Fred. Olsen Energy ASA

Report for the 2nd quarter 2017 and the 1st half year 2017

Figures in USD

FRED. OLSEN ENERGY ASA (FOE) REPORTS AN OPERATING PROFIT BEFORE DEPRECIATION (EBITDA) OF 29 MILLION FOR THE 2nd QUARTER 2017 AND 69 MILLION FOR THE 1st HALF YEAR 2017

HIGHLIGHTS FOR THE 2nd QUARTER 2017

- **Revenues were 55 million**
- **EBITDA was 29 million**
- **Impairment of 75 million**
- **Operating profit (EBIT) was negative 104 million**
- **Profit before tax was negative 116 million**
- **Earnings per share were negative 1.86**

- **Bideford Dolphin - 100 day optional well exercised by Statoil**
- **Bredford Dolphin - won arbitration case of approximately USD 14 million**
- **Borgsten Dolphin to be decommissioned**
- **Bolette Dolphin – termination for convenience by Anadarko, against a fee of USD 96 million**

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FINANCIAL INFORMATION (1st quarter 2017 and 1st half year 2016 in brackets)

Operating revenues in the quarter were 54.9 million (98.4 million), a decrease of 43.5 million compared with the previous quarter. The revenues for the offshore drilling division were 51.6 million, compared to 93.1 million previous quarter. The decrease in revenues within the offshore drilling division is mainly due to reduced income for Bideford Dolphin and Blackford Dolphin due to units coming off contract. Revenues within the engineering and fabrication division were 3.8 million compared to 5.5 million in first quarter. The decrease is due to lower activity at the yard in the quarter.

Operating costs were 26.4 million (57.6 million), a decrease of 31.2 million compared with previous quarter. Operating costs within the offshore drilling division decreased by 30.0 million. The main reason for the reduction is reduced pension liability of 23.7 million (implementation of defined-contribution pension scheme in Norway) and reduced activity in the drilling fleet. Operating costs within the engineering and fabrication division were 5.4 million compared to 6.3 million in first quarter.

Operating profit before depreciation (EBITDA) was 28.5 million (40.8 million). EBITDA for the half year was 69.3 million (282.1 million).

Depreciation and impairment amounted to 132.1 million (55.0 million), including a non-cash impairment charge of 75.0 million related to Blackford Dolphin. For the half year, depreciation and impairment amounted to 187.1 million (314.0 million). The impairment charge is due to a continued weak offshore drilling market.

Operating profit after depreciation and impairment (EBIT) was - 103.6 million (- 14.2 million). EBIT for the half year was - 117.8 million (- 31.9 million).

Net financial items were - 12.2 million (- 6.6 million). Net financial items for the half year were - 18.8 million (- 36.4 million).

Profit before tax was - 115.8 million (-20.8 million). Profit before tax for the half year was - 136.6 million (- 68.3 million).

Net profit, including an estimated tax charge of 7.4 million (5.6 million), was - 123.2 million (- 26.4 million). Net profit for the half year, including an estimated tax charge of 13.0 million (12.9 million), was - 149.6 million (- 81.2 million).

Basic earnings per share were - 1.86 (- 0.40).

Basic earnings per share for the half year were - 2.25 (- 1.22).

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

Norway
Bideford Dolphin re-commenced operations in May under a drilling contract for Statoil ASA. In May, Statoil exercised the option for one additional well. The contract is estimated to expire in October 2017. The unit completed its five-year Class Renewal Survey (CRS) in 2014.

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

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

International
The ultra-deepwater drillship Bolette Dolphin continued drilling under its four-year drilling contract with Anadarko Petroleum Corporation. The unit was drilling offshore Colombia/Ivory cost during the quarter. The contract was expiring in July 2018, however the contract was terminated for convenience with effect from end of August 2017. A termination fee of USD 96 million will be received. The company is assessing lay-up alternatives in the shorter term, and will work for contract opportunities worldwide both in the short and medium term.

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

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

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

Borgsten Dolphin is currently cold-stacked in Invergordon, Scotland. The unit undertook its five-year CRS in 2013. After all alternative solutions have been evaluated, the Company has decided to decommission the unit. The transaction is estimated to take place in third quarter 2017. In relation to the decommissioning of the unit, a repayment of the bank facility of approximately 4.25 million will take place.

Engineering and Fabrication
The Harland & Wolff shipyard continued its core activities within engineering, ship repair and shipbuilding. The activity at the yard has been low during the first half of 2017. The suction buckets contract with ST3 offshore progressed according to plan in the quarter. The jacket contract as subcontractor to Lamprell, has been delayed and the

majority of the deliveries will be in 2018. Consequently, it is expected that the second half of 2017 will be challenging for the shipyard. The yard will continue to explore business opportunities in all markets.

Material events

Bredford Dolphin won an arbitration case that involved a disagreement regarding the duration of a well on the previous Bredford Dolphin contract, which was not drilled. Dolphin Drilling AS has been awarded a compensation of approximately USD 14 million which will be booked in 3 quarter 2017.

In July, the company received a termination for convenience from Anadarko Petroleum Corporation for Bolette Dolphin with effect from end of August 2017. A termination fee of USD 96 million will be received.

There has been no other material events since the release of the Annual Report for 2016.

Financials

There is no material change related to financial risk, including interest rate and currency risks, since the release of the Annual Report for 2016.

Market and prospects

The tendering activity in the North Sea mid-water market has increased during first half of 2017, and has materialized in new contracts both in Norway and UK. With the increased tendering and requests for information activities, we expect further contract awards in this segment during second half of 2017.

With continued careful E&P spending in 2017, we expect the demand and supply imbalance to continue through 2017 with some recovery expected in 2018. The pressure on day-rates is expected to be reduced, but contract durations will continue to be short. It is also likely that lay-up and scrapping will continue, but not at the pace seen over the last two years.

Oslo, 12 July 2017
The Board of Directors
Fred. Olsen Energy ASA

Sign.	Sign.	Sign.	Sign.	Sign.	Sign.
Anette S. Olsen	Jan Peter Valheim	Cecilie B. Heuch	Agnar Gravdal	Richard Olav Aa	Ivar Brandvold
Chairman					CEO

Statement by the Board of Directors and Chief Executive Officer

The Board of Directors and Chief Executive Officer have today considered and approved the condensed consolidated interim report of Fred. Olsen Energy ASA as at 30 June 2017 and for the first half-year 2017 including condensed consolidated comparative figures as at 30 June 2016 and for the first half-year 2016 (“the interim report”).

The interim report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional Norwegian requirements in Securities Trading Act.

We consider the accounting policies applied to be appropriate. Accordingly, the interim report give a true and fair view of the Group’s financial position as at 30 June 2017 and as at 30 June 2016 and of the results of the Group’s operations and cash flows for the first half-year 2017 and the first half-year 2016.

Oslo, 12 July 2017
Fred. Olsen Energy ASA

Sign.	Sign.	Sign.	Sign.	Sign.	Sign.
Anette S. Olsen	Jan Peter Valheim	Cecilie B. Heuch	Agnar Gravdal	Richard Olav Aa	Ivar Brandvold
Chairman					CEO

Condensed Consolidated Financial Statements

GROUP INCOME STATEMENT

Unaudited

(USD mill)	Note	2Q 2017	1Q 2017	2Q 2016	Jan-June 2017	Jan-June 2016	Year 2016
Operating revenues		53,0	95,5	215,3	148,5	446,0	808,9
Recharged income		1,9	2,9	4,0	4,8	8,6	16,1
Total revenues	*1*	**54,9**	**98,4**	**219,3**	**153,3**	**454,6**	**825,0**
Operating costs		(24,6)	(54,7)	(72,6)	(79,3)	(164,1)	(311,0)
Recharged expenses		(1,8)	(2,9)	(3,9)	(4,7)	(8,4)	(15,6)
Total operating expenses	*1*	**(26,4)**	**(57,6)**	**(76,5)**	**(84,0)**	**(172,5)**	**(326,6)**
Operating profit before depreciation, impairment and net financial expenses (EBITDA)		**28,5**	**40,8**	**142,8**	**69,3**	**282,1**	**498,4**
Depreciation and amortisation	*6*	(57,1)	(55,0)	(79,6)	(112,1)	(155,0)	(290,4)
Impairment	*6*	(75,0)	-	(159,0)	(75,0)	(159,0)	(230,8)
Operating loss before net financial expenses (EBIT)		**(103,6)**	**(14,2)**	**(95,8)**	**(117,8)**	**(31,9)**	**(22,8)**
Net financial expenses	*8*	(12,2)	(6,6)	(11,1)	(18,8)	(36,4)	(56,6)
Profit/(loss) before tax		**(115,8)**	**(20,8)**	**(106,9)**	**(136,6)**	**(68,3)**	**(79,4)**
Income tax expense		(7,4)	(5,6)	(7,1)	(13,0)	(12,9)	(26,0)
Loss for the period		**(123,2)**	**(26,4)**	**(114,0)**	**(149,6)**	**(81,2)**	**(105,4)**
Attributable to:							
Shareholders		(123,1)	(26,3)	(113,7)	(149,4)	(80,7)	(104,6)
Non-controlling interests		(0,1)	(0,1)	(0,3)	(0,2)	(0,5)	(0,8)
Loss for the period		**(123,2)**	**(26,4)**	**(114,0)**	**(149,6)**	**(81,2)**	**(105,4)**
EPS :							
Basic earnings per share		-1,86	-0,40	-1,72	-2,25	-1,22	-1,58
Diluted earnings per share		-1,86	-0,40	-1,72	-2,25	-1,22	-1,58
Outstanding shares							
Average number of ordinary shares, basic		66,3	66,3	66,3	66,3	66,3	66,3
Average number of ordinary shares, diluted		66,3	66,3	66,3	66,3	66,3	66,3

GROUP STATEMENT OF COMPREHENSIVE INCOME

Unaudited	2Q 2017	1Q 2017	2Q 2016	Jan-June 2017	Jan-June 2016	Year 2016
Loss for the period	(123,2)	(26,4)	(114,0)	(149,6)	(81,2)	(105,4)
Actuarial (loss)/gains on defined benefit pension plans	-	-	-	-	-	(8,2)
Income tax relating to components of other comprehensive income	-	-	-	-	-	0,7
Exchange differences on translation of foreign operations	-	-	(1,1)	-	1,0	0,6
Total comprehensive loss for the period	**(123,2)**	**(26,4)**	**(115,1)**	**(149,6)**	**(80,2)**	**(112,3)**
Attributable to:						
Shareholders	(123,0)	(26,3)	(115,2)	(149,3)	(80,1)	(111,0)
Non-controlling interests	(0,2)	(0,1)	0,1	(0,3)	(0,1)	(1,3)
Total comprehensive loss for the period	**(123,2)**	**(26,4)**	**(115,1)**	**(149,6)**	**(80,2)**	**(112,3)**

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STATEMENT OF FINANCIAL POSITION

Unaudited

(USD mill)		30 Jun 17	31 Mar 17	30 Jun 16	31 Dec 16
Intangible assets		-	-	11,8	-
Property, plant & equipment	*6*	1 177,7	1 307,3	1 553,7	1 361,0
Other non-current assets		11,1	17,4	19,9	17,3
Total non-current assets		**1 188,8**	**1 324,7**	**1 585,4**	**1 378,3**
Inventories		111,9	113,7	120,7	113,1
Trade and other receivables		36,1	64,0	128,5	94,6
Other current assets		12,4	11,7	218,0	13,6
Cash and cash equivalents		351,9	333,3	132,9	290,4
Total current assets		**512,3**	**522,7**	**600,1**	**511,7**
Total assets		**1 701,1**	**1 847,4**	**2 185,5**	**1 890,0**
Share capital		193,3	193,3	193,3	193,3
Other equity		510,3	633,5	692,0	659,9
Non-controlling interests		-	-	-	-
Total Equity		**703,6**	**826,8**	**885,3**	**853,2**
Non-current interest-bearing loans and borrowings	*5*	780,8	776,9	910,9	879,6
Other non-current liabilities		71,2	92,7	102,2	90,9
Total non-current liabilities		**852,0**	**869,6**	**1 013,1**	**970,5**
Current interest-bearing loans and borrowings	*5*	95,5	95,5	190,9	-
Other current liabilities		50,0	55,5	96,2	66,3
Total current liabilities		**145,5**	**151,0**	**287,1**	**66,3**
Total equity and liabilities		**1 701,1**	**1 847,4**	**2 185,5**	**1 890,0**

GROUP STATEMENT OF CHANGES IN EQUITY

Unaudited

(USD mill)

	Share capital	Share premium	Translation reserves	Reserve for own shares	Retained earnings	Total	Non-contr. interests	Total equity
Year 2016								
Balance at 1 January 2016	193,3	83,5	1,5	(1,2)	688,4	965,5	-	965,5
Loss for the year	-	-	-	-	(105,4)	(105,4)	-	(105,4)
Other comprehensive income/(loss)	-	-	0,6	-	(7,5)	(6,9)	-	(6,9)
Balance at 31 Dec 2016	**193,3**	**83,5**	**2,1**	**(1,2)**	**575,5**	**853,2**	**-**	**853,2**
Jan-Jun 2017								
Loss for the year	-	-	-	-	(149,6)	(149,6)	-	(149,6)
Other comprehensive income	-	-	-	-	-	-	-	-
Balance at 30 Jun 2017	**193,3**	**83,5**	**2,1**	**(1,2)**	**425,9**	**703,6**	**-**	**703,6**

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CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (USD mill)	Note	Jan-Jun 2017	Jan-Jun 2016	Year 2016
Cash flows from operating activities				
Profit/(loss) before income tax		(136,6)	(68,3)	(79,4)
Adjustment for:				
Depreciation, amortisation and impairment	6	187,1	314,0	521,2
Interest expense		19,0	23,0	43,0
Changes in pension plan		(23,7)	-	-
Changes in working capital		58,8	(63,8)	(30,1)
Unrealised loss/(gain) financial instruments/debt	8	3,0	0,9	(7,3)
Cash generated from operations		107,6	205,8	447,4
Interest paid		(17,6)	(21,0)	(38,0)
Taxes paid		(9,0)	(1,8)	(16,2)
Net cash from operating activities		**81,0**	**183,0**	**393,2**
Cash flows from investing activities				
Net investment in fixed assets		(10,5)	(18,7)	(23,9)
Settlement for Bollsta Dolphin Pte. Ltd.		-	-	176,4
Proceeds from sale of equipment		-	0,1	0,1
Net cash used to investing activities	6	**(10,5)**	**(18,6)**	**152,6**
Cash flows from financing activites				
Proceeds from interest bearing loans		-	130,0	195,0
Repayments of interest bearing loans	5	(9,1)	(373,5)	(659,9)
Net cash used in financing activites		**(9,1)**	**(243,5)**	**(464,9)**
Foreign currency		0,1	(2,1)	(4,6)
Net change in cash and cash equivalents		61,4	(79,1)	80,9
Cash and cash equivalents at the beg. of period		290,4	214,1	214,1
Cash and cash equiv. at the end of period		**351,9**	**132,9**	**290,4**

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Notes

1. Segment information

(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
Q2 2017				
Revenues from external customers	51,6	3,3	-	54,9
Inter-segment revenues	-	0,5	(0,5)	-
Total revenues	**51,6**	**3,8**	**(0,5)**	**54,9**
Operating costs	(21,5)	(5,4)	0,5	(26,4)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**30,1**	**(1,6)**	**-**	**28,5**
Depreciation and amortisation	(56,6)	(0,5)	-	(57,1)
Impairment	(75,0)	-	-	(75,0)
Operating loss before net financial expenses (EBIT)	**(101,5)**	**(2,1)**	**-**	**(103,6)**
1Q 2017				
Revenues from external customers	93,1	5,3	-	98,4
Inter-segment revenues	-	0,2	(0,2)	-
Total revenues	**93,1**	**5,5**	**(0,2)**	**98,4**
Operating costs	(51,5)	(6,3)	0,2	(57,6)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**41,6**	**(0,8)**	**-**	**40,8**
Depreciation and amortisation	(54,5)	(0,5)	-	(55,0)
Impairment	-	-	-	-
Operating loss before net financial expenses (EBIT)	**(12,9)**	**(1,3)**	**-**	**(14,2)**
2Q 2016				
Revenues from external customers	218,3	1,0	-	219,3
Inter-segment revenues	-	0,2	(0,2)	-
Total revenues	**218,3**	**1,2**	**(0,2)**	**219,3**
Operating costs	(72,6)	(4,1)	0,2	(76,5)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**145,7**	**(2,9)**	**-**	**142,8**
Depreciation and amortisation	(79,0)	(0,6)	-	(79,6)
Impairment	(159,0)	-	-	(159,0)
Operating loss before net financial expenses (EBIT)	**(92,3)**	**(3,5)**	**-**	**(95,8)**

* Includes Fred. Olsen Energy ASA

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(USD mill)	Offshore Drilling *	Engineering & Fabrication	Eliminations	FOE Group
Jan-Jun 2017				
Revenues from external customers	144,7	8,6	-	153,3
Inter-segment revenues	-	0,7	(0,7)	-
Total revenues	**144,7**	**9,3**	**(0,7)**	**153,3**
Operating costs	(73,0)	(11,7)	0,7	(84,0)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**71,7**	**(2,4)**	**-**	**69,3**
Depreciation and amortisation	(111,1)	(1,0)	-	(112,1)
Impairment	(75,0)	-	-	(75,0)
Operating loss before net financial expenses (EBIT)	**(114,4)**	**(3,4)**	**-**	**(117,8)**
Jan-Jun 2016				
Revenues from external customers	448,3	6,3	-	454,6
Inter-segment revenues	-	0,6	(0,6)	-
Total revenues	**448,3**	**6,9**	**(0,6)**	**454,6**
Operating costs	(161,0)	(12,1)	0,6	(172,5)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**287,3**	**(5,2)**	**-**	**282,1**
Depreciation and amortisation	(153,8)	(1,2)	-	(155,0)
Impairment	(159,0)	-	-	(159,0)
Operating loss before net financial expenses (EBIT)	**(25,5)**	**(6,4)**	**-**	**(31,9)**
Year 2016				
Revenues from external customers	815,1	9,9	-	825,0
Inter-segment revenues	-	1,4	(1,4)	-
Total revenues	**815,1**	**11,3**	**(1,4)**	**825,0**
Operating costs	(308,9)	(19,1)	1,4	(326,6)
Operating profit before depreciation, impairment and net financial expenses (EBITDA)	**506,2**	**(7,8)**	**-**	**498,4**
Depreciation and amortisation	(288,3)	(2,1)	-	(290,4)
Impairment	(230,8)	-	-	(230,8)
Operating loss before net financial expenses (EBIT)	**(12,9)**	**(9,9)**	**-**	**(22,8)**
30 Jun 17				
Segment assets	1 664,0	39,7	(2,6)	1 701,1
Segment liabilities	939,3	60,8	(2,6)	997,5
30 Jun 16				
Segment assets	2 144,4	41,4	(0,3)	2 185,5
Segment liabilities	1 253,0	47,5	(0,3)	1 300,2
31 Dec 16				
Segment assets	1 855,7	35,6	(1,3)	1 890,0
Segment liabilities	985,8	52,3	(1,3)	1 036,8

* Includes Fred. Olsen Energy ASA

Revenue split

(USD mill)	2Q 2017	1Q 2017	2Q 2016	Jan-June 2017	Jan-June 2016	Year 2016
Lease revenue	20,9	44,2	126,6	65,1	250,3	479,4
Service revenue	28,6	45,9	87,6	74,5	189,2	317,0
Other income	2,1	3,0	4,1	5,1	8,8	18,7
Engineering and fabrication	3,3	5,3	1,0	8,6	6,3	9,9
Total revenues	**54,9**	**98,4**	**219,3**	**153,3**	**454,6**	**825,0**

Condensed Consolidated Financial Statements

2. Introduction

The consolidated interim financial statements for 1st half year 2017 ended 30 June 2017, comprise Fred. Olsen Energy ASA and its subsidiaries (together referred to as the ”Group”).

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

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

The Board of Directors approved these consolidated interim financial statements on 12th July 2017.

3. Significant accounting policies

No significant new accounting principles have been adopted in the first half year 2017. The main accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2016.

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

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

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

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

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

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

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4. Estimates

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

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

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

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

5. Interest-bearing loans and borrowings

As per June 2017, the Group has repaid NOK 75 million of its bond loan FOE05 in 1st quarter 2017.

6. Property, plant and equipment

(USD mill)	Rigs and drillship	Machinery and equipment	Plant, building and land	Total
Cost				
Balance at 1 January 2017	3 856,7	74,3	18,3	3 949,3
Acquisitions	2,8	0,2	0,0	3,0
Movements in foreign currency	0,0	3,1	0,7	3,8
Balance at 30 June 2017	**3 859,5**	**77,6**	**19,0**	**3 956,1**
Depreciation				
Balance at 1 January 2017	2 519,9	59,4	9,0	2 588,3
Depreciation	109,2	2,6	0,3	112,1
Impairment	75,0	0,0	0,0	75,0
Movements in foreign currency	0,0	2,6	0,4	3,0
Balance at 30 June 2017	**2 704,1**	**64,6**	**9,7**	**2 778,4**
Carrying amounts				
At 1 January 2017	1 336,8	14,9	9,3	1 361,0
At 30 June 2017	1 155,4	13,0	9,3	1 177,7

On a quarterly basis, the Group assesses whether there is an indication that a Cash Generating Unit (CGU) may be impaired. We consider each individual offshore unit to be a CGU, as defined in IAS 36.6, as each individual offshore unit generates independent cash flows. One indicator of impairment we consider is if the net book value of a CGU is below the average market value provided from two independent brokers. Another indicator of impairment we consider is if the carrying amount of the net assets of the Group exceeds the Group's market capitalisation. The Group estimates the recoverable amount for each CGU based on the value in use calculation by estimating three scenarios with a percentage likelihood per unit for the future expected cash inflows and outflows derived from continuing use of each CGU and applying the appropriate discount rate on the future cash flows.

There is no material changes to the assumptions used in the annual report except for Blackford Dolphin and Bolette Dolphin. The changes in the contract status for Bolette Dolphin did not require any impairment. For Blackford Dolphin, the utilization and the expected dayrates have been reduced and the Group recorded an impairment loss of USD 75 million.

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

7. Related parties

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

8. Financial expenses/income

The Group received an interest income of USD 4 million in the 1st quarter 2017 from a customer related to an outstanding legal dispute.

9. Definitions of Non-IFRS financial measures

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

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

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

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

Capital expenditures: Acquisitions of property, plant or equipment