



**ANNUAL
REPORT**

2018

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Boe per day

600,000



Employees

2,138



EBITDA 2018 USD million

489.2



Number of units

15

We deliver efficient offshore production by meticulously integrating BW Offshore's and our clients' know-how for ever better solutions

**SMARTER
TOGETHER**

This philosophy is the foundation for our open and collaborative approach with our clients across projects and operations. It fosters the sharing of experience, engineering considerations and agreement on best practices. The result: A shared smarter solution and a long-term work relationship.

2018 in brief

BW Offshore is a leading provider of floating production services to the oil and gas industry. The company also participates in developing proven offshore hydrocarbon reservoirs. BW Offshore is represented in all major oil and gas regions world-wide with a fleet of 15 owned FPSOs. The company has more than 30 years of production track record, having executed 40 FPSO and FSO projects.

Key events

- Successful start up of BW Catcher
- First Oil produced by BW Adolo from Dussafu field
- Investment decision made for Tortue Phase 2 development
- Ruche area commercial after Ruche NE discovery
- Contract extension for Polvo
- Contract extension for Abo
- Contract extension for Umuroa

Running complex operations for over 30 years has taught us the importance of thorough engineering, trust and teamwork.

Performance

With an average uptime routinely at 99% over the past five years, BW Offshore exceeds client expectations but recognises internally that uptime must never be the priority over safe operations.

BW Offshore has produced class leading HSE and production records, with an LTI of 0.69 and uptime of 98.5% in 2018.

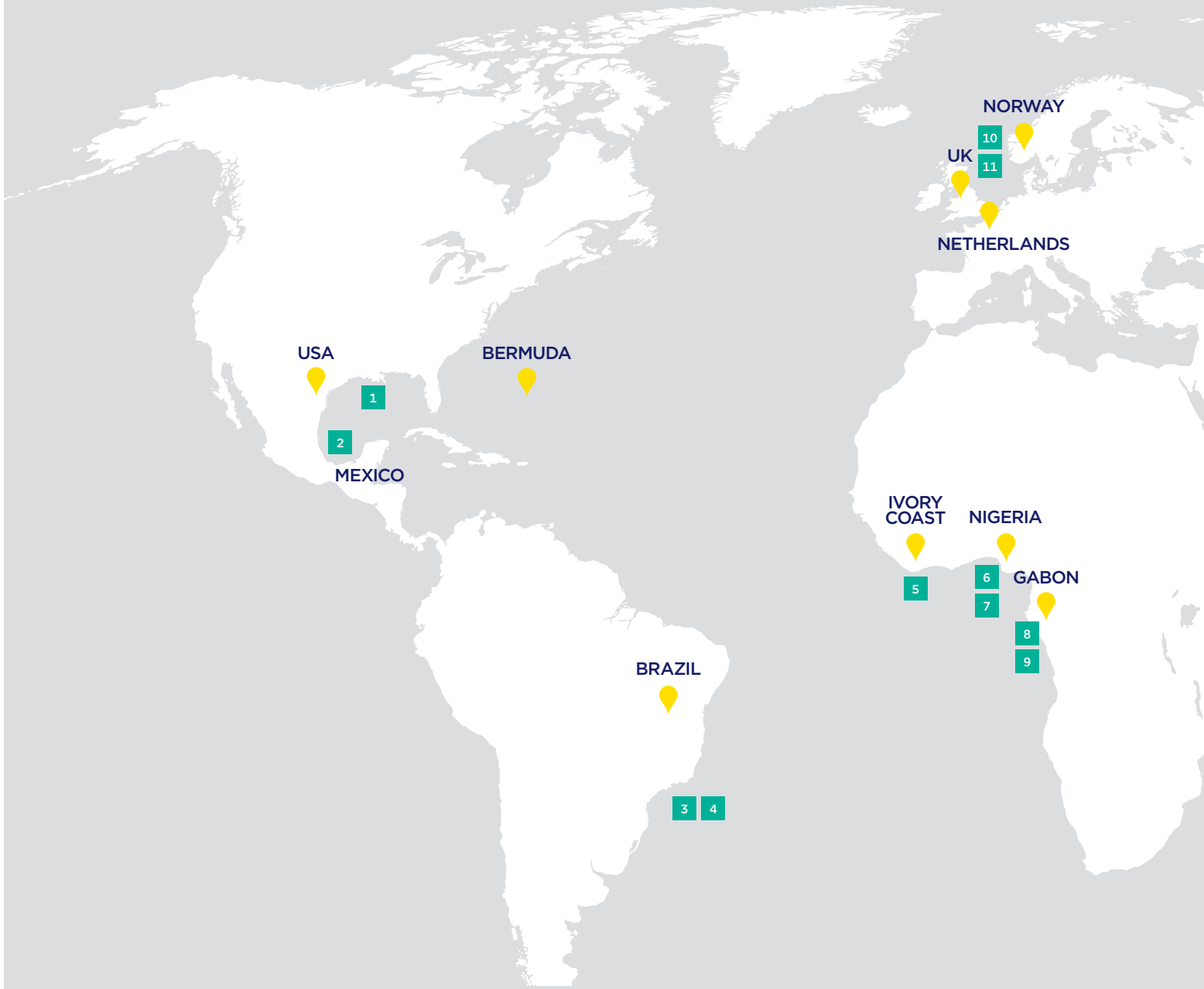
Global footprint

BW Offshore is represented in all the major oil and gas regions world-wide, across Asia Pacific, the Americas, Europe and West Africa. The Group currently operates FPSO units in nine countries, supported by local onshore teams and an organisation with a global presence.

Key figures

Production uptime		98.5%
LTI		0.69
Operating revenues	USD million	870.4
EBITDA	USD million	489.2
EBIT	USD million	157.5
Net profit/(loss)	USD million	36.5
Total assets	USD million	3,416.5
Total equity	USD million	1,320.9
Equity ratio		38.7%
Market cap	USD million	674.0
Enterprise value	USD million	2,956.4
Daily export	boe per day	600,000

Global footprint



1
BW PIONEER, PETROBRAS



2
YÙUM K'AK' NÁAB, PEMEX



3
BW CIDADE DE SÃO VICENTE,
PETROBRAS



4
FPSO POLVO, PETRORIO



5
ESPOIR IVOIRIEN, CNR



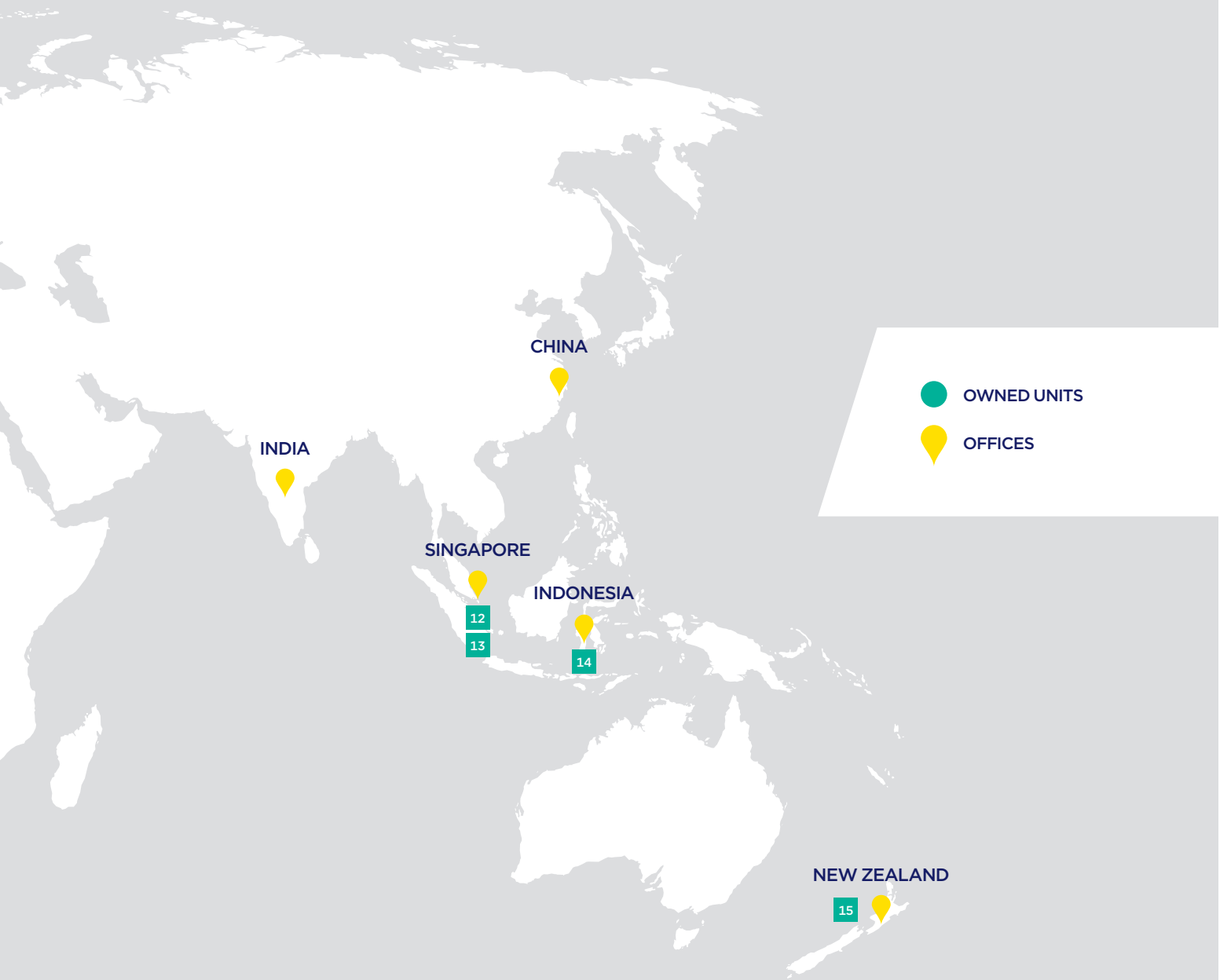
6
ABO FPSO, AGIP/ENI



7
SENDJE BERGE, ADDAX/SINOPEC



8
PETRÓLEO NAUTIPA, VAALCO



BW ADOLO, BW ENERGY



BW ATHENA



BW CATCHER, PREMIER OIL



FPSO CIDADE DE SÃO MATEUS, PETROBRAS



BERGE HELENE



BW JOKO TOLE, KANGEAN



UMUROA, TAMARIND

History

BW Offshore is a leading global provider of floating production services to the oil and gas industry. BW Offshore is represented in all major oil and gas regions world-wide with a fleet of 15 owned FPSOs.

BW Offshore has a long track record on project execution and operations, as well as a robust balance sheet and strong financial capabilities. In more than 30 years of production, BW Offshore has executed 40 FPSO and FSO projects. The company is listed on the Oslo Stock Exchange.

BW Offshore is represented in the major oil regions world-wide, with presence across Europe, Asia Pacific, West Africa and the Americas.

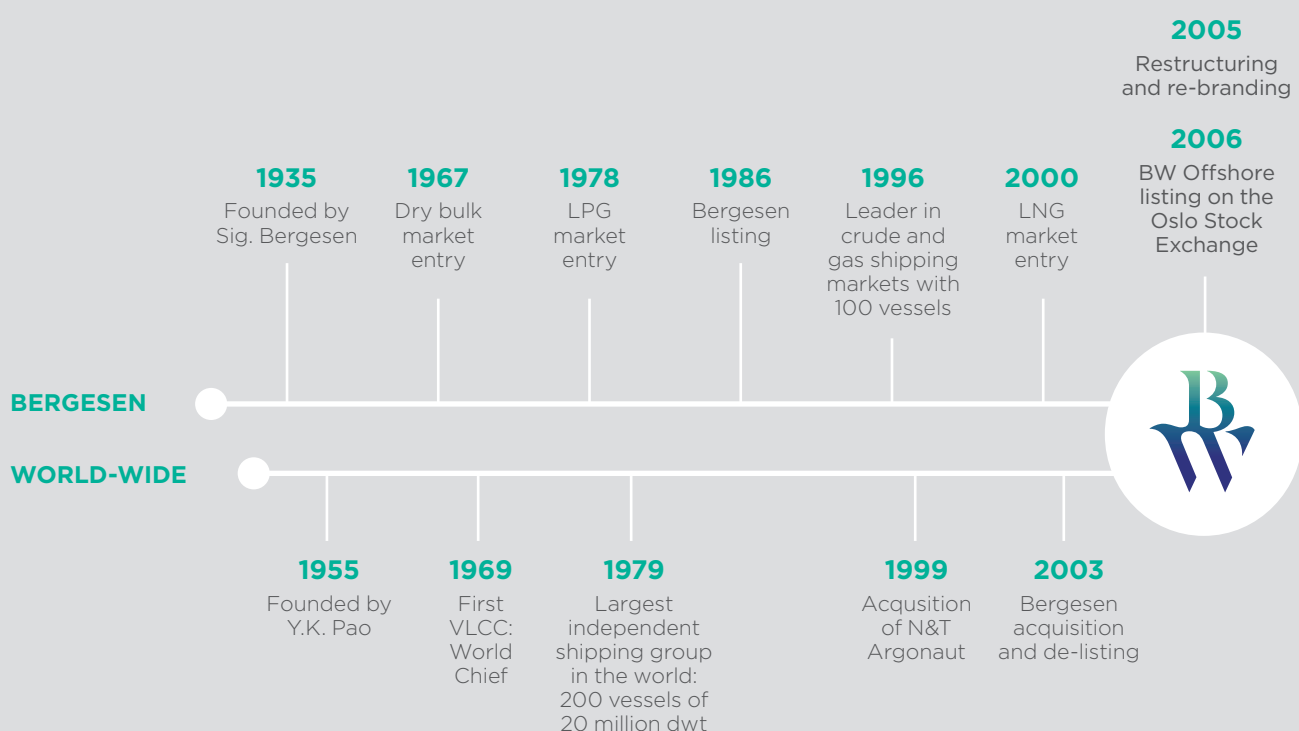
The origin of BW Offshore goes back to 1982, as a department of Bergesen d.y., when Berge Sisar (an LPG FPSO later replaced by Berge Troll) was installed in Angola.

In 2003, World-Wide acquired Norway's Bergesen d.y. ASA, the world's largest gas carrier operator. The acquisition brought together two well-established businesses with similar commitments to quality and industry leadership. Bergesen Worldwide was established as a holding company incorporated in Bermuda on 29 October 2003 under an internal group restructuring implemented in 2003 and 2004.

In 2005, a further re-organisation took place, accompanied by the re-branding of the business under a single group brand, BW. BW Group Ltd was incorporated in Bermuda and became the holding company of the Group on 10 April 2007.

The BW Group is comprised of BW Offshore, BW LPG, BW Tankers, BW LNG, BW Chemicals, BW Dry Cargo and BW Fleet Management.

BW Offshore has been a pioneer in many respects. It was the first company to operate an LPG FPSO with its operations in Angola. Later the company has converted and installed the first and only Arctic Oil FSO. In 2007 BW Offshore delivered the world's largest converted FPSO, with the biggest throughput capacity in any FPSO, now operating as the first FPSO in the Gulf of Mexico. Furthermore, in 2007 the company was awarded to build and operate what was the first FPSO in the US Gulf of Mexico, and one of the deepest moored (2,500m).



80 YEARS OF MARITIME ENERGY HISTORY



2007

World's largest FPSO (Yùum K'ak'Náab)

2009

First FPSO with drilling capabilities (FDPSO Azurite)

2012

Re-entering North Sea FPSO market (BW Athena)

2014

Contract for BW Catcher

2017

First Oil BW Catcher

2008

Acquisition of APL

2010

Acquisition of Prosafe Production
Sale of APL

2013

O&M contract with Statoil for FPSO Peregrino

2016

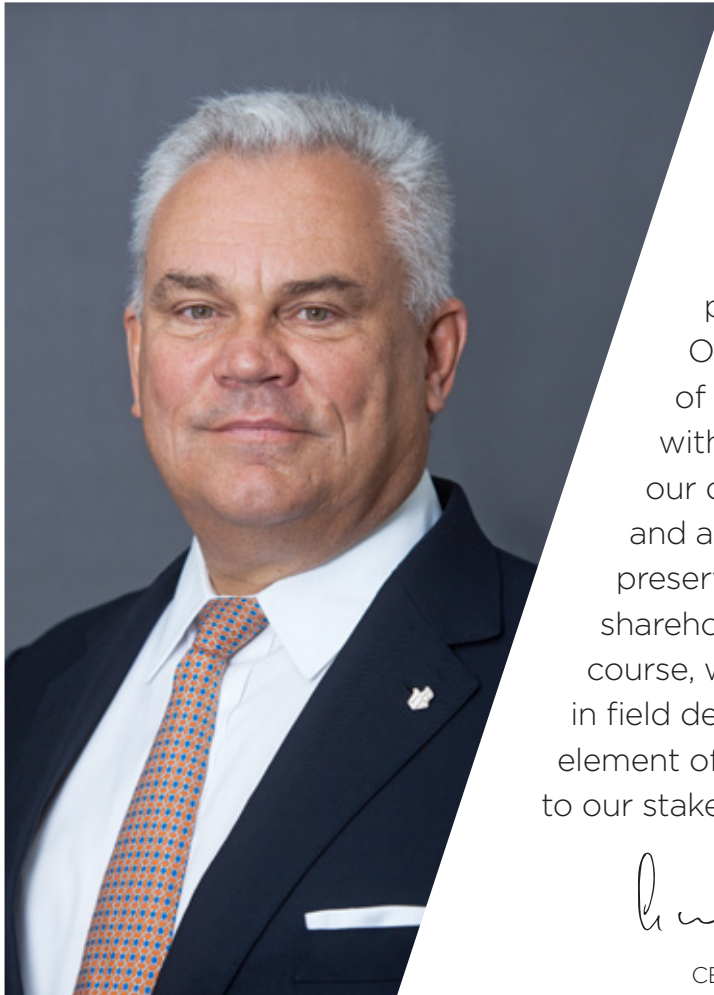
Acquisition of stake in Dussafu field

2018

First Oil BW Adolo from Dussafu field

CEO's report

Steady course for the future



We live in uncertain times and the fortunes of our industry move up and down with the global economy and the world's need for energy. While becoming an oil producer does not shield BW Offshore from the cyclical nature of the business, it does provide us with the opportunity to combine our deep reservoir knowledge and attractive FPSO assets to preserve and develop value for our shareholders. We are on a steady course, with our vision to take part in field developments as an important element of the future value proposition to our stakeholders.

A handwritten signature in black ink, appearing to read 'Carl K. Arnet'.

Carl K. Arnet
CEO BW Offshore

Through the course of 2018, we have worked hard to achieve our targets - and we have delivered. We started up and debugged the highly complex BW Catcher FPSO and we became an oil company in charge of our own development in Gabon.

The Catcher project represents our biggest investment to date. As one of the biggest recent developments in the UK sector it has held a high industry profile. Bringing BW Catcher on line was a major milestone - one we achieved with a very respectable HSSE record. The BW Catcher investment will contribute significantly to our revenue and profit for years to come. However, it did require considerable efforts due to its complexity. We have managed to stabilise operations at expected levels, and it is a testament to our achievement that Premier Oil awarded us the FEED study for their landmark Sea Lion project in the South-Atlantic Ocean.

On 16th September, we celebrated first oil on BW Adolo on the Dussafu field in Gabon. Over a period of mere 17 months, from April 2017 to September 2018, we pivoted our business from being a pure FPSO provider to becoming a fully-fledged oil company. We drilled two successful production wells into the Tortue reservoir and completed two appraisal wells which significantly increased our oil reserves. Additionally, we installed the subsea infrastructure and hooked-up to the re-converted Azurite, now the 'new' BW Adolo FPSO, which was successfully started up and achieved close to 100% regularity from the first drop of oil. As we now embark on the second phase of the Tortue development and further appraisal wells in 2019 and 2020, we do so with strong confidence that we will generate further value for our shareholders.

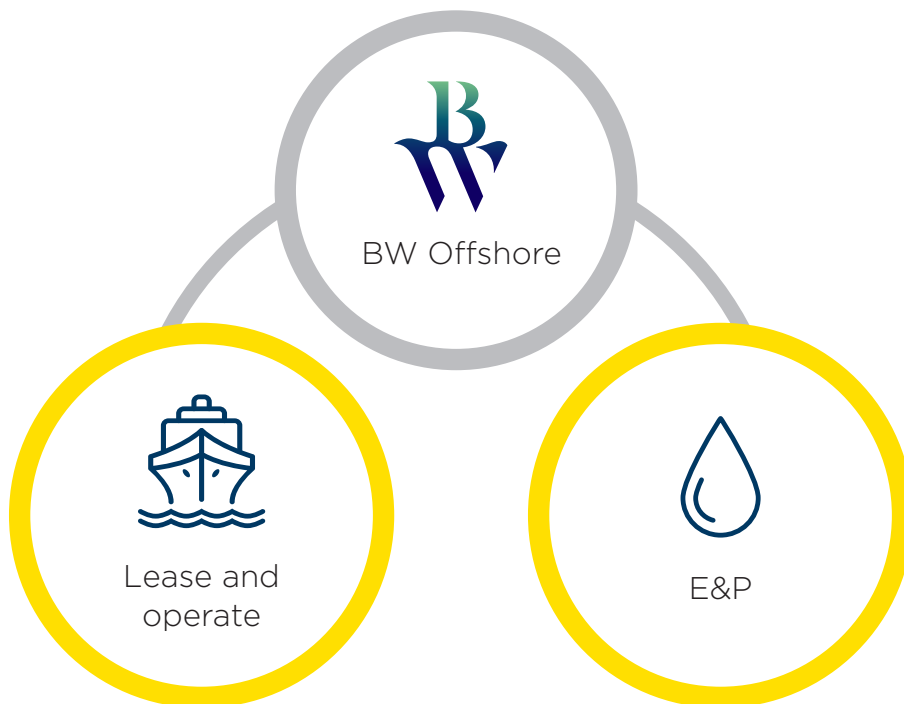
Furthermore, we signed contract extensions for the FPSOs Abo, Polvo and Umuroa. These extensions prove that FPSOs have a commercial life beyond the fixed contract period, and that we deliver on our strategy to secure continued use of our FPSO fleet.

Ensuring safety for our employees remains our highest priority. Throughout 2018, our Operational Integrity function was firmly established within the Company to support the organisation in continuous improvement in all activities. The key objectives are to ensure that we operate our assets in the safest manner possible to prevent incidents and failures and ensure that we optimise long-term asset values. Our organisation is committed to the United Nation's Sustainable Development Goals as well as the United Nations Universal Declaration of Human Rights. We will pursue further initiatives in 2019 as part of the Company's long-term sustainability strategy.

I want to commend all our employees, in every office and on every unit, for their hard work. My sincere thanks go to all of you for the strong work ethic, commitment and dedication you demonstrate at work every day. I also want to thank our customers and business partners for their solid and reliable support. My appreciation also goes to the Chairman and the Board of Directors for another year of strong support, valued counsel and sound steer.

Safe and effective offshore development

The company's main activities are engineering, procurement, construction and installation, as well as lease and operation services for FPSOs. The company also participates in developing proven offshore hydrocarbon reservoirs.



Operational capabilities

Performance commitment

Safe operations and high uptime is not only a requirement but an obligation for BW Offshore to clients and employees. Safety is our highest priority. We are relentless in our focus and commitment to class leading Health, Safety, Security, Environmental and Quality (HSSEQ) standards combined with class leading asset integrity management.

Experience and results

With an average uptime routinely at 99% over the past five years, BW Offshore exceeds client expectations but recognises internally that uptime must never be the priority over safe operations. More than 600,000 barrels of oil equivalent in daily volume is handled by 12 FPSOs in areas as diverse as West Africa, the South Atlantic off Brazil, the Gulf of Mexico, the US Gulf, the North Sea and South East and Far East Asia.

Competent and motivated workforce

BW Offshore's operational performance requires a highly qualified, competent and dedicated technical support and logistics service staff. A strong network of onshore in-country offices ensuring operational support linking the units to shore. BW Offshore's work ethic and culture, high level of experience and competence, global work opportunities and challenging class leading assignments requires the Group to be an attractive employer. Global recruitment centers and manning supply partners attract and select best in class candidates for fleet positions offshore. BW Offshore's international pool of manpower allows for global rotation of talent based on required competence. There is high commitment to deployment of local content in countries where the Group operates with a heavy investment in training and development of local personnel.

Operations and maintenance expertise

BW Offshore makes a solid partnering choice for clients wanting to outsource the technical competence to run and operate these complex units. With an existing operational network to leverage, the Group offers synergies that are difficult for a client to achieve on a stand-alone basis. Well established infrastructure, manning pools and supply chain networks are some immediate advantages to clients in addition to the familiarity with regulatory requirements, technical maintenance and life-cycle cost management offered by BW Offshore.

Capturing life extension

Modifications of existing FPSOs in situ to extend production or redeployment can unlock significant value for clients and BW Offshore. BW Offshore's project and engineering expertise makes this possible. Working closely with client teams, BW Offshore has set up internal teams specifically for this purpose, combining competent project and operations staff from across the organisation. Managing modifications and upgrades on live producing units calls for specialised competence as safety related and economic risks multiply compared to projects run on site in a shipyard. Maintaining asset integrity in situ in such scenarios represents some of the most advanced technical execution challenges in the business.

Field development - redeployment opportunities

BW Offshore's strategy is to be the preferred business partner of small to medium sized E&P companies in developing and operating discovered offshore fields. The use of existing FPSOs to trigger offshore developments is an instrumental part of this strategy, as FPSO redeployments require less time and capital than traditional tanker conversions or newbuilds. This approach can unlock otherwise uneconomical offshore developments and create significant value even at low oil price scenarios. Matching field requirements with the capabilities of existing assets, is a key competency in BW Offshore's engineering and operations staff.





Operational Integrity

Safety first

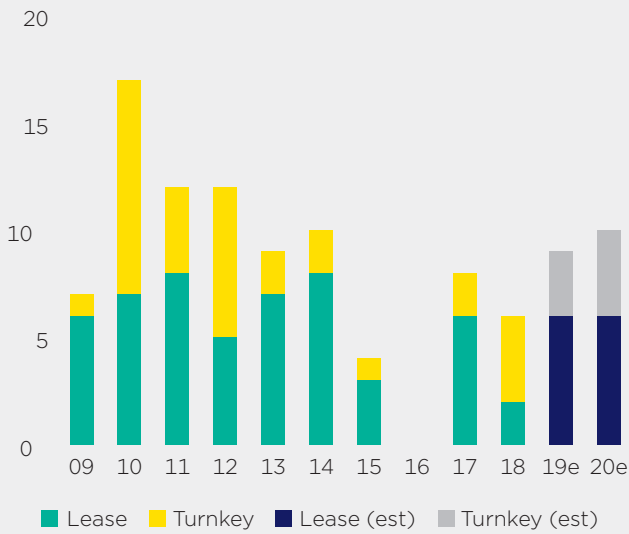
BW Offshore is fully committed to safety, occupational health, quality management and environmentally responsible performance. The Company has implemented effective management systems and routines with a focus on continuous improvement in all its activities.

Operational Integrity (OI) was formed as a separate business function in 2017 to support the wider BW Offshore organisation. The function defines Group operational integrity performance requirements and targets. It also provides an assurance framework to demonstrate that OI performance is initially achieved during the Project phase, and then continues to be met through the Operations phase.

The Operational Integrity function also manages the Health, Safety, Security, Environmental, Quality (HSSEQ) protocols that enables BW Offshore to adhere to mandatory requirements and those the company have chosen to apply as best practice.

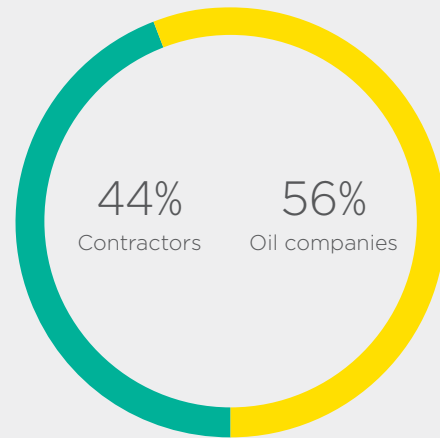
The Company holds certification to the ISO 9001, ISO 14001 and OHSAS 18001 international standards, which recognise the way it manages its business processes, its commitment to minimise environmental impact and its health and safety systems. The Group also holds a Document of Compliance to the International Safety Management Code.

GLOBAL FPSO AWARDS



Source: Fearnley

FPSO OWNERSHIP



Source: EMA

3.4
USD BILLION
TOTAL ASSETS

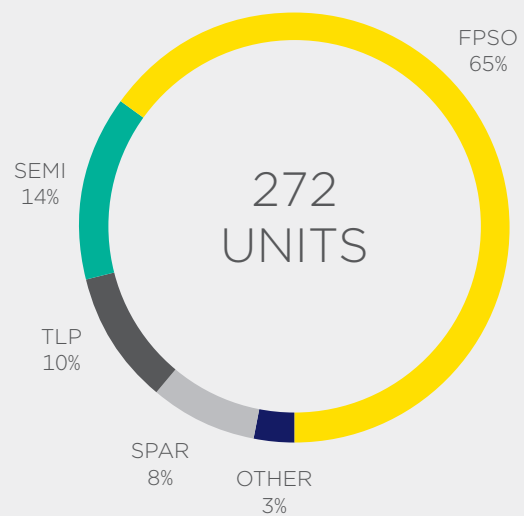
40
FPSO/FSO PROJECTS
COMPLETED

FPSO CONTRACTORS



Source: Fearnley

GLOBAL FLOATING PRODUCTION UNITS Fleet

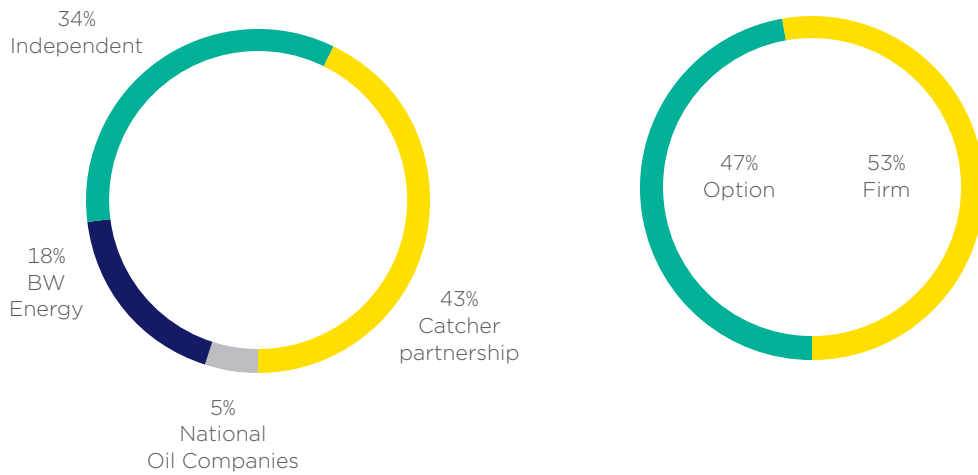


Source: EMA/BW Offshore

Lease & Operate

Leasing the production asset from BW Offshore has allowed clients to focus on their core competence areas of developing and managing reservoirs. The lease approach also reduces the investment and financial exposure for clients related to major production assets.

BW OFFSHORE'S REVENUE BACKLOG



With more than 30 years track record, BW Offshore has completed 40 FPSO and FSO conversions resulting in a strong conversion competence developed over time. In addition, BW Offshore has the unique privilege of having operated these units. Both these factors ensure a robust foundation for future projects. In its valuable position of being experienced in all phases from design engineering through to long-term operations, BW Offshore has a unique competitive advantage when it comes to providing clients with an efficient total life cycle cost.

Lifetime maintenance and support

BW Offshore takes full responsibility to operate and maintain, as well as upgrade or modify, the production asset as needed by the client in a lease arrangement. This ensures that production requirements are met for the total duration of the field life including necessary funding, availability of appropriate competencies, as well as know-how of the production equipment.

Coordinated management

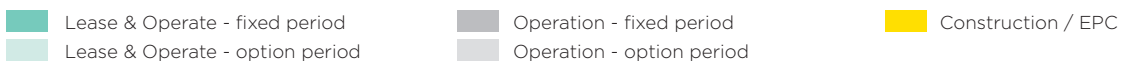
The contract between the oil company or the operator and BW Offshore regulates numerous operational and financial obligations including production and processing performance. Leases are structured to ensure that unit ownership and other details comply with local law and tax regulations in the country of operation. BW Offshore offers significant support in the form of management resources and staff to execute, arrange and manage the ownership and operation of the FPSO. BW Offshore serves as a single point of contact behind the scenes for various parties and processes while offering field partners a transparent day rate.

Funding based on contracts with clients

BW Offshore has a strong relationship with a large number of international banks and close contact with the equity market through the Oslo Stock Exchange listing. This enables the structuring of financial packages, enhanced by lease contracts with reputable clients. BW Offshore has also successfully created funding alternatives through the bond market, in addition to interest from equity partners on individual projects. It has been our experience that for the right project with the right client, funding can be accessed.

FLEET CONTRACTUAL VIEW

Unit	Type	Contract	13	14	15	16	17	18	19	20	21	22	23	24	25	26
Sendje Berge	FPSO	Lease & Operate	Addax/Sinopec, Nigeria: 2005-2021 (2023)													
Yúum K'ak' Náab	FPSO	Lease & Operate	Pemex, Mexico: 2007-2022 (2025)													
BW Cidade de São Vicente	FPSO	Lease & Operate	Petrobras, Brazil: 2009-2019 (2024)													
BW Pioneer	FPSO	Lease & Operate	Petrobras, US: 2012-2020													
BW Joko Tole	FPSO	Lease & Operate	Kangean, Indonesia: 2012-2022 (2026)													
Umuroa	FPSO	Lease & Operate	Tamarind, New Zealand: 2007-2019 (2022)													
FPSO Polvo	FPSO	Lease & Operate	PetroRio, Brazil: 2007-2020 (2022)													
Abo FPSO	FPSO	Lease & Operate	Agip/Eni, Nigeria: 2003-2019													
Espoir Ivorien	FPSO	Lease & Operate	CNR, Ivory Coast: 2002-2022 (2036)													
Petróleo Nautipa	FPSO	Lease & Operate	Vaalco, Gabon: 2002-2020 (2022)													
BW Catcher	FPSO	Lease & Operate	Premier Oil, UK 2018-2025 (2043)													
BW Adolo	FPSO	Lease & Operate	BW Energy, Gabon 2018-2028 (2038)													
Berge Helene	FPSO	Tendering	Petronas, Mauritania: 2006-2017													
BW Athena	FPSO	Tendering	Ithaca, UK													
FPSO Cidade de São Mateus ¹⁾	FPSO	Lease & Operate	Petrobras, Brazil: 2009-2019 (2024)													



1) At yard pending agreement with client.

Engineering expertise

The FPSO concept selection stage is critical and determines much of the future technical and economic lifecycle of the unit in production. Concept development begins early in the tendering process with a close collaboration between the client team and BW Offshore's concept and technology experts to explore and evaluate options.



Innovative design

BW Offshore is also engaged in the development of new concepts. In 2018 both BW Tyr and BW RapidFramework were introduced.



BW Tyr-Agile and robust

BW Tyr is a concept developed specifically for the North Sea addressing both the regulatory regime and the harsh weather conditions. BW Offshore will provide a robust, flexible and proven FPSO solution developed with partners Aibel and Vard together with an attractive lease and operate business model to let our clients develop marginal fields. The overall design is compact with a lean and efficient top-side and a hull that is optimised to reduce motions and wave loads to increase availability and crew comfort. The project will be executed from Norway with a focus on Norwegian and European content.



BW RapidFramework-ultimate solution for large FPSO's

BW RapidFramework is an innovative purpose designed new built hull for FPSO's. Capitalising on BW Offshore's experience with constructing new build hulls and operating more than 30 FPSO's, the engineering team has perfected a design that incorporates the lessons learned over the years. This has resulted in a cost effective design with the benefit of fast delivery. The unique class approved design provides a standard structural lay-out that is arranged in such a way to accommodate a wide range of equipment and systems to suit client's specific requirements.

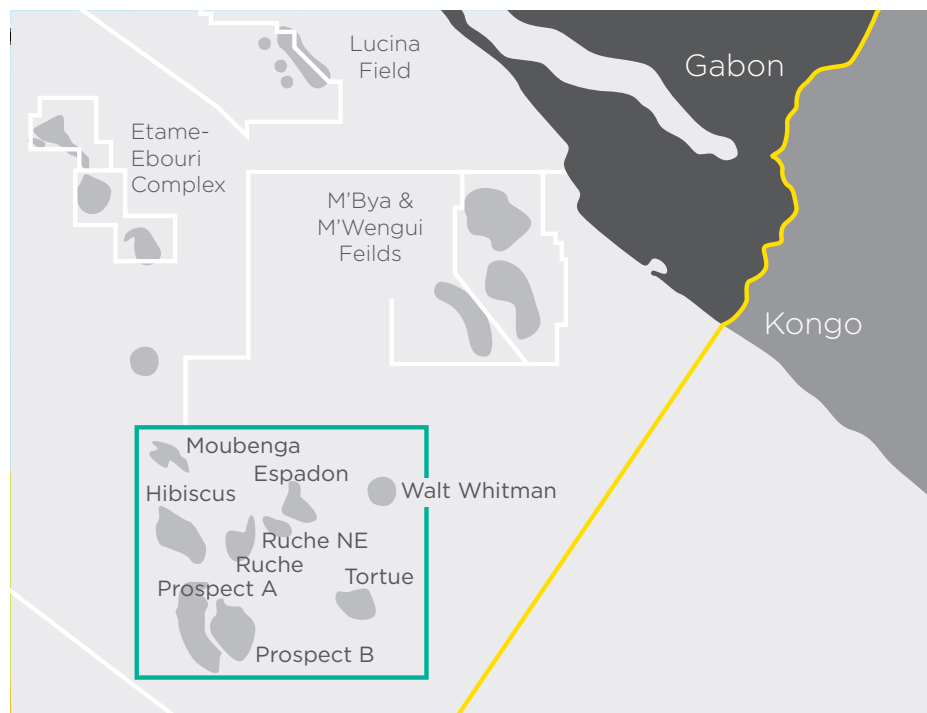
There are numerous factors to be considered in the quest for optimal solutions. The weather conditions at the field need to be carefully considered as does the field, oil quality, gas solutions, water, environmental concerns and the regulatory framework. In all these areas BW Offshore has amassed a substantial experience database over the years. Early engagement with the client team ensures a solid concept selection process to meet technical and financial objectives over the lifecycle of the unit.

Translating vision to reality

From engineering to procurement of materials and equipment, and fabrication and integration, to finally testing the facility before hand over to the operations team, project execution is complex. It also requires extreme discipline to ensure that multiple hundreds of people from BW Offshore, subcontractors and yards work together seamlessly to deliver on time and on budget. The project execution division is responsible for ensuring a structured, methodical, disciplined, repeatable and continuously improving approach to project execution.

E&P

BW Offshore's strategy is to be the preferred business partner of small to medium sized E&P companies in developing and operating discovered offshore oil and gas fields. The use of existing FPSOs to trigger offshore developments is an instrumental part of this strategy, as FPSO redeployments require less time and capital than traditional tanker conversions or newbuilds. This approach can unlock otherwise uneconomical offshore developments and create significant value even at low oil price scenarios. Matching field requirements with the capabilities of existing FPSOs is a key competency of BW Offshore.





Dussafu

The acquisition of 91.67% of the Dussafu Marine Permit in Gabon and the associated redeployment of the FPSO BW Adolo was the first project for BW Offshore under the new E&P strategy. The Dussafu license is situated within the Ruche Exclusive Exploitation Area (Ruche EEA), which covers 850 km² and includes five discovered oil fields and numerous undrilled structures. The Production Sharing Contract allows for production of hydrocarbons from the Ruche EEA for up to 20 years from first production. BW Energy, a subsidiary of BW Offshore, is the field operator.

Phased development

The initial development (Tortue Phase 1) within the Ruche EEA consisted of the drilling of two horizontal subsea production wells, which were tied back to BW Adolo. In September 2018, 18 months after the acquisition of the licence, BW Offshore announced that first oil from Tortue Phase 1 had been achieved within budget and on schedule with no Lost Time Injuries (LTIs). Production performance has been in line with expectations and at year end had stabilised at approximately 12,500 bopd. In addition to the Tortue Phase 1 development, the Company has made the investment decision for Tortue Phase 2 following the successful appraisal program on the western flank of the Tortue field. Phase 2 includes drilling of up to four additional horizontal subsea production wells which will be tied back to BW Adolo.

In September 2018, BW Offshore announced the successful completion of an appraisal well and side-track on the Ruche North East structure in the Dussafu license. The appraisal well and side-track encountered Gamba sands at the expected depths with high reservoir quality and the same oil-water levels in both wellbores. This confirmed the presence of a significant reservoir in the prospect. In addition, multiple high quality oil-bearing Dentale sands in both the appraisal

well and side-track were encountered, which represented a very positive outcome. The technical and commercial teams are now evaluating a separate development plan for the Ruche area based on the original Ruche discovery made by Harvest and the new Ruche North East discovery.

BW Offshore has approved drilling of two additional exploration wells in the greater Ruche area to further evaluate high-grade prospects. This decision is subject to partner and government approval.

Ownership

BW Offshore's ownership in the Dussafu Marine Permit is through BW Energy, a joint venture company owned 66.67% by BW Offshore and 33.33% by BW Group.

BW Energy currently holds a 91.67% working interest in the Dussafu Marine Permit, while Panoro Energy holds the remaining 8.33% working interest. Gabon Oil Company has the right to acquire 10% of BW Energy's working interest. It is expected that this agreement will be finalised early 2019, which effectively will reduce the ownership of BW Energy to 81.67%.

In addition, Tullow Oil holds a PSC-defined state back-in right of 10%. Tullow has confirmed their intent to exercise this back-in right, which will reduce BW Energy's ownership of the Dussafu license to 73.5%.

As a prudent and responsible operator, BW Energy is committed to develop safe and long-term stable production from the EEA while maximising recovery for the Gabonese state and partners. As a socially responsible corporation, BW Energy supports the region by contributing to the Gabonese Hydrocarbon Support Fund as well as to local training and social programmes.



Vision, purpose and principles

BW Offshore shall be the preferred partner in development and operation of discovered offshore fields

- To be a partner means sharing the risk and reward of the reservoir
- Use existing production assets to trigger development of discovered offshore oil and gas fields
- Unique focus on small to medium sized E&P companies specialising in exploration
- Maximise return to shareholders whilst understanding the long term nature of our business

BW Offshore prioritises safety first in all its operations and has “zero harm” as an overriding objective for its personnel and the environment at large.

BW Offshore has established a set of five Principles to guide towards effective leadership behaviour at all levels in the organisation. These are summed up in ILEAD.



I Integrity

- Do what you say you will
- Be trustworthy
- Be transparent
- Be authentic



L Leverage the team

- Collaborate and share
- Respect the individual
- Talk to and not about each other
- Inspire and influence



E Excellence

- Be good at what you do
- Anything worth doing is worth doing well
- Be part of the solution
- Create value



A Accountability

- Value the company's resources as your own
- Take responsibility
- Take ownership
- Engage



D Disciplined delivery

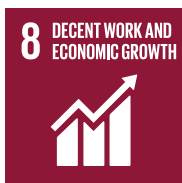
- Be realistic
- Understand what is to be done, when and how
- Get things done
- Respect the BWO system



Sustainability report

Guided by its vision, purpose and principles, BW Offshore aspires to achieve sustainable development by striking a fair balance between financial results, value creation, sustainability and corporate responsibility. BW Offshore will inform stakeholders about objectives, priorities and achievements which are relevant to their interests, expectations and concerns from a sustainability perspective.

SUSTAINABLE DEVELOPMENT GOALS





BW Offshore takes part in a value chain providing safe and affordable energy supply, an important factor for economic growth in both developed and undeveloped economies. The Company has an established framework for handling risk factors to ensure it operates in a safe and effective manner by adherence to the zero-harm policy and by minimising unnecessary use of resources and minimising the environmental impact of its operation. As a responsible and inclusive employer, BW Offshore impacts positively on local job-creation and development in the nations where it operates. Potential incidents leading to loss of lives or harm to people, potential harmful spills and emissions of hydrocarbons to the external environment, and acts of corruption have been identified by the Company as the key operational risks.

BW Offshore has in place an established, holistic approach to Health, Safety, Security, Environment and Quality (HSSEQ) across all its operations. The Company also shows due respect for the individual, human rights and employment practices.

Focus areas

BW Offshore has defined its stakeholder group to include permanent employees, contractors, consultants, other service personnel, investors, suppliers, clients, partners, lenders/creditors, authorities and society at large.

This sustainability report considers a wide range of interests and concerns related to the stakeholder group. These also form the basis for identifying the areas where BW Offshore's activities have the most material impact defined as Social Responsibility, Environment Impact and Ethical Business Conduct.

Contribution to UNs Sustainable Development Goals¹⁾

BW Offshore further supports the United Nations Sustainable Development Goals (SDGs). The SDGs described below are those considered the most material for BW Offshore and where the company can have the greatest impact.

UN Goal	UN definition	BW Offshore's contribution
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Create conditions that allow people to have quality jobs that stimulate the economy while not harming the environment</p>	<ul style="list-style-type: none"> • Providing safe, meaningful jobs to a substantial local workforce • Offering training, education and development programs for employees • Being a diversity and equal opportunity employer • Contributing to local value creation
 <p>13 CLIMATE ACTION</p>	<p>Take urgent action to combat climate change and its impacts</p>	<ul style="list-style-type: none"> • Continuous monitoring and risk analysis to prevent incidents • Ensuring high asset quality and operational integrity • Optimising use of energy, water and other consumables • Adherence to Hong Kong convention for ship recycling
 <p>14 LIFE BELOW WATER</p>	<p>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p>	
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	<ul style="list-style-type: none"> • Continuous reporting of operational, financial and governance related data • Guidelines for ethical and good business conduct • High anti-corruption focus • Responsible procurement

1) The UN Sustainable Development Goals (SDGs) were agreed by all 193 UN member states in 2015, and guide governments, civil society and the private sector in a collaborative effort for change towards a sustainable development.



People and social responsibility

BW Offshore has continuous focus on its employees, organisation and the opportunities it can provide for the wider community. The Company is deeply aware of the importance of its people and their contribution to meeting operational and financial objectives. Ensuring the safety and well-being of its employees is BW Offshore's greatest responsibility and reflected in the zero-harm principle. Therefore, all processes take account of human performance and a strong culture of care and are in support of the UN sustainable development goal #8 regarding decent work and economic growth.

Human rights, anti-discrimination and fair employment

The BW Offshore Code of Ethics and Business Conduct represents the commitment to respect for the individual, upholding human rights and instituting fair and ethical employment practices. BW Offshore has established several human capital policies with routines and procedures aligned with ethical and compliant business practices, such as rules for transparent recruitment and provision of employment agreements establishing its personnel's rights and entitlements.

The Company is committed that all persons shall be treated with dignity and respect and shall not be unreasonably interfered with in the conduct of their duties and responsibilities. BW Offshore prohibits unlawful discrimination based on ethnic or national origin, age, gender identity or expression, sexual orientation, marital status or family structure, religion

or disability. Inappropriate workplace conduct, such as harassment or discrimination is not tolerated.

BW Offshore supports the United Nations Universal Declaration of Human Rights and the standards advised by the International Labour Organisation. Slavery, forced labour, child labour, torture and other violations of human rights are totally unacceptable.

Third-parties providing goods and services to BW Offshore are expected to comply with human rights and relevant employment practices and the Company performs due diligence to support the effort to ensure that the various supply chains operate in an ethical and responsible manner to prevent slavery, human trafficking, forced or child labour and any other violations of human rights and labour standards.

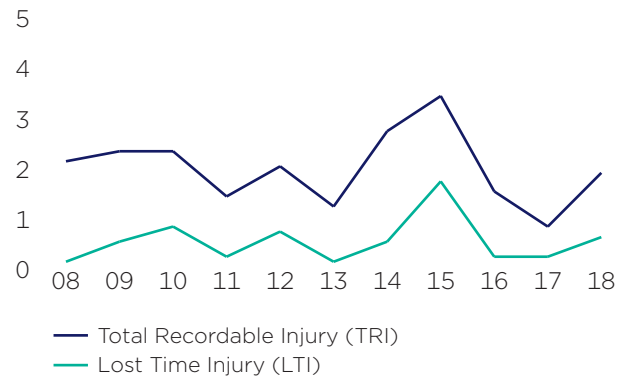
Health, safety and security

BW Offshore believes that all incidents resulting in harm to people and the environment and to property can be prevented. Health, safety and security, together with environmental and quality commitments reflected in HSSEQ activities have the highest priority in all parts of the Group. HSSEQ is an integrated part of sustainable and responsible operations at BW Offshore. The Company's ambition for protecting people and managing environmental impact goes beyond compliance to relevant rules and regulations.

BW Offshore has established policies for safety, security and occupational health and management systems that address these topics in detail. The management systems are compliant with and certified pursuant to the International Safety Management (ISM) code for safe operation of ships and pollution prevention. BW Offshore is also certified to several international HSSEQ standards including ISO 9001 for Quality Management and OHSAS 18001 for Occupational Health and Safety Management.

BW Offshore follows the Oil Companies International Marine Forum (OCIMF) guidelines for reporting marine incidents and uses reporting as a mechanism to analyse and continuously improve safety hazards. A Lost Time Injury (LTI) is an injury in the workplace which means the injured person is unable to resume their normal duties on the next or subsequent shifts. Total Recordable Injuries (TRI) are the sum of lost time injuries, restricted work cases and medical treatment cases.

BW OFFSHORE HSE STATISTICS
Per million hours



All of BW Offshore's FPSOs are certified in accordance with the requirements of the International Ship and Port Facility Security (IPSS) code. The security policy of the Company, the FPSOs and Company premises, is to prevent unauthorised access and to prevent the introduction of weapons and other dangerous devices or substances. The security policy underpins the Company's commitment to ensure zero harm to personnel and taking due care of Company assets. The Company had no material security incidents in 2018.



Operational Integrity

BW Offshore has a target of being an industry leader, with the lowest reasonably possible frequencies for lost time injuries, high risk incidents, including spills to the environment and unplanned emissions, and occupational illnesses. The Company's Operational Integrity function continuously monitors trends and takes prompt action to prevent or reverse any unwanted developments. BW Offshore gives all employees the explicit authority to stop all actions that they think are unsafe and/or unsure of and initiate a process to define and clarify without any repercussions or questions.

Throughout 2018, the function has been firmly established within BW Offshore to support the organisation in continuously achieving the objectives of:

- Zero harm to personnel
- Effective management of Major Accident Hazard risks
- Managing Environmental impacts such that they are minimised
- Taking Due Care of Company Assets
- Continuously seek improvements to work safer and smarter

In 2018, Operational Integrity established processes and tools required for demonstrating operational performance and compliance in a transparent manner. The process (illustrated schematically above) is based on operational objectives that are provided by the Company, and the Operational Integrity function support the organisation in meeting and exceeding these targets through a continuous improvement cycle.

The Operational Integrity function provides the necessary support and assurance in the following ways:

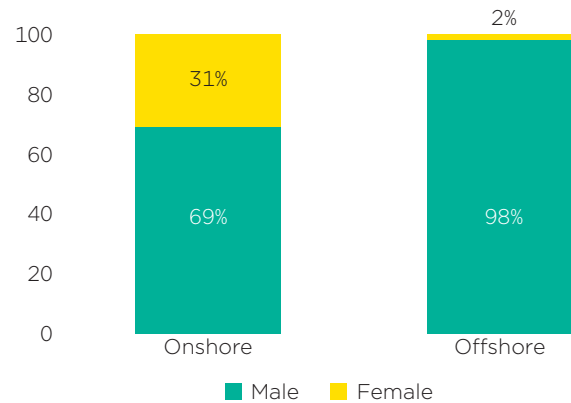
- Setting expectations relevant to performance and compliance through performance standards and management system standards;
- Improving the organisation’s understanding of Operational Integrity principles and how these are best applied through a process which incorporates continuous workforce engagement;
- Continuous identification of hazards related to planned activities and helping to implement effective measures to manage the risks related to these activities
- Assuring that Operational Integrity processes are effective in meeting objectives through audit
- Lessons-learned from an incident investigation process
- Seeking better ways of managing our business to deliver improved Operational Integrity outcomes

Workforce diversity and equal opportunity

BW Offshore comprises of employees with a wide range of experiences, backgrounds and characteristics. The Company continues to build a diverse workforce by attracting, recruiting, developing and retaining people of both gender, different nationalities and age groups across all types of positions. The Company has employees from 58 nationalities, aged between 21 to 70.

As at 31 December 2018, 13% of the workforce was female and 87% male. Women held 20% of the seats on the Board of Directors and women accounted for 22% of the management team.

OVERVIEW OF ONSHORE AND OFFSHORE WORKFORCE BY GENDER:



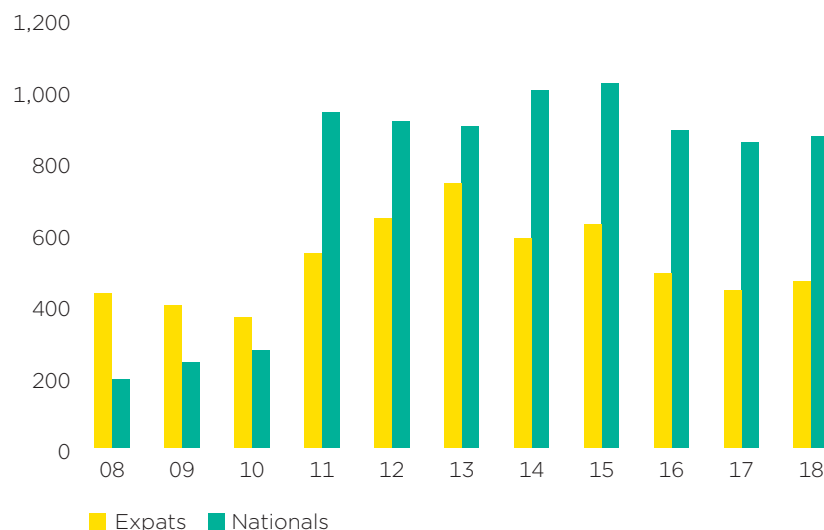
Team composition

BW Offshore strongly believes that diversity promotes healthy collaboration and positive development of the Company’s capabilities and operates with multinational teams on all units and in all onshore locations.

BW Offshore operates in regions and countries where specific competencies and experiences are not available locally. It is important to establish clear strategies and plans to support such competencies among local employees. The Company promotes a systematic approach to increase the level of local content on all levels, which is an important measure to build local knowledge and experience. This is achieved by sharing of competencies by members of the multinational teams to local employees, supported by mentoring and coaching in addition to formal certification and training. The positive impact of this systematic approach is reflected by successful promotions, including to management roles, among the national workforce in line with the Company’s objectives and plans.

BW OFFSHORE EMPLOYED PERSONNEL OFFSHORE

Internationals & Nationals 2008–2018



Case study

Nigeria: Supporting local communities by training and job creation



BW Offshore Nigeria serves as a good example of the Company's commitment to training and development to support development of local competencies and capabilities. The Company operates a trainee programme in compliance with the requirements set out by the Nigerian National Content Development and Monitoring Board (NCDMB). In 2018, ten trainees participated in the programme which included a one-year contract with the Company. A high percentage of these trainees are later retained by BW Offshore as permanent staff. The trainees are also given the opportunity to apply to join the award-winning BW Offshore Internship Programme.

In 2018, BW Offshore Nigeria launched an additional corporate social responsibility initiative by providing educational scholarships to Nigerian graduates and undergraduates in engineering and technology. The scholarships cover tuition, room and board and upkeep allowance per year for the duration of the degree courses. The initiative will award approximately 24 scholarships in early 2019.

These initiatives reflect BW Offshore's commitment to achieving a workforce staffed and lead by nationals rather than foreign expatriates. In 2018, 86% of the BW Offshore Nigeria workforce were Nigerian nationals, compared to 64% in 2016 and the Company is committed to achieving its 99% target by 2021.

Training, development and investment

BW Offshore is committed to continually developing and providing development opportunities to its personnel and building capacity from workforces in key locations. The Company’s success is dependent upon its employees’ ability to execute their tasks, with the required skills, competence, confidence and loyalty.

The development initiatives include the Company’s Young Talent Programmes, which are tailored for students and recent graduates who are passionate in their fields, and who wish to learn more about and contribute to the off-shore industry. The award-winning BW Offshore Summer Internship Programme focuses on building awareness among students of what the Company can offer upon completion of their degrees, across departments and disciplines. The BW Offshore Graduate Programme aims to give recently graduated, young talent a comprehensive introduction to the business as well as a strong understanding of expectations and possibilities within the Company. The programme is structured to build a strong foundation for a career with BW Offshore.



BW Offshore’s internal E-learning portal is another initiative to promote continuous learning. The portal contains a selection of mandatory and voluntary online courses set up for both onshore and offshore employees. The courses are available in several languages and covers a wide variety of topics. A section of the curriculum has been made available to external visitors on the company website to motivate further interest for BW Offshore and its businesses. The publicly available courses are listed under FPSO University and aim to provide a general understanding of how an FPSO works.

Award, Northern Star 2018 Business Award
“Best Student Placement”

Case study
Brazil: The Apprentice’s Act

Since 2015, BW Offshore Brazil has been committed to the local Apprentice’s Act which encourages firms to hire workers in the age of 14 to 24 years and require them to attend work skills enhancing courses.

As of 2018, the Company supports two apprentices through a two-year program and is responsible for enrolling them to training courses provided by one of the official professional qualification agencies certified by the Ministry of Labour, also known as SENAI. The courses include classes on citizenship, worker rights, worker safety and health, alcohol and drug prevention, and consumption education. The program helps prepare the youth for transition to professional work and supports and strengthens their ability to find gainful employment.



Fair compensation structures

BW Offshore applies a meritocratic approach to ensure that the compensation framework supports the Company's long-term business strategy and delivers a total compensation that fairly reflects each employee's contribution and performance.

The BW Offshore's compensation model consist of the following main components:

- Fixed Payment: base salary and cash compensation normally above local minimum wages
- Variable Payment: short-term incentive (STI) and long-term incentive (LTI)
- Benefits: The Company offers general pension plans and insurance schemes aligned with local markets

Future priorities

Throughout 2019, BW Offshore will focus on fully embedding Operational Integrity processes and support framework. This process is expected to lead to improved transparency in demonstrating how BW Offshore contributes to improved excellent operational performance and the ability to work safer and smarter.

BW Offshore will maintain its focus on talent development and training to further facilitate equal opportunities across regions.



Environmental impact

BW Offshore's commitment to minimising environmental impact is integral to project and facilities planning and design. The Company recognises that its operations of offshore development and production of oil and gas are conducted in challenging and sensitive environments and therefore has a relentless focus on managing its impact on the external environment and ultimately contributing to the UN's Sustainable Development Goals # 13 and #14 regarding climate action and life below water.

BW Offshore is certified to the standards of the ISM Code for Safety Management and Pollution prevention and to ISO 14001 for Environmental Management. The Company is subject to periodic audits by DNV GL. Compliance with ISO 14001:2015 standard is a commitment by BW Offshore to manage environmental responsibilities in a systematic manner.

Environmental compliance

BW Offshore's activities are subject to environmental regulations pursuant to a variety of international conventions and national, state and municipal laws and regulations, and which the Group is committed to uphold, and where appropriate, exceed. The Company's Operational Integrity function is responsible for monitoring of compliance to environmental standards and regulations.

Environmental impact

BW Offshore has defined measurable targets for each onshore and offshore unit to ensure compliance with adopted policies and to maintain a continuous improvement

focus. Personnel training and familiarisation with relevant policies are recognised as fundamental to achieve a HSSEQ culture of the highest standard and to minimise risks.

Group management defines on an annual basis focus areas and targets for each functional division reporting to the CEO based on the Company's objectives. Each functional division monitors its own performance in achieving these targets which include environmental metrics that reflect the direct impact of operations on people and the environment. These are the key performance indicators that goals and progress in 2018 are measured against and provide the basis for defining priorities for 2019.

The metrics are included BW Offshore's in-house Environmental Reporting System (ERS). This is an online reporting tool to facilitate environmental performance evaluation for the FPSO fleet. The environmental reporting parameters are categorised under the following sub-headings.

- Chemical consumption
- Discharges to sea
- Energy consumption
- Total Fluid Production
- Waste to Shore

Each FPSO defines specific Environmental KPIs and targets that the unit seeks to achieve within the calendar year as part of the continuous improvement cycle. The unit's performance against the specific KPIs is reported monthly and actions taken to address potential non-conformances. The relevant metrics are reviewed regularly to ensure that the information required to improve Group performance

is captured and analysed. BW Offshore had no significant harmful environmental spills during 2018

BW Offshore complies with the Hong Kong convention for ship recycling. In 2018, the Company signed an agreement to dispose the FSO Belokamenka for recycling. The buyer of the vessel will ensure that the recycling yard is certified to ISO 14001 and OSHMS 18001 standards, the Hong Kong Convention and the IMO 2012 guidelines. The buyer will further ensure that the recycling yard provides a recycling plan and a statement of completion in accordance with the Hong Kong Convention.

Future priorities

In 2019, BW Offshore will actively target reduction to the environmental impact from factors controlled by the Company. This ambition is reflected in bottom-up targets established for each of the production units.

In line with its long-term environmental strategy, BW Offshore will pursue further initiatives in 2019 including

a review of the Company's oil pollution emergency plans and strengthen the procedure for chemical management and hazardous substances.





Governance and ethical business conduct

BW Offshore is committed to complying with applicable laws and governmental rules and regulations in every country in which it is operating. The Company is actively engaged with local authorities and follow international laws and standards for its operations, thereby supporting the UN sustainable development goal # 16 regarding peace and justice and strong institutions.

Ethics and business conduct compliance

The Company has developed policies for ethics and business conduct which provide a basis for the attitudes and principles that should govern the culture in BW Offshore. These policies include the “BW Offshore Code of Ethics and Business Conduct” which applies to all employees in BW Offshore and companies in which BW Offshore has a majority interest, including joint ventures, and to all BW Offshore Board members, officers, temporary employees and legal agents, consultants, intermediaries and others who act on behalf of the BW Offshore. The latest version of the code is available on the Company web page. The code is supplemented by specific “Ethics and Business Conduct Guidelines”, other subject matter policies and other relevant internal procedures in BW Offshore’s management system.

BW Offshore has mandatory E-learning modules for all employees which must be completed on a cyclical basis to ensure that all the workforce know and understand the Company’s rules and commitment to compliance. The company also provides job role or geography specific compliance training face to face, as dictated by our Ethics and Business Conduct risk assessment.

Anti-corruption

BW Offshore is against any and all forms of corruption and it, along with the other Company members of the BW Group, is a member of the Maritime Anti-Corruption Network (MACN), a global business network working towards the vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large.

It is the expectation of BW Offshore that all applicable business partners, suppliers, agents or other third parties (collectively referred to as “suppliers”) will also observe equivalent principles when conducting businesses with BW Offshore. BW Offshore has established a “Supplier Code of Ethics and Business Conduct” in which it expresses the expectations the Company holds for its suppliers.

Responsible procurement

Ethics and business conduct compliance management at BW Offshore focus on assessment of external related parties who work for the various business units or are part of their value chain. All business partners (including country partners, agents acting on behalf of the Company, and suppliers who provide goods and services) are assessed

for; compliance with relevant laws and regulations, compliance with the principles and spirit of the BW Offshore Code of Ethics and Business Conduct (and the supporting guidelines) and any red flags that might indicate that use of the external party might have an adverse effect on BW Offshore's reputation. The Company will not engage an external party if compliance risk is deemed too high.

BW Offshore encourages open discussions about responsible conduct and if any relevant party discover any unethical or illegal practice or find themselves in an ethical dilemma, they are obliged to seek advice.

BW Offshore has established routines and an intranet channel (the BW Offshore "Speak Up Channel") allowing

employees to report a concern in respect to breach of laws and regulations even on an anonymous basis.

BW Offshore commits that no retaliation will be taken against any personnel for raising any concern, questions or complaints in good faith. All reports of suspected violations will be treated confidentially and will be investigated promptly, thoroughly and fairly. Breaches of BW Offshore's code or relevant statutory provisions may result in disciplinary action, or dismissal with or without notice, and may also be reported to the relevant authorities. BW Offshore is committed to making necessary corrections and taking remedial action to prevent recurrence should improper practice occur.

Future priorities

In early 2019, the current "Speak Up Channel" functionality will be updated and extended, through the introduction of a new web portal for reporting and access to local-language phone lines and local access numbers, provided by an external compliance management systems provider. The new system aims to

facilitate greater reporting of unwanted business practices by Company personnel and relevant third-parties such as business partners and suppliers.

Summary of ESG KPIs

	2018	
People		
Group total		2,138
Onshore		800
Offshore		1,338
Employee turnover rate		5.3%
Gender split (female/male)		
Group total (female/male)		13% / 87%
Onshore (female/male)		31% / 69%
Offshore (female/male)		2% / 98%
Split nationals/expat Offshore		65%/35%
Group senior management		
Female/Male		22% / 78%
Board of Directors		
Female/Male		20% / 80%
Health and safety		
Sick leave		2.1%
Fatalities Employees		0
Fatalities Contractors		0
Lost Time Injury rate (per million exposed hours)		0.69
Total Recordable Injury rate (per million exposed hours)		1.97
Total Exposure Hours (million man hours)		11.67
Environmental impact		
Energy		
Energy consumption offshore	GJ	16,353,555
GHG		
CO ₂	tonnes	2,513,000
Methane	tonnes	5,448
Flared Gas	mmscf	14,715
Non-Greenhouse Gas Emissions and Discharges		
NO _x	tonnes	2,574
SO _x	tonnes	634
Produced Water	bbl	77,657,051
Waste		
General Waste	tonnes	532
Metal Waste	tonnes	541
Hazardous Waste	tonnes	722
Recyclable Waste	tonnes	450
Number of significant oil spills		0



Corporate Governance

BW Offshore Limited is a Bermuda limited liability company listed on Oslo Børs (the Oslo Stock Exchange).

BW Offshore Limited (hereinafter 'BW Offshore' or 'Company') and its activities are primarily governed by the Bermuda Companies Act, its Memorandum of Association and its Bye-laws. Certain aspects of the Company's activities are governed by Norwegian law pursuant to the Listing Agreement between the Oslo Stock Exchange and the Company. In particular, the Norwegian Securities Trading Act and the Norwegian Stock Exchange Regulations will generally apply.

1. Implementation and reporting on corporate governance

The Board of Directors (the 'Board') is of the opinion that the interests of the Company, and its shareholders taken as a whole, are best served by the adoption of business policies and practices which are legal, compliant, ethical and open in relation to all dealings with customers, potential customers and other third parties. These policies are fair and in accordance with best market practice in relationships with employees and are also sensitive to reasonable expectations of public interest.

The Board therefore commits the Company to good corporate governance, and has adopted the most current version - including the changes introduced on October 17, 2018 - of the Norwegian Code of Practice for Corporate Governance (the 'Code'), prepared by the Norwegian Corporate Governance Board.

The Board shall provide an overall overview of the Company's corporate governance in the Company's annual report. The review shall include each individual point of the Code. If the Company does not fully comply with the Code, this shall be explained in the Company's annual report.

2 The Business

In accordance with common practice for Bermuda incorporated companies, the Company's objects as set out in

the Company's Memorandum of Association are wider and more extensive than recommended by the Code.

The Board are responsible for and shall take the lead on the Company's strategic planning, and should define clear objectives, strategies and risk profile for the Company's business activities such that the company creates value for the shareholders. The Company's objectives, main strategies and risk profile are described in the annual report.

BW Offshore has implemented corporate values, ethical guidelines and guidelines for corporate social responsibility. These values and guidelines are described in BW Offshore's Code of Ethics and Business Conduct and internal policies.

3 Equity and Dividends

The Board continuously evaluates the Company's capital requirements to ensure that the Company's capital structure is at a level which is suitable in light of the Company's objectives, strategy and risk profile.

Pursuant to the Company's Bye-laws, the Board is authorised to declare dividend to the shareholders. The Board has drawn up a clear and predictable dividend policy approved by the Annual General Meeting on May 12, 2011. Full details of the dividend policy can be found on BW Offshore's website.

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board has wide powers to issue any authorised unissued shares in the Company on such terms and conditions as it may decide, and may exercise all powers of the Company to purchase the Company's own shares.

The powers of the Board to issue and purchase shares are neither limited to specific purposes nor to a specified period as recommended in the Code.

4 Equitable treatment of shareholders and transactions with close associates

The Company has one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently.

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the shareholders of the Company do not have pre-emption rights in share issues unless otherwise resolved by the Company. Any decision to issue shares without pre-emption rights for existing shareholders shall be justified. In the event that BW Offshore waives the pre-emption rights of existing shareholders, the Board of Directors will explain the justification in the stock exchange announcement issued in connection with the increase in share capital.

Any transactions the Company carries out in its own shares shall be carried out either through the Oslo Stock Exchange or with reference to prevailing stock exchange prices if carried out in another way. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

In case of material transactions between the Company and a shareholder, a shareholder's parent company, director, officer, or persons closely related to any of these, the Board will obtain a valuation from an independent third party. Independent valuations shall also be obtained in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

5 Shares and negotiability

The Company's constituting documents do not impose any restrictions on the ability to own, trade or vote for shares in the Company and the shares in the Company are freely

transferable. However, the bye-laws include a right for the Board to decline to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in a share held through Verdipapirsentralen (VPS), where such transfer would, in the opinion of the Board, likely result in 50% or more of the aggregate issued and outstanding share capital of the Company, or shares of the Company to which are attached 50% or more of the votes attached to all issued and outstanding shares of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation. The purpose of this provision is to avoid the Company being deemed a Controlled Foreign Company pursuant to Norwegian tax rules.

6 General meetings

The annual general meeting will normally take place on or before 31 May each year. The Board shall make efforts to ensure that as many shareholders can participate in the Company's general meetings and that the general meetings are an effective forum for the views of shareholders and the Board. In order to facilitate this:

- the notice and the supporting documents and information on the resolutions to be considered at the general meeting shall be available on the Company's website no later than 21 calendar days prior to the date of the general meeting;
- the resolutions and supporting documentation, if any, shall be sufficiently detailed, comprehensive and specific to allow shareholders to understand and form a view on matters that are to be considered at the meeting;
- the registration deadline, if any, for shareholders to participate at the general meeting shall be set as closely to the date of the general meeting as practically possible and permissible under the provision in the Bye-laws;

- the members of the board of directors and the chairman of the nomination committee are present at the general meeting; and
- the shareholders shall have the opportunity to vote separately on each individual matter, including on each individual candidate nominated for election to the Company's Board and committees (if applicable)

Registration is made in writing, per telefax or by e-mail. Shareholders who cannot be present at the general meeting must be given the opportunity to vote by proxy or to participate by using electronic means. The Company shall in this respect:

- provide information on the procedure for attending by proxy;
- nominate a person who will be available to vote on behalf of shareholders as their proxy; and
- prepare a proxy form, which shall, insofar as this is possible, be formulated in such a manner that the shareholder can vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

Pursuant to common practice for Bermuda incorporated companies, the Company's Bye-laws states that the general meeting shall be chaired by the chairman of the Board unless otherwise agreed by a majority of those shares represented at the meeting.

The minutes of the annual general meeting will be published on the Company's website no later than 15 days after the date of the meeting.

7 Nomination Committee

The Company shall have a Nomination Committee comprising such number of persons as determined by the Company's general meeting from time to time, and which members shall be appointed by a resolution of the general meeting, including the chairman of the committee. The general meeting shall determine the remuneration of the Nomination Committee and shall stipulate guidelines for the duties of the Nomination Committee.

The composition of the Nomination Committee should reflect a broad range of shareholder interests. The majority of the committee shall be independent of the Board and the executive personnel of the Company. No more than one member of the Nomination Committee shall be a member of the Board of Directors. The Nomination Committee shall not include the Company's chief executive officer or any other executive personnel.

The Nomination Committee's primary duty is to propose candidates for election as members of the Board of Directors and to propose the remuneration to be paid to the members of the Board of Directors. The Nomination Committee shall justify its recommendations for each candidate separately.

Any member of the Board of Directors who is also a member of the Nomination Committee may offer himself for re-election to the Board of Directors. This deviation from the Code has been implemented to facilitate cooperation between the Nomination Committee and the Board, and continuity in the Board.

The Company shall provide information on the Nomination Committee and any deadlines for submitting proposals to the committee by shareholders.

8 The composition and independence of the Board

The Board shall consist of between five to ten directors. The directors are elected for a period of two years unless otherwise determined by the general meeting. Members of the Board may be re-elected. Only a minority of the directors participating in any decision can be domiciled or living in Norway. The same shall be reflected in the composition of the Board. The Board appoints the chairman amongst the elected Board members.

The composition of the Board shall ensure that it can act independently of any special interests. A majority of the shareholder-elected members of the Board must be independent of the Company's executive personnel and material business connections of the Company. In addition, at least two of the members of the Board must be independent of the Company's major shareholder(s). For the purposes of this Corporate Governance Policy, a major shareholder shall mean a shareholder that owns 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question. The Board does not include the Company's chief executive officer or any other executive personnel. The composition of the Board does not meet the recommended gender guidelines of the Code, but meets the Company's need for expertise and diversity. A short description of our directors and their respective areas of expertise are presented on the Company's website www.bwoffshore.com.

Members of the Board are welcome to own shares in the Company.

9 The work of the Board

The Board is ultimately responsible for the management of the Company and for supervising its day-to-day management. The duties and tasks of the Board are detailed in the Company's Bye-laws.

The Board shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Board shall issue instructions for its own work, as well as for the executive personnel, with particular emphasis on clear internal allocation of responsibilities and duties.

Directors and officers of the Company and other leading personnel shall notify the Board if they directly or indirectly have a significant interest in matters to be considered by the board of directors.

In order to conduct its work, the Board each year fixes in advance a number of regular scheduled meetings of the Board for the following calendar year, although additional meetings may be called by the chairman. The directors shall normally meet in person, but if so allowed by the chairman, directors may participate in any meeting of the Board by means of telephone. Minutes in respect of the meetings of the Board of Directors are kept by the Company in Bermuda.

The Board shall provide details in the annual report of any Board committees appointed. The Board shall have an Audit Committee as a preparatory and advisory committee for the Board, and the entire Board shall not act as the Company's Audit Committee. In addition, the Board shall have a Remuneration Committee as a preparatory and advisory committee for the Board in order to ensure thorough and independent preparation of matters relating to compensation to the executive personnel.

The Board carries out an annual evaluation of its performance and expertise.

10 Risk management and internal control

The Board ensures that the Company has sound internal control procedures and systems to manage its exposure to risks related to the conduct of the Company's business, to support the quality of its financial reporting and to ensure compliance with laws and regulations. Such procedures and systems shall contribute to securing shareholders' investment and the Company's assets.

Management and internal control is based on Company-wide policies and internal guidelines in areas such as Finance and Accounting, HSE, Project Management, Operation, Technical and Business Development, in addition to implementation and follow-up of a risk assessment process. The Company's management system is central in the Company's internal control and ensures that the Company's vision, policies, goals and procedures are known and adhered to.

The Board shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements and an annual supervisory plan for internal audit work is approved by the CEO, based on HSSEQ recommendations and risk assessments carried out.

The internal auditor position is independent from the line management and reports directly to the CEO. In addition to its own controlling bodies and external audit, the Company is subject to external supervision by DNV GL for classification in accordance with relevant ISO standards.

The Board's Audit Committee follows up internal control in connection with quarterly reviews of the Group's financial reporting in addition to two meetings in which internal control issues are addressed specifically. The chief financial officer, the Company's other relevant senior staff and representatives of the external auditor, attend the meetings of the Audit Committee.

The systems for risk management and internal control also encompass the Company's guidelines regarding how the Company integrates considerations related to stakeholders into its creation of value.

BW Offshore has established a Code of Conduct for the Company and its employees providing guidance to employees on how they can communicate with the board to report matters relating to illegal or unethical conduct by the Company.

11 Remuneration of the Board of Directors

The general meeting decides the remuneration of the Board. The remuneration of the Board and its individual directors shall reflect the Board's responsibility, competence, use of resources and the complexity of the business activities.

The remuneration of the directors shall not be linked to the Company's performance and the directors do not receive profit related remuneration or share options or retirement

benefits from the Company. Any remuneration in addition to normal fees to the directors is specifically stated in the annual report.

Directors or companies related to BW Offshore, shall not normally undertake special tasks for the Company in addition to the directorship. However, if they do so, the entire Board shall be informed, and the fee shall be approved by the Board.

12 Remuneration of the executive personnel

Remuneration of the executive personnel is reviewed annually. The work is carried out by the Remuneration Committee, which generally considers the executive personnel's performance and also gathers information from comparable companies before making its recommendation to the Board for approval. Such recommendation aims to ensure convergence of the financial interests of the executive personnel and the shareholders.

Any performance-related remuneration to executive personnel is subject to an absolute limit. The limit is approved by the Board of Directors based on a recommendation from the Remuneration Committee.

The Board approves any share option programs in the Company available to the employees of the Company and subsidiaries. Detailed information of remuneration, loans, shareholding of the management and any share option programs can be found in the consolidated financial statements.

13 Information and communications

The Company is committed to provide information in a manner that contributes to establishing and maintaining confidence with important interest groups and stakeholders. The information shall be based upon transparency, openness and equal treatment of all shareholders. A precondition for the share value to reflect the underlying values in the Company is that all relevant information is disclosed to the market. Based on this, the Company will endeavour to keep the shareholders informed about profit developments, prospects and other relevant factors for their analysis of the Company's position and value. It is emphasised that the information is uniform and simultaneous.

A currently updated financial calendar with dates for important events, such as general meeting, publishing of interim annual reports, dates for payment of potential dividend etc. shall be accessible for the shareholders on www.oslobors.no

and on the Company's website www.bwoffshore.com. Public investor presentations are arranged in connection with submission of annual and quarterly results for the Company. The presentations are also accessible on the Company's website. Furthermore, continuous dialogue is held with, and presentations are given to, analysts and investors.

14 Take-overs

In the event of a take-over process, the Board shall ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board shall also ensure that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the Board shall abide by the principles of the Code, and also ensure that the following take place:

- the Board shall ensure that the offer is made to all shareholders, and on the same terms;
- the Board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the Company;
- the Board shall strive to be completely open about the take-over situation;
- the Board shall not institute measures which have the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and
- the Board must be aware of the particular duty the Board carries for ensuring that the values and interests of the shareholders are safeguarded.

The Board shall not attempt to prevent or impede the take-over bid unless this has been decided by the shareholders in general meeting in accordance with applicable laws. The main underlying principles shall be that the Company's shares shall be kept freely transferable and that the Company shall not establish any mechanisms which can prevent or deter take-over offers unless this has been decided by the shareholders in general meeting in accordance with applicable law.

If an offer is made for a Company's shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it should explain the reasons for this. The Board's statement on a bid shall make it clear whether the

views expressed are unanimous, and if this is not the case, it shall explain the reasons why specific members of the Board have excluded themselves from the statement.

The Board shall consider whether to obtain a valuation from an independent expert. If any member of the Board, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board, is either the bidder or has a particular personal interest in the bid, the Board shall obtain an independent valuation. This shall also apply if the bidder is a major shareholder (as defined in section 8 above). Any such valuation should either be enclosed with the Board's statement, or reproduced or referred to in the statement.

15 Auditor

The Company's auditor is appointed by the general meeting and shall hold office for the term resolved by the general meeting or until a successor is appointed. The auditor is responsible for the audit of the consolidated financial statements of the Company. The board of directors shall ensure that the auditor annually presents an audit plan to the Audit Committee and/or the Board.

The auditor's remuneration shall be fixed by the shareholders at the general meeting or in such manner as the general meeting may determine.

The Audit Committee shall invite the auditor to participate in the Audit Committee's review and discussion of the annual accounts and quarterly interim accounts. In these meetings, the Audit Committee is informed of the annual and quarterly accounts and issues of special interest to the auditor. Further, the auditor shall participate in meeting(s) of the Board that deal with the annual accounts. At these meetings the auditor should review any material changes in the Company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the management of the Company and/or the Audit Committee.

The Audit Committee should at least once a year review of the Company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

The Board shall specify the right of the Company's executive management to use the auditor for purposes other than auditing.

The auditor shall annually confirm his independence in writing to the Audit Committee.



Directors' report

In 2018, BW Offshore executed the strategic shift initiated by the acquisition of the majority stake in the Dussafu field offshore Gabon and achieved several operational milestones. The progress was reflected in increased revenue and EBITDA and the BW Offshore share was included in the OBX index for the 25 most actively traded companies on the Oslo Stock Exchange from year-end.

These milestones were reached against a volatile backdrop with crude oil prices rising through the year to reach levels last seen before the 2014 oil price collapse. Towards the end of the year increased uncertainty related to the global economy and political tension triggered downward revisions of growth forecasts, and most markets moved down including prices.

On the supply side, BW Offshore anticipates that the growth in US shale will continue, but may not represent sufficient long-term supply to balance the overall decline in global oil production caused by depletion of developed reserves and increase in demand. BW Offshore therefore sees no material impact on the long-term oil and gas balance from the volatility experienced in 2018.

BW Offshore's strategic shift introduced in 2017 was successfully implemented in 2018 with first oil from the Dussafu licence, representing the transformation from being a pure FPSO lease-and-operate company to a group also engaged in development of discovered oil and gas fields. The strategy offers attractive risk-reward in the current market environment. The Group maintains its focus on developing fields with low reservoir risk and which are suitable for cost effective development and redeployment of the existing FPSO fleet.

BW Offshore prioritises safety in all its operations and has "zero harm" as an overriding objective for personnel and the environment to ensure all assets are operated in the safest manner. The processes of bringing the BW Catcher and BW Adolo fully on line reflected this commitment, and both projects were executed with excellent HSSE performance.

BW Catcher is the Company's largest investment to date. Towards the end of the year the production had stabilised above nameplate capacity. BW Adolo achieved first oil in September 2018 after a highly effective field development and FPSO modification. Additional appraisal wells drilled in the Dussafu license led to increased oil reserves and the approval of the second phase of the Tortue development and further appraisal wells in 2019 and 2020.

Contract extensions for the FPSOs Abo, Polvo and Umuroa reaffirmed that FPSOs have a commercial life beyond the fixed contract period.

BW Offshore has experienced increased tendering activity for traditional FPSO lease projects throughout 2018, including the award of a FEED study for the Sea Lion development. While these projects are positive indications for the long-term outlook, BW Offshore will maintain a disciplined approach to bidding as high competition continues to challenge risk-reward for these projects.

BW Offshore is well positioned with its access to existing FPSOs combined with financial and operational capabilities to successfully execute developments such as the Dussafu project with short lead-time from investment decision to first oil. Going forward, the Group's focus will remain on maximising the potential from the existing assets by participating in oil and gas fields where existing FPSOs are a key resource to unlocking and de-risking the developments and which offer an attractive risk reward profile.

Health, Safety, Security, Environment, Quality

Health, safety, security, environment and quality ("HSSEQ") have the highest priority throughout the BW Offshore organisation. The Group has established policies for safety, security, occupational health and environmental management.

Throughout 2018, the Operational Integrity function was firmly established within the Company to support the organisation in continuously achieving its HSSEQ objectives. The primary objective is to ensure that the Group achieves zero harm to personnel, effective management of major accident hazard risks, effective mitigation of impact on the environment, maintaining a sustainable business through prudent operations, including taking proper care of Group property, without compromising other key business objectives.

Total LTI-rate (Lost Time Injury) and total TRI-rate (Total Recordable Injury) for BW Offshore in 2018 were 0.7 and 2.0, respectively. The comparable rates for 2017 were 0.3 and 0.9. BW Offshore experienced no significant harmful environmental spills during 2018.

For more information, please see the sustainability report which is included as a separate section to this Annual Report.

FPSO operations

As at 31 December, BW Offshore had 12 out of 15 FPSOs in operation. Average commercial uptime for the operating fleet in 2018 was 98.5% (99.6% in 2017).

The Group's order backlog amounted to approximately USD 3.3 billion of firm contracts and USD 6.2 billion when including contract extension options.

BW Catcher has operated with increased stability after initial challenges after the start-up and has for the last few months produced consistently above nameplate capacity. The Group has now agreed with the Client on an agreement for excess production above nameplate capacity. The agreement was effective 1 November 2018.

In 2018, BW Offshore signed contract extensions for the FPSOs Abo, Polvo and Umuroa.

BW Adolo (formerly known as Azurite), commenced operations in September 2018 on the Dussafu field offshore Gabon.

Berge Helene ceased operations late 2017 and the vessel was disconnected from the field and demobilised in 2018. The FPSO is currently marketed for new projects.

FPSO Cidade de São Mateus is currently in lay-up but still on contract with Petrobras. The Group has decided to start repairing the unit awaiting an agreement with Petrobras on whether the client wants the FPSO to return to the field.

BW Athena is currently in lay-up while being marketed for new projects.

Belokamenka was sold for recycling in 2018. The buyer of the vessel shall ensure that the chosen yard is certified to ISO 14001 and OSHMS 18001 standards, the Hong Kong Convention and the IMO 2012 guidelines.

E&P operations

The Company started production from the Tortue field, in the Dussafu license, on 16 September 2018. Production from Tortue has been in line with expectations from the current two-well development.

Following the successful appraisal program on the western flank of the Tortue field, in the Dussafu license, the

Company confirmed the investment decision for Phase 2, which includes drilling of up to four additional production wells. Orders for long lead equipment and SURF have been placed and a contract for the drilling rig signed. The project is progressing according to plan with estimated start of production in first half of 2020.

Financial performance

Income statement

Group revenue was USD 870.4 million in 2018 compared to USD 626.0 million in 2017. Total operating expenses were USD 382.6 million compared to USD 290.7 million in 2017.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for 2018 was USD 489.2 million compared to USD 336.2 million in 2017.

Operating profit was USD 157.5 million, compared to USD 80.2 million in 2017.

The increased revenue and operational profit were mainly due to the start of operation on BW Catcher and start of oil production from the Dussafu field.

Net financial expenses were USD 80.7 million compared to USD 36.7 million in 2017. The increase was mainly related to interest for the Catcher project being capitalised in 2017.

Tax expense amounted to USD 40.3 million compared to USD 2.3 million in 2017. The increase was mainly related to increased tax expenses related to oil production at Dussafu in 2018, but also reflecting one-off positive adjustment recorded in 2017.

Net profit for 2018 was USD 36.5 million compared to USD 41.2 million in 2017.

Financial position

As at 31 December 2018, the Group had net equity of USD 1,320.9 million compared to USD 1,259.4 million at 31 December 2017. The net equity ratio at the end of 2018 was 38.7%, compared to 36.8% at the end of 2017.

As at 31 December 2018, the Group had interest-bearing debt of USD 1,373.7 million compared to USD 1,420.8 million in 2017. The interest-bearing debt comprises mainly of the Catcher facility, the corporate loan facility and the four unsecured bond loans.

Net interest-bearing debt at 31 December 2018 was USD 1,231.6 million compared to USD 1,275.3 million in 2017.

Cash flow

Net cash inflow from operating activities was USD 435.9 million compared to net cash inflow of USD 659.5 million in 2017. The reduction was mainly related to the FPSO Cidade de São Mateus insurance settlement received in 2017.

Net cash outflow from investment activities amounted to USD 354.8 million, compared to USD 476.6 million in 2017. The investments were mainly related to the BW Catcher, the Dussafu project and life extension activities on units in operation.

Net cash outflow from financing activities amounted to USD 84.5 million compared to USD 144.3 million in 2017, mainly related to repayments in 2017 on the corporate loan facility, partly offset by cash transfer from non-controlling interests.

Dividends

BW Offshore is restricted from paying dividends, share buy-backs or buying back bonds until the final maturity in September 2022 following amendments made to debt facilities in 2016.

Parent company accounts

BW Offshore Limited is a holding company. The Company reported a net loss of USD 52.9 million for 2018, compared to a net profit of USD 25.5 million in 2017. The loss for 2018 is mainly related to reversal of impairments on shares in subsidiaries and intercompany receivables in 2017.

Total assets were USD 1,593.3 million as at 31 December 2018 compared to USD 1,593.3 million in 2017.

Total shareholders' equity in BW Offshore Limited as of December 31, 2018 was USD 1,008.5 million, corresponding to an equity ratio of 63.3%.

Going concern

Based on the Group's overall position at the end of the year as well as the current outlook, the Board believes BW Offshore has a good foundation for continued operations. The accounts have been prepared on a going concern basis.

Organisation

BW Offshore is represented in all the major oil and gas regions worldwide, across Asia Pacific, the Americas, Europe and West Africa, supported by local onshore teams and an organisation with a global presence.

BW Offshore ended 2018 with 2,138 employees including contract staff, compared to 2,043 in 2017.

The working environment and culture in BW Offshore are considered positive and strong, and there is continuous focus on initiatives for improvement. Culture surveys are performed regularly to assess the strength of the working

culture and show a steady improvement on an already high base. In 2018, onshore absence due to sickness was 2.1% of total hours worked by the employees. This compares to 1.7% in 2017.

BW Offshore strives to be an attractive workplace that offers challenging and motivating jobs and equal development opportunities for all. There is no discrimination due to gender, nationality, culture or religion with respect to remuneration, promotion or recruitment.

Corporate governance

The Board of Directors of the Company has adopted a Corporate Governance policy to reflect BW Offshore's commitment to good corporate governance. This policy is based on the latest update to the 'Norwegian Guidelines on Corporate Governance', prepared by the Norwegian Corporate Governance Board. BW Offshore's Corporate Governance policy complies with the Norwegian Guidelines with certain deviations as outlined and explained in the chapter named Corporate Governance in this annual report.

Risk

BW Offshore's risk exposure is analysed and evaluated to ensure sound internal control and appropriate risk management based on internal values, policies and code of ethics. The Group is exposed to market risk (including currency risk and price risk), credit risk, liquidity risk, and interest rate risk. Development of oil and gas fields is associated with risks not limited to, cost overruns, production disruptions as well as delays compared to initial plans. Some of the most important risk factors are related to estimation and recoverability of reserves. Changes to oil price might influence the economic viability of planned developments and anticipated revenues from production of such developments. The overall risk management program focuses on addressing these risks and seeks to minimise potential adverse effects on the Group's financial performance. The most important operational risk factors are related to the operation of Dussafu, current fleet of FPSOs and the execution of projects, which could lead to accidents and oil spills to the environment if not managed properly.

On a fleet-wide basis, the Group takes out insurance cover for its crew and support staff, pollution and clean up, damage to vessels, third-party liabilities and on some units' loss of hire. The Group has also taken out loss of production cover for the development on Dussafu. The insurance also covers losses resulting from acts of war and terrorism. Cover for oil pollution and oil pollution caused by war and war-like actions are limited per incident.

BW Offshore's operational activities are subject to tax in various jurisdictions. As contracts with clients are long-term in nature, the Group's results are exposed to risk of changes to tax legislation.

Events after the balance sheet date

There are no significant events after the balance sheet date.

Outlook

Several years of under-investment has led to declining offshore production of oil and gas. The decrease will likely become more evident in coming years, as production tied to investments made in the previous up-cycle is increasingly subject to natural depletion.

The global balance of crude oil supply and demand has tightened, which combined with lower break-even costs from increased efficiencies and significant repricing of oil exploration assets, is expected to lead to more projects sanctioned going forward. The market outlook for offshore field developments, and FPSOs in particular, is favourable. Initially, the Company expects increased focus on incremental investments tied to existing infrastructure, with green-field investments following later in the cycle.

BW Offshore’s service offering and ability to partner with field owners to provide cost-effective solutions have been well received in the market. The Company is currently evaluating several field development prospects, including FPSOs. The Company maintains a commercially disciplined approach to new investments by bidding selectively on new projects.

The majority of BW Offshore’s fleet remains on long-term contracts with national and independent oil companies. The fleet should continue to generate significant cash flow in the time ahead. BW Offshore has reduced its leverage and has a solid financial position with additional financial capacity from the partnerships, and strong liquidity. Redeployment of existing assets is a key part of the strategy and will enable the Company to capture significant asset upside and value creation.

Bermuda, 18 February 2019



Mr. Andreas
Sohmen-Pao
Chairman



Mr. Christophe
Pettenati-Auzière
Vice Chairman



Ms. Clare
Spottiswoode
Director



Mr. Maarten
Scholten
Director



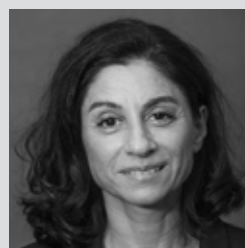
Mr. Thomas
Thune Andersen
Director

Management

Carl K. Arnet
CEO



Marco Beenen
COO



Magda Karim Vakil
Head of Legal

Knut R. Sæthre
CFO



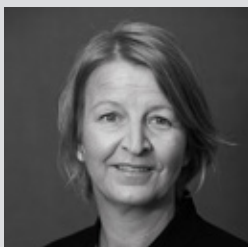
Rune Bjorbekk
CCO

Hans Kristian Langsrud
Head of Asset Engineering & Maintenance



Kei Ikeda
Head of Projects

Pia Schnitler
Head of Human Capital



Lin G. Espey
Head of E&P

Board of Directors

Mr. Christophe
Pettenati-Auzière
Vice Chairman



Mr. Andreas
Sohmen-Pao
Chairman



Mr. Maarten
Scholten
Director



Ms. Clare
Spottiswoode
Director



Mr. Thomas
Thune Andersen
Director

Shareholder information

Investor relations policy

It is in the interest of BW Offshore as a public listed company to effectively communicate with the financial community and other stakeholders in order to ensure a fair valuation and increase the shareholder value. The integrity of the capital markets is based on full and fair disclosure of information.

BW Offshore will maintain a reliable and open relationship with investors, and the Company's objective is to provide a healthy return compared to alternative investments with a similar risk profile. Return is measured on a total shareholder return basis, including both share price performance and dividend payments. Based on these value parameters, the BW Offshore share shall be an attractive investment opportunity.

All shareholders in BW Offshore have equal rights and the Company treats all shareholders equally. The Company has one share class and each share carries one vote at the Company's general meetings. BW Offshore is a Bermuda limited liability company listed on Oslo Stock Exchange. The Company is therefore obliged to comply with the Bermuda Companies Act, its Memorandum of Association and its by-laws, as well as the disclosure requirements of Oslo Stock Exchange.

Certain aspects of the Company's activities are governed by Norwegian law pursuant to the Listing Agreement between Oslo Stock Exchange and the Company. In particular, the Norwegian Securities Trading Act and the Norwegian Stock Exchange Regulations will generally apply.

BW Offshore commits to good corporate governance and generally comply also with the Norwegian Code of Practice for Corporate Governance. Divergence from this code is clearly described in BW Offshore's Corporate Governance policy, which is included in the Annual Report and available on the company's website.

BW Offshore is committed to providing timely, orderly, consistent and credible information. Information and communication are regulated by the Company's media policy and investor relation policy, and covers disclosures to the investment community, the press, industry consultants and other audiences. All investors have equal access to material information, and all information provided externally by the Company shall be consistent with disclosures to the financial community.

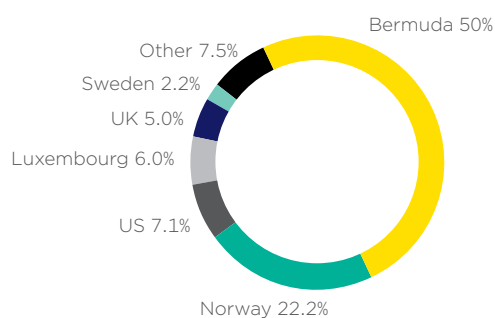
During a period of two weeks before the planned release of an interim financial report, BW Offshore will not comment on matters related to the Company's financial performance or expectations, save for ordinary communication with analysts and investors on general aspects of the business.

BW Offshore maintains a list of primary insiders in the Company and will also maintain internal lists for insiders in cases sensitive to the stock prices.

The investor relations activities aim to ensure that:

- The information it provides to the financial markets gives market players the best possible basis for establishing a precise picture of the Company's financial condition and factors which might affect its future value creation
- The market price of BW Offshore's shares reflects the fair value of the Company
- BW Offshore's shares remain as liquid as possible, with low volatility
- BW Offshore maintains access to capital markets on the most favourable possible terms
- BW Offshore's Board of Directors and executive management are adequately informed about developments in financial markets and about stakeholder views on the Company's position and development

GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS



20 LARGEST SHAREHOLDERS

Name	No of shares	Holding
1 BW Group Limited	92,332,844	49.9 %
2 Brown Brothers Harriman (Lux.) SCA	4,564,302	2.5 %
3 Verdipapirfondet Alfred Berg Gamba	3,936,877	2.1 %
4 Citibank, N.A.	3,094,911	1.7 %
5 Morgan Stanley & Co. Int. Plc.	3,028,573	1.6 %
6 UBS Switzerland AG	2,652,443	1.4 %
7 Folketrygdfondet	2,450,000	1.3 %
8 JPMorgan Chase Bank, N.A., London	2,286,092	1.2 %
9 Svenska Handelsbanken AB	2,282,000	1.2 %
10 Verdipapirfondet Pareto Investment	2,116,000	1.1 %
11 J.P. Morgan Bank Luxembourg S.A.	2,057,942	1.1 %
12 Nordea Bank Abp	2,031,866	1.1 %
13 Nordea Bank Abp	1,906,942	1.0 %
14 Borea AS	1,384,209	0.7 %
15 Verdipapirfondet Delphi Norge	1,238,352	0.7 %
16 Nordnet Bank AB	1,157,867	0.6 %
17 Handelsbank Nordiska Smabolagsfond	1,100,001	0.6 %
18 Citibank, N.A.	1,010,200	0.5 %
19 Verdipapirfondet Alfred Berg Norge	1,000,050	0.5 %
20 State Street Bank and Trust Comp	888,024	0.5 %

Date: 31 December 2018

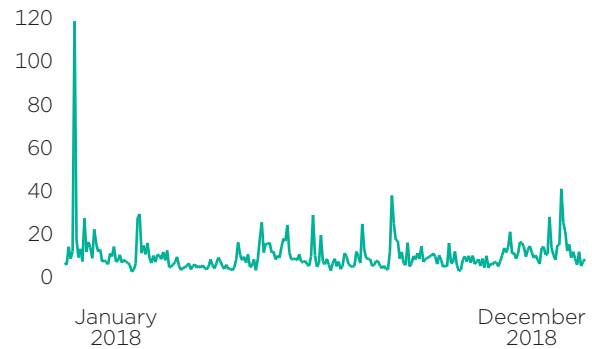
SHARE PRICE

NOK



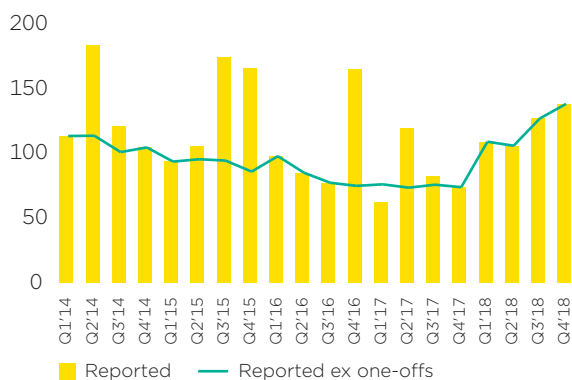
VOLUME

NOK

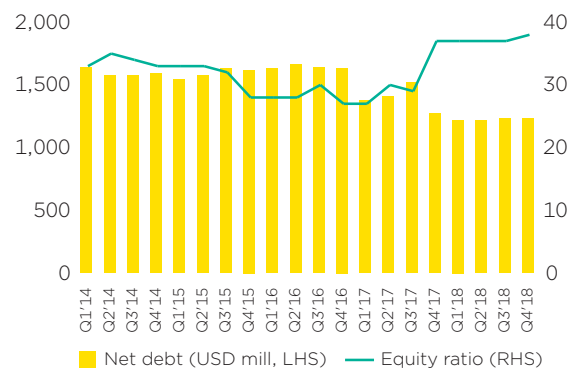


EBITDA

Quarterly, USD million



NET DEBT & EQUITY RATIO





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Consolidated Statement of Income

USD MILLION (Year ended 31 December)	Note	2018	2017
Total revenues	5,6,7	870.4	626.0
Operating expenses vessels	8,9	(315.1)	(244.9)
Operating expenses E&P	8,9	(17.9)	-
Other expenses	8	(16.2)	(12.6)
Administrative expenses	8,9	(33.4)	(33.2)
Total expenses		(382.6)	(290.7)
Share of profit/ (loss) of associated companies	14	1.4	0.9
Operating profit before depreciation, amortisation and sale of assets (EBITDA)		489.2	336.2
Depreciation and amortisation	11,12,13	(338.6)	(228.6)
Impairment and disposal	11,12	(0.1)	(27.4)
Net gain/ (loss) on sale of tangible fixed assets	11,12	7.0	-
Operating profit/ (loss) (EBIT)		157.5	80.2
Interest income		2.4	1.8
Interest expense		(79.5)	(39.6)
Fair value gain/ (loss) on financial instruments		(13.7)	31.7
Net currency gain/ (loss)		13.3	(28.0)
Other financial items		(3.2)	(2.6)
Net financial items		(80.7)	(36.7)
Profit/ (loss) before tax		76.8	43.5
Income tax expense	10	(40.3)	(2.3)
Net profit/ (loss) for the year		36.5	41.2
Net profit/ (loss) for the year attributable to			
Shareholders of the parent		33.5	39.8
Non-controlling interests		3.0	1.4
Net profit/ (loss) for the year		36.5	41.2
Basic earnings/ (loss) per share net	23	0.18	0.22
Diluted earnings/ (loss) per share net	23	0.18	0.22

The notes on pages 56-97 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

USD MILLION (Year ended 31 December)	Note	2018	2017
Profit/ (loss) for the year		36.5	41.2
Other comprehensive income			
Items to be reclassified to profit or loss:			
Currency translation differences		(1.6)	(0.8)
Cash flow hedges	19	-	6.9
Reclassification during the year to profit/ (loss) of cash flow hedges	19	2.9	6.4
Net items to be reclassified to profit or loss		1.3	12.5
Items not to be reclassified to profit or loss:			
Actuarial gains/ (losses) on defined benefit plans	20	(0.5)	(0.5)
Net items not to be reclassified to profit or loss:		(0.5)	(0.5)
Other comprehensive income, net of tax		0.8	12.0
Total comprehensive income for the year		37.3	53.2
Total comprehensive income for the year attributable to			
Shareholders of the parent		34.3	51.8
Non-controlling interests		3.0	1.4
Total comprehensive income for the year		37.3	53.2

The notes on pages 56-97 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

USD MILLION (As at 31 December)	Notes	2018	2017
ASSETS			
Vessels	5,11	2,614.6	2,808.4
Property and other equipment	12	13.3	10.1
E&P tangible assets	12	183.4	63.3
Intangible assets	13	37.7	6.7
Equity accounted investments	14,22	9.2	7.9
Finance lease receivables	7	57.3	77.5
Deferred tax assets	10	12.5	11.5
Pension assets	20	-	0.5
Derivatives	19	12.9	7.7
Other non-current assets		10.8	5.4
Total non-current assets		2,951.7	2,999.0
Inventories	17	63.8	31.8
Trade and other current assets	18	188.4	226.3
Finance lease receivables	7	20.1	18.7
Derivatives	19	-	1.5
Cash and cash equivalents	15	142.1	145.5
Assets held for sale	12	50.4	-
Total current assets		464.8	423.8
Total assets		3,416.5	3,422.8
EQUITY			
Share capital	16	92.5	92.5
Share premium	16	1,095.5	1,095.5
Other equity		(192.4)	(216.5)
Total equity attributable to shareholders of the parent		995.6	971.5
Non-controlling interests	16,24	325.3	287.9
Total equity		1,320.9	1,259.4
LIABILITIES			
Interest-bearing long-term debt	19,21	1,112.8	1,198.0
Pension obligations	20	4.6	4.2
Deferred tax liabilities	10	1.8	0.3
Asset retirement obligations	26	16.2	-
Other non-current liabilities	27	250.7	337.6
Derivatives	19	112.9	101.9
Total non-current liabilities		1,499.0	1,642.0
Trade and other payables	27	322.1	287.8
Contract liabilities	6	1.9	-
Derivatives	19	2.3	1.1
Interest-bearing short-term debt	19,21	260.9	222.8
Tax liabilities	10	9.4	9.7
Total current liabilities		596.6	521.4
Total equity and liabilities		3,416.5	3,422.8

The notes on pages 56-97 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

USD MILLION	Note	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Other elements	Shareholders' equity	Non-controlling interests	Total equity
Equity at 1 January 2017		92.5	1,095.5	(9.1)	(15.9)	(17.9)	(225.2)	919.9	-	919.9
Share-based payments	9	-	-	0.1	-	-	0.1	0.2	-	0.2
Profit/ (loss) for the period		-	-	-	-	-	39.8	39.8	1.4	41.2
Other comprehensive income		-	-	-	(0.8)	13.3	(0.5)	12.0	-	12.0
Other equity transactions		-	-	6.1	-	-	(6.5)	(0.4)	-	(0.4)
Transactions with non-controlling interests	16,24	-	-	-	-	-	-	-	286.5	286.5
Total equity at 31 December 2017		92.5	1,095.5	(2.9)	(16.7)	(4.6)	(192.3)	971.5	287.9	1,259.4
Equity at 1 January 2018		92.5	1,095.5	(2.9)	(16.7)	(4.6)	(192.3)	971.5	287.9	1,259.4
Share-based payments	9	-	-	0.1	-	-	-	0.1	-	0.1
Profit/ (loss) for the period		-	-	-	-	-	33.5	33.5	3.0	36.5
Other comprehensive income		-	-	-	(1.6)	2.9	(0.5)	0.8	-	0.8
Other equity transactions		-	-	2.5	-	-	(2.5)	-	-	-
Dividend to non-controlling interest	16,24	-	-	-	-	-	(10.3)	(10.3)	(1.6)	(11.9)
Transactions with non-controlling interests	16,24	-	-	-	-	-	-	-	36.0	36.0
Total equity at 31 December 2018		92.5	1,095.5	(0.3)	(18.3)	(1.7)	(172.1)	995.6	325.3	1,320.9

The notes on pages 56-97 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

USD MILLION (Year ended 31 December)	Note	2018	2017
Operating activities			
Profit/ (loss) before tax		76.8	43.5
Loss/ (gain) on disposal of fixed assets	11,12	(7.0)	-
Fair value change on financial instruments		13.7	(31.7)
Share of loss/ (profit) of equity accounted investments	14	(1.4)	(0.9)
Currency exchange differences		(13.3)	28.0
Depreciation and amortisation	11,12,13	338.6	228.6
Impairment	11	0.1	27.4
Changes in asset retirement obligation through income statement		0.2	-
Add back of net interest expense		77.1	37.8
Instalment on financial lease	7	18.7	17.3
Changes in inventories		(32.0)	(17.8)
Changes in trade and other current assets		37.8	231.9
Changes in trade and other payables		1.7	31.6
Changes in other balance sheet items and items related to operating activities		(35.7)	91.8
Taxes paid	10	(39.4)	(28.0)
Net cash flows from operating activities		435.9	659.5
Investing activities			
Investment in operating fixed assets and intangible assets	11,12,13	(357.2)	(443.0)
Cash outflow on business combinations	28	-	(35.4)
Interest received		2.4	1.8
Net cash flows used in investing activities		(354.8)	(476.6)
Financing activities			
Proceeds from new interest-bearing debt	21	241.0	374.0
Repayment of long-term debt	21	(278.3)	(725.9)
Cash transfer from non-controlling interests	24	67.1	24.6
Cash transfer from/ (to) non-controlling interests	16	(36.0)	270.3
Interest paid		(78.3)	(87.3)
Net cash flows used in financing activities		(84.5)	(144.3)
Net change in cash and cash equivalents		(3.4)	38.6
Cash and cash equivalents at 1 January		145.5	106.9
Cash and cash equivalents at 31 December	15	142.1	145.5

The notes on pages 56-97 are an integral part of these consolidated financial statements.

Notes

Note 1 General

BW Offshore Limited ('BW Offshore' or 'the Company') was incorporated in Bermuda in 2005 and is domiciled in Bermuda with its registered address at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on Oslo Stock Exchange (OSE).

BW Offshore Limited and its subsidiaries are referred to as the 'Group'. The Group build, owns and operates FPSOs (Floating, Production, Storage and Offloading vessels) and FSOs (Floating, Storage and Offloading vessels). In addition,

the Group also actively participates in field developments of discovered oil and gas fields.

All figures are in USD million if not otherwise stated. Because of rounding differences, numbers and or percentages may not add up to the total. Figures in brackets refer to corresponding figures for 2017.

The consolidated financial statements were approved by the Board of Directors on 18 February 2019.

Note 2 Significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared pursuant to International Financial Reporting Standards ('IFRS') as adopted by the European Union. The consolidated financial statements have been prepared in accordance with the historical cost convention, modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through equity or the statement of income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of complying with the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the amendments to IFRS which have been implemented by the Group during the financial year. Below we have listed the amendments in IFRS which are applicable for the Group's 2018 financial statements:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Amendments IFRS 2 and IFRS 4
- Amendments to IAS 40
- Annual improvements 2014-2016 cycle (Amendments to IFRS 1 and IAS 28)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Amendments to IFRS 2, IFRS 4, IAS 40, Annual improvements 2014-2016 cycle (Amendments to IFRS 1, IAS 28) and IFRIC 22 Foreign Currency Transactions and Advance Consideration are considered not material to the Group.

IFRS 15 Revenue from contracts with customers

The Group has applied IFRS 15 Revenue from contracts with customers from 1 January 2018, which has replaced IAS 18 Revenue and IAS 11 Construction contracts. IFRS 15 requires identification of the performance obligations for the transfer of goods and services in each contract with customers. Revenue is recognised upon satisfaction of the performance.

The Group has implemented IFRS 15 modified retrospectively, with the cumulative effect recognised at the date of initial application, with no practical expedients used. The implementation of the new standard was initially assessed to have an effect on the timing of revenue recognition. Upon further assessment of maintenance and KPI-bonuses, the accounting for those bonuses has not led to changes compared to practices under IAS 18. The impact on the opening balance in equity for 2018 was immaterial.

As allowed by the standard, prior periods have not been restated. Total revenues in the Consolidated statement of income and contract liabilities in the Consolidated statement for financial position have not been impacted materially by the implementation of IFRS 15.

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018. The Group has applied IFRS 9 retrospectively as of 1 January 2018. The Group has not adjusted the

comparative information for the period beginning 1 January 2017. The effect of adopting IFRS 9 is immaterial.

Classification and measurement

IFRS 9 contains three classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39

categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each of the Group’s financial assets and financial liabilities as at 1 January 2018.

USD MILLION	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Derivatives	Held-for-trading	FVTPL	9.2	9.2
Financial lease receivables	Loans and receivables	Amortised cost	96.2	96.2
Trade and other receivables	Loans and receivables	Amortised cost	226.3	226.3
Cash and cash equivalents	Loans and receivables	Amortised cost	145.5	145.5
Total financial assets			477.2	477.2

USD MILLION	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial liabilities				
Interest-bearing debt	Other financial liabilities	Other financial liabilities	1,420.8	1,420.8
Derivatives	Other financial liabilities	Other financial liabilities	103.0	103.0
Other long-term liabilities	Other financial liabilities	Other financial liabilities	337.6	337.6
Trade and other payables	Other financial liabilities	Other financial liabilities	287.8	287.8
Total financial liabilities			2,149.2	2,149.2

Expected credit loss

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognised earlier than under IAS 39. Credit risk related to the Group’s financial assets measured at amortised cost is immaterial.

Hedge accounting

Under IAS 39, for all cash flow hedges the amounts accumulated in the cash flow hedge reserve were classified to profit and loss as a reclassification adjustment in the same period as the hedged expected cash flows affected profit and loss. The Group discontinued applying hedge accounting in 2017 under IAS 39 and no hedge accounting will be applied under IFRS 9.

Group accounting and consolidation principles

Subsidiaries

The subsidiaries are legal entities (including special purpose entities) over which the Group has control. Control is achieved when the Group is exposed or has rights to

variable returns from its involvement with a company in which it has invested and has the ability to use its power to affect its returns from this company. Subsidiaries are fully consolidated as of the date on which control is transferred to the Group. They are de-consolidated as of the date control ceases.

The purchase method of accounting is applied to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued, or liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value as of the date of acquisition, irrespective of the extent of any non-controlling interest.

Non-controlling interests represent the portion of the statement of income and net assets in the subsidiaries not held by the Group, and the amount attributable to the non-controlling interest is shown beneath the statement of income and is included in equity in the statement of financial position. Profit and loss and each component of OCI are

attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance.

The cost of acquisition exceeding the fair value of the Group's share of identifiable net assets acquired, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed whenever necessary to ensure consistency with the policies adopted by the Group.

Investment in associates and joint ventures

Associates are all entities in which the Group has a significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint ventures are a type of joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investment in associates and joint ventures are accounted for by applying the equity method.

The Group's investment in associates and joint ventures includes goodwill and excess values identified as per the date of acquisition, net of any accumulated impairment loss. Any excess values that are to be amortised are deducted from the profit pursuant to the same principles as for consolidated companies. Goodwill is not amortised. Dividends received from associates are recognised as a deduction from the investment in the balance sheet and is regarded as repayment of capital. By this, the balance sheet value of associates and joint ventures represents the original cost price (equalling the fair value at the time of purchase) plus profit accumulated up to the present, less any amortisation of excess values and accumulated dividends received.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the statement of income, and the share of post-acquisition movements in reserves is recognised as reserves. Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Share of profit of associates and joint ventures is presented as part of operating profit when such investments are considered strategic to the Group. See 'impairment of non-financial assets' for impairment assessment.

Functional currency and presentation currency

Functional currency

The functional currency is determined in each entity in the Group based on the currency within the entity's primary

economic environment. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Changes in the exchange rate are recognised continuously in the accounting period.

Presentation currency

The Group's presentation currency is United States Dollars ('USD'). This is also the functional currency of the parent company and most of its subsidiaries.

The statement of financial position figures of entities with a different functional currency are translated at the exchange rate prevailing at the end of the reporting period for balance sheet items and the exchange rate at the date of the transaction for profit and loss items. The monthly average exchange rates are used as an approximation of the transaction exchange rate. Exchange differences are recognised in other comprehensive income (OCI).

When investments in foreign subsidiaries are sold, the accumulated translation differences relating to the subsidiary attributable to the equity holders of the parent are recognised in the statement of comprehensive income. When a loss of control, significant influence or joint control is present the accumulated exchange differences related to investments accumulated in shareholders' equity is reclassified to profit or loss.

When a partial disposal of a subsidiary (not loss of control) is present the proportionate share of the accumulated exchange differences is allocated to non-controlling interests.

Classification of assets and liabilities

Assets for long-term ownership or use are classified as non-current assets. Other assets are classified as current assets. Liabilities which fall due more than one year after being incurred are classified as non-current liabilities, except for next year's instalment on long-term debt. This is presented as current interest-bearing debt. Liabilities which fall due less than one year after they are incurred are classified as current liabilities.

Revenue

The Group's revenues derive from chartering of FPSOs, rendering of operational services related to FPSOs and from production of crude oil.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services are transferred to the customer. It is recognised at an amount that reflects the consideration which the Group expects to receive in exchange for those goods or services. Revenues are presented net of indirect sales taxes. The implementation of IFRS 15 Revenue from

contracts with customers did not result in changes in revenue recognition compared to IAS 18 Revenues.

Operational services

Income from the rendering of operational services related to FPSOs is recognised as revenue over time in the period when the services are rendered.

Variable consideration

Some of the contracts contain variable elements like production incentive-, KPI- and maintenance bonuses. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled. The variable consideration is only recognised when its highly probable that it would not be subject to significant reversal in the future.

Petroleum products

Revenue from the sale of crude oil is recognised when a customer obtains control (sales method), normally this is when title passes at point of delivery. Revenues from production of oil properties are recognised based on actual volumes lifted and sold to customers during the period.

Where the Group has lifted and sold more than the ownership interest, an accrual is recognised for the cost of the overlift. Where the Group has lifted and sold less than the ownership interest, costs are deferred for the underlift. Overlift and underlift on the Consolidated statement of financial position date are valued at production cost. Lifting imbalances are a part of the operating cycle and as such classified as other current liabilities/assets.

Lease revenue

Chartering of vessels

Revenue from chartering of FPSOs and FSOs is based on whether the contract is considered an operating lease or a finance lease pursuant to IAS 17.

Operating lease

Leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments received under operating leases are recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. The lease term period for each lease contract is the non-cancellable period for which the lessee has contracted the asset together with an assessment of any further terms that the lessee has the option to continue the lease, when management consider it reasonably certain that the lessee will exercise the option. As lease rates can vary over the lease term, this implies that there might be significant timing differences between cash flow and recognised revenue from a particular lease.

Finance lease

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Assets held pursuant to a finance lease are presented in the balance sheet as a receivable at an amount equal to the net investment in the lease. The recognition

of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. During the construction phase of the asset, the contract is treated like a construction contract.

Other revenues

Interest income

Interest income, including interest income arising from a finance lease, is recognised on a time proportion basis applying the effective interest method. Interest income arising from a finance lease is classified as part of operational income while other interest income is classified as finance income.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Other revenues

Reimbursement from insurance is recorded as revenue only when it is virtually certain that insurance reimbursement will be received. Insurance revenues are classified as part of operational income.

Profit oil tax

The Group will pay profit oil tax on production of crude oil. Payment of profit oil tax can either be settled in cash after the crude has been sold or in kind, where the government lift the crude it is entitled to. The Group present this gross as an income tax expense with a corresponding increase in other revenues.

Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Top Management in the Group.

Borrowing costs

Borrowing costs directly attributable to an acquisition or conversion of vessels and development of oil and gas field, which take a substantial period to get ready for their intended use, are added to the cost of the asset until the assets are ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Borrowing cost consists of interest and other cost, which the entity incurs in connection with the borrowing of funds.

Taxes

The Company is not subject to any income taxes at Bermuda, but the Company and its subsidiaries may be subject to income tax in the countries in which they operate. The Group provides for tax on profit based on the profit for financial reporting purposes, adjusted for non-taxable revenue and expenses.

Income tax expense represents the sum of tax currently payable, changes in deferred tax liabilities and deferred tax assets, and withholding tax on charter hire and financial items. Charter hire and financial items are presented gross including withholding taxes payable where applicable.

Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, except for:

- temporary differences linked to goodwill that are not tax deductible
- temporary differences related to investments in subsidiaries, associates or joint ventures when the Group controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax assets and liabilities are recognized when assets with temporary differences are acquired through business combinations.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Production sharing contracts (PSCs)

The PSCs provide that the income tax to which the contractor is subject is deemed to have been paid to the government as part of the payment of profit oil as regulated by the PSC. The Group present this as an income tax expense with a corresponding increase classified as other revenues. This accounting presentation have no impact on the statement of comprehensive income.

Intangible assets

Computer software

Software licenses are capitalised based on the cost incurred when acquiring and bringing to use the specific software. These costs are amortised over the estimated useful life of the software. Costs directly associated with the development of identifiable and unique software products controlled by the Group, estimated to generate economic benefits exceeding the cost beyond one year, are recognised as intangible assets. Other development expenditures are recognised as an expense when incurred.

Exploration and evaluation assets

IFRS 6 'Exploration for and Evaluation of Mineral Resources' requires exploration and evaluation assets to be classified as tangible or intangible according to the nature of the assets. The Group uses the 'successful efforts'-method of accounting for exploration and evaluation costs in accordance with IFRS 6. Exploration and evaluation expenditure

are capitalised when it is considered probable that future economic benefits will be generated. Expenditure that fail to meet this criterion are generally expensed in the period they are incurred.

License acquisition costs, exploration costs, geological expenses and other directly attributable expenses are classified as intangible. Exploration assets classified as intangible are assessed for impairment at regular intervals.

Once commercial reserves have been discovered, and a development plan has been approved, the carrying value of the relevant assets are transferred to tangible assets. Further expenditure for development of a field, such as drilling production wells, installation of platforms and other structure is capitalised as tangible assets.

No amortisation is charged during the development and until production commences.

Property, plant and equipment (PP&E)

Measurement

PP&E are measured at cost less accumulated depreciation and impairment charges. This includes costs of material, direct labour and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including financial costs paid during construction, attributable overheads and estimate of costs of demobilising the asset. PP&E include capital expenditure incurred under terms of PSC qualifying for recognition as assets.

Subsequent costs are included in the asset's carrying amount, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Costs of day-to-day servicing of the asset are recognised in profit or loss as incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables and may include the cost of small parts.

Depreciation

Depreciation will start when an item of PP&E is ready for use as intended by management.

For FPSOs this will be when the unit is successfully installed on the oil field and for crude oil production assets at first oil.

When significant parts of an item of PP&E have different useful lives, those components are accounted for as separate items of PP&E. The different components are depreciated by using a straight-line method over their expected useful life, taking into account the residual value.

The estimated useful lives of the categories of PP&E are as follows:

FPSOs and FSOs:

- Hull and Marine scope, including associated investments like refurbishment: 15-25 years
- Field specific equipment and associated investment costs

which are incurred for a specific project, e.g. installation costs and transport costs: 3-25 years

- Process equipment and associated investment. (In case of long-term contracts these items can be fully depreciated over the contract duration.): 10-25 years

Crude oil production assets are depreciated using the unit-of-production method. Unit-of-production rates are based on proved and probable reserves (2P) estimated to be recovered from the area during the concession period. Oil volumes are considered produced once they have been measured onboard the storage tank on the FPSO.

Other PP&Es, like IT equipment, office equipment and cars: 3-11 years

The assets' useful life and residual values are reviewed, and if necessary adjusted, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Disposal activities

Gains and losses that result from the disposal of vessels, vehicles and equipment are recorded in a separate line in the consolidated statement of income.

Impairment

Assets including vessels, vessels under construction, conversion candidates, E&P (assets related to development and production of crude oil) assets and other PP&Es, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount that the asset's carrying amount exceeds its recoverable amount, being the higher of an asset's net selling price and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units). Each FPSO and FSO is identified as a cash-generating unit. Each exploration and exploitation licence are considered a separate cash-generating unit as long as it is connected to the same production facility.

At the end of each reporting period the Group will assess whether there is any indication that an impairment recognised in previous periods may no longer exist or may have decreased. If any such indication exists, the Group will estimate the recoverable amount of the asset. If the recoverable amount is higher than the carrying amount of the asset, the carrying amount of the asset will be increased to its recoverable amount. The increase shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised in previous periods. Previously recognised impairments should be reversed if there are significant changes with a favourable effect in the indicators within the scope of IAS 36.111.

The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards incidental to ownership of the leased item to the lessee. All other leases are classified as operating leases. The evaluation is based on the substance of the transaction rather than

the form of the contract, and the determination is made when the leasing agreement is entered into.

Most of the lease contracts include one or several options for the charterer to purchase the vessel and/or option(s) for the charterer to extend the lease period beyond the firm period. At the inception of the lease, these options are taken into consideration when assessing whether the lease is a finance lease or an operational lease.

Financial lease

Assets held pursuant to a finance lease are presented in the balance sheet as a receivable at an amount equal to the net investment in the lease.

Operating lease

These assets are included in the balance sheet based on the nature of the asset. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

All contracts where the Group is lessee are operational leases. This is mainly related to lease of office premises. Lease payments under these contracts are recognised as expense in the statement of income on a straight-line basis over the lease term.

Non-current assets held for sale

Non-current assets and groups of non-current assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sales transaction instead of through continued use. This is only regarded as having been fulfilled when a sale is highly probable and the non-current asset (or groups of non-current assets and liabilities) is available for immediate sale in its present form. Management must be committed to a sale and the sale must be expected to be carried out within one year after the classification date.

Non-current assets and groups of non-current assets and liabilities which are classified as held for sale are valued at the lower of their former carrying amount or fair value minus sales costs.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Group's financial assets are: derivatives, trade- and financial lease receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, (in the case of a financial asset not at fair value through profit or loss), transaction costs.

The Group classifies its financial assets in two categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, finance lease and other non-current assets. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

Financial assets at fair value through profit or loss

Derivatives at fair value are carried in the statement of financial position at fair value with net changes in fair value through profit or loss. The category includes foreign exchange contracts and interest rate swaps.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - a. the Group has transferred substantially all the risks and rewards of the asset, or
 - b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

For trade and other receivables, finance lease and other non-current assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime Estimated Credit Losses (ECLs) at each reporting date, based on its historical credit loss experience.

The Group considers a financial asset in default when internal or external information indicates that the Group

is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when the Group has no reasonable expectations of recovering the contractual cash flows. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. This assessment is based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost except for financial liabilities at fair value through profit or loss (FVTPL). Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

Inventories

Inventories, other than inventories of crude oil, are valued at the lower of cost or net realisable value. Cost of materials and other consumables is determined by the weighted average cost method and cost on fuel oil is determined by 'first-in-first-out' (FIFO) method. The cost of inventories comprises the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services.

Crude oil inventory is valued at production cost including depreciation.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and short-term deposits with an original maturity of three months or less. Restricted cash related to withholding tax from employees is included as cash and cash equivalents.

Dividend distribution

Dividend distribution to the Company's shareholders

is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in the equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Any difference between the carrying amount and the consideration, if reissued, is recognised in other equity.

Preference shares

Preference shares in subsidiaries are presented as shareholders equity. For the Group, this is presented as non-controlling interest and the result, equivalent to the preference dividend is presented as the non-controlling interests share of result regardless of whether dividends have been paid or accumulated.

Employee benefits

Defined benefit plans

The Group has both funded and unfunded defined benefit pension plans. The funded schemes are funded through payments to insurance companies determined by periodic actuarial calculations. Unfunded schemes are financed through the Group's operations.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans equals the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries applying the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid and at terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to the retained earnings through OCI in the period in which they occur.

Defined contribution plans

In addition to the defined benefit plan described above, the Group has contributed to other pension plans. These contributions have been made to pension plans for full-time employees. The pension premiums are charged to expenses as they are incurred. The Group has no legal or constructive

obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Share-based payments

Top Management of the Group receive remuneration in form of share-based payments, whereby management render services as consideration for equity instruments.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The cost is recognised, together with a corresponding increase in treasury shares in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense (reference to Note 9).

Employee-leave entitlement

In some jurisdictions, an accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the balance sheet date.

Provisions and contingent assets and liabilities

Provisions are recognised when the Group has a legal or constructive obligation resulting from past events, when it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, except for contingent liabilities that are unlikely to be incurred.

Contingent assets are not recognised in the annual accounts but are disclosed if there is a certain probability that the benefit will be added to the Group.

Asset retirement obligations (ARO)

Provisions for ARO are recognised when the Group has a legal or constructive obligation to cover expenses associated with dismantling and removal of assets, and when a reliable estimate of this liability can be made.

The ARO is recognised based on the present value of the estimated cash outflows to be incurred to conduct abandonment activities, considering relevant risks and uncertainties. The provision is recognised under Other non-current liabilities in the Statement of Financial Position. The corresponding amount is recognised to the related PP&E in the Consolidated Statement of Financial Position and depreciated using the same

depreciation method used for the asset.

The ARO will be assessed annually to incorporate the annual revisions to the estimated retirement costs, discount rate and retirement date estimates. Changes in estimates will be recognised as and an adjustment to the provision and the corresponding PP&E.

In the event of decrease in the ARO provision related to a producing asset exceeds the carrying amount of the asset, the excess is recognised as a reduction of depreciation, amortisation and net impairment losses in the Consolidated Statement of Income.

When an asset has reached the end of its useful life, all subsequent changes to the ARO provision are recognised when they occur in operating expenses in the Consolidated Statement of Income.

Amendments to standards and interpretations with a future effective date

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not effective are disclosed below.

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 3, IFRS 9
- Amendments to IAS 1, IAS 8, IAS 19, IAS 28
- Annual improvements 2015-2017 cycle
- Amendments to References to Conceptual Framework in IFRS Standards

Except for IFRS 16, we believe that the effect of all other IFRS standards not yet effective is immaterial.

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease.

The new standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties in a lease, i.e. the customer (lessee) and the provider (lessor). The new standard requires that the lessee recognises 'right-of-use' assets and liabilities for most leases, which is a significant change from current policies

For lessors, IFRS 16 essentially continues existing principles from IAS 17. In line with this, a lessor shall continue to classify their leases as operating leases or finance leases and report these two types of leases separately (reference to Note 7).

The standard is effective for periods beginning on or after 1 January 2019 and the Group plans to implement the standard applying the modified retrospective approach and will therefore not restate prior years presented in the consolidated financial statements upon adoption.

The Group expects to apply the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying assets is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing- and photocopying machines, coffee machines) that are considered of low value.

Under the modified retrospective implementation approach, a company may apply a single discount rate to a portfolio of leases with reasonably similar characteristics. The Group plans to apply this practical expedient. The Group also plans to apply the practical expedient to not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group plans to present the right-of-use-assets and the corresponding liability separately in the Consolidated Statement of financial position.

The increase in total assets and liabilities as at 1 January 2019 will be approximately USD 23 million.

Note 3 Critical accounting estimates and assessments

The preparation of the financial statements requires use of estimates and assumptions. The following is a summary of the assessments, estimates and assumptions made that could have a material effect on the consolidated financial statements.

Reserves and resources estimates

Hydrocarbon reserves are estimates of the number of hydrocarbons that can be economically and legally extracted from the Group's oil properties. The Group estimates its commercial reserves and resources with support

from an independent third party. Commercial reserves are determined using estimates of oil in place, recovery factors and commodity prices. Future development costs are estimated using assumptions as to the infrastructure required to produce the commercial reserves, whether a platform is needed, number of wells, the cost of such wells and other capital costs. The proven and probable reserves (2P) are used for calculation of depreciation of E&P assets by applying the unit of production method. Changes to the reserve estimate might have an impact on depreciation and impairment testing.

Asset retirement obligations (ARO)

Asset retirement costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its retirement obligations at each reporting date. The ultimate asset retirement costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for asset retirement obligations. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at the reporting date represents management's best estimate of the present value of the future asset retirement costs required.

Depreciation

The level of depreciation depends on the estimated useful life of the different components of the assets and residual value at the end of its useful life. The estimated useful life is based on experience and knowledge of the vessels owned by the Group. Management will have to make assessments as to the expected useful life of the hull and marine scope as well as the process equipment for a FPSO. Assumptions will also have to be made about the expected contract period for non-recoverable components for the assets, which can deviate significantly from the useful life of hull and process equipment.

Assumptions on residual value are based on knowledge of current scrap values which in turn depend on steel prices in the world market and demobilisation costs, together with an expected inflation.

Impairment of tangible assets

The Group reviews periodically whether tangible assets, FPSO and FSO related contracts, FPSOs and FSOs under construction and conversion candidates, have suffered any impairment in accordance with the accounting policy stated in Note 2. The recoverable amounts of each vessel, being defined as a cash-generating unit, have been determined based on value-in-use calculations. Value-in-use calculations are based on contracted cash flows and estimates of uncontracted cash flows for the useful lives of each vessel, including residual values discounted by an estimated discount rate. Assumptions on uncontracted cash flows are based on several variables, such as comparing the specifications on a particular FPSO with planned new FPSO

projects around the world, assessment of investment levels to redeploy the FPSO on a new field and assumptions on rates to be achieved from redeployment. The key assumptions used for the impairment testing of FPSOs and FSOs are described in Note 11.

Management must determine whether there are circumstances indicating a possible impairment of the Group's E&P assets. The estimation of the recoverable amount for the E&P assets includes assessments of expected future cash flows and future market conditions, including entitlement production, future oil and gas prices, risk factors, expected reserves and the date of expiration of the licenses. The key assumptions used for impairment testing of E&P assets are described in Note 12.

All impairment assessment calculations demand a high degree of estimation. Management must make complex assessment of the expected cash flows arising from such assets and the selection of discount rates. Changes to these estimates could have significant impact on the impairments recognised and future changes may lead to reversals of recognised impairments.

Income tax

The Group is subject to income taxes payable to various jurisdictions worldwide. Significant judgement is required in determining the provision for income taxes.

Presentation of preference shares

In November 2017, BW Catcher Limited, a subsidiary of BW Offshore Limited, issued preference shares with a preferential dividend right to ICBCL, for an aggregate subscription price of USD 275,000,000. The Company plans to redeem the preference shares in full over an estimated term of 12 years. The aggregate redemption and dividend payments on the preference shares are estimated to reflect approximately 25-30% of the estimated free cash flow after debt servicing in the BW Catcher contract over a similar term.

If dividend is paid out on the common shares, BW Catcher is obligated to pay dividend and redemption on the preference shares (dividend pusher). The dividend stopper disallows dividend payments on common equity in BW Catcher while any preference share dividend and/or redemption amount is outstanding.

As there is no obligation to pay dividend or redeem shares under this agreement, this is classified as an equity investment.

Note 4 List of subsidiaries, associates, joint ventures and non-controlling interests

Subsidiaries	Country of incorporation	Ownership 2018	Ownership 2017
Belokamenka Limited	Bermuda	100%	100%
Berge Carmen Singapore Pte Ltd	Singapore	100%	100%
Berge Helene Limited	Bermuda	100%	100%
Bergesen Worldwide Limited	Bermuda	100%	100%
Bergesen Worldwide Mexico, S.A. de C.V.	Mexico	100%	100%
Bergesen Worldwide Offshore Mexico S. de RL de CV	Mexico	100%	100%
BW Adolo Pte Ltd ¹⁾	Singapore	100%	100%
BW Ara Limited ²⁾	Bermuda	0%	100%
BW Carmen Limited	Bermuda	100%	100%
BW Catcher Limited ³⁾	Bermuda	100%	100%
BW Cidade de São Vicente Limited	Bermuda	100%	100%
BW Energy Dussafu B.V. ⁴⁾	Netherlands	100%	100%
BW Energy Gabon Pte Ltd ⁴⁾	Singapore	100%	100%
BW Energy Gabon SA ⁴⁾	Gabon	100%	0%
BW Energy Holdings Pte Ltd ⁵⁾	Singapore	67%	67%
BW Kudu Holding Pte Ltd	Singapore	100%	100%
BW Kudu Limited	United Kingdom	100%	100%
BW KMZ Limited	Bermuda	100%	100%
BW Nisa Limited	Bermuda	100%	100%
BW Offshore Catcher (UK) Limited	United Kingdom	100%	100%
BW Offshore China Ltd	China	100%	100%
BW Offshore Cyprus Limited	Cyprus	100%	100%
BW Offshore do Brazil Ltda	Brazil	100%	100%
BW Offshore do Brazil Servicos Maritimos Ltda	Brazil	100%	100%
BW Offshore (Ghana) Pte Ltd	Singapore	100%	100%
BW Offshore Global Manning Pte Ltd	Singapore	100%	100%
BW Offshore Management B.V. ⁶⁾	Netherlands	100%	100%
BW Offshore Nautipa AS	Norway	100%	100%
BW Offshore Netherlands B.V.	Netherlands	100%	100%
BW Offshore Norway AS	Norway	100%	100%
BW Offshore Norwegian Manning AS	Norway	100%	100%
BW Offshore Opportunity I Limited	Bermuda	100%	100%
BW Offshore Peregrino Limited	Bermuda	100%	100%
BW Offshore Poland sp z o.o.	Poland	100%	100%
BW Offshore Production do Brazil Ltda	Brazil	100%	100%
BW Offshore Shipholding Limited	Bermuda	100%	100%
BW Offshore Shipholding Cyprus Limited	Cyprus	100%	100%
BW Offshore Singapore Pte Ltd	Singapore	100%	100%
BW Offshore TSB Invest Pte Ltd	Singapore	100%	100%
BW Offshore (UK) Limited	United Kingdom	100%	100%
BW Offshore USA Management, Inc.	USA	100%	100%
BW Offshore USA, LLC	USA	100%	100%
BW Opportunity Limited	Bermuda	100%	100%
BW Pioneer Limited ²⁾	Bermuda	0%	100%
BW Pioneer (UK) Limited	United Kingdom	100%	100%
BWO Rouen SAS	France	100%	100%
BWO-Premier Ghana Limited	Ghana	70%	70%
Egyptian Winlines Shipping Co. SAE	Egypt	100%	100%
Prosafte GFPSO I B.V.	Netherlands	100%	100%
Prosafte Production B.V.	Netherlands	100%	100%
Prosafte Production Nigeria Limited	Nigeria	100%	100%
Prosafte Services Cote d'Ivoire Pte Ltd	Singapore	100%	100%
PT BW Offshore TSB Invest ⁷⁾	Indonesia	49%	49%
Sendje Berge Limited	Bermuda	100%	100%
Tinworth Pte Ltd	Singapore	100%	100%
Tinworth Gabon SA	Gabon	100%	100%
Associates			
OCS Services Limited	British Virgin Islands	50%	50%
Euro Techniques Industries	France	40%	40%
Joint ventures			
BW Offshore Nigeria Limited	Nigeria	49%	49%

1) Formerly known as Prosafte FPSO (D) Pte Ltd

2) Dissolved during 2018

3) Preference shares are issued with a preferential dividend right to ICBCL. The preferential dividend is a fixed percentage of outstanding preference shares, and accordingly the result allocated to non-controlling interest is independent of underlying result in the subsidiary.

4) Owned by BW Energy Holdings Pte Ltd, ownership effectively reduced to 67% due to Maple Company Limited investment

5) Capital injection from Maple Company Limited for its 33.33% holding received in June 2017

6) Formerly known as Prosafte Production Management B.V.

7) The company is 51% owned by Indonesian shareholders. The company is recognised in the balance sheet without non-controlling interests, as the Group has put in place, and have finalised agreements that ensure that 100% of profits are retained by the Group.

Company with material non-controlling interests

Company	Country of incorporation	Percentage non-controlling interests	
		2018	2017
BW Energy Holdings Pte Ltd	Singapore	33 %	33 %

Note 5 Segment information

The Group's activities have been construction, ownership and operation of FPSOs and FSOs. From 2017 this has been expanded to focus on E&P activities with the acquisition of Dussafu and Kudu. The assets and liabilities are allocated based on the operations of the segment.

The Group identifies and reports its segments based on information provided to the Top Management and the Board of Directors. Resources are allocated and decisions are made based on this information. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

2018

USD MILLION	FPSO	E&P	Eliminations	Total
Revenues	830.5	28.6	0.7	859.8
Other income	-	10.6	-	10.6
Revenues inter-segment	31.0	-	(31.0)	-
Total revenues	861.5	39.2	(30.3)	870.4
Share of profit/(loss) from equity accounted investments	1.4	-	-	1.4
Operating expenses	(348.9)	(17.9)	17.6	(349.2)
General and administrative expenses	(46.1)	-	12.7	(33.4)
EBITDA	467.9	21.3	-	489.2
Depreciation, amortisation and impairment	(328.8)	(7.9)	(2.0)	(338.7)
Profit/(loss) on sale of fixed assets	7.0	-	-	7.0
EBIT	146.1	13.4	(2.0)	157.5
Capital expenditure	187.4	207.5	(34.4)	360.5
Balance sheet information				
Equity accounted investments	9.2	-	-	9.2
Non-current segment assets	2,734.5	227.3	(38.9)	2,922.9
Non-current assets, not allocated to segments				19.6
Total non-current assets				2,951.7

2017

USD MILLION	FPSO	E&P	Eliminations	Total
Revenues	626.0	-	-	626.0
Revenues inter-segment	3.0	-	(3.0)	-
Total revenues	629.0	-	(3.0)	626.0
Share of profit/(loss) from equity accounted investments	0.9	-	-	0.9
Operating expenses	(256.9)	(0.6)	-	(257.5)
General and administrative expenses	(36.2)	-	3.0	(33.2)
EBITDA	336.8	(0.6)	-	336.2
Depreciation, amortisation and impairment	(256.0)	-	-	(256.0)
EBIT	80.8	(0.6)	-	80.2
Capital expenditure	424.0	67.2	-	491.2
Balance sheet information				
Equity accounted investments	7.9	-	-	7.9
Non-current segment assets	2,905.2	67.2	-	2,972.4
Non-current assets, not allocated to segments				18.7
Total non-current assets				2,999.0

Revenues by geographical areas ¹⁾

USD MILLION	2018	2017
Americas	229.9	234.0
Europe/Africa	521.9	286.2
Asia and the Pacific	118.6	105.8
Total revenues	870.4	626.0

1) The classification of revenue per region is determined by the final destination of the FPSO

Non-current assets by region

USD MILLION	2018	2017
Americas	640.2	704.4
Europe/Africa	1,986.2	1,716.4
Asia and the Pacific	222.6	467.7
Total non-current assets ¹⁾	2,849.0	2,888.5

1) Excluding deferred tax assets, pension assets, finance lease receivables, derivatives, investments in associates and joint ventures and other non-current assets

The Group has a limited number of customers (see also section regarding credit risk in Note 19). In accordance with IFRS 8.34, the Group has evaluated whether any single customers amount to 10% or more of the total revenue. In 2018, the Group has identified three such customers. For these,

the revenue was USD 464.7 million related to the FPSO segment. In 2017, the Group identified four such customers. For these, the revenue was USD 362.7 million related to the FPSO segment. The E&P segment consist of one customer.

Note 6 Revenue

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in Note 2. Comparative information has not been restated to reflect the presentation of revenues after the implementation of IFRS15.

Revenue streams

The Group generates revenue primarily from sale of crude oil, rendering of services on operating FPSOs and chartering of FPSOs to its customers.

USD MILLION	2018 ¹⁾
Revenue from contracts with customers	298.7
Leasing revenue	561.1
Other revenue	10.6
Total revenue	870.4

1) For 2017, revenues were classified as Charter hire, Lease interest and Other income

Disaggregation of revenues

Reference to Note 5 for disaggregation of revenues on geographical region.

USD 39.2 million of revenues in the Europe/Africa region is related to the E&P segment. Revenues in the other regions are related to the FPSO segment.

Contract balances

The following table provides information about receivables and contract assets and liabilities.

USD MILLION	31 Dec 2018	1 Jan 2018
Receivables included in trade and other current assets	94.5	164.6
Contract assets included in trade and other current assets	22.9	25.2
Contract liabilities - current	1.9	3.1

Most of the Groups contracts are a mix of revenues from both leasing of FPSOs, as well as service fees for operating FPSOs, and the risk is equal. The Group also produces and sells crude oil.

The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time, mainly over the remaining contract period. USD 3.1 million recognised in contract liabilities in the beginning of the period has been recognised as revenue during 2018.

Performance obligations and revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods or services to a customer. The Groups performance obligation is to operate and lease FPSOs and produce and sell crude oil.

The fixed term order backlog to be recognised as revenues from contracts with customers over the remaining contract period is USD 769 million.

Note 7 The Group as lessor

The Group has entered into lease contracts as lessor. Cash flows in the option periods are included in the minimum lease payments if it is reasonably certain that the option(s) will be exercised.

Finance lease

The FPSO Yuum K'ak' Náab commenced operations in Mexico in July 2007 on a firm 15-year lease contract. The title of the vessel will automatically be transferred to the customer at the end of the lease term without compensation. The net present value of the minimum lease payments amounts to substantially all the fair value of the FPSO at the inception

of the lease. In addition, the firm contract period is for the major part of the economic life of the FPSO. Accordingly, this contract is classified as a finance lease. The Group will operate and maintain the FPSO over the 15-year contract period. Revenues and expenses arising from this operation are recognised as revenues from contracts with customers, lease interest and operating expenses on vessels.

The future minimum lease payments receivable from finance lease is presented in the table below:

USD MILLION	2018	2017
Not later than one year	25.3	25.3
Later than one year and not later than five years	63.0	88.3
Gross receivables from finance leases	88.3	113.6
Unearned future finance income on finance leases	(10.9)	(17.4)
Net investment in finance leases	77.4	96.2
Included in non-current assets (Financial lease receivables)	57.3	77.5
Included in current assets (Financial lease receivables)	20.1	18.7

Operating leases

BW Athena and Berge Helene are not on contract as of December 2018. Belokamenka was sold for recycling in December 2018.

FPSO Cidade de São Mateus is currently in lay-up but still on contract with Petrobras. The Group has decided to start repairing the unit awaiting an agreement with Petrobras on whether the client would like the FPSO to return on the field.

The rest of the FPSOs owned by year-end are on firm operating lease contracts. First oil from BW Catcher was achieved on 23 December 2017 and the FPSO formally commenced operation 6 January 2018. BW Adolo (formerly known as Azurite), commenced operation in September 2018 on the Dussafu field offshore Gabon.

Future minimum payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables are set out in the table below:

USD MILLION	2018	2017
Not later than one year	442.2	455.5
Later than one year and not later than five years	907.1	1 111.5
Later than five years	150.7	314.9
Total nominal amount	1 500.0	1 881.9

2017 has been adjusted retrospectively. The annual report for 2017 included service fee. In 2018 this is presented as Revenue from contracts with customers.

The intercompany lease for BW Adolo is eliminated, and therefore minimum lease payments related to that contract are not included in the table above. The table only contains future payments qualifying as lease revenues, thus all

payments from operation of FPSOs and related services are excluded. No future payments from sale of crude oil has been included.

Note 8 Specification of operating, administrative and other expenses

USD MILLION	2018	2017
Employee benefit expenses crew (Note 9)	109.6	102.1
Allocations of cost from administrative support	40.8	40.0
Insurance	25.9	24.0
Operation, maintenance, spare parts and repairs	138.8	78.8
Total operating expenses vessels	315.1	244.9

USD MILLION	2018	2017
Employee benefit expenses (Note 9)	104.6	107.9
Allocation to operations and other	(96.4)	(95.6)
Travel expenses	3.1	2.4
Auditors	0.7	0.8
IT and communication	7.0	6.2
Offices (rent etc.)	6.9	6.1
Other expenses	7.5	5.4
Total administrative expenses	33.4	33.2

USD MILLION	2018	2017
Allocations of cost from administrative support	9.3	8.1
E&P expenses	-	0.6
FEED /Tender activities and Insurance claim expenses	6.9	3.9
Total other expenses	16.2	12.6

USD MILLION	2018	2017
Employee benefit expenses (Note 9)	0.7	-
Allocations of cost from administrative support	0.5	-
E&P expenses	16.7	-
Total operating expenses E&P	17.9	-

Note 9 Employee benefit expenses, remuneration to directors and auditors etc.

USD MILLION	2018	2017
Wages, crew	109.0	101.6
Wages, administrative personnel and E&P	99.2	100.7
Social security tax	5.4	5.8
Pension costs (Note 20)	1.3	1.9
Total employee benefit expenses	214.9	210.0

Average number of employees	2,121	2,103
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Top Management ¹⁾ Remuneration

USD	Salary	Bonus	Pension benefits	Share options	Other benefits	Number of shares
2018	4,010,445	1,198,246	242,791	-	170,495	2,716,288
2017	3,634,746	1,115,968	203,011	90,358	339,356	2,767,487

1) Top Management comprises Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Operating Officer, Head of Projects, Head of Engineering, Head of Legal, Head of Human Capital and Head of E&P.

Loans

Part of Top Management received in 2016 loan in NOK on arm's-length basis. The Group has not provided any loans to affiliates.

USD	2018	2017
Loans to Top Management	72,349	137,078

Severance

Top Management has agreements that give them the right to compensation after termination of employment before retirement that equals 100% of the salary for a maximum of 18 months. Compensation received from other employers during this period reduces this compensation, but not below 25% of the compensation. There are no similar agreements with the members of the Board of Directors.

Long-term incentive program

The Group has established a long-term incentive program for C-suite management (CFO, COO and CCO) as well as Head of Projects. This program is intended to reward performance over a three-year period. It is designed to encourage focus on long-term value generation rather than short-term achievements. Pay-out under the long-term incentive program is based on targets achieved within three parameters:

1. Company results - 1/3
2. Project Performance - 1/3
3. Total shareholder return - 1/3

The assessment of achievement will determine the pay-out. The Board of Directors will, discretionary, recognise the achievement. Full pay-out is capped at three months' salary. The scheme will be on a rolling basis each year, meaning maximum obtainable pay-out per year will be equivalent to approximately nine months' salary. The total amount due under the long-term incentive program will be paid out with 50% in cash upon award and 50% granted in restricted shares, which vest one year after the award.

Share options

The Company's Board of Directors resolved in 2014 to grant the Chief Executive Officer (CEO) 2,500,000 share options, settled in equity. The options were granted 6 May 2014 and vested 6 May 2017 but was not exercised and was forfeited during the period. No remaining options are outstanding at the end of the period.

Board of Directors' remuneration

USD	Directors fee	Number of shares	Share options
2018	457,200	92,693,605	-
2017	463,433	92,693,605	-

The compensation for members of the Board of Directors for the period May 2018 to May 2019 will be decided at the annual general meeting in May 2019.

Variable compensation scheme

The Variable Compensation Scheme (VCS) is a system for rewarding employees if and when the Group reaches set goals, based on financial parameters. The VCS might differ from year to year depending on the challenges and goals set by the Group, and the financial factors that influence the Group’s performance. The VCS for 2019 is based on five parameters:

1. Overall company result
2. New business
3. HSEQ performance
4. EBITDA
5. Projects

The assessment of the Group’s achievement will determine the pay out of the VCS. The Board of Directors will, discretionary, recognise the achievement.

Full pay out is capped at 3 months’ salary per employee. Individual assessment may be added to the general pay out. Employees need to be employed at the time of VCS payment to be eligible for VCS scheme benefits.

Loans to other employees

USD	2018	2017
Loans to other employees	856,012	958,172

Auditors’ remuneration

USD THOUSAND	2018	2017
Statutory audit	756.3	822.0
Other attestation services	144.6	217.0
Tax related services	432.5	824.1
Total fees	1,333.4	1,863.1

The Group changed auditor during 2018.

Note 10 Income tax expense

The income tax expense for the period comprise corporate income tax, withholding tax and deferred tax.

BW Offshore Limited is a company registered in Bermuda. Currently, the Company is not required to pay taxes in Bermuda on ordinary income or capital gains.

Depending on the jurisdiction, corporate income tax is due on the subsidiary’s actual profits, and withholding tax is levied on a deemed profit basis or revenue basis (simplified calculation in lieu of profits tax). Deferred tax is calculated on temporary differences in jurisdictions where actual profits are the basis for taxation. Where the Group’s activities are

subject to withholding taxes, these are normally deducted by the client who pays the taxes directly to the local tax authorities in the name of the Group.

The Group’s operational activities are subject to taxation rates which range from 0% to 35%.

As the Group’s operations are subject to different methods of taxation, income tax expenses will not necessarily change proportionally with changes in the overall net profit before tax. As a consequence of this, a reduction in net profit will often lead to a higher effective tax rate, while an increase in net profit can lead to a reduction in the effective tax rate.

Tax expense for the year

USD MILLION	2018	2017
Changes in temporary differences	(0.5)	(11.3)
Tax expense current year	13.6	(2.1)
Tax expense previous years	3.7	(1.0)
Profit oil tax	10.6	-
Withholding tax	12.9	16.7
Total tax expense recognised in statement of income	40.3	2.3

Effective tax rate

USD MILLION	2018	2017
Net result before tax	69.8	43.5
Effect on permanent differences	1.0	2.7
Income tax at Bermuda statutory income tax rate of 0%	-	-
Withholding taxes	12.9	16.7
Profit oil tax	10.6	-
Tax expense current year	13.6	(3.1)
Prior year tax adjustments	3.7	-
Other changes in deferred tax assets	-	(8.2)
Change in temporary differences	(0.5)	(3.1)
Total income tax expense at the effective income tax rate	40.3	2.3
Effective tax rate	57.7 %	5.3 %

Tax liabilities

USD MILLION	2018	2017
Tax payable at 31 December	9.4	9.7

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income becomes taxable.

Total income tax has been significantly increased in 2018 compared to 2017. BW Offshore has released tax-provisions of USD 4.5 million related BW Pioneer and also, USD 1.5 million accrual was released related to over accrued tax in

Indonesia. Taxes were further impacted by a USD 4 million tax accrual related to a tax audit in Gabon and USD 10.5 million income tax expense (State Profit Oil) related to Dussafu. Compared to 2017, when BW Offshore released tax-provisions of USD 32 million due to updated information indicating that changes to the Nigerian tax legislation, where the Group has operation, will not be applied retrospectively. Taxes were also impacted by an increase in deferred tax assets related to BW Pioneer of USD 8 million.

Deferred tax liabilities and deferred tax assets are specified as follows:

USD MILLION	2018	2017
Deferred tax assets		
Vessels	3.8	8.2
Losses and unabsorbed capital allowances	7.5	3.1
Other	1.2	0.2
Deferred tax assets - gross	12.5	11.5
Deferred tax liabilities		
Unpaid / Unremitted foreign interest income	(1.2)	-
Other	(0.6)	(0.3)
Deferred tax liabilities - gross	(1.8)	(0.3)
Net recognised deferred tax liabilities/ Deferred tax assets	10.7	11.2

The change from 2017 to 2018 in the net recognised deferred tax, was charged to the income statement.

Net recognised deferred tax assets are expected to be recovered or settled after more than 12 months.

The Group also has tax losses carried forward in several jurisdictions. The losses carried forward are USD 726.0 million

(USD 544.0 million). These losses are not recognised as it is not possible to predict with reasonable certainty whether adequate taxable profit will be available in the future against which losses can be utilised.

Of the total amount, USD 1.5 million will expire in 2019. Some of the tax losses have no expiry date.

Note 11 FPSOs, FSOs and vessels under construction

The owned fleet at 31 December 2018 included the following vessels: Abo FPSO, Belokamenka, Berge Helene, BW Adolo, BW Athena, BW Catcher, BW Cidade de São Vicente, BW Joko Tole, BW Pioneer, FPSO Cidade de São Mateus, Espoir Ivoirien, Petróleo Nautipa, FPSO Polvo, Sendje Berge, Umuroa and Yuum K'ak' Náab.

Vessels available for projects include vessels that are currently not in operation. BW Athena has been in lay-up since 2016 and are currently marketed for new projects. Berge Helene was disconnected and demobilised in 2018 and is now in lay-up and marketed for new projects. These vessels are included in "Vessels available for projects" in the table below.

Belokamenka has been in lay-up since 2016. The vessel was sold for recycling in December 2018.

FPSO Cidade de São Mateus is in lay-up after the accident in 2015. The Group signed an agreement with its insurers, with effective date 22 December 2016, for an early repair cost settlement of USD 250 million during January 2017. The amount was received in 2017. The Group has also had insurance claims related to salvage of the unit. The Group continues the dialogue with the client regarding a plan for the FPSO and the field. This vessel is included in "Vessels in operation" in the table below.

Yuum K'ak' Náab (reference to Note 7) is accounted for as a finance lease and is not included in the table below.

2018

USD MILLION	Vessels in operation	Vessels available for projects	Total
Cost at 1 January 2018	4,618.4	571.4	5,189.8
Additions	144.5	2.5	147.0
Disposal	-	(24.2)	(24.2)
Cost at 31 December 2018	4,762.9	549.7	5,312.6
Accumulated depreciation and impairment charge at 1 January 2018	(1,983.9)	(397.5)	(2,381.4)
Current year depreciation	(303.6)	(23.7)	(327.3)
Disposal	-	10.7	10.7
Accumulated depreciation and impairment charge at 31 December 2018	(2,287.5)	(410.5)	(2,698.0)
Book Value at 31 December 2018	2,475.4	139.2	2,614.6
Useful life	Up to 25 years		
Capitalised interest cost for vessels under construction	1.6		

2017

USD MILLION	Vessels in operation	Vessels under construction	Vessels available for projects	Total
Cost at 1 January 2017	3,293.6	811.8	674.2	4,779.6
Additions	89.6	325.2	4.2	419.0
Disposal	(8.8)	-	-	(8.8)
Reclassification	1,244.0	(1,137.0)	(107.0)	-
Cost at 31 December 2017	4,618.4	-	571.4	5,189.8
Accumulated depreciation and impairment charge at 1 January 2017	(1,737.4)	-	(402.7)	(2,140.1)
Current year depreciation	(198.9)	-	(23.8)	(222.7)
Impairment charge	(25.0)	-	-	(25.0)
Disposal	6.4	-	-	6.4
Reclassification	(29.0)	-	29.0	-
Accumulated depreciation and impairment charge at 31 December 2017	(1,983.9)	-	(397.5)	(2,381.4)
Book Value at 31 December 2017	2,634.5	-	173.9	2,808.4
Useful life	Up to 25 years			
Capitalised interest cost for vessels under construction	1.7	45.8		

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was on average approximately 5% (5.5%).

The Group has performed an impairment assessment of the fleet for 2018. The impairment testing did not identify any required impairments or reversals of impairment.

Each vessel is regarded as a cash-generating unit for impairment testing. The recoverable amount is based on a value-in-use calculation for each of the vessels in the fleet. To estimate

the recoverable amount, the Group has to make assumptions on contracted cash flows as well as uncontracted cash flows over the useful life for each vessel. Uncontracted cash flows have been estimated based on experience, expectations on future market conditions and return on invested capital. The assumptions made are built into different scenarios with different cash flows for each unit. The Group expects an improved market as a result of recovery in the oil price where it is expected that it will be possible to extend contracts for certain units already in operation as well as more likely to achieve redeployment of units that are currently idle. Each of the scenarios are weighted

to provide for a recoverable amount for each unit that is a weighted average of all scenarios. Scenarios will also include a weighted probability that a unit cannot be redeployed beyond current contract and will have to be recycled.

Cash flows were discounted at a rate of 8.0% (8.0%) on a pre-tax basis. The discount rate is based on Weighted Average Cost of Capital (WACC) for the Group. The following assumptions have been made for the WACC:

- The equity risk premium is based on empirical data of similar listed companies and is in consensus with the market risk premium observed from the study performed by the Norwegian Society of Financial Analysts. The Group has also included a small cap premium in setting the overall equity risk premium
- The equity ratio is based on long-term assumptions on the Group's financial strategy and capital structure, as well as peer group balance sheet data for listed oil service companies
- For the risk-free rate, the Group is using the US 10-year treasury yields as the basis for calculations, based on a weighted average contract length of the FPSO fleet
- The debt margin used is based on an assessment of the cost of providing long-term funding given the current market outlook and current company risk profile and contract structure
- For estimating beta, the Group have employed various regression models and peer averages to reach a metric of future equity risk for the FPSO segment and BW Offshore

- Due to the structure of the Group's operations, there is very little effect on the WACC when adding debt, as most of the Group's taxes are based on withholding tax deducted at source. The Group has therefore assumed that effect from tax in calculating WACC is zero

The critical assumptions for impairment are the discount rate, assumptions used for cash flows and weight given to each of the scenarios. The recoverable amount for each vessel would be sensitive to changes for any of the above-mentioned assumptions.

An increase of the WACC for the Group by 1% would require an impairment of USD 5 million.

The Group make assumptions on redeployment of vessels after contemplated end of current contract. An additional one-year before redeployment of vessels in the weighted scenarios would not lead to impairment, but will for several vessels remove most of headroom between value in use and book value.

Similarly, a further rate reduction of 10% from the weighted scenario on the same vessels would not require an additional impairment.

The Group also performed an impairment assessment of the fleet for 2017. This assessment led to a USD 25.0 million impairment loss recorded to write down Sendje Berge to the recoverable amount. The impairment was a result of a change in the contract terms.

Note 12 E&P tangible asset, property and other equipment

2018

USD MILLION	E&P assets under development	E&P production assets	Property and other equipment	Total
Cost at 1 January 2018	63.3	-	27.5	90.8
Additions	170.7	4.9	4.8	180.4
Exchange differences	-	-	(0.2)	(0.2)
Reclassifications	(228.8)	228.8	-	-
Disposals (impairment/assets held for sale)	-	(43.2)	(0.7)	(43.9)
Cost at 31 December 2018	5.2	190.5	31.4	227.1
Accumulated depreciation at 1 January 2018	-	-	(17.4)	(17.4)
Current year depreciation	-	(12.3)	(1.5)	(13.8)
Disposals	-	-	0.6	0.6
Exchange differences	-	-	0.2	0.2
Accumulated depreciation at 31 December 2018	-	(12.3)	(18.1)	(30.4)
Book value at 31 December 2018	5.2	178.2	13.3	196.7
Useful life		UoP ¹⁾	0-25 years	

1) UoP = Unit of Production. Revenue from oil production is recognised based on barrels sold while the E&P production assets are depreciated using unit of production. Since the assets are used in the production process, the variance is considered to be a part of the crude oil inventory value. USD 4.6 million of the depreciation is included in inventory in the Financial position.

E&P assets under development is not depreciated.

The Group has performed an impairment assessment on E&P assets for 2018. Each exploration and exploitation licence are considered a separate cash-generating unit for the purpose of testing for impairment. The impairment testing did not identify any required impairments.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount, being the higher of an asset's net selling price and its value in use. The Group has performed the impairment testing using a value in use model based on discounted cash flows. The impairment testing is based on assumptions made, some specifically listed below:

Cash flows were discounted at a rate of 8.0% on a pre-tax basis. The discount rate is based on Weighted Average Cost of Capital (WACC) for the Group (reference to Note 11 for further information of the WACC assumptions). An increase of the WACC for the Group by 1% would not require an impairment.

Future oil price might have a significant impact on the net present value. Forecasted oil prices are based on available market data. The Group has used oil prices based on price deck from Wood Mackenzie for impairment calculation:

Year	USD per boe
2019	73
2020	76
2021	80
2022	88

A reduction in oil prices of 20 %, will not require an impairment.

Future cash flows are estimated based on expected production profiles from 2P reserves. The recoverable amount is sensitive to changes in the reserves. Reference to Note 29

for further information about reserves. A reduction of 5 % in the reserves will not require an impairment.

Future investments and abandonment obligation expenses are estimated based on expected production and Managements best estimate.

2017

USD MILLION	E&P tangible assets	Property and other equipment	Total
Cost at 1 January 2017	-	24.9	24.9
Additions from business combinations	35.4	-	35.4
Additions	27.9	3.1	31.0
Exchange differences	-	-	-
Disposals (impairment/discontinued operation)	-	(0.5)	(0.5)
Cost at 31 December 2017	63.3	27.5	90.8
Accumulated depreciation at 1 January 2017	-	(14.7)	(14.7)
Current year depreciation	-	(3.2)	(3.2)
Disposals	-	0.5	0.5
Exchange differences	-	-	-
Accumulated depreciation at 31 December 2017	-	(17.4)	(17.4)
Book value at 31 December 2017	63.3	10.1	73.4
Useful life	UoP ¹⁾	0-25 years	

1) UoP = Unit of Production. E&P assets are under development and not depreciated.

The Group completed in April 2017 the acquisition of a 66.667% interest in the Dussafu production sharing contract (PSC) offshore Gabon from Harvest Energia B.V. The acquisition price was USD 34.3 million including preliminary adjustments. Later in April 2017, the Group also completed the acquisition of 25% working interest in the Dussafu PSC from Pan-Petroleum Gabon B.V., a wholly-owned subsidiary of Panoro Energy ASA. The acquisition price was USD 12 million (reference to Note 28).

The Group holds a 91.7% stake of the Dussafu licence offshore Gabon. Pan-Petroleum Gabon B.V. holds the remaining 8.3 % of the licence.

The negotiations related to the farm-in of a 10% stake by Gabon Oil Company (GOC) in the Dussafu license is ongoing. Pending a formalisation of the farm-in, the Group has through its partnership with BW Group recognised revenue on the basis of present working interest in the field even though it is assumed that GOC will farm-in with effect from first oil. Tullow has confirmed their intent to exercise the 10% back-in right into the Dussafu license as stipulated in the PSC. The calculated share of the farm-in and back-in right is classified as assets held for sale in the financial position at 31 December 2018.

The licence expires in 10 years from commencement of production. At the end of this term, the Group can file for additional two 5-year extensions.

Note 13 Intangible assets

USD MILLION	Software	E&P intangible assets	Total intangible assets
Cost			
At 1 January 2018	15.4	3.9	19.3
Additions	1.2	31.9	33.1
Carrying amount, 31 December 2018	16.6	35.8	52.4
Amortisation and impairment			
At 1 January 2018	(12.6)	-	(12.6)
Amortisation and impairment	(1.9)	(0.2)	(2.1)
At 31 December 2018	(14.5)	(0.2)	(14.7)
Net book value			
At 31 December 2018	2.1	35.6	37.7
At 31 December 2017	2.8	3.9	6.7
Useful life	1 - 3 years		
Amortisation method	linear		

The Group started in 2018 further exploration and evaluation of the Ruche area of Dussafu and has so far drilled one successful appraisal well and a side-track in the Ruche North East.

The Group also holds a 56% stake of the Kudu production licence, PL-003, offshore Namibia. National Petroleum Corporation of Namibia (NAMCOR), the Namibian state-owned oil company,

holds the remaining 44% of the licence. The licence expires in November 2036.

E&P intangible assets that are under the exploration and evaluation phase and are not amortised except for the Intellectual Property agreement described in Note 24.

Note 14 Investments in associated companies

BW Offshore had the following investments in associates at 31 December:

2018

USD MILLION

Entity	OCS Services Limited	Euro Techniques Industries
Country	British Virgin Islands	France
Industry	Manning Office	Technology
Carrying amount 1 January 2018	6.0	1.6
Share of net profit	1.2	0.1
Carrying amount 31 December 2018	7.2	1.7

A summary of book values of the consolidated financial accounts of the associated companies, on a 100% basis:

USD MILLION

Entity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity	Revenues	Results for the year	OCI
OCS Services Limited	2.6	14.5	-	3.3	13.8	8.4	2.3	-
Euro Techniques Industries	1.9	7.2	-	5.7	3.4	6.2	0.6	-

2017

USD MILLION

Entity	OCS Services Limited	Euro Techniques Industries
Country	British Virgin Islands	France
Industry	Manning Office	Technology
Carrying amount 1 January 2017	5.4	1.4
Share of net profit	0.6	0.2
Carrying amount 31 December 2017	6.0	1.6

A summary of book values of the consolidated financial accounts of the associated companies, on a 100% basis:

USD MILLION

Entity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity	Revenues	Results for the year	OCI
OCS Services Limited	1.8	12.4	-	2.4	11.8	6.0	1.8	-
Euro Techniques Industries	2.8	5.3	-	5.0	3.1	3.7	0.4	-

OCS

The Group does not have joint control over this investment. The partner is in charge of the daily operation of the company while the Group act as an investment partner. The Group does not have power over more than half of the voting rights in OCS. Further, the Group does not have the power to cast the majority of votes at meetings of the Board

of Directors or equivalent governing body. As the Group is only acting as an investment partner, OCS is considered as an associate. The Group's interest in OCS is accounted for using the equity method in the consolidated financial statements.

Note 15 Cash and cash equivalents

Cash and cash equivalents are denominated primarily in USD, SGD, BRL, EUR, GBP, NGN and NOK. Restricted bank deposits at 31 December 2018 amounted to USD 1.0 million (USD 1.3 million). This relate to taxes withheld from employees.

Note 16 Share capital of the company, largest shareholders and par value

Share capital

Authorised share capital:

At 1 January 2018:	214,000,000 ordinary shares at par value USD 0.50 each
At 31 December 2018:	214,000,000 ordinary shares at par value USD 0.50 each

USD THOUSAND

Issued and fully paid:

At 1 January 2018	92,478.2
At 31 December 2018	92,478.2

The Company held a total of 1,513 own shares at 31 December 2018 (15,312). These shares are held as 'treasury shares'. Book value of the treasury shares was USD 0.3 million at 31 December 2018 (USD 2.9 million).

The 20 largest shareholders at 31 December 2018 were:

Entity	No of shares	Holding
1 BW Group Limited	92,332,844	49.9 %
2 Brown Brothers Harriman (Lux.) SCA	4,564,302	2.5 %
3 Verdipapirfondet Alfred Berg Gamba	3,936,877	2.1 %
4 Citibank, N.A.	3,094,911	1.7 %
5 Morgan Stanley & Co. Int. Plc.	3,028,573	1.6 %
6 UBS Switzerland AG	2,652,443	1.4 %
7 Folketrygdfondet	2,450,000	1.3 %
8 JPMorgan Chase Bank, N.A., London	2,286,092	1.2 %
9 Svenska Handelsbanken AB	2,282,000	1.2 %
10 Verdipapirfondet Pareto Investment	2,116,000	1.1 %
11 J.P. Morgan Bank Luxembourg S.A.	2,057,942	1.1 %
12 Nordea Bank Abp	2,031,866	1.1 %
13 Nordea Bank Abp	1,906,942	1.0 %
14 Borea AS	1,384,209	0.7 %
15 Verdipapirfondet Delphi Norge	1,238,352	0.7 %
16 Nordnet Bank AB	1,157,867	0.6 %
17 Handelsbank Nordiska Smabolagsfond	1,100,001	0.6 %
18 Citibank, N.A.	1,010,200	0.5 %
19 Verdipapirfondet Alfred Berg Norge	1,000,050	0.5 %
20 State Street Bank and Trust Comp	888,024	0.5 %
Top 20 shareholders	132,519,495	71.6 %
Total shares outstanding	184,956,320	

In November 2017, the Group closed an agreement with a nominee of the financial leasing firm, ICBC Financial Leasing Co., Ltd. (ICBCL), whereby such nominee becomes an equity partner in BW Catcher Limited. BW Catcher Limited has issued preference shares with a preferential dividend right to ICBCL, for an aggregate subscription price of USD 275,000,000. The company plans to redeem the preference shares in full over an estimated term of 12 years. The aggregate redemption and dividend payments on the preference

shares are estimated to reflect approximately 25-30% of the estimated free cash flow after debt servicing in the Catcher contract over a similar term. The net proceeds from the issue of the preference shares will be used for general corporate purposes. The investment by ICBCL is presented as a non-controlling interest in the statement of financial position of BW Offshore. USD 11.9 million has been paid in dividend during 2018 and the redemption for 2018 amounts to USD 22.9 million.

Note 17 Inventories

USD MILLION	Fuel oil	Materials and consumables	Crude oil	Total
Cost at 1 January 2018	3.4	28.4	-	31.8
Production during the year	-	-	12.1	12.1
Purchase during the year	2.7	47.0	-	49.7
Used during the year	(3.1)	(26.7)	-	(29.8)
Cost at 31 December 2018	3.0	48.7	12.1	63.8
Cost at 1 January 2017	3.8	10.1	-	13.9
Purchase during the year	0.1	35.8	-	35.9
Used during the year	(0.5)	(17.5)	-	(18.0)
Cost at 31 December 2017	3.4	28.4	-	31.8

Inventories, other than inventories of crude oil, are valued at the lower of cost or net realisable value. Cost of materials and other consumables is determined by the weighted average

cost method and cost on fuel oil is determined by 'first-in-first-out' (FIFO) method. Inventory of crude oil is valued at the lower of production cost or net realisable value.

Note 18 Trade and other current assets

USD MILLION	2018	2017
Trade receivables - gross	124.7	196.8
Provision for doubtful debt	(7.3)	(7.0)
Other receivables	47.7	15.9
Underlift	3.9	-
Prepayments	19.4	15.4
Insurance claims	-	5.2
Trade and other current assets	188.4	226.3
Current portion	188.4	226.3

The fair value of trade and other current assets is as follows:

USD MILLION	2018	2017
Trade and other current assets	188.4	226.3

As of 31 December 2018, trade receivables of USD 15.9 million (USD 12.2 million) were overdue but not impaired.

During 2015 and 2016, the Group had for some time not been paid the full contractual rate by Addax Petroleum Exploration Limited for Sendje Berge. In 2016, the Group submitted a claim to the arbitration tribunal for unpaid contractual rate. In February 2017, the Group received an

arbitration award entirely in the Groups favour, requiring the claimed day rates to be paid. During 2017, all outstanding receivables have been paid and the Group has signed a four-year contract extension with Addax Petroleum Exploration Limited.

The aging analysis of trade receivables is as follows:

USD MILLION	2018	2017
Not past due	101.5	179.0
Up to 3 months	14.5	8.7
3 - 6 months	-	1.0
6 - 12 months	2.9	2.5
12 - > months	5.8	5.6
Trade receivables - gross	124.7	196.8

As of 31 December 2018, the expected credit loss for the Group is immaterial.

Trade receivables as of 31 December 2017 were impaired by USD 7.0 million due to disputes and provided for.

The aging of these receivables is as follows:

USD MILLION	2018	2017
Up to 3 months	-	1.5
More than 3 months	7.3	5.5
Total	7.3	7.0

The carrying amount of the Group's trade and other receivables are mainly denominated in USD.

Changes in provision for impairment of trade receivables are as follows:

USD MILLION	2018	2017
Provision at 1 January	7.0	29.0
Charge for doubtful debt during the period	0.4	4.1
Reversal of provision	(0.1)	(26.1)
Provision at 31 December	7.3	7.0

Expected credit loss for other classes within trade and other receivables are immaterial.

Credit risk and foreign exchange risk regarding trade receivables are described in Note 19.

Note 19 Financial risk management

The Group's central finance division has the responsibility for financing, treasury management and financial risk management.

Financial risk factors

Activities expose the Group to a variety of financial risks: price risk (including currency risk, commodity price risk and market risk), credit risk, liquidity risk and interest rate risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. A finance management team led by the Chief Financial Officer identifies and evaluates financial risks in close co-operation with the Group's operating units. The finance management team's activities are governed by policies approved by the Board of Directors for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity. The finance management team will report to the Group's Top Management, the Audit Committee and the Board of Directors on the status on activities on a regular basis.

The Group does not use financial instruments, including financial derivatives, for trading purposes.

Market risk

Offshore production of oil and gas is in decline after several years of under-investment. This will likely become more evident in coming years, as production tied to investments made in the previous up-cycle has now commenced and is subject to natural decline. The global balance of crude oil supply and demand has tightened.

Combined with lower break-even costs as a result of increased cost efficiency and significant oil exploration asset repricing, this is expected to lead to more projects being sanctioned going forward. This improves the market outlook for offshore field developments and FPSOs in particular. Initially, the Group expects increased focus on incremental investments tied to existing infrastructure, with green-field investments following later in the cycle.

The majority of BW Offshore's fleet remains on long-term contracts with national and independent oil companies. The fleet should continue to generate significant cash flow in the time ahead. BW Offshore has reduced its leverage and has a solid financial position and good liquidity. Redeployment of existing assets is a key part of the strategy and will enable the Group to capture significant asset upside and value creation.

The Group also believe that the new strategy of looking for field development opportunities which allow use of existing FPSOs is an added strength. This should support and will support the company in utilising existing assets and generating cash flow.

Fleet asset values are assessed according to a value-in-use methodology, with balanced assumptions on the likelihood of option periods and future projects. The basis for the impairment assessment is that the Group expects an improved market as a result of recovery in the oil price where it is expected that it will be possible to extend contracts for units already in operation as well as more likely to achieve redeployment of units that are currently idle.

Credit risk

Most of the Group's customer contracts are long-term. The Group assesses the credit quality of the customers on a regular basis, considering its financial position, experience and other factors. There are no guarantees that the financial position of the Group's major customers will not materially change during the contracted period, as it happens from time to time that customers decides to sell the production license, which exposes the Group to a new customer on an existing lease contract. The Group will normally have contractual clauses to prevent a customer to novate the lease contract without consent. Given the limited number of major customers of the Group and the significant portion these represent to the Group's revenue, the inability of one or more of them to make full payment on any of the Group's contracted units may have a significant adverse impact on the financial position.

As most of the Group's portfolio is with historically solid counterparties, where a significant number are also rated by international credit rating agencies, the Group believes that the credit risk related to counterparties is at a manageable level.

Another risk factor to be addressed is whether negative reservoir development may affect the oil company's ability to fulfil its obligations within the fixed contract. The probability for options to be exercised and extension of contracts to be entered into will be negatively affected by a reduction in actual reservoir reserves. It is common for customers, i.e. the oil companies, to contract the firm period for the FPSO lease corresponding to the expected producing life of the reserves. A low oil price creates an additional risk factor where the price of oil is so low that it does not create sufficient cash flow for the oil companies to carry out their obligations during the fixed contract term. The existing contracts are seeking to protect the Group against these risks through termination fees, cash-flow arrangements and financial- and corporate guarantees. However, there are situations where the Group might suffer losses due to situations beyond the Group's control. The Group will continue its active risk management to mitigate these risk factors. This is, amongst other things, done through regular evaluation of counterparties and their financial situation, as well as through having a close dialogue with clients.

The Group observed that overdue trade receivables have been stable during 2018 and was USD 23.2 million at the end of 2018, compared to USD 17.8 million at the end of 2017. The overdue situation was mainly related to units operating in West Africa (reference to Note 18).

The Group is also exposed to certain credit risk related to agreements entered into with customers such as yards used for conversions. The Group manages its exposure to such risks through a thorough evaluation of the counterparty and subsequently by continuous monitoring of larger counterparties.

The Group has policies that limit the amount of credit exposure against any financial institution. Cash deposits, derivatives and financial guarantees are predominantly maintained with investment grade financial institutions. The maximum risk exposure is represented by the carrying amount of the financial assets in the balance sheet except for financial guarantees.

The Group regards its maximum credit risk exposure to the carrying amount of trade receivables (reference to Note 18), other current assets and financial lease receivables (reference to Note 7).

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains sufficient cash for its daily operations and its investment program via short-term cash deposits at

banks and a commitment to make available funds from the unutilised portion of revolving facilities offered by financial institutions to the Group.

The Group monitors the liquidity through cash flow forecasting of operational and investment activities in the short-, medium- and long-term.

To mitigate liquidity risk and address potential future liquidity challenges, including avoiding breach of financial covenants, BW Offshore together with stakeholders recapitalised the Group in 2016 by more than USD 500 million in improved liquidity for the period through 2020.

The recapitalisation of the Group and the equity transaction for BW Catcher with ICBC has mitigated liquidity risk and provided a strong balance sheet. The start-up of production from BW Catcher by end of 2017 has been a significant contributor to the cash flow of the Group in 2018 and together with the first oil in the Dussafu license achieved in September 2018 the Group has a sound liquidity position.

The following table sets out the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. When counterparties have a choice of when to settle an amount, the liability is included based on the earliest date of which the counterparty can require settlement.

Maturity profile - financial liabilities, Year ended 2018

	Q1 19	Q2 19	Q3 19	Q4 19	2019	2020	2021-2023	2024 and beyond	Total
USD 2,400 million facility	92.6	-	46.3	-	138.9	200.0	-	-	338.9
Catcher facility	28.6	28.6	28.6	28.6	114.4	114.4	342.8	142.8	714.4
Petróleo Nautipa facility	5.8	-	5.8	-	11.6	11.6	16.0	-	39.2
BWO01 - NOK 500 million Bond ¹⁾	-	-	-	-	-	65.0	-	-	65.0
BWO02 - NOK 500 million Bond ¹⁾	-	-	-	-	-	86.8	-	-	86.8
BWO03 - NOK 750 million Bond ¹⁾	-	-	-	-	-	24.8	99.2	-	124.0
BWO04 - NOK 900 million Bond ¹⁾	-	-	-	-	-	-	117.0	-	117.0
Interest rate swaps	6.3	6.3	6.4	6.4	25.4	19.2	4.2	(3.6)	45.2
Interest payments	14.5	13.0	12.9	11.5	51.9	32.0	49.1	3.5	136.5
Other	0.5	0.5	0.6	0.5	2.1	2.1	3.4	0.2	7.8
Trade and other payable current	105.3	72.3	72.3	72.3	322.1	-	-	-	322.1
Total	253.6	120.7	172.9	119.3	666.4	555.9	631.7	142.9	1,996.9

1) Bond loan illustrated at swapped USD/NOK rate

Maturity profile - financial liabilities, Year ended 2017

	Q1 18	Q2 18	Q3 18	Q4 18	2018	2019	2020-2022	2023 and beyond	Total
USD 2,400 million facility	46.3	-	46.3	-	92.6	138.9	65.0	-	296.5
Catcher facility	-	28.6	28.6	28.6	85.7	114.3	342.9	201.1	744.0
Joko Tole facility	9.4	7.0	-	-	16.3	-	-	-	16.3
Umuroa facility	22.0	-	-	-	22.0	-	-	-	22.0
Petróleo Nautipa facility	5.8	-	5.8	-	11.6	11.6	27.6	-	50.9
BWO01 - NOK 500 million Bond ¹⁾	-	-	-	-	-	-	65.0	-	65.0
BWO02 - NOK 500 million Bond ²⁾	-	-	-	-	-	-	86.8	-	86.8
BWO03 - NOK 750 million Bond ²⁾	-	-	-	-	-	-	124.0	-	124.0
BWO04 - NOK 900 million Bond ²⁾	-	-	-	-	-	-	117.0	-	117.0
Interest rate swaps	7.5	7.2	6.9	6.7	28.3	26.0	26.0	(6.0)	74.3
Interest payments	12.3	11.7	12.1	11.4	47.5	40.8	59.8	9.0	157.1
Other	0.6	0.5	0.6	0.5	2.2	2.1	5.3	0.4	10.0
Trade and other payable current	105.1	60.9	60.9	60.9	287.8	-	-	-	287.8
Total	209.0	115.8	161.2	108.1	594.1	333.7	919.4	204.5	2,051.7

1) BWO01 was repaid with NOK 140m in 2017. Outstanding amount has decreased from NOK 500m to NOK 360m.

2) Bond loan illustrated at swapped USD/NOK rate

The Group has the following undrawn borrowing facilities, which can be utilised if the Group is in compliance with its loan covenants:

USD MILLION	2018	2017
Expire within one year	-	-
Expire beyond one year	273.9	408.9

Foreign currency risk

The functional currency of the Company and most of its subsidiaries is USD. In general, most operating revenues and a significant portion of operating expenses as well as most interest-bearing debt are denominated in USD. The Group is exposed to expenses and investments incurred in currencies other than USD ('foreign currencies'); the major currencies being Norwegian Kroner ('NOK'), Singapore Dollars ('SGD'), British Pounds ('GBP') and Brazilian Reals ('BRL'). Operating expenses denominated in NOK, SGD, GBP, BRL and EUR constitute a part of the Group's total operating expenses. Capital expenditures related to construction, conversion and life extension activities on FPSOs would also to some extent be denominated in other currencies than USD. Consequently, fluctuations in the exchange rate on NOK, SGD, GBP, BRL, and EUR may have significant impact on the financial statements of the Group.

The Group enters into forward/futures contracts to reduce the exchange rate risk on cash flows nominated in foreign currencies, both related to construction and conversion projects and to operating and administrative expenses. The exchange rate risk is calculated for each foreign currency and takes into account assets and liabilities, liabilities not recognised in the balance sheet and expected purchases and sales in the currency in question. Currency hedges and other currency effects include changes in fair value of currency hedges, effects or settlement of these hedges, and

other currency effects related to operating cash flows. Most of the cash flows in foreign currencies related to construction and conversion projects will be hedged. As a consequence, the Group's exposure to fluctuations in foreign currencies against USD will be limited.

Total nominal value of the Group's foreign currency contracts was USD 104.7 million at 31 December 2018. Fair value of the foreign currency contracts amounted to negative USD 3.0 million (compared to USD 88.4 million and positive USD 1.2 million in 2017) and are presented gross in the statement of financial position. Net effect of forward exchange contracts recognised in the statement of income in 2018 is negative by USD 4.2 million (positive USD 3.1 million).

The Group is exposed to foreign currency risk on bonds issued in NOK, respectively bond BWO01, BWO02, BWO03 and BWO04. The Group had per 31 December 2018 issued bonds totalling NOK 2,510 million. The foreign currency exposure on bond BWO01, BWO02 and BWO03 are hedged through cross-currency interest swaps, amended, with a nominal value of USD 275.8 million, while BWO04 is hedged through cross-currency swaps with a nominal value of USD 117 million. The market value of the cross-currency interest swaps and the cross-currency swaps was negative by USD 111.3 million at 31 December 2018 (negative USD 99.6 million).

The Group does not apply hedge accounting and net financial income/expense fluctuate due to mark-to-market changes of the swaps and due to currency gains/losses of the bonds.

The Group applied hedge accounting for the foreign exchange hedging related to the construction contract for BW Catcher. All hedge transactions were settled by end of 2017.

Interest rate risk

The Group is exposed to interest rate risk through its funding activities. All of the Group’s interest-bearing debt has floating interest rate conditions, making the Group influenced by changes in the market rates. The Group aims to hedge at least 50% of its interest rate exposure.

As of 31 December 2018, the Group’s floating rate debt amounted to USD 1,383.04 million (USD 1,435.65 million).

The Group holds interest rate swaps with a nominal value of USD 470 million and interest rate caps with a nominal

value of USD 100 million with maturity during 2019-2028. The weighted average interest swap rate was 2.2% at 31 December 2018, and the average cap rate was 3.5%. The swaps and caps are held to hedge the quarterly cash flows from floating rate interest payments on the USD 2,400 million-loan facility, the USD 800 million-loan facility and the Petróleo Nautipa loan facility. The market value of the interest swaps and caps was positive by USD 11.7 million at 31 December 2018 (positive USD 5.0 million) and the changes in fair value has been recognised as a fair value gain on financial instruments.

The cross-currency interest swaps held to hedge the BWO01, BWO02 and BWO03 bonds also hedge the interest rate risk on these bonds.

The following table shows the Group’s sensitivity for fluctuations in interest rates. The calculation includes all interest-bearing instruments and interest rate financial derivatives.

	Increase/decrease in basis points	Effect on profit/loss before tax (USD million)
2018	+/- 50	+/- 3.6
2017	+/- 50	+/- 2.6

Of the total interest-bearing debt of USD 1,383.04 million, USD 756.0 million is hedged.

The weighted average interest rate on financial instruments at year-end was as follows:

	2018	2017
Loans secured by collateral	4.2 %	4.1 %
Loans - unsecured	7.1 %	6.7 %

Interest rate on cash deposits was 2.4% as per year-end 2018 (1.4%).

Commodity price risk

Since November 2018, the Groups revenues are partly derived from the sale of petroleum products related to the Dussafu license. The revenue is, and will going forward, be increasingly exposed to fluctuations in the oil price.

BW Offshore will assess the benefits of forward hedging monthly sales contracts on a continuous basis and oil price hedging will be performed in accordance with instructions from the Board of Directors. The Group has not entered into oil price hedging contracts per 31 December 2018.

Fair values

IFRS 13 requires disclosures of fair value measurements by the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The fair value of the Group’s currency hedges is determined using forward exchange rates at the balance sheet date, with the resulting value discounted to present value (level 2). This is presented on separate lines in the statement of financial position.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves (level 2). The fair value of the cross-currency interest swaps is presented as non-current liabilities in the statement of financial position.

The fair value of the Group's interest rate swaps, foreign exchange contracts and cross-currency interest swaps are as follows:

USD MILLION	Fair value 2018	Fair value 2017
Derivatives current net asset/(liability)	(2.5)	0.8
Derivatives non-current net asset/(liability) FX	(0.5)	-
Derivatives non-current net asset/(liability) interest rate swaps	11.7	5.3
Derivatives non-current net asset/(liability) cross-currency swaps	(111.3)	(99.6)
Total	(102.6)	(93.5)

The carrying amounts and fair value of borrowings are as follows:

USD MILLION	Carrying amount 2018	Carrying amount 2017	Fair value 2018	Fair value 2017
USD 2,400 million facility	337.2	292.6	338.9	296.6
Catcher facility	708.3	735.8	714.4	744.0
Joko Tole facility	-	16.2	-	16.3
Umuroa facility	-	22.0	-	22.0
Petróleo Nautipa facility	39.1	50.6	39.2	50.9
BWO01 - NOK 500 million Bond	41.6	43.7	41.6	43.9
BWO02 - NOK 500 million Bond	57.7	60.6	57.2	60.9
BWO03 - NOK 750 million Bond	86.4	90.8	87.0	91.4
BWO04 - NOK 900 million Bond	103.4	108.5	103.1	109.7
Total	1,373.7	1,420.8	1,381.4	1,435.7

The fair value of bonds has been measured in level 2 of the FV hierarchy. Other loans have been measured in level 3. The difference between carrying amount and fair value mainly relates to amortised loan costs. Other loans were extended in July 2016 based on market terms at that time, and the Group has not made observations indicating there has been any changes in the Group's credit rating subsequent to that time and hence no significant differences between fair value and carrying amount except for amortised loan costs.

Capital structure and equity

Capital structure is monitored by the Group. The primary focus of the Group's financial strategy is to ensure a healthy capital structure to support its business, fulfil all financial obligations and maximise shareholder values.

The Group also monitors and manages its capital structure in light of changes in the economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to its shareholders, return capital to shareholders or issue new shares. The Group is currently restricted from paying dividends and has restrictions on bond buy backs

until 16 March 2022, unless further equity is raised and paid. This does not influence the ability to pay dividends on preference shares.

Construction and conversion projects will normally be funded through current loan facilities and/or specific project loan facilities equalling 70-80% of the cost of the project. Project loan facilities can be established either before a contract for the conversion project is signed, during the conversion phase of a project or when the FPSO commence operation.

The Group has also since 2012 issued bonds in NOK. Going forward the Group will consider continuing issuing bonds when the market is attractive and if it provides competitive funding as an alternative to traditional bank financing.

The Company has no specific targeted equity ratio. However, the loan facilities of the Group have certain covenants related to equity and equity ratio, both closely monitored by the Company (reference to Note 21).

Note 20 Retirement benefit assets and obligations

All office employees in Norway, Norwegian seafaring personnel and parts of office employees in countries other than Norway are covered by pension plans, of which two are funded. The Group has decided to discontinue the defined benefit scheme for Norwegian onshore personnel and has replaced this with a defined contribution scheme, with effect from 1 January 2018.

The most recent actuarial valuations of the plan assets and the defined benefit obligations were carried out at 31 December 2018 by Nordic Insurance Administration.

The Group has also provided for an unfunded obligation for its national employees in Indonesia, based on an independent actuarial report. The actuarial valuations of the defined benefit obligations were carried out at 31 December 2018 by PT Miliman Indonesia.

The pension assets and obligations are presented under assets or liabilities in the statement of financial position, depending on whether the plan is over- or underfunded. Any change is charged to the statement of income. The impact of changed actuarial estimates is charged to other comprehensive income.

The principal actuarial assumptions considered when calculating the pension obligations and expenses for Norwegians were as follows:

	2018	2017
Discount rate	2.60%	2.30%
Expected return on plan assets	2.60%	2.30%
Future salary increases	2.75%	2.50%
Future pension increases	1.33%	0.40%
Increase in social security base amount related to Norwegian state pension	2.50%	2.25%
Social security tax	14.10%	14.10%

Actuarial assumptions for demographic factors such as rates for mortality and disability are based on the standard assumptions made by the Norwegian Institutes of Actuaries.

Average life expectancy for a person retiring at 67 years of age:

	2018	2017
Male	19.4	19.3
Female	22.5	22.4

The reconciliation of fair value of plan assets is as follows:

USD MILLION	2018	2017
Fair value of plan assets - beginning of year	10.0	16.4
Expected return on plan assets	0.2	0.4
Employer contributions excluding administrative expenses	0.3	0.3
Benefits paid - funded plans	(0.4)	(0.3)
Asset gain/ (loss)	(0.7)	(7.5)
Exchange differences	(0.4)	0.7
Fair value of plan assets - end of year	9.0	10.0

The amounts recognised in the statement of financial position are determined as follows:

USD MILLION	2018	2017
Present value of funded obligations	(9.1)	(9.5)
Fair value of plan assets	9.0	10.0
Present value of unfunded obligations	(4.5)	(4.2)
Net liability/asset in the statements of financial position	(4.6)	(3.7)
Of which classified as pension obligations	(4.6)	(4.2)
Of which classified as pension assets	-	0.5

The amounts recognised in the statement of income are determined as follows:

USD MILLION	2018	2017
Current service cost	1.1	1.7
Net interest	0.1	0.1
Administrative cost	0.1	0.1
Net periodic pension cost	1.3	1.9

Best estimate of net pension cost for 2019 amounts to USD 0.9 million (USD 1.0 million). Best estimate of premium payments in 2019 amounts to USD 0.4 million (USD 0.4 million).

The movement in the net liability/asset recognised in the statement of financial position is as follows:

USD MILLION	2018	2017
At 1 January	(3.7)	(1.8)
Contributions paid	0.4	0.4
Pension paid, net of plan asset	0.2	0.2
Exchange differences	0.3	(0.1)
Re-measurement gain/ (loss) in other comprehensive income	(0.5)	(0.5)
Charged to statement of income	(1.3)	(1.9)
At 31 December	(4.6)	(3.7)

The pension funds are administered according to certain guidelines set by the authorities. As of 30 September, the funds were invested as follows:

	2018	2017
Shares and equity instruments	8%	7%
Bonds - fixed yield	26%	25%
Bonds held to maturity	52%	52%
Properties and real estate	11%	11%
Money market funds	3%	4%
Other	0%	1%
Total	100%	100%

The actual return on plan assets amounted to 4.7 % at 30 September 2018.

A 1% decrease in the discount rate could imply an increase in present value of funded obligations of approximately 20-25%.

Expenses related to the defined contribution scheme in Norway amounted to USD 1.5 million in 2018 (USD 1.1 million).

The Group further pays a contribution to a central provident fund to Singaporean authorities related to employees with Singaporean citizenship. This contribution is based on the employee's monthly gross salary. In addition, there pension contribution plans in all locations where the Group has employees.

Note 21 Loan facilities

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2018	Carrying amount 2017
USD 2,400 million facility	3 month LIBOR + 2.25%	09-Mar-20	199.7	202.3
Catcher facility	3 month LIBOR + 2.25%	15-Jul-24	595.8	652.3
Petróleo Nautipa facility	3 month LIBOR + 1.70%	14-Sep-22	27.5	39.1
BWO01 - NOK 500 million Bond	3 month LIBOR + 4.50%	15-Mar-20	41.7	43.8
BWO02 - NOK 500 million Bond	3 month LIBOR + 4.15%	21-Sep-20	57.8	60.7
BWO03 - NOK 750 million Bond	3 month LIBOR + 3.50%	11-Mar-21	86.6	91.0
BWO04 - NOK 900 million Bond	3 month LIBOR + 4.25%	16-Mar-22	103.7	108.8
Total long-term debt			1,112.8	1,198.0

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2018	Carrying amount 2017
USD 2,400 million facility	3 month LIBOR + 2.25%	09-Mar-20	137.5	90.3
Catcher facility	3 month LIBOR + 2.25%	15-Jul-24	112.5	83.5
Joko Tole facility	3 month LIBOR + 2.50%	30-Jun-18	-	16.2
Umuroa facility	3 month LIBOR + 2.00%	09-Mar-18	-	22.0
Petróleo Nautipa facility	3 month LIBOR + 1.70%	14-Sep-22	11.6	11.5
BWO01 - NOK 500 million Bond	3 month LIBOR + 4.50%	15-Mar-20	(0.1)	(0.1)
BWO02 - NOK 500 million Bond	3 month LIBOR + 4.15%	21-Sep-20	(0.1)	(0.1)
BWO03 - NOK 750 million Bond	3 month LIBOR + 3.50%	11-Mar-21	(0.2)	(0.2)
BWO04 - NOK 900 million Bond	3 month LIBOR + 4.25%	16-Mar-22	(0.3)	(0.3)
Total short-term debt			260.9	222.8

Total interest-bearing debt			1,373.7	1,420.8
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The Group is in compliance with all covenants at 31 December 2018. Covenants are calculated and reported on consolidated financials.

USD 2,400 million facility

In 2011, the Group entered into a USD 2.4 billion seven-year senior secured credit facility. The maturity was extended by two years to March 2020 as part of the amendments implemented in July 2016 and the margin increased by 25 basis points to 225 basis points above USD LIBOR. The facility is split into a term loan and a revolving credit facility, initially totalling USD 1.7 billion and USD 0.7 billion. The Group had USD 273.9 million undrawn under the revolving credit facility at 31 December 2018.

The facility agreement is subject to certain covenants and these were amended with effect from July 2016 and includes a minimum book equity of at least 20% of total assets (decreased from 25%), annualised debt to EBITDA of maximum 6.0 (increased from 5.5), minimum USD 75.0 million available liquidity including undrawn amounts under the revolving part of the facility (unchanged) and interest coverage ratio of minimum 3.0 (unchanged).

Umuroa USD 130 million facility

The facility was repaid in March 2018.

BWO01 - NOK 500 million Bond

During the first quarter of 2012, BW Offshore Limited successfully completed the placement of a NOK 500 million senior unsecured bond with maturity date on 15 March 2017. The maturity is extended to 15 March 2020 with NOK 140 million partial redemption on 15 March 2017 as part of the amendment exercise. The proceeds from the Bond loan can be used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total assets (decreased from 25%) and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

BWO02 - NOK 500 million Bond

During the first quarter of 2013, BW Offshore Limited successfully completed the placement of a NOK 500 million senior unsecured bond with maturity date on 21 March 2018. The maturity is extended to 21 September 2020 with NOK 100 million partial redemption on 23 March 2020. The proceeds from the Bond loan can be used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total assets (decreased from 25%) and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

BW003 - NOK 750 million Bond

During the first quarter of 2014, BW Offshore Limited successfully completed the placement of a NOK 750 million senior unsecured bond with maturity date on 11 March 2019. The maturity is extended to 11 March 2021 with NOK 150 million partial redemption on 11 September 2020. The proceeds from the Bond loan can be used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total assets (decreased from 25%) and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

BW004 - NOK 900 million Bond

During the second quarter of 2015, BW Offshore Limited successfully completed the placement of a NOK 900 million senior unsecured bond with maturity date on 16 June 2020. The maturity is extended to 16 March 2022 with NOK 90 million partial redemption on 16 March 2021 and NOK 180 million partial redemption on 16 December 2021. The proceeds from the Bond loan can be used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total

assets (decreased from 25%) and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

Joko Tole USD 250 million facility

The facility was repaid in June 2018.

Catcher USD 800 million facility

During the third quarter of 2014, the Group entered into a USD 800 million senior secured pre-and post-delivery term loan facility being a project specific bank financing in relation to construction of an FPSO to operate on the Catcher oil field in the UK North Sea. The facility has a margin of 225 basis points above USD LIBOR, and is subject to financial covenants similar to the covenants under the USD 2,400 million-loan facility.

Petróleo Nautipa USD 80 million facility

During the first quarter of 2015, the Group entered into a USD 80 million senior secured loan facility in respect of the FPSO Petrleo Nautipa. The loan has a tenor of 7.5 years and will be used for general corporate purposes. The facility is subject to financial covenants similar to the covenants under the USD 2,400 million-loan facility.

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

2018

USD MILLION			Liabilities		Equity			Total
	Interest payable	Other liabilities	Interest-bearing short-term debt	Interest-bearing long-term debt	Share capital/premium	Other equity	Non-controlling interests	
Balance at 1 January 2018			222.8	1,198.0	1,188.0	(216.5)	287.9	2,601.3
Proceeds from loans and borrowings	-	-	-	241.0	-	-	-	241.0
Repayment of borrowings	-	-	(38.3)	(240.0)	-	-	-	(278.3)
Transferred to/from non-controlling interests	-	7.1	-	-	-	-	24.0	31.1
Interest paid	(78.3)	-	-	-	-	-	-	(78.3)
Total changes from financing cash flows	(78.3)	7.1	(38.3)	1.0	-	-	24.0	(84.5)
								-
Effects of changes in foreign exchange rate			(0.1)	(15.2)	-	-	-	(15.3)
Liability-related:								
Expensed capitalised borrowing costs			1.6	3.9	-	-	-	5.5
Non-cash movements			74.9	(74.9)	-	-	-	-
Total liability-related other changes			76.5	(71.0)	-	-	-	5.5
Total equity-related other changes			-	-	-	24.1	13.4	37.5
Balance at 31 December 2018			260.9	1,112.8	1,188.0	(192.4)	325.3	2,544.5

2017

USD MILLION	Liabilities				Equity			Total
	Interest payable	Other liabilities	Interest-bearing short-term debt	Interest-bearing long-term debt	Share capital/premium	Other equity	Non-controlling interests	
Balance at 1 January 2017			174.4	1,567.4	1,188.0	(268.1)	-	2,661.7
Proceeds from loans and borrowings	-	-	-	374.0	-	-	-	374.0
Repayment of borrowings	-	-	(25.0)	(700.9)	-	-	-	(725.9)
Transferred from non-controlling interests	-	8.4	-	-	-	-	286.5	294.9
Interest paid	(87.3)	-	-	-	-	-	-	(87.3)
Total changes from financing cash flows	(87.3)	8.4	(25.0)	(326.9)	-	-	286.5	(144.3)
								-
Effects of changes in foreign exchange rate			8.9	15.0	-	-	-	23.9
Liability-related:								
Expensed capitalised borrowing costs			0.6	6.4	-	-	-	7.0
Non-cash movements			63.9	(63.9)	-	-	-	-
Total liability-related other changes			64.5	(57.5)	-	-	-	7.0
Total equity-related other changes			-	-	-	51.6	1.4	53.0
Balance at 31 December 2017			222.8	1,198.0	1,188.0	(216.5)	287.9	2,601.3

Note 22 Investment in joint ventures

On 30 December 2016, a local Nigerian joint venture was established. The 49% interest in BW Offshore Nigeria Limited has been transferred from BW Offshore Limited to BW Offshore Singapore Pte Ltd. The remaining part of the company is owned by local partners.

The agreed selling price was equal to the book value of the company and no gains or losses were recognised as a result of the transaction.

Company	Registered office	Holding 2018	Holding 2017
BW Offshore Nigeria Limited	Nigeria	49%	49%

Voting rights equal the ownership share. The investment is insignificant.

Note 23 Earnings per share

Basic

Basic earnings per share are calculated by dividing the net result attributable to the shareholders of the parent by the weighted average number of ordinary shares in issue during the year. Reference to Note 16 for information of changes in ordinary shares from rights issue and the reverse share split.

Diluted

The Company had no instruments outstanding during the reporting period with a potentially dilutive effect.

	2018	2017
Profit/ (loss) attributable to shareholders of the parent (USD MILLION)	33.5	39.8
Weighted average number of ordinary shares in issue (in '000)	184,956	184,956
Basic and diluted earnings/ (loss) per share net	0.18	0.22

Basic and diluted earnings per share excludes treasury shares of 1,513 (15,312) held by the Company.

There are no differences between basic and diluted earnings per share.

Note 24 Related parties transactions

The largest individual shareholder, BW Group Limited owning 49.9%, is incorporated in Bermuda and is controlled by Sohmen family interests.

During 2018, BW Offshore, in partnership with the BW Group Limited (the partnership), finalised an agreement with Seaboard Production Partners, LLC (SPP) for the transfer of Intellectual Property, including but not limited to development plans, reservoir and geological analysis and economic modelling to be utilized in the development of the Dussafu field. The manager, also a shareholder of SPP is now a key employee of BW Offshore. Under the terms of the agreement, the partnership has paid an upfront payment of USD 7.5 million for the intellectual property. The agreement is built on an earn out model with a defined set of performance targets, which would entitle SPP further payments conditional upon these targets being met. Nominal payments under the agreement could amount to a further USD 67.5 million over the life of the Dussafu development.

During December 2016, BW Offshore, in partnership with the BW Group Limited entered into an agreement to acquire 66.67% of the Dussafu production sharing contract (PSC) offshore Gabon. BW Offshore formed a company known as BW Energy Holdings Pte. Ltd. ("BWEH"), for the purpose

of pursuing oil and gas interests. As per year-end 2016 the company was owned 100% by BW Offshore, after the closing of the transaction in 2017, the company is owned 66.67% by BW Offshore and 33.33% by Maple Company Limited, a wholly owned subsidiary of BW Group Limited. The transaction amount was USD 16 million. There are no outstanding receivables related to this transaction.

In 2018, BW Energy received a USD 67.0 million loan from Maple Company Limited. USD 60 million was subsequently converted into equity within BW Energy Holdings Pte. Ltd. in 2018. The Group's ownership interest in BW Energy Holdings Pte. Ltd. remains unchanged. By the end of 2018, total short-term loan provided by Maple Company Limited to BW Energy Holdings Pte. Ltd. amounted to USD 15.6 million (USD 8.6 million).

Investments in subsidiaries are disclosed in Note 4.

Investments in joint ventures are disclosed in Note 22.

Remuneration to the Board of Directors, Top Management and auditors is detailed in Note 9.

Note 25 Commitments and guarantees

Commitments related to life extension activities, conversion projects, development of oil fields and operations, contracted for at the balance sheet date, but not recognised in the financial statements are as follows:

USD MILLION	2018	2017
Nominal amount	111.8	78.3
Fair value	103.5	72.5
Interest rate	8.0 %	8.0 %

The commitment included committed contract values for the construction of the FPSO for the Catcher Oil Field in the UK North Sea, conversion of BW Adolo, development of the Dussafu field, committed contract values related to life extension activities on the fleet, as well as for ongoing operations.

The Group has entered into lease agreements (classified as operating leases) for offices in various countries (with durations varying from 1 to 10 years), cars and office equipment.

At the balance sheet date, the Group was committed to making the following payments in respect of non-cancellable operating leases:

USD MILLION	2018	2017
Not later than one year	7.3	7.8
Later than one year and not later than five years	20.7	18.6
Later than five years	2.0	3.6
Total nominal amount	30.0	30.0

The Group has issued bank guarantees in favour of various customers totalling USD 69.2 million (USD 72.2 million).

The bank debt related to the USD 2,400 million facility, as referred to in Note 21, is secured by:

- a parent company guarantee from BW Offshore Limited
- first priority mortgages over ten FPSOs
- first priority secured interest in all earnings and proceeds of insurance related to the same ten FPSOs

The bank debt related to the Catcher loan facility, as referred to in Note 21, is secured by:

- a parent company guarantee from BW Offshore Limited
- a first priority mortgage over the FPSO BW Catcher, owned by BW Catcher Limited, Bermuda
- first priority secured interest in all earnings and proceeds of insurance related to the FPSO

The bank debt related to the Petróleo Nautipa facility, as referred to in Note 21, is secured by:

- a parent company guarantee from BW Offshore Limited
- a first priority mortgage over the FPSO Petróleo Nautipa owned by Tinworth Pte Ltd
- first priority secured interest in all earnings and proceeds of insurance related to the FPSO Petróleo Nautipa

The carrying value of vessels pledged as collateral per 31 December 2018 was USD 2,469.8 million (USD 2,819.3 million). In addition, the shares in certain vessel owning companies in the Group are pledged.

Note 26 Provisions and contingent assets and liabilities

The Group has made a provision for asset retirement obligations (ARO) in 2018. The ARO is related to future demobilisation of FPSOs operating for the Group, removal and decommissioning umbilicals and other production assets, plugging and abandonment of production or exploration

wells and removal of other subsurface equipment and facilities in Gabon. The amount recognised is the present value of the estimated future expenditures determined in accordance with local conditions and requirements. Discount rate used is 6 %.

USD MILLION	Asset retirement obligations
Provision during 2018	16.0
Accretion expense	0.2
Provision at 31 December 2018	16.2

In April 2016, the Group received a tax assessment and tax collection letter issued by the Indonesian Tax Office related to a tax audit for 2013 and 2014. The tax office disagrees with the revenue recognition method used by the Group. The Group has obtained written expert advice in respect of the revenue recognition method adopted by the Group confirming that this is supported by Indonesian GAAP and International Financial Reporting Standards. A tax audit for 2015 was concluded in June 2017. Similar to the tax audit for 2013 and 2014, the tax office disagrees with the revenue recognition method used by the Group.

The Group is awaiting the official decision from the Tax Court, expected to be issued within 12 to 24 months from the last Court hearing which took place in August 2018. Total claim is USD 26.5 million, including interest USD of 7.6 million. Management assesses this claim to be unmerited and no amounts have consequently been provided for in the accounts.

FPSO Cidade de São Mateus is currently in lay-up. The FPSO is still on contract with Petrobras. The Group continues the dialogue with the client regarding a firm plan for the FPSO and the field.

As part of its ordinary business, the Group has other ongoing claims against insurance companies. The Group does not recognise these claims as receivables until receipt of such amounts are deemed virtually certain.

The Group has an ongoing tax audit in Brazil related to allocation of revenue between the local entities and the vessel owning entities outside Brazil. Based on an evaluation of the case in collaboration with legal advisors, it is not found

probable that the final tax assessment will result in additional tax expense for the Group, and no provision has been made. The total exposure is approximately USD 6.2 million.

In addition to the cases mentioned above, the Group also from time to time have tax audits and other minor disputes with clients or vendors. Provisions or claims are recognised in accordance with the accounting policies as stated in Note 2.

Note 27 Trade, other payables and other non-current liabilities

USD MILLION	2018	2017
Trade payables	33.0	44.2
Accrued vessel expenses	44.4	27.3
Accrued other expenses	109.5	87.7
Accrued conversion expenses	-	25.2
Public duties payables	11.5	12.1
Deferred revenues	123.7	91.3
Total trade and other payables	322.1	287.8

USD MILLION	2018	2017
Deferred revenues	244.2	322.6
Long-term deposit	5.7	5.7
Other long-term liabilities	0.8	9.3
Total other non-current liabilities	250.7	337.6

Deferred revenues primarily relate to the advance consideration received from customers for which revenue is recognised over time, mainly over the remaining contract period.

Note 28 Business combinations

On 10 April 2017, BW Energy Gabon Pte. Ltd ("BWEG"), a subsidiary of BW Offshore, completed the acquisition of the 100% interest in Harvest Dussafu B.V. from Harvest Energia B.V, a wholly-owned subsidiary of Harvest Natural Resources, Inc. (NYSE: HNR). Harvest Dussafu B.V. owned a 66.667% interest in the Dussafu production sharing contract (PSC) offshore Gabon. The acquisition price was USD 34.3 million in cash including preliminary adjustments. The final acquisition price ended at USD 35.7 million.

The acquisition was a first step towards transforming from lease-and-operate company, to active participation in developing discovered oil and gas fields. The strategy offers attractive risk-reward for the Group, focusing mainly on fields with low reservoir risk which are suitable for cost effective developments and redeployment of the Group's existing FPSOs.

The fair value of the net identifiable assets acquired (purchase price allocation) at the end of the period, were USD 35.4 million related to intangible E&P assets, later reclassified to tangible E&P assets as development has started.

Recognised amounts of identifiable assets:

USD MILLION

Licence	35.4
Cash and cash equivalents	0.3
Total identifiable assets	35.7

BWEG also completed the acquisition of 25% working interest in the Dussafu PSC from Pan-Petroleum Gabon B.V., a wholly-owned subsidiary of Panoro Energy ASA. The

acquisition price was USD 12 million. As this was a direct investment in the PSC, this acquisition has been concluded to be an asset acquisition.

Note 29 Reserves (unaudited)

The Group has used the services of Netherland, Sewell & Associates, Inc. (NSAI) for estimating and certifying the reserves and resources.

Evaluations have been based on standard petroleum engineering and evaluation principles. This include use of standard engineering and geoscience methods, or a combination of methods, including volumetric analysis, analogy, and reservoir modelling, considered to be appropriate and necessary to classify, categorize, and estimate volumes in accordance with the 2007 PRMS definitions and guidelines.

The reserves and contingent resources in this report have been estimated using deterministic methods.

As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, conclusions necessarily represent only informed professional judgement.

Estimated remaining gross oil reserves by NSAI for oil properties located in Tortue field, as of December 31, 2018:

As of 31.12.2018	1P Gross mmbbl	1P Net mmbbl	2P Gross mmbbl	2P Net mmbbl
Dussafu Marine Permit	25.9	19.2	35.1	24.2

Proved reserves (1P) are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be commercially recoverable; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves and 2P is proved and probable reserves.

During 2018, the Group had the following reserve development:

USD MILLION	2P reserve mmbbl
Balance as of 31 December 2017	23.5
Production 2018	(1.2)
Revision of previous estimate	12.8
Balance as of 31 December 2018	35.1

Note 30 Significant events after the balance sheet date

There are no significant events after the balance sheet date.



Parent company financial statements

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Statement of Income

USD MILLION (Year ended 31 December)	Note	2018	2017
Operating expenses			
Other expenses	3	(34.8)	(28.7)
Total operating expenses before amortisation		(34.8)	(28.7)
Operating profit/(loss)		(34.8)	(28.7)
		-	
Interest income		30.1	35.1
Interest expense		(30.8)	(30.0)
Net currency exchange gain/ (loss)		15.6	(23.5)
Fair value gain/ (loss) on financial instruments		(17.5)	30.4
Gain on sale of subsidiaries	4	-	2.2
Reversal of impairment/(impairment)	4,5	(15.1)	39.4
Other financial income		0.3	1.5
Other financial expenses		(0.5)	(0.5)
Net financial items		(18.0)	54.5
Profit / (loss) before tax		(52.8)	25.8
Income tax expense		(0.1)	(0.3)
Net profit/ (loss) for the year		(52.9)	25.5

Statement of Comprehensive Income

USD MILLION (Year ended 31 December)	Note	2018	2017
Profit / (loss) for the year		(52.9)	25.5
Other comprehensive income			
Reclassification during the year to profit/ (loss) of cash flow hedges	12	2.9	6.4
Total comprehensive income for the year		(50.0)	31.9

The notes on pages 103-110 are an integral part of these consolidated financial statements.

Statement of Financial Position

USD MILLION (As at 31 December)	Note	2018	2017
ASSETS			
Shares in subsidiaries	4	1,034.3	1,034.2
Derivatives		0.7	0.1
Total non-current assets		1,035.0	1,034.3
Trade and other receivables		0.1	0.0
Intercompany receivables	5	546.3	529.5
Derivatives		-	0.6
Cash and cash equivalents	8	12.0	28.9
Total current assets		558.4	559.0
Total assets		1,593.3	1,593.3
EQUITY			
Share capital	7	92.5	92.5
Share premium	7	1,095.5	1,095.5
Other equity		(179.5)	(129.6)
Total shareholders' equity		1,008.5	1,058.4
LIABILITIES			
Interest-bearing long-term debt	9,11	289.7	304.3
Derivatives		111.7	99.7
Total non-current liabilities		401.4	404.0
Interest-bearing short-term debt	9,11	(0.6)	(0.7)
Trade and other payables	10,11	2.4	2.1
Intercompany payables	5	180.4	128.7
Derivatives		1.3	0.8
Total current liabilities		183.5	131.0
Total shareholders' equity and liabilities		1,593.3	1,593.3

The notes on pages 103-110 are an integral part of these consolidated financial statements.

Statement of Changes in Shareholders' Equity

USD MILLION	Share capital	Share premium	Treasury shares	Cash flow hedges	Other elements	Total equity
At 1 January 2017	92.5	1,095.5	(9.1)	(11.3)	(141.3)	1,026.3
Share-based payments	-	-	0.1	-	0.1	0.2
Profit/(loss) for the period	-	-	-	-	25.5	25.5
Total comprehensive income	-	-	-	6.4	-	6.4
Other equity transactions	-	-	6.1	-	(6.1)	-
Total equity at 31 December 2017	92.5	1,095.5	(2.9)	(4.9)	(121.8)	1,058.4
At 1 January 2018	92.5	1,095.5	(2.9)	(4.9)	(121.8)	1,058.4
Share-based payments	-	-	0.1	-	-	0.1
Profit/(loss) for the period	-	-	-	-	(52.9)	(52.9)
Total comprehensive income	-	-	-	2.9	-	2.9
Other equity transactions	-	-	2.5	-	(2.5)	-
Total equity at 31 December 2018	92.5	1,095.5	(0.3)	(2.0)	(177.2)	1,008.5

The notes on pages 103-110 are an integral part of these consolidated financial statements.

Statement of Cash Flows

USD MILLION (Year ended 31 December)	2018	2017
Operating activities		
Profit/ (loss) before tax	(52.8)	25.8
Taxes paid	(0.1)	(0.3)
Impairment charges/(Reversal of impairment)	15.1	(39.4)
Gain on sale of shares	-	(2.2)
Fair value change on financial instruments	12.5	(38.9)
Changes in receivables and accounts payable	0.2	(4.1)
Add back of net interest expense	1.2	(3.4)
Other items from operating activities	(11.6)	31.2
Net cash flows used in operating activities	(35.4)	(31.3)
Investing activities		
Investments in subsidiaries	(9.0)	(3.6)
Interest received	30.1	35.1
Net proceeds from sale of subsidiaries	-	5.2
Net cash flows from investing activities	21.1	36.7
Financing activities		
Changes in intercompany receivables/debt	28.6	61.1
Repayment of long-term debt	-	(25.0)
Interest paid	(31.2)	(31.7)
Net cash flows from/ (used in) financing activities	(2.6)	4.4
Net change in cash and cash equivalents	(16.9)	9.8
Cash and cash equivalents at 1 January	28.9	19.1
Cash and cash equivalents at 31 December	12.0	28.9

The notes on pages 103-110 are an integral part of these consolidated financial statements.

Notes

Note 1 General information

BW Offshore Limited (“BW Offshore” or the “Company”) was incorporated in Bermuda in 2005 and is domiciled in Bermuda with registered address Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. BW Offshore Limited is the holding company.

The Company is listed on the Oslo Stock Exchange (OSE).

All figures are in USD million if not otherwise stated. As a result of rounding differences, numbers and or percentages may not add up to the total. Figures in brackets refer to corresponding figures for 2017.

The financial statements were approved by the Board of Directors on 18 February 2019.

Note 2 Accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union (IFRSs as adopted by the EU). The financial statements have been prepared pursuant to the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through equity or the statement of income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies.

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 “Financial Instruments: Recognition and Measurement” for annual periods beginning on or after 1 January 2018. The Company has applied IFRS 9 retrospectively

as of 1 January 2018. The Company has not adjusted the comparative information for the period beginning 1 January 2017. The effect of adopting IFRS 9 is immaterial.

Classification and measurement

IFRS 9 contains three classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each of the Company’s financial assets and financial liabilities as at 1 January 2018.

USD MILLION	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Derivatives	Held-for-trading	FVTPL	0.7	0.7
Cash and cash equivalents	Loans and receivables	Amortised cost	28.9	28.9
Total financial assets			29.6	29.6

USD MILLION	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial liabilities				
Interest-bearing debt	Other financial liabilities	Other financial liabilities	303.6	303.6
Derivatives	Other financial liabilities	Other financial liabilities	100.5	100.5
Trade and other payables	Other financial liabilities	Other financial liabilities	130.8	130.8
Total financial liabilities			534.9	534.9

Expected credit loss

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognised earlier than under IAS 39. Credit risk related to the Company’s financial assets measured at amortised cost is immaterial.

Revenue recognition

Interest income

Interest income is recognised on a time proportion basis applying the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Accounting for subsidiaries

The subsidiaries are entities (including special purpose entities) over which the Company has control. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with a company in which it has invested and has the ability to use its power to affect its returns from this company. Investments in subsidiaries are stated at cost less any impairment.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company’s financial assets are: derivatives, trade- and intercompany receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. Except for trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, (in the case of a financial asset not at fair value through profit or loss), transaction costs.

The Company classifies its financial assets in two categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company’s financial assets at amortised cost includes trade- and intercompany receivables and other short-term deposits.

Financial assets at fair value through profit or loss

Derivatives at fair value are carried in the statement of financial position at fair value with net changes in fair value through profit or loss. The category includes foreign exchange contracts and interest rate swaps.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either
 - a. the Company has transferred substantially all the risks and rewards of the asset, or
 - b. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

For intercompany receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime Estimated Credit Losses (ECLs) at each reporting date, based on its historical credit loss experience.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost except for financial liabilities at fair value through profit or loss (FVTPL). Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

Derecognition of financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and short-term deposits with an original maturity of three months or less.

Currency translation

Functional and presentation currency

The Company's presentation currency is United States Dollars ("USD"). This is also the functional currency of the Company and most of its subsidiaries.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income. Currency translation gains and losses, from items which are hedged as part of a connecting cash flow hedge, are recognised in other comprehensive income.

Provisions for other liabilities and charges

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Company expects a provision to

be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where the Company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Shares in subsidiaries and intercompany receivables are subject to impairment testing at the end of each reporting period. Valuation is subject to assessment of the recoverability in the underlying investment or receivable. Management's assessment can affect the level of impairment loss, or reversal of such, that is recognised in profit or loss.

Classification of assets and liabilities

Assets for long-term ownership or use are classified as fixed assets. Other assets are classified as current assets. Liabilities which fall due more than one year after being incurred are classified as long-term liabilities, except for following year's instalments on long-term debt. This is presented as current interest-bearing debt. Liabilities which fall due less than one year after they are incurred are classified as current liabilities.

Changes in accounting policies

Changes in accounting policies are the same as can be found in the BW Offshore Limited consolidated financial statements.

Note 3 Operating expenses

USD MILLION	2018	2017
Management fee	20.1	18.9
Lawyer's fee	2.1	0.6
Consultant's fee	2.4	1.1
Auditor's fee	0.1	0.4
Other operating expenses	10.1	7.6
Total operating expenses	34.8	28.7

Management fee is fee for management services provided to the Company by subsidiaries in the Group.

Note 4 Shares in subsidiaries

Name of companies	Country of incorporation	Ownership 2018	Ownership 2017
Belokamenka Limited	Bermuda	100%	100%
Berge Carmen Singapore Pte. Ltd.	Singapore	100%	100%
BW Ara Limited	Bermuda	0%	100%
BW Catcher Limited	Bermuda	100%	100%
BW Nisa Limited	Bermuda	100%	100%
BW Offshore Cyprus Limited	Cyprus	100%	100%
BW Offshore do Brazil Ltda.	Brazil	100%	100%
BW Offshore Opportunity I Limited	Bermuda	100%	100%
BW Offshore Peregrino Limited	Bermuda	100%	100%
BW Offshore Shipholding Ltd	Bermuda	100%	100%
BW Pioneer Limited	Bermuda	0%	100%

BW Ara Limited and BW Pioneer Limited was liquidated during 2018.

For the year ended 31 December 2018, the Company has recorded an impairment of USD 7.5 million, mainly related to investments in subsidiaries, to reflect the underlying assets and liabilities of the subsidiaries as of 31 December 2018.

Note 5 Intercompany receivables and payables

USD MILLION	2018	2017
Loan to Group companies	546.3	529.5
Intercompany receivables	546.3	529.5
Outstanding to Group companies	180.4	128.7
Intercompany payables	180.4	128.7

Intercompany loan agreements with subsidiaries are set up based on regular market rates. Outstanding balances at year-end are unsecured. For the year ended 31 December 2018, the Company has recorded an impairment of USD 9.3 million on intercompany loan (10.7 million). In addition, the Company has recorded a reversal of impairment of USD 1.6 million.

Note 6 Income tax

BW Offshore Limited is a Bermuda company. Currently, the Company is not required to pay taxes in Bermuda on ordinary income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that it will be exempt from taxation until 2036.

The income tax for 2018 concerns withholding tax which the Company is subject to in certain countries where the Company has financial income.

Note 7 Share capital

Authorised share capital:

At 1 January 2018	214,000,000 ordinary shares at par value USD 0.50 each
At 31 December 2018	214,000,000 ordinary shares at par value USD 0.50 each

USD THOUSAND

Issued and fully paid:

At 1 January 2018	92,478.2
At 31 December 2018	92,478.2

The Company held a total of 1,513 own shares at 31 December 2018 (15,312).

Note 8 Cash and cash equivalents

Cash and cash equivalents comprise the following items

USD MILLION	2018	2017
Bank deposits	12.0	28.9
Total cash and cash equivalents	12.0	28.9

Note 9 Loan facilities

USD MILLION	Effective interest rate ¹⁾	Maturity date	Carrying amount 2018	Carrying amount 2017
Long-term debt				
BWO01 - NOK 500 million Bond	3 month NIBOR + 4.50%	15-Mar-20	41.7	43.8
BWO02 - NOK 500 million Bond	3 month NIBOR + 4.15%	21-Sep-20	57.8	60.7
BWO03 - NOK 750 million Bond	3 month NIBOR + 3.5%	11-Mar-21	86.6	91.0
BWO04 - NOK 900 million Bond	3 month NIBOR + 4.25%	16-Mar-22	103.6	108.8
Total long-term debt			289.7	304.3

USD MILLION	Effective interest rate ¹⁾	Maturity date	Carrying amount 2018	Carrying amount 2017
Short-term debt				
BWO01 - NOK 500 million Bond	3 month NIBOR + 4.50%	15-Mar-20	(0.1)	(0.1)
BWO02 - NOK 500 million Bond	3 month NIBOR + 4.15%	21-Sep-20	(0.1)	(0.1)
BWO03 - NOK 750 million Bond	3 month NIBOR + 3.5%	11-Mar-21	(0.2)	(0.2)
BWO04 - NOK 900 million Bond	3 month NIBOR + 4.25%	16-Mar-22	(0.2)	(0.3)
Total short-term debt			(0.6)	(0.7)

1) Increase of margin to 450 bps in the extended period

BWO01 - NOK 500 million Bond

During the first quarter of 2012, BW Offshore Limited successfully completed the placement of a NOK 500 million senior unsecured bond with maturity date on 15 March 2017. The maturity is extended to 15 March 2020 with NOK 140 million partial redemption on 15 March 2017 as part of the amendment exercise. The proceeds from the Bond loan can be used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total assets (decreased from 25%) and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

BWO02 - NOK 500 million Bond

During the first quarter of 2013, BW Offshore Limited successfully completed the placement of a NOK 500 million senior unsecured bond with maturity date on 21 March 2018. The maturity is extended to 21 September 2020 with NOK 100 million partial redemption on 23 March 2020. The proceeds from the Bond loan can be used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total assets (decreased from 25%) and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

BWO03 - NOK 750 million Bond

During the first quarter of 2014, BW Offshore Limited successfully completed the placement of a NOK 750 million senior unsecured bond with maturity date on 11 March 2019. The maturity is extended to 11 March 2021 with NOK 150 million partial redemption on 11 September 2020. The proceeds from the Bond loan can be used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total assets (decreased from 25%) and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

BWO04 - NOK 900 million Bond

During the second quarter of 2015, BW Offshore Limited successfully completed the placement of a NOK 900 million senior unsecured bond with maturity date on 16 June 2020. The maturity is extended to 16 March 2022 with NOK 90 million partial redemption on 16 March 2021 and NOK 180 million partial redemption on 16 December 2021. The proceeds from the Bond loan can be used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total assets (decreased from 25%) and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

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

2018

USD MILLION	Liabilities				Total
	Interest payable	Intercompany payables	Interest-bearing short-term debt	Interest-bearing long-term debt	
Balance at 1 January 2018	-	-	(0.7)	304.3	333.0
Repayment of borrowings	-	-	-	-	-
Interest paid	(31.2)	-	-	-	(31.2)
Changes in intercompany receivables	-	28.6	-	-	28.6
Total changes from financing cash flows	(31.2)	28.6	-	-	(2.6)
Effects of changes in foreign exchange rate	-	-	-	(15.2)	(15.2)
Liability-related:					
Expensed capitalised borrowing costs	-	-	-	0.7	0.7
Total liability-related other changes	-	-	-	0.7	0.7
Balance at 31 December 2018	-	-	(0.6)	289.7	315.9

2017

USD MILLION	Liabilities				Total
	Interest payable	Intercompany payables	Interest-bearing short-term debt	Interest-bearing long-term debt	
Balance at 1 January 2017	-	-	15.6	288.5	304.1
Repayment of borrowings	-	-	(25.0)	-	(25.0)
Interest paid	(31.7)	-	-	-	(31.7)
Changes in intercompany receivables	-	61.1	-	-	61.1
Total changes from financing cash flows	(31.7)	61.1	(25.0)	-	4.4
Effects of changes in foreign exchange rate	-	-	8.8	15.1	23.9
Liability-related:					
Expensed capitalised borrowing costs	-	-	-	0.7	0.7
Total liability-related other changes	-	-	-	0.7	0.7
Balance at 31 December 2017	-	-	(0.7)	304.3	333.0

Note 10 Trade and other payables

USD MILLION	2018	2017
Other accruals	2.4	2.1
Total trade and other payables	2.4	2.1

Note 11 Financial assets and liabilities

As of 31 December, the Company had financial assets and liabilities in the following categories:

USD MILLION Year ended 31 December 2018	Financial assets	Financial liabilities measured at amortised cost	Fair value
Cash and cash equivalents	12.0	-	12.0
Interest-bearing debt	-	289.1	288.9
Other current liabilities	-	3.7	3.7
Total	12.0	292.8	304.6

USD MILLION Year ended 31 December 2017	Financial assets	Financial liabilities measured at amortised cost	Fair value
Cash and cash equivalents	28.9	-	28.9
Interest-bearing debt	-	303.6	305.9
Other current liabilities	-	2.9	2.9
Total	28.9	306.5	337.7

Note 12 Financial risk management

The Company's activities expose it to a variety of financial risks. Overall risk management follows and is handled by the BW Offshore Group. These processes and policies are described in more detail under Note 18 of the consolidated financial statements.

Foreign currency risk

The Company's business is not exposed to significant foreign exchange risk as its operating expenses are mainly denominated in United States Dollars, which is the functional currency of the Company. The Company enters into forward/futures contracts to reduce the exchange-rate risk in cash flows nominated in foreign currencies related to administrative expenses. The exchange-rate risk is calculated for each foreign currency and considers assets and liabilities, liabilities not recognised in the balance sheet and expected purchases and sales in the currency in question. Currency hedges and other currency effects include changes in fair value of currency hedges, effects or settlement of these hedges, and other currency effects related to operating cash flows.

The Company is exposed to foreign currency risk on bonds issued in NOK, respectively bond BWO01, BWO02, BWO03 and BWO04. The foreign currency exposure on bond BWO01, BWO02 and BWO03 are hedged through cross-currency interest swaps with a nominal value of USD 275.8 million, while BWO04 is hedged through cross-currency swaps with a nominal value of USD 117 million.

Interest rate risk

Except for the amount due to and from subsidiaries, the Company's operating cash flows are independent of changes in market interest rates.

The Company holds interest rate caps with a nominal value of USD 100 million in total with maturity in 2023. The caps are held to hedge the quarterly cash flows from floating rate interest payments on the USD 2,400 million-loan facility.

The cross-currency interest swaps held to hedge the BWO01, BWO02 and BWO03 bonds also hedge the interest rate risk on these bonds.

Credit risk

The Company's credit risk is primarily attributable to the amount due from the subsidiaries (non-trade). At the balance sheet date, this amount due from subsidiaries (non-trade) is not past due. The maximum exposure is represented by the carrying amount of this financial asset on the balance sheet.

Liquidity risk and capital risk

The funding requirements of the Company are met by the subsidiaries of the BW Offshore Group. The Company's objective when managing capital is to ensure that the Company is adequately capitalised and that funding requirements are met by the BW Offshore Group.

The Company is not subject to any externally imposed capital requirements.

Note 13 Guarantees

The Company has issued bank guarantees as security for its subsidiaries' bank debts, relating to the USD 2,400 million facility, the Catcher USD 800 million facility and the Petróleo

Nautipa USD 80 million facility, as listed in Note 25 of the consolidated financial statements of BW Offshore Group.



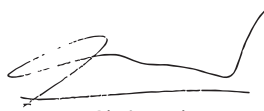
Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties facing the Company and the Group.

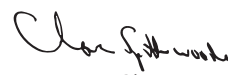
Bermuda, 18 February 2019



Mr. Andreas
Sohmen-Pao
Chairman



Mr. Christophe
Pettenati-Auzière
Vice Chairman



Ms. Clare
Spottiswoode
Director



Mr. Maarten
Scholten
Director



Mr. Thomas
Thune Andersen
Director

Alternative performance measures

The Group discloses alternative performance measures in addition to those required by IFRS, as we believe these provide useful information to management, investors and security analysts regarding our historical financial performance.

EBIT

EBIT, as defined by the Group, means earnings before interest and tax. Reference to Consolidated Statement of Income in the Financial Statements for calculation of EBIT.

EBITDA

EBITDA, as defined by the Group, means EBIT excluding depreciation and amortisation, impairment and disposal

and gain from sale of tangible fixed asset. EBITDA may differ from similarly titled measures from other companies. Reference to Consolidated Statement of Income in the Financial Statements for calculation of EBITDA.

Capital expenditures

Capital expenditures means investments in vessels, E&P assets, intangible assets and property and other equipment, including capitalised interest and asset retirement obligations. Capital expenditure may differ from investment in operating fixed assets and intangible assets presented in the Consolidated Statement of Cash Flows, as capital expenditure may also contain non-cash transactions.

USD MILLION	2018	2017
Vessels	147.0	419.0
Tangible E&P assets	175.6	27.9
Property and other equipment	4.8	3.1
Intangible assets	33.1	5.7
Total capital expenditures	360.5	455.7
Adjustment between years	12.7	(12.7)
Asset retirement obligation	(16.0)	-
Investment in operating fixed asset and intangible assets	357.2	443.0

Net interest-bearing debt

Net interest-bearing debt is defined as short-term and long-term interest-bearing debt less cash and cash equivalents.

USD MILLION	2018	2017
Cash and cash equivalents	(142.1)	(145.5)
Long-term interest-bearing debt	1,112.8	1,198.0
Short-term interest-bearing debt	260.9	222.8
Net interest-bearing debt	1,231.6	1,275.3

Order backlog

Order backlog is defined as the aggregated revenue backlog from firm contracts and probable options.

Equity ratio

Equity ratio is an indicator of the relative proportion of equity used to finance the Group's assets, defined as total equity divided by total assets.

Independent auditor's report



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To the Annual Shareholders' Meeting of BW Offshore Limited

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BW Offshore Limited, which comprise:

- The consolidated financial statements of BW Offshore Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the related consolidated statement of income, comprehensive income, changes in equity and cash flows for the period ending 31 December 2018, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.
- The financial statements of the parent company BW Offshore Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the related 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

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

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodo	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Alesund



BW Offshore Limited

Valuation of FPSO and FSO fleet

Reference is made to Note 11 FPSOs, FSOs and vessels under construction to the Consolidated Financial Statements.

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's FPSO and FSO fleet represents a significant portion of total assets. There is significant estimation uncertainty in the valuation of the fleet with regard to the identification of impairment triggers and, if applicable, impairment testing.</p> <p>The recoverability of these assets is dependent on management's estimates of the future cash flows that these assets are expected to produce. The carrying value of these assets are therefore particularly sensitive to management's assumptions made around utilization of the vessel beyond the current contract period. Key assumptions that are subject to significant judgement in the valuation models include, capex for modifications, redeployment expenses, future charter rates and discount rate.</p> <p>For those assets where management identified an impairment trigger, an impairment test was performed. Management concluded that no impairment or reversal of impairment should be recognised in 2018.</p>	<p>We assessed whether all material assets requiring impairment testing had been identified by management. For those assets where management identified an impairment (reversal) trigger, we evaluated the impairment calculations performed, including the assumptions applied.</p> <p>For those assets where management identified an impairment (reversal) trigger, we assessed the valuation method, estimates of future cash flows and challenged whether these were appropriate in light of:</p> <ul style="list-style-type: none"> • historical performance and budgets; • long term market views published by brokers, economists, consultancies and respected industry bodies; and • previous estimates. <p>We also assessed by reference to market data the inputs to and calculation of the discount rate used by management. The key inputs included the risk-free rate, market risk premium and industry financing structures (gearing and cost of debt and equity).</p> <p>We assessed the mathematical accuracy of the valuation models.</p> <p>We assessed the disclosure around impairments in Note 11 FPSOs, FSOs and vessels under construction to the Consolidated financial statements.</p>

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except 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.



BW Offshore Limited

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer ("Management") are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



BW Offshore Limited

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

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

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.

Oslo, 18 February 2019
KPMG AS

A handwritten signature in blue ink, appearing to read 'Arve Gevoll', written over the printed name.

Arve Gevoll
State Authorised Public Accountant

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New Zealand: New Plymouth
India: Mumbai
Nigeria: Lagos
Republic of Côte d'Ivoire: Abidjan
Gabon: Port Gentil, Libreville
The People's Republic of China: Shanghai
Indonesia: Jakarta
United Kingdom: Aberdeen
Cyprus: Limassol
Netherlands: Hoofddorp



SMARTER TOGETHER

We deliver efficient offshore
production by meticulously
integrating BW Offshore's
and our clients' know-how
for ever better solutions

