



BW OFFSHORE LIMITED

Condensed Interim Consolidated Financial Information
FOURTH QUARTER AND PRELIMINARY RESULTS 2015

KEY EVENTS

- EBITDA of USD 165.5 million including insurance recovery
- Impairment USD 85 million recognised for damages on FPSO Cidade de São Mateus
- Impairment on other vessels is recognised with USD 49.3 million
- Impairment of Goodwill with USD 186.9 million
- Contract extension for FPSO Polvo and FPSO Umuroa
- Demobilisation of BW Athena in February 2016
- Redelivery of Belokamenka
- Recovery project for FPSO Cidade de São Mateus ongoing

FINANCIAL SUMMARY

FOURTH QUARTER

Operating revenues for the quarter amounted to USD 318.8 million, an increase of USD 10.1 million (3%) (USD 308.7 million).¹

Operating expenses amounted to USD 153.1 million, an increase of USD 18.7 million (14%) (USD 134.4 million).

EBITDA for the fourth quarter amounted to USD 165.5 million, a decrease of USD 8.5 million (5%) (USD 174.0 million).

Depreciation amounted to USD 66.4 million, an increase of USD 2.0 million (3%) (USD 64.4 million).

Operating loss for the quarter amounted to USD 223.0 million (operating profit USD 34.2 million).

Net financial expenses for the quarter amounted to USD 2.3 million (USD 27.2 million).

Tax expense for the quarter amounted to USD 9.2 million (USD 14.3 million).

Net loss for the quarter amounted to USD 234.5 million (USD 7.3 million).

EBITDA has been positively affected by an insurance recoverable of USD 85 million recorded in further quarter versus USD 75 million in third quarter for repairs to FPSO Cidade de São Mateus. This has been offset by certain one off provisions made during fourth quarter.

The Company completed its impairment review of fixed assets during fourth quarter 2015. As a result, the Company recorded an additional impairment of USD 85 million to reflect losses related to non-recoverable costs as well as direct damages to the FPSO Cidade de São Mateus. In addition, the Company recognised an impairment loss of USD 49.3 million related to other vessels (Ref. note 12).

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 Company has seen it necessary to record an impairment of USD 186.9 million related to Goodwill. Following this, net book value of Goodwill is zero.

Net financial expenses have decreased mainly because of higher interest rates reducing net liability on hedging contracts.

Total equity at 31 December 2015 amounted to USD 944.4 million, a decrease of USD 228.8 million (20%) (USD 1,173.2 million at 30 September 2015). The equity ratio was 27.5% at the end of the quarter, down from 32.4%.

As of 31 December 2015, the Company had USD 911.2 million in interest-bearing loans and USD 60.0 million in letters of guarantee drawn under the USD 2,400 million credit facility. The committed

amount on the USD 2,400 million credit facility was USD 1,197.4 million, following scheduled reductions. Total utilised debt facilities for the company, including bond loans and other facilities was USD 1,762.0 million. Total available liquidity as of 31 December 2015 amounted to USD 348.0 million.

Net debt amounted to USD 1,619.7 million at 31 December 2015 (USD 1630.8 million at 30 September 2015).

Net cash inflow from operating activities was USD 127.3 million (USD 101.2 million). Net cash outflow from investing activities was USD 106.6 million (USD 150.8 million). Cash outflow on investing activities is mainly related to capitalisation on the Catcher project and capital expenditures for ongoing life extension activities. Life extension activities are generally either covered on a cost plus basis or reimbursed through higher day rates. Net cash inflow from financing activities was USD 11.9 million (Net cash outflow of USD 53.4 million).

PRELIMINARY RESULT 2015

Full year EBITDA amounted to USD 537.8 million, an increase of USD 10.3 million (2%) from USD 527.5 million in 2014. EBITDA for the year is to a large extent affected by effects from the accident on FPSO Cidade de São Mateus, which has been off hire since February 2015. The effect has been partially offset by Loss of Hire insurance. The Company has recognised USD 160 million in insurance recoverable for repairs to the FPSO during 2015.

The loss of charter hire rate under the revised contract in 2015 with Ithaca Energy for FPSO Athena has partially offset the increase.

Depreciation amounted to USD 260.0 million, an increase of USD 39.3 million (18%) from 220.7 million in 2014. The increase is mainly due to acceleration of depreciations of non-recoverable costs on BW Athena from second quarter due to the outlook under the revised contract with Ithaca Energy as well as increased investments in Life Extension Projects.

Full year loss before tax amounted to USD 175.8 million compared to a profit before tax of USD 225.4 million in 2014. The reduction is related to impairment of vessels and goodwill, as well as reduced interest expense due to repayment of loans, offset by an increase in depreciation.

Full year tax expense amounted to USD 40.5 million compared to USD 38.2 million in 2014.

Full year net loss amounted to USD 216.3 million compared to a net profit of USD 187.2 million in 2014.

OPERATIONS

BW Offshore operates 17 units. The owned fleet consists of 14 FPSOs and one FSO. Average uptime during the fourth quarter was 99.6% (99.8%). Cidade de São Mateus is excluded from the average

¹ Figures presented are compared to previous quarter (third quarter of 2015 in brackets)

uptime until the unit recommences operations after the repair project.

The Company operates the FPSO Peregrino for Statoil and Sinochem on the Peregrino oil field offshore Brazil. The Company also operates the FPSO P-63 owned by Petrobras and Chevron on the Papa Terra field offshore Brazil in a joint venture with Queiroz Galvão Óleo e Gás S.A. ('QGOG'). The operation started in November 2013 and will end in May 2016.

The recovery project for Cidade de São Mateus continues, where the unit now has been freed of gas and condensate has been offloaded. Riser and mooring disconnect commenced in December. The next significant step is to tow the vessel to a yard for repairs. As the unit is still at the field, it has been challenging to get access to make an accurate assessment of all the damages.

BW Offshore carries insurance cover on a fleet wide basis, for its crew and support staff, pollution and clean up and any damage to vessels. In addition, the FPSO Cidade de São Mateus is also covered by a loss of hire insurance from 12 May 2015 for a period of 12 months. The accident and its consequences will to a large extent be covered by these policies and BW Offshore is working closely with insurers and their loss adjusters in the recovery operations. Given the delay to the disconnection the unit is expected to be without rate for some time before repairs can be carried out and the unit returns to the field. The length of this period is still uncertain.

During fourth quarter, BW Offshore received a two-year contract extension for the lease and operation of the FPSO Polvo. The FPSO is operating on the Polvo field offshore Brazil for Petrorio. The firm period has been extended to third quarter 2018 (from third quarter 2016), with options until third quarter 2022.

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

The finance lease for FSO Belokamenka was terminated during the quarter and the unit was redelivered to BW Offshore.

Except for Azurite that has been returned by the client before the end of the fixed contract and is marketed for new projects, and the redelivery of FSO Belokamenka, all other FPSOs and FSO are on contract per the end of the quarter.

BW Offshore and Ithaca Energy have agreed on a termination of the FPSO BW Athena, and the unit will be demobilised in February 2016. The Athena field is located in the Moray Firth area of the UK Continental Shelf. BW Athena has had an uptime of 98% since first oil in May 2012, and BW Offshore stood as 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.

PROJECTS

The Catcher project remains within budget with expected first oil in 2017. During fourth quarter, the project made good progress on procurement and construction activities for topside, turret mooring system and hull.

BWO has previously reported that hull activities have slipped due to the yard's 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. As of fourth quarter, this mitigation plan has worked well as there has been no further slippage.

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 Company is 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.

OUTLOOK

The negative market sentiments continued in the fourth quarter. This led to a further drop in oil prices, which reached a 12-year low in January 2016. The worsened macro conditions for the offshore industry have reduced expected capital expenditure. This has led the company to recognise a non-cash impairment charge for goodwill and fixed assets.

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 company remains focused on managing costs and improving performance, while continuing to develop technologies that enables improved returns in a lower oil price environment. The Company has appointed advisors to evaluate strategic options.

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, with the rapid fall in oil prices, 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 projects. 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 Company is in compliance with all financial covenants. With regards to liquidity, the company has repayments due as detailed in note 5. The Company is closely monitoring all covenants, and initiatives have been undertaken to ensure compliance going forward.

Bermuda, 7 February 2016

Andreas Sohmen-Pao
Chairman

Clare Spottiswoode

Carsten Mortensen

Christophe Pettenati-Auzière

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INCOME STATEMENT

(Unaudited figures in USD million)

	Notes	Q4 15	Q3 15	Q4 14*	2015	2014*
Operating revenue		318.8	308.7	264.8	1,108.0	1,070.4
Operating expenses		(153.1)	(134.4)	(155.5)	(570.6)	(564.7)
Share of profit/(loss) of associates and joint ventures	6	(0.2)	(0.3)	(0.1)	0.4	21.8
Operating profit before depreciation/amortisation		165.5	174.0	109.2	537.8	527.5
Depreciation	11	(66.4)	(64.4)	(57.1)	(260.0)	(220.7)
Amortisation		(0.7)	(0.4)	(0.7)	(2.5)	(2.3)
Impairment vessels and goodwill	12	(321.4)	(75.0)	0.0	(396.4)	0.0
Gain on sale of assets	13	0.0	0.0	0.0	1.4	0.2
Operating profit / (loss)		(223.0)	34.2	51.4	(119.7)	304.7
Interest income		0.5	0.6	1.5	2.8	2.1
Gain/(loss) on financial instruments	7	7.8	(15.9)	(12.0)	(9.8)	(14.3)
Interest expense		(11.8)	(11.2)	(17.4)	(49.6)	(65.1)
Other financial items		1.2	(0.7)	(1.8)	0.5	(2.0)
Net financial income/(expense)		(2.3)	(27.2)	(29.7)	(56.1)	(79.3)
Profit/(loss) before tax		(225.3)	7.0	21.7	(175.8)	225.4
Income tax expense		(9.2)	(14.3)	(9.0)	(40.5)	(38.2)
Net profit/(loss) for the period		(234.5)	(7.3)	12.7	(216.3)	187.2
Net profit/(loss) attributable to owners of the Company		(234.5)	(7.3)	12.7	(216.3)	187.2
Basic/diluted earnings/(loss) per share (USD) net		(0.34)	(0.01)	0.02	(0.31)	0.27

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

COMPREHENSIVE INCOME STATEMENT

(Unaudited figures in USD million)

	Q4 15	Q3 15	Q4 14	2015	2014
Net profit/(loss) for the period	(234.5)	(7.3)	12.7	(216.3)	187.2
Other comprehensive income					
<i>Items to be reclassified to profit or loss:</i>					
Currency translation differences	0.1	(3.1)	(3.0)	(6.9)	(4.2)
Net profit/(loss) on cash flow hedges	3.9	0.7	(16.5)	1.6	(16.5)
Net items to be reclassified to profit or loss:	4.0	(2.4)	(19.5)	(5.3)	(20.8)
<i>Items not to be reclassified to profit or loss:</i>					
Actuarial gains/(losses) on defined benefit plans	1.5	0.1	(10.2)	1.6	(10.2)
Net items not to be reclassified to profit or loss:	1.5	0.1	(10.2)	1.6	(10.2)
Other comprehensive income, net of tax	5.5	(2.3)	(29.7)	(3.7)	(30.9)
Total comprehensive income	(229.0)	(9.6)	(17.0)	(220.0)	156.3

The notes in pages 6-9 are an integral part of these consolidated interim financial statements.

STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)

ASSETS	Notes	31.12.2015	30.09.2015	31.12.2014
Vessels and vessels under construction	2,11,12,13	2,694.1	2,768.3	2,747.7
Property and other equipment		12.0	11.0	12.2
Goodwill and intangibles		4.4	191.6	191.2
Finance lease receivables	3	113.5	126.7	140.9
Investments in associates and joint ventures	6	7.7	7.9	4.7
Derivatives		0.6	0.0	1.1
Deferred assets		7.5	7.8	18.6
Total non-current assets		2,839.8	3,113.3	3,116.4
Inventory		6.7	5.8	6.6
Trade receivables and other current assets		471.4	409.5	324.5
Derivatives		0.0	0.0	6.0
Cash and deposits		121.8	89.1	215.4
Total current assets		599.9	504.4	552.5
TOTAL ASSETS		3,439.7	3,617.7	3,668.9
EQUITY AND LIABILITIES				
Total equity attributable to owners of the Company	4	944.4	1,173.2	1,198.1
Total equity		944.4	1,173.2	1,198.1
Interest-bearing long-term debt	5	1,460.8	1,404.9	1,433.7
Pension obligations		12.1	15.7	14.3
Other long-term liabilities	8	265.1	261.3	219.3
Derivatives		148.9	149.1	100.4
Total non-current liabilities		1,886.9	1,831.0	1,767.7
Trade and other payables		275.9	240.3	263.0
Derivatives		27.5	30.8	33.1
Interest-bearing short-term debt	5	280.7	315.0	371.4
Income tax liabilities		24.3	27.4	35.6
Total current liabilities		608.4	613.5	703.1
Total liabilities		2,495.3	2,444.5	2,470.8
TOTAL EQUITY AND LIABILITIES		3,439.7	3,617.7	3,668.9

The notes in pages 6-9 are an integral part of these consolidated interim financial statements.

STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)

2015	Share capital	Currency					Other equity	Total
		Share premium	Treasury shares	translation reserve	Cash flow hedges			
Equity at 1 January 2015	6.9	1,085.0	(9.1)	(8.4)	(32.8)	156.6	1,198.1	
Dividend distribution	0.0	0.0	0.0	0.0	0.0	(34.3)	(34.3)	
Share-based payments	0.0	0.0	0.1	0.0	0.0	0.4	0.5	
Profit/ (loss) for the period	0.0	0.0	0.0	0.0	0.0	(216.3)	(216.3)	
Other comprehensive income	0.0	0.0	0.0	(6.9)	1.6	1.6	(3.7)	
Total equity at 31 December 2015	6.9	1,085.0	(9.0)	(15.3)	(31.2)	(92.0)	944.4	

2014	Share capital	Currency					Other equity	Total
		Share premium	Treasury shares	translation reserve	Cash flow hedges			
Equity at 1 January 2014	6.9	1,085.0	(9.1)	(4.2)	(16.3)	61.8	1,124.1	
Dividend distribution	0.0	0.0	0.0	0.0	0.0	(82.2)	(82.2)	
Profit/ (loss) for the period	0.0	0.0	0.0	0.0	0.0	187.2	187.2	
Other comprehensive income	0.0	0.0	0.0	(4.2)	(16.5)	(10.2)	(30.9)	
Total equity at 31 December 2014	6.9	1,085.0	(9.1)	(8.4)	(32.8)	156.6	1,198.1	

CASH FLOW STATEMENT

(Unaudited figures in USD million)

	Q4 15	Q3 15	Q4 14	2015	2014
Profit/ (loss) before taxes	(225.3)	7.0	21.7	(175.8)	225.4
Unrealised currency exchange losses/(gains)	(2.0)	(0.3)	1.8	(3.9)	3.8
Depreciation and amortisation	67.1	64.8	57.8	262.4	223.0
Taxes paid	(8.8)	(11.1)	(9.5)	(35.7)	(35.8)
Share of loss/ (profit) of associated companies	0.2	0.2	0.1	(0.4)	(21.8)
Loss/ (gain) on sale of shares and fixed assets	0.0	0.1	(0.0)	(1.4)	(0.2)
Impairment	321.4	75.0	0.0	396.4	0.0
Change in fair value of derivatives	(7.8)	15.9	12.0	9.8	14.4
Change in working capital	(22.4)	(62.1)	(30.5)	(80.2)	61.2
Add back of net interest expense	11.4	10.6	15.9	46.8	62.9
Other items	(6.4)	1.1	64.1	20.2	16.2
Net cash flow from operating activities	127.3	101.2	133.2	438.4	548.9
Investment in fixed assets	(107.1)	(150.0)	(112.9)	(481.8)	(364.8)
Investment in associates	0.0	(1.3)	(57.1)	(2.7)	(57.1)
Sale of fixed assets	0.0	0.0	0.0	85.5	0.1
Interest received	0.5	0.6	1.5	2.8	2.1
Net cash flow from investing activities	(106.6)	(150.8)	(168.5)	(396.2)	(419.7)
Proceeds from new interest bearing debt	51.0	136.0	126.0	548.0	633.0
Repayment of interest-bearing debt	(18.9)	(160.9)	(18.9)	(563.8)	(508.0)
Dividend paid	0.0	(6.9)	(20.6)	(34.3)	(82.2)
Interest paid	(20.2)	(21.6)	(20.2)	(85.7)	(89.0)
Net cash flow from financing activities	11.9	(53.4)	66.4	(135.8)	(46.3)
Net change in cash and cash equivalents	32.7	(102.9)	31.1	(93.6)	82.9
Cash and cash equivalents at beginning of period	89.1	192.1	184.3	215.4	132.4
Cash and cash equivalents at end of period	121.8	89.1	215.4	121.8	215.4

The notes in pages 6-9 are an integral part of these consolidated interim financial statements.

NOTES TO THE ACCOUNTS (UNAUDITED)

(Figures in brackets refer to corresponding figures for 2014)

Note 1 - Accounting principles

This Interim Condensed Consolidated financial information for the fourth quarter, ended 31 December 2015, has been prepared pursuant to IAS 34, "Interim Financial Reporting". The Interim Condensed Consolidated financial reporting should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS, as adopted by the European Union.

The accounting policies adopted in the preparation of the Interim Condensed Consolidated financial statements are consistent with those followed in the preparation of BW Offshores annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of January 2015. The adoption of these new standards and interpretations did not have a material impact on the Company.

BW Offshore has from 1 January 2015 changed the accounting policy for classification of currency hedges from operating result to gain/(loss) on financial instruments. BW Offshore has decided to change the policy, 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. BW Offshore believe this provides for better presentation of the operational results.

During completion of the annual accounts for 2014, bond loans have been downward adjusted compared to the fourth quarter interim report of 2014 with USD 65.9 million. This has given a positive effect of USD 65.9 million on Net profit/(loss) on cash flow hedges and consequently equity compared to the fourth quarter report of 2014. Comparative numbers for 2014 in this report has been updated to reflect this.

As a result of rounding differences, numbers and or percentages may not add up to the total.

Note 2 – Vessels and vessels under construction

The book value of operating vessels and vessels under construction amounted to USD 2,694.1 million (USD 2,747.7 million) at 31 December 2015.

Capital expenditure related to vessels and vessels under construction in the fourth quarter 2015, amounted to USD 124.8 million (USD 109.6 million). This is related to capital expenditures on the Catcher project and capital expenditures for ongoing life extension activities. Most life extension activities are on either a reimbursable cost plus basis or covered through higher day rates.

Note 3 – Finance lease receivables

At the end of the quarter, amortisation of finance lease receivables is related to FPSO YÙUM K`AK`NÀAB only. The finance lease for FSO Belokamenka was terminated during the quarter, the unit was redelivered, and recognised as vessel in the balance sheet.

Note 4 - Equity

The number of issued shares was 688,006,004 at 31 December 2015. There were no changes in shares issued in the fourth quarter 2015. There were 700,000,000 authorised shares at 31 December 2015.

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

Note 5 - Interest-bearing debt

Non-current debt

The Company had the following long-term interest-bearing debt at 31 December:

	2015	2014
USD 2,400 million facility	686.7	1,011.2
Joko Tole USD 250 million facility	53.3	101.4
BWO04 - NOK 900 million Bond	100.5	0.0
BWO03 - NOK 750 million Bond	84.0	99.4
BWO02 - NOK 500 million Bond	56.2	66.4
BWO01 - NOK 500 million Bond	56.4	66.7
Catcher USD 800 million facility	335.7	88.6
Petróleo Nautipa USD 80 million facility	62.1	0.0
Umuroa USD 130 million facility	25.9	0.0
Total	1,460.8	1,433.7

Current debt

The Company had the following current interest-bearing debt at 31 December:

	2015	2014
USD 2,400 million facility	219.5	218.1
Joko Tole USD 250 million facility	48.1	57.6
Brazil USD 50 million unsecured term loan	0.0	50.8
BWO04 - NOK 900 million Bond	(0.3)	0.0
BWO03 - NOK 750 million Bond	(0.3)	(0.3)
BWO02 - NOK 500 million Bond	(0.2)	(0.2)
BWO01 - NOK 500 million Bond	(0.2)	(0.2)
Catcher USD 800 million facility	(1.4)	(0.7)
Petróleo Nautipa USD 80 million facility	11.5	0.0
Umuroa USD 130 million facility	4.0	46.3
Total	280.7	371.4

Instalment overview

The following table sets out the maturity profile of the Company's interest bearing debt based on contractual undiscounted payments.

	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
Joko Tole USD 250 million facility	14.7	14.1	10.1	10.1	48.9	37.5	16.3	-	102.8
BWO04 - NOK 900 million Bond*	-	-	-	-	-	-	117.0	-	117.0
BWO03 - NOK 750 million Bond*	-	-	-	-	-	-	124.0	-	124.0
BWO02 - NOK 500 million Bond*	-	-	-	-	-	-	86.8	-	86.8
BWO01 - NOK 500 million Bond*	-	-	-	-	-	90.0	-	-	90.0
Catcher USD 800 million facility	-	-	-	-	-	57.1	287.9	-	345.0
Petróleo Nautipa USD 80 million facility	5.8	-	5.8	-	11.6	11.6	34.9	16.0	74.2
Umuroa USD 130 million facility	1.0	1.0	1.0	1.0	4.0	4.0	21.0	-	29.0
Total	132.8	15.1	128.1	11.1	287.0	422.7	1,154.1	16.0	1,879.9

*) Repayment is illustrated based on hedged USD/NOK rate

Covenants

All bank loan facilities are 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 and interest coverage ratio of minimum 3.0.

Bond loans are 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 Company.

As per year-end 2015 the Company is in compliance with all financial covenants. The equity ratio as per year-end 2015 is 27.5%, and available liquidity amounts to USD 348 million. The Company is closely monitoring all covenants, and initiatives have been undertaken to ensure compliance also going forward.

Note 6 – Investments in associates and joint ventures

Investments in associates relates mainly to the 50% shareholding in OCS Services Limited, providing primarily manning services.

The Company has accounted for its shareholding in these investments according to the equity method.

During the quarter, the 50% shareholding in LLC “Oil Terminal Belokamenka” was sold as the finance lease for the FSO Belokamenka was terminated. Consequently, the Company does not have any investments in Joint Ventures as at 31 December.

Note 7 – Gain/ (loss) on financial instruments

	Q4 15	Q3 15	Q4 14*	2015	2014*
Gain/(loss) on financial instruments	7.8	(15.9)	(12.0)	(9.8)	(14.3)
Net gain/ (loss) on financial instruments	7.8	(15.9)	(12.0)	(9.8)	(14.3)

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

Note 8 – Other long-term liabilities

Other long-term liabilities comprise of upfront payments related to charter contracts. Payments received under operating leases are recognised as operating revenue on a straight-line basis over the lease term. This implies that there might be significant timing differences between cash flow and recognised revenue from a particular lease.

Note 9 – Related party transactions

No related party transactions considered material to BW Offshore occurred during the quarter.

Note 10 – Capital commitments

Total unrecognised contractual capital commitments at 31 December 2015 amounted to USD 484.5 million (corresponding figure for 31 December 2014 was USD 601.3 million). This commitment is related to the Catcher project, ongoing life extension activities, operations as well as commitments on long-term office rental.

Note 11 – Depreciation

The level of depreciation depends on the estimated useful life of the different components of the vessels and the residual value at the end of useful life. The estimated useful life used for depreciations are based on experience and knowledge of the vessels owned by the Company.

The Company has from fourth quarter 2015 started depreciating units during lay-up at a reduced depreciation rate. This increased depreciation by approximately USD 1 million for the quarter.

Note 12 – Impairment and Insurance

During fourth quarter 2015, the Company recorded an additional impairment of USD 85 million to reflect losses related to non-recoverable costs as well as direct damages to the FPSO Cidade de São Mateus as a result of the accident on 11 February 2015. The impairment is based on a preliminary assessment as the unit is still on the field awaiting to be towed to a yard where further assessment will be done and repairs will be undertaken. The repair of the FPSO is covered under the Company’s Hull and Machinery insurance. As a result, the Company has recorded a USD 85 million insurance receivable recorded under *Trade receivables and other current assets* in the balance sheet. The receivable is presented as part of *Operating revenues* in the income statement during the quarter.

The remaining fleet has also been tested for impairment by year end. Impairment assessment was based on whether the recoverable amount, using a value in use model, on individual vessels were higher than net book value. The assessment led to an impairment loss of USD 49.3 million which has been recorded in fourth quarter. The basis for the impairment assessment is that the Company expects an improved market from 2018 where idle units will return to employment.

Goodwill has been fully impaired with USD 186.9 million.

Note 13 – Sale of vessel

In the first quarter, The Company sold the VLCC BW Opal 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 to buy-back the vessel until Q1 2017.

Note 14 - Subsequent events

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 Q4 2017 (from Q4 2016).

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

Note 15 – Segments

The Company's activities are focused on construction, ownership and operation of FPSOs and FSOs. The assets and liabilities are allocated based on the operations of the segment. Sales between segments are presented net of intercompany transactions.

FPSO activity	Q4 15	Q4 14*
Revenues from third parties	318.8	264.8
General and administrative expenses	(7.5)	(12.3)
EBITDA	165.5	109.2
Net gain on sale of tangible fixed assets	0.0	0.0
Depreciation, amortization and impairment	(388.5)	(57.8)
EBIT	(223.0)	51.4
Other segment information		
Capital expenditure	126.1	109.6
Non-current assets (excl finance items)	2,726.3	2,975.5
Investments in associates and joint ventures	7.7	4.7
Geographical information - Revenue		
<i>The classification of revenue per region is determined by the final destination of the FPSO</i>		
Americas	197.7	102.6
Europe/Africa	93.4	133.2
Asia and the Pacific	27.7	29.0
Total revenue	318.8	264.8
The FPSOs by region can be analyzed as follows:		
Americas	961.9	1,221.5
Europe/Africa	1,425.0	1,107.4
Asia and the Pacific	307.3	418.9
Total non-current assets	2,694.1	2,747.7

KEY FIGURES

	Note	Q4 15	Q3 15	Q4 14*	2015	2014*
EBITDA-margin	1	51.9%	56.4 %	41.2 %	48.5 %	49.3 %
Equity ratio	2	27.5%	32.4 %	32.7 %	27.5 %	32.7 %
Return on equity	3	-90.8%	1.6 %	7.1 %	-20.2 %	16.1 %
Return on capital employed	4	-34.5%	4.8 %	6.6 %	-4.6 %	9.1 %
Net interest bearing debt (USD million)	5	1,619.7	1630.8	1589.7	1619.7	1589.7
Cash flow per share (USD)	6	0.19	0.15	0.19	0.64	0.80
EPS - basic and diluted (USD)	7	-0.34	-0.01	0.02	-0.31	0.27
Shares - end of period (million)		688.0	688.0	688.0	688.0	688.0
Share price (NOK)		2.57	3.44	7.51	2.57	7.51
Market cap (NOKm)		1,768	2,367	5,167	1,768	5,167
Market cap (USDm)		201	278	695	201	695

Notes to key figures

- 1 Earnings before interest, taxes, depreciation and amortisation / Operating revenues
- 2 Equity / Total assets
- 3 Annualised net profit / Average equity
- 4 Adjusted EBIT (annualised) / Capital employed (Total assets - vessels under conversion - investments without contributions to EBIT - interest free debt and equivalents)
- 5 Interest bearing debt - cash and cash equivalents
- 6 Net cash flow from operating activities / Weighted average number of shares - (USD)
- 7 Net profit / Weighted average number of shares

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

FLEET AND CONTRACTS

Name of unit	Location	Counterparty	Converted	Contract period
FPSOs				
Sendje Berge	Nigeria	Addax/Sinopec	2000	2005-2018 + options until 2020
Abo	Nigeria	Agip/ENI	2003	2003-2016 + options until 2023
Espoir Ivoirien	Ivory Coast	CNR	2002	2002-2017 + options until 2036
Berge Helene	Mauritania	Petronas	2005	2006-2017 + options until 2021
Petróleo Nautipa	Gabon	Vaalco Energy	2002	2002-2020 + options until 2022
YUUM K'AK'NÀAB	Mexico	Pemex	2006	2007-2022 + options until 2025
BW Cidade De São Vicente	Brazil	Petrobras	2009	2009-2019 + options until 2024
Cidade De São Mateus	Brazil	Petrobras	2009	2009-2018 + options until 2024
Polvo	Brazil	Petrorio (HRT)	2007	2007-2018 + options until 2022
BW Pioneer	US	Petrobras	2010	2012-2017 + options until 2020
Umuroa	New Zealand	AWE	2007	2007-2017 + options until 2022
BW Athena	UK	Ithaca Energy and partner	2012	2016*
BW Joko Tole	Indonesia	Kangean Energy	2012	2012-2022 + options until 2026
BW Catcher	UK	Premier Oil	Ongoing	2017-2024 + options until 2042

*Demobilising in February

Available FPSO's and FSO's

Azurite	Indonesia	Available	2009
Belokamenka	Indonesia	Available	2003

Operating and maintenance agreement

Peregrino (FPSO)	Brazil	Statoil	2013-2018 + options until 2033
P-63 (FPSO)	Brazil	Petrobras	2013-2016