



BW Offshore



ANNUAL REPORT 2015

BW OFFSHORE LIMITED

BW OFFSHORE • GLOBAL FOOTPRINT



OWNED UNITS



SENDJE BERGE FPSO, SINOPEC



BERGE HELENE FPSO, PETRONAS



YUUM K'AK'NÁAB FPSO, PEMEX



BW CIDADE DE SÃO VICENTE FPSO, PETROBRAS



BELOKAMENKA FSO



BW ATHENA FPSO, ITHACA ENERGY



PEREGRINO FPSO, STATOIL



BW JOKO TOLE FPSO, KEI



BW PIONEER FPSO, PETROBRAS



ESPOIR IVOIRIEN FPSO, CNR



POLVO FPSO, PETRORIO



UMUROA FPSO, AWE



ABO FPSO, ENI



P-63 FPSO, PETROBRAS



PETRÓLEO NAUTIPA FPSO, VAALCO



AZURITE FPSO



CIDADE DE SÃO MATEUS FPSO, PETROBRAS



BW CATCHER FPSO, PREMIER OIL (Under construction)

OWNED FLEET: 14 FPSOs, 1 FSO
NEW PROJECTS: 1 FPSO
O&M CONTRACTS: 2 FPSOs

O&M CONTRACTS

OFFICES

- A BERMUDA
- B USA
- C MEXICO
- D BRAZIL
- E NORWAY
- F U.K.
- G NETHERLANDS
- H CYPRUS
- I MAURITANIA
- J NIGERIA
- K IVORY COAST
- L GABON
- M INDIA
- N CHINA
- O SINGAPORE
- P INDONESIA
- Q NEW ZEALAND

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2,600
EMPLOYEES

FOR MORE INFORMATION, PLEASE VISIT
www.bwoffshore.com

2015 IN BRIEF

KEY EVENTS

- Sale of VLLC BW Opal in Q1 2015
- Accident on FPSO Cidade de São Mateus in Q1 2015
- USD 80 million bank loan for Petróleo Nautipa completed in Q1 2015
- Placement of a NOK 900 million senior unsecured bond in Q2 2015
- Impairment of Goodwill with USD 186.9 million in Q4 2015
- Signed contract extension for FPSO Polvo in Q4 2015
- Redelivery of FSO Belokamenka in Q4 2015
- Signed contract extension for FPSO Umuroa in Q1 2016
- Demobilisation of BW Athena in Q1 2016

KEY FIGURES

| | | |
|---|-------------|---------|
| Production uptime | | 99.0% |
| Operating revenues | USD million | 1,108.0 |
| EBITDA | USD million | 537.8 |
| Operating profit (EBIT) | USD million | (119.7) |
| Net profit | USD million | (216.3) |
| Total assets | USD million | 3,439.7 |
| Total equity | USD million | 944.4 |
| Equity ratio | | 27.5% |
| Market cap | USD million | 201 |
| Enterprise value | USD million | 1,800 |
| Daily export | boe per day | 600,000 |
| Total number of crude cargo offloadings | | 372 |

COMPETENCE

REFERENCES

- BW Offshore has over the years produced class leading HSE and production records, with an LTI of 1.80 and an uptime of 99.0%, excluding Cidade de São Mateus, in 2015.
- FPSO Yuum K'ak'Náab, the world's largest converted FPSO with a throughput capacity of 600,000 bbl per day.
- FPSO BW Pioneer, the first FPSO in the US Gulf of Mexico, the deepest moored FPSO to date, operating at 2,500 meters water depth.
- FPSO BW Cidade de São Vicente, the first FPSO on the Lula (ex Tupi) field.

WE DEPENDABLY DESIGN, BUILD, INSTALL, LEASE AND OPERATE

- BW Offshore offers engineering, procurement, construction and installation services (EPCI), lease and operation services of FPSO units.
- BW Offshore's track record includes 28 FPSO projects and 10 FSO projects.
- BW Offshore meets its clients' needs through versatile solutions, with execution and operational excellence for offshore oil and gas projects.

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 company currently operates FPSO and FSO units in 10 countries, supported by local onshore teams and an organisation with a global presence.

EBITDA
538
USD MILLION



CEO'S REPORT



BW OFFSHORE, THE SPECIALIST FPSO BUILDING, LEASING AND OPERATING COMPANY



'THE COMPANY'S FOCUS FOR 2015 HAS BEEN ON CONTINUED OPERATIONAL PERFORMANCE AND COST EFFICIENCY.'

2015 saw a change in OPEC's strategy from defending market price to defending market share. The repercussions of this change are being felt by industry everywhere. In addition to the impact of such global shifts, BW Offshore was significantly affected by the accident on 11th February 2015 on the FPSO Cidade de São Mateus, where nine of our crew were killed in a gas explosion. Without exaggeration 2015 will be seen as a year where the company was tested to the limit of its capabilities, and came through the challenge with determination, resilience and a resolve to get on with the business. 2016 will bring new challenges and what we know for sure is that it will require us as a company to stay agile and adaptable, changing and improving even faster to

stay fit and relevant through the choppy waters ahead.

One year after the accident the FPSO Cidade de São Mateus has just started its journey to Singapore. Investigation reports from the Brazilian Navy, the Brazilian Federal Police and ANP (National Agency of Petroleum, Natural Gas and Biofuels) are currently being reviewed. The Brazilian Federal Police has recommended charging four offshore officers for serious recklessness in the performance of their duties. The nine lives lost are a constant reminder of the risks associated with our business. The incident serves as a warning to always be vigilant to safety in everything we do. The tough and difficult lessons learned have been implemented

with humility and a commitment to prevent such accidents in the future, and our way of working and systems have been strengthened. More importantly, we have come closer together as one team, firm in the belief that safety is an obligation we each carry as individuals, and that ensuring it for ourselves and those around us is a right as well as a responsibility.

2015 has seen a very different activity level in the offshore oil and gas business with limited focus on new developments. Fundamentally we still believe that there will be a continued drive for specialisation in the upstream oil and gas business. We are confident that, as and when development activities restart, BW Offshore

will continue to be extremely valuable as a partner to oil and gas companies, given our unique service offering of cost effective assets and operations for offshore oil and gas production. The difficulty today is to accurately predict when demand will catch up with supply and trigger new developments and where. BW Offshore has concluded that the current business dynamic will continue for some time and are consequently in the process of adjusting the organisation for a prolonged downturn. At the same time, with our operating fleet and one project in execution, we maintain a high activity level.

The Catcher project is now approaching its first major milestone, the delivery and installation of the turret

'THE OPERATING FLEET WILL CONTINUE TO GENERATE A STEADY CONTRIBUTION IN THE YEARS AHEAD AND PROVIDE A SOLID FOUNDATION FOR THE BUSINESS'



MANAGEMENT



Carl K. Arnet
CEO



Knut R. Sæthre
CFO



Rune Bjorbekk
CCO



Marco Beenen
COO



Magda Karim Vakil
Head of Legal



Rebekah France
Head of Human Capital



Kei Ikeda
Head of Project



Hans Kristian Langsrud
Head of Engineering

mooring system this summer. The main challenge for the project is the delivery of the new-built hull from IHI-yard in Japan, which has seen delays due to the lack of yard capacity in engineering and construction. The challenge has been addressed and mitigation plans have been implemented, with visible results. The topside fabrication in Singapore is on track and represents a significant portion of the workload for our project execution team. Overall the project is on schedule for first oil in 2017 and is tracking well within the budget.

BW Offshore has been undertaking significant life extension work on several vessels in the fleet. While the reduced price for crude has changed the value of tail end production, we believe there is a need for efficient, lower priced production in the future upstream development mix and that the existing fleet possesses considerable business potential. The operating fleet will continue to generate a steady contribution in the years ahead and provide a solid foundation for the business. Contracted revenue visibility is currently at an average of eight years – including options.

The talent at BW Offshore is highly valued – with nearly 2,600 colleagues representing our biggest competitive advantage. I want to commend each and every individual in every office and on every unit for their hard work and resilience in what has been a most challenging year. My sincere thanks to all of you for the strong work ethic, commitment and dedication demonstrated by you at work each day.

My appreciation also goes to the Chairman and the Board of Directors for another year of strong support, valued counsel and sound steer.

Carl K. Arnet
CEO

WE BUILD



STRONG CREDENTIALS

Over the past three decades, BW Offshore has completed 38 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.

FIT FOR PURPOSE CONCEPT

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 collab-

oration between the client team and BW Offshore concept and technology experts to explore and evaluate options. BW Offshore has a core team of engineers heavily involved in this phase.

A highly experienced and well accomplished team allows for unique, innovative and fit for purpose solutions to be considered. This is balanced by extensive real life FPSO experience ensuring that the FPSO design concept is pragmatic and workable.

Hull selection and the new-build/conversion decision is one of the first which influences the design. Making the right choice requires a good understanding of the risks and rewards of each alternative. Weighing the benefits of a proven hull, the costs of refurbishment and the schedule implications against a new-built hull is a complex optimisation exercise that company engineers

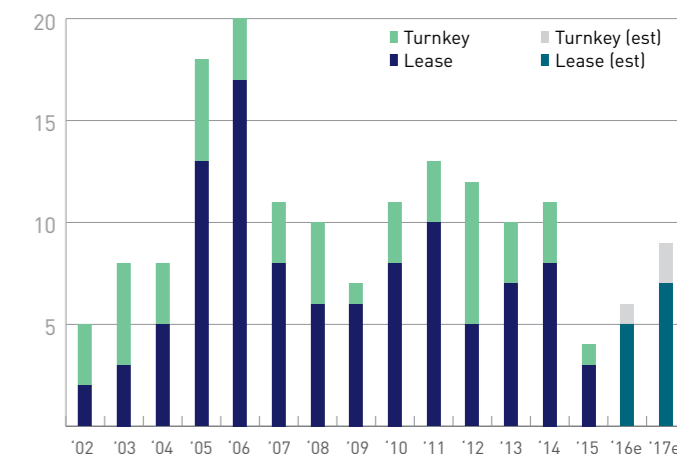
are expert at performing and providing to clients.

There are also numerous other factors to be considered in the quest for an optimal solution. The weather conditions in the field need to be carefully considered as do the field, oil quality, gas solutions, water, environmental concerns and of course, 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.

PRAGMATIC AND INNOVATIVE DESIGN

When it comes to engineering design, three factors make BW Offshore hard to match - the in-house competence with a focused core team of engineering experts,

GLOBAL FPSO AWARDS



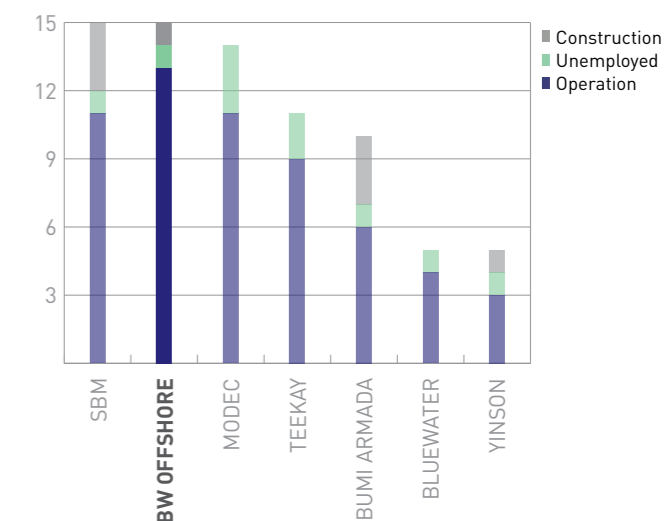
Source: Fearnley Offshore

38
FPSO/FSO PROJECTS COMPLETED

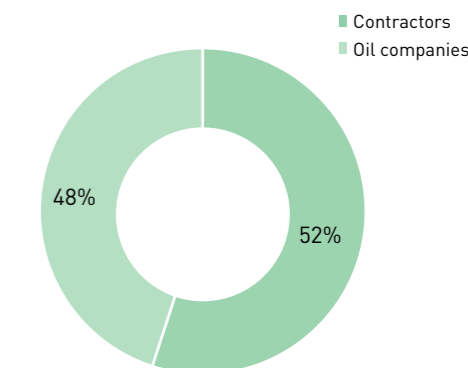
technical documentation and standards built from years of FPSO engineering experience and decades of operating experience working with FPSOs long after they have been designed and built. The team at BW Offshore has established optimised design criteria taking into account details such as prevailing laws and regulations, client requirements and past experience. BW Offshore now has experience in a wide range and number of challenging assignments, having built and now operating the world's largest and the world's smallest FPSOs as well as the world's deepest moored FPSO. The company operates a fleet of 16 FPSOs and 1 FSO in West Africa, Brazil, Gulf of Mexico, the US Gulf, The North Sea, Indonesia and New Zealand. Each day brings new opportunities for learning and improving on technical maintenance and uptime management. The long term commitment also ensures that the focus



FPSO CONTRACTORS Fleet



FPSO OWNERSHIP



Source: EMA/IMA, Fearnley Offshore

is less on meeting short term cost objectives in the project phase and more on the cost of the asset over its entire lifecycle. A solid base of engineering standard documentation ensures a consistent and optimised approach to engineering while ensuring that new lessons learned from operations are constantly incorporated.

The trend now is for clients to commission the BW Offshore engineering team to participate in paid Front End Engineering Design (FEED) studies either exclusively or in competitive tenders. Given the multi-million dollar investments required in FPSO conversion and new building, this is a logical development. The team is also approached from time to time to support and complement a client team in the role of Owner's Engineer - helping oversee engineering sub-contractors

on behalf of the client.

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. BW Offshore has a strong in-house project execution resource pool comprising project engineers, construction superintendents and managers, safety

and quality personnel, supply chain competence, project planners, estimators and cost controllers, mechanical completion, commissioning and start-up experts.

A team of discipline engineers and engineering managers with topside, hull and overall responsibility ensure that a strong link is maintained with the engineering team during project execution. This is essential to ensure that the design concept and the engineering deliveries are translated effectively to a working, well-constructed FPSO. Frontloading of engineering and procurement activities is essential in project execution to ensure sufficient time for construction teams to execute plans and build the facility. This in turn allows for a thorough and timely commissioning process where individuals who combine the best of project and oper-

ations experience test the unit adequately to ensure a smooth start-up and high regularity from the get go.

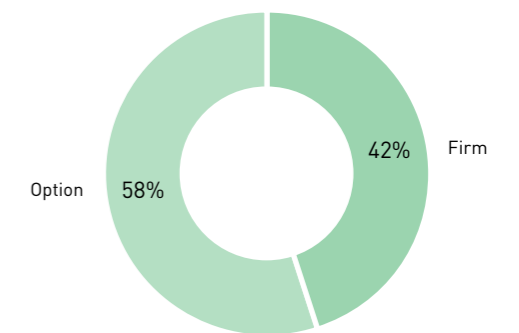
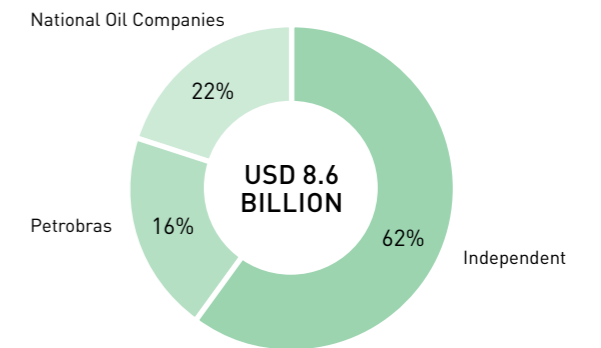
Project teams are put together in a bespoke manner - handpicking individuals with specialist knowledge and experience for each assignment and partnering with appropriate subcontractors. This allows BW Offshore to combine competence with scalability. Pulling such multi-national, multi-skilled and multi-locational teams together in a coordinated manner requires a high level of planning and organisation as well as a strong corporate culture built on teamwork, communication and solution orientation.

WE LEASE



FUNDING FOR THE RIGHT PROJECT AND THE RIGHT CLIENT

BW OFFSHORE'S REVENUE BACKLOG



USD 3.4 BILLION TOTAL ASSETS

Leasing the production asset and leaning on BW Offshore to finance and dispose of production assets, has allowed clients to focus on their core competence areas of developing and managing reservoirs. The lease approach also reduces the investment and the financial exposure for clients related to major production assets. BW Offshore today owns 14 FPSOs, one FSO and has one FPSO under construction.

The fleet represents a large investment in advanced offshore production facilities. BW Offshore has an excellent track record for redeployment and contract extensions, and is well placed to realise untapped commercial potential in the existing fleet.

FUNDING BASED ON CONTRACTS WITH CLIENTS

BW Offshore has a strong relationship with a number of banks and close contact with the equity market through the Oslo Stock Exchange listing. This enables the structuring of financial packages and to offer lease charters upon firm 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. BW Offshore has been in a position to handle certain residual value of operating units effectively thanks to its global footprint and extensive market access. BW Offshore believe that for the right project with the right client, funding can be accessed so that lease charters can be offered also in the future.

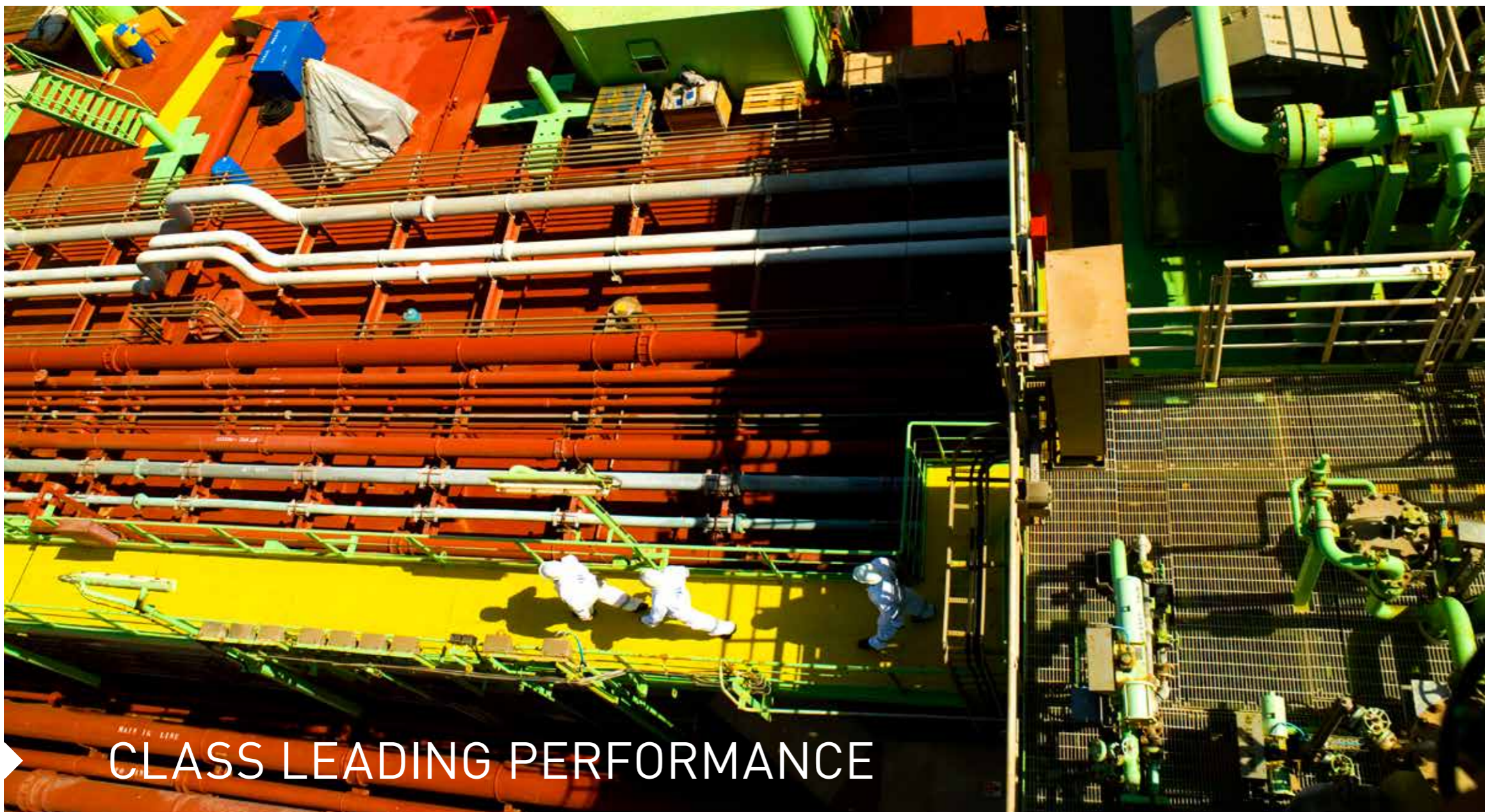
EASY AND COORDINATED MANAGEMENT

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 necessary funding. 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.

LIFETIME MAINTENANCE AND SUPPORT

BW Offshore takes full responsibility to operate and maintain as well as upgrade or change 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, ensuring appropriate competencies, as well as know-how of production equipment.

WE OPERATE



CLASS LEADING PERFORMANCE

Safe operations, class leading production and high up-time are the hallmark of the BW Offshore delivery to clients. We have a relentless focus on Health, Safety, Security and Environmental (HSSE) standards combined with a commitment to asset integrity management. BW Offshore is a significant offshore employer in all the countries where it operates, providing local opportunities as well as access to an international market for 1,650 production operators and mariners.

WIDE EXPERIENCE AND RESULTS

With an average up-time of 99% over the past five years, BW Offshore has consistently exceeded client expectations and been a top tier performer for FPSO operations

globally. 16 FPSOs and 1 FSO make up the company's fleet today, and 600,000 barrels of oil equivalent in daily volume is handled in areas as diverse as North Sea, West Africa, the South Atlantic off Brazil, the Gulf of Mexico, and South East and Far East Asia. The profile ranges from FSOs serving as oil storage and export terminals to highly sophisticated dis-connectable FPSOs and test production units that are frequently relocated at the client's request. The high quality and consistent signature performance generates significant cash flow for clients.

COMPETENT AND MOTIVATED WORKFORCE

BW Offshore's operational performance is delivered

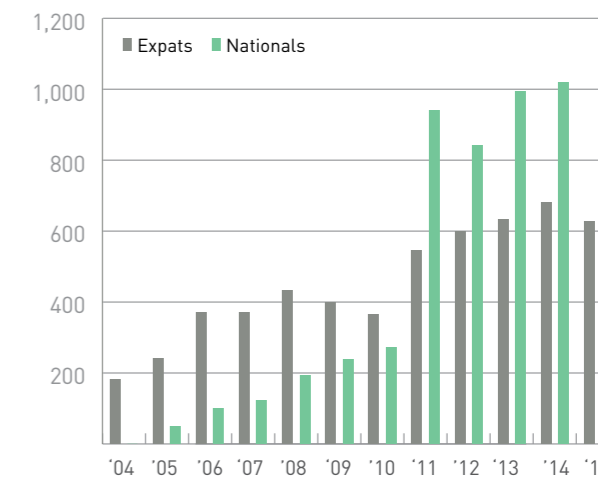
by highly qualified, competent and dedicated technical support and logistics service staff. A strong network of onshore in country offices ensures operational support that links the units to hubs in Brazil, Oslo and Singapore. Global recruitment centres and manning supply partners attract and select best in class candidates for fleet positions offshore from New Zealand, the Philippines, India, Africa, Brazil, Norway, the UK, Russia and Latvia. 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 company operates with a heavy investment in training and development of native personnel. In a highly competitive and tight

talent market, BW Offshore's work ethic and culture, high level of experience and competence, global work opportunities and challenging class leading assignments make it an attractive employer.

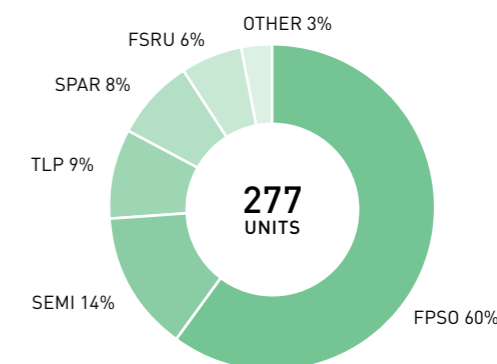
OPERATIONS AND MAINTENANCE EXPERTISE

BW Offshore is being increasingly approached to provide Operations & Maintenance (O&M) services to FPSOs built, owned or leased by clients. With its vast and proven experience in this arena, BW Offshore makes a smart partnering choice for clients wanting to share risk and outsource the technical competence to run and operate these complex units. With an existing operational network to leverage, the company offers synergies

BW OFFSHORE'S OFFSHORE PERSONELL
Expats and Nationals 2004-2015



GLOBAL FLOATING PRODUCTION UNITS



Source: IMA/EMA



'WITH AN EXISTING OPERATIONAL NETWORK TO LEVERAGE, THE COMPANY OFFERS SYNERGIES THAT ARE DIFFICULT FOR A CLIENT TO ACHIEVE ON A STAND-ALONE BASIS.'

OPERATES
16
FPSOs

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 OPPORTUNITIES

Modifications of existing FPSOs approaching the end of their planned life can give them a new lease of commercially lucrative life. Increasingly clients see the benefit of investing in repairs, upgrades and modifications to continue operating in existing fields. 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 ship-yard. BW Offshore is today looking at life extension scenarios of up to 20-25 years in addition to the initial 10-year term. Maintaining asset integrity in situ in such scenarios represents some of the most advanced technical execution challenges in the business.

OUR FLEET AND CONTRACTS

| 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: 2005-2018 (2020) | | | | | | | | | | | | | |
| BERGE HELENE | FPSO | LEASE & OPERATE | PETRONAS, MAURITANIA: 2006-2017 (2021) | | | | | | | | | | | | | |
| YÛUM 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: 2012-2017 (2020) | | | | | | | | | | | | | |
| BW ATHENA | FPSO | LEASE & OPERATE | ITHACA, UK: 2012-2016* | | | | | | | | | | | | | |
| BW JOKO TOLE | FPSO | LEASE & OPERATE | KANGEAN, INDONESIA: 2012-2022 (2026) | | | | | | | | | | | | | |
| UMUROA | FPSO | LEASE & OPERATE | AWE, NEW ZEALAND: 2007-2017 (2022) | | | | | | | | | | | | | |
| POLVO | FPSO | LEASE & OPERATE | PETRORIO (HRT), BRAZIL: 2007-2018 (2022) | | | | | | | | | | | | | |
| ABO | FPSO | LEASE & OPERATE | AGIP/ENI, NIGERIA: 2003-2016 (2023) | | | | | | | | | | | | | |
| ESPOIR IVOIRIEN | FPSO | LEASE & OPERATE | CNR, IVORY COAST: 2002-2017 (2036) | | | | | | | | | | | | | |
| PETRÓLEO NAUTIPA | FPSO | LEASE & OPERATE | VAALCO, GABON: 2002-2020 (2022) | | | | | | | | | | | | | |
| CIDADE DE SÃO MATEUS | FPSO | LEASE & OPERATE | PETROBRAS, BRAZIL: 2009-2018 (2024) | | | | | | | | | | | | | |
| CATCHER | FPSO | LEASE & OPERATE | PREMIER, UK 2017-2024 (2042) | | | | | | | | | | | | | |
| AZURITE | FPSO | TENDERING | MURPHY, CONGO | | | | | | | | | | | | | |
| BELOKAMENKA | FSO | TENDERING | ROSNEFT, RUSSIA | | | | | | | | | | | | | |
| P-63 (PAPA TERRA) | FPSO | OPERATE | PETROBRAS, BRAZIL: 2013-2016 | | | | | | | | | | | | | |
| PEREGRINO | FPSO | OPERATE | STATOIL, BRAZIL: 2013-2018 (2033) | | | | | | | | | | | | | |

*Unit demobilised in February 2016
 ■ OPERATION (OWNED) - FIXED PERIOD ■ OPERATION (NOT OWNED) - FIXED PERIOD ■ CONSTRUCTION / EPC
 ■ OPERATION (OWNED) - OPTION PERIOD ■ OPERATION (NOT OWNED) - OPTION PERIOD

HSSEQ



STRONG COMMITMENT

BW Offshore has, over time, demonstrated a long term and sustained commitment to safety, occupational health, quality management and environmentally responsible performance. BW Offshore has implemented effective management systems and routines with a focus on continuous improvement in all its endeavours.

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 environmental excellence and its health and safety systems. The company also holds a

Document of Compliance to the International Safety Management Code.

BW Offshore prioritises HSE matters in all its operations and believes that all incidents resulting in harm to people, the environment and to property can be prevented. The company's goal is to be 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 continually monitors trends and takes prompt action to prevent or

reverse any unwanted developments.

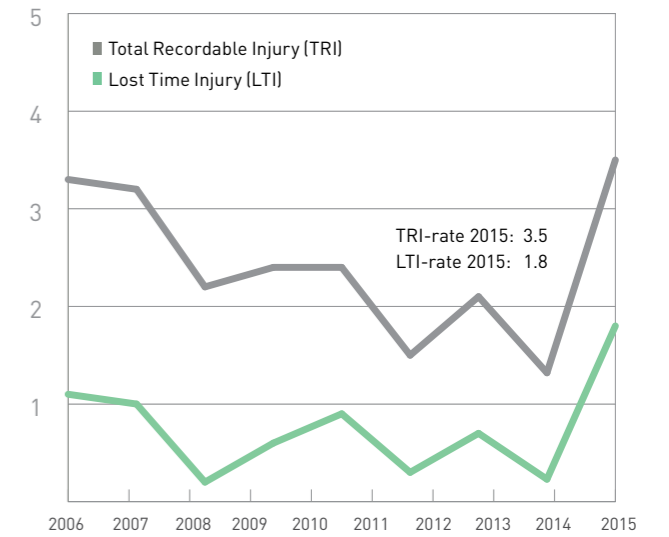
The graph 'BW Offshore HSE statistics' shows the rolling 12-month average per million exposure hours for all persons directly involved in the company's activities for key elements it measured in 2015. The statistics include contractors working on BW Offshore units.

BW OFFSHORE FOLLOWS THE OIL COMPANIES

International Marine Forum (OCIMF) guidelines for reporting marine incidents:

Lost Time Injury (LTI): an injury in the workplace which

BW OFFSHORE HSE STATISTICS
Per million hours



LTI
1.8
PER MILLION HOURS

means the injured person is unable to resume their normal duties on the next or subsequent shifts.

Total Recordable Injuries (TRI): the sum of lost time injuries, restricted work cases and medical treatment cases.

As a proactive measure, BW Offshore monitors the trend on **High Risk Incidents (HRI)** which are subjected to a formal incident investigation process.

High Risk Incidents (HRI): an incident that could result in a major accident (dropped objects, property damage, fire, etc.)

80 YEARS OF MARITIME ENERGY HISTORY



38 FPSO/FSO PROJECTS DELIVERED



BERGE TROLL (1989)
- BW Offshore's first FPSO, a LPG FPSO operating for Chevron in Angola.



YÛUM K'AK'NÁAB (2007)
- the world's largest converted FPSO with a throughput capacity of 600,000 bbl per day, operating for Pemex in Mexico.



BW CIDADE DE SÃO VICENTE (2009)
- early test production.



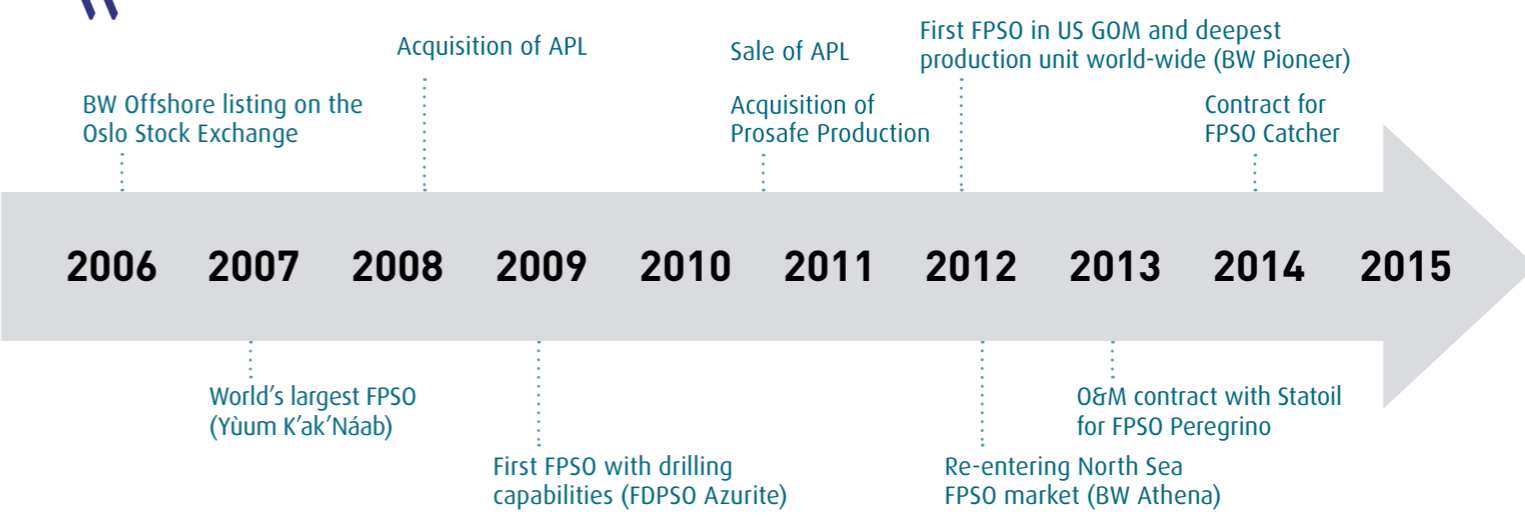
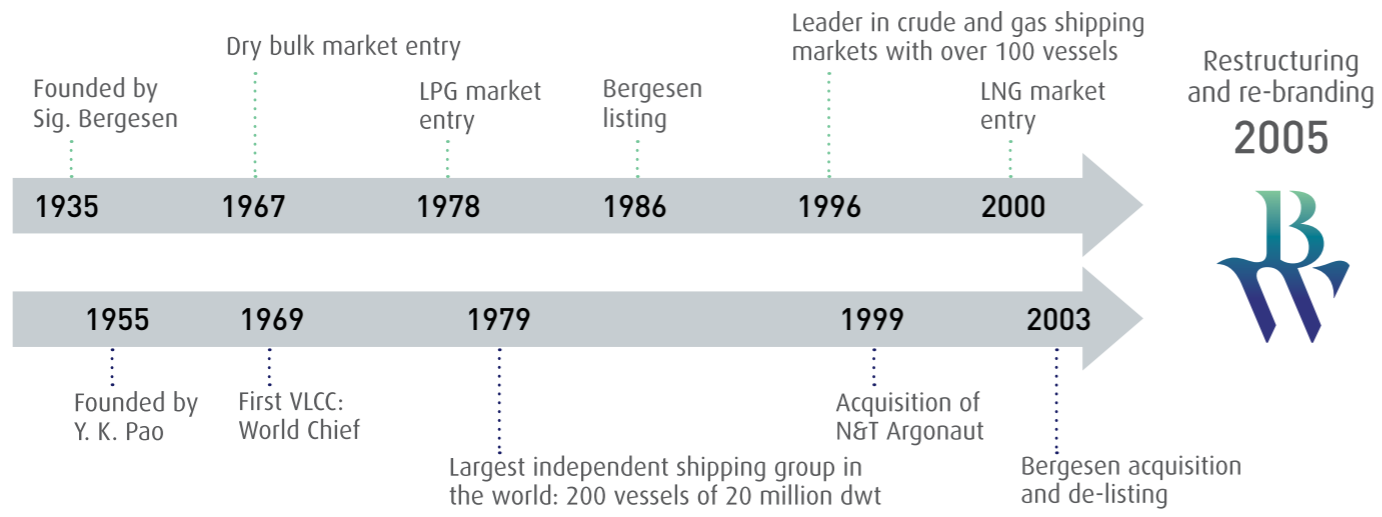
BW PIONEER (2012)
- the world's deepest producing FPSO, operating at 2,500 meters in the US GOM for Petrobras.



BW JOKO TOLE (2012)
- gas compression capacity of 340 mmscfd, operating for KEI in Indonesia.

BERGESEN

WORLD-WIDE



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 best 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 of the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 (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.

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.

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 Company's objectives and main strategies are described in the annual report.

3. Equity and Dividends

The Board continuously evaluates the Company's capital requirements to ensure that the Company's equity capital 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 issue shares without 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.

Directors and officers of the Company and other leading personnel shall notify the Board if they directly or indirectly have a significant interest in a transaction carried out by the Company.

5. Freely negotiable shares

The Company's constituting documents do not im-

pose any transfer restrictions on the Company's shares 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 Verdipapir-sentralen (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 as possible may exercise their voting rights 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 and comprehensive 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; and
- the Board and the person who chairs the general meeting shall ensure that the shareholders have the opportunity to vote separately on each 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.

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. At least one member of the Nomination Committee shall not 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.

Any member of the Board of Directors who is also a member of the Nomination Committee may offer himself/herself 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 and the general meeting may authorise the Board of Directors to fill any vacancy in the number of directors left unfilled. 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 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.

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 corporate values, ethical guidelines and guidelines for corporate social responsibility.

BW Offshore has established a Code of Conduct for the Company and its employees.

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 re-

DIRECTORS' REPORT

BW Offshore ('BW Offshore' or 'Group') is one of the world's leading owners and operators of offshore floating production and storage facilities.

viewed 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. The Company is not required by law to prepare guidelines for remuneration of the executive personnel. 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. Information to the Company's shareholders shall be published on the Company's website at the same time that it is sent to the shareholders.

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 auditor shall annually present 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 auditor participates 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 auditor shall at least once a year present to the Board or the Audit Committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.

The Board shall hold a meeting with the auditor at least once a year at which no representative of the executive management is present.

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. The Board shall give an account to the general meeting of the auditor's fee, including details of the fee paid for audit work and any fees paid for other specific assignments.

BW Offshore ('BW Offshore' or 'Group') is one of the leading owners and operators of offshore floating production and storage facilities.

The market sentiment for the offshore industry continued in a downward spiral during 2015 and into 2016. In January 2016, the oil price reached a twelve-year low. Oil companies have moved from announcing significant reduction in new investments to also putting strong pressure on contractors to reduce costs on existing contracts. At the same time, the whole offshore industry is downsizing to adapt to the new activity level commensurate with the current oil price. BW Offshore is not unaffected by this, and has implemented an extensive cost reduction programme.

Despite an increasing focus on reducing costs, health, safety, security and the environment continue to be key to BW Offshore and our clients. BW Offshore has performed to the highest industry standards for 25 years with respect to safety. However, in 2015 an accident on-board FPSO Cidade de São Mateus caused nine fatalities. It will forever serve as a reminder that the company must continue to be highly vigilant about safety.

The recovery project for the FPSO Cidade de São Mateus has been ongoing since the accident in February 2015, and the unit is currently under tow to a yard in Singapore.

Construction of the FPSO BW Catcher for the Catcher oil field in the UK, operated by Premier Oil, is within budget with expected first oil in second half of 2017. The project has made good progress through 2015 on procurement and construction activities for the topside, turret mooring system and hull. The delay in hull construction in Japan has been mitigated with appropriate actions.

In late 2015 and early 2016, the contracts for the lease on FSO Belokamenka and FPSO Athena respectively were terminated and the units delivered back to BW Offshore. Through 2015 and early 2016, extensions on existing units were exercised for FPSO Abo, FPSO Polvo and FPSO Umuroa. These contract extensions are evidence that FPSOs have a commercial life beyond the fixed contract even at low oil prices.

ABOUT BW OFFSHORE

BW Offshore's primary activity areas are lease and operation services of FPSO units as well as engineering, procurement, construction and installation services (EPCI).

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. The Group has nearly 2,600

(end 2015) employees and offices in seventeen countries around the world, providing services to our operations.

At the end of 2015, the Group had units operating offshore Brazil, Gabon, Indonesia, Ivory Coast, Mauritania, Mexico, New Zealand, Nigeria, UK and USA.

BW Offshore Limited is a Bermuda incorporated company, listed on the Oslo Stock Exchange with the ticker 'BWO'.

HEALTH, SAFETY, SECURITY, ENVIRONMENT, QUALITY Health, safety, security, environment and quality ('HSSEQ') have the highest priority in all parts of the Group. BW Offshore's management has established policies for safety, security, occupational health and environmental management. Measurable targets are defined for each onshore and offshore unit to ensure compliance with the adopted policies and to maintain a continuous improvement cycle. Personnel training and familiarisation with the said policies is recognised as being fundamental to achieving HSSEQ culture of the highest standard and to minimise risks.

On 11 February 2015, an explosion occurred on board the FPSO Cidade de São Mateus, which resulted in nine fatalities and 26 injuries. A joint investigation team consisting of Petrobras and BW Offshore offshore personnel with support from DNV and Gexcon was established in the aftermath of the accident. As the investigation progressed, BW Offshore issued a set of twelve actions to all operational units. The first Incident Investigation report was issued by the Petrobras and BW Offshore joint investigation teams in April 2015. This resulted in a set of additional 34 actions that have been implemented on operational units and for the Catcher project. Extensive efforts have been made to share lessons learned from the joint investigation report with internal and external stakeholders including but not limited to BW Offshore employees, existing clients, oil companies, regulatory authorities and other FPSO contractors.

BW Offshore's management systems address HSSEQ in detail, are compliant with, and certified pursuant to the International Safety Management (ISM) code for the safe operation of ships and for pollution prevention. BW Offshore's FPSOs are certified in accordance with the requirements of the International Ship and Port Facility Security (ISPS) code. In addition, BW Offshore is certified to the following international HSSEQ standards:

- ISO 9001 - Quality Management
- ISO 14001 - Environmental Management
- OHSAS 18001 - Occupational Health and Safety Management

- ISM Code – Safety Management and Pollution prevention

Total LTI-rate (Lost Time Injuries) and total TRI-rate (Total Recordable Incidents) for BW Offshore in 2015 were 1.8 and 3.5, respectively. The comparable rates for 2014 were 0.6 and 2.8. The activities of the Group are subject to environmental regulations pursuant to a variety of international conventions and national, state and municipal laws and regulations, which the Group is committed to uphold, and where appropriate, exceed.

BW Offshore had no significant harmful environmental spills during 2015.

ORGANISATION

BW Offshore ended 2015 with 2,612 employees including contract staff, compared to 2,472 in 2014.

In 2015, activity levels have dropped significantly compared to previous years. As a result, the Group had to start planning a restructure and right-sizing. The changes were initiated in February 2016 and are expected to be concluded by the second quarter in 2016 for onshore personnel. The changes will affect approximately 35% of permanent onshore employees globally.

The working environment and culture in BW Offshore is considered positive and strong, and the Group is continuously focusing on initiatives for improvement. During 2015, focus has been on talent mapping, performance management and succession planning, ensuring that all employees, both onshore and offshore, are familiar with, understand and adhere to the I LEAD (Integrity, Leverage the team, Excellence, Accountability, Disciplined Delivery) principles of the Group. Culture surveys are performed regularly to assess the strength of the working culture and show a steady improvement on an already high base. In 2015, absence due to sickness amounted to 1.8% of total hours worked by the employees. This compares to 1.7% in 2014.

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.

OPERATIONS

At the end of 2015, BW Offshore operated 17 units. The owned fleet comprises 14 FPSOs, and one FSO.

The FPSO Yuum K'ak' Náb is in operation at the KMZ fields offshore Mexico for Pemex and commenced operation in 2007. The duration of the contract is fifteen years fixed with an option to extend for an additional three years.

The FPSO Sendje Berge is in operation at the Okwori field offshore Nigeria for Addax Petroleum Exploration Ltd and Sinopec. The unit started operation in Equatorial Guinea in 2000 and was modified, upgraded and relocated to Nigeria in 2005. The contract has been extended several times since 2010, latest in first quarter of 2014 when an interim agreement for a six-year extension was signed. The firm period has been extended to first quarter 2018 with options until first quarter 2020.

The FPSO Berge Helene is in operation at the Chinguetti field offshore Mauritania for Petronas. The duration of the contract is nine years fixed plus options for up to six years. The vessel started operation in 2006. After being extended once, the contract was again extended with two years in October 2014. The firm period of the contract is to second quarter of 2017.

The FPSO BW Cidade de São Vicente is in operation at the Lula field (former Tupi field) offshore Brazil for Petrobras. The vessel commenced operations in 2009 on a ten-year firm lease contract. The client has options for up to five years.

The contract for the FSO Belokamenka was terminated during fourth quarter of 2015 and the unit was redelivered to BW Offshore. The FSO has been operating as an oil terminal in the Kola Bay, Russia for Rosneft since 2004. Subsequent to the contract termination, the unit has been transferred to Indonesia, where it is held in lay-up.

The recovery project for the FPSO Cidade de São Mateus has been ongoing since the accident that happened in February 2015. As per the time of the report, the unit is under tow to Singapore. The FPSO is currently under a nine-year firm contract with Petrobras on the Camarupim field off the coast of Espírito Santo, Brazil. This contract commenced in 2009. Petrobras has the option to extend the contract by up to six years. BW Offshore has not received charter rate since the unit was shut down due to the accident. The unit is insured for loss of hire that covers loss of day rates from 12 May 2015 for a period of twelve months. Due to insurance taken out on a fleet wide basis, the direct costs related to recovery and repair will to a large extent be covered.

The FDPSP Azurite was the world's first FPSO with drilling capabilities. The unit has been operating on Murphy's deep-water Azurite development field in the Mer Profonde Sud block offshore the Republic of Congo from April 2009 until the contract was terminated on 1 May 2014. As the contract was terminated before end of the fixed term, BW Offshore is being compensated for the early termination of the contract. The compensation reflects the value of the remaining period of the original fixed term of the contract and was recognised at the time of termination. The vessel is currently being marketed for new projects. The FPSO Polvo is currently operating on the Polvo field offshore Brazil. The contract started in 2007

and has a firm seven-year period with an eight-year extension option. In January 2014 the charter of the FPSO Polvo was novated from BP Energy do Brasil LTDA (BP) to HRT O&G Exploração e Produção de Petróleo LTDA (Now renamed to PetroRio). In January 2014, BW Offshore signed an agreement with PetroRio for a one-year extension for the lease and operation of the FPSO Polvo and in March 2015 the Group received another extension to third quarter 2016. During fourth quarter of 2015, BW Offshore received another two-year extension for the contract. The firm period has been extended to third quarter 2018 (from third quarter 2016), with options until third quarter 2022.

The FPSO Espoir Ivoirien is in operation at the Espoir field offshore Ivory Coast for Canadian Natural Resources (CNR). The FPSO first commenced operation in 2002. The contract has been renegotiated and extended in 2012 and is now firm until 2017 with options to extend until 2036.

The FPSO Umuroa has since 2007 been on a five-year contract with options for additional five years of operations for Australian Worldwide Exploration on the Tui field offshore New Zealand. This contract was adjusted in 2008 to an eight-year firm period ending in 2015, with options for extension up to 2022. During fourth quarter of 2014, BW Offshore signed a one-year contract extension, extending the firm period to fourth quarter 2016.

The FPSO Abo commenced operation in 2003 and is on a contract with Nigerian Agip Exploration on the Abo field offshore Nigeria. After a number of short-term extensions, BW Offshore has in 2015 signed a contract extension, following a Letter of Intent signed in 2014, for a two-year extension until fourth quarter 2016, with options for an additional seven years (until fourth quarter 2023). The Group is currently performing life extension activities on the unit, which are being compensated on a reimbursable cost plus basis.

The FPSO Petróleo Nautipa is operating for Vaalco on the Etame field offshore Gabon. The vessel started operation for Vaalco in 2002. The contract was further extended in 2012 and is now firm until 2020 with options for two additional years. The FPSO was until 2014 owned 50/50 by BW Offshore and Yinson Holdings Berhad. During fourth quarter 2014, BW Offshore completed the acquisition of the remaining 50% of the FPSO from Yinson and took over all operations before year-end in 2014.

The FPSO BW Pioneer commenced operation on the Cascade and Chinook oil and gas fields for Petrobras in the US Gulf of Mexico in February 2012. The contract is for a fixed term of five years until 2017, with an optional period of up to three years.

During first quarter of 2015, BW Offshore received a notice of termination for the FPSO BW Athena contract from Ithaca Energy. BW Offshore

and Ithaca Energy (on behalf of the Athena-field co-ventures) agreed a revised contract structure to continue production on the Athena field beyond expiry of the firm period on a revised compensation scheme, involving advanced payment of an FPSO demobilisation fee and sharing of positive cash-flow from the field. Both parties had the right to terminate on a sixty-day notice period. In January 2016, BW Offshore and Ithaca Energy agreed on a termination of the contract, and the unit was demobilised during February 2016. The FPSO has been operating on the Athena field on the UK Continental Shelf since May 2012. BW Athena has had an uptime of 98% since first oil, and BW Offshore has been duty holder for the unit. BW Athena first operated under a three-year contract, and the operation was extended with a contract with mutual termination right. The BW Athena is a versatile and cost efficient floating production unit with an oil processing capacity of 28,000 barrels per day. The FPSO is now marketed for new opportunities.

The FPSO BW Joko Tole commenced operation on the Terang Sirasun Batur gas fields for Kangean Energy Indonesia in May 2012. The contract is for a fixed period of ten years, with an option to extend for four years.

BW Offshore has a contract with Statoil for the operation of the FPSO Peregrino. The unit is operating on the Peregrino oil field offshore Brazil. The contract, which commenced in January 2013, has a fixed term of five years with options for an additional fifteen years.

The Group also operates the FPSO P-63 owned by Petrobras and Chevron on the Papa Terra field offshore Brazil. BW Offshore is operating the FPSO in a joint venture with Queiroz Galvão Óleo e Gás S.A. The operation started in November 2013 and will end in May 2016.

On 6 February 2014, BW Offshore acquired the VLCC BW Opal for USD 83.8 million from Daewoo Shipbuilding & Marine Engineering ('DSME'). The vessel was earmarked for the Leviathan FEED for Noble Energy. However, as the FEED was suspended early 2015, the Group decided to sell the unit. On 11 March 2015, the BW Opal was sold for USD 85.5 million to BW Group. The transaction was performed on an arms-length basis, based on independent valuation reports and technical inspection of the vessel. The agreement also includes an option for BW Offshore to buy-back the vessel until first quarter of 2017.

The order backlog for the Group is approximately USD 3.6 billion related to non-cancellable contracts and including options stands at USD 8.6 billion.

PROJECTS

On 30 April 2014, BW Offshore signed a contract with Premier Oil for a FPSO to operate on the Catcher oil field in the UK North Sea. The field was at 31 December 2015 owned by Premier Oil

(50% operator), Cairn Energy (20%), MOL (20%) and Dyas UK (10%). The firm charter period of the contract is seven years, with extension options of up to eighteen years. Based on a field life of ten years, the contract value is USD 2.3 billion.

BW Offshore's scope includes the delivery of the FPSO, mooring system, installation and operation of the unit throughout the charter period. BW Offshore has ordered a new built hull from Japan for the project, while conversion and integration work will be performed in Singapore.

The project is financed by a project specific bank facility of USD 800 million in addition to BW Offshore's existing liquidity.

The project remains within budget with expected first oil in 2017. Good progress has been made during 2015 on engineering, procurement and construction activities. Construction of the turret mooring system is progressing well with the mating cone module completed and delivered to the hull fabrication yard. Hull activities have slipped due to yards' inability to progress the hull delivery in accordance with the contractual schedule. A mitigation plan has been implemented to minimise the impact to the overall project schedule. Topside fabrication is developing as planned. At the end of the year, more than 75% of the projected project cost has been committed. BW Offshore is closely monitoring progress and safety in all the project activities, ensuring that mitigating actions are implemented quickly if any deviation is detected.

The Group is also undertaking a number of modification and life extension activities on existing units. These activities are either covered on a cost plus basis or reimbursed through higher day rates.

FINANCIAL REVIEW OF GROUP FINANCIAL ACCOUNTS Income statement

The Group's revenue derived from charter hire was USD 791.7 million compared to USD 1,022.9 million in 2014.

The reduction is primarily attributable to the loss of charter hire for FPSO Cidade de São Mateus from February and loss of charter rate for FPSO BW Athena from July 2015 as well as the one-off settlement recognised for FPSO Azurite in 2014. Revenue derived from lease interests (the operation of the FPSO Yuum K'ak' Náab and the lease of the FSO Belokamenka) was USD 13.6 million compared to USD 14.6 million in 2014. Other income increased to USD 302.7 million compared to USD 32.9 million in 2014. The increase is primarily all related to FPSO Cidade de São Mateus and insurance recoverable recognised for Loss of Hire, insurance for recovery of the unit as well as for repair. Operating expenses include all expenses related to the operation of the FPSOs and FSOs, expenses related to construction contracts and expenses related to FEED activities. Total operating expenses were USD 493.2 million compared to USD 466.9 million in 2014. The increase in operating expenses was to a large extent related to increased

cost due to the recovery of the FPSO Cidade de São Mateus (coinciding with increased other income referred to above).

Administrative expenses include expenses that are not directly attributable to the operation of the Group's FPSOs and FSOs, primarily employment expenses incurred by the operating offices in Oslo and Singapore as well as expenses related to corporate and tender activities. Total administrative expenses amounted to USD 46.3 million compared to USD 61.2 million in 2014. The reduction is a result of higher cost reduction focus, higher allocation of activity to project as well as due to the strengthening of USD vs NOK, SGD and BRL, which has reduced administrative expenses measured in USD.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for BW Offshore and its subsidiaries (the 'Group') for 2015 was USD 537.8 million compared to USD 527.5 million in 2014.

Depreciation and amortisation amounted to USD 262.5 million, compared to USD 223.0 million in 2014. Depreciations have increased mainly as depreciations of non-recoverable costs on BW Athena have been accelerated due to the outlook under the revised contract with Ithaca Energy.

Impairment amounted to USD 396.4 million. BW Offshore completed its impairment review of fixed assets during fourth quarter 2015. As a result, the Group has recorded an impairment of USD 160 million to reflect losses related to non-recoverable costs as well as direct damages to the FPSO Cidade de São Mateus. In addition, an impairment loss of USD 49.3 million related to other vessels has been recognised. Due to the expectations of a prolonged downturn in the Oil and Gas sector with limited new awards in the short to medium term, BW Offshore has also seen it appropriate to record an impairment of USD 186.9 million related to Goodwill. Following this, net book value of Goodwill is zero.

Operating profit was negative USD 119.7 million, compared to a profit of USD 304.7 million in 2014.

Net financial expenses were USD 56.1 million compared to USD 79.3 million in 2014. The reduction is mainly due to lower interest expenses in 2015 compared to 2014 as interests are capitalised on projects as well as restatement of hedges.

Tax expense amounted to USD 40.5 million compared to USD 38.2 million in 2014.

Net loss was USD 216.3 million compared to a net profit of USD 187.2 million in 2014.

Financial position

Total assets were USD 3,439.7 million as at 31 December 2015 compared to USD 3,668.9 million in 2014. The net reduction of USD 229.2 million (6.2%) mainly relates to impairment on FPSOs and goodwill, partially offset by higher trade re-

ceivables. Goodwill related to the acquisition of Prosafe Production in 2010 has been fully written off at 31 December 2015.

As at 31 December 2015, the Group had a net equity of USD 944.4 million compared to USD 1,198.1 million at 31 December 2014. The net equity ratio as at 31 December 2015 was 27.5% compared to 32.7% as at 31 December 2014.

As at 31 December 2015, the Group had interest-bearing debt of USD 1,741.5 million compared to USD 1,805.1 million in 2014. BW Offshore is mainly funded through a USD 2.4 billion seven-year senior secured credit facility established in 2011. The Group also has four unsecured bonds as of 31 December 2015. The first one established in 2012 is a five year NOK 500 million bond. The second one was completed in first quarter of 2013 and is also a five year NOK 500 million bond. The third one was completed first quarter of 2014 and is a five year NOK 750 million bond. A fourth bond was completed during second quarter 2015 and is a NOK 900 million bond with maturity in 2020. To mitigate the currency risk, all bond loans have been swapped to USD.

BW Offshore also has a USD 284.6 million financing facility agreement for FPSO Joko Tole, split between a USD 250 million five-year term loan and a USD 34.6 million-performance bond. BW Offshore also has a finance facility in place for the FPSO Umuroa.

During 2014, the Group entered into a USD 800 million senior secured pre- and post-delivery term loan facility for the FPSO built to operate on the Catcher oil field in the UK North Sea.

During the first quarter of 2014, the Group secured a USD 50 million unsecured loan facility for corporate purposes in Brazil. The facility was a bullet loan that was repaid in February 2015.

In March 2015, BW Offshore signed the facility documentation for a new USD 80 million senior secured credit facility in respect of the FPSO Petróleo Nautipa. The loan has a tenure of 7.5 years.

Net interest-bearing debt at 31 December 2015 was USD 1,619.7 million.

Cash flow

Net cash inflow from operating activities amounted to USD 438.4 million compared to net cash inflow of USD 548.9 million in 2014. Net cash outflow from investment activities amounted to USD 396.2 million, compared to a net cash outflow of USD 419.7 million in 2014. Cash outflow on investing activities is mainly related to capitalisation on the Catcher project and life extension activities on FPSO Sendje Berge, FPSO Espoir Ivoirien, FPSO Abo, FPSO Petróleo Nautipa as well as maintenance capex on remaining units. Most life extension activities are either covered on a cost plus basis or reimbursed through higher day rates. Net cash outflow from financing activities in-

creased to USD 135.8 million compared to USD 46.2 million in 2014.

Dividends

BW Offshore has during 2015 paid out USD 34.3 million in dividends to shareholders, equal to USD 0.05 per share, compared to USD 0.12 per share in 2014. Since the Company started paying out dividends in 2011, USD 309.3 million has been paid out as per year-end of 2015. This equals USD 0.45 per share.

The level of dividends is evaluated by the Directors on a quarterly basis. However, in light of the reduction in industry activity levels that has gradually increased since 2014, the board has reduced dividends payments throughout 2015, until it was decided to suspend dividend payments from third quarter 2015 until market visibility improves.

GOING CONCERN

As per year-end 2015, BW Offshore is in compliance with all financial covenants. The Group is closely monitoring all covenants, and initiatives have been undertaken to ensure compliance going forward (See Note 17 of the consolidated financial statements for more information). Based on the Group's current fleet, contracts and overall position at the end of the year as well as the current outlook, the Board is of the opinion that BW Offshore has a basis for continued operations. The accounts have therefore been prepared on a 'going concern' basis.

PARENT COMPANY ACCOUNTS

The financial statements of the parent company, BW Offshore Limited, are prepared and presented in accordance with international financial reporting standards (IFRS). The Company reported a net loss of USD 231.7 million for 2015, compared to a net profit of USD 74.4 million in 2014. BW Offshore Limited is a holding company with no operating activities. The loss for 2015 is primarily caused by of impairments on shares in subsidiaries and intercompany receivables.

Total assets were USD 2,293.9 million as at 31 December 2015 compared to USD 2,441.6 million in 2014.

Total shareholders' equity in BW Offshore Limited as of December 31, 2015 was USD 1,136.3 million, corresponding to an equity ratio of 49.5%.

CORPORATE GOVERNANCE

Good corporate governance has a key role in creating shareholder value and building investor confidence, thereby ensuring an optimal cost of capital. 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. The objective of the guideline is that companies listed in Norway practice corporate governance that regulates the division of roles between shareholders, the Board of Directors and executive management more comprehensively than is required by legislation. 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 the annual report.

RISK

The Group's risk exposure is analysed and evaluated to ensure sound internal control and appropriate risk management based on BW Offshore's values, policies and code of ethics. The Group is exposed to a variety of financial risks: market risk (including currency risk and price 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. The most important operational risk factors are related to the operation of FPSOs and the execution of projects, accidents on the units and oil spills to the environment.

On a fleet wide basis, the Company 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 income. 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 a number of jurisdictions. As contracts with clients are long term in nature, the Group's results are exposed to risk of changes to tax legislation. Risk management is described more comprehensively under Note 17 in the consolidated financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

In January 2016, BW Offshore received a one-year contract extension for the lease and operation of the FPSO Umuroa. The FPSO is operating on the Umuroa field offshore New Zealand for AWE. The firm period has been extended to fourth quarter 2017 (from fourth quarter 2016).

In January 2016, BW Offshore and Ithaca Energy agreed on a termination of the contract for FPSO BW Athena. The unit was demobilised in February 2016.

In February 2016, BW Offshore has initiated organisational changes as part of an extensive cost reduction programme because of the current market conditions. The process is expected to be

concluded within the second quarter in 2016 for onshore personnel. The changes will affect approximately 35% of permanent onshore employees across global locations.

OUTLOOK

2015 has been a year where market sentiment has continued to worsen quarter by quarter. This led to a further drop in the oil price throughout the year, which so far reached a twelve-year low in January 2016. The current macro conditions for the offshore industry have significantly reduced expected capital expenditure by existing and potential customers. As a result of this, BW Offshore has seen it necessary to recognise a non-cash impairment charge for fixed assets and to write off all goodwill.

BW Offshore still expects outsourcing of production to be a cost effective solution for oil and gas companies, but believes it is prudent to expect a prolonged downturn in contract awards. The Group remains focused on managing costs and improving performance, while continuing to develop technologies that enable improved returns in a lower oil price environment. The Board believes that the extensive cost reduction programme launched in 2016 will make BW Offshore more agile and better adjusted to a 'lower for longer' oil price.

The majority of BW Offshore's fleet remain on long-term contracts with national and independent oil companies, and the fleet should continue to generate a significant cash flow in the time ahead. However, in an environment with lower oil prices than when most contracts were entered into, BW Offshore faces increased risks of customers defaulting on their obligations. Asset values may be affected should option periods not be declared or units not be redeployed, potentially affecting both liquidity and covenants. Redeployment of units coming off contracts will be affected by the reduced number of new developments.

The fleet asset values have been assessed according to a value-in use methodology, with balanced assumptions on the likelihood of option periods and future redeployments. The basis for the impairment assessment is that the Company expects an improved market from mid-2017 where idle units are expected to return to employment.

As per year-end 2015, the Group complies with all financial covenants. However, from a liquidity perspective, several events have happened in 2015 that has reduced liquidity, and consequently increased the risk of a breach of the Group's liquidity covenants. BW Offshore is closely monitoring all covenants, and initiatives have been undertaken to ensure compliance going forward.



Mr. Andreas Sohlen-Pao
Chairman



Mr. Rønny Johan Langeland
Vice Chairman



Mr. Christophe Pettenati-Auzière



Mr. Maarten Scholten



Ms. Clare Spottiswoode



Mr. Carsten Mortensen

Bremuda, 23 March 2016

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 higher return than alternative investments with a comparable 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 the Oslo Stock Exchange. The company is therefore obliged to comply with the Bermuda Companies Act, its Memorandum of Association and its Bye-laws, as well as the disclosure requirements of the Oslo Stock Exchange.

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.

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 investment community.

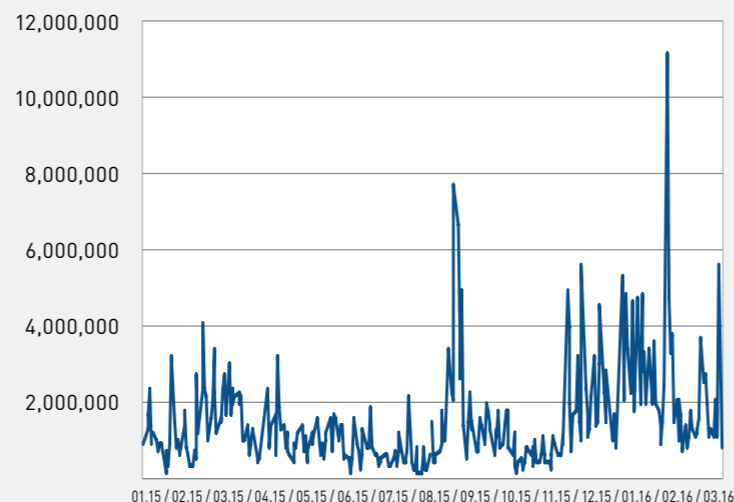
During a period of two weeks before the planned release of an interim financial report, BW Offshore will not comment on matters related to the Company's financial performance or expectations, save for ordinary communication with analysts and investors on general aspects of the business.

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:

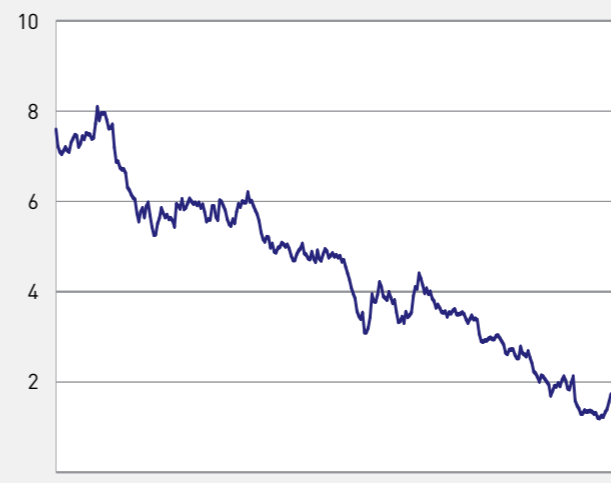
- The information it provides to the financial markets gives market players the best possible basis for establishing a precise picture of the company's financial condition and factors which might affect its future value creation
- The market price of BW Offshore's shares reflects the fair value of the 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

VOLUME
(NUMBER OF SHARES)



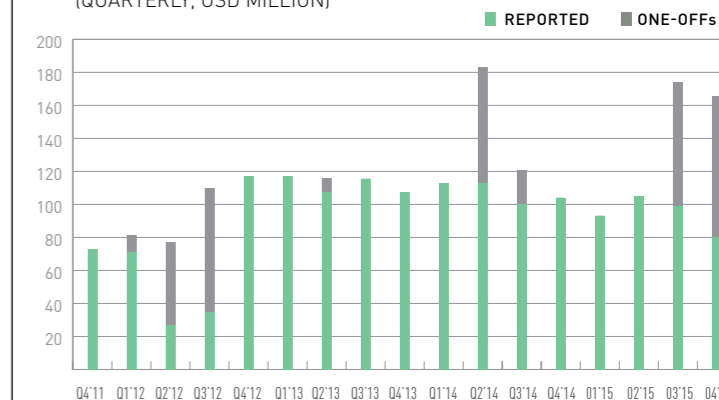
01.15 / 02.15 / 03.15 / 04.15 / 05.15 / 06.15 / 07.15 / 08.15 / 09.15 / 10.15 / 11.15 / 12.15 / 01.16 / 02.16 / 03.16

SHAREPRICE (NOK)

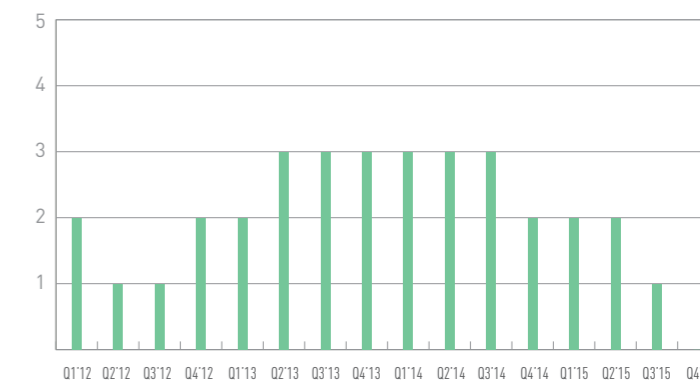


01.15 / 02.15 / 03.15 / 04.15 / 05.15 / 06.15 / 07.15 / 08.15 / 09.15 / 10.15 / 11.15 / 12.15 / 01.16 / 02.16 / 03.16

EBITDA
(QUARTERLY, USD MILLION)



DIVIDEND
(QUARTERLY, USD CENT)

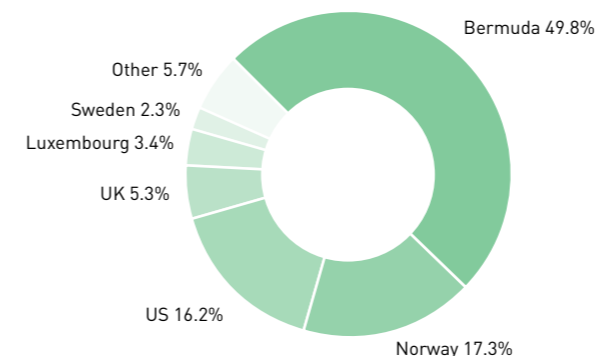


20 LARGEST SHAREHOLDERS

Per 31 December 2015

| NAME | # SHARES | % SHARES |
|---|-------------|----------|
| 1 BW GROUP LIMITED | 342,312,248 | 49.8 % |
| 2 STATE STREET BANK AND TRUST CO. | 30,974,394 | 4.5 % |
| 3 FIDELITY FUNDS-NORDIC FUND/SICAV | 21,688,925 | 3.2 % |
| 4 FIDELITY PURITAN TRUST: FIDELITY | 17,549,100 | 2.6 % |
| 5 ODIN NORGE | 17,139,152 | 2.5 % |
| 6 SANTANDER SECURITIES SERVICES, S.A | 9,418,942 | 1.4 % |
| 7 FIDELITY SELECT PORTFOLIOS: ENERGY | 9,215,465 | 1.3 % |
| 8 ODIN ENERGI | 8,000,000 | 1.2 % |
| 9 CARL KROGH ARNET | 7,499,081 | 1.1 % |
| 10 CITIBANK, N.A. (S/A DFA-INTL SML CAP VAL PORT) | 7,205,289 | 1.0 % |
| 11 FID BLUE CHIP VAL FD | 7,014,500 | 1.0 % |
| 12 BNP PARIBAS SEC. SERVICES S.C.A | 6,860,508 | 1.0 % |
| 13 SKANDINAVISKA ENSKILDA BANKEN AB | 5,415,841 | 0.8 % |
| 14 FIDELITY INVESTMENT TRUST: FIDELITY | 5,305,227 | 0.8 % |
| 15 VERDIPAPIRFONDET ALFRED BERG NORGE | 5,018,404 | 0.7 % |
| 16 MORGAN STANLEY & CO. INTERNATIONAL | 4,552,160 | 0.7 % |
| 17 THE BANK OF NEW YORK MELLON | 4,323,913 | 0.6 % |
| 18 NHO - P665AK | 3,787,938 | 0.6 % |
| 19 J.P. MORGAN CHASE BANK N.A. LONDON | 3,752,591 | 0.5 % |
| 20 CITIBANK, N.A. (S/A DFA-CNTL SMALL CO SERIES) | 3,202,396 | 0.5 % |

GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS



2,901
NORWEGIAN
356
NON-NORWEGIAN
3,257
SHAREHOLDERS



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GLOBAL PRESENCE

Bermuda: Hamilton
Singapore
Norway: Oslo, Arendal
Brazil: Rio de Janeiro, Cidade de Santos, Vitória
USA: Houston, New Orleans
Mexico: Ciudad del Carmen
New Zealand: New Plymouth
India: Mumbai
Nigeria: Lagos
Mauritania: Nouakchott
Republic of Côte d'Ivoire: Abidjan
Gabon: Port Gentil
The People's Republic of China: Shanghai
Indonesia: Jakarta
United Kingdom: Aberdeen
Cyprus: Limassol
Netherlands: Hoofddorp



BW OFFSHORE LIMITED CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENTS OF INCOME

| USD MILLION (YEAR ENDED 31 DECEMBER) | NOTE | 2015 | 2014* |
|---|--------------|----------------|----------------|
| Charter hire | 5,6 | 791.7 | 1,022.9 |
| Lease interest | 5,6 | 13.6 | 14.6 |
| Other income | 5 | 302.7 | 32.9 |
| Total revenues | | 1,108.0 | 1,070.4 |
| Operating expenses vessels | 7,8 | (493.2) | (466.9) |
| Other expenses | 7 | (31.2) | (36.6) |
| Administrative expenses | 7,8,18 | (46.3) | (61.2) |
| Total expenses | | (570.6) | (564.7) |
| Share of profit/(loss) of associated companies | 13,27 | 0.4 | 21.8 |
| Operating profit before depreciation, amortisation and sale of assets | | 537.8 | 527.5 |
| Depreciation and amortisation | 10,11,12 | (262.5) | (223.0) |
| Impairment | 10,21 | (396.4) | - |
| Net gain/(loss) on sale of tangible fixed assets | 10,11 | 1.4 | 0.2 |
| Operating profit | 10,11 | (119.7) | 304.7 |
| Financial income and financial expense | | | |
| Interest income | | 2.8 | 2.1 |
| Fair value gain/(loss) on financial instruments | | (9.8) | (7.1) |
| Net currency gain/(loss) | | 3.9 | (3.8) |
| Interest expense | | (49.6) | (65.1) |
| Other financial items | | (3.4) | (5.4) |
| Net financial expenses | | (56.1) | (79.3) |
| Profit/(loss) before tax | | (175.8) | 225.4 |
| Income tax expense | 9 | (40.5) | (38.2) |
| Net profit/(loss) for the year from continued operations | | (216.3) | 187.2 |
| Net profit/(loss) for the year | | (216.3) | 187.2 |
| Profit/(loss) attributable to shareholders of the parent | | (216.3) | 187.2 |
| Basic/diluted earnings/(loss) per share net | 22 | (0.31) | 0.27 |

*The financial information for 2014 has been restated with USD 7.2 million as the Group has reclassified currency hedges to gain/(loss) financial instruments effective 1 January 2015, as effects from gains or losses from currency hedges are a result of changes in exchange rates over a period of time rather than a result of operational performance. The Group believes this provides for better presentation of the operational results.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| USD MILLION (YEAR ENDED 31 DECEMBER) | NOTE | 2015 | 2014 |
|---|------|----------------|---------------|
| Profit/ (loss) for the year | | (216.3) | 187.2 |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Items to be reclassified to profit or loss:</i> | | | |
| Currency translation differences | | (6.9) | (4.2) |
| Cash flow hedges | 17 | (49.3) | (82.4) |
| Reclassification during the year to profit/(loss) of cash flow hedges | 17 | 50.9 | 65.9 |
| Net items to be reclassified to profit or loss: | | (5.3) | (20.7) |
| <i>Items not to be reclassified to profit or loss:</i> | | | |
| Actuarial gains/(losses) on defined benefit plans | | 1.6 | (10.2) |
| Net items not to be reclassified to profit or loss: | | 1.6 | (10.2) |
| Other comprehensive income, net of tax | | (3.7) | (30.9) |
| Total comprehensive income for the year | | (220.0) | 156.3 |
| ATTRIBUTABLE TO | | | |
| Equity holders of the parent | | (220.0) | 156.3 |
| Non-controlling interests | | - | - |

The notes in pages 41-65 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| USD MILLION (AS AT 31 DECEMBER) | NOTE | 2015 | 2014 |
|--|-------|----------------|----------------|
| ASSETS | | | |
| Vessels | 10 | 2,694.1 | 2,747.7 |
| Property and other equipment | 11 | 12.0 | 12.2 |
| Goodwill | 12 | - | 186.9 |
| Other intangible assets | 12 | 4.4 | 4.2 |
| Finance lease receivable | 6 | 113.5 | 140.9 |
| Investments in associates and joint ventures | 13,20 | 7.7 | 4.7 |
| Deferred tax asset | 9 | 4.2 | 4.6 |
| Derivatives | 17 | 0.6 | 1.1 |
| Other non-current assets | | 3.3 | 14.1 |
| Total non-current assets | | 2,839.8 | 3,116.4 |
| Inventory | | 6.7 | 6.6 |
| Trade and other receivables | 16 | 455.3 | 307.1 |
| Finance lease receivable | 6 | 16.1 | 17.4 |
| Derivatives | 17 | - | 6.0 |
| Cash and deposits | 14 | 121.8 | 215.4 |
| Total current assets | | 599.9 | 552.5 |
| TOTAL ASSETS | | 3,439.7 | 3,668.9 |
| EQUITY | | | |
| Share capital | 15 | 6.9 | 6.9 |
| Share premium | 15 | 1,085.0 | 1,085.0 |
| Other equity | | (147.5) | 106.2 |
| Total shareholder's equity | | 944.4 | 1,198.1 |
| Long-term loan facilities | 17,19 | 1,460.8 | 1,433.7 |
| Retirement benefit obligations | 18 | 12.1 | 14.3 |
| Deferred tax liabilities | 9 | 3.3 | 0.6 |
| Other non-current liabilities | | 261.8 | 218.7 |
| Derivatives | 17 | 148.9 | 100.4 |
| Total non-current liabilities | | 1,886.9 | 1,767.7 |
| Trade and other payables | 26 | 275.9 | 263.0 |
| Derivatives | 17 | 27.5 | 33.1 |
| Interest-bearing short-term debt | 17,19 | 280.7 | 371.4 |
| Income tax liabilities | 9 | 24.3 | 35.6 |
| Total current liabilities | | 608.4 | 703.1 |
| Total liabilities | | 2,495.3 | 2,470.8 |
| TOTAL EQUITY AND LIABILITIES | | 3,439.7 | 3,668.9 |

The notes in pages 41-65 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| USD MILLION | Note | Share capital | Share premium | Treasury shares | Currency translation reserve | Cash flow hedges | Other elements | TOTAL |
|------------------------------|------|---------------|---------------|-----------------|------------------------------|------------------|----------------|---------|
| At 1 January 2014 | | 6.9 | 1,085.0 | (9.1) | (4.2) | (16.3) | 61.8 | 1,124.1 |
| Dividend distribution | | - | - | - | - | - | (82.2) | (82.2) |
| Profit/(loss) for the period | | - | - | - | - | - | 187.2 | 187.2 |
| Other comprehensive income | | - | - | - | (4.2) | (16.5) | (10.2) | (30.9) |
| At 31 December 2014 | | 6.9 | 1,085.0 | (9.1) | (8.4) | (32.8) | 156.6 | 1,198.1 |
| At 1 January 2015 | | 6.9 | 1,085.0 | (9.1) | (8.4) | (32.8) | 156.6 | 1,198.1 |
| Dividend distribution | | - | - | - | - | - | (34.3) | (34.3) |
| Share-based payments | 8 | - | - | 0.1 | - | - | 0.4 | 0.5 |
| Profit/(loss) for the period | | - | - | - | - | - | (216.3) | (216.3) |
| Other comprehensive income | | - | - | - | (6.9) | 1.6 | 1.6 | (3.7) |
| At 31 December 2015 | | 6.9 | 1,085.0 | (9.0) | (15.3) | (31.2) | (92.0) | 944.4 |

Dividends per share for 2015 was USD 0.05 (USD 0.12)

CONSOLIDATED STATEMENTS OF CASH FLOW

| USD MILLION (YEAR ENDED 31 DECEMBER) | NOTE | 2015 | 2014 |
|--|-------------|----------------|----------------|
| Operating activities | | | |
| Profit/(loss) before tax | | (175.8) | 225.4 |
| Income tax paid | 9 | (35.7) | (35.8) |
| Loss/(gain) on disposal of fixed assets | 10,11 | (1.4) | (0.2) |
| Fair value change on financial instruments | | 9.8 | 14.4 |
| Share of loss/(profit) of associated companies | 13 | (0.4) | (21.8) |
| Currency exchange differences | | (3.9) | 3.8 |
| Depreciation and amortisation | 10,11,12 | 262.5 | 223.0 |
| Impairment | 10,21 | 396.4 | - |
| Add back of net interest expense | | 46.8 | 62.9 |
| Instalment on financial lease | | 18.7 | 17.4 |
| Other changes | | 1.6 | (1.4) |
| Changes in working capital | | (80.2) | 61.2 |
| Net cash flows from operating activities | | 438.4 | 548.9 |
| Investing activities | | | |
| Investments in fixed assets | 10,11,12,14 | (481.8) | (364.9) |
| Proceeds from disposal of fixed assets | 10 | 85.5 | 0.2 |
| Investment in associates, net of cash acquired | 13 | (2.7) | (57.1) |
| Interest received | | 2.8 | 2.1 |
| Net cash flows used in investing activities | | (396.2) | (419.7) |
| Financing activities | | | |
| Proceeds from new interest-bearing debt | 19 | 548.0 | 633.0 |
| Repayment of long-term debt | 19 | (563.8) | (508.0) |
| Dividend paid | | (34.3) | (82.2) |
| Interest paid | | (85.7) | (89.0) |
| Net cash flow from/(used in) financing activities | | (135.8) | (46.2) |
| Net change in cash and cash equivalents | | (93.6) | 83.0 |
| Cash and cash equivalents at 1 January | | 215.4 | 132.4 |
| Cash and cash equivalents at 31 December | 14 | 121.8 | 215.4 |

The notes in pages 41-65 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 the Oslo Stock Exchange (OSE).

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

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.

The financial statements were approved by the Board of Directors on 23 March 2016.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

BASIS FOR PREPARATION

The consolidated financial statements of BW Offshore 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 income statement.

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 complying with the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for chartering and rendering of operational services related to FPSOs and FSOs.

Operational services

Income from the rendering of services on operating FPSOs and FSOs is recognised as revenue in the accounting period when the services are rendered.

Chartering of vessels

The chartering of FPSOs and FSOs to customers is recognised as revenue based on whether the chartering contract is considered to be 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.

Variation orders

Income from variation orders are amortised over the period in which the income is earned.

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.

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.

Sales are recognised after transfer of the significant risks and rewards connected with the ownership of goods being sold to the buyer. The Group retains neither a continuing right to dispose of the goods, nor effective control of those goods. Revenues from services are recorded when the service has been performed. Sales are presented net of indirect sales taxes and discounts.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers in the Group. The chief operating decision-maker, being responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management group.

CONSOLIDATION

Subsidiaries

The subsidiaries are all legal entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated as of the date on which the control is transferred to the Group. They are de-consolidated as of the date the 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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES cont.

acquisition, irrespective of the extent of any non-controlling interest.

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 income statement.

Inter-company 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.

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 is 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 income statement, 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 to be strategic to the Group. See 'impairment of non-financial assets' for impairment assessment.

TANGIBLE FIXED ASSETS Measurement

Property, plant and equipment 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.

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 property, plant and equipment is ready for use as intended by management. For FPSO's this will be when the unit is successfully installed on the oil field.

When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. During 2015 the Group depreciated FPSOs/FSOs according to the unit of production method. Starting 2016, these assets will be depreciated by using a straight line method. If the new estimate for depreciation had also been applied in 2015 that would have had no effect on profit or loss, as higher depreciations during the year would have been offset by lower impairment. The different components are depreciated by using a straight-line method over their anticipated useful life, taking into account its residual value.

The estimated useful lives of the categories of property, plant and equipment are as follows:

FPSO's and FSO's

- 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**

Other fixed assets, 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 sheet 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.

During 2015 the Group also depreciated FPSOs/FSOs demobilised from prior field and held in lay-up under warm stack according to the unit of production method. Starting 2016, these assets will continue to be depreciated by using the same straight line method as used for active units. This also applies for vessels in warm stack. If the new estimate for depreciation had also been applied in 2015 that would have resulted in higher depreciations, which again would have been offset by lower impairment on the same idle asset, and no material profit and loss impact. Depreciation of a FPSO/FSO will only stop if the asset is held for sale or derecognised.

Disposal activities

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

Impairment of tangible fixed assets

Assets including vessels, vessels under construction, conversion candidates and other tangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A contract and the associated vessel are grouped and assessed together when testing for impairment. Each vessel is specific to the contract. 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.

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.

GOODWILL

Goodwill represents the cost of an acquisition exceeding the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/ associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill has been allocated above all individual cash-generating units, and the entire group is considered one cash-generating unit for the purpose of impairment testing.

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity being sold.

INTANGIBLE ASSETS**Computer software**

Acquired computer software licenses are capitalised on the basis of the cost incurred in relation to acquiring and bringing to use the specific software. These costs are amortised over their estimated useful lives. Costs to external suppliers directly associated with the development of identifiable and unique software products controlled by the Group, and which will probably generate economic benefits exceeding the cost beyond one year, are recognised as intangible assets. Directly attributable costs are capitalised as part of computer software. Other development expenditures are recognised as an expense when incurred.

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 income statement on a straight line basis over the lease term.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings

are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement during the period of the borrowings, applying the effective interest method.

BORROWING COSTS

Borrowing costs directly attributable to an acquisition or conversion of vessels, which take a substantial period of time to get ready for their intended use, are added to the cost of the vessels, until such time as the vessels 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.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at originally invoiced amount, where this approximates fair value, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

Trade and other receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost, applying the effective interest method.

INVENTORIES

Inventories comprise mainly of fuel oil, materials and other consumables on board the vessels. Inventories are measured at the lower of cost or net realisable value. Cost of materials and other consumables is determined by the weighted average cost method. Cost on fuel oil is determined by first-in-first-out (FIFO) method. The cost of purchase 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. Trade discounts, rebates and other similar items are deducted when determining the costs of the purchase. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on 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.

FINANCIAL ASSETS

In accordance with IAS 39, 'Financial instruments: recognition and measurement', financial instruments within the scope of IAS 39 are classified in the following categories: At fair value with changes in value through the income statement, held to maturity, loans and receivables, available for sale and other liabilities.

Investments held to maturity, loans and receivables and other liabilities are recognised at their amortised cost. Changes in the fair value of financial instruments classified as held for trading purposes or designated as being at fair value with changes in value through the income statement, are recognised in the income statement and presented as a financial income/expense.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. IFRS describes the following type of hedging relationship:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

Currently, the Group uses only hedges of cash flow (b).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The cash flow hedges of various derivative instruments used for hedging purposes are disclosed in Note 17. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES cont.

hedged item is less than 12 months.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the hedged forecast sale takes place). The gain or loss relating to the ineffective portion of derivatives hedging variable rate borrowings is recognised in the income statement within financial income and financial expenses. However, when the hedged forecast transaction results in the recognition of a non-financial asset (for example inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in equity remains separately in equity until the forecast transaction occurs or the foreign currency firm contract is met. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement within 'other financial income/(expense)'.

Derivatives not classified as cash flow hedges are recognised in the income statement.

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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 ASSET AND LIABILITY

A contingent liability is:

- 1) a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- 2) a present obligation arising from past events but is not recognised because:
 - i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is disclosed, as required by IAS 37, unless the possibility of an outflow of resources embodying economic benefits is remote. The Group assesses the contingent liabilities continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are recognised when it becomes virtually certain that those assets are recoverable.

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 made contributions 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 as-

sets to pay all employees the benefits relating to employee service in the current and prior periods.

Share-based payment

Senior 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.

That 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 (Note 8).

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.

CURRENCY TRANSLATION**Functional and presentation currency**

The Group's presentation currency is United States Dollars ('USD'). This is also the functional currency of the Company and most of its subsidiaries. For consolidation purposes, the balance sheet figures for subsidiaries with a different functional currency are translated at the rate applicable at the balance sheet date and their income statements are translated at the exchange rate prevailing at the date of transaction. As an approximation, the monthly average exchange rates are applied in translating the income statements. Exchange differences are recognised in other comprehensive income. When foreign subsidiaries are disposed of, the accumulated exchange differences relating to the subsidiary are recorded as income/expense.

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 income statement. Currency translation gains and losses, from items which are hedged in a cash flow hedge, are recognised in other comprehensive income.

TAXES AND DEFERRED TAX LIABILITIES

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 the tax currently payable, changes in de-

ferred tax liabilities and deferred tax assets, and withholding tax on charter hire and financial items. Charter hire and financial items are presented gross of withholding taxes payable where applicable.

The Group's liability for current tax payable is calculated using tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is calculated at the tax rates applied when the related temporary differences reverse, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation is provided for in the balance sheet and calculated on the basis of temporary differences between book and tax values that exist at the end of the financial period. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in the equity.

Deferred tax assets and liabilities are offset when

there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and where the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred income tax is provided for by temporary differences arising from investments in subsidiaries and associates, except where it is probable that the temporary difference will not reverse in the foreseeable future.

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.

EVALUATION AND CLASSIFICATION OF ASSETS AND LIABILITIES – MAIN PRINCIPLES

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, with the exception of 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.

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

New and amended standards adopted by the Group: In 2015 the Group has adopted amendments to IFRIC 21 Levies and IFRS annual improvements 2011-2013 cycle (Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40).

These changes are not considered material for the Group.

The following is endorsed by the EU and will be mandatory as of January 1st, 2016:

- Amendments to IFRS 11, IAS 1, IAS 16, IAS 19, IAS 27, IAS 38 and IAS 41
 - Annual improvements: 2010-2012 cycle (Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24).
 - Annual improvements: 2012-2014 cycle (Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34).
- These changes will not have a material impact to the Group.

In addition, the following standards and amendments published by the IASB have not been endorsed yet by the European Commission:

- IFRS 9 Financial Instruments
 - IFRS 14 Regulatory Deferral Accounts
 - IFRS 15 Revenue from contract with customers
 - IFRS 16 Leases
 - Amendments to IFRS 10 and IFRS 12
 - Amendments to IAS 7, IAS 12 and IAS 28.
- These changes are not expected to have a material impact to the Group.

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 statement.

LEASES

The Group has entered into lease contracts for its fleet of FPSOs/FSOs. In determining lease classification, the Group evaluates whether risks and rewards incidental to ownership lies with the Group or with the lessee. When the Group does not transfer all significant risks and rewards of ownership of an asset, leases are classified as operating leases. Management must make assessments with regards to overall length of the contract versus useful life, whether ownership retains with the lessor, whether there are operating requirements linked to the charter rate and so forth to decide whether the contract is an operating lease or a financial lease.

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. The present value of the lease payments will then be recognised as a financial asset in the balance sheet. Lease income as of the commencement of the lease contract is recognised as a constant periodic return on the finance lease receivable recorded in the balance sheet.

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 useful life. The estimated useful life is based on experi-

ence 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 an 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 about residual value are based on knowledge of scrap values which in turn depend on steel prices in the world market and demobilisation costs.

REVENUES

The Group has significant revenue recorded for insurance reimbursement for 2015 due to the accident on Cidade de São Mateus. Reimbursement from insurance is recorded as revenue only when it is virtually certain that insurance reimbursement will be received. Management must make assessments on the recoverability of expenses incurred, as well as to be incurred, for repairs up against insurance coverage taken out on the FPSO/FSO. Virtually certain is concluded to have been met when there are about 90-95% certain that the insurance proceeds will be received. The assessment of 90-95% is based on discussions with and approvals from insurance companies and loss adjuster, actual claims received to date and managements best estimate.

IMPAIRMENT

The Group reviews periodically whether tangible assets, including 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 10.

The Group periodically reviews whether goodwill have suffered any impairment in accordance with the accounting policy stated in Note 2. The impairment testing for cash-generating units requires a number of estimates and judgments in order to calculate the net present value of future cash flows such as the future development of revenues and costs and the discount rate. The key assumptions used for the impairment testing of goodwill are described in Note 21.

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.

NOTE 4 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

| SUBSIDIARIES | COUNTRY OF INCORPORATION | OWNERSHIP 2015 | OWNERSHIP 2014 |
|---|--------------------------|----------------|----------------|
| Belokamenka Limited | Bermuda | 100% | 100% |
| Berge Carmen Singapore Pte Ltd | Singapore | 100% | 100% |
| Berge Helene Limited | Bermuda | 100% | 100% |
| Berge Okoloba Toru 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 Ara Limited | Bermuda | 100% | 100% |
| BW Belokamenka (Cyprus) Limited | Cyprus | 100% | 100% |
| BW Carmen Limited | Bermuda | 100% | 100% |
| BW Catcher Limited | Bermuda | 100% | 100% |
| BW Cidade de São Vicente Limited | Bermuda | 100% | 100% |
| BW Endeavour Limited | Bermuda | 100% | 100% |
| BW Kudu Holding Pte Ltd | Singapore | 100% | 0% |
| BW Kudu Limited | United Kingdom | 100% | 0% |
| BW KMZ Limited | Bermuda | 100% | 100% |
| BW Nisa Limited | Bermuda | 100% | 100% |
| BW Offshore Australia Pty Ltd** | Australia | 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 Global Manning Pte. Ltd. | Singapore | 100% | 100% |
| BW Offshore Management USA Inc | USA | 100% | 100% |
| BW Offshore Nautipa AS | Norway | 100% | 100% |
| BW Offshore Netherlands B.V. | Netherlands | 100% | 100% |
| BW Offshore Nigeria Limited | Nigeria | 100% | 100% |
| BW Offshore Norway AS | Norway | 100% | 100% |
| BW Offshore Norwegian Manning AS | Norway | 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 Ltd | Bermuda | 100% | 100% |
| BW Offshore Shipholding Cyprus Ltd | Cyprus | 100% | 100% |
| BW Offshore Singapore Pte Ltd. | Singapore | 100% | 100% |
| BW Offshore TSB Invest Pte Ltd. | Singapore | 100% | 100% |
| BW Offshore (UK) Ltd | United Kingdom | 100% | 100% |
| BW Offshore USA, Inc | USA | 100% | 100% |
| BW Pioneer Limited | Bermuda | 100% | 100% |
| BW Pioneer sp z o.o. | Poland | 0% | 100% |
| BW Pioneer (UK) Limited | United Kingdom | 100% | 100% |
| BWO Rouen SAS | France | 100% | 100% |
| Egyptian Winlines Shipping Co. SAE | Egypt | 100% | 100% |
| Nautipa AS | Norway | 0% | 100% |
| PPS du Congo SARL | Congo | 0% | 100% |
| Prosaf FPSO (D) Pte. Ltd. | Singapore | 100% | 100% |
| Prosaf FPSO (D) SARL | Congo | 0% | 100% |
| Prosaf GFPSO I BV | Netherlands | 100% | 100% |
| Prosaf Production B.V. | Netherlands | 100% | 100% |
| Prosaf Production Management B.V. | Netherlands | 100% | 100% |
| Prosaf Production Nigeria Limited | Nigeria | 100% | 100% |
| Prosaf Production Pte Ltd | Singapore | 100% | 100% |
| Prosaf Production Services Pte Ltd | Singapore | 0% | 100% |
| Prosaf Services Cote d'Ivoire Pte Ltd | Singapore | 100% | 100% |
| PT BW Offshore TSB Invest* | 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% | 0% |
| FTL Subsea Limited | Scotland | 26% | 0% |
| JOINT VENTURES | | | |
| LLC 'Oil Terminal Belokamenka' | Russia | 0% | 50% |

*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.

** Formerly known as Prosaf Production Services (Australia) PTY Ltd

*** Formerly known as PPS do Brazil Servicos Maritimos Ltda

**** Formerly known as Prosaf Production do Brazil Ltda

NOTE 4 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES cont.

All associates are accounted for in the financial statements of the Group based on the equity method.

The Group has in 2015 sold its 50% shareholding in LLC 'Oil Terminal Belokamenka'.

PPS du Congo SARL and Prosafe FPSO (D) SARL were liquidated during 2015.

During 2015 the following mergers have taken place:

BW Pioneer sp zo.o has been merged with BW Pioneer (UK) Limited. Nautipa AS has been merged with BW Offshore Nautipa AS. Prosafe Production Services Pte Ltd has been merged with BW Offshore Singapore Pte Ltd.

NOTE 5 SEGMENT INFORMATION

The Group's activities are focused on construction, ownership and operation of FPSOs and FSOs.

The amounts provided to the Chief Operating Decision Maker with respect to the non-current assets and non-current liabilities are measured in a

manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment. Based on the nature of the services, processes and type of customers it has been concluded that the Group has one segment.

The segmental analysis of the consolidated income statement is as follows:

| 2015 | FPSO activity | 2014* | FPSO activity |
|---|----------------|--|----------------|
| Revenues from third parties | 1,108.0 | Revenues from third parties | 1,070.4 |
| General and administrative expenses | 46.3 | General and administrative expenses | (67.6) |
| EBITDA | 537.8 | EBITDA | 527.5 |
| Net loss on sale of tangible fixed assets | 1.4 | Net loss on sale of tangible fixed assets | 0.2 |
| Depreciation, amortisation and impairment | (658.9) | Depreciation, amortisation and impairment | (223.0) |
| EBIT | (119.7) | EBIT | 304.7 |
| Net finance cost | (56.1) | Net finance cost | (79.3) |
| Income tax expense | (40.5) | Income tax expense | (38.2) |
| Profit | (216.3) | Profit | 187.2 |
| Other segment information | | Other segment information | |
| Capital expenditure | 481.8 | Capital expenditure | 364.9 |
| Non-current assets (excl finance items) | 2,726.3 | Non-current assets (excl finance items) | 2,975.5 |
| Investments in associates | 7.7 | Investments in associates and joint ventures | 4.7 |
| Geographical information - Revenue | | Geographical information - Revenue | |
| The classification of revenue per region is determined by the final destination of the FPSO | | Net loss on sale of tangible fixed assets by the final destination of the FPSO | |
| Americas | 575.3 | Americas | 408.8 |
| Europe/Africa | 422.3 | Europe/Africa | 551.2 |
| Asia and the Pacific | 110.3 | Asia and the Pacific | 110.4 |
| Total revenue | 1,108.0 | Total revenue | 1,070.4 |
| The FPSOs by region can be analyzed as follows: | | The FPSOs by region can be analyzed as follows: | |
| Americas | 961.9 | Americas | 1,221.5 |
| Europe/Africa | 1,425.0 | Europe/Africa | 1,107.3 |
| Asia and the Pacific | 307.3 | Asia and the Pacific | 418.9 |
| Total non-current assets | 2,694.1 | Total non-current assets | 2,747.7 |

* The financial information for 2014 has been restated as the Group has reclassified currency hedges to gain/(loss) financial instruments effective 1 January 2015.

In accordance with IFRS 8.34, the Group has evaluated whether any single customers amount to 10% or more of the total revenue. The Group has identified one such customer. For this the revenue was USD 185.3 million in 2015.

In accordance with IFRS 8.34, the Group has evaluated whether any single customers amount to 10% or more of the total revenue. The Group has identified one such customer. For this the revenue was USD 283.2 million in 2014.

NOTE 6 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 leases

The FPSO Yuum K'ak' Náb 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 operating revenues, lease interest and operating expenses on vessels.

The FSO Belokamenka commenced a 15 year transshipment agreement in February 2004. The FSO was leased from the Group on a bareboat charter agreement to the joint venture company LLC 'Oil Terminal Belokamenka', which in turn has sub-leased the FSO to a customer on the same terms as in the lease agreement with the Group. The Group's partner in the joint venture was a related company of the customer. The net present value of the minimum lease payments under the transshipment agreement amounts to substantially all of the fair value of the vessel at the inception of the lease. The customer had continuous purchase options each quarter after the initial five years of the contract. In addition, the firm contract period was for the major part of the economic life of the FSO. The contract was classified as a finance lease by the Group and by LLC 'Oil Terminal Belokamenka' up to December 2015. In December 2015, the transshipment agreement was terminated and the ownership of the vessel was transferred to the Group (reference to Note 10). No cash consideration was paid or received as part of the termination, and outstanding lease receivables at time of termination has been treated as cost for the vessel.

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

| | 2015 | 2014 |
|--|--------------|--------------|
| Not later than one year | 25.3 | 30.4 |
| Later than one year and not later than five years | 101.0 | 116.5 |
| Later than five years | 37.8 | 63.1 |
| Gross receivables from finance leases | 164.1 | 210.0 |
| Unearned future finance income on finance leases | (34.5) | (51.7) |
| Net investment in finance leases | 129.6 | 158.3 |
| Included in non-current assets (Financial lease receivables) | 113.5 | 140.9 |
| Included in current assets (Financial lease receivables) | 16.1 | 17.4 |

Operating leases

BW Offshore has entered into contracts on operating leases on most of the FPSO/FSOs owned by year end. Belokamenka and Azurite are not on contract as of December 2015. Athena is not on contract as of March 2016

(reference to Note 28). 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:

| | 2015 | 2014 |
|---|----------------|----------------|
| Not later than one year | 602.6 | 782.9 |
| Later than one year and not later than five years | 1,623.6 | 2,348.6 |
| Later than five years | 1,029.8 | 1,289.0 |
| Total nominal amount | 3,256.0 | 4,420.5 |

NOTE 7 SPECIFICATION OF OPERATING, ADMINISTRATIVE AND OTHER EXPENSES

| Operating expenses vessels | 2015 | 2014 |
|---|--------------|--------------|
| Employee benefit expenses crew (Note 8) | 166.0 | 183.4 |
| Insurance | 36.9 | 28.8 |
| Operation, maintenance, spare parts and repairs | 290.3 | 254.7 |
| Total | 493.2 | 466.9 |
| Administrative expenses | 2015 | 2014 |
| Employee benefit expenses (Note 8) | 20.5 | 32.0 |
| Travel expenses | 4.3 | 4.4 |
| Auditors | 0.9 | 1.2 |
| IT and communication | 7.4 | 9.1 |
| Offices (rent etc.) | 7.6 | 7.3 |
| Other expenses including restructuring costs | 5.7 | 7.1 |
| Total | 46.3 | 61.2 |

Other expenses

Other expenses amounting to USD 31.2 million in 2015 (USD 36.6 million) relates to tendering and FEED activities which is to a large extent funded

by third parties. Funding of feed activities are recognised gross as revenue in the financial statements.

NOTE 8 EMPLOYEE BENEFIT EXPENSES, REMUNERATION TO DIRECTORS AND AUDITORS ETC.

| Employee benefit expenses | 2015 | 2014 |
|---|--------------|--------------|
| Wages, crew | 166.0 | 183.4 |
| Wages, administrative personnel | 15.5 | 27.0 |
| Social security tax | 5.0 | 5.0 |
| Pension costs defined benefit plans (Note 18) | 3.7 | 3.1 |
| Total employee benefit expenses | 190.2 | 218.5 |

Total employee benefit expenses are included in the following lines in the consolidated statement of income:

| | | |
|--|--------------|--------------|
| Operating expenses | 169.7 | 186.5 |
| Administrative expenses | 20.5 | 32.0 |
| Total employee benefit expenses | 190.2 | 218.5 |
| Average number of employees | 2,585 | 2,375 |

Remuneration to Top management and Board of Directors

| Corporate management (in USD) | Year | Salary | Bonus | Pension | Share options | Other benefits |
|-------------------------------|------|-----------|-----------|---------|---------------|----------------|
| Top Management | 2015 | 3,831,964 | 1,543,772 | 721,294 | 451,788 | 644,212 |
| Top Management | 2014 | 3,905,521 | 1,481,939 | 525,472 | - | 607,888 |

Number of shares owned by Top Management in 2015 is 10,443,787 (9,094,272).

Top Management comprises Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Operating Officer, Chief Technical Officer, Chief Business Development Officer, Head of Legal and Head of Human Capital as at 31 December 2015.

| Board of Directors | Year | Directors fee | Shares | Share options |
|--------------------|------|---------------|-------------|---------------|
| Board of Directors | 2015 | 498,845 | 343,858,248 | - |
| Board of Directors | 2014 | 470,955 | 343,046,248 | - |

The compensation for Board services for the period May 2015 to May 2016 will be decided at the annual general meeting in May 2016.

| Loans to other employees (USD '000) | 2015 | 2014 |
|-------------------------------------|------|------|
| Loans to other employees | 15.4 | 44.1 |

The Group has not provided any loans to Top Management or affiliates.

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.

SHARE OPTIONS

The Company's board of directors has resolved to grant the Chief Executive Officer (CEO) 2,500,000 share options, settled in equity. The options were granted 6 May 2014 and will vest after three years, provided the CEO is still in the position when the options vest. The strike price is NOK 10 per share. The share options shall be declared within three months from the date of vesting, and dividends shall be paid on final shares delivered, as if such shares have been held since 6 May 2014. The valuation is estimated at grant date using a Black & Scholes pricing model. Total effect to other equity was USD 0.5 million in 2015.

VARIABLE COMPENSATION SCHEME FOR BW OFFSHORE

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 company, and the financial factors that influence the Group's performance. The VCS for 2016 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. Recognition by the Board of Directors of achievement will be discretionary.

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 in order to be eligible for VCS scheme benefits.

| Fees to auditors (USD '000) | 2015 | 2014 |
|-----------------------------|----------------|----------------|
| Statutory audit | 534.0 | 791.7 |
| Other attestation services | 314.7 | 308.9 |
| Tax related services | 325.6 | 71.6 |
| Total fees | 1,174.3 | 1,172.2 |

NOTE 9 INCOME TAX EXPENSE

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.

The Group's operational activities are subject to taxation rates which range from 0% to 35%. Depending on the jurisdiction, taxation can be based on gross income from operations or based on profit before tax. 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.

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.

| Tax expense for the year | 2015 | 2014 |
|----------------------------------|-------------|-------------|
| Changes in temporary differences | 2.8 | (2.3) |
| Tax payable ex withholding tax | 16.5 | 21.3 |
| Withholding tax | 21.2 | 19.2 |
| Total | 40.5 | 38.2 |

| Effective income tax rate | 2015 | 2014 |
|---|---------|--------|
| Net result before income tax | (175.8) | 225.4 |
| Income tax at Bermuda statutory Income tax rate of 0% | - | - |
| Withholding taxes | 21.2 | 19.2 |
| Effect of higher tax rates outside Bermuda | 16.5 | 21.3 |
| Expensed deferred tax assets | 2.8 | (2.3) |
| Income tax at the effective income tax rate | 40.5 | 38.2 |
| Effective tax rate | - | 16.9 % |

| Tax liabilities at 31 December | 2015 | 2014 |
|--------------------------------|------|------|
| Tax payable | 24.3 | 35.6 |

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.

Deferred tax liabilities and deferred tax assets (-) can be specified as follows:

| Deferred tax assets | 2015 | 2014 |
|---|--------------|--------------|
| Other | 4.2 | 4.6 |
| Deferred tax assets - gross | 4.2 | 4.6 |
| Deferred tax liabilities | | |
| Fixed assets | (3.3) | (0.6) |
| Deferred tax liabilities - gross | (3.3) | (0.6) |
| Net recognised deferred tax liabilities/ Deferred tax assets (-) | 0.9 | 4.0 |

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

The Group also has tax loss carried forward in several jurisdictions. These deferred tax assets 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.

NOTE 10 FPSO'S, FSO'S AND VESSELS UNDER CONSTRUCTION

The owned fleet at 31 December 2015 included the following vessels: Abo, Azurite, Belokamenka, Berge Helene, BW Athena, BW Cidade de São Vicente, BW Joko Tole, BW Pioneer, Cidade De São Mateus, Espoir Ivoirien, Petróleo Nautipa, Polvo, Sendje Berge, Umuroa and Yuum K'ak' Náab.

Vessels under construction include the BW Catcher. On 30 April 2014 BW Offshore signed a contract with Premier Oil for an FPSO to operate on the Catcher oil field in the UK North Sea. BW Offshore has ordered a new built hull from Japan for the project, while conversion and integration work will be performed in Singapore. The FPSO shall be ready for production in 2017. Good progress has been made during 2015 on engineering, procurement and construction activities. Construction of the turret mooring system is progressing well with the mating cone module completed and delivered to the hull fabrication yard. Hull activities have slipped due to yards inability to progress the hull delivery in accordance with the con-

Yuum K'ak' Náab (see Note 6) is accounted for as finance lease and is not included in the table below.

| 2015 | Vessels in operation | Vessels under construction | Vessels available for projects | Total |
|---|----------------------|----------------------------|--------------------------------|------------------|
| Cost at 1 January 2015 | 3,416.6 | 149.5 | 432.5 | 3,998.6 |
| Additions | 102.4 | 373.0 | 21.4 | 496.8 |
| Disposal | - | - | (84.5) | (84.5) |
| Cost at 31 December 2015 | 3,519.0 | 522.5 | 369.4 | 4,410.9 |
| Accumulated depreciation and impairment charge at 1 January 2015 | (1,137.3) | - | (113.6) | (1,250.9) |
| Current year depreciation | (255.3) | - | (1.3) | (256.6) |
| Impairment charge | (173.3) | - | (36.0) | (209.3) |
| Accumulated depreciation and impairment charge at 31 December 2015 | (1,565.9) | - | (150.9) | (1,716.8) |
| Book Value at 31 December 2015 | 1,953.1 | 522.5 | 218.5 | 2,694.1 |
| 2014 | | | | |
| Cost at 1 January 2014 | 3,544.4 | - | - | 3,544.4 |
| Additions | 123.4 | 149.5 | 84.5 | 357.4 |
| Reclassification | (348.0) | - | 348.0 | - |
| Addition Petróleo Nautipa consolidated after acquiring Tinworth Pte Ltd 100 % (see Note 27) | 96.8 | - | - | 96.8 |
| Cost at 31 December 2014 | 3,416.6 | 149.5 | 432.5 | 3,998.6 |
| Accumulated depreciation and impairment charge at 1 January 2014 | (1,034.5) | - | - | (1,034.5) |
| Current year depreciation | (216.4) | - | - | (216.4) |
| Reclassification | 113.6 | - | (113.6) | - |
| Accumulated depreciation and impairment charge at 31 December 2014 | (1,137.3) | - | (113.6) | (1,250.9) |
| Book Value at 31 December 2014 | 2,279.3 | 149.5 | 318.9 | 2,747.7 |
| Useful life | Up to 25 years | | | |
| Capitalised interest cost for vessels under conversion 2014 | | 2.2 | | |
| Capitalised interest cost for vessels under conversion 2015 | | 22.9 | | |

The Group has performed an impairment assessment of fleet for 2015. This assessment led to a USD 209.3 million impairment loss recorded, to write down certain vessels to the recoverable amount. Impairment of USD 160 million is recognised for damages on FPSO Cidade de São Mateus caused by the accident in February 2015. Remaining impairment is allocated with USD 36 million on FPSO Azurite, USD 6.0 million on FPSO BW Athena and USD 7.3 million on FPSO Polvo. Due to the expectations of a prolonged downturn in the Oil and Gas sector with limited new awards in the short to medium term, the Group has seen it necessary to adjust assumptions used for valuing the fleet. This has in general led to lower headroom between recoverable amount and net book value, and for some vessels this resulted in an impairment for 2015.

tractual schedule. A mitigation plan has been implemented to minimise the impact to the overall project schedule. Topside fabrication is developing as planned. At the end of the year more than 75% of the projected project cost has been committed. BW Offshore is closely monitoring progress and safety in all the project activities, ensuring that mitigating actions are implemented quickly if any deviation is detected.

Vessels available for projects includes vessels that is currently not in operation. BW Opal was sold in 2015. Azurite is in lay-up and is currently marketed for new projects. Belokamenka (see Note 6 and 20) was accounted for as a finance lease up to December 2015. In December 2015, the lease was terminated and the vessel was redelivered to the Group. The vessel is currently marketed for new projects. The contract on BW Athena was cancelled in February 2016 and the vessel will be marketed for new projects after demobilisation (see Note 28).

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 live for each vessel. Uncontracted cash flows has been estimated based on past 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. Part of the basis for the impairment assessment is also that the Group expects an improved market from mid-2017 where idle units are expected to return to employment. Each of the scenarios are weighted so as 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 7% (7%) 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
- The equity ratio is based on long term assumption on BW Offshore's financial strategy and capital structure, as well as peer group balance sheet data for listed oil service companies
- For the risk free rate BW Offshore is using the US 10 year treasury yield 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

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.

The WACC used for discounting cash flows during impairment testing is sensitive for assumptions as provided above. An increase of the WACC for the Group by 1% would require an additional impairment of USD 45 million to be recognised.

A one year extra before redeployment of the vessels which per year end 2015 is uncontracted would require an additional impairment in the range of USD 50 million, and similarly a further rate reduction of 10% from the weighted scenario on the same vessels would require an additional impairment in the range of USD 100 million.

Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was on average approximately 5.5% based on LIBOR + 2.00% margin and an average interest swap rate.

The Group has also performed an impairment testing of fleet for 2014. The impairment testing did not identify that any impairment was required for any of the vessels in the fleet.

NOTE 11 PROPERTY AND OTHER EQUIPMENT

| 2015 USD million | Vehicles and equipment | Computer hardware | Buildings | Total |
|---|-------------------------------|--------------------------|------------------|--------------|
| Cost at 1 January 2015 | 14.0 | 7.7 | 1.2 | 22.9 |
| Additions | 1.9 | 1.8 | - | 3.7 |
| Exchange differences | (0.5) | (0.6) | - | (1.1) |
| Disposals (impairment/discontinued operation) | (0.4) | - | - | (0.4) |
| Cost at 31 December 2015 | 15.0 | 8.9 | 1.2 | 25.1 |
| Accumulated depreciation at 1 January 2015 | (5.4) | (5.2) | (0.1) | (10.7) |
| Current year depreciation | (2.5) | (0.9) | - | (3.4) |
| Disposals | 0.5 | - | - | 0.5 |
| Exchange differences | 0.2 | 0.3 | - | 0.5 |
| Accumulated depreciation at 31 December 2015 | (7.2) | (5.8) | (0.1) | (13.1) |
| Balance at 31 December 2015 | 7.8 | 3.1 | 1.1 | 12.0 |
| Useful life | 5-11 years | 3 years | 0-25 years | |
| 2014 USD million | Vehicles and equipment | Computer hardware | Buildings | Total |
| Cost at 1 January 2014 | 11.9 | 9.5 | 1.1 | 22.5 |
| Additions | 2.3 | 1.8 | 0.1 | 4.2 |
| Disposals (impairment/discontinued operation) | (0.2) | (3.6) | - | (3.8) |
| Cost at 31 December 2014 | 14.0 | 7.7 | 1.2 | 22.9 |
| Accumulated depreciation at 1 January 2014 | (3.5) | (6.6) | - | (10.1) |
| Current year depreciation | (2.0) | (2.2) | (0.1) | (4.3) |
| Disposals | 0.1 | 3.6 | - | 3.7 |
| Accumulated depreciation at 31 December 2014 | (5.4) | (5.2) | (0.1) | (10.7) |
| Balance at 31 December 2014 | 8.6 | 2.5 | 1.1 | 12.2 |
| Useful life | 5-11 years | 3 years | 0-25 years | |

NOTE 12 INTANGIBLE ASSETS

| USD million | Goodwill | Software | Total Intangible assets |
|--|----------------|--------------|-------------------------|
| Cost | | | |
| At 1 January 2015 | 186.9 | 8.8 | 195.7 |
| Additions | - | 2.9 | 2.9 |
| Disposal | - | (0.2) | (0.2) |
| Carrying amount, 31 December 2015 | 186.9 | 11.5 | 198.4 |
| Amortisation and impairment | | | |
| At 1 January 2015 | - | (4.6) | (4.6) |
| Amortisation and impairment | (186.9) | (2.5) | (189.4) |
| Disposal | - | - | - |
| At 31 December 2015 | (186.9) | (7.1) | (194.0) |
| Net book value | | | |
| At 31 December 2015 | - | 4.4 | 4.4 |
| At 31 December 2014 | 186.9 | 4.2 | 191.1 |
| Useful life | indefinite | 1 - 3 years | |
| Amortisation method | | linear | |

Refer to Note 21 for more information on goodwill and intangibles.

NOTE 13 INVESTMENTS IN ASSOCIATED COMPANIES

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

| 2015 Entity Country Industry | OCS Services Limited British Virgin Islands Manning Office | Other associates Technology |
|---|--|--------------------------------|
| Carrying amount 1 January 2015 | 4.6 | 0.0 |
| Investment | 0.0 | 2.7 |
| Share of net profit | 0.4 | 0.0 |
| Carrying amount 31 December 2015 | 5.0 | 2.7 |
| Fair value | N/A | N/A |

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

| Entity | Assets | Liabilities | Equity | Revenues | Result for the year |
|-------------------|--------|-------------|--------|----------|---------------------|
| OCS Services Ltd. | 10.9 | 1.3 | 9.6 | 5.5 | 0.9 |
| Other associates | 6.3 | 3.0 | 3.3 | 3.7 | (0.3) |

| 2014 Entity Country Industry | OCS Services Limited British Virgin Islands Manning Office |
|---|--|
| Carrying amount 1 January 2014 | 4.6 |
| Share of net profit | 0.0 |
| Carrying amount 31 December 2014 | 4.6 |
| Fair value | N/A |

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

| Entity | Assets | Liabilities | Equity | Revenues | Result for the year |
|-------------------|--------|-------------|--------|----------|---------------------|
| OCS Services Ltd. | 12.0 | 2.9 | 9.1 | 5.1 | 0.0 |

OCS
The Group does not have joint control over this investment. Our 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 14 CASH AND DEPOSITS

Cash and cash equivalents are denominated primarily in USD, SGD, BRL, EUR, GBP, JPY and NOK. Restricted bank deposits at 31 December 2015 and 31 December 2014 amounted to USD 1.9 million and USD 9.4 million, respectively, and relate mainly to taxes withheld from employees and USD 0.8 million on escrow account related to an ongoing arbitration process. The Group also has bank guarantees related to liabilities regarding taxes withheld from employees and lease of office premises.

NOTE 15 SHARE CAPITAL OF THE COMPANY, LARGEST SHAREHOLDERS, PAR VALUE ETC.

| Share capital | USD '000 |
|--|----------|
| Authorised share capital | |
| At 1 January 2015: 700,000,000 ordinary shares at par value USD 0.01 each | |
| At 31 December 2015: 700,000,000 ordinary shares at par value USD 0.01 each | |
| Issued and fully paid | |
| At 1 January 2015 | 6,880.0 |
| At 31 December 2015 | 6,880.0 |

The Company held a total of 2,445,020 own shares at 31 December 2015 (2,609,535). These shares are held as 'treasury shares'. Book value of the treasury shares was USD 9.0 million at 31 December 2015 (USD 9.1 million).

The 20 largest shareholders at 31 December 2015 were:

| | Name | No of shares | Holding |
|----|---|--------------|---------|
| 1 | BW GROUP LIMITED* | 342,312,248 | 49.8 % |
| 2 | STATE STREET BANK AND TRUST CO. | 30,974,394 | 4.5 % |
| 3 | FIDELITY FUNDS-NORDIC FUND/SICAV | 21,688,925 | 3.2 % |
| 4 | FIDELITY PURITAN TRUST: FIDELITY | 17,549,100 | 2.6 % |
| 5 | ODIN NORGE | 17,139,152 | 2.5 % |
| 6 | SANTANDER SECURITIES SERVICES, S.A | 9,418,942 | 1.4 % |
| 7 | FIDELITY SELECT PORTFOLIOS: ENERGY | 9,215,465 | 1.3 % |
| 8 | ODIN ENERGI | 8,000,000 | 1.2 % |
| 9 | Carl Krogh Arnet | 7,499,081 | 1.1 % |
| 10 | CITIBANK, N.A. (S/A DFA-INTL SML CAP VAL PORT) | 7,205,289 | 1.0 % |
| 11 | FID BLUE CHIP VAL FD | 7,014,500 | 1.0 % |
| 12 | BNP PARIBAS SEC. SERVICES S.C.A | 6,860,508 | 1.0 % |
| 13 | SKANDINAVISKA ENSKILDA BANKEN AB | 5,415,841 | 0.8 % |
| 14 | FIDELITY INVESTMENT TRUST: FIDELITY | 5,305,227 | 0.8 % |
| 15 | VERDIPAPIRFONDET ALFRED BERG NORGE | 5,018,404 | 0.7 % |
| 16 | MORGAN STANLEY & CO. INTERNATIONAL | 4,552,160 | 0.7 % |
| 17 | THE BANK OF NEW YORK MELLON | 4,323,913 | 0.6 % |
| 18 | NHO - P665AK | 3,787,938 | 0.6 % |
| 19 | J.P. MORGAN CHASE BANK N.A. LONDON | 3,752,591 | 0.5 % |
| 20 | CITIBANK, N.A. (S/A DFA-CNTL SMALL CO SERIES) | 3,202,396 | 0.5 % |
| | Top 20 shareholders | 520,236,074 | 75.6 % |
| | Total shares outstanding | 688,006,004 | |

* BW Group Limited is controlled by corporate interests associated with the Sohmen family.

The 20 largest shareholders at 31 December 2014 were:

| | Name | No of shares | Holding |
|----|-------------------------------------|--------------|---------|
| 1 | BW GROUP LIMITED* | 342,312,248 | 49.8% |
| 2 | STATE STREET BANK AND TRUST CO. | 17,642,863 | 2.6% |
| 3 | ODIN NORGE | 14,320,566 | 2.1% |
| 4 | FIDELITY FUND-NORDIC FUND/SICAV | 11,001,870 | 1.6% |
| 5 | FIDELITY FUNDS | 9,261,400 | 1.3% |
| 6 | ODIN OFFSHORE | 8,413,994 | 1.2% |
| 7 | THE BANK OF NEW YORK MELLON | 7,599,492 | 1.1% |
| 8 | CARL KROGH ARNET | 7,499,081 | 1.1% |
| 9 | CITIBANK, N.A. (S/A DFA) | 6,838,935 | 1.0% |
| 10 | STATE STREET BANK & TRUST CO. | 6,752,884 | 1.0% |
| 11 | FIDELITY SELECT PORTFOLIOS: ENERGY | 6,620,558 | 1.0% |
| 12 | CITIBANK, N.A. (S/A FIDILITY) | 6,585,100 | 1.0% |
| 13 | KLP AKSJE NORGE VPF | 6,295,520 | 0.9% |
| 14 | GOLDMAN SACHS & CO EQUITY SEGREGAT | 6,150,267 | 0.9% |
| 15 | J.P. MORGAN CHASE BANK N.A. LONDON | 5,378,814 | 0.8% |
| 16 | KOMMUNAL LANDSPENSJONSKASSE | 4,722,841 | 0.7% |
| 17 | FIDELITY INVESTMENT TRUST: FIDELITY | 4,656,813 | 0.7% |
| 18 | VERDIPAPIRFONDET ALFRED BERG NORGE | 4,324,215 | 0.6% |
| 19 | STATE STREET BANK & TRUST COMPANY | 4,174,990 | 0.6% |
| 20 | BROWN BROTHERS HARRIMAN & CO. BOST | 4,160,000 | 0.6% |
| | Top 20 shareholders | 484,712,451 | 70.5% |
| | Total shares outstanding | 688,006,004 | |

* BW Group Limited is controlled by corporate interests associated with the Sohmen family.

NOTE 16 TRADE AND OTHER RECEIVABLES

| Total | 2015 | 2014 |
|--|--------------|--------------|
| Trade receivables – gross | 206.6 | 218.2 |
| Provision for doubtful debt | [5.4] | [8.4] |
| Other receivables | 63.5 | 84.6 |
| Prepayments | 15.3 | 12.0 |
| Insurance claims | 175.3 | 0.7 |
| Trade and other receivables – net | 455.3 | 307.1 |
| Current portion | 455.3 | 307.1 |

Insurance claims are predominantly related to the accident for FPSO Cidade de São Mateus (reference to Note 25).

The fair value of trade and other receivables is as follows:

| | 2015 | 2014 |
|-----------------------------|-------|-------|
| Trade and other receivables | 455.3 | 307.1 |

As of 31 December 2015, trade receivables of USD 74.8 million (USD 46.8 million) were overdue but not impaired.

These relate to customers whom there is no recent history of default. The aging analysis of trade receivables is as follows:

| | 2015 | 2014 |
|----------------------------------|--------------|--------------|
| Not past due | 126.4 | 163.0 |
| Up to 3 months | 62.2 | 48.4 |
| 3 - 6 months | 3.2 | 0.6 |
| 6 - 12 months | 9.2 | 5.9 |
| 12 - > months | 5.6 | 0.3 |
| Trade receivables - gross | 206.6 | 218.2 |

As of 31 December 2015, trade receivables of USD 5.4 million (USD 8.4 million) were impaired due to disputes and provided for.

The aging of these receivables is as follows:

| | 2015 | 2014 |
|----------------|------------|------------|
| Up to 3 months | 0.6 | 2.5 |
| Over 3 months | 4.8 | 5.9 |
| Total | 5.4 | 8.4 |

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:

| | 2015 | 2014 |
|--|------------|------------|
| Provision at 1 January | 8.4 | 2.3 |
| Charge for doubtful debt during the period | 4.4 | 8.4 |
| Reversal of provision | [7.4] | [2.3] |
| Provision at 31 December | 5.4 | 8.4 |

The other classes within trade and other receivables do not contain any impaired assets.

Credit risk and foreign exchange risk regarding accounts receivable is described in Note 17.

NOTE 17 FINANCIAL RISK MANAGEMENT

The Group's central finance division has the responsibility of 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 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 teams' 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 Senior 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

Historically, demand for offshore exploration, development and production has been volatile and closely linked to the oil price. Low oil prices typically lead to a reduction in exploration as the oil companies scale down their own investment budgets. Most of the Group's units at 31 December 2015 are fixed on long-term contracts, and this, to some extent, reduces the Group's exposure against intermediate oil and gas price fluctuations. Never-

theless, a decrease in the oil prices may have an adverse impact on the financial position of the Group through affecting exercise of options under existing contracts and lack of redeployment opportunities for units that are coming off contract. The fleet asset values have been assessed according to a value-in use methodology, with balanced assumptions on the likelihood of option periods and future redeployments. A prolonged market with low oil price might require assumptions to be changed, which in turn can result in impairments on assets. See Note 10 for more details.

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'), Brazilian Reals ('BRL'), Japanese Yen ('JPY') and Euro ('EUR'). Operating expenses denominated in NOK, SGD, BRL, GBP and EUR constitute a part of the Group's total operating expenses. Capital expenditures related to construction, conversion and life extension activities on FPSOs will also to some extent be denominated in other currencies than USD. Consequently, fluctuations in the exchange rate on NOK, SGD, GBP, BRL, JPY and EUR may have significant impact on the financial statements of the Group.

The Group enters into forward/futures contracts in order 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. To the extent possible, most of the cash flows in foreign currencies related to construction and conversion projects have been 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 FX contracts was USD 232.2 million at 31 December 2015. Fair value of the foreign exchange contracts amounted to negative USD 24.9 million (compared to USD 324.6 million and negative USD 32.9 million in 2014) and are presented gross in the statement of financial position. Net effect of forward exchange contracts recognised in the income statement in 2015 is negative by USD 0.4 million.

The Group is exposed to foreign currency risk on bonds issued in NOK, respectively bond BW001, BW002, BW003 and BW004. The Group had per 31 December 2015 issued bonds totalling NOK 2,650 million. The foreign currency exposure on bond BW001, BW002 and BW003 are hedged through cross-currency interest swaps with a nominal value of USD 300.8 million, while BW004 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 were negative by USD 133.2 million at 31 December 2015, compared to negative USD 75.5 million at 31 December 2014. The Group applies hedge accounting for the cross-currency interest swaps.

The Group also applies hedge accounting for the foreign exchange hedging related to the construction contract for Catcher. Hedge transactions will take place during the construction phase in 2016 and 2017 and derivatives are entered to match the respective payments. USD 13.2 million (USD 0.5 million) of cash flow hedges in Other comprehensive income has been capitalised as

vessel under construction. The ineffective part of cash flow hedges recognised in the Income Statement is zero in 2015 (negative by USD 1.3 million in 2014).

The net effect of the hedge accounting recognised in other comprehensive income amounts to USD 1.6 million (compared to a negative effect of USD 16.5 million in 2014).

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, taking into account its financial position, past 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 income, 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. During 2015 we have seen a continuing drop in the oil price. 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 BW Offshore 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 grew to USD 74.8 million at the end of 2015, compared to USD 46.8 million at the end of 2014. The overdue situation was mainly related to units operating in West Africa. As per end of February the overdue situation has been reduced back to approximately USD 45 million.

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 continuously monitoring of larger counterparties. For the current yard contract for the construction of FPSO BW Catcher, there is a refund guarantee from a bank in favour of BW Offshore's advanced payments during construction.

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 (Note 16), other current assets and financial lease receivables (Note 6).

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 Company.

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

From a liquidity perspective, several events have happened in 2015 that has increased the liquidity risk, and consequently the risk of a breach of the Group's liquidity covenants.

Due to the accident with Cidade de São Mateus in early 2015, The Group will not have any income on this unit, when loss of hire insurance will discontinue in May 2016, until the FPSO has been repaired and is back in production for the client. The continued drop in oil price has also made it more economically challenging for clients that have marginal production, which has increased the risk that extension options will not get exercised and consequently that income on certain units will disappear earlier than previously anticipated. The same macro environment has also made it more challenging to redeploy units that are coming off contract. BW Offshore has also since 2012 been using the bond market to provide an additional liquidity base. However, in the current macro-economic environment this market does not seem available for the oil and gas companies.

Considering the above, the undrawn portion of the revolving credit facility ('RCF') constitutes a significant portion of the Group's liquidity reserve. The Group will need to make additional drawings

NOTE 17 FINANCIAL RISK MANAGEMENT cont.

on the RCF during the coming year. In 2016 the most critical covenant, which the Group will have to comply is the minimum liquidity covenant of USD 75 million. While the actual minimum liquidity was above this at year-end 2015, there is a risk, due to downpayments of debt and capital commitments on newbuildings and life extension programs (see Note 24), that the minimum liquidity may decrease to be close to or go below USD 75 million.

To secure the Group's liquidity situation for the foreseeable future, a number of initiatives are considered. Early 2016 an extensive cost reduction

exercise onshore was launched. This is followed by additional focus on offshore activities including capex investment on life extension activities. In addition to this, management is also evaluating other necessary actions, including but not limited to, extending the maturity on the current loan facilities and extending maturity on existing bonds.

In the event that the Group end up breaching the liquidity (or other) covenant, this would represent an event of default under the loan and bond agreements. In such case the Group may be able to receive a waiver of the breach. Should such breach continue without a waiver or remediation

by the Group, the RCF agent and bond holders could ultimately declare default and demand a repayment, which again would represent an event of default in most of the Group's other loan agreements.

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 2015

| | Q1 16 | Q2 16 | Q3 16 | Q4 16 | 2016 | 2017 | 2018 - 2020 | 2021 and beyond | Total |
|---------------------------------|--------------|-------------|--------------|-------------|--------------|--------------|----------------|--------------------|----------------|
| USD 2,400 million facility | 111.2 | - | 111.2 | - | 222.5 | 222.5 | 466.2 | - | 911.2 |
| Catcher facility | - | - | - | - | - | 57.1 | 287.9 | - | 345.0 |
| Joko Tole facility | 14.7 | 14.1 | 10.1 | 10.1 | 48.9 | 37.5 | 16.3 | - | 102.8 |
| Umuroa facility | 1.0 | 1.0 | 1.0 | 1.0 | 4.0 | 4.0 | 22.0 | - | 30.0 |
| Petróleo Nautipa facility | 5.8 | - | 5.8 | - | 11.6 | 11.6 | 34.9 | 16.0 | 74.2 |
| BWO01 - NOK 500 million Bond* | - | - | - | - | - | 90.0 | - | - | 90.0 |
| BWO02 - NOK 500 million Bond* | - | - | - | - | - | - | 86.8 | - | 86.8 |
| BWO03 - NOK 750 million Bond* | - | - | - | - | - | - | 124.0 | - | 124.0 |
| BWO04 - NOK 900 million Bond* | - | - | - | - | - | - | 117.0 | - | 117.0 |
| Interest rate swaps | 9.7 | 9.5 | 8.4 | 8.4 | 36.0 | 24.4 | 30.4 | (1.6) | 89.2 |
| Interest payments | 11.5 | 10.2 | 11.8 | 9.9 | 43.5 | 41.4 | 28.9 | 1.2 | 115.0 |
| Other | 0.6 | 0.5 | 0.7 | 0.5 | 2.2 | 2.2 | 5.9 | 3.1 | 13.5 |
| Trade and other payable current | 111.9 | 54.6 | 54.7 | 54.7 | 275.9 | - | - | - | 275.9 |
| Total | 266.5 | 89.9 | 203.7 | 84.6 | 644.7 | 490.7 | 1,220.3 | 18.8 | 2,374.7 |

*] Bond loan illustrated at swapped USD/NOK rate

Maturity profile - financial liabilities, Year ended 2014

| | Q1 15 | Q2 15 | Q3 15 | Q4 15 | 2015 | 2016 | 2017 - 2019 | 2020 and beyond | Total |
|------------------------------------|--------------|-------------|--------------|--------------|--------------|--------------|----------------|--------------------|----------------|
| USD 2,400 million facility | 111.2 | - | 111.2 | - | 222.5 | 222.5 | 793.7 | - | 1,238.6 |
| Catcher facility | - | - | - | - | - | - | 99.0 | - | 99.0 |
| Joko Tole facility | 14.7 | 14.7 | 14.7 | 14.7 | 58.9 | 48.9 | 53.8 | - | 161.7 |
| Umuroa facility | 4.2 | 4.2 | 4.2 | 34.2 | 46.7 | - | - | - | 46.7 |
| USD 50 million unsecured term loan | 50.0 | - | - | - | 50.0 | - | - | - | 50.0 |
| BWO01 - NOK 500 million Bond* | - | - | - | - | - | - | 90.0 | - | 90.0 |
| BWO02 - NOK 500 million Bond* | - | - | - | - | - | - | 86.8 | - | 86.8 |
| BWO03 - NOK 750 million Bond* | - | - | - | - | - | - | 124.0 | - | 124.0 |
| Interest rate swaps | 8.5 | 8.4 | 8.4 | 8.2 | 33.5 | 29.7 | 26.8 | (2.2) | 87.7 |
| Interest payments | 12.7 | 10.3 | 10.7 | 9.7 | 43.3 | 37.5 | 38.1 | - | 119.0 |
| Other | 0.5 | 0.6 | 1.0 | 0.6 | 2.7 | 2.2 | 6.1 | 5.0 | 16.0 |
| Trade and other payable current | 110.1 | 50.9 | 51.0 | 51.0 | 263.0 | - | - | - | 263.0 |
| Total | 311.9 | 89.2 | 201.2 | 118.3 | 720.6 | 340.8 | 1,318.3 | 2.7 | 2,382.4 |

*] Bond loan illustrated at swapped USD/NOK rate

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

| | 2015 | 2014 |
|------------------------|-------|-------|
| Expire within one year | - | - |
| Expire beyond one year | 226.2 | 121.2 |

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 2015 the Group's floating rate debt amounted to USD 1,762.0 million (USD 1,830.2 million as of 31 December 2014).

The Group holds interest rate swaps with a nominal value of USD 800 million in total with maturity during 2016-2024. The weighted average interest swap rate was 2.30% at 31 December 2015. The swaps are held to hedge the quarterly cash flows from floating rate interest payments on the USD 2,400 million loan facility and the USD 800 million credit facility. The market value of the interest swaps were negative by USD 15.7 million at 31 December 2015 (compared to negative USD 21.4 million at 31 December 2014) and the changes in fair value has been recognised as a fair value

loss 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 Group applies hedge accounting for the cross-currency interest swaps.

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 (in USD millions) |
|------|-----------------------------------|--|
| 2015 | +/- 50 | +/- 3.8 |
| 2014 | +/- 50 | +/- 3.1 |

The effect on fair value of interest hedges as a result in changes in interest rates is not taken into account in this calculation. Of the total interest-bearing debt on USD 1,762.1 million, USD 997.4 million is hedged.

The weighted average interest rate on financial instruments was as follows:

| | 2015 | 2014 |
|-----------------------------|------|------|
| Loans secured by collateral | 2.4% | 2.3% |
| Loans - unsecured | 5.5% | 5.6% |

Average interest rate on cash deposits was 0.19% in 2015 (0.24%).

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 fi-

ancial 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 rate swaps is presented as non-current liabilities in the balance sheet.

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

| | Fair value | |
|--|--------------|--------------|
| | 2015 | 2014 |
| Derivatives current net liability | 25.5 | 27.1 |
| Derivatives non-current net liability/(asset) FX | 0.4 | 3.7 |
| Derivatives non-current net liability Interest Rate Swaps | 14.7 | 20.1 |
| Derivatives non-current net liability Cross-Currency Swaps | 133.2 | 75.5 |
| Total | 173.8 | 126.4 |

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

| | Carrying amount | | Fair value | |
|------------------------------------|-----------------|----------------|----------------|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| USD 2,400 million facility | 906.2 | 1,229.3 | 911.2 | 1,238.6 |
| Catcher facility | 334.3 | 87.9 | 345.0 | 99.0 |
| Joko Tole facility | 101.4 | 159.0 | 102.8 | 161.7 |
| Umuroa facility | 30.0 | 46.3 | 30.0 | 46.7 |
| Petróleo Nautipa facility | 73.6 | - | 74.2 | - |
| USD 50 million unsecured term loan | - | 50.8 | - | 50.0 |
| BWO01 - NOK 500 million Bond | 56.2 | 66.5 | 55.1 | 66.9 |
| BWO02 - NOK 500 million Bond | 56.0 | 66.3 | 53.7 | 66.9 |
| BWO03 - NOK 750 million Bond | 83.8 | 99.0 | 77.0 | 100.4 |
| BWO04 - NOK 900 million Bond | 100.1 | - | 85.8 | - |
| Total | 1,741.5 | 1,805.1 | 1,734.7 | 1,830.2 |

NOTE 17 FINANCIAL RISK MANAGEMENT cont.

The fair value of bonds have been measured in level 1 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. The Group has not made observations indicating that there are any significant differences between fair value and carrying amount.

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. In May 2011, the Group initiated quarterly payments of dividend limited to 20-25% of EBITDA. However, in light of the near term reduction in industry activity levels, the Group has decided to suspend dividend payments until market visibility improves.

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 to continue issuing bonds if it provide 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 (Note 19).

Expenses related to defined contribution plans amounted to USD 1.0 million in 2015 (USD 0.8 million).

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

| | 2015 | 2014 |
|-------------------------------|---------------|---------------|
| Shares and equity instruments | 5.0% | 9.0% |
| Bonds - fixed yield | 22.0% | 20.1% |
| Bonds held to maturity | 49.0% | 44.0% |
| Properties and real estate | 11.0% | 11.0% |
| Money market funds | 10.0% | 10.0% |
| Other | 3.0% | 6.0% |
| Total | 100.0% | 100.0% |

The actual return on plan assets amounted to 2.4% at 30 September 2015.

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

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.

NOTE 18 RETIREMENT BENEFIT 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 funding obligations connected to the pension plans are coordinated with anticipated future payments from the state pension regulations in Norway. The individual future retirement benefit includes the total of payments from the Company's pension plan, of which a provision is recorded in the consolidated accounts as well as pension payments from the Norwegian state. The plans also include survivor/dependents and disability pensions. The pension entitlements are accrued on a linear basis with an average service life of 30 years. The main terms for office staff pensions are 66% of final salary on attainment of retirement age of 65-67. The main condition for seafaring personnel is a pension of 50% of final salary on attainment of retirement age of 60. The Group's pension schemes follow the requirements as set out in the Norwegian Act on Mandatory Company pensions. The defined benefit schemes for office employees were closed for new employees hired after December 2008.

The abovementioned pension plans had 76 members at 31 December 2015 and 80 members at 31 December 2014. No other post-retirement benefits are provided.

The most recent actuarial valuations of the plan assets and the defined benefit obligation were carried out at 31 December 2015 by Nordic Insurance Administration.

The pension liabilities are presented under liabilities in the balance sheet and any change is charged to the income statement. The impact of changed actuarial estimates is charged to Other Comprehensive Income. The discount rate is based on the OMF rate.

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

| | 2015 | 2014 |
|--|--------|--------|
| Discount rate | 2.50% | 2.30% |
| Expected return on plan assets | 3.30% | 2.30% |
| Future salary increases | 2.50% | 2.75% |
| Future pension increases | 0.00% | 0.00% |
| Increase in social security base amount related to Norwegian state pension | 2.25% | 2.50% |
| 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:

| | 2015 | 2014 |
|--------|------|------|
| Male | 19.1 | 19.9 |
| Female | 22.1 | 22.0 |

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

| Figures in USD million | 2015 | 2014 |
|--|-------------|-------------|
| Fair value of Plan Assets - beginning of year | 23.3 | 25.8 |
| Expected return on Plan Assets | 0.5 | 1.0 |
| Employer Contributions excluding administrative expenses | 2.2 | 2.7 |
| Benefits paid - funded plans | (0.4) | (0.6) |
| Asset gain | (0.7) | (1.7) |
| Exchange differences | (4.9) | (3.9) |
| Fair value of plan assets - end of year | 20.0 | 23.3 |

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

| Figures in USD million | 2015 | 2014 |
|---|-------------|-------------|
| Present value of funded obligations | 29.5 | 34.6 |
| Fair value of plan assets | (20.0) | (23.3) |
| Present value of unfunded obligations | 2.6 | 3.0 |
| Liability in the statement of financial position | 12.1 | 14.3 |

The amounts recognised in the statements of income are as follows:

| Figures in USD million | 2015 | 2014 |
|---|------------|------------|
| Current service cost | 3.3 | 2.7 |
| Net interest | 0.3 | 0.2 |
| Administrative cost | 0.1 | 0.2 |
| Net periodic pension cost (Note 8) | 3.7 | 3.1 |

Best estimate of net pension cost for 2016 amounts to USD 2.1 million (USD 3.1 million). Best estimate of premium payments in 2016 amounts to USD 2.4 million (USD 2.7 million).

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

| Figures in USD million | 2015 | 2014 |
|---|---------------|---------------|
| At 1 January | (14.3) | (6.8) |
| Contributions paid | 2.5 | 3.1 |
| Exchange differences | 2.2 | 2.7 |
| Re-measurement gain/ (loss) in other comprehensive income | 1.2 | (10.2) |
| Charged to income statement | (3.7) | (3.1) |
| At 31 December | (12.1) | (14.3) |

NOTE 19 LOAN FACILITIES

| Long-term debt | Effective interest rate | Maturity date | Carrying amount | |
|------------------------------|-------------------------|---------------|-----------------|----------------|
| | | | 2015 | 2014 |
| USD 2,400 million facility | 3 month LIBOR + 2.00% | 09-Mar-18 | 686.7 | 1,011.2 |
| Catcher facility | 3 month LIBOR + 2.50% | 28-May-24 | 335.7 | 88.6 |
| Joko Tole facility | 3 month LIBOR + 2.50% | 30-Jun-18 | 53.3 | 101.4 |
| Umuroa facility | 3 month LIBOR + 2.00% | 09-Mar-18 | 25.9 | - |
| Petróleo Nautipa facility | 3 month LIBOR + 1.70% | 14-Sep-22 | 62.1 | - |
| BW001 - NOK 500 million Bond | 3 month LIBOR + 4.25% | 15-Mar-17 | 56.4 | 66.7 |
| BW002 - NOK 500 million Bond | 3 month LIBOR + 4.15% | 21-Mar-18 | 56.2 | 66.4 |
| BW003 - NOK 750 million Bond | 3 month LIBOR + 3.50% | 11-Mar-19 | 84.0 | 99.4 |
| BW004 - NOK 900 million Bond | 3 month LIBOR + 4.25% | 16-Jun-20 | 100.5 | - |
| Total long-term debt | | | 1,460.8 | 1,433.7 |

| Short-term debt | Effective interest rate | Maturity date | Carrying amount | |
|------------------------------------|-------------------------|---------------|-----------------|----------------|
| | | | 2015 | 2014 |
| USD 2,400 million facility | 3 month LIBOR + 2.00% | 09-Mar-18 | 219.5 | 218.1 |
| Catcher facility | 3 month LIBOR + 2.50% | 28-May-24 | (1.4) | (0.7) |
| Joko Tole facility | 3 month LIBOR + 2.50% | 30-Jun-18 | 48.1 | 57.6 |
| Umuroa facility | 3 month LIBOR + 2.00% | 09-Mar-18 | 4.0 | 46.3 |
| Petróleo Nautipa facility | 3 month LIBOR + 1.70% | 14-Sep-22 | 11.5 | - |
| USD 50 million unsecured term loan | 12 month LIBOR + 1.30% | 13-Feb-15 | - | 50.8 |
| BW001 - NOK 500 million Bond | 3 month LIBOR + 4.25% | 15-Mar-17 | (0.2) | (0.2) |
| BW002 - NOK 500 million Bond | 3 month LIBOR + 4.15% | 21-Mar-18 | (0.2) | (0.2) |
| BW003 - NOK 750 million Bond | 3 month LIBOR + 3.50% | 11-Mar-19 | (0.3) | (0.3) |
| BW004 - NOK 900 million Bond | 3 month LIBOR + 4.25% | 16-Jun-20 | (0.3) | - |
| Total short-term debt | | | 280.7 | 371.4 |
| TOTAL INTEREST-BEARING DEBT | | | 1,741.5 | 1,805.1 |

Corporate USD 2,400 million loan facility

In 2011 BW Offshore entered into a USD 2.4 billion seven year senior secured credit facility at a margin of 200 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 226.2 million undrawn under the revolving credit facility at 31 December 2015.

The facility agreement is subject to certain covenants, including minimum book equity of at least 25% of total assets, annualised debt to EBITDA of maximum 5.5, minimum USD 75.0 million available liquidity including undrawn amounts under the revolving part of the facility and interest coverage ratio of minimum 3.0.

The Group is in compliance with all covenants at

31 December 2015.

Umuroa USD 130 million loan facility

The Umuroa facility is a senior secured reducing revolving credit facility agreement entered into on 30 October 2009, with a total initial availability of USD 130 million. The loan was extended and final maturity date is 9 March 2018. The revolving credit facility has financial covenants similar to the covenants under the USD 2,400 million loan facility. The availability on the facility is reduced by USD 1 million four times a year, followed by a balloon payment of USD 22.0 million in 2018.

BW001 - NOK 500 million Bond

During the first quarter of 2012, BW Offshore Ltd successfully completed the placement of a new NOK 500 million senior unsecured bond with

maturity date on 15 March 2017. 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 25% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

BW002 - NOK 500 million Bond

During the first quarter of 2013, BW Offshore Ltd successfully completed the placement of a new NOK 500 million senior unsecured bond with maturity date on 21 March 2018. 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 25% of total assets and minimum USD 75 million available liquidity including undrawn

NOTE 19 LOAN FACILITIES cont.

amounts available for utilisation by the Group.

BW003 - NOK 750 million Bond

During the first quarter of 2014, BW Offshore Ltd successfully completed the placement of a new NOK 750 million senior unsecured bond with maturity date on 11 March 2019. 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 25% of total assets 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 Ltd successfully completed the placement of a new NOK 900 million senior unsecured bond with maturity date on 16 June 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 25% of total assets and minimum USD

75 million available liquidity including undrawn amounts available for utilisation by the Group

Joko Tole USD 250 million loan facility

During the third quarter of 2013 the Group entered into a USD 284.6 million financing facility relating to the FPSO BW Joko Tole. The financing was split between a USD 250 million term loan facility and a USD 34.6 million guarantee facility. The term loan will be repaid in quarterly instalments and has final maturity in 2018. The facility is subject to financial covenants similar to the covenants under the USD 2,400 million facility.

Brazil USD 50 million unsecured term loan

During the first quarter of 2014, the Group secured a USD 50 million unsecured loan facility. The facility was a bullet loan and was repaid in February 2015.

Catcher USD 800 million loan 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 a FPSO to operate on the Catcher oil field in the UK North Sea. The FPSO shall be ready for production in 2017. The facility has a margin of 250 basis points above USD LIBOR during construction period and 225 basis points thereafter. The facility is available for drawing during the construction period and will be repaid with a seven-year tenor after completion. The facility is subject to financial covenants similar to the covenants under the USD 2,400 million loan facility.

Petróleo Nautipa USD 80 million loan 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.

NOTE 20 INVESTMENT IN JOINT VENTURE

The Group has in 2015 sold its 50% shareholding in LLC 'Oil Terminal Belokamenka', previously operating the Arctic FSO Belokamenka. The

Group's interest in LLC 'Oil Terminal Belokamenka' was previously accounted for using the equity method in the consolidated financial statements.

| Company | Registered office | Holding 2015 | Holding 2014 |
|--------------------------------|-------------------|--------------|--------------|
| LLC 'Oil Terminal Belokamenka' | Russia | 0% | 50% |

Voting rights equal the ownership share.

Summarized financial information of the joint ventures, based on its IFRS financial statements:

| | 2015 | 2014 |
|--|------|--------------|
| Revenues | - | 3.4 |
| Expenses | - | (4.8) |
| Net financial Items | - | 0.8 |
| Profit before tax | - | (0.6) |
| Income tax expense | - | 0.2 |
| Profit after tax | - | (0.4) |
| Non-current assets | - | 0.9 |
| Current assets | - | 3.6 |
| Total assets | - | 4.5 |
| Equity | - | 0.9 |
| Non-current liabilities | - | - |
| Current liabilities | - | 3.6 |
| Total Equity and Liabilities | - | 4.5 |
| Group's carrying amount of the investment | - | - |

The following transactions were carried out between the Group and LLC 'Oil Terminal Belokamenka' up to and inclusive November 2015 (reference to Note 6):

- Lease of the FSO Belokamenka (Note 6), USD 15,385 per day (USD 15,385)
- Average management services fee per month were USD 3,531 (USD 3,531)

NOTE 21 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES

Goodwill acquired through the business combination with Prosafe Production in 2010, has been allocated to one cash-generating unit which is the combined Group. The entire Group is considered one cash-generating unit for the purpose of impairment testing. The goodwill and unallocated excess value arising from the acquisition was attributable to a strategic premium paid to gain diversification, larger market presence and financial scale. These intangible assets did not fulfil the recognition criteria pursuant to IAS 38 and are therefore not recognised separately.

As at 31 December 2015, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill. In addition, the Group expect a prolonged downturn in the oil & gas sector with limited new awards in the short to medium term.

The Group has performed an annual impairment test on goodwill as at 31

December 2015. The Group has identified a number of key long term assumptions relevant for the impairment review. The recoverable amount of goodwill has been determined based on a value in use calculation using estimated cash flows from the combined Group, including existing assets, assets under construction as well as cash flow projections calculated from the ability for the combined company to take on new projects in the future. Due to the expectations of a prolonged downturn in the oil and gas sector with limited new awards in the short to medium term, the Group has seen it necessary to record an impairment of USD 186.9 million related to goodwill.

Carrying amount of goodwill and intangibles is zero at year end 2015 (USD 186.9 million at year end 2014) following an impairment of USD 186.9 million.

The discount rate, based on weighted average cost of capital (WACC), used for calculating the net present value of the synergies is 7% (7%).

NOTE 22 EARNINGS PER SHARE
Basic

Basic earnings per share are calculated by dividing the net result of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted

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

| | 2015 | 2014 |
|--|---------|---------|
| Profit/ (loss) attributable to equity holders of the Group (USD million) | (216.3) | 187.2 |
| Weighted average number of ordinary shares in issue (thousands) | 688,006 | 688,006 |
| Basic and diluted earnings per share | (0.31) | 0.27 |

Basic and diluted earnings per share excludes treasury shares of 2,445,020 held by the Company.

There are no differences between basic and diluted earnings per share. This is therefore presented on one line in the income statement.

NOTE 23 RELATED PARTIES TRANSACTIONS

The largest individual shareholder, BW Group Limited owning 49.8%, is incorporated in Bermuda and is controlled by Sohmen family interests.

Investments in subsidiaries are described in Note 4. Transactions with joint ventures are disclosed in Note 20.

Remuneration to the Board of Directors, auditors and top management is detailed in Note 8.

The following transactions were carried out with related parties:

| | 2015 | 2014 |
|--------------------------|------|------|
| Shareholders loan to OCS | - | 0.9 |

The loan was settled during third quarter 2015.

In December 2015, the transshipment agreement with LLC 'Oil Terminal Belokamenka' was terminated and the ownership of the vessel was transferred to the Group (reference to Note 10 and 20). No cash consideration was paid or received as part of the termination, and outstanding lease receivables at time of termination has been treated as cost for the vessel.

In 2015, VLCC BW Opal was sold for USD 85.5 million to BW Group Limited. The transaction was performed on an arms-length basis, based on independent valuation reports and technical inspection of the vessel. The agreement also includes an option to buy-back the vessel until first quarter 2017.

NOTE 24 COMMITMENTS AND GUARANTEES

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

| | 2015 | 2014 |
|----------------|-------|-------|
| Nominal amount | 470.6 | 580.4 |
| Fair value | 439.4 | 541.9 |
| Interest rate | 7.1% | 7.1% |

For 2014 and 2015 the commitment included committed contract values for the construction of the FPSO for the Catcher Oil Field in the UK North Sea, committed contract values related to life extension activities on the fleet as well as for ongoing operations and commitments related to office rental.

It also included committed contract values for life extension activities on the fleet as well as for ongoing operations and commitments related to office rental.

The Group has entered into lease agreements (classified as operating leases) for offices in various countries with durations varying from 3 to 15 years. The total annual rent for the offices amounts to USD 5.3 million (USD 5.6 million).

The Group has issued bank guarantees in favour of various customers totalling USD 81.3 million (USD 86.6 million).

The bank debt related to the USD 2,400 million facility, as referred to in Note 19, is secured by:

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

The bank debt related to the Umuroa facility, as referred to in Note 19, is secured by:

- a parent company guarantee from BW Offshore Limited;
- a first priority mortgage over the FPSO Umuroa owned by BW Offshore Singapore Pte Ltd, New Zealand Branch;

- first priority secured interest in all earnings and proceeds of insurance related to the FPSO Umuroa.

The bank debt related to the Joko Tole facility, as referred to in Note 19, is secured by:

- a parent company guarantee from BW Offshore Limited;
- a first priority mortgage over the FPSO BW Joko Tole owned by PT BW Offshore TSB Invest, Indonesia
- first priority secured interest in all earnings and proceeds of insurance related to the FPSO BW Joko Tole.

The bank debt related to the USD 800 million credit facility, as referred to in Note 19, is secured by:

- a parent company guarantee from BW Offshore Limited
- assignment of Hull Construction agreement and Key Construction Contracts
- a first priority mortgage over the FPSO, once completed, to be owned by BW Catcher Limited, Bermuda
- first priority secured interest in all earnings and proceeds of insurance related to the FPSO once contract has commenced.

The bank debt related to the Petróleo Nautipa facility, as referred to in Note 19, is secured by:

- a parent company guarantee from BW Offshore Limited;
- a first priority mortgage over the FPSO Petróleo Nautipa owned by BW Offshore Nautipa AS;
- 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 2015 was USD 2,802.3 million (USD 2,708.9 million in 2014). In addition, the shares in certain vessel owning companies in the Group are pledged.

NOTE 25 PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

On 11 February 2015, there was a gas explosion on board the FPSO Cidade de São Mateus, operating for Petrobras in Brazil. Production was stopped and the unit has been shut down since the accident. The vessel will need to be taken to a yard for repairs before it can return to the field and recommence operation. The accident and its consequences will to a large extent be covered by insurance and the Group is working closely with insurers and their loss adjusters in the recovery operations. The Group has recognised USD 214.5 million as insurance reimbursement at year end 2015 (see note 3 for more details on assessment done for recognition on insurance reimbursement).

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

In September 2013, the Group received a notice from the Indonesian Directorate General of Taxation ('DGT') informing that the VAT exemption issued for the importation of FPSO BW Joko Tole has been revoked. Management and the Group's Indonesian advisors have attended meetings with officials of the DGT to assert the Group's position that the revocation of the exemption was unfounded and contrary to Indonesian law as well as

to find out whether a VAT assessment is likely to be issued. No provision is made.

In 2006 and 2007, there have been changes in Mexican law with potential effect for the prices stated in the contract for the delivery and operation of the FPSO Yuum K'ak'Náab. The Group and the respective client disagreed on how to calculate and allocate the financial effects of these changes. The original amount disputed was USD 83.8 million, but according to an arbitration award made in 2011, the client prevailed in respect of USD 48.0 million. The Group made a provision of USD 14.0 million in 2010, which was in addition to USD 34.0 million already paid and included in the 2007 income statement. In February 2013, the Group paid Pemex for principal, interest and arbitration and legal costs but there was still a dispute regarding computation of total interest. Final payment of interest of USD 0.4 million was done in January 2015.

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 26 TRADE AND OTHER PAYABLES

| | 2015 | 2014 |
|-----------------------------|--------------|--------------|
| Trade payables | 57.3 | 59.2 |
| Accrued vessel expenses | 53.4 | 57.3 |
| Accrued other expenses | 63.6 | 42.3 |
| Accrued conversion expenses | 8.1 | 5.5 |
| VAT etc. | 17.3 | 9.9 |
| Deferred revenues | 76.2 | 88.8 |
| Total | 275.9 | 263.0 |

NOTE 27 BUSINESS COMBINATIONS

In July 2014 a sale and purchase agreement with Yinson to take 100% ownership of Tinworth Pte Ltd and consequently the FPSO Petróleo Nautipa was signed. Formal ownership and control over the remaining 50% stake in Tinworth Pte. Ltd., and correspondingly the FPSO Petróleo Nautipa has been assumed from 1 July 2014. As a consequence the investment has been reclassified from a joint venture to a subsidiary and fully consolidated from that date. This has led to a significant reduction of investments in associates and joint ventures in the balance sheet.

A purchase price allocation for the acquisition of the remaining 50% in Tinworth Pte. Ltd. and correspondingly the FPSO Petróleo Nautipa has been performed. The purchase price allocation has not led to creation of any good-

will as the purchase price has been allocated to all assets and liabilities acquired.

As BW Offshore acquired control over the remaining 50% of Tinworth Pte. Ltd., this company and its subsidiary is now 100% controlled by BWO. In this situation IFRS 3 Business Combinations would apply. It required BW Offshore to revalue its previously held 50% ownership as at 1 July 2014 to market value. The revaluation has therefore provided for a positive adjustment to net book value of USD 19.7 million. This has been recognised as a profit from investments in joint ventures in the income statement.

NOTE 28 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In January 2016, the Group received a one-year contract extension for the lease and operation of the FPSO Umuroa. The FPSO is operating on the Umuroa field offshore New Zealand for AWE. The firm period has been extended to Q4 2017 (from Q4 2016).

In January 2016, the Group and Ithaca Energy agreed on a termination of the contract for FPSO BW Athena, and the unit was demobilised in February 2016.

The Group has in February initiated organisational changes as part of an extensive cost reduction programme as a consequence of the current market conditions. The process is expected to be concluded within the second quarter

in 2016 for onshore personnel. The changes will affect approximately 35% of permanent onshore employees across global locations.

As per year-end 2015 the Group was in compliance with all financial covenants. In 2016 the most critical covenant, is the minimum liquidity covenant of USD 75 million. While the actual minimum liquidity was above this at year-end 2015, there is a risk, due to downpayments of debt and capital commitments on newbuildings and life extension programs (see note 24), that the minimum liquidity may decrease to be close to or below USD 75 million. Early 2016 the Group appointed advisors to support on evaluating strategic options to ensure liquidity compliance going forward.



BW OFFSHORE LIMITED PARENT COMPANY FINANCIAL STATEMENTS

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STATEMENTS OF INCOME

| USD MILLION (YEAR ENDED 31 DECEMBER) | NOTE | 2015 | 2014* |
|---|------|----------------|---------------|
| Dividend income | | 205.5 | - |
| OPERATING EXPENSES | | | |
| Other expenses | 3 | (38.6) | (46.1) |
| Total operating expenses before amortisation | | (38.6) | (46.1) |
| Operating profit(loss) | | 166.9 | (46.1) |
| FINANCIAL INCOME AND FINANCIAL EXPENSES | | | |
| Interest income | | 47.6 | 62.9 |
| Interest expense | | (33.1) | (44.8) |
| Net currency exchange gain/(loss) | | (6.4) | (12.6) |
| Fair value gain/(loss) on financial instruments | | (1.7) | (7.5) |
| Reversal of impairment/(impairment) | 5 | (405.7) | 116.2 |
| Other financial income | | 4.0 | 7.2 |
| Other financial expenses | | (0.6) | (0.9) |
| Net financial items | | (395.9) | 120.5 |
| Profit/(loss) before tax | | (229.0) | 74.4 |
| Income tax expense | | (2.7) | - |
| Net profit/(loss) for the year | | (231.7) | 74.4 |
| Net profit/(loss) attributable to equity shareholders | | (231.7) | 74.4 |

*The financial information for 2014 has been restated as the company has reclassified currency hedges to gain/(loss) financial instruments effective 1 January 2015.

STATEMENTS OF COMPREHENSIVE INCOME

| USD MILLION (YEAR ENDED 31 DECEMBER) | NOTE | 2015 | 2014 |
|---|------|----------------|-------------|
| Profit / (loss) for the year | | (231.7) | 74.4 |
| Other comprehensive income | | | |
| Cash flow hedges | 12 | (57.7) | (59.2) |
| Currency gain/(loss) relating to cash flow hedges | | 50.9 | 65.9 |
| Total comprehensive income for the year | | (238.6) | 81.1 |
| Attributable to: | | | |
| Equity holders of the parent | | (238.6) | 81.1 |

The notes in pages 71-74 are an integral part of these consolidated financial statements.

STATEMENTS OF FINANCIAL POSITION

| USD MILLION (AS AT 31 DECEMBER) | NOTE | 2015 | 2014 |
|-------------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| Shares in subsidiaries | 4 | 1,354.6 | 883.7 |
| Total non-current assets | | 1,354.6 | 883.7 |
| Trade and other receivables | | 0.2 | 0.2 |
| Intercompany receivables | | 909.2 | 1,527.1 |
| Cash and deposits | 8 | 29.8 | 30.6 |
| Total current assets | | 939.3 | 1,557.9 |
| TOTAL ASSETS | | 2,293.9 | 2,441.6 |
| EQUITY | | | |
| Share capital | 7 | 6.9 | 6.9 |
| Share premium | 7 | 1,085.0 | 1,085.0 |
| Other equity | | 44.4 | 316.7 |
| Total shareholder's equity | | 1,136.3 | 1,408.6 |
| Long-term liabilities | 9,11 | 297.0 | 232.6 |
| Derivatives | | 138.2 | 82.7 |
| Total long-term liabilities | | 435.2 | 315.3 |
| Trade and other payables | 10,11 | 8.3 | 2.4 |
| Intercompany payables | | 709.9 | 711.8 |
| Derivatives | | 4.1 | 3.5 |
| Total current liabilities | | 722.3 | 717.7 |
| Total liabilities | | 1,157.6 | 1,033.0 |
| TOTAL EQUITY AND LIABILITIES | | 2,293.9 | 2,441.6 |

The notes in pages 71-74 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| USD MILLION | Share capital | Share premium | Treasury shares | Cash flow hedges | Other elements | TOTAL |
|------------------------------|---------------|---------------|-----------------|------------------|----------------|---------|
| At 1 January 2014 | 6.9 | 1,085.0 | (9.2) | (16.5) | 343.5 | 1,409.7 |
| Dividend distribution | - | - | - | - | (82.2) | (82.2) |
| Profit/(loss) for the period | - | - | - | - | 74.4 | 74.4 |
| Total comprehensive income | - | - | - | 6.7 | - | 6.7 |
| At 31 December 2014 | 6.9 | 1,085.0 | (9.2) | (9.8) | 335.7 | 1,408.6 |
| At 1 January 2015 | 6.9 | 1,085.0 | (9.2) | (9.8) | 335.7 | 1,408.6 |
| Dividend distribution | - | - | - | - | (34.3) | (34.3) |
| Share-based payments | - | - | 0.1 | - | 0.4 | 0.5 |
| Profit/(loss) for the period | - | - | - | - | (231.7) | (231.7) |
| Total comprehensive income | - | - | - | (6.9) | - | (6.9) |
| At 31 December 2015 | 6.9 | 1,085.0 | (9.1) | (16.7) | 70.2 | 1,136.3 |

STATEMENTS OF CASH FLOW

| USD MILLION (YEAR ENDED 31 DECEMBER) | 2015 | 2014 |
|---|----------------|---------------|
| Operating activities | | |
| Profit/ (loss) before tax | (229.0) | 74.4 |
| Income tax paid | (2.7) | - |
| Impairment charges/(Reversal of impairment) | 405.7 | (116.2) |
| Fair value change on financial derivatives | (1.8) | 2.6 |
| Changes in receivables and accounts payable | 6.0 | (0.8) |
| Add back of net interest expense | (10.4) | (12.0) |
| Other items from operating activities | (0.2) | (0.9) |
| Net cash flow from/ (used in) operating activities | 167.6 | (52.8) |
| Investing activities | | |
| Investments in subsidiaries | (850.0) | - |
| Interest received | 47.6 | 62.9 |
| Net cash flow from/ (used in) investing activities | (802.4) | 62.9 |
| Financing activities | | |
| Changes in intercompany receivables/debt | 589.4 | 13.5 |
| Received payments from raising new long-term debt | 116.1 | 124.0 |
| Dividend paid | (34.3) | (82.2) |
| Interest paid | (37.2) | (50.9) |
| Net cash flow from/ (used in) financing activities | 634.1 | 4.3 |
| Net change in cash and cash equivalents | (0.8) | 14.4 |
| Cash and cash equivalents at 1 January | 30.6 | 16.2 |
| Cash and cash equivalents at 31 December | 29.8 | 30.6 |

The notes in pages 71-74 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 is the holding company.

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

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

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.

The financial statements were approved by the Board of Directors on 23 March 2016.

NOTE 2 ACCOUNTING POLICIES

The financial statements of BW Offshore have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (IFRSs as adopted by the EU). The consolidated 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 income statement.

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.

Revenue recognition

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.

Other revenues

Sales are recognised after transfer of the significant risks and rewards that are connected with the ownership of goods being sold to the buyer. The Company retains neither a continuing right to dispose of the goods, nor effective control of those goods. Revenues from services are recorded when the service has been performed. Sales are presented net of indirect sales taxes and discounts.

ACCOUNTING FOR SUBSIDIARIES**Subsidiaries**

The subsidiaries are all entities (including special purpose entities) over which the Company has power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiaries are stated at cost less any impairment.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement during the period of the borrowings applying the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at originally invoiced amount, where this approximates fair value, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

Trade and other receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost, applying the effective interest method.

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 income statement. 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

NOTE 2 ACCOUNTING POLICIES cont.

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 assess-

ment can affect the level of impairment loss, or reversal of such, that is recognised in profit or loss.

EVALUATION AND CLASSIFICATION OF ASSETS AND LIABILITIES – MAIN PRINCIPLES

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, with the exception of 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

| | 2015 | 2014* |
|---------------------------------|-------------|-------------|
| Management fee | 18.7 | 36.4 |
| Lawyer's fee | 1.1 | 1.4 |
| Consultant's fee | 3.9 | 0.6 |
| Auditor's fee | 0.3 | 0.5 |
| Other operating expenses | 14.6 | 7.2 |
| Total operating expenses | 38.6 | 46.1 |

*The financial information for 2014 has been restated as the company has reclassified currency hedges to gain/(loss) financial instruments effective 1 January 2015.

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 2015 | Ownership 2014 |
|----------------------------------|--------------------------|----------------|----------------|
| Belokamenka Limited | Bermuda | 100% | 100% |
| Berge Carmen Singapore Pte. Ltd. | Singapore | 100% | 100% |
| Berge Okoloba Toru Limited | Bermuda | 100% | 100% |
| BW Ara Limited | Bermuda | 100% | 100% |
| BW Catcher Limited | Bermuda | 100% | 100% |
| BW Endeavour Limited | Bermuda | 100% | 100% |
| BW KMZ Limited | Bermuda | 100% | 100% |
| BW Nisa Limited | Bermuda | 100% | 100% |
| BW Offshore do Brazil Ltda. | Brazil | 100% | 100% |
| BW Offshore Nigeria Ltd | Nigeria | 100% | 100% |
| BW Offshore Norwegian Manning AS | Norway | 100% | 100% |
| BW Offshore Peregrino Limited | Bermuda | 100% | 100% |
| BW Offshore Shipholding Ltd | Bermuda | 100% | 100% |
| BW Pioneer Limited | Bermuda | 100% | 100% |
| BW Offshore Cyprus Limited | Cyprus | 100% | 100% |

NOTE 5 INTRA-GROUP LOANS AND RECEIVABLES

| | 2015 | 2014 |
|-----------------------------------|-------|---------|
| Loan to Group companies | 909.2 | 1,527.1 |
| Intra-group long-term receivables | 909.2 | 1,527.1 |
| Outstanding to Group companies | 709.9 | 711.8 |
| Intra-group short-term payables | 709.9 | 711.8 |

Intra-group 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 2015, the Company has re-

corded an impairment of USD 410.1 million, mainly related to investments in subsidiaries, to reflect the net equity of the subsidiaries as of 31 December 2015. In addition, the Company has recorded a

reversal of impairment of USD 4.5 million to reflect net equity of the subsidiaries as of 31 December 2015.

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 2015 concerns withholding tax which the Company is subject to in certain countries where the Company has financial income.

NOTE 7 SHARE CAPITAL

| Share capital | USD '000 |
|---|----------|
| Authorised share capital | |
| At 1 January 2015: 700,000,000 ordinary shares at par value USD 0.01 each | |
| At 31 December 2015: 700,000,000 ordinary shares at par value USD 0.01 each | |
| Issued and fully paid | |
| At 1 January 2015 | 6,880.0 |
| At 31 December 2015 | 6,880.0 |

The Company held a total of 2,445,020 own shares at 31 December 2015 (2,609,535).

NOTE 8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following items

| | 2015 | 2014 |
|--|-------------|-------------|
| Cash and cash deposits | 29.8 | 30.6 |
| Total cash and cash equivalents | 29.8 | 30.6 |

NOTE 9 LOAN FACILITIES

| | Eff. Interest rate | Maturity date | Carrying Amount | |
|------------------------------|-----------------------|---------------|-----------------|--------------|
| | | | 2015 | 2014 |
| BW001 - NOK 500 million Bond | 3 month NIBOR + 4.25% | 15-Mar-17 | 56.4 | 66.7 |
| BW002 - NOK 500 million Bond | 3 month NIBOR + 4.15% | 21-Mar-18 | 56.2 | 66.5 |
| BW003 - NOK 750 million Bond | 3 month NIBOR + 3.5% | 11-Mar-19 | 84.0 | 99.4 |
| BW004 - NOK 900 million Bond | 3 month NIBOR + 4.25% | 16-Jun-20 | 100.5 | - |
| Total long-term debt | | | 297.0 | 232.6 |

BW001 - NOK 500 million Bond

During the first quarter of 2012, BW Offshore Ltd successfully completed the placement of a new NOK 500 million senior unsecured bond with maturity date on 15 March 2017. The proceeds from the Bond loan was used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 25% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

maturity date on 21 March 2018. The proceeds from the Bond loan was used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 25% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

least 25% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

BW002 - NOK 500 million Bond

During the first quarter of 2013, BW Offshore Ltd successfully completed the placement of a new NOK 500 million senior unsecured bond with

During the first quarter of 2014, BW Offshore Ltd successfully completed the placement of a new NOK 750 million senior unsecured bond with maturity date on 11 March 2019. The proceeds from the Bond loan was used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at

BW004 - NOK 900 million Bond

During the second quarter of 2015, BW Offshore Ltd successfully completed the placement of a new NOK 900 million senior unsecured bond with maturity date on 16 June 2020. The proceeds from the Bond loan was used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 25% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

NOTE 10 OTHER INTEREST-FREE CURRENT LIABILITIES

| | 2015 | 2014 |
|---|------|------|
| Other accruals | 8.3 | 2.4 |
| Total interest-free current liabilities | 8.3 | 2.4 |

NOTE 11 FINANCIAL ASSETS AND LIABILITIES

As of 31 December the Company had financial assets and liabilities in the following categories:

| Year ended 31 December 2015 | Financial assets and liabilities measured at amortised cost | Loans and receivables | Fair value |
|---------------------------------|---|-----------------------|--------------|
| Cash and deposits | - | 29.8 | 29.8 |
| Interest-bearing long-term debt | 297.0 | - | 298.9 |
| Other current liabilities | 12.4 | - | 12.4 |
| Total | 309.4 | 29.8 | 341.1 |

| Year ended 31 December 2014 | Financial assets and liabilities measured at amortised cost | Loans and receivables | Fair value |
|---------------------------------|---|-----------------------|--------------|
| Cash and deposits | - | 30.6 | 30.6 |
| Interest-bearing long-term debt | 232.6 | - | 234.2 |
| Other current liabilities | 5.9 | - | 5.9 |
| Total | 238.5 | 30.6 | 270.7 |

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 17 of the consolidated financial statements.

(a) Foreign currency exchange 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 in order 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 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.

The Company is exposed to foreign currency risk on bonds issued in NOK, respectively bond BW001, BW002, BW003 and BW004. The foreign currency exposure on bond BW001, BW002 and BW003 are hedged through cross-currency interest swaps with a nominal value of USD 300.8 million, while BW004 is hedged through cross-currency swaps with a nominal value of USD 117 million. The Company applies hedge accounting for the cross-currency interest swaps and the cross-currency swaps.

(b) 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 swaps with a nominal value of USD 100 million in total with maturity in 2018. The swaps 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 BW001, BW002 and BW003 bonds also hedge the interest rate risk on these bonds. The Company applies hedge accounting for the cross-currency interest swaps.

(c) 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.

(d) 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 bank debts, relating to the USD 2,400 million facility, the Umuroa facility, the Joko Tole facility,

the USD 800 million credit facility and the Petróleo Nautipa facility, as listed in Note 24 of the consolidated financial statements of BW Offshore Limited.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2015 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.

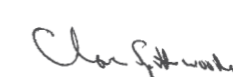
Bermuda, 23 March 2016



Christophe Pettenati-Auzière



Maarten Scholten




Clare Spottiswoode



Carsten Mortensen



Andreas Sohlen-Pao
Chairman



Ronny Johan Langeland
Vice Chairman

INDEPENDENT AUDITOR'S REPORT



Statsautoriserte revisorer
Ernst & Young AS

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To the Annual Shareholders' Meeting of
BW Offshore Limited

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of BW Offshore Limited, comprising the financial statements of the Parent company and the consolidated financial statements of the Group. The financial statements of the Parent company and the Group comprise the statements of financial position as at 31 December 2015, the statements of income and comprehensive income, cash flows and changes in equity for the year ended, and a summary of significant accounting policies and explanatory information.

The Board of Directors' and Management's responsibility for the financial statements

The Board of Directors and Management are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the financial statements of BW Offshore Limited present fairly, in all material respects, the financial position of the Parent company and the Group as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Oslo, 31 March 2016
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)

