

Annual Report 2016



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## Key Figures (consolidated accounts)

| (Amounts in NOK million)  |    | 2016       | 2015       | 2014       |
|---|----|------------|------------|------------|
| <b>Income statement</b>   |    |            |            |            |
| Operating income  |    | 12 414.5   | 14 640.4   | 12 347.3   |
| Operating profit before depreciation and impairment losses (EBITDA) |    | 5 071.9    | 6 243.3    | 4 322.3    |
| EBITDA-margin   |    | 41 %       | 43 %       | 35 %       |
| Operating profit/loss (-) (EBIT)                                    |    | -294.4     | -2 361.3   | 1 303.5    |
| Share of result in associates                                       |    | 17.1       | -2.1       | 107.9      |
| Net finance income / expense (-)                                    |    | -409.8     | -535.5     | -469.4     |
| Profit / loss (-) before tax  |    | -687.2     | -2 898.8   | 942.0      |
| Tax income / expense (-)  |    | -316.9     | 94.9       | -445.0     |
| Profit for the year   |    | -1 004.1   | -2 803.9   | 497.0      |
| Non-controlling interests   |    | -514.5     | -1 542.4   | 377.9      |
| Profit / loss (-) for the year (shareholders of the parent)         |    | -489.6     | -1 261.5   | 119.2      |
| <b>Statement of financial position</b>                              |    |            |            |            |
| Non-current assets  |    | 22 160.0   | 28 220.1   | 32 165.3   |
| Current assets  |    | 10 360.7   | 13 586.0   | 9 250.3    |
| Equity ex non-controlling interests                                 |    | 9 461.5    | 9 100.8    | 7 930.2    |
| Non-controlling interests   |    | 3 653.3    | 6 344.2    | 6 603.6    |
| Non-current interest bearing liabilities                            |    | 13 955.5   | 17 581.2   | 17 602.4   |
| Other non-current liabilities                                       |    | 1 896.6    | 1 795.9    | 1 870.1    |
| Current interest bearing liabilities                                |    | 1 141.8    | 3 431.2    | 1 147.8    |
| Other current liabilities   |    | 2 411.9    | 3 553.0    | 6 261.5    |
| Total assets / total equity and liabilities                         |    | 32 520.6   | 41 806.1   | 41 415.5   |
| <b>Liquidity</b>  |    |            |            |            |
| Cash and cash equivalents as at 31 December                         | 1) | 7 228.0    | 8 340.3    | 5 673.2    |
| Net change in cash and cash equivalents                             | 1) | -153.3     | 2 038.0    | -143.8     |
| Net cash from operating activities                                  | 1) | 5 535.8    | 5 240.3    | 3 108.7    |
| Current ratio   | 2) | 292 %      | 195 %      | 125 %      |
| <b>Capital</b>  |    |            |            |            |
| Equity-to-assets ratio  | 3) | 40 %       | 37 %       | 35 %       |
| Share capital   |    | 53.2       | 51.0       | 51.0       |
| Total number of shares outstanding as at 31 December                |    | 42 531 893 | 32 345 668 | 32 345 668 |
| <b>Key performance indicators</b>                                   |    |            |            |            |
| Net interest bearing debt (NIBD)                                    | 4) | 7 869      | 12 672     | 13 077     |
| Capital employed (CE)   | 5) | 20 984     | 28 117     | 27 611     |
| <b>Key figures per share (Amounts in NOK)</b>                       |    |            |            |            |
| Market price 31 December  |    | 72.25      | 53.00      | 73.25      |
| Dividend per share  |    | 2.00       | 2.00       | 2.50       |

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 (2014 and 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 2016 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 shipping, offshore drilling, renewable energy and cruise. The Company is increasingly focusing on renewable energy. Investments have historically been made in cooperation with the previously listed subsidiary Ganger Rolf ASA. In May 2016 the Company merged with Ganger Rolf, with the Company as the surviving entity.

At year-end 2016 the main investments are within the following business segments:

### 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 deepwater units and four mid-water semi-submersible drilling rigs in addition to one tender support vessel and one accommodation unit. In addition FOE owns the ship yard Harland & Wolff in Belfast.

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 2016, FOE generated operating revenues of NOK 6 932 million and operating result before depreciation (EBITDA) was NOK 4 186 million.

### 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 596 MW.

The wind farm portfolio also includes 61.5 MW under construction in Scotland, consents for

additional 599 MW onshore in the UK, Sweden and Norway and 50% of the consented offshore wind project Codling, of approximately 500 MW.

FOR's operating revenues in 2016 amounted to NOK 979 million, based on an annual production of 1 400 GWh. Operating result before depreciation (EBITDA) was NOK 618 million.

## Shipping / Offshore wind



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

FOW operates 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. Fred. Olsen Windcarrier

A/S (Denmark) owned 50/50 by Fred. Olsen Windcarrier AS and Global Wind Service A/S, operates a modern fleet of crew transfer vessels used in conjunction with the construction and maintenance of offshore wind farms. UFN together with the subsidiary Universal Foundation A/S (Denmark, 82 % owned as at 31 December 2016, 100% from April 2017) develops and delivers integrated turnkey solutions with its unique MonoBucket® foundation.

Operating revenues in 2016 amounted to NOK 1 075 million and operating result before depreciation (EBITDA) was NOK 55 million.

## Cruise



The cruise business is managed through First Olsen (Holdings) Ltd. and its subsidiary Fred. Olsen Cruise Lines Ltd. in Ipswich, UK ("FOCL"). FOCL operates 4 cruise ships with an overall berth capacity of approximately 3 700 passengers, offering cruise holidays ranging from 2 to 108 nights' duration. The company has expanded its fly-cruise programme during the Winter to include destinations such as India, the Caribbean, UAE, and the Indian Ocean. The programme has been tailored to encourage new customers to the brand, who are seeking to enjoy a packaged holiday that

provides for an authentic and independent experience. During Spring and Summer, the company continues to develop interesting cruises from regional departure ports in the UK; destinations include Scandinavia, the Mediterranean, European cities, the Baltic, North America, and Around the World. In 2016, 90 838 passengers were carried on the vessels.

Operating revenues in 2016 amounted to NOK 2 070 million and operating result before depreciation (EBITDA) was NOK 320 million.

## Other investments



Other investments includes 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 (Intermedium), Global publications (TradeWinds, Upstream, Intrafish, Recharge and Europower) and Nautical Charts. Operating revenues in 2016 amounted to NOK 1 325 million and operating result before depreciation (EBITDA) was NOK 71 million.

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

## Directors' Report 2016

Bonheur ASA (the "Company") is a company domiciled in Norway. The consolidated financial statements of the Company as at and for the year that ended 31 December 2016 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 activities of the Group of companies take place in several countries and the main offices are in Norway, Sweden, Denmark, UK, Malta, Singapore and Bermuda.

In 2016, the energy and currency markets showed significant volatility, following macroeconomic and political events. These market developments have significant impact on the Company's results.

After having reached a 12 year low in spot oil prices of USD 26 per barrel in early 2016, the spot oil price recovered during the year, and ended 2016 at USD 55 per barrel. Measured on an annual average basis, the price in 2016 was down 15% from 2015. Activities in the Offshore drilling segment have been negatively impacted by the decline in the oil prices over the last years. Reduced investment programmes by the oil companies have had a consequential impact on the business opportunities for offshore oil drilling companies. The Offshore drilling segment ended the year with three units in operation out of a total of nine, down from six at the end of 2015.

Electricity prices in the UK increased during the year, but were relatively stable compared to 2015 measured on an average basis. The steep decline in the GBP exchange rate following the UK vote to leave the European Union in June 2016, negatively impacted the value of the UK operations expressed in NOK. In Scandinavia, the electricity system price increased by 28% from 2015, but still remains at historically low levels. One new wind farm project within Fred Olsen Renewable came into operation in 2016. The installed generating capacity for the year increased to 596 MW, up from 582 MW at the end of 2015.

The offshore wind industry is increasingly becoming competitive with other energy suppliers. The two wind turbine installation vessels in the Shipping/Offshore wind segment underwent upgrades to the legs and cranes in 2016. The upgrades positioned the vessels better for working on a wider range of projects in deeper waters and with larger turbines in the future. The order book for these vessels increased during 2016.

In the Cruise segment, the four cruise vessels continued to provide destination driven cruises with a high service level to their customers. Black Watch underwent upgrades during the year, and similar work will be carried out on three other vessels. The steep decline in the GBP exchange rate in the middle of the year impacted the cruise business negatively.

May 4 2016, was a milestone in the history of Bonheur, with the completion of the merger between Bonheur ASA and Ganger Rolf ASA. The merger has resulted in a more transparent and accessible corporate structure and operational and financial efficiencies. The two companies had since inception in the late 19th century invested in cooperation with each other. Apart from different ownership in only some minor subsidiaries and investments, Bonheur and Ganger Rolf shared equal ownerships of underlying subsidiaries and investments. The merger, in which shareholders of Ganger Rolf received 0.8174 Bonheur shares for every share held in Ganger Rolf, resulted in an issuance of 1 742 585 new shares in Bonheur, taking the total issued number of shares up to 42 531 893.

### The Group of companies' results

(2015 in brackets)

Operating revenues amounted to NOK 12 414 million (NOK 14 640 million). Operating expenses amounted to NOK 7 343 million (NOK 8 397 million).

Operating result before depreciation, amortization and impairment charges (EBITDA) was NOK 5 072 million (NOK 6 243 million). Depreciation amounted to NOK 3 330 million (NOK 3 701 million). Impairment losses related to property, plant and equipment and intangible assets were NOK 2 037 million (NOK 4 904 million). Operating result (EBIT) was NOK -294 million (NOK -2 361 million).

Net financial items were NOK -410 million (NOK -535 million).

Net result for the year was NOK -1 004 million (NOK -2 804 million).

After non-controlling interests of NOK -515 million (NOK -1 542 million), controlling interests' share of result after estimated tax amounted to NOK -490 million (NOK -1 262 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% in Fred. Olsen Wind Limited (UK).

## Directors' Report 2016

### Results from the main activities

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

#### *Offshore drilling*

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

The offshore fleet of FOE consists of two drill ships, five semi-submersible drilling rigs, one tender support vessel and one accommodation unit. The activities also include shipbuilding, ship repair, construction of offshore wind foundations and engineering at the Harland & Wolff shipyard in Belfast, Northern Ireland.

Negative market developments continued through 2016 in offshore drilling, with the number of active rig contracts reaching another low point in 2016. The expectation for 2017 is that the market is bottoming out, but there will be continued pressure on rig-rates and utilization due to overcapacity. There have been positive development on several leading indicators for the drilling industry. On the back of increasing oil demand the oil price has been on an increasing trend since early 2016. Following two consecutive years of reduced E&P (Exploration and Production) spending, the investments in 2017 are expected to be at the same level as 2016. The E&P companies are now directing more of their spending to less capital intensive and short cycle higher-return projects. This has led to an increased spending in the onshore segment, both towards conventional and shale activities, offshore brownfield projects, and projects close to existing infrastructure. Further, several new development projects are being progressed for sanctioning and development over the coming years, particularly in the midwater areas. In addition, we have seen increased activity in the asset trading between oil companies which indicate that they are re-focusing their portfolios.

Operating revenues amounted to NOK 6 932 million (NOK 8 976 million). Operating result before depreciation (EBITDA) was NOK 4 186 million (NOK 5 131 million) and operating result (EBIT) was NOK -175 million (NOK -2 627 million), including impairment losses of NOK 1 914 million (NOK 4 904 million).

Net result after tax was NOK -870 million (NOK -2 820 million).

#### *Renewable energy*

Renewable energy consists of Fred. Olsen Renewables AS with

subsidiaries ("FOR"). In total FOR owns and operates wind farms with a total capacity of 596 MW.

Fred Olsen Wind Ltd (FOWL) is a subsidiary of FOR, of which FOR holds 51%. FOWL owns 432,8 MW of the 596 MW total installed capacity. The UK listed infrastructure fund The Renewable Infrastructure Group (TRIG) owns the remaining 49% of FOWL.

The balance of 163,2 MW installed capacity and the future development projects are owned by FOR outside FOWL.

FOR continued to develop its wind farm activities in the UK, Sweden and Norway. In 2016 the construction of the wind farm Crystal Rig III (14 MW) was completed and Windy Standard II (61.5 MW) is expected to be completed in the second half of 2017.

In the main markets, UK, Sweden and Norway, we have witnessed a combination of technological progress and regulatory changes. At year end it became apparent that the common Swedish and Norwegian renewable target of 28,4 TWh by 2020 will be fulfilled and most likely also exceeded. Hence, the certificate price dropped to new record low levels but with some price recovery in early 2017. Sweden announced that they will increase the renewable target with 18 TWh from 2020 – 2030.

Whilst there will be a new subsidy round for less established technologies in 2017 in the UK, such as offshore wind, no announcements have yet been made in the UK regarding a new subsidy system for more established technologies such as for onshore wind and solar. In all our markets, the power prices have increased during the year. Due to outages on the France-UK electricity interconnector and unplanned outages in the French nuclear fleet, the power price increased further in UK during autumn/winter 2016. In Scandinavia the Nordpool spot price increased over the year.

Operating revenues were NOK 979 million (NOK 1 196 million) and the annual production was 1 400 GWh (1 524 GWh). EBITDA was NOK 618 million (NOK 811 million). Operating result (EBIT) amounted to NOK 150 million (NOK 389 million), while net result was NOK 115 million (NOK 173 million).

#### *Shipping/Offshore wind*

At the end of the year Shipping/Offshore wind comprised the holding company Fred. Olsen Ocean Ltd. with subsidiaries ("FOO").

## Directors' Report 2016

Indirectly through its subsidiary Fred. Olsen Windcarrier AS, FOO provides services for transportation, installation and service of wind turbines utilizing the purpose built jack-up vessels Brave Tern and Bold Tern.

Fred. Olsen Windcarrier A/S (Denmark) is indirectly owned 87.75% by FOO and operates a fleet of seven crew transfer vessels built for transport of goods and personnel to and from offshore wind farms.

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

Universal Foundation A/S, was indirectly owned 82 % by FOO in 2016, and now owned indirectly 100% (after acquiring the remaining 18% from April 2017), develops a suction MonoBucket® offshore wind foundation. In 2016, 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 Far East and USA is evident. There were approximately 3 600 offshore wind turbines in operation by the end of 2016, with several large projects in the pipeline for the next 3-4 years and expectations of further growth. In tandem with reduced electricity prices, increased requirements for cost effective operations is the expectation, both for transport and installations as well as service and maintenance of the offshore wind parks.

Total revenues in 2016 amounted to NOK 1 075 million (NOK 1 050 million). Operating result before depreciation (EBITDA) was NOK 55 million (NOK 81 million). Operating result (EBIT) was NOK -198 million (NOK -56 million) and net result was NOK -340 million (NOK -150 million).

### *Cruise*

The Cruise segment consists of First Olsen (Holdings) Ltd., which is 100% owned within the Group of companies, together with 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 90 838 passengers during

2016 (2015: 91 772). The company draws on the smaller vessel sizes as a strong selling point to create a more intimate cruise experience; unique and interesting destinations, along with memorable experiences, are built into the itineraries planned.

Operating revenues were NOK 2 070 million (NOK 2 092 million). Operating result before depreciation (EBITDA) was NOK 320 million (NOK 292 million). Operating result (EBIT) was NOK 98 million (NOK 58 million) and net result was NOK 163 million (NOK 71 million).

### *Other investments*

Other investments includes the activities of the parent company and other holding companies within the Group of companies in addition to the ownership of 54.0 % in NHST Media Group AS and 12.6 % in Koksa Eiendom AS.

#### *NHST Media Group AS*

NHST Media Group AS comprises four main business segments; i) Norwegian publications with the titles Dagens Næringsliv and Morgenbladet, ii) MyNewsdesk, iii) Global publications with the titles TradeWinds, Upstream, Intrafish Media, Europower AS and Recharge and iv) Nautical Charts.

The shift towards digital products continues, and represented 56% of total revenues in 2016. The market share and number of copies sold for most of the publications has been relatively stable compared with the previous year with a small net decrease in total circulation revenues. The advertising revenues decreased by 12% for the full year, compensated by increased service revenues.

Operating revenues for the full year were NOK 1 325 million (NOK 1 272 million). Operating result before depreciation (EBITDA) was NOK 71 million (NOK 56 million). Operating result was NOK 15 million (NOK 10 million), and net result was NOK 8 million (NOK 13 million).

#### *Koksa Eiendom AS*

Bonheur ASA holds 12.6% of the shares in Koksa Eiendom AS. The company own commercial properties in the Fornebu Area near Oslo, Norway. Over the last four years, Koksa Eiendom AS has sold properties which have made it possible to distribute dividends to the owners. As per year-end 2015, Bonheur (and Ganger Rolf) had received dividends of NOK 170 million in aggregate from Koksa



## Directors' Report 2016

Eiendom AS (formerly IT Fornebu Properties AS). During summer 2016, the 50% ownership in the Scandic Hotel at Fornebu was sold and dividends of NOK 50 million was received in 2016. 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 are expected to be distributed during second and third quarter 2017.

### Capital and financing

Within FOE, capital expenditures amounted to NOK 90 million. The capital expenditures were mainly related to regular investments in the active fleet.

FOR had capital expenditures of NOK 587 million in the year related to the construction of the two wind farms in Scotland, Crystal Rig III and Windy Standard II.

FOO had capital expenditures of NOK 185 million after upgrade of the jack-up installation vessels "Brave Tern" and "Bold Tern".

Cruise had capital expenditures of NOK 130 million related to class renewal survey and general upgrade mainly in respect of Black Watch.

In total, investments (capex) in property, plant and equipment during the year amounted to NOK 1 017 million. The Group of companies' net investments paid, amounted to NOK 981 million, mainly financed from operating activities. Dividend payments to shareholders of the Group amounted to NOK 85 million (NOK 119 million). See cash flow statement.

Gross interest bearing debt of the Group of companies as per 31 December 2016 was NOK 15 097 million, a decrease of NOK 5 915 million since year end 2015. Cash and cash equivalents amounted to NOK 7 228 million, a decrease of NOK 1 112 million since year-end 2015. Net interest bearing debt of the Group of companies at year-end was NOK 7 869 million, a decrease of NOK 4 803 million since year-end 2015. Equity to asset ratio was 40 % at year-end 2016.

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

The Group of companies' interest bearing debt other than intra-group loans consists of several loans. Some of the main business

segments have arranged separate loans to finance their investments. Drawn amounts at year-end under the various bank credit facilities include USD 763 million related to FOE, GBP 314 million to FOR and EUR 105 million to FOO. All bank loans within the cruise segment were repaid in full during 2014.

As at 31.12.2016 the Company had issued NOK 2 500 million in unsecured bonds, maturing between 2017 and 2021. One loan (BON 04) was repaid at maturity date 10 February 2017. As at 5 April 2017 the Company has NOK 1 800 million in remaining issues of unsecured bonds. In addition FOE has unsecured bond loan (FOE05) issued in the Norwegian bond market of NOK 1 100 million as per 31 December 2016. 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. 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.

Most of the bank credit facilities are secured by mortgages on the assets within the relevant business segment. The loan agreements contain operational and financial covenants typical for credit arrangements of this nature. As at 31 December 2016 and as per 5 April 2017, the Group is in compliance with all covenants in the loan agreements. See Note 3.

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

### Corporate Governance

Corporate governance principles of the Company are aligned with the principles founded by the Norwegian Code of Practice for Corporate Governance. The board aims to maintain a framework of good control and corporate governance. The board is of the opinion that the Company complies with the above principles. A description of the Company's compliance with the above is presented on pages 90 to 93.

### Corporate Social Responsibility

The Company holds a majority owning interest in companies engaged within a variety of business segments and is not directly engaged in significant business activities on its own, except by virtue of its direct and indirect investments in such companies having different exposures towards Corporate Social Responsibilities.

## Directors' Report 2016

The Company has no employees and the day-to-day administrative services are performed by Fred. Olsen & Co.

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 2016 and will continue to work towards minimizing the likelihood of incidents within these areas which could be in breach of the Group of companies' Corporate Social Responsibility policies.

See:

[bonheur.no/CSR](http://bonheur.no/CSR),  
[fredolsen-energy.com/CSR1](http://fredolsen-energy.com/CSR1),  
[fredolsen-ocean.com/about-us/#CSR](http://fredolsen-ocean.com/about-us/#CSR),  
[fredolsenrenewables.com/corporate-reports](http://fredolsenrenewables.com/corporate-reports),  
[fredolsencruises.com/about-us/corporate-social-responsibility/csr-policy](http://fredolsencruises.com/about-us/corporate-social-responsibility/csr-policy).

As an integral part of the Company's social responsibility, the Company considers annually making financial contributions towards not only for 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 on the amount to be earmarked for these purposes.

In 2016, the Fred. Olsen Social Engagement Group (FOSEG) was established across the board of the various Bonheur-related companies with a view to strengthen further the Company's effort within these areas by means of more directly engaging the employees of Bonheur-related companies.

FOSEG's focus is at the same time both globally and locally oriented.

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 developing countries.

Another means of support have been to increase entrepreneurship amongst women in Tanzania with focus on renewable energy solutions. Care Norge is the main organization that have received support within this specific area.

Locally, FOSEG promote various social activities around the headquarters in Fred. Olsens gate with emphasis on promoting self-sustainability among youth and people that have fallen, or otherwise have partly been left, outside the society 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.

### Financial market risk

2016 saw an accelerating anti-globalisation trend, in Europe particularized by Brexit. Unavoidably this adds to the financial risks to which the Group of companies is exposed and the number of political risks around the world would appear to be rising in 2017.

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 the economic effect of such exposures.

## Directors' Report 2016

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. 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 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 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 according 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 2017.

### *Electricity price*

Until 2010 FOR was not exposed to short-term fluctuations of spot electricity prices due to the contract structures related to FOR's wind farms in operation, whereby the contract prices are based on fixed electricity prices. However, the contract structures related to the Group of companies' wind farms, which commenced operation after 2010, are based on fluctuating electricity prices. Consequently, the Group of companies' results are increasingly impacted by fluctuations in spot electricity prices; mainly in the UK, but also in Scandinavia. At present, no financial contracts have been entered into to reduce overall exposure to these fluctuations.

### *Credit risk*

The Group of companies continuously evaluates the credit risk associated with customers and, when considered necessary, requires certain guarantees. As such, 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 various main business segments there are on-going developments of technologies and methods in cooperation with various supplier communities and engineering companies. Within the offshore industry this relates to offshore drilling. In renewable energy, the relevant companies are working closely with leading suppliers on programmes to increase efficiency and regularity. There is a close relationship with suppliers with programs 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 whilst the role as managing director is held by Anette S. Olsen; the proprietor of Fred. Olsen & Co. Administrative services are supplied by Fred. Olsen & Co. in accordance with an agreement on administrative services (see below, as well as Note 7). The Group of companies employed on average 4 470 people during 2016 and had 4 194 employees at the end of the year.

### *Working environment*

The Board of Directors considers the working conditions and the working environment to be satisfactory. Health, Safety and Environmental (HSE) – activities are being managed within the individual business segments and in accordance with relevant industry norms. All business segments work systematically and preventively with HSE measures. The work takes place on a continuous basis and has functioned satisfactorily throughout the year.

Absence due to sickness in the Group of companies in 2016 was 5.15% of total working time. The Group of companies is actively working to keep absence due to sickness at a low level. For further information of working environment within the Group of companies, please refer to each of the main subsidiaries' description of its Corporate Social Responsibility on the web site.

## Directors' Report 2016

### *Equal opportunities*

At the end of 2016 24 % of the employees were female. Two out of five (40 %) Directors of the Company are female.

The Group of companies aims to be a workplace with equal opportunities, offering challenging and motivating jobs to all personnel regardless of nationality, culture, religion and gender. The principle of equal pay for equal work is applied, considering qualifications relating to knowledge, experience and performance. The Group of companies emphasizes 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.

### External environment

Through its main interests, the Group of companies is engaged in activities which may involve a possible risk for the environment.

Safety and environment are given high priority by the various operations and efforts are 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 continuously made in order to improve and further develop the safety and environment culture on all levels.

All vessels are operated by experienced operators of good standing in accordance with the Group of companies' safety and quality requirements.

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 are aimed at contributing to avoid accidents which may lead to damage to the external environment. All such operations are sought kept in accordance with 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. Waste from processing and operations may directly, and indirectly through chemical reactions, influence the environment balance negatively. There is a continuous focus on reducing the use of dangerous chemicals, replacing these by more environmentally friendly alternatives.

At the same time, the Group of companies operates within renewable energy, primarily through the construction and operation of wind farms. 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 causing serious damage to the external environment.

### Subsequent events

On 12 January 2017, Fred. Olsen Energy ASA, a subsidiary of Bonheur ASA, summoned a bondholders' meeting in the Company's bond issue "FOE05" with an intention to temporarily waive certain covenants in the bond agreement. 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. As a consequence, a partial redemption of NOK 75 million took place in February 2017.

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 the 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.

### Outlook

It is likely that 2017 will be another year with significant uncertainty and volatility in both the energy, interest rate and currency markets. The elements of anti-globalisation and political instability as above referenced will continue to fuel these concerns.

It is nevertheless expected that the market for offshore drilling activity will reach the bottom in 2017 as several leading indica-

## Directors' Report 2016

tors have improved in 2016 and early 2017. Although there will still be a continued pressure on the rig-rates and utilization in FOE due to overcapacity during 2017.

FOR aims to continue to expand the portfolio of installed capacity of wind farms and develop new projects in 2017.

The number of new offshore wind projects is expected to grow in combination with the market for repair and maintenance of offshore wind parks. FOO aims to take part in this growth in 2017.

FOCL has improved its result since the prior years by increasing yields through solid product offerings and cost control. Key challenges for 2017 are risk of rising fuel prices and prolonged poor exchange rates.

The board emphasizes that there are significant uncertainties in predicting future development, including effects of macroeconomic and political events.

### Parent company information

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

For accounting purposes, the merger has been carried out as if the two entities always had been one merged entity and are presented accordingly from 1 January 2015. The figures showing the 2015 corresponding figures are restated. Equity effects due to the merger are shown in note 8 and further information regarding the merger in note 17 (both in the NGAAP section of the annual report).

The Company's annual result before tax was NOK -123 million, an improvement of NOK 1 746 million as compared to 2015.

In 2016 the Company received dividend of in total NOK 70 million of which NOK 50 million from Koksa Eiendom AS. During the year, the Company wrote down the book value on shares in subsidiaries by NOK 68 million. The corresponding figure in 2015 was NOK 1 707 million.

Net result was NOK -123 million, which is proposed to be allocated as follows:

|                 |     |              |
|-----------------|-----|--------------|
| For dividends   | NOK | 85 million   |
| To other equity | NOK | -208 million |
| Total allocated | NOK | -123 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 2016 was NOK 9 984 million. The Company's cash, cash equivalents and current receivables amounted to NOK 866 million.

### Dividend/Annual General Meeting

With regard to the Annual General Meeting in 2017, the Board of Directors is proposing a dividend payment of NOK 2.00 per share. The Annual General Meeting is scheduled for Wednesday 24 May 2017.

Oslo, 5 April 2017

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   | 2016       | 2015       |
|---|--------|------------|------------|
| Revenues  | 5      | 12 368 839 | 14 629 122 |
| Gain on sale of property, plant and equipment                         |        | 45 676     | 11 327     |
| Total operating income  |        | 12 414 515 | 14 640 449 |
| Cost of sales   |        | - 789 908  | - 795 357  |
| Salaries and other personnel expenses                                 | 7, 20  | -2 275 938 | -3 211 571 |
| Other operating expenses  | 6, 20  | -4 272 286 | -4 389 773 |
| Loss on sale of property, plant and equipment                         |        | - 4 505    | - 416      |
| Total operating expenses  |        | -7 342 636 | -8 397 117 |
| Operating profit / loss (-) before depreciation and impairment losses |        | 5 071 878  | 6 243 332  |
| Depreciation and amortisation   | 10, 11 | -3 329 579 | -3 700 953 |
| Impairment of property, plant and equipment and intangible assets     | 10, 11 | -2 036 720 | -4 903 670 |
| Total depreciation and impairment losses                              |        | -5 366 298 | -8 604 623 |
| Operating profit / loss (-)   |        | - 294 420  | -2 361 291 |
| Share of profit / (loss-) in associates                               | 12     | 17 050     | - 2 058    |
| Interest income   |        | 54 999     | 79 520     |
| Other finance income  |        | 1 073 344  | 992 139    |
| Finance income  | 8      | 1 128 343  | 1 071 659  |
| Interest expenses   |        | - 720 674  | - 780 657  |
| Other finance expenses  |        | - 817 485  | - 826 487  |
| Finance expenses  | 8      | -1 538 159 | -1 607 144 |
| Net finance income / expense (-)                                      |        | - 409 816  | - 535 485  |
| Profit / (-loss) before tax   |        | - 687 186  | -2 898 833 |
| Tax income / expense (-)  | 9      | - 316 889  | 94 946     |
| Profit / (loss-) for the year   |        | -1 004 074 | -2 803 887 |
| Allocated to:   |        |            |            |
| Share holders of the parent   |        | - 489 561  | -1 261 534 |
| Non-controlling interests   |        | - 514 513  | -1 542 353 |
| Profit / (loss-) for the year   |        | -1 004 074 | -2 803 887 |
| Basic and diluted earnings per share (NOK)                            | 18     | -11.68     | -39.00     |

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 | 2016              | 2015             |
|---|------|-------------------|------------------|
| Loss for the period   |      | -1 004 074        | -2 803 887       |
| <b>Other comprehensive income</b>   |      |                   |                  |
| <b>Items that will not be reclassified to profit or loss</b>                                    |      |                   |                  |
| Actuarial gains/(losses) on pension plans   | 20   | - 96 657          | 165 557          |
| Recognition of pension liability from a subsidiary 1)   |      | - 15 645          | 0                |
| Other comprehensive income for the period   |      | 16 595            | -20 655          |
| Income tax on other comprehensive income  |      | 5 302             | -54 859          |
| <b>Total items that will not be reclassified to profit or loss</b>                              |      | <b>- 90 405</b>   | <b>90 044</b>    |
| <b>Items that are or may be reclassified subsequently to profit or loss</b>                     |      |                   |                  |
| <b>Foreign exchange translation effects:</b>  |      |                   |                  |
| - Foreign currency translation differences from foreign operations                              |      | -1 042 103        | 2 066 057        |
| <b>Hedging effects:</b>   |      |                   |                  |
| - Effective portion of changes in fair value of interest hedges                                 |      | 624               | 391              |
| - Effective portion of changes in fair value of interest hedges transferred to profit or loss   |      | - 624             | 0                |
| <b>Fair value effects related to financial instruments:</b>                                     |      |                   |                  |
| - Net change in fair value of available-for-sale financial assets                               |      | -91 428           | -11 429          |
| - Net change in fair value of available-for-sale financial assets transferred to profit or loss |      | -16 663           | 0                |
| Income tax on other comprehensive income  | 9    | -422              | 1 217            |
| <b>Total items that are or may be reclassified subsequently to profit or loss</b>               |      | <b>-1 150 616</b> | <b>2 056 236</b> |
| <b>Other comprehensive income for the period, net of income tax</b>                             |      | <b>-1 241 021</b> | <b>2 146 281</b> |
| <b>Total comprehensive income for the period</b>  |      | <b>-2 245 095</b> | <b>-657 607</b>  |
| <b>Allocated to:</b>  |      |                   |                  |
| Equity holders of the parent  |      | -1 605 577        | - 431 234        |
| Non-controlling interests   |      | - 639 519         | - 226 373        |
| <b>Total comprehensive income for the period</b>  |      | <b>-2 245 095</b> | <b>- 657 607</b> |

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

The non-controlling interests in the Bonheur Group 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 | 31.12.2016        | 31.12.2015        |
|---|------|-------------------|-------------------|
| <b>ASSETS</b>                                     |      |                   |                   |
| <b>Non-current assets</b>                         |      |                   |                   |
| Development costs                                 |      | 314 149           | 402 632           |
| Publishing rights                                 |      | 162 000           | 162 000           |
| Customer relationship, technology, patents, other |      | 112 691           | 119 360           |
| Goodwill  |      | 333 928           | 416 340           |
| Intangible assets                                 | 11   | 922 768           | 1 100 332         |
| Deferred tax asset                                | 14   | 362 049           | 378 527           |
| Rigs and other offshore units                     |      | 11 523 375        | 16 130 073        |
| Ships   |      | 3 499 543         | 4 104 290         |
| Windfarms   |      | 4 795 864         | 5 341 238         |
| Other fixed assets                                |      | 445 459           | 509 173           |
| Property, plant and equipment                     | 10   | 20 264 242        | 26 084 774        |
| Investments in associates                         | 12   | 76 079            | 6 161             |
| Investments in other shares                       | 13   | 239 555           | 333 216           |
| Bonds and other receivables                       | 13   | 263 728           | 272 577           |
| Pension funds                                     | 20   | 31 544            | 44 558            |
| Financial fixed assets                            |      | 610 906           | 656 512           |
| <b>Total non-current assets</b>                   |      | <b>22 159 965</b> | <b>28 220 145</b> |
| <b>Current assets</b>                             |      |                   |                   |
| Inventories                                       | 15   | 1 090 729         | 1 179 950         |
| Trade receivables                                 | 16   | 1 281 933         | 1 671 923         |
| Other receivables                                 | 16   | 760 011           | 2 393 836         |
| Cash and cash equivalents                         | 17   | 7 227 987         | 8 340 316         |
| <b>Total current assets</b>                       |      | <b>10 360 660</b> | <b>13 586 026</b> |
| <b>Total assets</b>                               |      | <b>32 520 625</b> | <b>41 806 171</b> |

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

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  | 31.12.2016        | 31.12.2015        |
|--|-------|-------------------|-------------------|
| <b>EQUITY AND LIABILITIES</b>                              |       |                   |                   |
| <b>Equity</b>  |       |                   |                   |
| Share capital  |       | 53 165            | 50 987            |
| Additional paid in capital                                 |       | 143 270           | 25 920            |
| Total paid in capital                                      |       | 196 435           | 76 907            |
| Retained earnings  |       | 9 265 073         | 9 023 877         |
| Share of equity attributable to shareholders of the parent |       | 9 461 508         | 9 100 784         |
| Non-controlling interests                                  |       | 3 653 274         | 6 344 158         |
| <b>Total equity</b>  |       | <b>13 114 782</b> | <b>15 444 942</b> |
| <b>Liabilities</b>   |       |                   |                   |
| Employee benefits  | 20    | 1 203 506         | 1 281 394         |
| Deferred tax liabilities                                   | 14    | 180 114           | 185 819           |
| Interest bearing loans and borrowings                      | 19    | 13 955 540        | 17 581 242        |
| Other non-current liabilities                              | 21    | 512 981           | 328 640           |
| <b>Total non-current liabilities</b>                       |       | <b>15 852 140</b> | <b>19 377 094</b> |
| Current tax  | 9, 14 | 184 274           | 126 687           |
| Interest bearing loans and borrowings                      | 19    | 1 141 793         | 3 431 155         |
| Other accruals and deferred income                         | 21    | 1 656 514         | 2 548 046         |
| Trade and other payables                                   | 22    | 571 122           | 878 247           |
| <b>Total current liabilities</b>                           |       | <b>3 553 703</b>  | <b>6 984 135</b>  |
| <b>Total liabilities</b>                                   |       | <b>19 405 843</b> | <b>26 361 229</b> |
| <b>Total equity and liabilities</b>                        |       | <b>32 520 625</b> | <b>41 806 171</b> |

The non-controlling interests in the Bonheur Group of companies are included in the Consolidated Statement of Financial Position. 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, 5 April 2017  
Bonheur ASA - The Board of Directors

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

Bonheur ASA - Group of companies

## Statement of Changes in Equity

| (Amounts in NOK 1 000)                                     | Share<br>Capital | Share<br>premium | Transl.<br>reserve | Hedging<br>reserve | Fair value<br>reserve | Own<br>shares 1) | Retained<br>earnings | Non-controlling<br>Total interests |            | Total<br>equity |
|--|------------------|------------------|--------------------|--------------------|-----------------------|------------------|----------------------|------------------------------------|------------|-----------------|
| Balance at 1 January 2015                                  | 50 987           | 25 920           | 774 344            | -1 016             | 161 762               | -113 270         | 7 031 451            | 7 930 179                          | 6 603 557  | 14 533 736      |
| Total comprehensive income for the period                  |                  |                  | 1 335 671          | 391                | -10 212               |                  | -1 757 084           | -431 234                           | -226 373   | -657 607        |
| Effect from transactions with non-controlling interests 3) |                  |                  |                    |                    |                       |                  | 1 682 703            | 1 682 703                          | 73 242     | 1 755 945       |
| Dividends to shareholders in parent company                |                  |                  |                    |                    |                       |                  | -80 864              | -80 864                            |            | -80 864         |
| Dividends to non-controlling interests in subsidiaries     |                  |                  |                    |                    |                       |                  |                      | 0                                  | -106 268   | -106 268        |
| Balance at 31 December 2015                                | 50 987           | 25 920           | 2 110 015          | -624               | 151 550               | -113 270         | 6 876 206            | 9 100 784                          | 6 344 158  | 15 444 942      |
| 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      |

### Share capital

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

### Shares outstanding and dividends

|  | 2016       | 2015       |
|--|------------|------------|
| Number of shares outstanding at 1 January      | 40 789 308 | 32 345 668 |
| New shares issued                              | 1 742 585  | 0          |
| Number of shares outstanding at 31 December 4) | 42 531 893 | 32 345 668 |
| Number of own shares at 31 December 1) 2)      | 0          | 8 443 640  |
| Total dividends per share                      | 2.00       | 2.00       |

The board will propose to the Annual General Meeting on 24 May 2017 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 2016 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) Excluding dividend to Ganger Rolf ASA in 2015.
- 3) See note 30.
- 4) See note 18.

## Consolidated Cash Flow Statement

| (Amounts in NOK 1 000)   | Note   | 2016       | 2015       |
|--|--------|------------|------------|
| <b>Cash flow from operating activities</b>                               |        |            |            |
| Net result after tax   |        | -1 004 075 | -2 803 887 |
| <i>Adjustments for:</i>  |        |            |            |
| Depreciation / amortisation / impairment                                 | 10, 11 | 5 366 298  | 8 604 623  |
| Impairment of investments / net change in fair value of financial assets |        | -163 210   | 43 931     |
| Net unrealized foreign exchange gain (-) / loss                          |        | 148 539    | -391 867   |
| Investment income  | 8      | -124 894   | -102 752   |
| Interest expenses  | 8      | 720 674    | 780 657    |
| Share of result in associates  | 12     | -17 050    | 2 058      |
| Net gain (-) / loss on sale of property, plant and equipment             | 10     | -41 171    | -10 907    |
| Net gain (-) / loss on sale of investments                               | 8      | -94 415    | -122       |
| Tax income (-) / expense   | 9      | 316 889    | -94 946    |
| Cash generated before changes in working capital and provisions          |        | 5 107 585  | 6 026 788  |
| Increase (-) / decrease in trade and other receivables                   |        | 1 697 267  | -24 159    |
| Increase / decrease (-) in current liabilities                           |        | -330 528   | 355 474    |
| Cash generated from operations   |        | 6 474 324  | 6 358 103  |
| Interest paid  |        | -700 807   | -812 735   |
| Tax paid   |        | -237 684   | -305 079   |
| Net cash from operating activities                                       |        | 5 535 833  | 5 240 289  |
| <b>Cash flow from investing activities</b>                               |        |            |            |
| Proceeds from sale of property, plant and equipment                      | 10     | 10 258     | 8 352      |
| Proceeds from sale of investments  |        | 301 484    | 88 009     |
| Interest received  |        | 50 364     | 78 534     |
| Dividends received   |        | 69 895     | 24 311     |
| Acquisitions of property, plant and equipment                            |        | -1 176 758 | -4 997 837 |
| Acquisitions of other investments  |        | -235 854   | -24 067    |
| Net cash from investing activities                                       |        | -980 611   | -4 822 698 |
| <b>Cash flow from financing activities</b>                               |        |            |            |
| Net proceed from issue of shares in subsidiary                           |        | 0          | 1 786 372  |
| Increase in borrowings   |        | 1 643 332  | 2 484 931  |
| Repayment of borrowings  |        | -6 266 761 | -2 532 120 |
| Dividends paid   |        | -85 065    | -118 789   |
| Net cash from financing activities                                       |        | -4 708 494 | 1 620 394  |
| Net increase in cash and cash equivalents                                |        | -153 272   | 2 037 985  |
| Cash and cash equivalents at 1 January                                   |        | 8 340 316  | 5 673 190  |
| Effect of exchange rate fluctuations on cash held                        |        | -959 047   | 629 141    |
| Cash and cash equivalents at 31 December                                 | 17     | 7 227 997  | 8 340 316  |

# Notes to the Consolidated Financial Statements

## Note 1 – Principal accounting policies and key accounting estimates

Bonheur ASA (the “Company”) is a company 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 2016 comprise the Company and its subsidiaries (together referred to as the “Group of companies” and individually as “Group entities”) and the Group’s interest in associates.

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

The annual accounts together with the appurtenant financial statements were addressed by the Board of Directors on 5 April 2017. The Shareholders’ Committee will in turn at a meeting scheduled for 19 April 2017 consider recommending to the Annual General Meeting that the proposal to the annual accounts for 2016 together with the appurtenant financial statements as addressed and resolved upon by the Board in the said meeting on 5 April 2017, is approved. Eventual approval of the annual accounts together with the appurtenant financial statements lies with the Annual General Meeting scheduled for 24 May 2017.

### 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 31.12.2016.

### 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, the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts the estimates of fair values of the offshore units. 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 of company entities. The Group’s 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 28 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 of companies’ 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.

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 company 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'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 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 in the next column.

- Note 5 Revenue
- Note 9 Income tax expenses
- Note 10 Property, plant and equipment
- Note 11 Intangible assets
- Note 13 Other investments
- Note 14 Deferred tax assets and liabilities
- Note 20 Employee benefits
- Note 24 Rental and leases
- Note 26 Contingencies and provisions

### Forthcoming requirements

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early adopted new or amended standards in preparing these consolidated financial statements. Bonheur ASA has a group project to analyze the effects of the new IFRS standards:

- IFRS 9 Financial instruments becomes mandatory for the Group's 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's 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 has found reasons to clarify the application of the principles under existing rules and, as a consequence, the Group has split operating revenues from charter rate contracts into two elements, income from rentals and income from rendering of services. Further, the Group has split out the government grant portion from sale of electricity.

This clarification has been implemented and presented in the annual report for 2016 with updated comparable information for 2015. The error led to a change in the presentation in note 5 Revenue and this change is applied retrospectively. Income from rentals is regulated under IAS 17, while income from rendering of services is recognized in accordance with IAS 18. Recognizing of governmental grants is regulated under IAS 20. The clarification would technically be deemed as a correction of an error in prior periods. The assessment shows 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's preliminary assessment is that the implementation of IFRS 9, IFRS 15 and IFRS 16 will have no significant effect for the Group

## Notes

although leased assets will be recognized as a right of use. Recognition of revenues from certain contracts can be changed. The new standards are expected to increase the scope of the disclosures.

Based on the assessments made to date, Bonheur ASA plans to adopt IFRS 16 simultaneously with IFRS 9 and IFRS 15 on 1 January 2018. Comparative figures will not be changed.

### 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.

### Note 2 – Determination of fair values

A number of the Group's 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

### 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 interest, taxes, depreciation and amortizations  |
| EBIT:             | Operating result after depreciation (EBITDA less depreciation and impairments)   |
| 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   |

#### (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 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 19 and 23.

#### 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 2016 are within the Offshore drilling segment, of which 89% 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 2016 were in GBP. The revenues within the Shipping / Offshore wind segment in 2016 were in EUR. Consequently, out of the group of companies' gross revenues of NOK 12 415 million in 2016, approximately 51% were in USD, approximately 25% were in GBP and approximately 9% were in EUR. The remaining 15% were mainly in NOK. The Group of companies' 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% (2015: 16%) 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 2016 approximately 3% 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 2016.

##### Electricity price

Within the Renewable energy segment, the current contract structures for the three wind farms Rothes, Paul's Hill, Crystal Rig I are primarily based on fixed electricity prices. Crystal Rig II, Mid Hill, Rothes II, Crystal

Rig III, 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 2016 provided approximately 56% of the Group of companies' total revenues, is mostly international oil companies. Customers within Renewable energy are large electricity distributors, while customers within Shipping/Offshore wind are from the offshore wind industry. Credit risk within cruise 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 15 097 million (2015: NOK 21 012 million). Cash and cash equivalents amounted to NOK 7 228 million (2015: NOK 8 340 million). Net interest bearing debt of the Group of companies was 7 869 million (2015: 12 672 million). Equity to assets ratio was 40% (2015: 37%).

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.

In 2016 investments were financed by cash from operations, dividends, bank credit facilities and bonds.

Dividend payments from Bonheur ASA in 2016 amounted to NOK 85 million (2015: 119 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.

Taking into account estimated revenues, proposed dividend payments and planned capital investments, the Group of companies views the liquidity risk to be moderate.

#### 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 2016 and 5 April 2017.

## Notes

### Note 4 – Operating segments

#### Accounting policies

A segment is a distinguishable component of the Group 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's business segments. The business segments are determined based on the Group's 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 has five reportable segments, as described below, which are the Group's 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's 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's 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) Offshore drilling

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

Fred. Olsen Energy ASA (52.26%, adjusted for own shares).

#### 2) Renewable energy

Renewable energy is engaged in development, construction and operation of wind farms in Scotland, Norway, Sweden, Ireland, France and USA.

Fred. Olsen Renewables AS (100%), Global Windpower France Aps (From 2016: 51%) and Codling Holding Ltd (50%).

#### 3) Shipping / Offshore wind

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

Fred. Olsen Ocean Ltd. - 100%, Fred. Olsen Windcarrier AS (100%) and Universal Foundation Norway AS (100%).

#### 4) Cruise

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

Fred. Olsen Cruise Lines Ltd (100%) and First Olsen Holding AS (100%).

#### 5) Other investments

NHST Media Group AS (55.94%, adjusted for own shares), Bonheur ASA (100%), Fred. Olsen Travel AS (100%), Fred. Olsen Insurance Services AS (100%), Fred. Olsen Fly- og Luftmateriell AS (100%), Stavnes Byggeselskap AS (100%), Fred. Olsen Cruise Lines Pte. Ltd. (100%), Bonheur og Ganger Rolf ANS (100%), FO Capital Ltd. (100%), Laksa AS (100%), Laksa II AS (100%) and Fred. Olsen Spedisjon AS (From 2016: 100%).



## Notes

| Fully consolidated companies<br>(Amounts in NOK 1 000) | Offshore drilling 1) |            | Renewable energy 2) |            | Shipping/Offshore wind 3) |           |
|--|----------------------|------------|---------------------|------------|---------------------------|-----------|
|  | 2016                 | 2015       | 2016                | 2015       | 2016                      | 2015      |
| Operating income - external                            | 6 932 032            | 8 976 217  | 978 662             | 1 196 394  | 1 056 139                 | 1 031 971 |
| Operating income - internal                            | 240                  | 243        | 322                 | 0          | 18 861                    | 18 089    |
| Operating costs  | -2 746 133           | -3 845 196 | -361 239            | -385 612   | -1 020 307                | -969 242  |
| Depreciation   | -2 447 646           | -2 855 361 | -447 205            | -421 747   | -150 155                  | -136 877  |
| Impairment   | -1 913 599           | -4 903 077 | -20 416             | 0          | -102 705                  | 0         |
| Operating profit/loss                                  | -175 105             | -2 627 174 | 150 125             | 389 035    | -198 167                  | -56 058   |
| Interest income  | 16 801               | 11 440     | 20 091              | 16 414     | 686                       | 1 093     |
| Interest expenses                                      | -324 000             | -327 796   | -255 141            | -278 586   | -56 405                   | -45 509   |
| Tax income / expense (-)                               | -218 954             | -11 690    | -59 776             | -19 340    | -38 538                   | 675       |
| Profit for the year                                    | -870 098             | -2 819 573 | 115 326             | 172 507    | -340 225                  | -149 775  |
| Total assets   | 16 292 057           | 22 669 338 | 8 685 732           | 10 682 831 | 2 998 249                 | 3 261 239 |
| Total liabilities                                      | 8 937 091            | 14 164 002 | 5 117 400           | 6 736 803  | 1 836 909                 | 1 706 792 |
| Total equity   | 7 354 966            | 8 505 336  | 3 568 332           | 3 946 028  | 1 161 341                 | 1 554 447 |
| Capital expenditures                                   | 89 674               | 3 549 666  | 605 548             | 877 620    | 184 664                   | 68 220    |

| Fully consolidated companies<br>(Amounts in NOK 1 000) | Cruise 4)  |            | Other investments 5) |            | Eliminations |             | Group of companies total |            |
|--|------------|------------|----------------------|------------|--------------|-------------|--------------------------|------------|
|  | 2016       | 2015       | 2016                 | 2015       | 2016         | 2015        | 2016                     | 2015       |
| Operating income - external                            | 2 069 842  | 2 092 322  | 1 377 818            | 1 351 211  | 21           | -7 666      | 12 414 515               | 14 640 449 |
| Operating income - internal                            | 0          | 0          | 14 493               | 9 463      | -33 916      | -27 795     | 0                        | 0          |
| Operating costs  | -1 750 107 | -1 800 204 | -1 498 746           | -1 432 324 | 33 895       | 35 461      | -7 342 636               | -8 397 117 |
| Depreciation   | -222 171   | -233 777   | -62 401              | -53 191    | 0            | 0           | -3 329 579               | -3 700 953 |
| Impairment   | 0          | 0          | 0                    | -593       | 0            | 0           | -2 036 720               | -4 903 670 |
| Operating profit/loss                                  | 97 564     | 58 341     | -168 837             | -125 434   | 1            | 0           | -294 419                 | -2 361 291 |
| Interest income  | 1 138      | 552        | 56 434               | 78 606     | -40 151      | -28 585     | 54 999                   | 79 520     |
| Interest expenses                                      | -1 422     | -5 031     | -121 874             | -153 966   | 38 168       | 30 231      | -720 674                 | -780 657   |
| Tax income / expense (-)                               | -380       | -552       | 382                  | 125 746    | 378          | 107         | -316 889                 | 94 946     |
| Profit for the year                                    | 163 399    | 71 098     | -159 366             | -78 528    | 86 890       | 384         | -1 004 074               | -2 803 887 |
| Total assets   | 2 000 228  | 2 126 847  | 13 988 484           | 14 863 371 | -11 444 126  | -11 797 455 | 32 520 625               | 41 806 170 |
| Total liabilities                                      | 845 000    | 863 844    | 6 162 591            | 5 889 270  | -3 493 148   | -2 999 483  | 19 405 843               | 26 361 228 |
| Total equity   | 1 155 228  | 1 263 003  | 7 825 893            | 8 974 101  | -7 950 978   | -8 797 972  | 13 114 782               | 15 444 942 |
| Capital expenditures                                   | 130 627    | 72 595     | 65 153               | 20 786     | 0            | 0           | 1 075 665                | 4 588 888  |

| Associates *)<br>(Amounts in NOK 1 000) | Offshore drilling 1) |      | Renewable energy 2) |        | Shipping/Offshore wind 3) |      |
|---|----------------------|------|---------------------|--------|---------------------------|------|
|   | 2016                 | 2015 | 2016                | 2015   | 2016                      | 2015 |
| Operating income                        | 0                    | 0    | 39 696              | 0      | 0                         | 0    |
| Operating costs                         | 0                    | 0    | -21 321             | 0      | 0                         | 0    |
| Depreciation / Impairment               | 0                    | 0    | -13                 | -2 221 | 0                         | 0    |
| Operating result                        | 0                    | 0    | 18 361              | -2 221 | 0                         | 0    |
| Share of profit in associates           | 0                    | 0    | 17 451              | -2 221 | 0                         | 0    |
| Share of equity                         | 0                    | 0    | 75 930              | 0      | 0                         | 0    |

| Associates *)<br>(Amounts in NOK 1 000) | Cruise 4) |      | Other investments 5) |         | Group of companies total |         |
|---|-----------|------|----------------------|---------|--------------------------|---------|
|   | 2016      | 2015 | 2016                 | 2015    | 2016                     | 2015    |
| Operating income                        | 0         | 0    | 101                  | 24 818  | 39 796                   | 24 818  |
| Operating costs                         | 0         | 0    | -502                 | -24 168 | -21 823                  | -24 168 |
| Depreciation / Impairment               | 0         | 0    | 0                    | -2 825  | -13                      | -5 046  |
| Operating result                        | 0         | 0    | -401                 | -2 175  | 17 960                   | -4 396  |
| Share of profit in associates           | 0         | 0    | -402                 | -2 058  | 17 050                   | -4 279  |
| Share of equity                         | 0         | 0    | 149                  | 6 161   | 76 079                   | 6 161   |

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

## Notes

| Fully consolidated companies<br>(Amounts in NOK 1 000) | Europe     |            | Asia   |           | Americas |           |
|--|------------|------------|--------|-----------|----------|-----------|
|  | 2016       | 2015       | 2016   | 2015      | 2016     | 2015      |
| Operating income                                       | 10 363 490 | 11 941 952 | 56 799 | 102 717   | 400 976  | 1 472 553 |
| Capital expenditure                                    | 1 033 188  | 3 060 178  | 41 178 | 1 511 236 | 1 299    | 17 473    |

| Fully consolidated companies<br>(Amounts in NOK 1 000) | Africa    |           | Other regions |       | Consolidated |            |
|--|-----------|-----------|---------------|-------|--------------|------------|
|  | 2016      | 2015      | 2016          | 2015  | 2016         | 2015       |
| Operating income                                       | 1 588 670 | 1 119 769 | 4 578         | 3 458 | 12 414 515   | 14 640 449 |
| Capital expenditure                                    | 0         | 0         | 0             | 0     | 1 075 665    | 4 588 888  |

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

#### Major customer

Of the total revenue in 2016, Norway and UK contributed 28% and 45% respectively (2015: 33% and 40%). Revenues from the three major customers of the Group's offshore drilling segment, constituted 33% (2015: 30%) of the total revenue.

#### Note 5 – Revenue

##### Accounting policies

###### Revenue from lease rentals

The Group 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 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.

###### 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. One Green Certificate is received for each MWh 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.

## Notes

*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.

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

*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)               | 2016              | 2015              |
|--------------------------------------|-------------------|-------------------|
| Sales of electricity and other goods | 638 733           | 727 821           |
| Government grants                    | 502 459           | 657 780           |
| Lease revenue                        | 4 168 097         | 5 067 464         |
| Service revenue                      | 6 766 588         | 7 995 242         |
| Engineering and fabrication          | 83 655            | 101 419           |
| Other operating revenue              | 209 308           | 79 396            |
| <b>Total revenue</b>                 | <b>12 368 839</b> | <b>14 629 122</b> |

**Note 6 – Operating expenses**

| (Amounts in NOK 1 000)      | 2016             | 2015             |
|-----------------------------|------------------|------------------|
| Administrative expenses     | 251 141          | 272 507          |
| Other operating expenses *) | 4 021 145        | 4 117 266        |
| <b>Total</b>                | <b>4 272 286</b> | <b>4 389 773</b> |

\*) Other operating expenses are mainly related to rig operation (Fred. Olsen Energy ASA), operation of the cruise vessels (Fred. Olsen Cruise Lines Ltd.) and offshore wind (Fred. Olsen Windcarrier AS and Universal Foundation Norway AS). In 2016, rig operation amounts to NOK 1 440.2 million (2015: NOK 1 589.7 million), cruise vessels operation amounts to NOK 1 524.3 million (2015: NOK 1 575.2 million) which are mainly onboard expenses, vessel operations expenses and Selling & Marketing expenses. Operation of offshore wind amounts to NOK 840.0 million (2015: NOK 803.4 million). Research and development expenditures of NOK 1.8 million are recognised in profit or loss in 2016 (2015: NOK 1.9 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      | 2016          | 2015          |
|--|---------------|---------------|
| Statutory audit                        | 16 477        | 14 337        |
| Other attestation services             | 1 178         | 590           |
| Tax advice                             | 1 842         | 1 075         |
| Other services outside the audit scope | 3 153         | 1 761         |
| <b>Total (VAT exclusive)</b>           | <b>22 650</b> | <b>17 763</b> |

## 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 2016 charged for it's share of such costs, including the service fee for 2016.

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 | 2016             | 2015             |
|--|------|------------------|------------------|
| <b>Salaries etc.</b>   |      |                  |                  |
| Salaries   |      | 1 709 912        | 2 499 211        |
| Social security costs  |      | 219 622          | 293 094          |
| Employee benefits (pension costs)                              | 20   | 95 606           | 274 870          |
| Other  |      | 148 331          | 54 913           |
| Administration cost Fred. Olsen & Co. *)                       | 27   | 102 468          | 89 483           |
| <b>Total</b>   |      | <b>2 275 939</b> | <b>3 211 571</b> |
| *) Hereof included Bonheur og Ganger Rolf ANS NOK 3.9 million. |      |                  |                  |
| <b>Loan to employees</b>                                       |      |                  |                  |
| Loan to employees  |      | 6 806            | 10 604           |

At year end 2016 the Group of companies had 4 194 employees (2015: 4 747 employees by year end). The full time employment (FTE) was in 2016 4 081 employees and the average number of employees was 4 470 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, 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)  | 2016      | 2015     |
|---|-----------|----------|
| Interest income on available-for-sale financial assets  | 5 442     | 9 790    |
| Interest income on receivables  | 1 151     | 2 192    |
| Interest income on bank deposits  | 48 406    | 67 538   |
| Interest income   | 54 999    | 79 520   |
| Dividend income on available-for-sale financial assets  | 69 895    | 23 232   |
| Net gain on disposal of available-for-sale financial assets recognised directly in profit or loss | 96 436    | 670      |
| Foreign exchange gain   | 672 993   | 876 670  |
| Net change in fair value of financial assets at fair value through profit or loss                 |           |          |
| - classified as held for trading  | 228 325   | 75 547   |
| Various finance income  | 5 695     | 16 020   |
| Other finance income  | 1 073 344 | 992 139  |
| Interest expense on financial liabilities measured at amortised cost                              | -720 674  | -780 657 |
| Interest expense  | -720 674  | -780 657 |
| Foreign exchange loss   | -641 999  | -500 977 |
| Net loss on disposal of available-for-sale financial assets recognised directly in profit or loss | -2 021    | -548     |
| Net change in fair value of financial assets at fair value through profit or loss                 |           |          |
| - classified as held for trading  | -48 436   | -75 294  |
| Impairment of available-for-sale financial assets   | -4 389    | -53 045  |
| Various finance expenses  | -120 640  | -196 623 |
| Other finance expenses  | -817 485  | -826 487 |
| Net finance expense recognised in profit or loss  | -409 816  | -535 485 |

## Notes

## Note 9 – Income tax expense

## Accounting Principles

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income. The Group of companies is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group of companies recognises liabilities for anticipated tax issues based on best estimate of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

| (Amounts in NOK 1 000)   | 2016            | 2015              |
|--|-----------------|-------------------|
| Current tax expense  |                 |                   |
| Current period   | -304 736        | 183               |
| Deferred tax expense   |                 |                   |
| Origination and reversal of temporary differences  | -12 153         | 94 763            |
| <b>Total income tax income / (-)expense in income statement from continuing operations</b> | <b>-316 889</b> | <b>94 946</b>     |
| Reconciliation on effective tax rate   |                 |                   |
| Profit for the period from continuing operations   | -1 004 074      | -2 803 887        |
| <b>Total income tax expense / (-) income</b>   | <b>316 889</b>  | <b>-94 946</b>    |
| <b>Profit before income tax from continuing operations</b>                                 | <b>-687 186</b> | <b>-2 898 833</b> |

| (Amounts in NOK 1 000)   | 2016           |                 | 2015         |               |
|--|----------------|-----------------|--------------|---------------|
| Income tax using the Company's domestic tax rate                               | 25.0 %         | 171 797         | 27.0 %       | 782 685       |
| Effect of tax rates in foreign jurisdictions                                   | 9.3 %          | 63 727          | 14.5 %       | 421 475       |
| Effect of impairment of property, plant and equipment in foreign jurisdictions | -40.2 %        | -276 264        | -45.7 %      | -1 323 991    |
| Effect of tonnage tax regime   | 5.9 %          | 40 564          | 0.5 %        | 15 822        |
| Adjustments for prior year   | -12.5 %        | -85 798         | 3.9 %        | 113 600       |
| Change in limitation of deferred tax assets related to tax loss carryforward   | 23.5 %         | 161 781         | -10.7 %      | -309 291      |
| Non deductible and non taxable items   | -13.3 %        | -91 546         | 1.4 %        | 41 304        |
| Permanent differences due to currency effects and other                        | -44.9 %        | -308 615        | 12.2 %       | 353 343       |
| Income/expenses recognised directly in equity                                  | 1.1 %          | 7 465           | 0.0 %        | 0             |
| <b>From continued operations</b>   | <b>-47.2 %</b> | <b>-316 889</b> | <b>3.3 %</b> | <b>94 947</b> |

The figures for 2016 are based on provisional estimates of tax free income, non-tax deductible costs and differences in periodic calculations between financial statements and tax accounts. The actual tax costs will be determined when the tax return is finally approved. Actual tax costs may deviate from the provisional estimated tax.

Payable tax is shown in the balance sheet as follows:

| (Amounts in NOK 1 000) | 2016    | 2015    |
|------------------------|---------|---------|
| Short term tax payable | 184 274 | 126 687 |

## 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 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 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.

...the note continues on the next page

## Notes

## v) Impairment

The carrying amounts of the Group's 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 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 1) | Total      |
|--------------------------------------|-------------------------|------------|------------|-----------------------|------------|
| <b>Cost</b>                          |                         |            |            |                       |            |
| Balance at 1 January 2015            | 32 835 854              | 7 280 359  | 6 095 473  | 1 294 509             | 47 506 194 |
| Adjustment opening balance           |                         |            |            | 75 710                | 75 710     |
| Adjusted balance at 1 January 2015   | 32 835 854              | 7 280 359  | 6 095 473  | 1 370 219             | 47 581 904 |
| Acquisitions 2)                      | 3 511 382               | 122 781    | 915 457    | 78 548                | 4 628 168  |
| Reclassifications                    | -4 207 390              |            | 67 543     | 0                     | -4 139 847 |
| Disposals                            | -2 033 687              |            |            | -30 366               | -2 064 053 |
| Effect of exchange rate fluctuations | 6 263 740               | 795 809    | 718 278    | 113 587               | 7 891 414  |
| Balance at 31 December 2015          | 36 369 899              | 8 198 949  | 7 796 751  | 1 531 987             | 53 897 586 |
| 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 2)                      | 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 |



## Notes

| (Amounts in NOK 1 000)                    | Rigs and offshore units | Vessels   | Windfarms | Other fixed assets 1) | Total      |
|---|-------------------------|-----------|-----------|-----------------------|------------|
| <b>Depreciation and impairment losses</b> |                         |           |           |                       |            |
| Balance at 1 January 2015                 | 11 542 192              | 3 288 056 | 1 796 650 | 791 705               | 17 418 603 |
| Adjustment opening balance                |                         |           |           | 75 710                | 75 710     |
| Adjusted balance at 1 January 2015        | 11 542 192              | 3 288 056 | 1 796 650 | 867 415               | 17 494 313 |
| Depreciation charge for the year          | 2 797 439               | 355 884   | 414 632   | 95 739                | 3 663 694  |
| Impairment losses                         | 4 903 077               |           |           | 593                   | 4 903 670  |
| Reclassifications                         |                         |           | 968       | 0                     | 968        |
| Disposals                                 | -2 033 792              |           |           | -20 006               | -2 053 798 |
| Effect of exchange rate fluctuations      | 3 030 910               | 450 719   | 243 262   | 79 075                | 3 803 965  |
| Balance at 31 December 2015               | 20 239 826              | 4 094 659 | 2 455 512 | 1 022 815             | 27 812 812 |
| 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                         | 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 |
| <b>Carrying amounts</b>                   |                         |           |           |                       |            |
| At 1 January 2015                         | 21 293 662              | 3 992 303 | 4 298 822 | 502 804               | 30 087 591 |
| At 31 December 2015 3)                    | 16 130 073              | 4 104 290 | 5 341 238 | 509 172               | 26 084 774 |
| At 1 January 2016                         | 16 130 073              | 4 104 290 | 5 341 238 | 509 172               | 26 084 774 |
| At 31 December 2016 3)                    | 11 523 375              | 3 499 543 | 4 795 864 | 445 459               | 20 264 242 |

- 1) Fixtures and office equipment: 10 years, cars: 7 years, IT equipment: 5 years, real estate 5 - 50 years
- 2) Acquisitions in 2016 include no capitalized borrowing costs (2015: NOK 0).
- 3) Two of the windfarms in Fred. Olsen Renewables are financed through financial leases, and the total carrying amount per year end 2016 for these two windfarms is NOK 287 million (2015: NOK 461 million).

**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 1 918 million (2015: NOK 4 904 million) was recognized on property, plant and equipment, split between the segments as follows:

| (Amounts in NOK million) | 2016  | 2015  |
|--------------------------|-------|-------|
| Offshore drilling        | 1 815 | 4 904 |
| Shipping / Offshore wind | 103   | 0     |
| Total Impairment         | 1 918 | 4 904 |

...the note continues on the next page

## Notes

*Discount rates*

Impairment tests have been undertaken for all the units within FOE and for the fleet of crew transfer vessels (CTVs) within FOO.

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 various scenarios with a percentage likelihood for some of the units.

The FOE Group applied pre-tax discount rates in the range from 10.45% to 10.91% (2015: 9.04% to 9.82%) for the various units. The post-tax discount rates varies from 9.21% up to 9.68% (2015: 8.52% to 9.04%) due to differences in effective tax rates for the units from 0% up to 14%.

Within the FOO Group, value-in-use calculations for the vessels were carried out using 10% post-tax discount factor.

**OFFSHORE DRILLING**

An impairment loss of USD 218.7 million (NOK 1 815 million) was recorded in 2016 (2015: USD 607.9 million = NOK 4 904 million).

The following impairments have been recorded:

|                         | Year 2016    | Year 2015    | Discount rates 2016 |         |
|-------------------------|--------------|--------------|---------------------|---------|
|                         |              |              | Post-tax            | Pre-tax |
| Borgland                | 88.0         | -            | 9.55 %              | 10.91 % |
| Byford                  | 89.2         | 98.0         | 9.21 %              | 10.63 % |
| Borgsten                | 21.5         | -            | N/A                 | N/A     |
| Bredford                | 20.0         | 110.0        | N/A                 | N/A     |
| Blackford               | -            | 172.0        | 9.68 %              | 10.77 % |
| Belford                 | -            | 80.0         | 9.58 %              | 10.53 % |
| Borgholm                | -            | 41.0         | N/A                 | N/A     |
| Borgny                  | -            | 15.5         | N/A                 | N/A     |
| Bollsta                 | -            | 91.4         | N/A                 | N/A     |
| <b>Total impairment</b> | <b>218.7</b> | <b>607.9</b> |                     |         |

The global market for floating oil and gas drilling units have been weak during 2015 and 2016.

A large reduction in investments from the oil companies in combination with oversupply of new ultra-deep-water units have resulted in a weak market for offshore drilling units and low tender activity. The market is expected to continue to be weak during 2017 and improve from 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 is based on the current low dayrate and low utilization for 2017 and 2018. 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.

**Borgsten Dolphin** completed a tender support vessel contract in October 2016. The Group does not see any future contract opportunities for this unit in the near to medium term and the net book value has been written down to zero.

**Byford Dolphin** completed a three-year contract in October 2016. Due to the negative development of dayrates and expected utilization, the assumptions have been reduced compared to previous years.

**Borgland Dolphin** completed a contract in October 2016. Due to the negative development of dayrates and expected utilization, the assumptions have been reduced compared to previous years.

**Bredford Dolphin** completed a contract early January 2016. The rig is currently cold stacked. Due to the negative development of dayrates and expected utilization, the book value of the unit is based on a potential sale price when the market condition improves.

## Notes

### *Sensitivity*

An increase of 1% on the post-tax discount rate would have increased the impairment by USD 47 million. The estimated day rates and utilizations are significant assumptions in the model and if the assumption that the market will not strengthen in 2018 or if the market recovers earlier than assumed it will have a material impact.

### SHIPPING / OFFSHORE WIND:

At the end of the 2016 Fred. Olsen Windcarrier A/S (Denmark) had eight crew transfer vessels, whereof one was held for sale (with closing/delivery in February 2017). The seven remaining vessels (Bayard class) are near identical vessels all serving as service vessels for transfer of crew and light equipment to offshore windfarms.

As at 31 December 2016 the Company evaluated the carrying value of the vessels. The market for crew transfer vessels is limited and hence there is a lack of comparable transactions on which the market value for Bayards may be adequately determined. Consequently, the Company used a combination of several methods to evaluate the carrying value of the Bayards, including :

- evaluation of resale value of similar tonnage, taking into account depreciation to match the age of the vessels
- information from brokers about ask/bid prices for crew transfer vessels recently circulated in the market
- value-in-use calculation for the vessels, using 15 years operational life and current market rates, operating expenses and administrative expenses with 2% p.a. escalation and calculated to a net present value using 10% discount factor.

Based on the above the Company concluded that the impairment write-down for the seven Bayard class vessels were EUR 11.3 million (NOK 103 million) as at 31 December 2016.

## 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 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.

*...the note continues on the next page*

## Notes

### *(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.

### *(iv) Impairment*

The carrying amounts of the Groups 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 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     |
|--|-------------------|-------------------|----------|---|-----------|
| <b>Cost</b>                                |                   |                   |          |   |           |
| Balance at 1 January 2015                  | 364 675           | 162 000           | 409 558  | 151 695   | 1 087 928 |
| Adjustment opening balance                 |                   |                   |          | 54 271  | 54 271    |
| Adjusted balance at 1 January 2015         | 364 675           | 162 000           | 409 558  | 205 966   | 1 142 199 |
| Acquisitions                               | 63 309            |                   | 5 902    | 29 246  | 98 457    |
| Reclassifications                          | -67 543           |                   |          |   | -67 543   |
| Effect of exchange rate fluctuations       | 43 066            |                   | 880      | 1 892   | 45 838    |
| Balance at 31 December 2015                | 403 507           | 162 000           | 416 340  | 237 104   | 1 218 951 |
| 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 |
| <b>Depreciations and impairment losses</b> |                   |                   |          |   |           |
| Balance at 1 January 2015                  | 770               | 0                 | 0        | 27 190  | 27 960    |
| Adjustment opening balance                 |                   |                   |          | 54 271  | 54 271    |
| Adjusted balance at 1 January 2015         | 770               | 0                 | 0        | 81 461  | 82 231    |
| Depreciation charge for the year           | 1 073             |                   |          | 36 186  | 37 259    |
| Reclassifications                          | -968              |                   |          |   | -968      |
| Effect of exchange rate fluctuations       |                   |                   |          | 97  | 97        |
| Balance at 31 December 2015                | 875               | 0                 | 0        | 117 744   | 118 619   |
| 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   |
| <b>Carrying amounts</b>                    |                   |                   |          |   |           |
| At 1 January 2015                          | 363 905           | 162 000           | 409 558  | 124 505   | 1 059 968 |
| At 31 December 2015                        | 402 632           | 162 000           | 416 340  | 119 360   | 1 100 332 |
| 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   |
| Expected economic life                     | 3 years           |                   |          | 5 - 10 years                                      |           |
| Depreciation is linear                     |                   |                   |          |   |           |

...the note continues on the next page

## Notes

### Impairment

#### Offshore Drilling:

##### Goodwill

Key accounting estimate – estimate of fair value of cash-generating unit for impairment testing of goodwill.

Goodwill is tested for impairment minimum annually or when impairment indicators are triggered. The recoverable amounts of the cash-generating unit has been determined based on a value in use calculation. This calculation requires the use of estimates and is based on assumptions that are consistent with the market valuation assumptions utilized in our impairment assessment for the rigs of the Fred. Olsen Energy Group.

| Goodwill                                 | (Amounts in USD 000's) |
|--|------------------------|
| Balance at 1 January 2015                | 13 262                 |
| Effects of movements in foreign exchange | -2 072                 |
| Balance at 31 December 2015              | 11 190                 |
| Balance at 1 January 2016                | 11 190                 |
| Impairment                               | -12 017                |
| Effect of movements in foreign exchange  | 827                    |
| Balance at 31 December 2016              | 0                      |

The Fred. Olsen Energy Group performed an impairment test during 2016. The value in use calculation was based on the following key assumptions:

- projected cash flows for two rigs being operated by Dolphin Drilling AS
- a post-tax discount rate of 8.8% was applied in determining the recoverable amount (pre-tax discount rate of 10.1%)

The recoverable amount was estimated to be lower than its carrying amount and impairment of the goodwill of USD 12 million (NOK 99 million) was required (2015 NOK 0).

#### Renewable Energy:

##### Development costs

Two Norwegian development projects got final refusals from the Oil and Energy Ministry on the consent applications in 2016. As a consequence capitalized costs of NOK 20 million were written off in 2016 (2015 NOK 0).

## Notes

## Note 12 – Investments in associates

## Accounting policies

Associates are those entities in which the Group 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's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's 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, from the date that significant influence commences until the date that significant influence ceases. When the Group's 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 has an obligation or has made payments on behalf of the associate.

| (Amounts in NOK 1 000)                                    | Morgen-<br>bladet AS 1) | Global Wind Power<br>France Aps 2) | Other<br>associates 3) | Total  |
|---|-------------------------|------------------------------------|------------------------|--------|
| Consolidated  |                         |                                    |                        |        |
| Date of acquisition                                       | 24.01.2014              | 19.04.2016                         |                        |        |
| Business office   | Oslo                    | Thisted, Denmark                   |                        |        |
| Bonheur Group's ownership per 31 December 2015            | 33.33%                  | 0.00%                              |                        |        |
| Bonheur Group's percentage of votes per 31 December 2015  | 33.33%                  | 0.00%                              |                        |        |
| Bonheur Group's ownership per 31 December 2016            | 0.00%                   | 51.00%                             |                        |        |
| Bonheur Group's percentage of votes per 31 December 2016  | 0.00%                   | 51.00%                             |                        |        |
| Share of equity per 31.12.2015                            | 5 611                   | 0                                  | 550                    | 6 161  |
| Profit from the company accounts                          | 0                       | 17 451                             | -402                   | 17 050 |
| Net profit included in Bonheur Group of companies         | 0                       | 17 451                             | -402                   | 17 050 |
| Transition from associate to subsidiary<br>Acquisition 2) | -5 611                  | 0                                  | 0                      | -5 611 |
| Currency translation differences                          | 0                       | 58 192                             | 0                      | 58 192 |
| Share of equity per 31.12.2016                            | 0                       | 287                                | 0                      | 287    |
|   |                         | 75 930                             | 149                    | 76 079 |

The presentation shows the accounts for the most significant associates as at 31 December 2016.

- 1) Morgenbladet AS was an associate of NHST Media Group (NHST) in 2015, but became a subsidiary of NHST during 2016.
- 2) The owner company, Fred. Olsen Renewables AS' (FOR), investment (costprice) in Global Wind Power France Aps (GWP) is NOK 58.2 million. 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 consolidate GWP. See note 28 regarding the accounting policy for subsidiaries.
- 3) Including Codling Holding Ltd and Smartcom TV AS.

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

| (Amounts in EUR 1 000)  | Global Wind Power<br>France Aps 2016 *) |
|-------------------------|---|
| Operating income        | 8 630                                   |
| Operating profit / loss | 2 329                                   |
| Profit for the year     | 2 129                                   |
| Total assets            | 10 799                                  |
| Total liabilities       | 5 020                                   |
| Total equity            | 5 779                                   |

\*) The presentation shows the figures for the period 01.07.2015 - 31.12.2016.

## Notes

### Note 13 – Other investments

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#### Accounting policies

##### *Available-for-sale financial assets*

The Group's 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.

##### *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 recognised in other comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income is transferred to profit or loss. An impairment loss is recognised 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 recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised 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 31.12.16 | Fair value as per 31.12.15 |
|---|-----------------------|-------------|------------------|----------------|----------------------------|----------------------------|
| <b>Public listed companies 1)</b>                     |                       |             |                  |                |                            |                            |
| Opera Software ASA                                    | 2 391                 | 1.02%       | 1 216 666        | 5 075          | 45 382                     | 61 502                     |
| Callon Petroleum Company 2)                           | USD 287               | -           | -                | 0              | 0                          | 104 058                    |
| Various shares  |                       |             |                  | 3 001          | 980                        | 904                        |
| <b>Total public listed companies</b>                  |                       |             |                  | <b>8 076</b>   | <b>46 362</b>              | <b>166 464</b>             |
| <b>Shares with no publicly quoted market price 3)</b> |                       |             |                  |                |                            |                            |
| Koksa Eiendom AS                                      | 514 812               | 12.62%      | 16 239 264       | 137 214        | 121 800                    | 121 800                    |
| Scotrenewables Tidal Power Ltd. 4)                    | 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            | 2 174                      | 2 013                      |
| Fred. Olsen Spedisjon A/S 5)                          | 1 750                 | 100.00%     | 700              | 9 584          | 0                          | 8 584                      |
| Origami Energy Ltd.                                   | GBP 0.14              | 21.95%      | 300 000          | 37 404         | 37 404                     | 0                          |
| Feeder Container Vessel DIS                           | -                     | 2.00%       | -                | 680            | 0                          | 907                        |
| Orchard Offshore DIS                                  | -                     | 3.00%       | -                | 2 193          | 0                          | 1 599                      |
| Homborsund Container DIS                              | -                     | 2.00%       | -                | 888            | 888                        | 0                          |
| Verdane Capital VI K/S, contribution                  |                       |             |                  | 197            | 197                        | 197                        |
| Novus Energy Partners LP, contribution                |                       | 3.01%       |                  | 9 779          | 5 148                      | 6 161                      |
| Various shares  |                       |             |                  | 1 113          | 1 206                      | 1 114                      |
| <b>Total non-listed companies</b>                     |                       |             |                  | <b>272 453</b> | <b>193 194</b>             | <b>166 751</b>             |
| <b>Total</b>  |                       |             |                  | <b>280 528</b> | <b>239 555</b>             | <b>333 216</b>             |

- 1) The fair value is determined by using the listed prices of the companies at year end.
- 2) Market value as per 31.12.15 is determined using stock price USD 8.34 and rate of exchange USD/NOK 8.8090. The investment sold during 2016.
- 3) 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's 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. No share transactions of the shares in Koksa Eiendom AS took place during 2016 and the fair value of the shares cannot be measured reliably. An external evaluation of the real estate has been made, that justifies using cost as the lower of cost or fair value.
- 4) Bonheur Group's investment in Scotrenewables Tidal Power Ltd. was written down with NOK 48,534,025 in 2015.
- 5) The company is fully consolidated in Bonheur Group from 1 January 2016.

## Bonds and other receivables (non-current assets)

| (Amounts in NOK 1 000)  | 2016           | 2015           |
|---|----------------|----------------|
| Bonds and securities (specification below)                    | 198 007        | 241 470        |
| Loans granted to associates                                   | 35 590         | 0              |
| Other interest-bearing loans                                  | 10 040         | 14 310         |
| Other non interest-bearing receivables                        | 20 091         | 16 796         |
| <b>Total Bonds and other receivables (non-current assets)</b> | <b>263 728</b> | <b>272 577</b> |

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## Notes

## Bonds classified as available for sale 1)

| (Amounts in NOK 1 000)                 | Cost price     | Currency | Nominal interest rate 2016 | Average interest rate 2016 | Redemption date | Fair value as per 31.12.16 | Fair value as per 31.12.15 |
|--|----------------|----------|----------------------------|----------------------------|-----------------|----------------------------|----------------------------|
| <b>Non-current assets:</b>             |                |          |                            |                            |                 |                            |                            |
| Hafslund ASA                           | 5 000          | NOK      | 1.7 %                      | 1.6 %                      | 2019            | 4 985                      | 4 852                      |
| Hafslund ASA                           | 0              | NOK      | 1.7 %                      | 1.9 %                      | 2016            | 0                          | 4 986                      |
| Hafslund ASA                           | 0              | NOK      | 1.3 %                      | 1.3 %                      | 2019            | 0                          | 1 994                      |
| Hafslund ASA                           | 3 008          | NOK      | 1.9 %                      | 1.9 %                      | 2017            | 3 007                      | 0                          |
| Hafslund ASA                           | 5 000          | NOK      | 2.0 %                      | 2.0 %                      | 2021            | 4 989                      | 0                          |
| Bergenshalvøens Kommunale Kraftselskap | 5 011          | NOK      | 2.4 %                      | 2.4 %                      | 2017            | 4 915                      | 4 906                      |
| Bergenshalvøens Kommunale Kraftselskap | 0              | NOK      | 2.0 %                      | 2.1 %                      | 2016            | 0                          | 9 967                      |
| Agder Energi AS                        | 0              | NOK      | 2.1 %                      | 0.0 %                      | 2016            | 0                          | 4 953                      |
| Agder Energi AS                        | 5 104          | NOK      | 2.2 %                      | 2.1 %                      | 2018            | 5 043                      | 4 997                      |
| Vardar AS                              | 0              | NOK      | 2.8 %                      | 2.8 %                      | 2016            | 0                          | 14 938                     |
| Tafjord Kraft AS                       | 0              | NOK      | 2.3 %                      | 2.3 %                      | 2016            | 0                          | 4 945                      |
| Sogn og Fjordane Energi                | 4 875          | NOK      | 2.3 %                      | 2.2 %                      | 2018            | 4 803                      | 4 743                      |
| Statkraft AS                           | 0              | NOK      | 1.4 %                      | 1.0 %                      | 2016            | 0                          | 4 891                      |
| Statnett                               | 5 000          | NOK      | 1.6 %                      | 1.6 %                      | 2019            | 4 988                      | 4 897                      |
| Ringeriks kraft                        | 0              | NOK      | 2.1 %                      | 2.2 %                      | 2016            | 0                          | 4 930                      |
| <b>Energy Services companies</b>       | <b>32 998</b>  |          |                            | <b>1.8 %</b>               |                 | <b>32 730</b>              | <b>75 998</b>              |
| Entra Eiendom AS                       | 10 110         | NOK      | 2.4 %                      | 2.3 %                      | 2017            | 9 946                      | 9 955                      |
| Entra Eiendom AS                       | 4 938          | NOK      | 1.7 %                      | 1.7 %                      | 2019            | 4 990                      | 0                          |
| Oslo bolig og sporelag                 | 0              | NOK      | 2.9 %                      | 3.0 %                      | 2016            | 0                          | 5 039                      |
| OBOS Forretningsbygg AS                | 10 103         | NOK      | 2.8 %                      | 2.8 %                      | 2018            | 10 071                     | 0                          |
| Olav Thon Eiendomsselskap ASA          | 4 995          | NOK      | 2.3 %                      | 2.3 %                      | 2018            | 4 926                      | 4 873                      |
| Olav Thon Eiendomsselskap ASA          | 9 942          | NOK      | 1.9 %                      | 1.8 %                      | 2019            | 9 988                      | 9 791                      |
| Norwegian Property ASA                 | 2 000          | NOK      | 2.1 %                      | 2.1 %                      | 2019            | 2 005                      | 1 969                      |
| <b>Real Estate companies</b>           | <b>42 088</b>  |          |                            | <b>2.2 %</b>               |                 | <b>41 927</b>              | <b>31 627</b>              |
| Yara International ASA                 | 0              | NOK      | 8.8 %                      | 8.3 %                      | 2016            | 0                          | 8 123                      |
| Orkla ASA                              | 13 373         | NOK      | 1.7 %                      | 1.6 %                      | 2017            | 13 335                     | 13 250                     |
| A.P. Møller-Maersk                     | 10 228         | NOK      | 3.3 %                      | 3.2 %                      | 2017            | 9 899                      | 10 002                     |
| Color Group AS                         | 0              | NOK      | 6.3 %                      | 6.5 %                      | 2016            | 0                          | 3 037                      |
| Norgesgruppen AS                       | 10 121         | NOK      | 2.7 %                      | 2.6 %                      | 2017            | 10 071                     | 10 080                     |
| Posten Norge AS                        | 0              | NOK      | 2.0 %                      | 2.0 %                      | 2016            | 0                          | 4 963                      |
| Posten Norge AS                        | 5 000          | NOK      | 1.8 %                      | 1.7 %                      | 2018            | 5 005                      | 4 935                      |
| Posten Norge AS                        | 5 000          | NOK      | 1.9 %                      | 1.9 %                      | 2020            | 5 011                      | 4 891                      |
| Kongsberg Gruppen ASA                  | 5 485          | NOK      | 4.8 %                      | 4.8 %                      | 2019            | 5 298                      | 5 374                      |
| Wilh. Wilhelmsen ASA                   | 0              | NOK      | 2.0 %                      | 2.1 %                      | 2016            | 0                          | 2 952                      |
| Wilh. Wilhelmsen ASA                   | 4 963          | NOK      | 3.5 %                      | 3.4 %                      | 2018            | 5 005                      | 0                          |
| Wilh. Wilhelmsen ASA                   | 2 895          | NOK      | 2.9 %                      | 4.2 %                      | 2019            | 2 950                      | 0                          |
| Veidekke ASA                           | 5 045          | NOK      | 2.9 %                      | 2.9 %                      | 2018            | 4 946                      | 4 930                      |
| Nortura SA                             | 5 240          | NOK      | 3.8 %                      | 3.8 %                      | 2017            | 5 033                      | 5 092                      |
| Nortura SA                             | 5 000          | NOK      | 2.3 %                      | 2.3 %                      | 2022            | 4 992                      | 0                          |
| Schibsted ASA                          | 5 040          | NOK      | 3.3 %                      | 3.2 %                      | 2017            | 5 013                      | 0                          |
| Tine SA                                | 5 169          | NOK      | 2.6 %                      | 2.6 %                      | 2017            | 5 054                      | 5 054                      |
| Tine SA                                | 9 948          | NOK      | 1.6 %                      | 1.5 %                      | 2017            | 9 998                      | 0                          |
| <b>Industry companies</b>              | <b>92 505</b>  |          |                            | <b>3.0 %</b>               |                 | <b>91 611</b>              | <b>82 685</b>              |
| BN Bank ASA                            | 0              | NOK      | 1.9 %                      | -0.7 %                     | 2016            | 0                          | 4 973                      |
| BN Bank ASA                            | 5 018          | NOK      | 2.0 %                      | 2.0 %                      | 2018            | 5 026                      | 0                          |
| BN Kreditt AS                          | 0              | NOK      | 1.9 %                      | 19.4 %                     | 2016            | 0                          | 4 873                      |
| Storebrand ASA                         | 0              | NOK      | 3.3 %                      | 3.0 %                      | 2016            | 0                          | 9 832                      |
| Storebrand ASA                         | 5 000          | NOK      | 3.5 %                      | 3.5 %                      | 2017            | 4 810                      | 4 841                      |
| Storebrand ASA                         | 2 000          | NOK      | 2.0 %                      | 1.9 %                      | 2019            | 1 968                      | 1 915                      |
| Sparebank 1 SMN                        | 0              | NOK      | 2.1 %                      | 2.2 %                      | 2016            | 0                          | 4 932                      |
| Kredittforeningen for Sparebanker      | 0              | NOK      | 2.3 %                      | 2.2 %                      | 2016            | 0                          | 10 005                     |
| Kredittforeningen for Sparebanker      | 10 042         | NOK      | 2.1 %                      | 2.2 %                      | 2018            | 9 944                      | 9 790                      |
| <b>Finance companies</b>               | <b>22 059</b>  |          |                            | <b>2.6 %</b>               |                 | <b>21 748</b>              | <b>51 161</b>              |
| Asker Kommune                          | 4 994          | NOK      | 1.3 %                      | 1.3 %                      | 2017            | 4 996                      | 0                          |
| Haram Kommune                          | 4 991          | NOK      | 1.3 %                      | 1.3 %                      | 2017            | 4 995                      | 0                          |
| <b>Other companies</b>                 | <b>9 985</b>   |          |                            | <b>1.3 %</b>               |                 | <b>9 991</b>               | <b>0</b>                   |
| <b>Total</b>                           | <b>199 636</b> |          |                            | <b>2.5 %</b>               |                 | <b>198 007</b>             | <b>241 470</b>             |

1) Fair value is based on quoted market prices.

## Notes

## Note 14 – Deferred tax assets and liabilities

## Accounting Principles

Deferred tax is recognised using the balance sheet method, providing for 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 recognised 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 there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| (Amounts in NOK 1 000)        | Assets   |          | Liabilities |          | Net      |          |
|-------------------------------|----------|----------|-------------|----------|----------|----------|
|                               | 2016     | 2015     | 2016        | 2015     | 2016     | 2015     |
| Property, plant and equipment | 10 465   | 39 455   | -191 885    | -187 983 | -181 419 | -148 528 |
| Gain and loss accounts        | 2 137    | 2 783    | -21 663     | -29 797  | -19 526  | -27 014  |
| Loans and borrowings          | 8 976    | 4 120    | -14 438     | -43 674  | -5 463   | -39 554  |
| Shares and bonds              | 119 348  | 119 384  | 0           | -13 417  | 119 348  | 105 967  |
| Other items                   | 292 848  | 331 903  | -115 150    | -125 616 | 177 698  | 206 287  |
| Miscellaneous differences     | 0        | 0        | -1 771      | -2 829   | -1 771   | -2 829   |
| Tax loss carry-forwards       | 192 211  | 176 684  | -99 144     | -78 306  | 93 067   | 98 379   |
| Tax assets - liabilities      | 625 985  | 674 329  | -444 050    | -481 621 | 181 934  | 192 708  |
| Set off of tax                | -263 936 | -295 802 | 263 936     | 295 802  | 0        | 0        |
| Net tax assets - liabilities  | 362 049  | 378 527  | -180 114    | -185 819 | 181 934  | 192 708  |

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relates to income tax levied to the same taxable entity.

## Unrecognised deferred tax liabilities

Deferred tax assets have not been recognised in respect of the following items:

| (Amounts in NOK 1 000)           | 2016      | 2015      |
|----------------------------------|-----------|-----------|
| Deductible temporary differences | 1 321 860 | 743 969   |
| Tax losses                       | 1 857 159 | 1 996 256 |
| Total                            | 3 179 019 | 2 740 225 |

As at 31 December 2016, approximately NOK 1,1 billion of the tax losses carried forward are available to offset the taxable income for subsidiaries in UK and NOK 6,6 billion for subsidiaries in Norway, in total 7.7 billion in tax losses carried forward. These losses are not recorded as a deferred tax asset due to uncertainty of the level of the future suitable taxable profits in taxable jurisdictions. The tax losses carried forward have no expiry date.

## Tax disputes

There are ongoing tax disputes with Norwegian tax authorities See Note 26 - Contingencies.

## Notes

## Note 15 – Inventories

## Accounting policies

Inventories and bunkers are recorded at the lower of cost and net realisable value. The Group 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 a larger spare items that is recorded as a rig component and depreciated.

| (Amounts in NOK 1 000)                 | 2016      | 2015      |
|--|-----------|-----------|
| Inventories and consumable spare parts | 1 020 298 | 1 110 424 |
| Bunkers                                | 23 156    | 15 407    |
| Articles of consumption onboard        | 23 202    | 35 119    |
| Work in progress                       | 24 073    | 19 000    |
| Total                                  | 1 090 729 | 1 179 950 |

Per year end the Group had inventories and consumable spare parts related to rigs, windfarms, cruise vessels and installation vessels for offshore wind turbines 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 2016 inventories and consumable spare parts recognised as cost of sales amounted to NOK 790 million (2015: NOK 795 million). In 2016 there have been no write downs of inventories or reversals of write downs.

## Note 16 – 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)            | 2016      | 2015      |
|-----------------------------------|-----------|-----------|
| Other trade receivables           | 1 281 933 | 1 671 923 |
| Total trade receivables           | 1 281 933 | 1 671 923 |
| Other receivables and prepayments | 725 691   | 2 393 688 |
| Fair value derivatives            | 34 320    | 0         |
| Bonds and securities              | 0         | 148       |
| Total other receivables           | 760 011   | 2 393 836 |
| Total trade and other receivables | 2 041 944 | 4 065 760 |

At 31 December 2016 Harland & Wolff, a subsidiary of Fred. Olsen Energy Group of companies, 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)   | 2016   | 2015    |
|--|--------|---------|
| Contract Revenue during the period, external                           | 83 654 | 101 419 |
| Contract Revenue during the period, internal                           | 11 747 | 716 229 |
| Contract cost incurred plus recognised profit on uncompleted contracts | 823    | 5 628   |
| Less progress billings to date   | -487   | -5 395  |
| Effect of exchange rate fluctuations                                   | 9      | 22      |
| Accrued and (deferred) revenue, net                                    | 345    | 255     |

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

| (Amounts in NOK 1 000)                      | 2016 | 2015 |
|---|------|------|
| Accounts receivables                        | 345  | 255  |
| Other accrued expenses and deferred revenue | 0    | 0    |
| Accrued and (deferred) revenue, net         | 345  | 255  |

## Notes

## Note 17 – 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)                   | 2016      | 2015      |
|--|-----------|-----------|
| Cash related to payroll tax withholdings | 35 328    | 57 784    |
| Other restricted cash *)                 | 497 537   | 608 320   |
| Total restricted cash                    | 532 865   | 666 104   |
| Unrestricted cash                        | 6 695 132 | 7 674 200 |
| Total cash & cash equivalents            | 7 227 997 | 8 340 304 |
| Unused credit facilities                 | 8 000     | 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 18 – Earnings per share

## Accounting policies

The Group 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)                                  | 2016       | 2015       |
|---|------------|------------|
| Loss for the year (Majority share)                      | -489 561   | -1 261 534 |
| Average number of outstanding shares during the year 1) | 41 927 226 | 32 345 668 |
| Basic earnings per share                                | -11.68     | -39.00     |

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

## Weighted average number of ordinary shares

|   | 2016       | 2015       |
|---|------------|------------|
| Issued ordinary shares at 1 January                       | 40 789 308 | 40 789 308 |
| Effect of own shares held 1)                              | 0          | 8 443 640  |
| Issued ordinary shares 1 January - 6 May                  | 40 789 308 | 0          |
| New shares issued 1)                                      | 1 742 585  | 0          |
| Issued ordinary shares 7 May - 31 December                | 42 531 893 | 0          |
| Weighted average number of ordinary shares at 31 December | 41 927 226 | 32 345 668 |

1) Average number of outstanding shares during 2015 was based on number of outstanding shares per 31.12.2015, less the number of shares that Ganger Rolf ASA had in Bonheur ASA during 2015. These shares were used as consideration to the Ganger Rolf shareholders in the merger in 2016. As part of the merger, there were issued 1 742 585 new shares.

## Note 19 – Interest bearing loans and borrowings

| (Amounts in NOK 1 000)                          | 2016              | 2015              |
|---|-------------------|-------------------|
| <b>Non-current interest-bearing liabilities</b> |                   |                   |
| Secured bank loans                              | 10 060 766        | 12 484 906        |
| Unsecured loans                                 | 2 941 482         | 3 648 589         |
| Finance lease liabilities                       | 233 214           | 374 553           |
| Other loans                                     | 720 079           | 1 073 195         |
| <b>Total</b>                                    | <b>13 955 540</b> | <b>17 581 242</b> |
| <b>Current interest-bearing liabilities</b>     |                   |                   |
| Current portion of secured bank loans           | 436 577           | 2 006 961         |
| Current portion of unsecured loans              | 483 099           | 1 187 254         |
| Current portion of finance lease liabilities    | 70 881            | 86 398            |
| Bank overdraft/other                            | 151 235           | 150 541           |
| <b>Total</b>                                    | <b>1 141 793</b>  | <b>3 431 155</b>  |

Fred. Olsen Energy ASA had as at 31 December 2016 a fleet loan based on USD Libor (3 months) plus a margin. A waiver request for temporarily waiving the minimum market value covenant, the net debt/EBITDA and the EBITDA/net interest expenses covenants was approved by the syndicate banks in December 2016. As a consequence, 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. As a consequence, a partial redemption of NOK 75 million took place in February 2017.

Fred. Olsen Ocean group, through its subsidiary Fred. Olsen Windcarrier, had per 31 December 2016 a loan balance of EUR 101.5 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 Renewables Ltd had as at 31 December 2016, through its 51% owned subsidiary Fred. Olsen Wind Ltd., drawn a total of GBP 314 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 14.25 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.

## 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. 2016      | 31 Dec. 2015      |
|---|----------|-----------------------------|------------------|-------------------|-------------------|
|   |          |                             |                  | Carrying amount   | Carrying amount   |
| Secured bank loan 1)                          | EUR      | EURIBOR + 2.85%             | 2020             | 922 259           | 1 068 339         |
| Secured bank loan 2)                          | GBP      | LIBOR + 1.55%               | 2024             | 287 274           | 379 217           |
| Secured bank loan 2)                          | GBP      | LIBOR + 1.55%               | 2020             | 117 119           | 185 526           |
| Secured bank loan 2)                          | GBP      | LIBOR + 1.55%               | 2021             | 205 641           | 299 385           |
| Secured bank loan 2)                          | GBP      | LIBOR + 1,55%               | 2027             | 1 139 133         | 1 468 933         |
| Secured bank loan 2)                          | GBP      | LIBOR + 1.55%               | 2027             | 72 963            | 89 868            |
| Secured bank loan 2)                          | GBP      | LIBOR + 2.0%                | 2026             | 407 164           | 539 025           |
| Secured bank loan 2)                          | GBP      | LIBOR + 2.0%                | 2026             | 605 170           | 796 934           |
| Secured bank loan 2)                          | GBP      | LIBOR + 2.0%                | 2026             | 194 334           | 256 294           |
| Secured bank loan                             | USD      | 3)                          | 2020             | 6 489 102         | 9 421 049         |
| Financial lease                               | GBP      | 4)                          | 2020             | 107 212           | 171 738           |
| Financial lease                               | GBP      | 4)                          | 2021             | 196 883           | 289 212           |
| Unsecured loan 5)                             | GBP      | 7%                          | 2021/'30         | 871 314           | 1 224 830         |
| Unsecured Bonheur ASA bond loans 6)           | NOK      | NIBOR + 4.5%/5.0%/3.1%/3.5% | 2017/'19/'19/'21 | 2 273 517         | 2 488 685         |
| Unsecured Fred. Olsen Energy ASA bond loan 7) | NOK      | NIBOR + 3.0%                | 2019             | 1 093 145         | 2 275 065         |
| Other   |          |                             |                  | 115 103           | 58 295            |
| <b>Total interest-bearing debt</b>            |          |                             |                  | <b>15 097 333</b> | <b>21 012 397</b> |

- 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 four outstanding Bonheur bond loans maturing in 2017, 2018, 2019 and 2021 were per year end 100.00, 101.50, 98.25 and 94.38, respectively.
- 7) The market value of Fred. Olsen Energy ASA bond loan maturing in 2019 was 60.25.

## Finance lease liabilities

Finance lease liabilities are payable as follows:

| (Amounts in NOK 1 000)     | Future minimum lease payments | Present value of minimum lease payments |                | Future minimum lease payments | Present value of minimum lease payments |                |
|----------------------------|-------------------------------|---|----------------|-------------------------------|---|----------------|
|                            | 2016                          | Interest                                | 2015           | 2015                          | Interest                                | 2015           |
| Less than one year         | 84 112                        | 10 772                                  | 73 340         | 106 127                       | 16 701                                  | 89 426         |
| Between one and five years | 256 035                       | 15 932                                  | 240 103        | 418 565                       | 32 498                                  | 386 067        |
| More than five years       | -                             | -                                       | -              | 393                           | 393                                     | -              |
| <b>Total</b>               | <b>340 147</b>                | <b>26 704</b>                           | <b>313 443</b> | <b>525 085</b>                | <b>49 592</b>                           | <b>475 493</b> |

## Notes

## Book value of collateral

| (Amounts in NOK 1 000)                | Book value        |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | 31.12.2016        | 31.12.2015        |
| Rigs and offshore units               | 11 465 574        | 15 986 283        |
| Windfarms                             | 3 579 960         | 3 980 045         |
| Vessels                               | 2 185 460         | 2 270 194         |
| Other fixed assets                    | 27 269            |                   |
| <b>Total book value of collateral</b> | <b>17 258 264</b> | <b>22 236 522</b> |

## Guarantees

|   |                  |                  |
|---|------------------|------------------|
| Guarantees granted to associates  |                  |                  |
| Guarantees granted to Group companies entities (reflected in the group accounts by recorded debt) | 1 169 170        | 1 340 176        |
| <b>Total</b>  | <b>1 169 170</b> | <b>1 340 176</b> |
| <br>  |                  |                  |
| Guarantees are granted in connection with the following investments                               |                  |                  |
| ABTA bonds, Fred. Olsen Cruise Lines  | 197 932          | 234 210          |
| Windfarms   | 48 978           | 59 900           |
| Offshore wind turbine installation vessels  | 922 259          | 1 046 066        |
| <b>Total</b>  | <b>1 169 170</b> | <b>1 340 176</b> |

## Note 20 – Employee Benefits

## Accounting policies

## Defined benefit plans

The pension schemes are accounted for in accordance with IAS19.

Actuarial gains and losses are recognised in other comprehensive income correspondingly affecting the net benefit liability or asset in the statement of financial position.

The Group of companies has pension plans that entitles its members to defined future benefits, called defined benefit plans. 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 recognised 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.



## Notes

It was decided to implement a transition from the current Defined Benefit Scheme to a Defined Contribution Scheme. All persons employed after 1 June 2012 were offered a Defined Contribution Scheme (at present maximum contribution). For all those employed before June 2012 there was an option to choose between the two alternatives. Obligations for contributions to defined contribution plans are expensed as the related services is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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 of company entity is administered by individual pension funds or by separate insurance companies. Some subsidiaries have defined contribution schemes for some of their employees. Total costs incurred were 56 million (2015: NOK 67 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 2016 were 2 390, of which 1 804 were pensioners (2015: 2 970 of which 1 875 pensioners). The majority of the pensioners were in Harland & Wolff.

Employees of Fred. Olsen & Co. are members of Fred. Olsen & Co.'s Pension Fund. Employees of Fred. Olsen & Co. have the right to future pension benefits (defined benefit plan for employees employed before 1 June 2012 - see accounting policies above) based on the number of contribution years and the salary level at the pensionable age. 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)  | 2016       | 2015       |
|---|------------|------------|
| Present value of unfunded obligations                                       | -565 664   | -508 924   |
| Present value of funded obligations   | -3 217 931 | -3 549 319 |
| Total present value of obligations  | -3 783 595 | -4 058 243 |
| Fair value of plan assets   | 2 611 632  | 2 821 407  |
| Net liability for defined benefit obligations                               | -1 171 962 | -1 236 836 |
| Hereof unfunded pension plans (net liability)                               | -565 664   | -508 924   |
| Hereof funded pension plans   | -606 299   | -727 912   |
| Recognised net overfunding / obligation (-) for defined benefit obligations | -1 171 962 | -1 236 836 |
| Financial fixed assets / pension funds                                      | 31 544     | 44 558     |
| Liabilities / Employee benefits   | -1 203 506 | -1 281 394 |
| Net liability at 31 December  | -1 171 962 | -1 236 836 |

*...the note continues on the next page*

## Notes

## 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 |          |
|--|-----------------------------|------------|---------------------------|-----------|---------------------------------|----------|
|  | 2016                        | 2015       | 2016                      | 2015      | 2016                            | 2015     |
| Balance at 1 January                             | -3 549 320                  | -3 562 154 | 2 821 407                 | 2 703 485 | -727 913                        | -858 669 |
| Recognition of subsidiary                        | -11 764                     |            | 14 831                    |           | 3 067                           | 0        |
|  | -3 561 084                  | -3 562 154 | 2 836 238                 | 2 703 485 | -724 846                        | -858 669 |
| Pension contribution                             |                             |            | 102 926                   | 192 119   | 102 926                         | 192 119  |
| Settlements / transfer of pension obligation     | 114 450                     | 46 565     | -114 841                  | -33 016   | -391                            | 13 549   |
| Benefits paid by the plan                        | 138 828                     | 148 306    | -134 216                  | -136 385  | 4 612                           | 11 921   |
|  | 253 278                     | 194 871    | -146 131                  | 22 718    | 107 147                         | 217 589  |
| Included in profit and loss:                     |                             |            |                           |           |                                 |          |
| Interest on obligation / Interest on plan assets | -103 280                    | -123 730   | 78 794                    | 92 732    | -24 486                         | -30 998  |
| Current Service cost                             | -106 534                    | -161 554   |                           |           | -106 534                        | -161 554 |
| Gain on settlements                              | 132 926                     |            |                           |           | 132 926                         |          |
| Currency effects                                 | -716                        | 26 095     |                           |           | -716                            | 26 095   |
| Net pension cost                                 | -77 604                     | -259 189   | 78 794                    | 92 732    | 1 190                           | -166 457 |
| Included in other comprehensive income:          |                             |            |                           |           |                                 |          |
| Actuarial gain/(loss) arising from:              |                             |            |                           |           |                                 |          |
| Demographic assumptions                          | 0                           | 0          | 0                         | 0         | 0                               | 0        |
| Financial assumptions                            | -252 384                    | 240 773    | 151 937                   | -190 018  | -100 447                        | 50 755   |
| Experience adjustments                           | 32 060                      | 93 227     |                           |           | 32 060                          | 93 227   |
|  | -220 324                    | 334 000    | 151 937                   | -190 018  | -68 387                         | 143 982  |
| Foreign currency translation                     | 387 806                     | -256 844   | -309 206                  | 192 490   | 78 600                          | -64 354  |
| Balance as at 31 December                        | -3 217 931                  | -3 549 320 | 2 611 632                 | 2 821 407 | -606 299                        | -727 913 |

## 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 Fund. There are no investments in the Company or in property occupied by the Group of companies.

| Major categories of plan assets | 2016  | 2015  |
|---------------------------------|-------|-------|
| Equity instruments              | 37 %  | 36 %  |
| Corporate bonds                 | 43 %  | 44 %  |
| Government bonds                | 10 %  | 7 %   |
| Annuities                       | 5 %   | 6 %   |
| Real estate                     | 2 %   | 3 %   |
| Other assets                    | 2 %   | 3 %   |
| Total Plan Assets               | 100 % | 100 % |

## Notes

## Unfunded defined benefit obligations

| (Amounts in NOK 1 000)                  | 2016     | 2015     |
|---|----------|----------|
| Balance at 1 January                    | -508 924 | -500 199 |
| Benefits paid by the plan               | 12 189   | 10 825   |
|   | -496 735 | -489 374 |
| Included in profit or loss:             |          |          |
| Current service costs                   | -25 146  | -29 900  |
| Interest on pension liability           | -12 600  | -12 462  |
| Settlements                             | -3 208   |          |
| Currency effects                        | 303      | 996      |
| Net pension cost                        | -40 651  | -41 366  |
| Included in other comprehensive income: |          |          |
| Remeasurement (loss) / gain             |          |          |
| Actuarial gain / (loss) arising from:   |          |          |
| Demographic assumptions                 | 0        | 0        |
| Financial assumptions                   | -4 324   | 6 689    |
| Experience adjustments                  | -23 947  | 14 886   |
|   | -28 271  | 21 575   |
| Currency effects                        | -7       | 241      |
| Balance at 31 December                  | -565 664 | -508 924 |

## Total expense recognised in the income statement

| (Amounts in NOK 1 000)                     | 2016     | 2015     |
|--|----------|----------|
| Current service cost                       | -131 680 | -191 454 |
| Interest on obligations                    | -115 880 | -136 192 |
| Expected return on plan assets             | 78 794   | 92 732   |
| Gain on settlements                        | 129 718  | 0        |
| Currency effects                           | -413     | 27 091   |
| Net pension cost for defined benefit plans | -39 461  | -207 823 |

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

| (Amounts in NOK 1 000)                          | 2016    | 2015    |
|---|---------|---------|
| 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      |

...the note continues on the next page

## Notes

**Discount rate in Defined Benefit Plans**

The discount rate was 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%                        | -33 741            |
| Future pension increase with 0,25%                       | -46 860            |
| Discount rate decrease by 0.25%                          | -170 661           |
| Future mortality assumption, increased lifetime + 1 year | -133 769           |

\*) Projected benefit obligation (PBO)

Expected contributions to funded defined benefit plans in 2017 are NOK 45 million.

Expected payment of benefits from the unfunded plans are in 2017 estimated to be NOK 5 million.

Total present value of obligations

| (Amounts in NOK 1 000)             | 2016      | 2015      |
|------------------------------------|-----------|-----------|
| Total present value of obligations |           |           |
| Employees                          | 1 509 959 | 1 723 632 |
| Deferred                           | 747 759   | 799 540   |
| Pensioners                         | 1 525 877 | 1 535 073 |
| Total present value of obligation  | 3 783 595 | 4 058 243 |

**Risks**

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

**Note 21 – Deferred Income and other accruals****Current items**

| (Amounts in NOK 1 000)             | 2016      | 2015      |
|------------------------------------|-----------|-----------|
| Accrued interest other             | 168 827   | 193 804   |
| Other accruals                     | 623 901   | 1 067 954 |
| Deferred income                    | 863 786   | 1 286 288 |
| Other accruals and deferred income | 1 656 514 | 2 548 046 |

The Group has short-term deferred income of NOK 864 million per 31 December 2016 (2015: 1.286 million). NOK 558 million, is due to prepayments from sale of cruises (2015: 592 million), NOK 303 million is prepayment received from subscribers within NHST (2015: 278 million), while NOK 2 million is prepayment received from offshore operators (2015: 416 million).

**Non-current items:**

Decommissioning costs related to windfarms of NOK 215.9 million (2015: 17.8 million) is included under "Other non-current liabilities".

## Notes

## Note 22 – Trade and other payables

| (Amounts in NOK 1 000)         | 2016    | 2015    |
|--------------------------------|---------|---------|
| Other trade payables           | 564 194 | 670 223 |
| Total trade payables           | 564 194 | 670 223 |
| Fair value of derivatives 1)   | 6 928   | 208 024 |
| Total other payables           | 6 928   | 208 024 |
| Total trade and other payables | 571 122 | 878 247 |

1) For further information about derivatives see note 23.

## Note 23 – 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.

...the note continues on the next page

## 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)                     | 2016             |                  | 2015              |                   |
|--|------------------|------------------|-------------------|-------------------|
|  | Carrying amount  | Fair value       | Carrying amount   | Fair value        |
| Available-for-sale financial assets, bonds | 198 007          | 198 007          | 241 470           | 241 470           |
| Trade receivables *)                       | 2 041 944        | 2 041 944        | 4 065 760         | 4 065 760         |
| Cash and cash equivalents                  | 7 227 987        | 7 227 987        | 8 340 316         | 8 340 316         |
| Derivatives                                | 34 320           | 34 320           | 0                 | 0                 |
| <b>Total</b>                               | <b>9 502 258</b> | <b>9 502 258</b> | <b>12 647 546</b> | <b>12 647 546</b> |

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

| (Amounts in NOK 1 000)   | 2016             |                  | 2015             |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | Carrying amount  | Fair value       | Carrying amount  | Fair value       |
| Offshore drilling        | 932 960          | 932 960          | 3 019 804        | 3 019 804        |
| Renewable Energy         | 571 767          | 571 767          | 521 379          | 521 379          |
| Cruise                   | 162 772          | 162 772          | 102 380          | 102 380          |
| Shipping / Offshore wind | 225 066          | 225 066          | 240 193          | 240 193          |
| Other Investment         | 149 379          | 149 379          | 182 003          | 182 003          |
| <b>Total</b>             | <b>2 041 944</b> | <b>2 041 944</b> | <b>4 065 760</b> | <b>4 065 760</b> |

## 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   |
|---|---------|---------|---------|---------|
| <b>31 December 2016</b>                     |         |         |         |         |
| 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 |
| <b>31 December 2015</b>                     |         |         |         |         |
| Available-for-sale financial assets, bonds  | 241 470 | 0       | 0       | 241 470 |
| Available-for-sale financial assets, shares | 166 464 | 2 013   | 164 738 | 333 215 |

## Notes

## Impairment losses

The aging of trade receivables at the reporting date was:

| (Amounts in NOK 1 000) | Gross            | Impairment     | Balance          | Gross            | Impairment     | Balance          |
|------------------------|------------------|----------------|------------------|------------------|----------------|------------------|
|                        | 2016             | 2016           | 2016             | 2015             | 2015           | 2015             |
| Not past due           | 1 610 232        | 0              | 1 610 232        | 2 269 718        | 0              | 2 269 718        |
| Past due 0-30 days     | 326 903          | 0              | 326 903          | 87 474           | 0              | 87 474           |
| Past due 31-180 days   | 40 063           | -4 939         | 35 124           | 1 677 004        | -3 107         | 1 673 897        |
| Past due 181-360 days  | 34 975           | -6 336         | 28 639           | 18 892           | -11 002        | 7 890            |
| More than one year     | 83 784           | -42 738        | 41 046           | 59 621           | -32 840        | 26 781           |
| <b>Total</b>           | <b>2 095 957</b> | <b>-54 012</b> | <b>2 041 944</b> | <b>4 112 709</b> | <b>-46 949</b> | <b>4 065 760</b> |

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  |                  |
|------------------------|------------------|------------------|
|                        | 2016             | 2015             |
| UK                     | 973 907          | 668 239          |
| EURO-zone incl. Norway | 694 165          | 1 379 522        |
| America                | 326 303          | 162 386          |
| Africa                 | 17 380           | 1 255            |
| Asia                   | 14 224           | 1 663 098        |
| Canada                 | 0                | 0                |
| Other                  | 15 965           | 191 261          |
| <b>Total</b>           | <b>2 041 944</b> | <b>4 065 760</b> |

## 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    |           |           |           |           | 2021 and thereafter |
|--------------------------------------|-----------------|------------------------|-----------|-----------|-----------|-----------|-----------|---------------------|
|                                      |                 |                        | 2017      | 2018      | 2019      | 2020      | 2021      |                     |
| 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    |                     |

| (Amounts in NOK 1 000)               | Carrying amount | Contractual cash flows | Due in    |           |           |           | 2020 and thereafter |
|--------------------------------------|-----------------|------------------------|-----------|-----------|-----------|-----------|---------------------|
|                                      |                 |                        | 2016      | 2017      | 2018      | 2019      |                     |
| 31 December 2015                     |                 |                        |           |           |           |           |                     |
| Non-derivative financial liabilities | 21 306 038      | 22 775 889             | 4 075 418 | 3 462 878 | 2 752 585 | 5 027 181 | 7 457 828           |
| Derivative financial liabilities     | 310 100         | 560 103                | 153 936   | 97 002    | 88 350    | 78 051    | 142 763             |

...the note continues on the next page

## 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 2016 |          |          | 31 December 2015 |          |          |
|--|------------------|----------|----------|------------------|----------|----------|
|  | USD              | GBP      | EUR      | USD              | GBP      | EUR      |
| Trade receivables                              | 113 381          | 57 775   | 24 463   | 345 912          | 40 963   | 25 286   |
| Secured bank loans                             | -752 796         | -290 003 | -104 433 | -1 069 480       | -311 914 | -111 647 |
| Cash and bank                                  | 310 860          | 166 971  | 73 118   | 223 868          | 175 526  | 137 780  |
| Trade payables                                 | -20 143          | -6 031   | -13 100  | -52 313          | -8 290   | -15 753  |
| Gross statement of financial position exposure | -348 699         | -71 289  | -19 952  | -552 013         | -103 715 | 35 666   |
| Forward exchange contract                      | 24 600           | -31 835  | 11 000   | -161 000         | 26 990   | 4 200    |
| Net exposure                                   | -324 099         | -103 124 | -8 952   | -713 013         | -76 725  | 39 866   |

## 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 2015.

| Effect in NOK 1000 | Equity  | Profit or loss |
|--------------------|---------|----------------|
| 31 December 2016   |         |                |
| USD                | 300 578 | -21 205        |
| GBP                | 75 659  | 33 786         |
| EUR                | 18 129  | -9 995         |
| 31 December 2015   |         |                |
| USD                | 486 268 | 141 825        |
| GBP                | 135 576 | -35 281        |
| EUR                | -34 307 | -4 040         |



## Notes

The following significant exchange rates applied during the year:

|        | Average rate |         | Reporting date spot rate |        |
|--------|--------------|---------|--------------------------|--------|
|        | 2016         | 2015    | 2016                     | 2015   |
| 11 USD | 8.4014       | 8.0637  | 8.62                     | 8.809  |
| 1 GBP  | 11.3937      | 12.3233 | 10.613                   | 13.072 |
| 1 EUR  | 9.2928       | 8.941   | 9.0863                   | 9.619  |

#### 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 and 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)   | 2016              | 2015              |
|--|-------------------|-------------------|
| <b>Fixed rate instruments</b>  |                   |                   |
| Financial assets   | 15 289            | 8 123             |
| Financial liabilities (interest-hedged portion of interest-bearing debt)     | -2 634 222        | -3 368 744        |
| <b>Total</b>   | <b>-2 618 933</b> | <b>-3 360 621</b> |
| <b>Variable rate instruments</b>   |                   |                   |
| Financial assets (cash and cash equivalents)                                 | 7 227 987         | 8 340 316         |
| Financial liabilities (non-interest-hedged portion of interest-bearing debt) | -12 463 110       | -17 643 653       |
| <b>Total</b>   | <b>-5 235 123</b> | <b>-9 303 337</b> |

#### 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 2015.

|                         | Profit or loss  |                 | Equity          |                 |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
|                         | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| <b>31 December 2016</b> |                 |                 |                 |                 |
| Net interest costs      | -52 351         | 52 351          | -52 351         | 52 351          |
| <b>31 December 2015</b> |                 |                 |                 |                 |
| Net interest costs      | -93 044         | 93 044          | -93 044         | 93 044          |

## Notes

## Note 24 – 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)     | 2016           | 2015           |
|----------------------------|----------------|----------------|
| Less than one year         | 5 301          | 8 927          |
| Between one and five years | 17 861         | 18 732         |
| More than five years       | 284 077        | 333 249        |
| <b>Total</b>               | <b>307 239</b> | <b>360 907</b> |

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.

**Leases as lessor****Accounting principles**

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

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

*Contractual income*

Bolette Dolphin, which commenced its first contract in May 2014, continued operations under its four-year drilling contract with Anadarko Petroleum Corporation in 2016. The unit has operated in West Africa and Colombia during 2016. The contract expires in July 2018. The contractual dayrates are USD 419 000 (for 6 months) and USD 488 000, which includes revenue both from lease rentals and services rendered.

Blackford Dolphin continued under a contract for Chevron, for operations in UK. The contract was expected to expire early February 2017. In January 2017, the contract with Chevron was extended until the end of February 2017. The contractual dayrates are USD 428 000 and USD 118 000, which includes revenue from lease rentals and services rendered.

Bideford Dolphin continued operations under a three-year drilling contract for Statoil ASA. The contract expired in early February 2017. In January the contract with Statoil was extended with one well, estimated to 35 days with completion early March. The contractual dayrates are USD 428 000 and USD 175 000, which includes revenue from lease rentals and services rendered.

## Notes

## Note 25 – Capital commitments

| (Amounts in NOK 1 000)        | Per year end 2016 |             |           | Per year end 2015 |             |           |
|-------------------------------|-------------------|-------------|-----------|-------------------|-------------|-----------|
|                               | Committed         | Capitalised | Remaining | Committed         | Capitalised | Remaining |
| Project                       |                   |             |           |                   |             |           |
| Fred. Olsen Energy            |                   |             |           |                   |             |           |
| Misc.                         | 34 480            |             | 34 480    | 79 281            |             | 79 281    |
| Fred. Olsen Renewables        |                   |             |           |                   |             |           |
| Windy Standard II             | 662 799           | 481 993     | 180 806   | 699 994           | 93 056      | 606 938   |
| Crystal Rig III               | 167 278           | 99 081      | 68 197    | 122 283           | 12 228      | 110 055   |
| Total                         |                   |             | 249 004   |                   |             | 716 993   |
| Fred. Olsen Cruise Lines      |                   |             |           |                   |             |           |
| Misc.                         | 50 295            | 19 901      | 30 394    | 38 462            | 24 512      | 13 950    |
| Remaining capital commitments |                   |             | 313 878   |                   |             | 810 224   |

## Note 26 – Contingencies and provisions

## Outstanding receivables from customers

As at 31 December 2016 a subsidiary within the Group of companies was involved in legal disputes with one specific customer with the original claims in dispute amounting to USD 18.3 million (NOK 158 million). The subsidiary won the legal dispute, originally amounting to USD 14 million (NOK 121 million) and received payment of USD 11 million (NOK 95 million) as per 31 December 2016. USD 3 million (NOK 26 million) is still outstanding and is made provision for. Furthermore there are outstanding disputes regarding interest calculation on the original disputed amount.

## 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 are ongoing tax disputes in subsidiaries within the Group of companies and the Norwegian tax authorities.

In 2013 a subsidiary, Mopu AS, was notified by the tax authorities of a possible change in the taxable income for 2005-2006. In February 2015 the company received a draft decision, whereby the possible payable tax was estimated to NOK 102 million. The amount was reflected in the recognized income tax expenses for 2014. The tax claim was challenged by the subsidiary, but in June 2015 the company received a final decision from the tax authorities leading to a payable tax, including interest, of NOK 126 million. The company challenged the decision to the tax appeal institute (skatteklagenemda), but in April 2016 the appeal institute rejected the challenge and the company decided not to challenge the decision further.

In the 3 quarter of 2015, Mopu AS received a draft decision regarding penalty tax on the same case as mentioned above. The penalty tax was not reflected in the draft, but will eventually be between 30% and 60% of the original paid tax if realized. The company has challenged the draft decision.

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 company has challenged the decision.

## Notes

## Note 27 – 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. In addition to the transactions described in notes 7, 16, and 20, the following transactions between related parties took place in 2016:

## 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 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 2016, the said two companies invoiced a total of NOK 52.1 million for services performed (2015: NOK 53.3 million). FOR also hired offices and other administrative services from Fred. Olsen Ltd. of NOK 4.1 million (2015: NOK 4.5 million).

SeaRoc Ltd., which is a wholly owned subsidiary of Fred. Olsen Ltd. has performed services on a subcontractor basis to Universal Foundation Norway AS, a subsidiary indirectly owned 100% by Bonheur ASA. In 2016 SeaRock Ltd. charged Universal Foundation Norway AS for services rendered of NOK 0.12 million (2015: EUR 0.7 million/NOK 6.0 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 2016 to GBP 0.2 million/ NOK 2.3 million (2015: GBP 0.2 million/NOK 2.5 million) with further costs charged for the provision of infrastructure and establishment services amounting to GBP 1.0 million / NOK 11.1 million (2015: GBP 0.9 million / NOK 11.1 million). In addition Fred. Olsen Ltd. invoiced FOCL for office management and personnel services, including the hire of personnel. In 2016, GBP 0.8 million (NOK 9.6 million) was invoiced for these services (2015: GBP 0.9 million / NOK 11.6 million). Fred. Olsen Travel Ltd (FOT), a subsidiary of Fred. Olsen Ltd., invoiced FOCL during 2016 for crew flights etc. amounting to GBP 2.8 million /NOK 31.9 million (2015: GBP 3.2 million /NOK 40.0 million). FOT also earned commission on cruise bookings of GBP 0.5 million /NOK 6.3 million (2015: GBP 0.5 million / NOK 6.5 million).

Fred. Olsen jr. is the chairman of the board of Fred. Olsen Cruise Lines Ltd. (FOCL). During 2016 he received an aggregate compensation of GBP 0.140 million /NOK 1.6 million (2015: GBP 0.140 million / NOK 1.7 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 2016 FOCL with GBP 11.4 million / NOK 129.3 million (2015: GBP 10.0 million / NOK 123.0 million).

## Transactions with Fred. Olsen &amp; 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 2016 had 37 employees. In 2016 Fred. Olsen & Co. charged the Company NOK 98.6 million (2015: NOK 85.6 million) for its managerial services allowing also for a profit element. Pension costs are discussed in note 20. 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)  | 2016    | 2015    |
|---|---------|---------|
| Management costs invoiced to the Company  | 98 568  | 85 582  |
| Management costs invoiced subsidiaries  | 40 351  | 36 176  |
| Amount outstanding between Fred. Olsen & Co. and the Company *)                 | -23 920 | -17 275 |
| Amount outstanding between Fred. Olsen & Co. and subsidiaries of the Company *) | -1 387  | -1 620  |

\*) Short term outstanding in connection with current operations.

## Notes

The compensation to Fred. Olsen & Co, and thus available to its proprietor for the aforesaid management of the Company was in 2016 NOK 16.2 million (2015: NOK 15.3 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 3.3 million related to 2014 was accordingly recommended and paid in 2016.

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 2016 is NOK 2.2 million (2015: 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 2016 (excluding Anette S. Olsen) consisted of four persons. The relative share of the compensation for these persons attributable to the Company is as follows:

| (Amounts in NOK 1 000)       | 2016   | 2015   |
|------------------------------|--------|--------|
| Salary                       | 8 480  | 7 888  |
| Bonus                        | 2 383  | 2 367  |
| Other compensations          | 70     | 64     |
| Total ordinary compensations | 10 932 | 10 319 |
| Pension benefits             | 4 495  | 4 247  |
| Total compensations          | 15 427 | 14 566 |

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 2016, bonus paid for the Group amounted to NOK 16 million (2015: NOK 28 million).

#### Remuneration to the Board of Directors and the Shareholders Committee

In 2016, the members of the board and the Managing Director received the following directors' fees:

| (Amounts in NOK 1 000)             | 2016  | 2015  |
|------------------------------------|-------|-------|
| Fred. Olsen, chairman of the Board | 1 415 | 1 430 |
| Andreas Mellbye                    | 398   | 420   |
| Helen Mahy *)                      | 445   | 520   |
| Carol Bell *)                      | 430   | 480   |
| Nick Emery *)                      | 470   | 520   |
| Anette S. Olsen, managing Director | 440   | 440   |
| Total compensations                | 3 598 | 3 810 |

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

In 2016, the Chairman received NOK 2.7 million (2015: 2.7 million) in pension payment.

*...the note continues on the next page*

## Notes

Effective from 1 January 2013, mr. Fred. Olsen became party to a consultancy agreement with Fred. Olsen & Co. In 2016 NOK 4.5 million was paid under his consultancy agreement with Fred. Olsen & Co. (2015: NOK 4.0 million).

| (Amounts in NOK 1 000)   | 2016  | 2015  |
|--------------------------|-------|-------|
| Board of Directors' fees |       |       |
| Fees from the company    | 3 158 | 3 370 |
| Fees in subsidiaries     | 3 483 | 3 366 |
| Total                    | 6 641 | 6 736 |

| (Amounts in NOK 1 000)         | 2016 | 2015 |
|--------------------------------|------|------|
| Shareholders' committee's fees |      |      |
| Christian Fr. Michelet         | 180  | 180  |
| Jørgen G. Heje                 | 150  | 150  |
| Bård Mikkelsen                 | 150  | 150  |
| Aase Gudding Gresvig           | 150  | 150  |
| Einar Harboe                   | 150  | 150  |
| Total compensations            | 780  | 780  |

Members of the Board of Directors and the managing director holds in total NOK 86 million of BON03, BON05 and BON06 bond loans.

As per 31 December 2016 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        | 48 986                  | 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                       | Aase Gudding Gresvig  | 817   |                 |       |
| 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 28 – Group of companies

## Accounting policies

The consolidated financial statements include the Company and its subsidiaries (the Group). Subsidiaries are entities controlled by the Group. The Group 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 with the following subsidiaries:

|                                     | Note | Country of incorporation | Ownership interest |          |
|-------------------------------------|------|--------------------------|--------------------|----------|
|                                     |      |                          | 2016               | 2015     |
| Ganger Rolf ASA 1)                  |      | Oslo, Norway             | 0.00 %             | 62.99 %  |
| Fred. Olsen Energy ASA              |      | Oslo, Norway             | 52.26 %            | 52.26 %  |
| Fred. Olsen Renewables AS           | 30   | Oslo, Norway             | 100.00 %           | 100.00 % |
| Fred. Olsen Ocean Ltd.              |      | Hamilton, Bermuda        | 100.00 %           | 100.00 % |
| 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.                     |      | Valletta, Malta          | 100.00 %           | 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 2)         |      | Oslo, Norway             | 100.00 %           | 100.00 % |
| Fred. Olsen Canary Lines S.L. 3)    |      | Spain                    | 100.00 %           | 100.00 % |
| Felixstowe Ship Management Ltd. 3)  |      | UK                       | 99.85 %            | 99.85 %  |

- 1) On 4 May 2016 the parent company Bonheur ASA was merged with Ganger Rolf ASA with accounting effect as from 1 January 2016. For accounting purposes, for the Parent company, the merger was carried out as if the two entities always had been one merged entity. For the Group, the merger will be carried out with effect from 1 January 2016. The merger has no effect on the Consolidated Financial Statements of the Group, except for changes in equity composition.
- 2) The company is fully consolidated in Bonheur Group from 1 January 2016.
- 3) 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.

## Notes

**Note 29 – Subsequent events**

On 12 January 2017, Fred. Olsen Energy ASA, a subsidiary of Bonheur ASA, summoned a bondholders' meeting in the Company's bond issue "FOE05" with an intention to temporarily waive certain covenants in the bond agreement. 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. As a consequence, a partial redemption of NOK 75 million took place in February 2017.

On the 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 the 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.

**Note 30 – Sale of ownership in UK wind farm portfolio**

At the end of the 2Q2015 the UK listed infrastructure fund The Renewables Infrastructure Group Limited ("TRIG") acquired ownership of 49 % of Fred. Olsen Renewables Ltd.'s (FORL) 433 MW installed capacity UK onshore wind farm portfolio. TRIG subscribed for GBP 142 101 230 in new shares in the subsidiary Fred. Olsen Wind Limited (FOWL), giving TRIG 49% ownership of the new total issued share capital of FOWL, and at the same time provided FOWL with two loans totalling GBP 103 898 770. The cash proceeds to FOWL resulting from TRIG's share subscription and loan issuances were used to repay existing shareholder loans provided by FORL and to pay special dividend to FORL.

FORL is owned 100% by the subsidiary Fred. Olsen Renewables AS.

The transactions in FOWL affected the Bonheur Group's consolidated financial position as follows:

|  |                   |
|--|-------------------|
| Increased cash and cash equivalents                | NOK 3 040 million |
| Increased non-current interest bearing liabilities | NOK 1 284 million |
| Increased total equity                             | NOK 1 756 million |



Bonheur ASA

## Income Statement (NGAAP)

| (Amounts in NOK 1 000)                        | Note | 2016             | 2015 (restated)    |
|---|------|------------------|--------------------|
| Other income                                  |      | 184              | 252                |
| Gain on sale of property, plant and equipment | 3    | 0                | 326                |
| <b>Total income</b>                           |      | <b>184</b>       | <b>578</b>         |
| Operating expenses                            | 1    | - 137 643        | - 130 754          |
| Depreciation                                  | 3    | - 2 983          | - 3 275            |
| <b>Total operating expenses</b>               |      | <b>- 140 627</b> | <b>- 134 029</b>   |
| <b>OPERATING RESULT</b>                       |      | <b>- 140 443</b> | <b>- 133 451</b>   |
| Interest income                               |      | 54 164           | 63 662             |
| Dividends                                     | 15   | 69 895           | 23 771             |
| Foreign exchange gains                        |      | 10 696           | 4 201              |
| Gain on sale of bonds and securities          | 5    | 78 932           | 1                  |
| Group contribution                            |      | 1 513            | 0                  |
| Other financial income                        |      | 18 231           | 20 606             |
| <b>Total financial income</b>                 |      | <b>233 431</b>   | <b>112 241</b>     |
| Other interest expenses                       | 9    | - 118 250        | - 130 651          |
| Foreign exchange losses                       |      | - 23 292         | - 537              |
| Loss on sale of bonds and securities          | 5, 6 | - 2 090          | - 491              |
| Other financial expenses                      | 16   | - 71 958         | - 1 716 092        |
| <b>Total financial expenses</b>               |      | <b>- 215 590</b> | <b>- 1 847 770</b> |
| <b>Net financial items</b>                    |      | <b>17 842</b>    | <b>- 1 735 529</b> |
| <b>RESULT BEFORE TAX</b>                      |      | <b>- 122 601</b> | <b>- 1 868 980</b> |
| Current tax                                   | 11   | 0                | 117 383            |
| Deferred taxes                                | 11   | 0                | 0                  |
| <b>RESULT FOR THE YEAR</b>                    |      | <b>- 122 601</b> | <b>- 1 751 598</b> |
| Proposed allocations:                         |      |                  |                    |
| Dividends                                     | 8    | 85 064           | 85 064             |
| Other equity                                  | 8    | - 207 665        | - 1 836 662        |
| <b>Total allocations</b>                      |      | <b>- 122 601</b> | <b>- 1 751 598</b> |

Bonheur ASA

## Balance Sheet (NGAAP)

| (Amounts in NOK 1 000)              | Note | 2016             | 2015 restated     |
|-------------------------------------|------|------------------|-------------------|
| <b>Assets</b>                       |      |                  |                   |
| <b>Non-current assets</b>           |      |                  |                   |
| Real estate                         | 3    | 33 720           | 36 513            |
| Other property, plant and equipment | 3    | 22 723           | 22 863            |
| Total property, plant and equipment |      | 56 442           | 59 376            |
| Investments in subsidiaries         | 4    | 7 995 111        | 8 212 332         |
| Investments in associated companies | 5    | 0                | 0                 |
| Investments in other shares         | 5    | 195 631          | 193 425           |
| Bonds                               | 6    | 199 602          | 288 266           |
| Other receivables                   | 7    | 649 851          | 328 140           |
| Pension funds                       | 2    | 22 086           | 27 795            |
| Financial fixed assets              |      | 9 062 281        | 9 049 959         |
| Total non-current assets            |      | 9 118 724        | 9 109 335         |
| <b>Current assets</b>               |      |                  |                   |
| Total current receivables           | 7    | 4 144            | 230 135           |
| Cash, bank deposits 1)              | 14   | 861 491          | 1 213 333         |
| Total current assets                |      | 865 635          | 1 443 467         |
| <b>TOTAL ASSETS</b>                 |      | <b>9 984 359</b> | <b>10 552 802</b> |
| 1) Hereof restricted cash           |      | 1 638            | 1 819             |
| <b>Equity and liabilities</b>       |      |                  |                   |
| <b>Equity</b>                       |      |                  |                   |
| Share capital                       | 8    | 53 165           | 50 987            |
| Additional paid in capital          |      | 143 270          | 25 920            |
| Total paid in capital               |      | 196 435          | 76 907            |
| Other equity                        |      | 4 419 004        | 4 776 056         |
| Total equity                        | 8    | 4 615 439        | 4 852 963         |
| <b>Liabilities</b>                  |      |                  |                   |
| Pension liabilities                 | 2    | 356 984          | 319 123           |
| Total provisions                    |      | 356 984          | 319 123           |
| Bond loans                          |      | 1 793 017        | 2 488 685         |
| Total non-current liabilities       | 9    | 1 793 017        | 2 488 685         |
| Total current liabilities           | 9    | 3 218 920        | 2 892 031         |
| Total liabilities                   |      | 5 368 920        | 5 699 840         |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <b>9 984 359</b> | <b>10 552 802</b> |
| Mortgages                           | 10   | 0                | 0                 |
| Guarantees                          | 10   | 1 169 169        | 1 340 100         |

Oslo, 5 April 2017

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

## Cash Flow Statement (NGAAP)

| (Amounts in NOK 1 000)   | 2016      | 2015 restated |
|--|-----------|---------------|
| <b>Cash flow from operating activities</b>                     |           |               |
| Result before taxes  | - 122 601 | -1 868 981    |
| Taxes paid   | 0         | 11 383        |
| Gain on sale of tangible fixed assets                          | 0         | - 243         |
| Gains (-) / losses on sale of shares, bonds and loans          | - 76 843  | 490           |
| Depreciation of tangible fixed assets                          | 2 983     | 3 275         |
| Write down of financial fixed assets                           | 67 064    | 1 711 051     |
| Group contribution   | - 1 513   | 0             |
| Unrealized currency gains (-) / losses                         | 16 126    | - 1 174       |
| Total cash flow from operations                                | - 114 784 | - 144 199     |
| Change in debtors and creditors 1)                             | - 2 464   | - 28 940      |
| Net cash flow from operating activities                        | A         | -173 139      |
| <b>Cash flow from investing activities</b>                     |           |               |
| Investments in property, plant and equipment                   | - 49      | - 1 127       |
| Proceeds from sale of property, plant and equipment and shares | 278 346   | 89 586        |
| Net change in investments in shares and bonds                  | - 123 760 | -1 186 811    |
| Net changes in long term receivables                           | - 107 450 | 413 776       |
| Net cash flow from investing activities                        | B         | -684 576      |
| <b>Cash flow from financing activities</b>                     |           |               |
| Increase in debt   | 23 268    | 73 607        |
| Repayment of debt  | - 219 885 | 0             |
| Dividends paid   | - 85 064  | - 118 789     |
| Net cash flow from financing activities                        | C         | -45 182       |
| Net change in cash and bank deposits                           | A + B + C | -902 897      |
| Cash and bank deposits 1 January                               | 1 213 333 | 2 116 230     |
| Cash and bank deposits 31 December                             | 861 491   | 1 213 333     |
| 1) Change in debtors and creditors                             |           |               |
| Increase (-) / decrease receivables                            | - 342     | 5 344         |
| Increase / decrease (-) short term liabilities                 | - 2 122   | - 34 284      |
| Total  | -2 464    | -28 940       |

Bonheur ASA

## General information and summary of significant Accounting Principles

Bonheur ASA is a holding company performing Group Management, Corporate Functions, and the Group's 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 not approved new amendments to its standards with effect for 2016.

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 etc. are classified as current assets. Other assets are classified as non current assets. An equivalent principle is applied to liabilities. Instalments 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, 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, 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 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 same group 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 2016 charged for its share of such cost, including the service fee for 2016 and for the pension costs related to employees in Fred. Olsen & Co.

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

| (Amounts in NOK 1 000)                       | 2016           | 2015<br>restated |
|--|----------------|------------------|
| Remuneration etc.                            |                |                  |
| Social Security and other personnel costs *) | 119            | 720              |
| Employee benefits (pension costs)            | 21 236         | 25 748           |
| Administration expenses Fred. Olsen & Co.    | 98 568         | 85 582           |
| <b>Total</b>                                 | <b>119 923</b> | <b>112 050</b>   |

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

|  |              |              |
|--|--------------|--------------|
| Professional fees to the auditors      |              |              |
| Statutory audit                        | 2 602        | 2 998        |
| Other attestation services             | 800          | 167          |
| Tax advice                             | 97           | 65           |
| Other services outside the audit scope | 1 093        | 400          |
| <b>Total (VAT included)</b>            | <b>4 592</b> | <b>3 630</b> |

### Note 2 – Pensions / Employee Benefits

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 2016, 122 employees i Fred. Olsen & Co. were members of the defined benefit scheme in the pension fund, whereof 95 pensioners.

It was decided to implement a transition from the current Defined Benefit Scheme to a Defined Contribution Scheme as from 1 June 2012. 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 67 years. The pension obligations represent 66% of the relevant salary at the time of retirement.

| (Amounts in NOK 1 000)                               | 2016            | 2015<br>restated |
|--|-----------------|------------------|
| Present value of unfunded obligations                | -356 981        | -319 123         |
| Present value of funded obligations                  | -224 158        | -229 412         |
| <b>Total present value of obligations</b>            | <b>-581 139</b> | <b>-548 535</b>  |
| Fair value of plan assets                            | 246 244         | 257 207          |
| <b>Net liability for defined benefit obligations</b> | <b>-334 895</b> | <b>-291 328</b>  |
| Hereof unfunded pension plans (Liability)            | -356 981        | -319 123         |
| Hereof funded pension plans (Financial fixed assets) | 22 086          | 27 795           |
| <b>Recognised net defined benefit obligations</b>    | <b>-334 895</b> | <b>-291 328</b>  |

## 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 |               |
|--------------------------------------|-----------------------------|---------------|---------------------------|---------------|---------------------------------|---------------|
|                                      | 2016                        | 2015 restated | 2016                      | 2015 restated | 2016                            | 2015 restated |
| Balance 1 January                    | -229 412                    | -239 294      | 257 207                   | 259 047       | 27 795                          | 19 751        |
| Pension contribution                 |                             |               | 0                         | 10 315        | 0                               | 10 315        |
| Settlement payments from plan assets | 3 848                       |               | -3 848                    |               |                                 |               |
| Benefits paid by the plan            | 12 895                      | 13 092        | -12 895                   | -13 092       | 0                               | 0             |
|                                      | 16 743                      | 13 092        | -16 743                   | -2 777        | 0                               | 10 315        |
| Included in profit and loss:         |                             |               |                           |               |                                 |               |
| Interest                             | -5 575                      | -5 652        | 6 405                     | 6 391         | 830                             | 740           |
| Past service cost                    | 3 024                       |               |                           |               | 3 024                           |               |
| Current Service cost                 | -5 758                      | -6 618        |                           |               | -5 758                          | -6 618        |
| Net pension cost                     | -8 309                      | -12 270       | 6 405                     | 6 391         | -1 904                          | -5 878        |
| Included in equity:                  |                             |               |                           |               |                                 |               |
| Actuarial gain/(loss) arising from:  |                             |               |                           |               |                                 |               |
| Demographic assumptions              | 0                           | 0             |                           |               | 0                               | 0             |
| Financial assumptions                | -2 332                      | 4 874         | -625                      | -5 454        | -2 957                          | -580          |
| Experience adjustments               | -848                        | 4 186         |                           |               | -848                            | 4 186         |
| Return on plan assets                |                             |               |                           |               |                                 | 0             |
|                                      | -3 180                      | 9 060         | -625                      | -5 454        | -3 805                          | 3 607         |
| Balance 31 December                  | -224 158                    | -229 412      | 246 244                   | 257 207       | 22 087                          | 27 795        |

## Unfunded defined benefit obligations:

| (Amounts in NOK 1 000)  | 2016     | 2015 restated |
|---|----------|---------------|
| Gross liability for unfunded defined benefit obligations at 1 January | -319 123 | -320 320      |
| Benefits paid by the plan   | 7 526    | 6 936         |
| Included in profit or loss:   |          |               |
| Current service costs   | -11 441  | -12 024       |
| Interest on pension liability   | -7 891   | -7 846        |
| Net pension cost  | -19 332  | -19 870       |
| Included in other comprehensive income:                               |          |               |
| Actuarial gain/(loss) arising from:                                   |          |               |
| Demographic assumptions   | 0        | 0             |
| Financial assumptions   | -4 379   | 8 843         |
| Experience adjustments  | -21 677  | 5 290         |
|   | -26 056  | 14 133        |
| Balance at 31 December  | -356 984 | -319 121      |

## Total expense recognised in the income statement:

| (Amounts in NOK 1 000)                     | 2016    | 2015<br>restated |
|--|---------|------------------|
| Current service cost                       | -17 199 | -18 642          |
| Past service cost                          | 3 024   | 0                |
| Interest on obligations                    | -13 466 | -13 496          |
| Expected return on plan assets             | 6 405   | 6 390            |
| Net pension cost for defined benefit plans | -21 236 | -25 748          |

The principal actuarial assumptions at the balance sheet date are the same as used for the Group, please see note 20 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                 | -6 451             |
| Future pension increase with 0.25%-points                | -14 356            |
| Discount rate decrease by 0.25%-points                   | -24 373            |
| Future mortality assumption, increased lifetime + 1 year | -25 648            |

Expected contributions to funded defined benefit plans in 2017 are NOK 0 million.

Expected payment of benefits from the unfunded plans are in 2017 estimated to be NOK 9.1 million.

\*) Projected Benefit Obligation.

## Note 3 – Property, plant and equipment

| (Amounts in NOK 1 000)                              | Real estate | Other assets  | Total   |
|---|-------------|---------------|---------|
| Cost price as per 01.01.15                          | 46 148      | 17 059        | 63 207  |
| Merger with subsidiary (see note 17)                | 46 148      | 18 197        | 64 345  |
| Cost price restated as per 01.01.15                 | 92 296      | 35 256        | 127 552 |
| Purchases   | 0           | 1 127         | 1 127   |
| Disposals   | 0           | -3 063        | -3 063  |
| Cost price restated as per 31.12.15                 | 92 296      | 33 320        | 125 616 |
| 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 |
| Accumulated depreciation as per 01.01.15            | -26 432     | -5 881        | -32 313 |
| Merger with subsidiary (see note 17)                | -26 432     | -5 940        | -32 372 |
| Accumulated depreciation restated as per 01.01.15   | -52 864     | -11 821       | -64 685 |
| Depreciation current year                           | -2 918      | -357          | -3 275  |
| Accumulated depreciation assets sold                | 0           | 1 721         | 1 721   |
| Accumulated depreciation restated as per 31.12.15   | -55 782     | -10 457       | -66 239 |
| 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 |
| Carrying amount restated as per 01.01.16            | 36 513      | 22 863        | 59 376  |
| Carrying amount as per 31.12.16                     | 33 720      | 22 723        | 56 442  |
| 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 | Equity            |
|-------------------------------------|-----------------|-----------|-------------------|------------------|-------------------|-------------------|
| Fred. Olsen Energy ASA              | Oslo            | 51.92 %   | 51.92 %           | 34 628 764       | 1 191 229         | USD 853 244 1) 2) |
| Fred. Olsen Renewables AS           | Oslo            | 100 %     | 100 %             | 10 000 000       | 1 779 412         | 3 568 332 1) 3)   |
| Fred. Olsen Ocean Ltd.              | Oslo            | 100 %     | 100 %             | 39 993 796       | 1 159 822         | EUR 127 812 1)    |
| First Olsen Holding AS              | Oslo            | 100 %     | 100 %             | 1 000 100        | 1 095 247         | 1 201 120 1) 4)   |
| NHST Media Group AS                 | Oslo            | 54 %      | 54 %              | 695 376          | 242 370           | 14 378 1)         |
| Laksa AS                            | Oslo            | 100 %     | 100 %             | 13 500           | 2 082             | 2 082 5)          |
| Laksa II AS                         | Oslo            | 100 %     | 100 %             | 13 500           | 2 106             | 2 106 5)          |
| Bonheur og Ganger Rolf ANS          | Oslo            | 99 %      | 99 %              | -                | 31 912            | 32 195 6)         |
| Fred. Olsen Insurance Services AS   | Oslo            | 100 %     | 100 %             | 1 500            | 2 100             | 3 387             |
| Fred. Olsen Travel AS               | Oslo            | 100 %     | 100 %             | 4 482            | 8 657             | 8 657             |
| Fred. Olsen Fly og Luftmateriell AS | Oslo            | 100 %     | 100 %             | 2 050            | 2 200             | 7 510             |
| Stavnes Byggeselskap AS             | Oslo            | 100 %     | 100 %             | 11 000           | 22 944            | 22 943 6) 7)      |
| Fred. Olsen Spedisjon AS            | Oslo            | 100 %     | 100 %             | 700              | 7 607             | 7 607 8)          |
| Fred. Olsen Ocean AS                | Oslo            | 100 %     | 100 %             | 300              | 30                | 30 9)             |
| Ganger Rolf AS                      | Oslo            | 100 %     | 100 %             | 30 000           | 31                | 30 9)             |
| Fred. Olsen Canary Lines S.L.       | Spain           | 100 %     | 100 %             | 100              | 96                | 30 9)             |
| Fred. Olsen Cruise Lines PTE Ltd.   | Singapore       | 100 %     | 100 %             | 1 000 000        | 6 230             | GBP 1 457         |
| FO Capital Ltd.                     | Malta           | 100 %     | 100 %             | 260 005 000      | 2 441 036         | 2 759 171         |
|                                     |                 |           |                   |                  | 7 995 111         |                   |

On 4 May 2016 the parent company Bonheur ASA was merged with Ganger Rolf ASA. For accounting purposes, for the Parent company, the merger was carried out as if the two entities always had been one merged entity.

- 1) Group Company Equity.
- 2) In 2015 the investment in Fred. Olsen Energy ASA (FOE) was written down with NOK 829 282 749.
- 3) In 2015 there was an increase of the paid in capital of NOK 503 712 000.
- 4) In 2015 there was an increase of the paid in capital of NOK 636 351 156.
- 5) 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.
- 6) In 2016, the subsidiary Stavnes AS acquired 1% share of Bonheur og Ganger Rolf ANS from the parent company Bonheur ASA.
- 7) In 2015 there was an increase of the paid in capital of NOK 2 500 000.
- 8) In 2016 there was an increase of the paid in capital of NOK 1 000 000.
- 9) 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.

## Note 5 – Shares in associated companies and other investments

| (Amounts in NOK 1 000)           |                          |                                |                     |            |                                  |                                  |
|----------------------------------|--------------------------|--------------------------------|---------------------|------------|----------------------------------|----------------------------------|
| Associated companies             | Company<br>Share capital | Ownership<br>Voting share<br>% | Number of<br>Shares | Cost price | Book value<br>as per<br>31.12.16 | Book value<br>as per<br>31.12.15 |
| Fred. Olsen Canary Lines S.L. 1) | EUR 6                    | 100.00%                        | 100                 | 96         | 0                                | 96                               |
| <b>Total</b>                     |                          |                                |                     | 96         | 0                                | 96                               |

| (Amounts in NOK 1 000)                 |           |                          |                                 |                     |               |                                  |                                    |                                  |                                    |
|--|-----------|--------------------------|---------------------------------|---------------------|---------------|----------------------------------|------------------------------------|----------------------------------|------------------------------------|
|  | Equity    | Company<br>share capital | Ownership<br>Voting-<br>share % | Number<br>of shares | Cost<br>price | Book value<br>as per<br>31.12.16 | Market<br>value as per<br>31.12.16 | Book value<br>as per<br>31.12.15 | Market<br>value as per<br>31.12.15 |
| <b>Sundry</b>                          |           |                          |                                 |                     |               |                                  |                                    |                                  |                                    |
| Opera Software ASA                     |           | 2 391                    | 1.02%                           | 1 216 666           | 5 075         | 5 075                            | 45 382                             | 5 075                            | 61 502                             |
| Callon Petroleum Company 4)            |           | USD 287                  | -                               | -                   | -             | 0                                | 0                                  | 25 764                           | 104 058                            |
| Various shares                         |           |                          |                                 |                     | 3 001         | 124                              | 980                                | 124                              | 904                                |
| <b>Total stock listed investments</b>  |           |                          |                                 |                     | 8 076         | 5 199                            | 46 362                             | 30 963                           | 166 464                            |
| Fred. Olsen Spedisjon A/S 2)           |           | 1 750                    | 100.00%                         | 700                 | 9 584         | 0                                |                                    | 8 584                            |                                    |
| Koksa Eiendom AS                       |           | 514 812                  | 12.62%                          | 16 239 264          | 137 214       | 121 800                          |                                    | 121 800                          |                                    |
| Scotrenewables Tidal Power Ltd. 3)     |           | 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                           |                                    | 0                                |                                    |
| Various shares                         |           |                          |                                 |                     | 7 883         | 7 883                            |                                    | 7 720                            |                                    |
| Verdane Capital VI K/S, contribution   |           |                          |                                 |                     | 197           | 197                              |                                    | 197                              |                                    |
| Novus Energy Partners LP, contribution | USD 2 229 |                          | 3.01%                           |                     | 9 779         | 5 148                            |                                    | 6 161                            |                                    |
| <b>Total</b>                           |           |                          |                                 |                     | 276 671       | 195 631                          |                                    | 193 425                          |                                    |

On 4 May 2016 the parent company Bonheur ASA was merged with Ganger Rolf ASA. For accounting purposes, for the Parent company, the merger was carried out as if the two entities always had been one merged entity.

- 1) The investment is reclassified from an associate to a subsidiary after the merger between Bonheur ASA and Ganger Rolf ASA. See note 4.
- 2) The investment is reclassified from sundry shares to a subsidiary after the merger between Bonheur ASA and Ganger Rolf ASA. See note 4.
- 3) Bonheur ASA's investment in Scotrenewables Tidal Power Ltd. was written down with NOK 48 534 025 in 2015.
- 4) The investment is sold during 2016.

## Note 6 – Bonds

| (Amounts in NOK 1 000)    | Cost price     | Currency   | Book value as per 31.12.16 | Market value as per 31.12.16 | Average interest rate 2016 | Book value as per 31.12.15 | Market value as per 31.12.15 |
|---------------------------|----------------|------------|----------------------------|------------------------------|----------------------------|----------------------------|------------------------------|
| Fixed assets:             |                |            |                            |                              |                            |                            |                              |
| Energy Services companies | 33 331         | NOK        | 33 064                     | 33 064                       | 1.8 %                      | 76 669                     | 76 670                       |
| Real Estate companies     | 42 289         | NOK        | 42 024                     | 42 128                       | 2.2 %                      | 31 797                     | 31 797                       |
| Industry companies        | 93 508         | NOK        | 92 450                     | 92 614                       | 3.4 %                      | 127 850                    | 127 877                      |
| Finance companies         | 22 398         | NOK        | 22 078                     | 22 086                       | 2.6 %                      | 51 951                     | 51 951                       |
| Public administration     | 9 985          | NOK        | 9 985                      | 9 991                        | 1.3 %                      | 0                          | 0                            |
| <b>Total</b>              | <b>201 512</b> | <b>NOK</b> | <b>199 602</b>             | <b>199 883</b>               | <b>2.7 %</b>               | <b>288 266</b>             | <b>288 295</b>               |

## Note 7 – Receivables

| (Amounts in NOK 1 000)                           | 2016           | 2015           |
|--|----------------|----------------|
| Current assets - non interest bearing            |                |                |
| Subsidiaries                                     | 1 255          | 228 345        |
| Accounts receivable 1)                           | 1 513          | 63             |
| Others   | 1 376          | 1 726          |
| <b>Total short-term receivables</b>              | <b>4 144</b>   | <b>230 135</b> |
| Financial fixed assets - interest bearing        |                |                |
| Subsidiaries                                     | 643 679        | 321 429        |
| Other  | 6 172          | 6 710          |
| Financial fixed assets - non interest bearing    |                |                |
| Others   | 0              | 0              |
| <b>Total long-term receivables</b>               | <b>649 851</b> | <b>328 140</b> |
| Interest income group companies                  | 38 786         | 30 245         |
| 1) Hereof subsidiaries and other related parties | 1 513          | 63             |

## Note 8 – Share capital and shareholders

| Major shareholders as of 31.12.2016:                           | 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   | 2 777 795         | 6.53 %          |
| Nordea Nordic Small Cap Fund                                   | 1 386 774         | 3.26 %          |
| Pareto Aksje Norge   | 1 054 370         | 2.48 %          |
| MP Pensjon PK  | 949 271           | 2.23 %          |
| Trassey Shipping Limited (private Fred. Olsen related company) | 793 740           | 1.87 %          |
| Deutsche Bank International Ltd.                               | 706 987           | 1.66 %          |
| Euroclear Bank N.V.  | 558 780           | 1.31 %          |
| KLP AksjeNorge   | 554 744           | 1.30 %          |
| Citibank, N.A.   | 492 410           | 1.16 %          |
| State Street Bank and Trust Comp.                              | 480 696           | 1.13 %          |
| Veen A/S   | 439 623           | 1.03 %          |
| Kommunal Landspensjonskasse                                    | 404 040           | 0.95 %          |
| Avanza Bank AB   | 364 847           | 0.86 %          |
| Other shareholders   | 10 502 719        | 24.69 %         |
| <b>Total</b>   | <b>42 531 893</b> | <b>100.00 %</b> |

As of 31 December 2016 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 2016 total number of shareholders were 2 210. The Company has only one class of shares and each share equals one vote.

As per 31 December 2016 the members of the board, members of the shareholders' committee and the managing director owned and/or controlled directly og indirectly, the following number of shares in the Company:

| Board of Directors |        | Shareholders' committee |       | Managing Director |       |
|--------------------|--------|-------------------------|-------|-------------------|-------|
| Fred. Olsen        | 48 986 | 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      | Aase Gudding Gresvig    | 817   |                   |       |
| 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<br>share capital | Additional<br>paid in capital | Other<br>equity | Total      |
|--|--------------------------|-------------------------------|-----------------|------------|
| Equity 01.01.2015                      | 50 987                   | 25 920                        | 4 361 439       | 4 438 346  |
| Merger with subsidiary (see note 17)   |                          |                               | 2 233 540       | 2 233 540  |
| Equity restated 01.01.2015             | 50 987                   | 25 920                        | 6 594 980       | 6 671 886  |
| Actuarial gain / loss (-) (see note 2) |                          |                               | 17 738          | 17 738     |
| Result for the year                    |                          |                               | -1 751 598      | -1 751 598 |
| Proposed dividends                     |                          |                               | -85 064         | -85 064    |
| Equity restated 31.12.2015             | 50 987                   | 25 920                        | 4 776 056       | 4 852 963  |
| 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  |

## Note 9 – Liabilities

| (Amounts in NOK 1 000)   | 2016             | 2015<br>restated |
|--|------------------|------------------|
| <b>Current liabilities:</b>                                    |                  |                  |
| Dividends  | 85 064           | 85 064           |
| Accounts payable 1)  | 22 455           | 5 801            |
| Bond-loan 3)   | 480 500          | 0                |
| Other short term liabilities 2)                                | 2 630 902        | 2 801 166        |
| <b>Total current liabilities</b>                               | <b>3 218 920</b> | <b>2 892 031</b> |
| <b>Non-current interest bearing liabilities:</b>               |                  |                  |
| Bond-loans 3)  | 1 793 017        | 2 488 685        |
| <b>Total non-current interest bearing liabilities</b>          | <b>1 793 017</b> | <b>2 488 685</b> |
| Interest paid to subsidiaries                                  | 0                | 0                |
| 1) Hereof subsidiaries and other related companies             | 22 288           | 5 786            |
| 2) Hereof subsidiaries, associates and other related companies | 2 601 472        | 2 758 840        |

3) On 25 January 2012 Bonheur ASA completed a NOK 700 million 5 years unsecured bond issue and a NOK 300 million 7 years unsecured bond issue. Settlement date was 10 February 2012 and maturity dates are 10 February 2017 and 10 February 2019, respectively. The interest rates are 3 month NIBOR + 4.5% and 3 month NIBOR + 5.0%, respectively. 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. As per 31 December 2016 NOK 219.5 million of the bond issues was repurchased, leaving a total outstanding balance of NOK 2 280.5 million.

## Note 10 – Guarantees

| (Amounts in NOK 1 000)                      | Bonheur ASA      |                  |
|---|------------------|------------------|
|   | 2016             | 2015<br>restated |
| ABTA bonds, Fred. Olsen Cruise Lines        | 197 932          | 234 200          |
| Offshore wind turbine installation vessels  | 922 259          | 1 046 100        |
| Windfarms                                   | 48 978           | 59 800           |
| <b>Total guarantee commitments 31.12 1)</b> | <b>1 169 169</b> | <b>1 340 100</b> |

1) Bonheur ASA is jointly and severally liable for guarantees of approximately NOK 922 million, and severally liable for guarantees amounting to NOK 247 million.

## Note 11 – Tax

| (Amounts in NOK 1 000)   | 2016            | 2015<br>restated |
|--|-----------------|------------------|
| Result before tax  | -122 601        | -1 868 980       |
| +/- permanent differences, tax exempt dividends                              | -35 952         | 1 691 296        |
| + Adjustment of taxable income due to limitation of interest deductibility   | 0               | 66 989           |
| +/- Changes in temporary differences   | 45 743          | -8 399           |
| +/- Income / expenses recognised directly in equity                          | -29 859         | 17 738           |
| <b>Basis tax payable</b>   | <b>-142 669</b> | <b>-101 357</b>  |
| Tax payable, 25% (2015: 27%)   | 0               | 0                |
| Payable tax from tax claim   | 0               | 0                |
| Total payable tax - Balance sheet  | 0               | 0                |
| <b>Tax cost estimated as follows</b>   |                 |                  |
| Tax payable, 25% (2015: 27%)   | 0               | 0                |
| Dismissal of tax claim 1)  | 0               | 106 000          |
| Change of taxable income 2)  | 0               | 11 383           |
| Tax income / (-) cost  | 0               | 117 383          |
| <b>Reconciliation of tax income / (-) cost</b>                               |                 |                  |
| Result before tax  | -122 601        | -1 868 980       |
| Income tax using the domestic corporation tax rate                           | 30 650          | 504 625          |
| Permanent differences  | 18 996          | -455 995         |
| Income / expenses recognised directly in equity                              | 7 465           | -4 789           |
| Dismissal of tax claim 1)  | 0               | 106 000          |
| Change of taxable income 2)  | 0               | 11 383           |
| Tax positions merged 3)  | -21 444         | 0                |
| Change in limitation of deferred tax assets related to tax loss carryforward | -35 667         | -43 840          |
| <b>Tax income / (-) cost</b>   | <b>0</b>        | <b>117 383</b>   |

- 1) 2015: Tax dispute concerning the former subsidiary Barient NV related to the taxable income for 1999.
- 2) 2015: Tax dispute concerning convertible bonds related to the taxable income for 2006 and Knock Holding II AS related to the taxable income for 2007.
- 3) 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                   | 2016      | 2015<br>restated | Change   |
|---|-----------|------------------|----------|
| Fixed assets  | -19 894   | -18 807          | -1 087   |
| Deferred taxable gain/loss account                  | -8 904    | -11 130          | 2 226    |
| Receivables / financial instruments                 | -11 122   | -11 746          | 625      |
| Pension premium funds                               | -334 897  | -291 328         | -43 570  |
| Miscellaneous differences                           | 7 378     | 11 315           | -3 937   |
| Net temporary differences                           | -367 439  | -321 696         | -45 743  |
| Shares, bonds and partnerships                      | -49 076   | -9 044           | -40 033  |
| Loss carried forward / deferred allowance           | -768 126  | -625 457         | -142 669 |
| Interest deductible carried forward                 | -213 022  | -213 022         | 0        |
| Allowances for deferred tax assets                  | 1 397 662 | 1 169 218        | 228 445  |
| 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 31.12.16 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 2016:

##### Transactions within the Group of companies and with related parties

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*

## Notes

| (Amounts in NOK 1 000)                             | 2016             | 2015<br>restated |
|--|------------------|------------------|
| <b>Revenues</b>                                    |                  |                  |
| Subsidiaries                                       | 161              | 246              |
| Other related parties                              | 0                | 0                |
| <b>Total</b>                                       | <b>161</b>       | <b>246</b>       |
| <b>Operating expenses</b>                          |                  |                  |
| Subsidiaries                                       | 29               | 33               |
| Other related parties                              | 98 960           | 87 140           |
| <b>Total</b>                                       | <b>98 989</b>    | <b>87 173</b>    |
| <b>Financial income</b>                            |                  |                  |
| Interest income from subsidiaries                  | 38 785           | 30 245           |
| Group contribution                                 | 1 513            | 0                |
| Guarantee income from subsidiaries                 | 17 886           | 20 358           |
| <b>Total</b>                                       | <b>58 184</b>    | <b>50 603</b>    |
| <b>Accounts receivable</b>                         |                  |                  |
| Subsidiaries                                       | 2 768            | 114              |
| Other related parties (Fred. Olsen & Co)           | 0                | 0                |
| <b>Total</b>                                       | <b>2 768</b>     | <b>114</b>       |
| <b>Accounts payable</b>                            |                  |                  |
| Subsidiaries                                       | 4                | 0                |
| Other related parties (Fred. Olsen & Co)           | 22 283           | 5 786            |
| <b>Total</b>                                       | <b>22 288</b>    | <b>5 786</b>     |
| <b>Interest bearing long term receivables</b>      |                  |                  |
| Subsidiaries                                       | 643 679          | 321 430          |
| <b>Total</b>                                       | <b>643 679</b>   | <b>321 430</b>   |
| <b>Interest bearing short term receivables</b>     |                  |                  |
| Subsidiaries                                       | 0                | 272 453          |
| <b>Total</b>                                       | <b>0</b>         | <b>272 453</b>   |
| <b>Non-Interest-bearing short term liabilities</b> |                  |                  |
| Subsidiaries                                       | 2 599 822        | 2 758 835        |
| <b>Total</b>                                       | <b>2 599 822</b> | <b>2 758 835</b> |

#### 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 2016 had 37 employees. In 2016 Fred. Olsen & Co. charged the Company NOK 98.6 million (2015: NOK 85.6 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)  | 2016    | 2015<br>restated |
|---|---------|------------------|
| Management costs invoiced to the Company                        | 98 568  | 85 583           |
| Amount outstanding between Fred. Olsen & Co. and the Company *) | -23 920 | -17 275          |

\*) 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 2016 NOK 16.2 million (2015: NOK 15.3 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 3.3 million related to 2014 was accordingly recommended and paid in 2016.

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 2016 from the Company as well as from the Group equals NOK 2.1 million (2015: 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 2016 (excluding Anette S. Olsen) consisted of four persons. The relative share of the compensation for these persons attributable to the Company is as follows:

| (Amounts in NOK 1 000)       | 2016   | 2015   |
|------------------------------|--------|--------|
| Salary                       | 8 480  | 7 888  |
| Bonus                        | 2 383  | 2 367  |
| Other compensations          | 70     | 64     |
| Total ordinary compensations | 10 932 | 10 319 |
| Pension benefits             | 4 495  | 4 247  |
| Total compensations          | 15 427 | 14 566 |

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

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

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 2016, bonus paid amounted to NOK 7.4 million (2015: NOK 7.4 million).

#### Remuneration to the Board of Directors and the Shareholders Committee

In 2016, the members of the board and the Managing Director received the following directors' fees:

| (Amounts in NOK 1 000)             | 2016  | 2015  |
|------------------------------------|-------|-------|
| Fred. Olsen, chairman of the Board | 1 415 | 1 430 |
| Andreas Mellbye                    | 398   | 420   |
| Helen Mahy *)                      | 445   | 520   |
| Carol Bell *)                      | 430   | 480   |
| Nick Emery *)                      | 470   | 520   |
| Anette S. Olsen, managing Director | 0     | 0     |
| Total compensations                | 3 158 | 3 370 |

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

In 2016, the Chairman received NOK 2.7 million (2015: 2.7 million) in pension payment.

Effective from 1 January 2013, mr. Fred. Olsen became party to a consultancy agreement with Fred. Olsen & Co. In 2016 NOK 4.5 million was paid under his consultancy agreement with Fred. Olsen & Co. (2015: NOK 4.0 million).

| (Amounts in NOK 1 000)         | 2016 | 2015 |
|--------------------------------|------|------|
| Shareholders' committee's fees |      |      |
| Christian Fr. Michelet         | 180  | 180  |
| Jørgen G. Heje                 | 150  | 150  |
| Bård Mikkelsen                 | 150  | 150  |
| Aase Gudding Gresvig           | 150  | 150  |
| Einar Harboe                   | 150  | 150  |
| Total compensations            | 780  | 780  |

Members of the Board of Directors and the managing director holds in total NOK 86 million of BON03, BON05 and BON06 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.

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 and a NOK 300 million 7 years unsecured bond issue. Settlement date was 10 February 2012 and maturity dates are 10 February 2017 and 10 February 2019, respectively. The interest rates are 3 month NIBOR + 4.5% and 3 month NIBOR + 5.0%, respectively. 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.

#### 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 2015 except spot currency exchange contracts.

From the beginning to the end of 2016 the USD weakened against NOK by 2.1% from 8.8090 to 8.6200, the EUR weakened against NOK by 5.5% from 9.6190 to 9.0863 the GBP weakened against NOK by 18.8% from 13.0720 to 10.6130.

#### 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 46% per 31 December 2016.

#### 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.

**Financial derivatives**

The valuation of forward exchange contracts is either based on bank quotations or calculated on the basis of spot rates of exchange by the turn of the year adjusted for interest differences until the due date of the contracts. The valuation of currency option contracts is based on bank quotations.

Variations in the fair value of financial derivatives are charged against the income statement under the Company's net financial items.

**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 2016 | Fair value 2016 | Carrying amount 2015 | Fair value 2015 restated |
|--|----------------------|-----------------|----------------------|--------------------------|
| Cash and cash equivalents                        | 861 491              | 861 491         | 1 213 333            | 1 213 333                |
| Trade debtors and other short term receivables   | 4 144                | 4 144           | 230 135              | 230 135                  |
| Shares and bonds                                 | 8 549 358            | 8 327 949       | 8 693 975            | 8 830 519                |
| Interest rate swap agreements:                   |                      |                 |                      |                          |
| Assets   | 0                    | 0               | 0                    | 0                        |
| Liabilities                                      | 0                    | 0               | -625                 | -625                     |
| Unsecured bond-loans                             | -2 273 517           | -2 280 500      | -2 488 685           | -2 500 000               |
| Loans from group companies                       | 0                    | 0               | 0                    | 0                        |
| Trade creditors and other short term liabilities | -3 377 934           | -3 377 934      | -2 806 031           | -2 806 031               |
|  | 3 763 542            | 3 535 150       | 4 842 102            | 4 967 331                |
| Unrealized gains / (losses)                      |                      | -228 392        |                      | 125 230                  |

**Note 14 – Cash and cash equivalents**

| (Amounts in NOK 1 000)                   | 2016    | 2015 restated |
|--|---------|---------------|
| Cash related to payroll tax withholdings | 1 638   | 1 819         |
| Unrestricted cash                        | 859 853 | 1 211 514     |
| Short-term interest-bearing investment   | 0       | 0             |
| Total cash & cash equivalents            | 861 491 | 1 213 333     |
| Unused credit facilities                 | 0       | 0             |

**Note 15 – Dividends**

| (Amounts in NOK 1 000) | 2016   | 2015 restated |
|------------------------|--------|---------------|
| Koksa Eiendom AS       | 49 966 | 2 524         |
| Opera Software ASA     | 18 250 | 0             |
| From other investments | 1 679  | 21 247        |
| Total                  | 69 895 | 23 771        |

...the note continues on the next page

## Note 16 – Other financial expenses

| (Amounts in NOK 1 000)             | 2016          | 2015<br>restated |
|------------------------------------|---------------|------------------|
| Impairment of shares 1)            | 67 714        | 1 707 100        |
| Various financial expenses         | 4 244         | 8 992            |
| <b>Total</b>                       | <b>71 958</b> | <b>1 716 092</b> |
| 1) Bonheur og Ganger Rolf ANS      | 38 180        | 0                |
| Stavnes Byggeselskap A/S           | 20 593        | 0                |
| Fred. Olsen Travel AS              | 2 516         | 0                |
| Laksa AS                           | 2 236         | 0                |
| Laksa II AS                        | 2 212         | 0                |
| Fred. Olsen Spedisjon AS           | 1 977         |                  |
| Fred. Olsen Energy ASA             | 0             | 1 658 566        |
| Scotrenewables Tidal Power Limited | 0             | 48 534           |
| <b>Total *)</b>                    | <b>67 714</b> | <b>1 707 100</b> |

\*) 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. After the expiry of the 6 weeks creditors' notification period, the merger was notified to the Register of Business Enterprises ("Foretaksregisteret") after end of opening hours at Oslo Stock Exchange on 4 May 2016. The merger then became effective, with first post merger trading date on Oslo Stock Exchange for Bonheur ASA Friday 6 May 2016.

The boards of directors of Bonheur ASA and Ganger Rolf ASA consider that the merger will assist in providing a more transparent and accessible corporate structure which may yield capital and operational efficiencies. The corporate structure of Bonheur and Ganger Rolf has historically taken the form of a cross ownership between the two companies with Bonheur owning 62.66% of Ganger Rolf and Ganger Rolf owning 20.70% of Bonheur and where these companies generally have invested in underlying companies on a 50/50 basis.

Both Bonheur and Ganger Rolf and their affiliated companies were involved in a number of activities in Norway and internationally. The investments, which were largely carried out jointly with Ganger Rolf, were mainly related to the following business segments: Offshore drilling, Renewable energy, Shipping, Offshore wind and Cruise.

The boards of Bonheur and Ganger Rolf resolved upon an exchange ratio whereby each Ganger Rolf shareholder received 0.8174 Bonheur shares for every one Ganger Rolf share, which represented 23.95 % of the combined company on a fully diluted basis.

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 will be carried out as if the two entities always had been one merged entity and are 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 5 April 2017 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 2016 (Annual Report 2016) subject to corresponding recommendation from the Shareholders' Committee.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2016 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 2016 for the Group of companies (i.e. 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, 5 April 2017

Bonheur ASA - The Board of Directors

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

### Statement by the Shareholders' Committee

The annual report and accounts for 2016 were addressed by the Shareholders' Committee on 19 April 2017. The Shareholders' Committee resolved to recommend to the Annual General Meeting that the Board's proposal to the annual accounts for

2016 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, 19 April 2017

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, which comprise the balance sheet as at 31 December 2016, 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 financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2016, and consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity, consolidated 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 parent company as at 31 December 2016, 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 financial statements give a true and fair view of the financial position of the group as at 31 December 2016, 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.

#### Offices in:

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

|         |              |              |           |
|---------|--------------|--------------|-----------|
| Oslo    | Elverum      | Mo i Rana    | Stord     |
| Alta    | Finnshes     | Moide        | Strøme    |
| Arendal | Hamar        | Skien        | Tromsø    |
| Bergen  | Haugesund    | Sandefjord   | Trondheim |
| Bodø    | Knarvik      | Sandnessjøen | Tynset    |
| Drammen | Kristiansand | Stavanger    | Ålesund   |

# Auditor's Report



Auditor's Report - 2016  
Bonheur ASA

Valuation of drilling units and media intangibles in Group Financial Statements

Valuation of shares in subsidiaries in Parent Company Financial Statements

**See the Group Financial statements note 10 and 11, Parent Company Financial Statements note 16 and Board of Director's report.**

| Key audit matter   | How the matter was addressed in our audit:  |
|--|---|
| <p>The trading of equity instruments of the entities within the business segments <i>Offshore drilling</i> and <i>other</i> during the year has indicated an impairment-triggering event. The observable market capitalization is significantly lower than the book value of equity in the sub-group.</p> <p>When circumstances require following impairment testing, the group's offshore units and media intangibles are measured at fair value using a value in use approach. Estimating the fair value is a complex process involving a number of key judgements and estimates made by management.</p> <p>Due to the nature of the assets, the valuation technique include a discounted cash flow model that uses a number of inputs from internal sources due to lack of relevant and reliable observable inputs.</p> <p>In the parent company financial statements the above impairment risk has a direct impact on valuation of shares in subsidiaries.</p> | <p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• Challenging the Group's valuation model, including the assumptions and input used in calculating the estimated cash flows by comparing with historical performance and the Group's plans, as well as our understanding of the industry and the economic environment the Group operates in;</li> <li>• Involving KPMG valuation specialist to assist in assessing mathematical accuracy of the valuation model and evaluating the appropriateness of the discount rates used which included comparing the discount rate with sector averages for relevant markets;</li> <li>• Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.</li> </ul> |

## Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, 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 parent 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

## Auditor's Report



Auditor's Report - 2016  
Bonheur ASA

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 parent company use the going concern basis of accounting insofar 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 International Standards on Auditing (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'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 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



# Auditor's Report



**Auditor's Report - 2016**  
Bonheur ASA

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.

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 statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss 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, 24 April 2017

KPMG AS

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"), published in a revised version in October 2014.

## 1. Presentation of Corporate Governance

The Company's principles on good corporate governance are based on the Norwegian Code of Practice for Corporate Governance ("NUES") as adapted to the organisational structure that the Company is part of. The Company is focusing on a continuing development of these principles as a contributor towards the Company's long term added value as well as towards the Company's owing responsibilities 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 contribute 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 the aforementioned Norwegian Code of Practice for Corporate Governance and equally follows established guidelines as calibrated towards how the Company is organized. These guidelines i.a. address potential questions on conflict of interest. The Shareholders' Committee is attending to the Company's annual accounts and expresses its view thereon to the Annual General Meeting on the Board's proposals to the annual accounts and hereunder potential 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), Aase Gudding Gresvig, Bård Mikkelsen and Jørgen Heje. 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

## Corporate Governance

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 treatment of all its 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 executed 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

## Corporate Governance

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 risk 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.

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. As part of the cash management policy, the Group of companies may deploy derivative instruments, such as interest rate swaps and currency contracts in order to reduce 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 2016 is presented in note 27 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](http://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 Audi-

## Corporate Governance

tor 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.

## Fleet List as per 31 December 2016

### BONHEUR GROUP OF COMPANIES

| Company/segment/vessel         | Built year               | Type                           | Tonnage/length/<br>water depth | Ownership |
|--------------------------------|--------------------------|--------------------------------|--------------------------------|-----------|
| <b>Fred. Olsen Energy ASA:</b> |                          |                                | <b>Water depth</b>             |           |
| Bredford Dolphin               | 1976/-81/-97/-01/-07     | Aker H3                        | 1 500 ft                       | 51.9 %    |
| Borgsten Dolphin               | 1975/-85/-95/-00/-13     | Aker H3, Tender support vessel | 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 %    |
| Borgholm Dolphin               | 1975/-02                 | Aker H-3 Accommodation         |                                | 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) DP = Dynamic Positioning

### 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   | 2011 | Offshore wind service vessel              | 20 meters  | 100.0 % |
| Bayard 2   | 2011 | Offshore wind service vessel              | 20 meters  | 100.0 % |
| Bayard 3   | 2012 | Offshore wind service vessel              | 20 meters  | 100.0 % |
| Bayard 4   | 2012 | Offshore wind service vessel              | 20 meters  | 100.0 % |
| Bayard 5   | 2012 | Offshore wind service vessel              | 20 meters  | 100.0 % |
| Bayard 6   | 2013 | Offshore wind service vessel              | 20 meters  | 100.0 % |
| Bayard 7   | 2013 | Offshore wind service vessel              | 20 meters  | 100.0 % |

### 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  
 0152 Oslo, Norway  
 Telephone: +47 22 34 10 00  
 www.bonheur.no

### Bonheur og Ganger Rolf ANS

Enterprise no: 996 593 657  
 Fred. Olsens gate 2  
 P.O. Box 1159 Sentrum  
 0107 Oslo, Norway  
 Telephone: +47 22 34 10 00

### Fred. Olsen & Co.

Enterprise no: 970 942 319  
 Fred. Olsens gate 2  
 0152 Oslo, Norway  
 Telephone: +47 22 34 10 00  
 Telefax: +47 22 41 24 15  
 www.fredolsen.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

### Renewable energy

#### Fred. Olsen Renewables AS

Enterprise no: 983 462 014  
 Fred. Olsens gate 2  
 0152 Oslo, Norway  
 Telephone: +47 22 34 10 00  
 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

### 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 Fly og Luftmateriell AS

Enterprise no: 814 000 702  
 Prinsensgate 2B,  
 0152 Oslo, Norway  
 Telephone: +47 22 34 13 88

#### Fred. Olsen Travel AS

Enterprise no: 925 619 655  
 Prinsensgate 2B  
 0152 Oslo, Norway  
 Telephone: +47 22 34 11 11  
 www.fredolsentravel.com

**Annual General Meeting**

The annual general meeting will be held at the company's office,  
Fred. Olsens gt. 2 (entrance Tollbugt. 1b) 24 May 2017, at 1 pm.



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