						
Interest on obligation / Interest on plan assets	-70 647	-103 280	52 355	78 794	-18 292	-24 486
Current Service cost	-41 126	-106 534			-41 126	-106 534
Gain on settlements	229 211	132 926			229 211	132 926
Currency effects / Corrections	-477	-716			-477	-716
Net pension cost	116 961	-77 604	52 355	78 794	169 316	1 190
Included in other comprehensive income:						
Actuarial gain/(loss) arising from:						
Demographic assumptions	-	-	-	-	-	-
Financial assumptions	-1 139	-252 384	116 271	151 937	115 132	-100 447
Experience adjustments	11 131	32 060			11 131	32 060
	9 992	-220 324	116 271	151 937	126 263	-68 387
Foreign currency translation	-83 763	387 806	66 857	-309 206	-16 906	78 600
Balance as at 31 December	-2 763 681	-3 217 931	2 526 539	2 611 632	-237 142	-606 299

Plan assets

At the balance sheet date, plan assets are valued using market prices. This value is updated yearly in accordance with statements from the Pension Funds. There are no investments in the Company or in property occupied by the Group of companies.

Major categories of plan assets	2017	2016
Equity instruments	38%	37%
Corporate bonds	41%	43%
Government bonds	11%	10%
Annuities	5%	5%
Real estate	2%	2%
Other assets	3%	2%
Total Plan Assets	100%	100%

(Amounts in NOK 1 000)	2017	2016
Balance at 1 January	-565 664	-508 924
Benefits paid by the plan	15 117	12 189
	-550 547	-496 735
Included in profit or loss:		
Current service costs	-26 618	-25 146
Past service costs	-9 888	0
Interest on pension liability	-13 900	-12 600
Settlements / Currency effects	-124	-2 905
Net pension cost	-50 530	-40 651
Included in other comprehensive income:		
Remeasurement (loss) / gain, actuarial gain /(loss) arising from:		
Demographic assumptions	0	0
Financial assumptions	-2 440	-4 324
Experience adjustments	-6 038	-23 947
	-8 478	-28 271
Currency effects	-390	-7
Balance as at 31 December	-609 945	-565 664

Total expense recognised in the income statement

(Amounts in NOK 1 000)	2017	2016
Current service cost	-77 632	-131 680
Interest on obligations	-84 547	-115 880
Expected return on plan assets	52 355	78 794
Gain on settlements	229 087	129 718
Currency effects	-477	-413
Net pension cost for defined benefit plans	118 786	-39 461

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Notes

Principal actuarial assumptions at the balance sheet date expressed as weighted averages:

(Amounts in NOK 1 000)	2017	2016
Discount rate at 31 December	2.50 %	2.50 %
Expected return on plan assets at 31 December	2.50 %	2.50 %
Future salary increase	2.25 %	2.50 %
Yearly regulation in official pension index (G)	2.25 %	2.50 %
Future pension increases	1.10 %	1.00 %
Social security costs	14.10 %	14.10 %
Mortality table	K2013	K2013
Disability table	KU *)	KU *)

*) KU is the disability table employed by the Norwegian Pension funds and as such indirectly approved by the FSA.

Discount rate in Defined Benefit Plans

The discount rate is determined by reference to high quality corporate bonds, where a deep enough market for such bonds exists. Covered bonds are in this context considered to be corporate bonds. In Norway the discount rate is determined with reference to covered bonds.

Sensitivity

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts below:

(Amounts in NOK 1 000)	Increase in PBO *)
Future salary increase with 0.25%	-29 779
Future pension increase with 0.25%	-39 863
Discount rate decrease by 0.25%	-129 417
Future mortality assumption, increased lifetime by 1 year	-114 292

*) Projected benefit obligation (PBO)

Expected contributions to funded defined benefit plans in 2018 are NOK 49 million.

Expected payment of benefits from the unfunded plans are in 2018 estimated to be NOK 15 million.

Total present value of obligations

(Amounts in NOK 1 000)	2017	2016
Total present value of obligations		
Employees	1 103 766	1 509 959
Deferred	747 069	747 759
Pensioners	1 522 791	1 525 877
Total present value of obligation	3 373 626	3 783 595

Risks

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

Notes

Note 20 – Deferred Income and other accruals

Current items

(Amounts in NOK 1 000)	2017	2016
Accrued interest other	171 342	168 827
Other accruals	628 529	623 901
Deferred income	1 435 258	863 786
Other accruals and deferred income	2 235 129	1 656 514

The Group of companies has short-term deferred income of NOK 1 435 million per 31 December 2017 (2016: 864 million). NOK 620 million, is due to prepayments from sale of cruises (2016: 558 million), NOK 308 million is prepayment received from subscribers within NHST (2016: 303 million), while NOK 506 million is prepayment received from offshore operators (2016: 2 million).

Non-current items:

Costs related to future decommissioning of windfarms is in 2017 estimated at NOK 353 million (2016: 216 million) and is included under "Other non-current liabilities".

Note 21 – Trade and other payables

(Amounts in NOK 1 000)	2017	2016
Other trade payables	616 275	564 194
Total trade payables	616 275	564 194
Fair value of derivatives 1)	2 411	6 928
Total other payables	2 411	6 928
Total trade and other payables	618 686	571 122

1) For further information about derivatives see note 22.

Notes

Note 22 – Financial Instruments

Accounting policies

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits.

Available-for-sale financial assets

The Group of companies' investments in equity securities and certain debt securities are classified as available-for-sale financial assets. The purchase or sale is recognised on the trade date. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Other

Other non-derivative financial instruments, including financial liabilities, are recognised initially at fair value and any directly attributable transaction costs. Subsequent to initial recognition, assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

The Group of companies holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

General

The Group of companies is exposed to various financial risk factors through its operating activities. The factors include market risks (currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The management seeks to minimise the risks and monitors the financial markets closely.

Fair values versus carrying amounts

Unless otherwise stated, the net book values are presumed to reflect the fair value of financial assets and liabilities.

Notes

Credit risk

The Group of companies seeks to minimise the credit risk by amongst other factors, insurance cover of credit risk. The revenues and receivables normally arise from a limited number of customers, which are closely monitored. The Group of companies continually evaluates the credit risks associated with customers and counterparties and, when necessary, requires guarantees or collaterals. The Group of companies' short-term investments are mostly limited to cash deposits with its relationship banks. The Group of companies considers its exposures to credit risk to be generally moderate.

The carrying amounts of financial assets represent the maximum credit exposures. The maximum exposure to credit risk at the reporting date was:

(Amounts in NOK 1 000)	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets, bonds	205 212	205 212	198 007	198 007
Trade receivables *)	1 595 537	1 595 537	2 041 944	2 041 944
Cash and cash equivalents	8 592 560	8 592 560	7 227 987	7 227 987
Derivatives	11 537	11 537	34 320	34 320
Total	10 404 846	10 404 846	9 502 258	9 502 258

*) Trade receivables (which also includes i.a. prepayments) are to be collected from the following business segments:

(Amounts in NOK 1 000)	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Renewable Energy	664 919	664 919	571 767	571 767
Shipping / Offshore wind	336 304	336 304	225 066	225 066
Offshore drilling	232 759	232 759	932 960	932 960
Cruise	177 846	177 846	162 772	162 772
Other Investment	183 709	183 709	149 379	149 379
Total	1 595 537	1 595 537	2 041 944	2 041 944

Fair value determination

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. All values in Level 2 are based on an average quoted price of transactions during the year and year end quoted prices. All values in Level 3 are measured at cost.

(Amounts in NOK 1 000)	Level 1	Level 2	Level 3	Total
31 December 2017				
Available-for-sale financial assets, bonds	205 212	0	0	205 212
Available-for-sale financial assets, shares	32 670	2 814	63 646	99 130
31 December 2016				
Available-for-sale financial assets, bonds	198 007	0	0	198 007
Available-for-sale financial assets, shares	46 362	2 174	191 020	239 556

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Notes

Impairment losses

The aging of trade receivables at the reporting date was:

(Amounts in NOK 1 000)	Gross	Impairment	Balance	Gross	Impairment	Balance
	2017	2017	2017	2016	2016	2016
Not past due	1 294 942	0	1 294 942	1 610 232	0	1 610 232
Past due 0-30 days	98 705	0	98 705	326 903	0	326 903
Past due 31-180 days	160 508	-3 853	156 655	40 063	-4 939	35 124
Past due 181-360 days	909	0	909	34 975	-6 336	28 639
More than one year	67 391	-23 064	44 326	83 784	-42 738	41 046
Total	1 622 454	-26 917	1 595 537	2 095 957	-54 012	2 041 944

Based on historic default rates, the Group of companies believes that limited impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

(Amounts in NOK 1 000)	Carrying amount	
	2017	2016
UK	697 988	973 907
EURO-zone incl. Norway	844 533	694 165
America	26 194	326 303
Africa	0	17 380
Asia	19 873	14 224
Other	6 948	15 965
Total	1 595 537	2 041 944

Liquidity risk

The Group of companies is exposed to liquidity risk when payments of financial liabilities do not correspond to the cash flow from net profit. In order to effectively mitigate liquidity risk, the Group of companies' risk management strategy focuses on maintaining sufficient cash, marketable securities and committed credit facilities. Moreover, the liquidity risk management strategy focuses on maximising the return on surplus cash as well as minimising the cost of short term borrowing and other transaction costs. In order to uncover future liquidity risk, the Group of companies forecasts both short-term and long-term cash flows. Cash flow forecasts include cash flows stemming from operations, investments and financing activities.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

(Amounts in NOK 1 000)	Carrying amount	Contractual cash flows	Due in				
			2018	2019	2020	2021	2022 and thereafter
31 December 2017							
Non-derivative financial liabilities	14 632 319	15 913 638	2 749 932	4 767 104	4 921 349	1 070 244	2 405 008
Derivative financial liabilities	197 570	273 961	86 610	66 223	57 654	31 879	31 595

(Amounts in NOK 1 000)	Carrying amount	Contractual cash flows	Due in				
			2017	2018	2019	2020	2021 and thereafter
31 December 2016							
Non-derivative financial liabilities	15 297 031	16 189 918	1 580 648	2 623 845	4 673 906	4 488 661	2 822 859
Derivative financial liabilities	247 120	331 535	80 528	71 731	63 369	55 169	60 739

Notes

Currency Risk

The Group of companies' financial statements are presented in Norwegian kroner (NOK). Most of the subsidiaries use US dollar (USD), Euro (EUR) or British Pound (GBP) as their functional currencies. The revenues mainly consist of USD, GBP, EUR and NOK. The operating expenses mainly consist of USD, GBP, EUR and NOK.

The Group of companies is exposed to foreign currency risks related to its operations and debt instruments. As such, the earnings are exposed to fluctuations in the currency markets. The future foreign currency exposure depends on the currency denomination of future operating revenues and expenses. In the longer term, parts of the currency exposures are neutralised due to the majority of the Group of companies' debt is denominated in the same currencies as the revenues.

The management monitors the currency markets closely. In order to reduce the impact of currency rate fluctuations on the net income and the statement of financial position, currency contracts are entered into when considered appropriate.

The Group of companies' exposure to foreign currency risk was as follows based on notional amounts:

The figures are not directly comparable to the figures in the statement of financial position, as the statement of financial position shows the figures in NOK; net of intra group eliminations.

(Amounts in 1 000)	31 December 2017			31 December 2016		
	USD	GBP	EUR	USD	GBP	EUR
Trade receivables	33 133	67 983	34 586	113 381	57 775	24 463
Secured bank loans	-752 627	-265 855	-89 087	-752 796	-290 003	-104 433
Cash and bank	452 076	174 444	73 822	310 860	166 971	73 118
Trade payables	-13 051	-21 891	-12 844	-20 143	-6 031	-13 100
Gross statement of financial position exposure	-280 469	-45 319	6 477	-348 699	-71 289	-19 952
Forward exchange contract	36 000	-30 758	4 650	24 600	-31 835	11 000
Net exposure	-244 469	-76 077	11 127	-324 099	-103 124	-8 952

Currency sensitivity analysis

A 10 percent strengthening of the NOK against the following currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

Effect in NOK 1000	Equity	Profit or loss
31 December 2017		
USD	230 125	-29 538
GBP	50 264	34 114
EUR	-6 374	-4 576
31 December 2016		
USD	300 578	-21 205
GBP	75 659	33 786
EUR	18 129	-9 995

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Notes

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
1 USD	8.2712	8.4014	8.2050	8.6200
1 GBP	10.6512	11.3937	11.091	10.613
1 EUR	9.3295	9.2928	9.8403	9.0863

Interest rate risk

When the Group of companies borrows funds externally, the interest rate payable is in most cases based on a floating interest rate. In order to reduce the fluctuations of interests payable, interest rate swap agreements are entered into. The Group of companies is exposed to fluctuations in interest rates for USD, GBP, EUR and NOK.

All the interest rate swaps that are entered into are used for economical hedging. Since the profiles, maturities and other terms of the swaps do not match the underlying liabilities perfectly, the interest rate swaps are not accounted for using hedge accounting. Therefore, the changes in the valuation of the interest rate swaps are taken over the profit or loss statement. The quarterly update of the valuations of the interest rate swaps may result in substantial financial gains and losses, depending on the changes in the interest rate levels.

The management monitors the interest rate markets closely and enters into interest rate swap agreements when this is considered appropriate. At the reporting date approximately 17% of the financial liabilities were interest hedged.

At the reporting date the interest rate profile of the Group of companies' interest-bearing financial instruments was:

(Amounts in NOK 1 000)	2017	2016
Fixed rate instruments		
Financial assets	5 277	15 289
Financial liabilities (interest-hedged portion of interest-bearing debt)	-2 512 620	-2 634 222
Total	2 507 343	-2 618 933
Variable rate instruments		
Financial assets (cash and cash equivalents)	8 592 560	7 227 987
Financial liabilities (non-interest-hedged portion of interest-bearing debt)	-11 981 748	-12 463 110
Total	-3 389 189	-5 235 123

Interest rate sensitivity

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts indicated below. This analysis is on a pre-tax basis and assumes that all other variables, in particular foreign currency rates, remain constant. Changes in the market value of interest rate swap agreements are not included. The analysis is performed on the same basis for 2016.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2017				
Net interest costs	-33 892	33 892	-33 892	33 892
31 December 2016				
Net interest costs	-52 351	52 351	-52 351	52 351

Notes

Note 23 – Rental and leases

Leases as lessee

Accounting principles

Operating lease expenses

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. The Group does not have any financial leases.

Nominal accumulated non-cancellable operating lease rentals are payable as follows:

(Amounts in NOK 1 000)	2017	2016
Less than one year	7 265	6 290
Between one and five years	24 934	22 178
More than five years	362 774	298 893
Total	394 974	327 361

The Group has certain long-term operating leases expiring on various dates, some which contain renewal options.

A subsidiary, within FOE, Compact Properties (NI) Ltd. in Belfast, has a property lease contract that expires in 2114 and is the major part of the above.

Also included are some land leases, with fixed payments, regarding wind farms within Renewable Energy.

Leases as lessor

Accounting principles

The Group of companies recognizes revenue from lease on a systematic basis based on the benefits received from the leased assets.

IAS 17 requires the Group of companies to disclose future minimum lease payments under non-cancellable operating leases. For historical lease payments, the charter contracts consist of both lease payments and service payments. Due to the nature of the terms and conditions in the various charter rate contracts and the uncertainty of future operational performance, management is of the opinion that disclosing the lease payments part separately from the service payments will not add any value to the reader in understanding the charter payments. Furthermore, it will be difficult to reconcile the lease payments to the total charter payments.

Contractual income

Blackford Dolphin entered into a one well plus four options, whereof two optional wells have been exercised, with BP Exploration Operating Company Ltd., for operations in UK. The maximum contractual dayrates are GBP 98 800, which includes revenue from lease rentals and services rendered. The contract length is estimated to 120 days.

Notes

Note 24 – Capital commitments

(Amounts in NOK 1 000)	Per year end 2017			Per year end 2016		
	Committed	Capitalised	Remaining	Committed	Capitalised	Remaining
Project						
Renewable energy						
Windy Standard II	74 093	72 557	1 536	662 799	481 993	180 806
Crystal Rig III	17 712	17 592	120	167 278	99 081	68 197
Total	-	-	1 656	-	-	249 004
Offshore drilling						
Misc.	7 385	-	7 385	34 480	-	34 480
Cruise						
Boudicca	35 152	-	35 152	-	-	-
Misc.	41 841	20 797	21 044	50 295	19 901	30 394
Total	-	-	56 196	-	-	30 394
Remaining capital commitments	-	-	65 236	-	-	313 878

Note 25 – Contingencies and provisions

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

Outstanding receivables from customers

A client of a subsidiary disputes parts of the amounts payable claiming delays in the execution of a project by the subsidiary during 2017. Management of the subsidiary believes that the company has a solid case to support its position.

Outstanding issues from suppliers

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

Tax disputes

There is one ongoing tax dispute in a subsidiary within the Group of companies and the Norwegian tax authorities. See note 9.

Notes

Note 26 – Related party information

In the ordinary course of business, the Group of companies recognizes transactions with related companies which may have a significant impact on the financial statements. All services between related parties are based on an arm's length principle with pricing based on costs incurred and allowing for a profit margin or the equivalent hereof. In addition to the transactions described in notes 7, 15, and 19, the following transactions between related parties took place in 2017:

Transactions within the Group of companies

Internal short and long term Group of companies' loans and commitments carry market interest rates according to agreement as at the date of issue. Depending on the terms of the loan agreement, the interest rates set are based on an arm's length basis and follow the market interest rates taking into account the relevant risks involved. The risk involved includes type of business, geographical affiliation, security, duration etc.

Transactions with other related parties

The UK-company The Natural Power Consultants Ltd. (NPC), a subsidiary of Fred. Olsen Ltd. (UK), carried out consultancy services for Fred. Olsen Renewables (FOR), a subsidiary of Bonheur ASA. Fred. Olsen Ltd. is 100% owned by Fred. Dessen Ltd. (UK) which is 50% owned by each of the private Fred. Olsen related companies AS Quatro and Invento AS. NPC carries out consultancy services related to planning and development of windfarms, mainly in the UK. NPC's subsidiary Natural Power Services (NPS) performs operation-related services for windfarms owned by subsidiaries of FOR. In 2017, the said two companies invoiced a total of NOK 78.2 million for services performed (2016: NOK 52.1 million). FOR also hired offices and other administrative services from Fred. Olsen Ltd. of NOK 4.0 million (2016: NOK 4.1 million).

Fred. Olsen Cruise Lines Ltd. (FOCL) is party to a lease agreement with Fred. Olsen Ltd. (FOL), a subsidiary of Fred. Dessen Ltd., for office premises in Ipswich. The office rent is market based and amounted in 2017 to GBP 0.2 million / NOK 2.1 million (2016: GBP 0.2 million / NOK 2.3 million) with further costs charged for the provision of infrastructure and establishment services amounting to GBP 1.1 million / NOK 11.3 million (2016: GBP 1.0 million / NOK 11.1 million). In addition Fred. Olsen Ltd. invoiced FOCL for office management and personnel services, including the hire of personnel. In 2017, GBP 1.0 million / NOK 10.2 million was invoiced for these services (2016: GBP 0.8 million / NOK 9.6 million).

Fred. Olsen Travel Ltd (FOT), a subsidiary of Fred. Olsen Ltd., invoiced FOCL during 2017 for crew flights etc. amounting to GBP 3.6 million /NOK 38.8 million (2016: GBP 2.8 million /NOK 31.9 million). FOT also earned commission on cruise bookings of GBP 0.6 million /NOK 6.8 million (2016: GBP 0.5 million / NOK 6.3 million).

Fred. Olsen jr. is the chairman of the board of Fred. Olsen Cruise Lines Ltd. (FOCL). During 2017 he received an aggregate compensation of GBP 0.140 million /NOK 1.5 million (2016: GBP 0.140 million / NOK 1.6 million) for work carried out to FOCL and subsidiaries. He also owns a minority interest in Bahia Shipping Services Inc. (Bahia) based in the Philippines, performing certain crew and other personnel related services to FOCL. Bahia invoiced in 2017 FOCL with GBP 11.3 million / NOK 120.8 million (2016: GBP 11.4 million / NOK 129.3 million).

Transactions with Fred. Olsen & Co and relations to key corporate positions

Fred. Olsen & Co. is on a contractual basis in charge of the day-to-day management of the Company and as part of these services Anette S. Olsen holds the position of managing director with the Company. Anette S. Olsen is the proprietor of Fred. Olsen & Co., which per year-end 2017 had 33 employees. In 2017 Fred. Olsen & Co. charged the Company NOK 85.1 million (2016: NOK 98.6 million) for its managerial services allowing also for a profit element. Pension costs are discussed in note 19. In addition, Fred. Olsen & Co. charged subsidiaries and other Company related parties for comparable services under separate agreements (see note 7).

(Amounts in NOK 1 000)	2017	2016
Management costs invoiced to the Company	85 079	98 568
Management costs invoiced subsidiaries	37 787	40 351
Amount outstanding between Fred. Olsen & Co. and the Company *)	-23 399	-23 920
Amount outstanding between Fred. Olsen & Co. and subsidiaries of the Company *)	-1 652	-1 387

*) Short term outstanding in connection with current operations.

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Notes

The compensation to Fred. Olsen & Co, and thus available to its proprietor for the aforesaid management of the Company was in 2017 NOK 14.8 million (2016: NOK 16.2 million). The compensation is i.a. based on benchmark analyses and corresponding recommendation to the Board by the Shareholders' Committee. In addition a bonus element of NOK 1.7 million related to 2016 was accordingly recommended and paid in 2017.

The Company is responsible for covering the pension obligations of Fred. Olsen & Co. relative to those who work in Fred. Olsen & Co. (hereunder the proprietor). The relevant pension costs as to the proprietor for 2017 from the Company as well as from the Group equals NOK 2.6 million (2016: NOK 2.2 million).

Despite the fact that Fred. Olsen & Co. is a distinct service provider to the Company, it can be noted that the group of managers in Fred. Olsen & Co. during 2017 (excluding Anette S. Olsen) consisted of three persons. The relative share of the compensation for these persons attributable to the Company is as follows:

(Amounts in NOK 1 000)	2017	2016
Salary	8 462	8 480
Bonus	1 364	2 383
Other compensations	64	70
Total ordinary compensations	9 890	10 932
Pension benefits	4 828	4 495
Total compensations	14 718	15 427

The Group of companies has established a bonus system for senior management.

Annual payments under the schemes are maximized to one year's salary for one subsidiary, for the other subsidiaries the maximum payment are 60 % of the yearly salary.

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. In 2017, bonus paid for the Group amounted to NOK 10 million (2016: NOK 16 million).

Remuneration to the Board of Directors and the Shareholders Committee

In 2017, the members of the board and the Managing Director received the following directors' fees:

(Amounts in NOK 1 000)	2017	2016
Fred. Olsen, chairman of the Board	1 417	1 415
Andreas Mellbye	370	398
Helen Mahy *)	445	445
Carol Bell *)	390	430
Nick Emery *)	445	470
Anette S. Olsen, managing Director	438	440
Total compensations	3 505	3 598

*) Includes compensation for travel in connection with Board Meetings.

In 2017, the Chairman received NOK 3.1 million (2016: 2.7 million) in pension payment, whereof NOK 0.2 million is related to an adjustment for previous years.

Notes

Effective from 1 January 2013, mr. Fred. Olsen became party to a consultancy agreement with Fred. Olsen & Co. In 2017, NOK 4.7 million was paid under his consultancy agreement with Fred. Olsen & Co. (2016: NOK 4.5 million).

(Amounts in NOK 1 000)	2017	2016
Board of Directors' fees		
Fees from the company	3 067	3 158
Fees in subsidiaries	3 555	3 483
Total	6 622	6 641

(Amounts in NOK 1 000)	2017	2016
Shareholders' committee's fees		
Christian Fr. Michelet	185	180
Jørgen G. Heje	155	150
Bård Mikkelsen	155	150
Aase Gudding Gresvig *)	0	150
Ole Kristian Aabø-Evensen *)	155	0
Einar Harboe	155	150
Total compensations	805	780

*) Ole Kristian Aabø-Evensen was elected as member to the Shareholders Committee on AGM 24 May 2017. He replaced Aase Gudding Gresvig from the same date.

Members of the Board of Directors, the managing director and other related parties holds in total NOK 176 million of BON03, BON05, BON06, BON07, BON08 and FOE05 bond loans.

As per 31 December 2017 the members of the board, members of the shareholders' committee and the Managing Director owned and/or controlled directly and/or indirectly, the following number of shares in the Company:

Board of Directors		Shareholders' committee		Managing Director	
Fred. Olsen	40 586	Einar Harboe	109	Anette S. Olsen	2 942
Helen Mahy	0	Jørgen G. Heje	2 180		
Carol Bell	0	Bård Mikkelsen	0		
Andreas Mellbye	0	Ole Kristian Aabø-Evensen	0		
Nick Emery	0	Christian F. Michelet	0		

Private Fred. Olsen related interests directly and/or indirectly owned or controlled 22 035 780 shares in the Company.

Notes

Note 27 – Group of companies

Accounting policies

The consolidated financial statements include the Company and its subsidiaries (the Group of companies). Subsidiaries are entities controlled by the Group of companies. The Group of companies controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Bonheur ASA is parent in a Group of companies with the following subsidiaries:

	Country of incorporation	Ownership interest	
		2017	2016
Fred. Olsen Renewables AS	Oslo, Norway	100.00%	100.00%
Fred. Olsen Ocean Ltd.	Hamilton, Bermuda	100.00%	100.00%
Fred. Olsen Energy ASA	Oslo, Norway	52.26%	52.26%
First Olsen Holding AS	Oslo, Norway	100.00%	100.00%
Laksa AS	Oslo, Norway	100.00%	100.00%
Laksa II AS	Oslo, Norway	100.00%	100.00%
NHST Media Group AS	Oslo, Norway	55.94%	55.94%
Bonheur og Ganger Rolf ANS	Oslo, Norway	100.00%	100.00%
FO Capital Ltd. 1)	Valletta, Malta	0.00%	100.00%
Fred. Olsen Cruise Lines Pte Ltd	Singapore	100.00%	100.00%
Fred. Olsen Travel AS	Oslo, Norway	100.00%	100.00%
Fred. Olsen Insurance Services AS	Oslo, Norway	100.00%	100.00%
Fred. Olsen Fly og Luftmateriell AS	Oslo, Norway	100.00%	100.00%
Stavnes Byggeselskap AS	Oslo, Norway	100.00%	100.00%
Fred. Olsen Spedisjon AS	Oslo, Norway	100.00%	100.00%
Fred. Olsen Canary Lines S.L. 2)	Spain	100.00%	100.00%
Felixstowe Ship Management Ltd. 2)	UK	99.85%	99.85%

1) FO Capital Ltd was dissolved during 2017.

2) Based on Bonheur's ownership interest the companies are classified as subsidiaries, but due to no or insignificant activity the companies are not consolidated in the Bonheur Group of companies.

Notes

Note 28 – Standards issued but not yet effective

During 2017 Bonheur ASA had a group project to analyze the effects of the new IFRS standards. The Group of companies will adopt IFRS 9 and IFRS 15 from 1 January 2018. The Group of companies will not apply the requirements of IFRS 9 and IFRS 15 to the comparative period presented. The standards are not expected to have significant impact on the Group of companies' financial statements in the period of initial application.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out the requirements for recognizing and measuring financial assets, and financial liabilities. The new standard replaces IAS 39 Financial Instruments.

Classification

IFRS 9 contains three principal classification categories for financial assets and liabilities:

- i) Measured at amortized cost
- ii) Fair value through other comprehensive income (FVOCI)
- iii) Fair value through profit or loss (FVTPL)

At 31 December 2017, the Group of companies has various investments classified as investments available for sale, see also note 13. Fair value gains and losses of such investments are reported in OCI, while impairments and realized gains or losses are reported in profit or loss. According to IFRS 9, also realized gains or losses including impairment related to such investments (FVOCI) will be reported in OCI.

Impairment

IFRS 9 introduces a new impairment model applicable to financial assets and liabilities measured either at amortized cost or FVOCI. The new model is an "expected credit loss" (ECL) model, which require forward looking judgements of two classifications:

- 12-month ECLs resulting from possible default events within the 12 months after the reporting date.
- Lifetime ECLs resulting from possible default events over the expected life of a financial instrument.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces existing revenue recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes".

Revenue from the renewable energy segment

Income from Green Certificates is accounted for in accordance with IAS 20 and is not impacted by the adoption of IFRS 15. Revenue from sale of electric power will under IFRS 15, continue to be recognized in the period the power is generated as there is a right to bill the customer for each MWh produced.

Revenue from the offshore/wind segment

Operating revenue from charter rate contracts is split into two elements, income from rentals, which will be continued to be accounted for under IFRS 16, and services, which will be accounted for under IFRS 15.

Revenue on long term contracts is currently recognized using the percentage of completion method throughout the performance period of the contract (including the mobilization period). The percent of completion is calculated based on the ratio of contract cost incurred to date. Certain contracts include mobilization fees payable at the start of the contract. In cases where the fee covers specific operating expenses at the start-up of the contract that portion of the fees are currently recognized in the same period as the expenses.

Under IFRS 15, revenue will be recognized during the operational phase of the contract (from the delivery of the vessel at the designated port and to the end of demobilization). This is because during the mobilization phase no goods or services are transferred to the customer. This means revenue will be recognized over a shorter and later period compared to current accounting. Costs incurred to fulfil the contract during the mobilization phase will be capitalized and amortized over the contract term if they meet the criteria in the standard. Mobilization fees paid up front by the customers will be recognized as a contract liability until services are delivered.

Revenue derived from hourly service contracts is currently recognized in the period that the services are rendered at rates established in the relevant contracts. There is no change in accounting under IFRS 15.

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Notes

Revenue derived from fixed price contracts is currently recognized using the percentage of completion method throughout the performance period of the contract. Under IFRS 15, income from these contracts is normally recognized over time. A cost based measure will continue to be used for measuring progress during the operational phase of the contract. This will not result in any material differences compared to current accounting.

It has been evaluated that the impact of IFRS 15 is not material. However, the segment will have an increase in the balance sheet due to capitalized contract cost and a contract liability for mobilization fees paid prior to delivering services.

Revenue from the offshore drilling segment

Operating revenue from charter rate contracts will under IFRS 15 continue to be split into two elements, income from rentals and income from services. Revenue from services will also under the new standard continue to be recognized when the services are delivered.

Revenues on long-term engineering and fabrication contracts are currently recognized using the percentage of completion method based on the ratio of contract cost incurred to date.

Under IFRS 15, revenue will be recognized when goods or services are transferred to the customer. Costs incurred to fulfil the contract during the project phase will be 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.

Revenue from the Cruise segment

Cruise fares and drink packages will under IFRS 15 continue to be evenly recognized over number of nights of the cruise. Flight income is currently recognized evenly over the duration of the cruise, while under IFRS 15, flight income will be recognized when the flight occurs. Prebooked shore excursions are currently recognized as revenue when the tour is completed and there will be no difference in accounting treatment under IFRS 15.

Revenue from Media and newspaper

Revenue from subscriptions will under IFRS 15 continue to be recognized over the subscription period, normally on a straight-line basis.

Revenue from advertising will under IFRS 15 continue to be recognized when the advertising is published, taking into account variable consideration such as commissions and discounts.

IFRS 16 Leases

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a Lease".

The Group of companies plans to apply the standard initially from 1 January 2019, using the modified retrospective approach. The cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

IFRS 16 introduces a balance sheet lease accounting where a lessee will recognize a right of use asset and a corresponding lease liability. The Group of companies has evaluated the existing leasing contracts, and estimated the effect of the new standard in the range of NOK 340 million to NOK 430 million. This will be recorded as an increased right of use assets and a correspondingly increased leasing liability.

Note 29 – Subsequent events

Fred. Olsen Windcarrier AS and Northern Offshore Services (N-O-S) in January 2018 signed a cooperation agreement implying that Fred. Olsen Windcarrier's fleet of CTVs will be integrated with N-O-S's existing fleet operation.

Bonheur ASA

Income Statement (NGAAP)

(Amounts in NOK 1 000)	Note	2017	2016
Other income		77	184
Total income		77	184
Operating expenses	1	- 118 559	- 137 643
Depreciation	3	- 3 324	- 2 983
Total operating expenses		- 121 883	- 140 627
OPERATING RESULT		- 121 806	- 140 443
Interest income	7	50 059	54 164
Dividends	15	1 864 828	69 895
Foreign exchange gains		80 062	10 696
Gain on sale of bonds and securities	5	67	78 932
Gain dissolution subsidiary *)		159 111	0
Group contribution		1 176	1 513
Other financial income		16 634	18 231
Total financial income		2 171 936	233 431
Other interest expenses	9	- 101 370	- 118 250
Foreign exchange losses		- 25 449	- 23 292
Loss on sale of bonds and securities	5, 6	- 7 959	- 2 090
Loss dissolution limited partnership		- 4 970	0
Other financial expenses	16	- 440 476	- 71 958
Total financial expenses		- 580 224	- 215 590
Net financial items		1 591 712	17 842
RESULT BEFORE TAX		1 469 907	- 122 601
Current tax	11	0	0
Deferred taxes	11	0	0
RESULT FOR THE YEAR		1 469 907	- 122 601
Proposed allocations:			
Dividends	8	85 064	85 064
Other equity	8	1 384 843	- 207 665
Total allocations		1 469 907	- 122 601

*) FO Capital Limited, Malta

Bonheur ASA

Balance Sheet (NGAAP)

(Amounts in NOK 1 000)	Note	2017	2016
Assets			
Non-current assets			
Real estate	3	30 562	33 720
Other property, plant and equipment	3	22 766	22 723
Total property, plant and equipment		53 328	56 442
Investments in subsidiaries	4	5 124 679	7 995 111
Investments in associated companies	5	0	0
Investments in other shares	5	68 901	195 631
Bonds	6	204 583	199 602
Other receivables	7	664 454	649 851
Pension funds	2	37 212	22 086
Financial fixed assets		6 099 829	9 062 281
Total non-current assets		6 153 156	9 118 724
Current assets			
Total current receivables	7	9 700	4 144
Cash, bank deposits 1)	14	2 789 786	861 491
Total current assets		2 799 485	865 635
TOTAL ASSETS		8 952 641	9 984 359
1) Hereof restricted cash		1 520	1 638
Equity and liabilities			
Equity			
Share capital	8	53 165	53 165
Additional paid in capital		143 270	143 270
Total paid in capital		196 435	196 435
Other equity		5 815 867	4 419 004
Total equity	8	6 012 302	4 615 439
Liabilities			
Pension liabilities	2	372 511	356 984
Total provisions		372 511	356 984
Bond loans		2 433 227	1 793 017
Total non-current liabilities	9	2 433 227	1 793 017
Total current liabilities	9	134 602	3 218 920
Total liabilities		2 940 340	5 368 920
TOTAL EQUITY AND LIABILITIES		8 952 641	9 984 359
Mortgages	10	0	0
Guarantees	10	1 148 892	1 169 169

Oslo, 12 April 2018

Bonheur ASA - The Board of Directors

Fred. Olsen <i>Chairman</i> Sign.	Carol Bell <i>Director</i> Sign.	Nick Emery <i>Director</i> Sign.	Helen Mahy <i>Director</i> Sign.	Andreas Mellbye <i>Director</i> Sign.
				Anette S. Olsen <i>Managing Director</i> Sign.

Bonheur ASA

Cash Flow Statement (NGAAP)

(Amounts in NOK 1 000)	2017	2016
Cash flow from operating activities		
Result before taxes	1 469 907	- 122 601
Gains (-) / losses on sale of shares, bonds	7 892	- 76 843
Net gain on dissolution of subsidiary / limited partnership	- 154 141	0
Depreciation of tangible fixed assets	3 324	2 983
Write down of financial fixed assets	429 730	67 064
Group contribution	- 1 176	- 1 513
Unrealized currency gains (-) / losses	- 32 650	16 126
Total cash flow from operations	1 722 886	- 114 784
Change in debtors and creditors 1)	- 8 375	- 2 464
Net cash flow from operating activities	A	-117 248
Cash flow from investing activities:		
Investments in property, plant and equipment	- 208	-49
Proceeds from sale of property, plant and equipment and securities	92 501	278 346
Net change in investments in shares and bonds	24 040	- 123 760
Net changes in long term receivables	18 028	- 107 450
Net cash flow from investing activities	B	47 087
Cash flow from financing activities:		
Increase in debt	1 053 052	23 268
Repayment of debt	- 888 565	- 219 885
Dividends paid	- 85 064	- 85 064
Net cash flow from financing activities	C	-281 681
Net change in cash and bank deposits	A + B + C	-351 842
Cash and bank deposits 1 January	861 491	1 213 333
Cash and bank deposits 31 December	2 789 786	861 491
1) Change in debtors and creditors		
Increase (-) / decrease receivables	- 4 379	-342
Increase / decrease (-) short term liabilities	- 3 996	- 2 122
Total	-8 375	-2 464

Bonheur ASA

General information and summary of significant Accounting Principles

Bonheur ASA is a holding company performing Group Management, Corporate Functions, and the Group of companies' internal bank (Group Treasury).

The accounts have been prepared in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway. The annual accounts give a true and fair view of assets and liabilities, financial status and result.

Norsk Regnskapsstiftelse has approved new amendments to its standards with effect for 2017, which will not have a material impact on the financial statements of Bonheur ASA.

All figures presented are in NOK unless otherwise stated.

The annual accounts are based on basic policies related to historical cost, comparability, going concern, congruence and prudence. Specific transactions are recognized at fair value of the date of the transactions. Revenues are recognized in the income statement once delivery has taken place and most of the risk and return has been transferred.

Assets related to receivables payable within one year are classified as current assets. Other assets are classified as non current assets. An equivalent principle is applied to liabilities. Installments related to long term debt payable within one year are classified as short term liabilities.

Bonheur ASA's significant accounting principles are consistent with the accounting principles for the Group of companies, as described in note 1 and in the separate notes of the consolidated financial statements. Where the notes for the parent company are substantially different from the notes for the Group of companies, these are shown below. Otherwise, refer to the notes to the consolidated financial statements.

Foreign currency items and derivatives

Short and long term assets and liabilities are valued at currency rates prevailing at year end. Unrealized losses are expensed and unrealized gains are accounted for as income.

Forward currency contracts are valued at fair value, i.e. unrealized gains and losses are accounted for in the income statement and balance sheet.

Currency- and interest rate swaps are valued according to the lower of cost and market value principle, i.e. unrealized losses are accounted for in the income statement and balance sheet.

Shares and other securities

Long term investments in subsidiaries, associated companies and other shares and bonds, which are held to maturity date, are classified as financial fixed assets in the balance sheet and measured at the lower of cost and fair value. Average cost is used when gains/losses on sale of shares and bonds are calculated. Gains/losses on sale of securities are recognized in the income statement as financial income/losses.

Management expenses

The Company's relative share of Fred. Olsen & Co's management expenses are charged to «operating expenses» in the income statement.

Pension cost / -commitments

The Company is parent in a Group of company presenting their official accounts according to IFRS. In this connection the Company has chosen to follow IAS 19 also for the parent company's presentation of the pensions costs, as optionally granted in NRS 6A.

Net pension cost, which consists of gross pension cost, less estimated return on plan assets adjusted for the impact of changes in estimates and pension plans, are classified as an operating cost, and is presented in the line item "operating expenses" whereas the changes in estimates are recognized in equity.

Dividends received

Dividend income is recognised in profit or loss on the date that the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Dividends from non-listed securities are recognised in profit or loss at the date the company receives the dividends.

Transactions with related parties

Purchase and sale transactions with related parties in Norway, in line with the Norwegian Companies Act § 3-9, are carried out to the general business terms and principles. The same applies to the purchase and sale of foreign related parties. Recognition, classification etc follow the Act's general principles. There are written agreements for significant transactions. Transactions with related parties are specified in note 12. Bonheur ASA's share of revenues, expenses, gains and losses not attributable to a particular company in the group of companies is based on a distribution in accordance with good business practice.

Merger between parent and subsidiary

Mergers are accounted for using accounting continuity in which net book values of subsidiaries continue in the merged company.

On 16 March 2016 an Extraordinary General Meeting of the Company approved the merger between Bonheur ASA and Ganger Rolf ASA. See note 17.

Notes

Note 1 – Personnel expenses, professional fees to the auditors

Bonheur ASA (the Company) has no employees. The position as managing director is held by Anette S. Olsen as part of the day to day managerial services performed by Fred. Olsen & Co., comprising also financial, accounting and legal services. Bonheur ASA was in 2017 charged for its share of such cost, including the service fee for 2017 and for the pension costs related to employees in Fred. Olsen & Co.

In addition, Fred. Olsen & Co. for the same period charged subsidiaries and other Company related parties for comparable services under separate agreements.

(Amounts in NOK 1 000)	2017	2016
Remuneration etc.		
Social Security and other personnel costs *)	54	119
Employee benefits (pension costs)	26 987	21 236
Administration expenses Fred. Olsen & Co.	85 079	98 568
Total Operating expenses	112 120	119 923

*) Related to benefits to the Chairman of the Board.

Professional fees to the auditors	2017	2016
Statutory audit	2 413	2 602
Other attestation services	0	800
Tax advice	30	97
Other services outside the audit scope	1 566	1 093
Total (VAT included)	4 009	4 592

Note 2 – Pensions / Employee Benefits

The Company has no employees, although the position of managing director is held by Anette S. Olsen as part of the overall managerial services under an agreement with Fred. Olsen & Co., comprising also financial, accounting and legal services. The Company is charged for the execution of these services and for its relative share of pension costs related to the employees of Fred. Olsen & Co.

Employees of Fred. Olsen & Co., who were employed before 1 June 2012, are members of Fred. Olsen & Co.'s Pension Fund. Members of the pension fund have the right to future pension benefits (defined benefit plan) based upon the number of contribution years and salary level at retirement. The pension scheme is administered by Fred. Olsen & Co.'s Pension Fund, which is a separate legal entity, mainly investing its funds in interest bearing securities and shares in Norwegian listed companies. As per 31 December 2017, 119 employees in Fred. Olsen & Co. were members of the defined benefit scheme in the pension fund, whereof 95 pensioners.

It has been decided to implement a transition from the current Defined Benefit Scheme to a Defined Contribution Scheme. All persons employed after 1 June 2012 will be offered a Defined Contribution Scheme. For all those who were employed before June 2012 there was an option to choose between the two alternatives. The pension schemes are accounted for in accordance with IAS19. The pension plans are in compliance with the Norwegian requirements for Mandatory Service Pension (OTP).

Fred. Olsen & Co. has unfunded (unsecured) pension obligations towards 23 of its directors and senior managers with a salary exceeding 12 G (of whom 11 pensioners). The directors have the right to a pension upon reaching 65 years of age, while other managers have a retirement age of 70 years. The pension obligations represent 66% of the relevant salary at the time of retirement.

...the note continues on the next page

(Amounts in NOK 1 000)	2017	2016
Present value of unfunded obligations	-372 511	-356 984
Present value of funded obligations	-223 214	-224 158
Total present value of obligations	-595 725	-581 142
Fair value of plan assets	260 426	246 244
Net liability for defined benefit obligations	-335 299	-334 898
Hereof unfunded pension plans (Liability)	-372 511	-356 984
Hereof funded pension plans (Financial fixed assets)	37 212	22 086
Recognised net defined benefit obligations	-335 299	-334 898

Movement in net defined benefit liabilities

Funded defined benefit obligations:

(Amounts in NOK 1 000)	Defined benefit obligations		Fair value of plan assets		Net defined benefit liabilities	
	2017	2016	2017	2016	2017	2016
Balance 1 January	-224 158	-229 412	246 244	257 207	22 086	27 795
Pension contribution	0	0	4 600	0	4 600	0
Settlement payments from plan assets		3 848		-3 848	0	0
Benefits paid by the plan	13 052	12 895	-13 052	-12 895	0	0
	13 052	16 743	-8 452	-16 743	4 600	0
Included in profit and loss:						
Interest	-5 444	-5 575	5 996	6 405	552	830
Past service cost	0	3 024	0	0	0	3 024
Current Service cost	-5 609	-5 758	0	0	-5 609	-5 758
Net pension cost	-11 053	-8 309	5 996	6 405	-5 057	-1 904
Included in equity:						
Actuarial gain/(loss) arising from:						
Demographic assumptions	0	0	0	0	0	0
Financial assumptions	0	-2 332	0	-625	0	-2 957
Experience adjustments	-1 532	-848	-323	0	-1 855	-848
Return on plan assets	0	0	16 961	0	16 961	0
	-1 532	-3 180	16 638	-625	15 106	-3 805
Correction previous years	477				477	
Balance 31 December	-223 214	-224 158	260 426	246 244	37 212	22 086

Unfunded defined benefit obligations:

(Amounts in NOK 1 000)	2017	2016
Gross liability for unfunded defined benefit obligations at 1 January	-356 984	-319 123
Benefits paid by the plan	9 486	7 526
Included in profit or loss:		
Current service costs	-13 120	-11 441
Interest on pension liability	-8 810	-7 891
Net pension cost	-21 930	-19 332
Included in equity:		
Actuarial gain /(loss) arising from:		
Demographic assumptions	0	0
Financial assumptions	0	-4 379
Experience adjustments	-3 086	-21 677
	-3 086	-26 056
Balance at 31 December	-372 514	-356 984

Total expense recognised in the income statement:

(Amounts in NOK 1 000)	2017	2016
Current service cost	-18 729	-17 199
Past service cost	0	3 024
Interest on obligations	-14 254	-13 466
Expected return on plan assets	5 996	6 405
Net pension cost for defined benefit plans	-26 987	-21 236

The principal actuarial assumptions at the balance sheet date are the same as used for the Group of companies, please see note 19 in the consolidated accounts.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts below:

(Amounts in NOK 1 000)	Increase in PBO
Future salary increase with 0.25%-points	-6 320
Future pension increase with 0.25%-points	-14 238
Discount rate decrease by 0.25%-points	-24 616
Future mortality, increase by 1 year longevity	-26 256

Expected contributions to funded defined benefit plans in 2018 are NOK 4.8 million.

Expected payment of benefits from the unfunded plans are in 2018 estimated to be NOK 9.5 million.

Note 3 – Property, plant and equipment

(Amounts in NOK 1 000)	Real estate	Other assets	Total
Cost price as per 01.01.16	92 296	33 320	125 616
Purchases	0	50	50
Disposals	0	0	0
Cost price as per 31.12.16	92 296	33 370	125 666
Cost price as per 01.01.17	92 296	33 370	125 666
Purchases	0	208	208
Disposals	0	0	0
Cost price as per 31.12.17	92 296	33 578	125 874
Accumulated depreciation as per 01.01.16	-55 782	-10 457	-66 239
Depreciation current year	-2 793	-190	-2 983
Accumulated depreciation assets sold	0	0	0
Accumulated depreciation as per 31.12.16	-58 575	-10 647	-69 222
Accumulated depreciation as per 01.01.17	-58 575	-10 647	-69 222
Depreciation current year	-3 159	-165	-3 324
Accumulated depreciation assets sold	0	0	0
Accumulated depreciation as per 31.12.17	-61 734	-10 812	-72 546
Carrying amount restated as per 01.01.17	33 720	22 723	56 442
Carrying amount as per 31.12.17	30 562	22 766	53 328
Expected economic life	25 years	Cars: 7 years	
Depreciation schedule is linear for all categories.			

Note 4 – Subsidiaries

(Amounts in NOK 1 000)	Business Office	Ownership	Votes, percentage	Number of shares	Book value shares	Result for the year	Equity	
Fred. Olsen Renewables AS	Oslo	100%	100%	10 000 000	1 779 412	239 666	2 258 713	1)
Fred. Olsen Ocean Ltd.	Oslo	100%	100%	39 993 796	1 159 822	EUR 14 527	EUR 139 339	1)
Fred. Olsen Energy ASA	Oslo	51.92%	51.92%	34 628 764	761 833	-USD 257 385	USD 593 309	1) 2)
First Olsen Holding AS	Oslo	100%	100%	1 000 100	1 095 247	57 802	1 144 886	1)
NHST Media Group AS	Oslo	54%	54%	695 376	242 370	10 551	47 584	1)
Laksa AS	Oslo	100%	100%	13 500	2 082	-182	1 900	3)
Laksa II AS	Oslo	100%	100%	13 500	2 106	-182	1 923	3)
Bonheur og Ganger Rolf ANS	Oslo	99%	99%	-	31 912	-1 665	31 191	4)
Fred. Olsen Insurance Services AS	Oslo	100%	100%	1 500	2 100	1 133	4 136	
Fred. Olsen Travel AS	Oslo	100%	100%	4 482	8 657	-40	11 146	
Fred. Olsen Fly og Luftmateriell AS	Oslo	100%	100%	2 050	2 200	-2 183	5 762	
Stavnes Byggeselskap AS	Oslo	100%	100%	11 000	22 944	-1 166	21 844	4)
Fred. Olsen Spedisjon AS	Oslo	100%	100%	700	7 607	-1 721	6 215	5)
FOO AS	Oslo	100%	100%	30	30	-8	30	6)
Ganger Rolf AS	Oslo	100%	100%	30 000	31	0	15	6)
Fred. Olsen Canary Lines S.L.	Spain	100%	100%	100	96	-	0	6)
Fred. Olsen Cruise Lines PTE Ltd.	Singapore	100%	100%	1 000 000	6 230	GBP 20	GBP 1 477	
					5 124 679			

1) Group Company Equity.

2) In 2017 the investment in Fred. Olsen Energy ASA (FOE) was written down with NOK 429 396 673. FOE is in discussion with its financial creditors, and is working to find a solution within the waiver period. For more information see Group of companies accounts note 3 – Financial risk management.

3) In 2016 there was an increase of the paid in capital of NOK 300 000 in Laksa AS and Laksa II AS. The capital increase was registered in the Brønnøysund Register in 2017.

4) In 2016, the subsidiary Stavnes AS acquired 1% share of Bonheur og Ganger Rolf ANS from the parent company Bonheur ASA.

5) In 2016 there was an increase of the paid in capital of NOK 1 000 000.

6) Based on Bonheur's ownership interest the companies are classified as subsidiaries, but due to no or insignificant activity the companies are not consolidated in the Bonheur Group of companies.

Note 5 – Shares in associated companies and other investments

(Amounts in NOK 1 000)	Ownership			Cost price	Book value	Market	Book value	Market
	Company share capital	Voting-share %	Number of shares		as per 31.12.17	value as per 31.12.17	as per 31.12.16	value as per 31.12.16
Sundry								
Opera Software ASA	2 391	1.02%	1 216 666	5 075	5 075	31 877	5 075	45 382
Various shares				3 001	124	794	124	980
Total stock listed investments				8 076	5 199	32 670	5 199	46 362
Koksa Eiendom AS 1)	514 812	12.62%	16 239 264	15 415	1		121 800	
Scotrenewables Tidal Power Ltd.	GBP 10	12.69%	133 238	66 534	18 000		18 000	
Origami Energy Ltd.	GBP 0.14	21.95%	300 000	37 404	37 404		37 404	
Various shares				7 883	7 882		7 883	
Verdane Capital VI K/S, contribution				416	416		197	
Novus Energy Partners LP, contribution 2)				0	0		5 148	
Total				135 727	68 901		195 631	

1) The investment was reduced by receipt of dividends from Koksa Eiendom AS in 2017.

2) Novus Energy Partners LP was dissolved during 2017.

Note 6 – Bonds

(Amounts in NOK 1 000)	Cost price	Currency	Book value	Market	Average interest rate 2017	Book value	Market
			as per 31.12.17	value as per 31.12.17		as per 31.12.16	value as per 31.12.16
Fixed assets:							
Energy Services companies	62 484	NOK	67 263	67 361	1.9 %	33 064	33 064
Real Estate companies	42 175	NOK	41 979	42 165	2.0 %	42 024	42 128
Industry companies	55 673	NOK	55 207	55 537	2.5 %	92 450	92 614
Finance companies	17 178	NOK	17 071	17 081	2.1 %	22 078	22 086
Public administration	23 071	NOK	23 063	23 069	1.3 %	9 985	9 991
Total	200 581	NOK	204 583	205 212	2.1 %	199 602	199 883

Note 7 – Receivables

(Amounts in NOK 1 000)	2017	2016
Current assets - non interest bearing		
Subsidiaries	93	1 255
Accounts receivable 1)	4 173	1 513
Others	5 433	1 376
Total short-term receivables	9 700	4 144
Financial fixed assets - interest bearing		
Subsidiaries	659 214	643 679
Other	5 239	6 172
Financial fixed assets - non interest bearing		
Others	0	0
Total long-term receivables	664 454	649 851
Interest income group companies	35 916	38 786
1) Hereof subsidiaries and other related parties	4 173	1 513

Note 8 – Share capital and shareholders

Major shareholders as of 31.12.2017:	Number	%
Invento A/S (private Fred. Olsen related company)	12 328 547	28.99%
A/S Quatro (private Fred. Olsen related company)	8 736 550	20.54%
Skagen Vekst	1 940 076	4.56%
Citibank N.A.	1 307 098	3.07%
DnB Bank ASA	1 239 320	2.91%
Pareto Aksje Norge	1 074 570	2.53%
Tine Pensjonskasse	949 271	2.23%
Trassey Shipping Limited (private Fred. Olsen related company)	793 740	1.87%
Deutsche Bank International Ltd.	702 115	1.65%
State Street Bank and Trust Comp.	563 630	1.33%
KLP AksjeNorge VPF	554 744	1.30%
Credit Suisse AG	520 000	1.22%
Citibank, N.A. (DFA-INTL SML CAP)	505 029	1.19%
Arctic Funds PLC	485 264	1.14%
Veen AS	439 623	1.03%
Kommunal Landspensjonskasse	404 040	0.95%
Clearstream Banking S.A.	402 247	0.95%
Citibank N.A. (FHIIIIF Fundhost Foragr)	375 529	0.88%
Intertrade Shipping AS	322 001	0.76%
Salt Value AS	261 966	0.62%
Other shareholders	8 626 533	20.28%
Total	42 531 893	100.00%

As of 31 December 2017 the share capital of Bonheur ASA amounted to NOK 53 164 866,25 divided into 42 531 893 shares at nominal value of NOK 1.25 each. As of 31 December 2017 total number of shareholders were 2 205. The Company has only one class of shares and each share equals one vote.

...the note continues on the next page

Notes

AS per 31 December 2017 the members of the board, members of the shareholders' committee and the managing director owned and/or controlled directly and indirectly, the following number of shares in the Company:

Board of Directors		Shareholders' committee		Managing Director	
Fred. Olsen	40 586	Einar Harboe	109	Anette S. Olsen	2 942
Helen Mahy	0	Jørgen G. Heje	2 180		
Carol Bell	0	Bård Mikkelsen	0		
Andreas Mellbye	0	Ole Kristian Aabø-Evensen	0		
Nick Emery	0	Christian F. Michelet	0		

Private Fred. Olsen related interests directly and/or indirectly owned or controlled 22 035 780 shares in the Company.

Equity

(Amounts in NOK 1 000)	Paid in share capital	Additional paid in capital	Other equity	Total
Equity 01.01.2016	50 987	25 920	4 776 056	4 852 963
Share capital increase (see note 17)	2 178	117 350	-119 528	0
Actuarial gain / loss (-) (see note 2)			-29 859	-29 859
Result for the year			-122 601	-122 601
Proposed dividends			-85 064	-85 064
Equity 31.12.2016	53 165	143 270	4 419 004	4 615 439
Equity 01.01.2017	53 165	143 270	4 419 004	4 615 439
Actuarial gain / loss (-) (see note 2)			12 020	12 020
Result for the year			1 469 907	1 469 907
Proposed dividends			-85 064	-85 064
Equity 31.12.2017	53 165	143 270	5 815 867	6 012 302

Note 9 – Liabilities

(Amounts in NOK 1 000)	2017	2016
Current liabilities:		
Dividends	85 064	85 064
Accounts payable 1)	18 056	22 455
Bond-loan	0	480 500
Other short term liabilities 2)	31 482	2 630 902
Total current liabilities	134 602	3 218 920
Non-current interest bearing liabilities:		
Bond-loans 3)	2 433 227	1 793 017
Total non-current interest bearing liabilities	2 433 227	1 793 017
Interest paid to subsidiaries	0	0
1) Hereof subsidiaries and other related companies	17 402	22 288
2) Hereof subsidiaries, associates and other related companies	6 034	2 601 472

3) On 25 January 2012 Bonheur ASA completed a NOK 300 million 7 years unsecured bond issue. Settlement date was 10 February 2012 and maturity date is 10 February 2019. The interest rate is 3 month NIBOR + 5.0%. On 26 June 2014 Bonheur ASA completed a NOK 900 million 5 years unsecured bond tap issue and a NOK 600 million 7 years unsecured bond tap issue. Settlement date was 9 July 2014 and maturity dates are 9 July 2019 and 9 July 2021, respectively. The interest rates are 3 month NIBOR + 3.1% and 3 month NIBOR + 3.5%, respectively. On 12 May 2017 Bonheur ASA completed a NOK 500 million 5 years unsecured bond issue. Settlement date was 24 May 2017 and maturity date is 24 May 2022. The interest rate is 3 month NIBOR + 4.0%. On 27 October 2017 Bonheur ASA completed a NOK 500 million 3 years unsecured bond issue. Settlement date was 9 November 2017 and maturity date is 9 November 2020. The interest rate is 3 month NIBOR + 3.15%. As per 31 December 2017 NOK 356 million of the bond issues was repurchased, leaving a total outstanding balance of NOK 2 444 million (par value).

Note 10 – Guarantees

(Amounts in NOK 1 000)	Bonheur ASA	
	2017	2016
ABTA bonds, Fred. Olsen Cruise Lines	206 847	197 932
Offshore wind turbine installation vessels	856 106	922 259
Windfarms	48 139	48 978
Other *)	37 800	0
Total guarantee commitments 31.12	1 148 892	1 169 169

*) Related to Koksa Eiendom AS.

Bonheur ASA is jointly and severally liable for guarantees of approximately NOK 856 million, and severally liable for guarantees amounting to NOK 293 million.

Note 11 – Tax

(Amounts in NOK 1 000)	2017	2016
Result before tax	1 469 907	-122 601
+/- permanent differences, tax exempt dividends	-1 534 392	-35 952
+ Adjustment of taxable income due to limitation of interest deductibility	0	0
+/- Changes in temporary differences	-11 007	45 743
+/- Income / expenses recognised directly in equity	12 020	-29 859
Basis tax payable	-63 472	-142 669
Tax payable, 24% (2016: 25%)	0	0
Total payable tax - Balance sheet	0	0
Tax cost estimated as follows		
Tax payable, 24% (2016: 25%)	0	0
Tax income / cost (-)	0	0
Reconciliation of tax income / cost (-)		
Result before tax	1 469 907	-122 601
Income tax using the domestic corporation tax rate	-352 778	30 650
Permanent differences	367 229	18 996
Income / expenses recognised directly in equity	-2 885	7 465
Tax positions merged 1)	0	-21 444
Change in limitation of deferred tax assets related to tax loss carryforward	-11 566	-35 667
Tax income / cost (-)	0	0

1) Tax effects from merged tax positions due to the merger between Bonheur ASA and Ganger Rolf ASA. See note 17.

Deferred tax in the balance sheet	2017	2016	Change
Fixed assets	-21 474	-19 894	-1 580
Deferred taxable gain/loss account	-7 123	-8 904	1 781
Receivables / financial instruments	-4 182	-11 122	6 940
Pension premium funds	-335 299	-334 897	-401
Miscellaneous differences	11 645	7 378	4 267
Net temporary differences	-356 432	-367 439	11 007
Shares, bonds and partnerships	-44 349	-48 622	4 273
Loss carried forward / deferred allowance	-915 460	-851 988	-63 472
Interest deductible carried forward	-213 022	-213 022	0
Allowances for deferred tax assets	1 529 263	1 481 070	48 193
Deferred tax basis	0	0	0
Deferred tax benefit (-) / deferred tax liabilities	0	0	0

Bonheur ASA evaluates the criteria for recognizing deferred tax assets at the end of each reporting period. The company recognizes deferred tax assets when they are "more likely than not" of being realized based on available evidence at the end of the reporting period, hereunder forecasted taxable profit and consolidated budgets. As of 31.12.17 there is no other evidence that future taxable profit may be available against which the unused tax losses or unused tax credits can be utilized by the company.

Note 12 – Related party information

In the ordinary course of business, the Group recognizes transactions with related companies which may have a significant impact on the financial statements. All services between related parties are based on an arm's length principle with pricing based on costs incurred and allowing for a profit margin or the equivalent hereof. The following transactions between related parties took place in 2017:

Transactions within the Group

Internal short and long term Group loans and commitments carry market interest rates according to agreement as at the date of issue. Depending on the terms of the loan agreement, the interest rates set are based on an arm's length principle and follow the market interest rates taking into account the relevant risks involved. The risk involved includes type of business, geographical affiliation, security, duration etc.

...the note continues on the next page

(Amounts in NOK 1 000)	2017	2016
Revenues		
Subsidiaries:	75	161
Other related parties :	0	0
Total	75	161
Operating expenses		
Subsidiaries	68	29
Other related parties	84 947	98 960
Total	85 015	98 989
Financial income		
Interest income from subsidiaries	35 916	38 785
Group contribution	1 176	1 513
Guarantee income from subsidiaries:	16 559	17 886
Total	53 650	58 184
Interest expenses		
Subsidiaries:	1 132	0
Total	1 132	0
Accounts receivable		
Subsidiaries:	4 174	2 768
Other related parties (Fred. Olsen & Co)	0	0
Total	4 174	2 768
Accounts payable		
Subsidiaries:	0	4
Other related parties (Fred. Olsen & Co)	17 402	22 283
Total	17 402	22 288
Interest bearing long term receivables		
Subsidiaries:	659 214	643 679
Total	659 214	643 679
Non-interest bearing short term liabilities		
Subsidiaries:	0	2 599 822
Total	0	2 599 822

Transactions with Fred. Olsen & Co and relations to key corporate positions

Fred. Olsen & Co. is on a contractual basis in charge of the day-to-day management of the Company and as part of these services Anette S. Olsen holds the position of managing director with the Company. Anette S. Olsen is the proprietor of Fred. Olsen & Co., which per year-end 2017 had 33 employees. In 2017 Fred. Olsen & Co. charged the Company NOK 85.1 million (2016: NOK 98.6 million) for its managerial services allowing also for a profit element. Pension costs are discussed in note 2. In addition, Fred. Olsen & Co. charged subsidiaries and other Company related parties for comparable services under separate agreements (see note 1).

(Amounts in NOK 1 000)	2017	2016
Management costs invoiced to the Company	85 079	98 568
Amount outstanding between Fred. Olsen & Co. and the Company *)	-23 399	-23 920

*) Short term outstanding in connection with current operations.

The compensation to Fred. Olsen & Co, and thus available to its proprietor for the aforesaid management of the Company was in 2017 NOK 14.8 million (2016: NOK 16.2 million). The compensation is i.a. based on benchmark analyses and corresponding recommendation to the Board by the Shareholders' Committee. In addition a bonus element of NOK 1.7 million related to 2016 was accordingly recommended and paid in 2017.

The Company is responsible for covering the pension obligations of Fred. Olsen & Co. relative to those who work in Fred. Olsen & Co. (hereunder the proprietor). The relevant pension costs as to the proprietor for 2017 from the Company as well as from the Group equals NOK 2.6 million (2016: NOK 2.2 million).

Despite the fact that Fred. Olsen & Co. is a distinct service provider to the Company, it can be noted that the group of managers in Fred. Olsen & Co. during 2017 (excluding Anette S. Olsen) consisted of three persons. The relative share of the compensation for these persons attributable to the Company is as follows:

(Amounts in NOK 1 000)	2017	2016
Salary	8 462	8 480
Bonus	1 364	2 383
Other compensations	64	70
Total ordinary compensations	9 890	10 932
Pension benefits	4 828	4 495
Total compensations	14 718	15 427

A bonus system has been established for the senior management in Fred. Olsen & Co.

Annual awards under the schemes, maximized to 60% of one year's salary, are subject to achieving certain criteria within the Group.

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. In 2017, bonus paid amounted to NOK 7.4 million (2016: NOK 7.4 million).

Remuneration to the Board of Directors and the Shareholders Committee

In 2017, the members of the board and the Managing Director received the following directors' fees:

(Amounts in NOK 1 000)	2017	2016
Fred. Olsen, chairman of the Board	1 417	1 415
Andreas Mellbye	370	398
Helen Mahy *)	445	445
Carol Bell *)	390	430
Nick Emery *)	445	470
Anette S. Olsen, managing Director	0	0
Total compensations	3 067	3 158

*) Includes compensation for travel in connection with Board Meetings.

In 2017, the Chairman received NOK 3.1 million (2016: 2.7 million) in pension payment, whereof NOK 0.2 million is related to an adjustment for previous years.

Effective from 1 January 2013, mr. Fred. Olsen became party to a consultancy agreement with Fred. Olsen & Co. In 2017, NOK 4.7 million was paid under his consultancy agreement with Fred. Olsen & Co. (2016: NOK 4.5 million).

(Amounts in NOK 1 000)	2017	2016
Shareholders' committee's fees		
Christian Fr. Michelet	185	180
Jørgen G. Heje	155	150
Bård Mikkelsen	155	150
Aase Gudding Gresvig *)	0	150
Ole Kristian Aabø-Evensen *)	155	0
Einar Harboe	155	150
Total compensations	805	780

*) Ole Kristian Aabø-Evensen was elected as member to the Shareholders Committee on AGM 24 May 2017. He replaced Aase Gudding Gresvig from the same date.

Members of the Board of Directors and the managing director holds in total NOK 95 million of BON03, BON05, BON06, BON07 and BON08 bond loans.

Note 13 – Financial instruments

The Company's ordinary operations involve exposure to credit-, interest-, currency- and liquidity risks. Financial derivatives are used as a safeguard against fluctuations in interest rates and exchange rates. Entering into a derivative contract entails less variation in Company cash flow than would otherwise be the case. However, variations in the profit and loss account may increase, due to the fact that changes in the fair value of derivative contracts are recognized quarterly in the income statement as long as the contracts do not meet the requirements for hedge accounting.

Credit risk

Transactions with financial derivatives are carried out with counterparties with good credit ratings. The counterparty risk is therefore considered to be low. The maximum exposure of the credit risk is reflected in the balance sheet value of each financial asset, including financial derivatives.

Interest rate risk

Bonheur ASA is exposed to fluctuations in interest rates, as the debt is partly based on floating interest rates, primarily in NOK. From time to time, the Company enters into interest rate swap agreements in order to reduce the interest rate risk. Per 31 December 2017 there are no interest rate swap agreements.

Normally there is a close match between the interest rate swap agreements Bonheur ASA enters into and the specific loans and financial lease commitments of the Company. The underlying amounts of the interest rate swap agreements, payment profiles and other terms are aligned with the underlying obligations in order to achieve the highest possible degree of hedging. Please refer to note 9 for an overview of Company loan commitments. However, Bonheur ASA may also enter into interest rate swap agreements which are not directly related to specific loans or financial lease commitments.

On 25 January 2012 Bonheur ASA completed a NOK 700 million 5 years unsecured bond issue which was repaid in February 2017. On 25 January 2012 Bonheur ASA completed a NOK 300 million 7 years unsecured bond issue. Settlement date was 10 February 2012 and maturity date is 10 February 2019. The interest rate is 3 month NIBOR + 5.0%. On 26 June 2014 Bonheur ASA completed a NOK 900 million 5 years unsecured bond issue and a NOK 600 million 7 years unsecured bond issue. Settlement date was 9 July 2014 and maturity dates are 9 July 2019 and 9 July 2021, respectively. The interest rates are 3 month NIBOR + 3.1% and 3 month NIBOR + 3.5%, respectively. On 22 February 2017, Bonheur ASA summoned a bondholders' meetings in the Company's bond issues "BON03", "BON05" and "BON06" with a proposal to amend the change of control provision in the corresponding bond agreements. On 9 March 2017, the bondholders' meeting was held. The proposed resolutions were approved by a qualified majority in each of these bondholder meetings and thus duly approved. On 12 May 2017, Bonheur ASA successfully completed a new senior unsecured bond issue of NOK 500 million. Settlement date was 24 May 2017 and maturity date is 24 May 2022. The interest rate is 3 months NIBOR + 4.00%. On 27 October 2017, Bonheur ASA successfully completed a new senior unsecured bond issue of NOK 500 million. Settlement date was 9 November 2017 and maturity date is 9 November 2020. The interest rate is 3 months NIBOR + 3.15%. As per 31 December 2017 approximately NOK 355 million of the bond issues was repurchased, leaving a total outstanding balance of NOK 2 444 million.

Currency risk

Bonheur ASA is exposed to currency risk by purchases, sales, assets and liabilities in other currencies than NOK, primarily the currencies GBP, USD and EUR.

The Company accounts are presented in NOK. The Company is closely monitoring the currency markets, and may enter into forward exchange contracts if this seems appropriate. Most forward exchange contracts entered into are hedging contracts. For forward exchange contracts utilized as financial hedging of monetary assets and liabilities in foreign currency, but not qualifying for hedge accounting, the variations in fair values are charged against the income statement. Both variations in the fair values of forward exchange contracts and currency gains and losses on monetary assets and liabilities are included in the Company's net financial items. No currency contracts were entered into during 2017.

From the beginning to the end of 2017 the USD weakened against NOK by 4.8% from 8.6200 to 8.2050, the EUR strengthened against NOK by 8.3% from 9.0863 to 9.8403 the GBP strengthened against NOK by 4.5% from 10.6130 to 11.0910.

Liquidity risk

A conservative handling of liquidity risk involves having sufficient cash, securities and available financing, as well as the possibility of closing market positions. Bonheur ASA is exposed to the risk of not being able to sell unlisted shares at prices close to fair value. The management is of the opinion that this risk is low, as the investments in unlisted shares are long term investments.

Solidity

Bonheur ASA had an equity ratio of 67% per 31 December 2017.

Assessment of fair value

The most important methods and assumptions applied when evaluating the fair value of financial instruments are summarized below.

Shares and bonds

Fair value is based on listed market prices on the balance sheet date without deduction for transaction costs. Where no listed market price is available, the fair value is estimated based on information received from the companies.

Accounts receivable and accounts payable

The carrying amount is considered to reflect the fair value of accounts receivable/payable with duration of less than one year. Other accounts receivable/payable are discounted in order to assess the fair value.

Fair value of financial instruments

Fair values and carrying amounts are as follows:

(Amounts in NOK 1 000)	Carrying amount 2017	Fair value 2017	Carrying amount 2016	Fair value 2016
Cash and cash equivalents	2 789 786	2 789 786	861 491	861 491
Trade debtors and other short term receivables	9 700	9 700	4 144	4 144
Shares and bonds	5 398 163	5 425 427	8 549 358	8 327 949
Unsecured bond-loans	-2 433 227	-2 444 000	-2 273 517	-2 280 500
Trade creditors and other short term liabilities	-134 602	-134 602	-3 218 920	-3 218 920
	5 629 819	5 646 310	3 922 556	3 694 165
Unrealized gains / (losses)		16 491		-228 392

Note 14 – Cash and cash equivalents

(Amounts in NOK 1 000)	2017	2016
Cash related to payroll tax withholdings	1 520	1 638
Unrestricted cash	2 788 265	859 853
Total cash & cash equivalents	2 789 786	861 491
Unused credit facilities	0	0

Note 15 – Dividends

(Amounts in NOK 1 000)	2017	2016
Subsidiaries:		
Fred. Olsen Renewables AS	1 630 000	0
First Olsen Holding AS	167 715	0
NHST Media Group AS	2 086	0
Other:		
Koksa Eiendom AS	61 626	49 966
Opera Software ASA	0	18 250
From other investments	3 401	1 679
Total	1 864 828	69 895

Note 16 – Other financial expenses

(Amounts in NOK 1 000)	2017	2016
Impairment of shares 1)	429 397	67 714
Various financial expenses	11 079	4 244
Total	440 476	71 958
1) Bonheur og Ganger Rolf ANS	0	38 180
Stavnes Byggeselskap A/S	0	20 593
Fred. Olsen Travel AS	0	2 516
Laksa AS	0	2 236
Laksa II AS	0	2 212
Fred. Olsen Spedisjon AS	0	1 977
Fred. Olsen Energy ASA	429 397	0
Total *)	429 397	67 714

*) See note 4 for further details.

Note 17 – Merger between Bonheur ASA and Ganger Rolf ASA

On 16 March 2016 an Extraordinary General Meeting of the Company approved the merger between Bonheur ASA and the subsidiary Ganger Rolf ASA. The merger then became effective, with first post merger trading date on Oslo Stock Exchange for Bonheur ASA Friday 6 May 2016.

The merger was carried out with accounting continuity, and the subscription price was set to the share of net book values that were transferred from Ganger Rolf. As part of the merger, the share capital increased from NOK 50 986 635 with NOK 2 178 231.25 to NOK 53 164 866.25 by issuance of 1 742 585 new shares, each with a nominal value of NOK 1.25. Own shares (8 443 640 shares) were used as compensation to the Ganger Rolf shareholders in the merger.

For accounting purposes the merger was carried out as if the two entities always had been one merged entity and were presented accordingly from 1 January 2015. Equity effects due to the merger are shown in note 8.

Statements

Directors' responsibility statement

The Board of Directors of Bonheur ASA (the Company) and Fred. Olsen & Co. together with the Managing Director of the Company have in a board meeting 12 April 2018 reviewed and approved the Board of Directors' Report and the consolidated and separate annual financial statements for the Company, for the year ending 31 December 2017 (Annual Report 2017) subject to corresponding recommendation from the Shareholders' Committee.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2017 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 and financial position and profit as a whole as of 31 December 2017 for the Group of companies (i.e. the Company including subsidiaries and associated companies) and the Company.
- The Board of Directors' report for the Group of companies and the Company includes a true and fair review of
 - the development and performance of the business and the position of the Group of companies and the Company, and
 - the principal risks and uncertainties which the Group of companies and the Company face.

Oslo, 12 April 2018

Bonheur ASA - The Board of Directors

Fred. Olsen <i>Chairman</i> Sign.	Carol Bell <i>Director</i> Sign.	Nick Emery <i>Director</i> Sign.	Helen Mahy <i>Director</i> Sign.	Andreas Mellbye <i>Director</i> Sign.
				Anette S. Olsen <i>Managing Director</i> Sign.

Statement by the Shareholders' Committee

The annual report and accounts for 2017 were addressed by the Shareholders' Committee on 17 April 2018. The Shareholders' Committee resolved to recommend to the Annual General Meeting that the Board's proposal to the annual accounts for

2017 is approved. The Shareholders' Committee hereunder resolved to recommend to the Annual General Meeting that the Board's proposal on an ordinary dividend equal to NOK 2.00 per share, in total for the company NOK 85.0 million, is approved.

Oslo, 17 April 2018

Christian Fredrik Michelet
Chairman of the Shareholders' Committee
Sign.

Auditor's Report



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Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of Bonheur ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bonheur ASA. The financial statements comprise:

- The financial statements of the parent company Bonheur ASA (the Company), which comprise the Balance Sheet as at 31 December 2017, and the Income Statement and Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Bonheur ASA and its subsidiaries (the Group), which comprise the Statement of Financial Position as at 31 December 2017 and Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and 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.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund

Auditor's Report



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Bonheur ASA

Valuation of drilling units in the Group Financial Statements and valuation of shares in subsidiary in Company Financial Statements

Reference is made to Note 1 Principal accounting policies and key accounting estimates, Note 10 Property, plant and equipment and the Offshore Drilling section of the Board of Director's report.

<i>Key audit matter</i>	<i>How the matter was addressed in our audit:</i>
<p>The observable market capitalization for the Fred. Olsen Energy Group is significantly lower than the book value of equity. This triggers a need for impairment testing of the Bonheur Group's offshore units. At year-end, the value of the offshore units constitute 28 % of the Bonheur Group's total balance, after the recognition of an impairment of USD 75 million.</p> <p>Management's determination of the recoverable amount is a complex process involving a number of key judgements and estimates of various inputs.</p> <p>The recoverable amount is based on valuation technique that includes a discounted cash flow model that uses a number of inputs from internal sources due to lack of relevant and reliable observable independent inputs. As a result of the current market situation and because of the increased level of uncertainty related to the timing of new contracts and the related future day rate levels, recoverable amount of the offshore units are subject to a high degree of uncertainty.</p> <p>The above mentioned impairment risk has a direct impact on the valuation of shares in the subsidiary Fred. Olsen Energy ASA for the Parent company's separate financial statement.</p>	<p>Audit procedures in this area, performed by the group team and component auditors in listed subsidiary included:</p> <ul style="list-style-type: none"> • Challenging the Group's valuation model, including the assumptions and input used in calculating the estimated cash flows by comparing with past and present performance, the various scenarios used in the model, expected market development and the Group's plans, compared assumptions to data from comparative companies, to macroeconomic analysis about the related sector to evaluate revenue projections and utilization assumptions, as well as our understanding of the industry and the economic environment the Group operates in; • Involving a KPMG valuation specialist to assess the mathematical and methodological integrity of Management's impairment models as well as the discount rate applied with reference to market data; • Challenging Management's assessment of valuation of shares in the subsidiary Fred. Olsen Energy ASA, including comparing carrying value of the shares to market value at year-end; and • Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities. <p>Based upon the audit evidences we have obtained, we have accepted Management's assessment as reasonable and within the relevant accounting standards.</p>

Going Concern risk in subsidiary Fred. Olsen Energy

Reference is made to the Group Financial Statements Note 1 Principal accounting policies and key accounting estimates, Note 3 Financial risk management, the Company Financial Statements note 4 and the Capital and financing section of the Board of Director's report.

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>As of 31 December 2017, the Fred. Olsen Energy Group (FOE) has a cash position of NOK 3,569 million and an interest bearing debt of NOK 7,197 million, FOE has a positive net</p>	<p>We performed procedures to understand Management's assessment process of FOE's going concern risk and the process to identify potential impact on the Company's and the</p>

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Bonheur ASA

<p>cash flow of NOK 1,197 million in 2017. FOE's basis for the going concern assessment has a higher than normal uncertainty for the following two reasons:</p> <ol style="list-style-type: none"> 1) The current rig market situation and the fact that FOE had few or no rigs on contract at the end of 2017 and at the beginning of 2018. 2) The waiver from the loan covenants ending 30 June 2018 combined with the current contract and market situation trigger an increased risk for breach of covenants at the end of June 2018. <p>A breach of covenants could potentially trigger an early repayment of debt at, or shortly after, end of June 2018. FOE management is in discussions with its financial creditors targeting to find a solution prior to the end of the waiver period.</p> <p>The going concern risk in FOE may potentially have a significant impact on Bonheur ASA's (the Company) and the Bonheur Group's (the Group) assets and liabilities. However, the effect on the equity ratio, defined as the ratio of total equity divided by total capital, is limited.</p>	<p>Group's financial statements.</p> <p>We also:</p> <ul style="list-style-type: none"> - Challenged the key assumptions in Management's forecast cash flows for the next 12 months and we compared the key input assumptions to external data where available; - Agreed Management's forecasts to loan agreements and repayment schedules; - Assessed whether the forecasts applied in the going concern assessment were consistent with the forecasts applied in the Impairment calculations; - Assessed the mathematical and methodological integrity of Management's model; - Challenged Management's assessment of potential impact from the going concern risk in FOE on the Company and the Group's financial statement in a worst case scenario; and - Evaluated the adequacy of disclosures in the Company's and the Group's financial statement. <p>Based upon the audit evidences we have obtained, we have accepted Management's assessment as reasonable and acceptable within the relevant accounting standards.</p>
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Other information

Management is responsible for the other information. The other information comprises information in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar

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Auditor's Report - 2017
Bonheur ASA

as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Report



Auditor's Report - 2017
Bonheur ASA

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on 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 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, 26 April 2018
KPMG AS

A handwritten signature in blue ink, appearing to read 'Arve Gevoll', written over a light blue circular stamp or watermark.

Arve Gevoll
State Authorised Public Accountant

Corporate Governance

Bonheur ASA (the Company) remains focused on continuously developing its established principles on good corporate governance. The Company's corporate governance practice follows the recommendations set out in the Norwegian Code of Practice for Corporate Governance ("NUES"), as published in the latest revised version of 30 October 2014.

1. Presentation of Corporate Governance

The principles for good corporate governance set out in NUES are adapted to the organisational structure that the Company forms part of. The Company is focusing on a continuing development of these principles as contributors towards the Company's strive for long term added value as well as towards the responsibilities owed to society.

Significant parameters in this process are transparency, integrity and responsibility. These basic principles also reflect the Company's value base while they also identify the ethical guidelines governing the Company's responsibility towards society and the Company's behaviour in general.

Transparency points to confidence in procedures and decision making and the way in which the various activities of the Company are executed. In this connection, the Company's policy on information is essential. Integrity is the resulting effect of the norms that characterize the Company and which assist in securing a proper conduct of the Company's affairs. Responsibility relates to clarity on consequences of acts or omissions.

The Shareholders' Committee

The supervisory function of the Shareholders' Committee constitutes an integral element of the Company's Corporate Governance. It follows from the Company's Articles of Association that the Shareholders' Committee is responsible for exercising a supervisory function relative to the Board's and Fred. Olsen & Co.'s managerial functions. The way in which the Shareholders' Committee execute these duties is belayed in NUES and equally follows established guidelines as calibrated against how the Company is organized. These guidelines i.a. address questions on potential conflict of interest. The Shareholders' Committee is attending to the Company's annual accounts and expresses its view thereon to the Annual General Meeting, hereunder regarding the Board's proposals on dividends. The Shareholders' Committee elects members to the Board, propose appointment of the Auditor and also provide recommendation to the Board on compensation and possible bonus to Fred. Olsen & Co. for its day-to-day management of the Company.

The Shareholders' Committee consists of the following persons: Christian Fredrik Michelet (Chairman), Einar Harboe (Deputy Chairman), Ole Kristian Aabø-Evensen, Bård Mikkelsen and Jørgen Heje. At the Annual General Meeting in May 2017, Ole Kris-

tian Aabø-Evensen was elected as member of the Shareholders' Committee. All members of the Shareholders' Committee are independent of the Board and the day-to-day management of the Company as carried out by Fred. Olsen & Co.

2. Business

The object clause of the Company as reflected in the Articles of Association reads as follows: "Bonheur ASA is a limited liability company with its registered office in Oslo. The Company's business is to engage in maritime and energy related activities, transportation, technology and property development, investments within finance and commerce, as well as participation in other enterprises".

In line with the wording of the referenced object clause, the Company is engaged in a diversified business. The various business areas and their results are reflected in the Annual Reports. The Company and its subsidiaries and associated companies form the "Group of companies".

3. Equity and dividends

Equity

The equity of the Company is addressed in parent company note 8. The Board considers that the current equity level is satisfactory taking into account the Company's financial position relative to strategy and risk profile.

The Company has no current authority to increase its share capital. To the extent proposals will be made to a General Meeting on authority to increase the share capital, caution will be exercised relative to the principle of preference for existing Shareholders on subscription for new shares. In the event the Board of the Company should request a General Meeting for authority to increase the share capital or acquire treasury shares, such authority will in any event only be requested for a period of time limited to the next ordinary Annual General Meeting.

Dividend

When considering dividend payments the Company takes into account the development of the Company's results and otherwise its investment plans and financial position. Specific situations may arise where it would be in the interest of the Shareholders that dividend payments are not recommended or that extraordinary dividend payments are recommended. Dividend payments are considered by the Board, which eventually makes proposals for allocations to the General Meeting subsequent to the Shareholders' Committee having addressed this issue.

4. Equal treatment of Shareholders and transactions with close associates

The Company only has one class of shares and each share equals one vote. The Company emphasizes the principle of equal treat-

Corporate Governance

ment of all Shareholders. The Company has not been engaged in other transactions with its Shareholders, Board members, Fred. Olsen & Co. in its managerial capacity, or anyone related to these, other than what follows from parent company Note 12 to the respective Annual Accounts or as may otherwise have been reported in separate announcements to Oslo Stock Exchange.

5. Freely negotiable shares

The Company's shares are freely negotiable.

6. Annual General Meetings

The Company's Annual General Meeting is normally held in May each year under the conduct of the Chairman of the Shareholders' Committee. The Company endeavours that the General Meetings are conducted in line with the aforesaid Norwegian Code of Practice for Corporate Governance.

The summons, together with the appurtenant papers, is distributed in good time in advance of the General Meeting. Shareholders who are prevented from participating may vote by way of proxy. The Shareholders' Committee, the Board and the Company's auditor are all represented at the Annual General Meetings. The Annual General Meeting i.a. elects members to the Shareholders' Committee.

7. Nomination committee

The Company has no separate nomination committee. However, it follows from the Articles of Association that the Shareholders' Committee elects members to the Board.

8. Corporate Assembly and Board of Directors – composition and independence

The Company does not have a Corporate Assembly. A supervisory function similar to that of a Corporate Assembly, is exercised by the Shareholders' Committee.

9. The conduct of the Board of Directors

The ultimate administration of the Company's business, which implies securing that the Company's business conduct is in line with the basic values of the Company, rests with the Board. The Board at present consists of five Directors, who are each elected for a two-year period. In addition to exercising the authorities on decision-making and control functions, the Board focuses on development of the Company's strategy. Emphasis is placed on providing the Board with good information as a basis for the Directors to adequately discharge their duties. All matters considered of material importance to the Company are placed before the Board. This i.a. comprises considering and approving quarterly and annual accounts, significant investment issues (hereunder acquisitions and divestments) and overall strategies. The composition of the Board reflects a broad level of competence.

The Company has the following board members:

Thomas Fredrik Olsen (Fred. Olsen) (b. 1929), Chairman. Mr. Olsen has been chairman of the Board since 1955.

Helen M. Mahy (b. 1961) has been a member of the Board since 2013.

Carol Bell (b. 1958) has been member of the Board since 2014.

Nicholas (Nick) A. Emery (b. 1961) has been member of the Board since 2014.

Andreas C. Mellbye (b. 1955) has been a member of the Board since 2001 and before that served as alternate.

All Board members participate regularly in the Company's board meetings. Lawful absence are exceptional and always distinctly justified.

The Board members Carol Bell, Helen Mahy and Andreas Mellbye are independent of the managerial functions of the Company as carried out by Fred. Olsen & Co. and of the Company's main shareholders.

In Note 12 to the parent company accounts information on compensation to the Board is provided. The compensation to the Board is not depending on results and neither have the Directors been granted any options.

Audit Committee

In its capacity as a preparatory and advisory working committee for the Company's Board, the Audit Committee - consisting of the Board Members Helen Mahy and Nick Emery - will review the financial reporting process, the system of internal control and management of financial risks, the auditing process, and the Company's process for monitoring compliance with laws and regulations. In performing these duties, the Audit Committee will maintain effective working relationships with the Company's Board, Fred. Olsen & Co. in its managerial functions towards the Company and the Company's Auditor.

10. Risk management and internal control

The Group of companies' risk management is developed so as to ensure that risk evaluation is a fundamental aspect of all business activities. Continuous evaluation of exposure to risk is essential to identifying and assessing risks at all levels.

The Group of companies' risk management policies work to identify, evaluate and manage risk factors that affect the performance of all business activities. As such, continuous and systematic processes are employed to mitigate potential damages and losses and to capitalize on business opportunities. These policies contribute to the success of both long and short term strategies.

Corporate Governance

Risk management is based on the principle that risk evaluation extends to all business activities. The Group of companies has procedures for identifying, assessing, managing and monitoring primary risk exposures.

The Group of companies' risk management and internal control procedures are reviewed by the Audit Committee in accordance with its charter. The operational risk management and internal control are carried out within each business segment in accordance with the nature of the operations and the governing legislation in the relevant jurisdiction. Financial risk management related to foreign exchange, interest rate management and short-term investments is handled in accordance with established policies and procedures.

The Company does not have a distinct formal internal audit function as part of its internal control system. Instead, the Company works closely with the external auditor to ensure that risks and controls are monitored. By virtue of board meetings in the underlying companies, the Company through Fred. Olsen & Co. monitors the development of the operational companies, focusing on business performance, market conditions, competition situation and strategic issues. These board meetings generate valuable information and create a solid foundation for the Company's assessment of its overall financial and operational risk.

Selected companies are subjected to an internal, risk based evaluation of internal controls to ensure procedures are in place to mitigate risks and to ensure that these controls function as intended. Follow-up reports are prepared as a result of these evaluations to ensure continuous improvement of controls implemented.

11. Board remuneration

Board remuneration reflects the board's responsibility, expertise, time spent, and the complexity of the business. Remuneration does not depend on the Company's financial performance. There are no option programs for any Board member. The Annual General Meeting determines remuneration to the Board members. Additional information on remuneration paid to Board members for 2017 is presented in note 26 to the consolidated accounts.

12. Remuneration of executive management

As an integral part of Fred. Olsen & Co.'s day-to-day management of the Company, Anette S. Olsen holds the position as Managing Director of the Company. Anette S. Olsen is the sole proprietor of Fred. Olsen & Co., which is providing services within the areas of IT, finance, legal, accounting and general administration to the Company. The compensation to Fred. Olsen & Co. for these services follow under parent company note 12. The Company has no employees. There are no stock option programs in the Company or in Fred. Olsen & Co.

13. Information and communications

Emphasis is placed on conducting a policy on information which aims at providing the market with relevant and timely information in a way that supports the principle of equal treatment of all of the Company's shareholders. The Company provides presentations to shareholders and analysts in connection with announcement of the quarterly results. Annual and quarterly reports, together with the aforementioned presentations, are made available on the Company's web site, www.bonheur.no. The Company has a preparedness on information for situations of an extraordinary character.

14. Takeovers

Privately owned Fred. Olsen-related companies hold a total of 51.4 percent of Bonheur ASA's stock. Based on the aforementioned, the Company considers that the Code's takeover guidelines recommendation is currently not relevant.

15. Auditor

The Company's Auditor is annually providing an activity plan for the audit of the Company. As part of the established routines within the Company on Corporate Governance the Auditor is conducting presentations to the Audit Committee and the Shareholders' Committee on the auditing carried out and the auditor is hereunder addressing the Company's risks, internal control and quality on reporting. The Auditor is conducting a similar presentation to the Board in connection with the Board considering the Annual Accounts.

In connection with the Auditor's report, the Auditor also provides an affirmation on independency and objectivity. The Auditor participates at the Annual General Meeting. In connection with the issue on compensation to the Auditor, it will always be identified how this compensation is split between statutory auditing on the one side and other tasks on the other.

Major Asset List as per 31 December 2017

BONHEUR GROUP OF COMPANIES

Segment / Asset	Built year	Type	Capacity/length/ water depth/tonnage	Ownership
Renewable energy:			Capacity	
Crystal Rig	2004/-07	25 Nordex 2,5 MW	62,5 MW	51.0 %
Roths	2005	22 Siemens 2,3 MW	50,6 MW	51.0 %
Paul's Hill	2006	28 Siemens 2,3 MW	64,4 MW	51.0 %
Crystal Rig II	2010	60 Siemens 2,3 MW	138,0 MW	51.0 %
Roths II	2013	18 Siemens 2,3 MW	41,4 MW	51.0 %
Mid Hill	2014	33 Siemens 2,3 MW	75,9 MW	51.0 %
Brockloch Rig Windfarm	2017	30 Senvion 2,05 MW	61,5 MW	100.0 %
Brockloch Rig 1	1996	36 Nordtank 0,6 MW	21,6 MW	100.0 %
Crystal Rig III	2016	6 Siemens 2,3 MW	13,8 MW	100.0 %
Lista	2012	31 Siemens 2,3 MW	71,3 MW	100.0 %
Fäbodliden	2015	24 Vestas 3,3 MW	79,2 MW	100.0 %

Shipping / Offshore wind:

			Length	
Brave Tern	2012	Offshore wind turbine installation vessel	132 meters	100.0 %
Bold Tern	2013	Offshore wind turbine installation vessel	132 meters	100.0 %
Bayard 1 - 7	2011/-13	Offshore wind service vessels (CTVs)	20 meters	100.0 %

Offshore drilling:

			Water depth	
Bredford Dolphin	1976/-81/-97/-01/-07	Aker H3	1 500 ft	51.9 %
Byford Dolphin	1973/-85/-90/-96/-98/-10	Aker H3	1 500 ft	51.9 %
Bideford Dolphin	1975/-99	Aker H-3 Enhanced	1 500 ft	51.9 %
Borgland Dolphin	1976/-99/-15	Aker H-3 Enhanced	1 500 ft	51.9 %
Belford Dolphin	2000	DP Drillship 1)	10 000 ft	51.9 %
Blackford Dolphin	1974/-08	Aker H-3 Enhanced	7 000 ft	51.9 %
Bolette Dolphin	2014	Gusto P 10000 1)	12 000 ft	51.9 %

1) Dynamic Positioning

Cruise:

			Tonnage	
Black Watch	1972/-82/-05	Cruise	28 670 grt	100.0 %
Braemar	1993/-01/-08	Cruise	24 344 grt	100.0 %
Boudicca	1973/-06	Cruise	28 388 grt	100.0 %
Balmoral	1998/-08	Cruise	43 537 grt	100.0 %

Addresses

Bonheur ASA

Enterprise no: 830 357 432
 Fred. Olsens gate 2
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 Telephone: +47 22 34 10 00
www.bonheur.no

Bonheur og Ganger Rolf ANS

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 Fred. Olsens gate 2
 P.O. Box 1159 Sentrum
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 Telephone: +47 22 34 10 00

Fred. Olsen & Co.

Enterprise no: 970 942 319
 Fred. Olsens gate 2
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 Telefax: +47 22 41 24 15
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Renewable energy

Fred. Olsen Renewables AS
 Enterprise no: 983 462 014
 Fred. Olsens gate 2
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www.fredolsen-renewables.com

Fred. Olsen Renewables Ltd.
 Enterprise no: 2672436
 64-65 Vincent Square
 London, SW1P 2NU, England
 Telephone: +44 207 931 0975
www.fredolsen-renewables.com

Shipping / Offshore Wind

Fred. Olsen Ocean Ltd.
 c/o **Fred. Olsen Ocean AS**
 Enterprise no: 970 897 356
 Fred. Olsens gt. 2
 P.O. Box 581 Sentrum
 0106 Oslo, Norway
 Telephone: +47 22 34 10 00
www.fredolsen-ocean.com

**Universal Foundation
 Norway AS**
 Enterprise no: 996 732 592
 Fred. Olsens gate 2
 P.O. Box 581 Sentrum
 0106 Oslo, Norway
 Telephone: +47 22 34 10 00
www.universal-foundation.com

Fred. Olsen Windcarrier AS
 Enterprise no: 988 598 976
 Fred. Olsens gt. 2
 P.O. Box 581 Sentrum
 0106 Oslo, Norway
 Telephone: +47 22 34 10 00
www.windcarrier.com

Offshore drilling

Fred. Olsen Energy ASA
 Enterprise no: 977 388 287
 Fred. Olsens gate 2
 0152 Oslo, Norway
 Telephone: +47 22 34 10 00
www.fredolsen-energy.com

Cruise

First Olsen (Holdings) Ltd.
 Enterprise no: 6443267
 Fred. Olsen House
 White House Road
 Ipswich Suffolk IP1 5LL, England
 Telephone: +44 1 473 292 200
www.fredolsencruises.com

Other investments

NHST Media Group AS
 Enterprise no: 914 744 121
 Christian Kroghs gate 16
 PO Box 1182 Sentrum
 0107 Oslo, Norway
 Telephone: +47 22 00 10 00
www.nhst.no

Fred. Olsen Travel AS
 Enterprise no: 925 619 655
 Prinsensgate 2B
 0152 Oslo, Norway
 Telephone: +47 22 34 11 11
www.fredolstravel.com

Annual General Meeting

The annual general meeting will be held at the company's office,
Fred. Olsens gt. 2 (entrance Tollbugt. 1b) 30 May 2018, at 2 pm.



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