



BW Offshore

# ANNUAL REPORT 2014

BW OFFSHORE LIMITED



# BW OFFSHORE • GLOBAL FOOTPRINT



## OWNED UNITS



BW PIONEER FPSO, PETROBRAS



YUUM K'AK'NÁAB FPSO, PEMEX



BW CIDADE DE SÃO VICENTE FPSO, PETROBRAS



CIDADE DE SÃO MATEUS FPSO, PETROBRAS



POLVO FPSO, PETRORIO



BELOKAMENKA FSO, ROSNEFT



BW ATHENA FPSO, ITHACA ENERGY



BW CATCHER FPSO, PREMIER OIL



BERGE HELENE FPSO, PETRONAS



SENDE BERGE FPSO, SINOPEC



ABO FPSO, ENI



ESPOIR IVOIRIEN FPSO, CNR



PETRÓLEO NAUTIPA FPSO, VAALCO



AZURITE FPSO



BW JOKO TOLE FPSO, KEI



UMUROA FPSO, AWE

## O&M CONTRACTS



PEREGRINO FPSO, STATOIL



P-63 FPSO, PETROBRAS

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

## 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 AUSTRALIA
- R NEW ZEALAND

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**2,400**  
EMPLOYEES



## COMPETENCE

### REFERENCES

- BW Offshore has over the years produced class leading HSE and production records, with an LTI of 0.60 and an uptime of 99.6% in 2014.
- FPSO Yùm 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 11 different countries, supported by local onshore teams and an organisation with a global presence.

FOR MORE INFORMATION, PLEASE VISIT  
[www.bwoffshore.com](http://www.bwoffshore.com)

## 2014 IN BRIEF

### KEY EVENTS

- Signed new FPSO contract for the Catcher field (UK)
- Signed extension contract for FPSO Abo
- Signed extension contract for FPSO Berge Helene
- Signed extension contract for FPSO Polvo
- Signed extension contract for FPSO Sendje Berge
- Signed extension contract for FPSO Umuroa
- Sold VLCC BW Opal
- Contract for FPSO Azurite terminated. Receiving payments until end of firm charter period
- Taken 100% ownership in FPSO Petróleo Nautipa
- Andreas Sohmen-Pao elected as the new Chairman of BW Offshore following Dr Helmut Sohmen's retirement
- USD 800 million secured credit facility for the Catcher FPSO project

### KEY FIGURES

Production uptime		99.6%
Operating revenues	USD million	1,070
EBITDA	USD million	520
Operating profit (EBIT)	USD million	298
Net profit	USD million	187
Total assets	USD million	3,669
Total equity	USD million	1,198
Equity ratio		32.7%
Market cap	USD million	500
Enterprise value	USD million	2,100
Daily export	boe per day	700,000
Total number of offloadings	Crude cargos	401

## FPSO CIDADE DE SÃO MATEUS



EBITDA  
**520**  
USD MILLION

**700,000**  
BOE PER DAY

### IN MEMORIAM

On Wednesday, February 11, 2015 at 12:50 local Brazilian time, an explosion occurred on Floating Production Storage and Offloading (FPSO) unit Cidade de São Mateus. The unit is operated for Petrobras by BW Offshore on the Camarupim and Camarupim Norte fields in Espírito Santo littoral approximately 120 km from the coast in south-eastern Brazil. In the tragic incident nine of the 74 persons on-board lost their lives. After over three weeks of tireless effort by the recovery team of 30 people, the last of the bodies was recovered from the unit on March 2, bringing to an end a terrible period of waiting for the families. A company-wide two minute silence was kept by staff in all locations and on all company units at 0800 hrs on March 4, 2015 out of respect to the memories of the colleagues they had lost. There has been ongoing logistical, medical, social and psychological support for the crew and their families. Production has been stopped and the unit has been shut down. BW Offshore management and Petrobras are working together to plan the reinstating of the unit and official investigations are underway.

## CEO'S REPORT



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

2014 was the best operating year in the history of BW Offshore. This achievement was overshadowed by the accident in February 2015 on the FPSO Cidade de Sao Mateus, where nine of our crew were killed in a gas explosion.

On Wednesday, February 11, 2015 at 1235 hrs local Brazilian time, an explosion occurred in the pump-room on board Cidade de Sao Mateus. Nine of our crew members lost their lives that day, which goes down as the worst day in the history of our company. Cidade de Sao Mateus had just completed a landmark 2,000 days of Lost Time Injury (LTI) free service and was one of the best in terms of maintenance and regularity in the fleet. The accident is a reminder of the dangers associated with our business. It serves as a warning to never rest or get complacent about the absolute requirement for safety in everything we do. As the investigations are completed, we will extract the lessons learned to help prevent such accidents in the future.

We will continue efforts to provide the necessary support to the crew and families whose lives have been changed forever by this tragedy. We offer our gratitude for the tireless support we have received from our client Petrobras and partners, as well as the local authorities.

The company's focus for 2014 has been on continued operational performance. The fleet of 16 FPSOs and one FSO performed in 2014 with class leading up-time, supported by targeted preventive maintenance efforts throughout the year.

On the macro level, even before the sudden drop in oil prices towards the end of the year, the upstream oil and gas industry

was suffering from reduced financial returns on new developments. The lower oil price effectively put a number of prospects on hold and we expect only a limited number of new opportunities to materialise in the short to medium term.

The year 2014 started with very high activity levels. BW Offshore was involved in a number of prospects, most notably Leviathan for Noble Energy in a FEED (Front End Engineering Design) study for a large gas FPSO for Israel and a smaller FEED for the Kudu gas FPSO for Tullow Oil in Namibia. Both projects stand halted and while a restart is possible, the timing remains uncertain.

We believe that the current oil price projections will continue to drive specialisation in the upstream oil and gas business. We are confident that, as and when development activities restart, BW Offshore will continue to be a very valuable partner to oil and gas companies with our unique service offering of cost effective assets and operations for offshore oil and gas production.



WE BELIEVE THAT THE CURRENT OIL PRICE PROJECTIONS WILL CONTINUE TO DRIVE SPECIALISATION IN THE UPSTREAM OIL AND GAS BUSINESS.

## MANAGEMENT

THROUGH 2014  
 BW OFFSHORE HAS  
 CONTINUED TO INVEST  
 SIGNIFICANTLY IN  
 BUILDING TECHNICAL  
 AND PROJECT CAPABILITY  
 AND CAPACITY.

At the same time, with our large operating fleet, we retain a high activity level and have protection from the declining upstream investments in our long-term contracted cash flow. The fleet will continue to generate a steady contribution in the years ahead and provide a solid foundation for the business.

BW Offshore signed a contract with Premier Oil in the first quarter of 2014 for the provision of a 60,000 barrels/day oil, North Sea specification, FPSO. The total project duration is expected to be 38 months and first oil is planned for mid 2017. The contract was entered into after an extended FEED process, which started in the last quarter of 2012. BW Offshore will build a new hull at the IHI yard in Japan and Dyna-Mac in Singapore will fabricate the topside process plant. The turret mooring system will be delivered by National Oilwell Varco in Norway. The fixed contract is for seven years with 18 years of options. The FPSO represents an investment of USD 1.2 billion for the company and the value of an expected charter of ten years represents a USD 2.3 billion backlog. The Catcher project is now fully mobilised and represents a significant portion of the workload for our project execution team. Overall the project is on schedule for a timely delivery and is tracking within the budget.

Through the year the company signed a number of extensions on existing units, namely ABO, Umuroa, Berge Helene, Senje Berge and Polvo. In addition BW Offshore acquired the outstanding 50% of our jointly owned (with Yinson of Malaysia), FPSO, Petróleo Nautipa. On several of these vessels BW Offshore is undertaking significant life extension work. The reduced price for crude has changed the value of tail end production. BW Offshore does, however, believe that there is a need for efficient, lower priced production in the future upstream development mix and that the existing fleet has a further considerable business potential.

Contracted revenue visibility remains at an average of ten years – including options – after extensions signed in 2014 and when including the new contract for the Catcher contract with Premier Oil.

BW Offshore was ranked among best in class for health, safety, security and the environment (HSSE) in the operating fleet in 2014. Our commitment to the highest international standards is unwavering but severely humbled by the accident on Cidade de Sao Mateus. We owe it to our clients, partners, lenders, investors and staff to extract the lessons learned and ensure such a tragedy never happens again.

Through 2014 BW Offshore has continued to invest significantly in building technical and project capability and capacity. We will continue to augment our capabilities in 2015, alongside the relentless drive to clarify and harmonize work methods for maximum effectiveness.

The talent at BW Offshore is highly valued – with our 2,400 colleagues representing our biggest competitive advantage. I want to thank every individual for the work ethic, resilience and dedication demonstrated each day.

My appreciation also goes to the Board of Directors for another year of strong support, valued counsel and sound steer. Special thanks indeed go to our outgoing Chairman, Dr. Helmut Sohmen, under whose guidance I have led the company thus far, and warm congratulations to Andreas Sohmen-Pao, who has long been a valuable board member, as he now steps into his new role as Chairman.



Carl K. Arnet  
 CEO



Carl K. Arnet  
 CEO



Knut R. Sæthre  
 CFO



Stuart Bannerman  
 COO



Thyl E. Kint  
 CTO



Claude L. Rouxel  
 CBDO



Magda Karim Vakil  
 Head of Legal



Rebekah France  
 Head of Human Capital



# 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 collaboration 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 the 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.

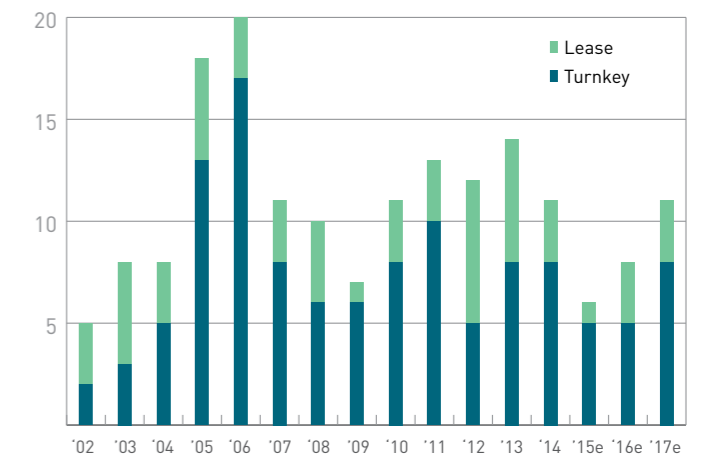
There are also numerous other factors to be considered in the quest for an optimal solution. The weather conditions in the field need to be carefully considered as do the field, oil quality, gas solutions, water, environmental concerns and of course, the regulatory framework. In all these areas BW Offshore 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, 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 - producing, processing, storing and offloading. 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 in West Africa, Brazil, Gulf of Mexico, the US Gulf, The North Sea, Indonesia and New

### GLOBAL FPSO AWARDS



Source: Fearnley Offshore

# 38

FPSO/FSO PROJECTS COMPLETED



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 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 activity 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**

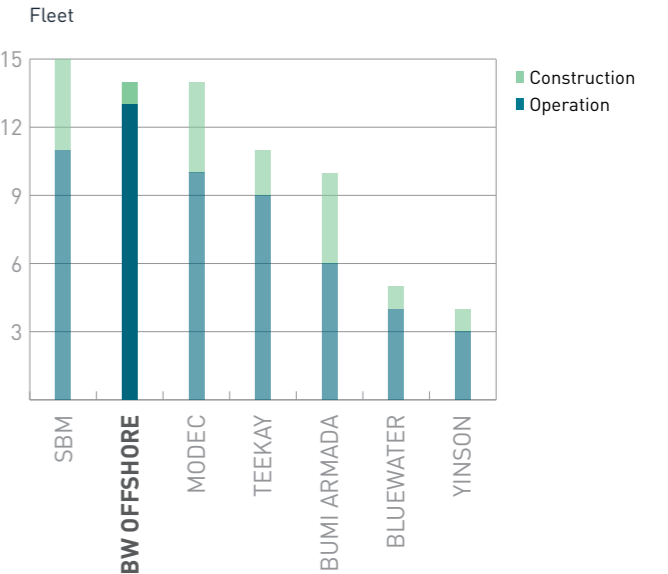
From engineering to procurement of materials and equipment, and fabrication and integration, to finally testing the facility before hand over to the Operations team, project execution is complex. It also requires extreme discipline to ensure that multiple hundreds of people from BW Offshore, subcontractors 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 operations experience test the unit adequately to ensure a smooth start-up and high regularity from the get go.

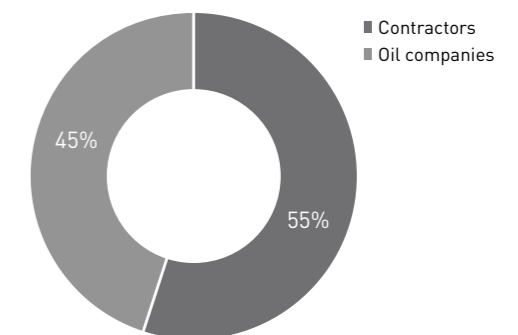
Project teams are put together in a bespoke manner - handpicking individuals with specialist knowledge and experience for each assignment and partnering with appropriate subcontractors. This allows BW Offshore to combine competence with scalability. Pulling such multi-national, multi-skilled and multi-locational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

**FPSO CONTRACTORS**



Source: EMA/IMA. Fearnley Offshore

**FPSO OWNERSHIP**



**164**  
FPSOs  
WORLDWIDE

## WE LEASE



## STRONG FINANCIALS

Leasing the production asset and leaning on BW Offshore to finance and dispose of production assets, allows 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 and 1 FSO.

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 the vast untapped commercial potential in the existing fleet.

### STABLE AND SECURE FUNDING

BW Offshore has a strong relationship with lending banks and close contact with the equity market through the Oslo Stock Exchange listing, enable the structuring of attractive financial packages and to offer lease charters to clients. BW Offshore has successfully created funding alternatives

through the bond market, in addition to interest from equity partners on individual projects. BW Offshore is also in a position to handle the certain residual value of operating units effectively thanks to its global footprint and extensive market access. All this means that BW Offshore enjoys a stable financial foundation with a robust balance sheet and available funds.

### 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.

### EASY AND COORDINATED MANAGEMENT

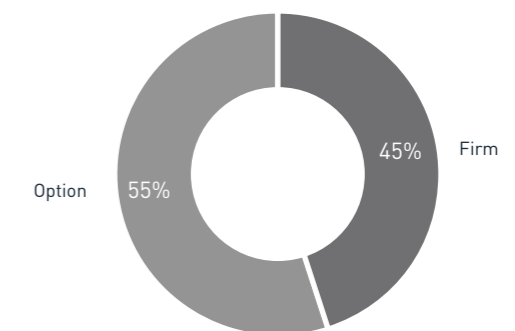
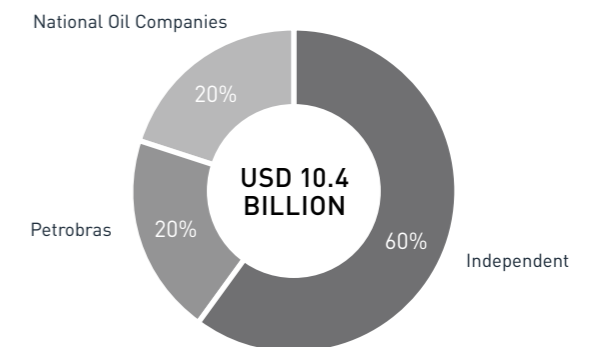
The contract between the oil company or the operator and BW Offshore regulates numerous operational and financial

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.

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## BW OFFSHORE'S REVENUE BACKLOG



# USD 3.7 BILLION

TOTAL ASSETS

WE OPERATE



**CLASS LEADING PERFORMANCE**

Safe operations and class leading production high uptime 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 operated fleet today, and over 700,000 barrels of oil equivalent in daily volume is handled in areas as diverse as Northern Russia, 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**

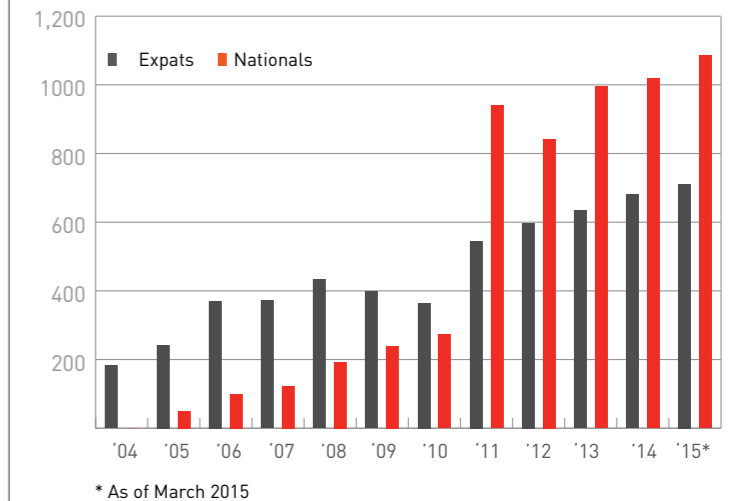
BW Offshore's operational performance is delivered by highly qualified, competent and dedicated technical support and logistics service staff. A strong network of onshore in country offices ensures operational support that links the units to hubs in Brazil, Oslo and Singapore. Global recruitment centres 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.

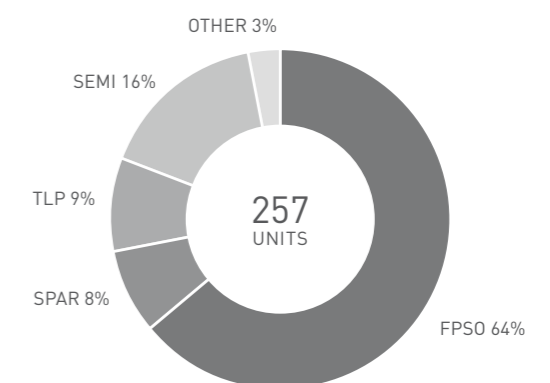
**OPERATIONS AND MAINTENANCE EXPERTISE**

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 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

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



**GLOBAL FLOATING PRODUCTION UNITS**



Source: IMA/EMA

**FPSO IS THE PREFERRED SOLUTION FOR FLOATING PRODUCTION.**



OPERATING  
**16**  
FPSOs

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 shipyard. 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: 2012-2015 (2020)													
BW JOKO TOLE	FPSO	LEASE & OPERATE	KANGEAN, INDONESIA: 2012-2022 (2026)													
UMUROA	FPSO	LEASE & OPERATE	AWE, NEW ZEALAND: 2007-2016 (2022)													
POLVO	FPSO	LEASE & OPERATE	PETRORIO (HRT), BRAZIL: 2007-2015 (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)													
BELOKAMENKA	FSO	LEASE & OPERATE	ROSNEFT, RUSSIA: 2004-2019													
AZURITE	FPSO	TENDERING	MURPHY, CONGO													
P-63 (PAPA TERRA)	FPSO	OPERATE	PETROBRAS, BRAZIL: 2013-2016													
PEREGRINO	FPSO	OPERATE	STATOIL, BRAZIL: 2013-2018 (2033)													

■ 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 robust 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 2013. 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 means the injured person is unable to resume their normal duties on the next or subsequent shifts.

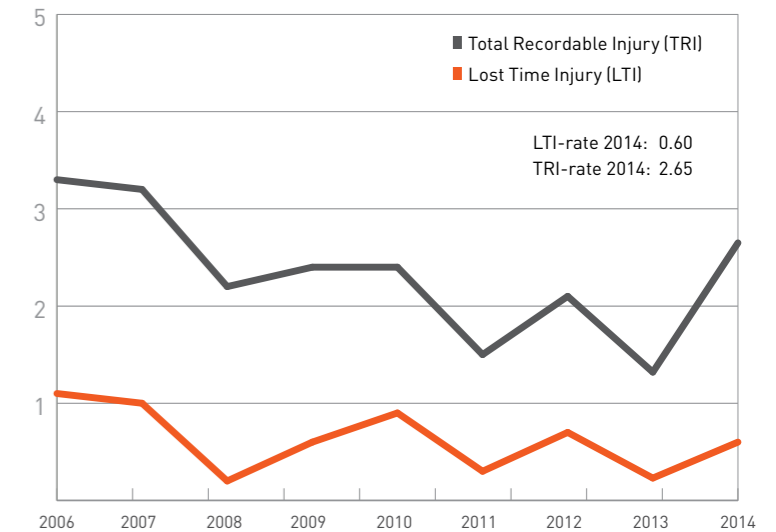
**Total Recordable Injuries (TRI):** the sum of lost time injuries, restricted work cases and medical treatment cases.

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.)

**BW OFFSHORE HSE STATISTICS**

Per million hours



**LTI**  
**0.60**  
PER MILLION HOURS

# 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.



**YÙUM 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 CÍDADE DE SÃO VICENTE (2009)**  
- early test production.

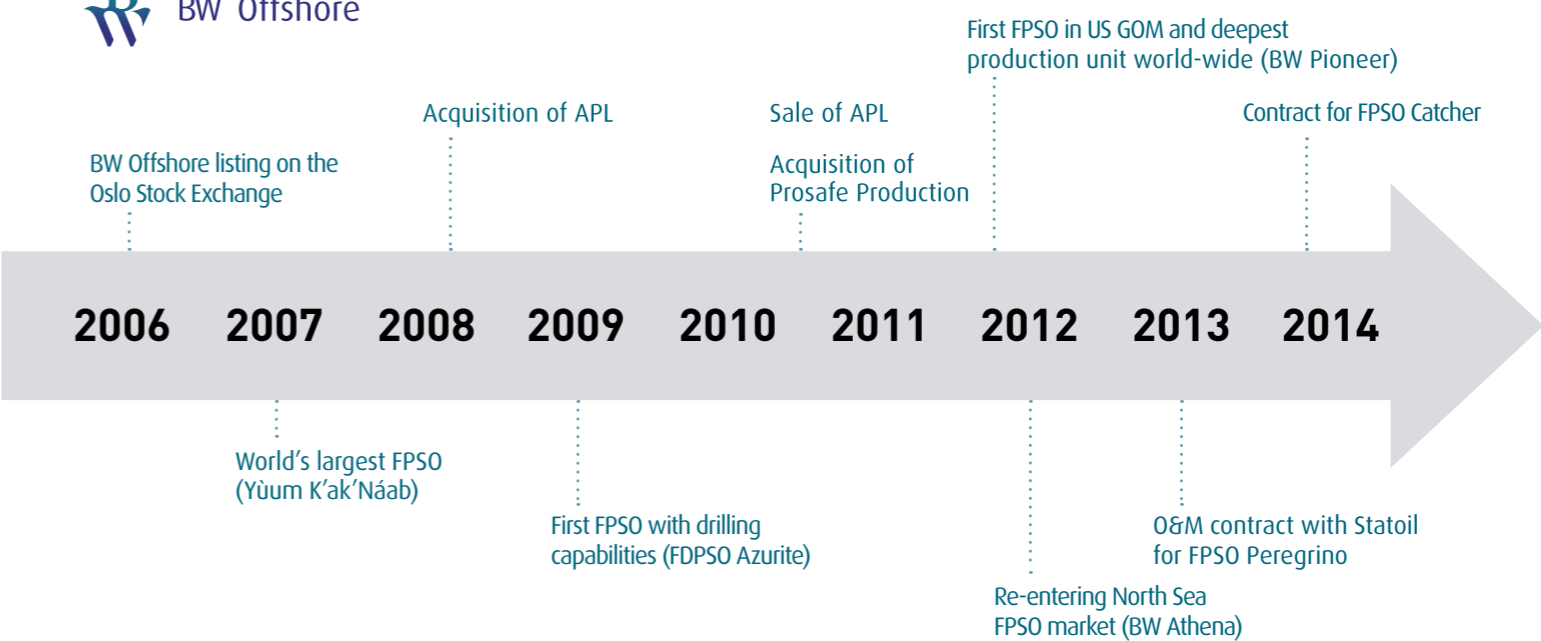
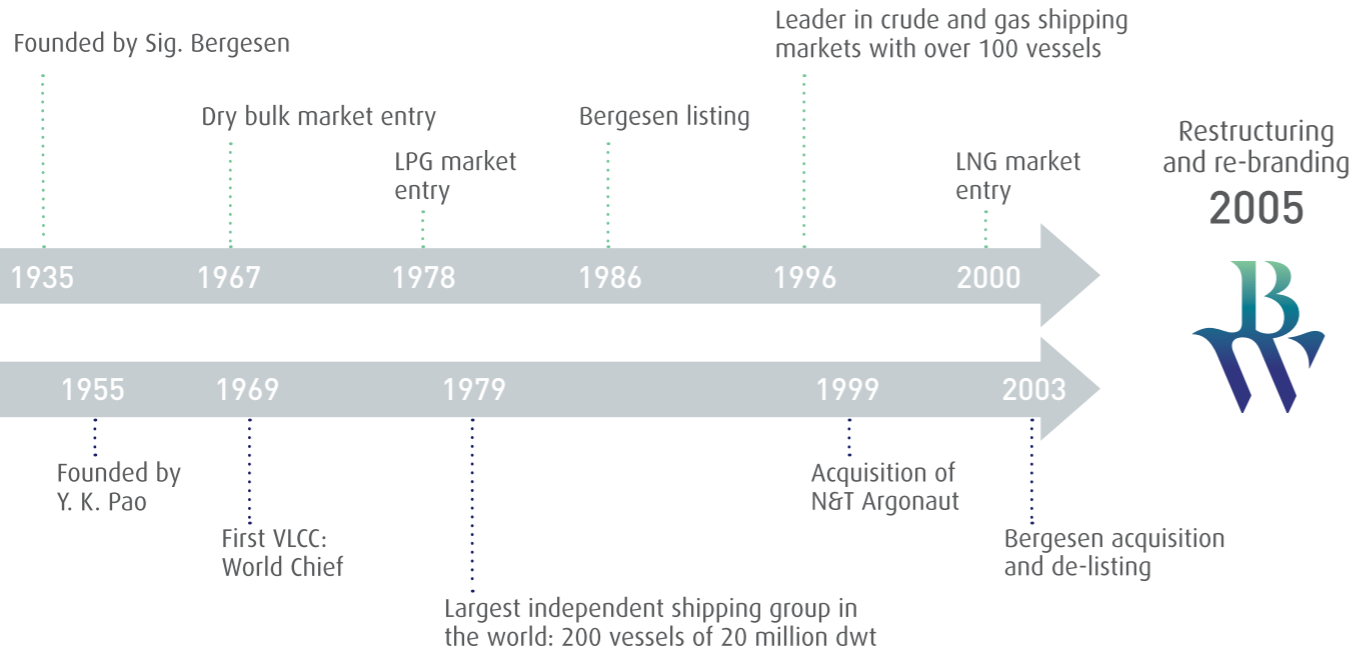


**BW PIONEER (2012)**  
- the world's deepest producing FPSO, operating at 2,500 meters in the US GOM for Petrobras.



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

**BERGESEN**



## 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 impose 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 Verdipapircentralen (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](http://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 reviewed annually. The work is carried out by the Remuneration Committee, which generally considers the executive personnel's performance and also gathers information from comparable companies before

making its recommendation to the Board for approval. Such recommendation aims to ensure convergence of the financial interests of the executive personnel and the shareholders.

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

The Board approves any share option programs in the Company available to the employees of the Company and subsidiaries. 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](http://www.oslobors.no) and on the Company's website [www.bwoffshore.com](http://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.

## 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.

Since 1982 BW Offshore has completed a total of 38 FPSO and FSO conversions.

Health, safety, security and the environment are key to BW Offshore and our clients. BW Offshore has lived up to the highest standards in the industry for 25 years operating FPSOs and FSOs. The tragic explosion that took place on 11 February 2015 on-board FPSO Cidade de São Mateus, causing nine fatalities, demonstrated how this commitment to safety must be relentless.

The drop in the oil price during 2014 has changed the outlook for BW Offshore's products and services. Oil companies have announced significant reduction in investments, and this has made the short term demand for new FPSOs more uncertain. Despite this, BW Offshore believes that FPSOs will continue to be a cost effective solution for offshore developments going forward. Combined with secure cash flow from operating units under mainly long term contracts with national and independent oil companies, BW Offshore believes the Company is well set for the future.

In 2014, BW Offshore signed a contract with Premier Oil for an FPSO to operate on the Catcher oil field in the UK North Sea. This is the first new contract signed

since FPSO BW Athena started operating in 2012.

BW Offshore also signed a number of extensions on existing units during 2014, on Polvo, Sendje Berge, Berge Helene, Umuroa and ABO. These contract extensions are continuing evidence that units often have a commercial life beyond the fixed contract terms.

#### ABOUT BW OFFSHORE

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

BW Offshore is represented in all the major oil and gas regions world-wide, 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 2,400 employees and offices in 20 different countries around the world, providing services to the operations.

At the end of 2014, the Group had units operating offshore Brazil, Nigeria, Mauritania, Mexico, Indonesia, Ivory Coast, Gabon, New Zealand, UK, USA and Russia. BW Offshore Limited is a Bermuda incorporated company and is 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.

Subsequent to year-end 2014 there was an explosion onboard FPSO Cidade de São Mateus. On 11 February 2015 there were nine fatalities in this tragic accident. The unit is operated for Petrobras by BW Offshore. Production was stopped and the unit has been shut down since the accident.

The internal investigation was started immediately after the accident by a team from BW Offshore. As at the time of this report the investigation has not been concluded.

ment of policies and procedures on a global scale are some examples of initiatives that continue to have focus. Culture surveys are performed regularly to assess the strength of the working culture. The survey done in 2014 indicates that employees rate BW Offshore as improved in all categories measured since 2011 (the last time the survey was conducted). In 2014, absence due to sickness amounted to 1.7% of total hours worked by the employees. This compares to 1.8% in 2013.

The average number of employees including contract staff for 2014 was 2,375 compared to 2,298 in 2013. BW Offshore is considered an attractive workplace and 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.

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.

The discharge of oil, natural gas or other pollutants into the air or water may give rise to liabilities to foreign governments and third parties and may require the Group to incur costs to remedy such discharge. Environmental legislation may also expose the Group to liability for the conduct of or conditions caused by others, or for acts of the Group which were in compliance with all applicable laws at the time such actions were taken. Furthermore, some environmental laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, which could result in liability for environmental damage without regard to negligence or fault. BW Offshore had no significant harmful environmental spills during 2014.

#### OPERATIONS

BW Offshore operates 18 units. The owned fleet comprises 14 FPSOs and one FSO.

The FPSO Yùm K'ak' Náb is in operation at the KMZ field offshore Mexico for Pemex and commenced operation in 2007. The duration of the contract is 15 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 Petrobras. 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 10 year firm lease contract. The client has options for up to five years.

The Arctic FSO Belokamenka operates as an oil terminal in the Kola Bay, Russia for Rosneft. The unit commenced operation in 2004 and the duration of the contract is 15 years.

The FPSO Cidade de São Mateus commenced its nine-year firm contract with Petrobras on the Camarupim field off the coast of Espírito Santo, Brazil, in 2009. Petrobras has the option to extend the contract by up to six years. Due to the explosion that occurred during February 2015, the unit is currently shut down and is not receiving charter rate. At the time of the report, BW Offshore is assessing damages to the unit from the explosion. The unit is insured for loss of hire that covers loss off day rates up to a maximum of 360 days after an initial period of 90 days.

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 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. The firm period has been extended to third quarter of 2015.

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 in December 2014 signed a Letter of Intent for a two years extension until fourth quarter 2016, with options for an additional seven years (until fourth quarter 2023). The Company is currently performing life extension activities on the unit, which is 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 has until 2014 been owned 50/50 by BW Offshore and Yinson Holdings Berhad. In July 2014 BW Offshore announced that it had initiated a process for reaching a mutual agreement for either of the two owners to take over 100% ownership the FPSO Petróleo Nautipa. BW Offshore subsequently gave an offer that Yinson accepted to take 100% ownership of the FPSO Petróleo Nautipa. The price paid for the remaining 50% stake in the FPSO Petróleo Nautipa was USD 49.3 million, plus approximately USD 10 million consideration for

working capital. BW Offshore formally completed the transaction in October 2014 and took over all operations before the year end.

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.

The FPSO BW Athena commenced operation on the Athena field in the UK for Ithaca Energy in June 2012. The contract is for a fixed term of three years until 2015, with an option period of up to five years.

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 15 years.

The Company also operates the FPSO P-63 owned by Petrobras and Chevron on the Papa Terra field offshore Brazil. BW Offshore will operate the FPSO for three years in a joint venture with Queiroz Galvão Óleo e Gás S.A. The operation started in November 2013.

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 in 2015, the Company 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 4.6 billion related to non-cancellable contracts and including options stands at USD 10.4 billion.

#### PROJECTS

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. The field was at 31 December owned by Premier Oil (50% operator), Cairn Energy (30%) and MOL (20%). After the year end Dyas UK has acquired a 10% interest in the field from Cairn Energy. The firm charter period of the contract is seven years, with extension options of up to 18 years. Based on a field life of 10 years, the contract value is USD 2.3 billion including FPSO charter rate and opex.

BW Offshore's scope includes the delivery of the FPSO, mooring system, installation and operation of the unit throughout the charter period. BW Offshore will order 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 mid-2017.

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

During 2014, significant progress has been made on engineering, procurement and construction activities. Notably fabrication on the turret mooring system is progressing well and all major contracts have now been awarded. BWO is monitoring the progress closely and will continue to work in a 'hands on' manner with all subcontractors to ensure focus on cost and schedule.

The Company 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 1,022.9 million compared to USD 901.7 million in 2013. The increase is primarily attributable due to the early termination fee received for Azurite, the consolidation of FPSO Petróleo Nautipa from the acquisition of the remaining 50% share in the unit as well as some higher level on reimbursable items throughout 2014. Revenue derived from lease interests (the operation of the FPSO Yuum K'ak' Náab and the lease of the FSO Belokamenka) was USD 14.6 million compared to USD 15.9 million in 2013.

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

510.7 million compared to USD 465.3 million in 2013. The increase in operating expenses was mainly attributable to somewhat higher activity level on the fleet compared to 2013, mainly on reimbursable items.

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 61.2 million compared to USD 59.5 million in 2013.

The earnings before interest, taxes, depreciation and amortisation (EBITDA) for BW Offshore and its subsidiaries (the 'Group') for 2014 was USD 520.3 million compared to USD 443.1 million in 2013.

Depreciation and amortisation amounted to USD 223.0 million, compared to USD 263.9 million in 2013. The decrease is mainly due to that during the first quarter of 2014 BW Offshore reviewed and amended the estimates used for defining useful life on the existing fleet. This review has resulted in a revised depreciation schedule on a number of FPSOs in the fleet.

Operating profit was USD 297.5 million, compared to a profit of USD 178.9 million in 2013. In addition to the items mentioned above, a one off profit of 19.7 million was booked in 2014 from the acquisition of the remaining 50% share in FPSO Petróleo Nautipa.

Net financial expenses were USD 72.1 million compared to USD 61.4 million in 2013. The increase is mainly due to fair value losses on financial instruments in 2014.

Tax expense amounted to USD 38.2 million compared to USD 36.1 million in 2013.

Net result was USD 187.2 million compared to a net profit of USD 81.4 million in 2013.

##### Financial position

Total assets were USD 3,668.9 million as at 31 December 2014 compared to USD 3,340.4 million in 2013. The net increase of USD 328.5 million (10%) mainly relates to capex incurred on new projects as well as existing units, higher cash level and higher trade receivables. Goodwill as at 31 December 2014 relates to the acquisition of Prosafe Production in 2010.

As at 31 December 2014, the Group had a net equity of USD 1,198.1 million compared to USD 1,124.1 million at 31 December 2013.

The net equity ratio as at 31 December 2014 was 32.7% compared to 33.7% as at 31 December 2013.

As at 31 December 2014, the Group had interest-bearing debt of USD 1,805.1 million compared to USD 1,749.4 million in 2013. BW Offshore is mainly funded through a USD 2.4 billion seven year senior secured credit facility established in 2011. The Group also have three unsecured bonds as of 31 December 2014. 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. All bond loans have been swapped to USD and the interest rate has been fixed. BW Offshore also have 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 as well as a facility 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. The facility is a bullet loan that was repaid 13 February 2015. Net interest-bearing debt at 31 December 2014 was USD 1,589.79 million.

##### Cash flow

Net cash inflow from operating activities amounted to USD 548.9 million compared to net cash inflow of USD 319.6 million in 2013. Net cash outflow from investment activities amounted to USD 419.7 million, compared to a net cash outflow of USD 99.9 million in 2013. 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 reduced to USD 46.3 million compared to USD 185.2 million in 2013.

##### Dividends

BW Offshore has during 2014 paid out USD 82.2 million in dividends to shareholders, equal to USD 0.12 per share. Since the Company started paying out dividends in 2011, USD 275.2 million has been paid out

as per year end of 2014. This equals USD 0.40 (NOK 2.39) per share.

#### GOING CONCERN

Based on the Group's current fleet, contracts and overall position at the end of the year, and current loan facilities, the Board is of the opinion that BW Offshore has a good 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 profit of USD 74.4 million for 2014, compared to a net profit of USD 348.3 million in 2013. BW Offshore Limited is a holding company with no operating activities. The profit for 2014 is primarily caused by reversal of impairments of shares in subsidiaries and intercompany receivables.

Total assets were USD 2,441.6 million as at 31 December 2014 compared to USD 2,488.4 million in 2013.

Total shareholders' equity in BW Offshore Limited as of December 31, 2014 was USD 1,408.6 million, corresponding to an equity ratio of 57.7%.

#### CORPORATE GOVERNANCE

Good corporate governance is 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.

Dr Helmut Sohmen announced his retirement effective 20 November 2014 as Chairman of the Board of BW Offshore Limited. Andreas Sohmen-Pao was at the same

time been elected as the new Chairman of the Company. The Board expresses its gratitude to Dr. Sohmen for his stewardship of the Company over many years.

**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, on some units loss of income and third-party liabilities. 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 18 in the consolidated financial statements.

**EVENTS AFTER THE BALANCE SHEET DATE**

On 11 February 2015 an explosion occurred onboard the FPSO Cidade de São Mateus, operating on the Camarupim and Camarupim Norte fields for Petrobras in Espirito Santo littoral. Production has been stopped and the unit has been shut down. At the time of the report, BW Offshore is assessing damages on the unit due to the explosion as repair is needed before the unit can be put back into operation.

On 13 February 2015, the Company settled a USD 50 million unsecured one-year term loan with Itaú Bank, established during first quarter 2014.

On 11 March 2015, the BW Opal was sold for USD 85.5 million to BW Group. The trans-

action 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.

**OUTLOOK**

The outlook for BW Offshore's products and services has changed recently due to the drop in oil price. The short term demand situation for new leased units is currently uncertain. BW Offshore still expects outsourcing of production to be a cost effective solution for oil companies to pursue oil development initiatives in the future.

BW Offshore's cash flow from the operating units is secure and mainly based on long term contracts with national and independent oil companies. The fleet of BW Offshore will continue to generate a healthy cash flow in the time ahead. The trend of continued production outside the initially planned period has so far continued, as seen from the recent extensions.

BW Offshore will continue with the efforts to improve safety, efficiency, planning, disciplined execution and financial control in all its operations.

# PURPOSE



Bermuda, 25 March 2015



*Mr. Andreas Sohmen-Pao*  
Chairman



*Mr. Ronny Johan Langeland*  
Vice Chairman



*Mr. Christophe Pettenati-Auzière*



*Mr. Maarten Scholten*



*Ms. Clare Spottiswoode*



*Mr. Carsten Mortensen*  
(from 1 January 2015)

- BE THE NUMBER ONE OFFSHORE PRODUCTION OWNER AND OPERATOR
- INVEST IN, DEVELOP AND OPERATE OFFSHORE PRODUCTION ASSETS BY APPLYING COMPETITIVE TECHNOLOGY AND EXTENSIVE OPERATING EXPERIENCE
- CREATE VALUE BY UNDERSTANDING AND MANAGING THE RISK AND REWARDS OF OUR BUSINESS
- MAXIMISE RETURN TO SHAREHOLDERS WHILST UNDERSTANDING THE LONG TERM NATURE OF OUR BUSINESS

# 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 By-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.

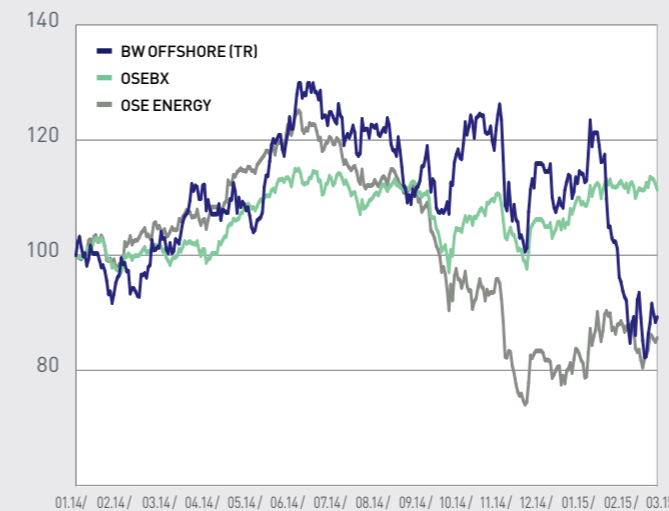
The investor relations activities aims to ensure that:

- 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

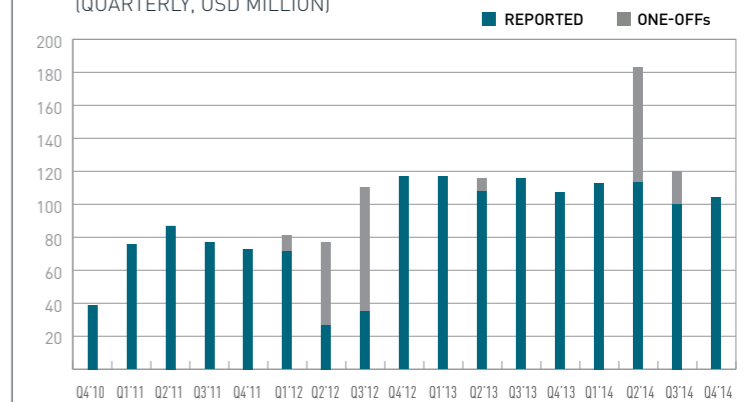
## SHAREPRICE (NOK)



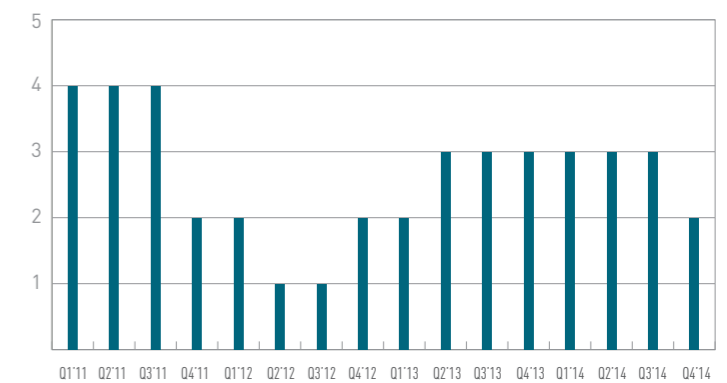
## RELATIVE PERFORMANCE (INCL. DIVIDEND)



## EBITDA (QUARTERLY, USD MILLION)



## DIVIDEND (QUARTERLY, USD CENT)

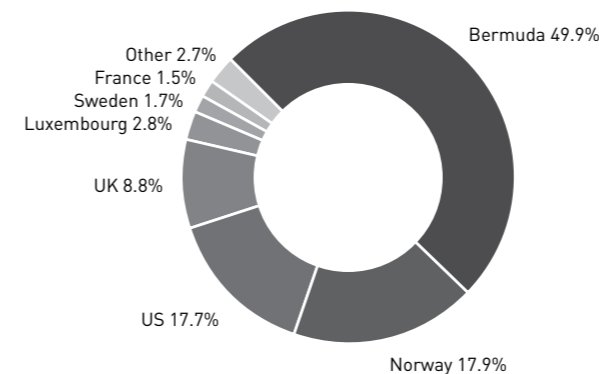


## 20 LARGEST SHAREHOLDERS

NAME	# SHARES	% SHARES
1 BW GROUP LIMITED C/O BW MARITIME PTE	342,312,248	49.75
2 STATE STREET BANK (NOMINEE)	17,648,444	2.57
3 ODIN NORGE	16,208,012	2.36
4 FIDELITY FUNDS-NORDIC	14,987,037	2.18
5 FIDELITY FUNDS	9,809,500	1.43
6 ODIN OFFSHORE	9,000,000	1.31
7 CITIBANK, N.A. S/A FIDELITY PURITAN (NOMINEE)	8,303,300	1.21
8 CITIBANK, N.A. S/A DFA-INTL SML CAP (NOMINEE)	7,849,239	1.14
9 JPMORGAN CHASE BANK, CARL K. ARNET	7,499,081	1.09
10 STATE STREET BANK (NOMINEE)	6,842,631	0.99
11 GOLDMAN SACHS & CO (NOMINEE)	6,584,605	0.96
12 KLP AKSJE NORGE VPF	6,295,520	0.92
13 FIDELITY SELECT PORT	6,056,315	0.88
14 JP MORGAN, LUX	5,361,043	0.78
15 THE BANK OF NEW YORK (NOMINEE)	5,019,370	0.73
16 KLP	4,722,841	0.69
17 FID BLUE CHIP VAL FUND	4,458,400	0.65
18 FIDELITY INVESTMENT BNY MELLON SA/NV	4,420,513	0.64
19 BNP PARIBAS (NOMINEE)	4,067,117	0.59
20 BROWN BROTHERS (NOMINEE)	3,990,000	0.58

DATE: 24 MARCH 2015

## GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS



2,998  
NORWEGIAN

353  
NON-NORWEGIAN

3,351  
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: Post Gentil  
The People's Republic of China: Shanghai  
Indonesia: Jakarta  
United Kingdom: Aberdeen  
Cyprus: Limassol  
Netherlands: Amsterdam  
Australia: Perth

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## CONSOLIDATED STATEMENTS OF INCOME

USD MILLION (YEAR ENDED 31 DECEMBER)	NOTE	2014	2013*
Charter hire	5,6	1,022.9	901.7
Construction contract revenue	5,7	-	23.0
Lease interest	5,6	14.6	15.9
Other income		32.9	15.6
<b>Total revenues</b>		<b>1,070.4</b>	<b>956.2</b>
<b>OPERATING EXPENSES</b>			
Operating expenses vessels	8,9	(466.9)	(389.2)
Construction contract expenses	7	-	(42.8)
Currency hedges and other currency effects	18	(7.2)	(5.1)
Other expenses	8	(36.6)	(28.2)
Administrative expenses	8,9,19	(61.2)	(59.5)
<b>Total expenses</b>		<b>(571.9)</b>	<b>(524.8)</b>
Share of profit/ (loss) of associated companies	14,28	21.8	11.7
Operating profit before depreciation, amortisation & sale of assets		520.3	443.1
Depreciation and amortisation	11,12,13	(223.0)	(263.9)
Net gain/ (loss) on sale of tangible fixed assets	11,12	0.2	(0.3)
<b>Operating profit</b>		<b>297.5</b>	<b>178.9</b>
<b>FINANCIAL INCOME AND FINANCIAL EXPENSE</b>			
Interest income		2.1	2.4
Fair value gain/ (loss) on financial instruments		(7.1)	3.7
Interest expense		(65.1)	(63.1)
Other financial items		(2.0)	(4.4)
<b>Net financial expenses</b>		<b>(72.1)</b>	<b>(61.4)</b>
<b>Profit/ (loss) before tax</b>		<b>225.4</b>	<b>117.5</b>
Income tax expense	10	(38.2)	(36.1)
<b>Net profit/(loss) for the year from continued operations</b>		<b>187.2</b>	<b>81.4</b>
Net profit/ (loss) for the year		187.2	81.4
Profit/ (loss) attributable to equity shareholders		187.2	81.4
Basic/diluted earnings/ (loss) per share net	23	0.27	0.12

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

USD MILLION (YEAR ENDED 31 DECEMBER)	NOTE	2014	2013*
Profit/ (loss) for the year		187.2	81.4
<b>OTHER COMPREHENSIVE INCOME</b>			
Items to be reclassified to profit or loss:			
Currency translation differences		(4.2)	(5.0)
Cash flow hedges	18	(82.4)	(12.5)
Reclassification during the year to profit/ (loss) of cash flow hedges	18	65.9	-
<b>Net items to be reclassified to profit or loss:</b>		<b>(20.7)</b>	<b>(17.5)</b>
Items not to be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans		(10.2)	(3.8)
<b>Net items not to be reclassified to profit or loss:</b>		<b>(10.2)</b>	<b>(3.8)</b>
<b>Other comprehensive income, net of tax</b>		<b>(30.9)</b>	<b>(21.3)</b>
<b>Total comprehensive income for the year</b>		<b>156.3</b>	<b>60.1</b>
<b>ATTRIBUTABLE TO</b>			
Equity holders of the parent		156.3	60.1
Non-controlling interests		-	-

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21. The notes in pages 46-70 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

USD MILLION (AS AT 31 DECEMBER)	NOTE	2014	2013*
<b>ASSETS</b>			
Vessels	11	2,747.7	2,509.9
Property and other equipment	12	12.2	12.4
Goodwill	13	186.9	186.9
Other intangible assets	13	4.2	2.9
Finance lease receivable	6	140.9	158.2
Investments in associates and joint ventures	14, 21	4.7	42.2
Deferred tax asset	10	4.6	2.0
Derivatives	18	1.1	2.0
Other non-current assets		14.1	2.0
<b>Total non-current assets</b>		<b>3,116.4</b>	<b>2,918.5</b>
Inventory		6.6	6.5
Trade and other receivables	17	307.1	267.1
Finance lease receivable	6	17.4	15.9
Derivatives	18	6.0	-
Cash and deposits	15	215.4	132.4
<b>Total current assets</b>		<b>552.5</b>	<b>421.9</b>
<b>TOTAL ASSETS</b>		<b>3,668.9</b>	<b>3,340.4</b>
<b>EQUITY</b>			
Share capital	16	6.9	6.9
Share premium	16	1,085.0	1,085.0
Other equity		106.2	32.2
<b>Total shareholder's equity</b>		<b>1,198.1</b>	<b>1,124.1</b>
Long-term loan facilities	18,20	1,433.7	1,459.3
Retirement benefit obligations	19	14.3	6.8
Deferred tax liabilities	10	0.6	0.2
Other non-current liabilities		218.7	202.7
Derivatives	18	100.4	44.4
<b>Total non-current liabilities</b>		<b>1,767.7</b>	<b>1,713.4</b>
Trade and other payables	27	263.0	176.1
Derivatives	18	33.1	5.7
Interest-bearing short term debt	18,20	371.4	290.1
Income tax liabilities	10	35.6	31.0
<b>Total current liabilities</b>		<b>703.1</b>	<b>502.9</b>
<b>Total liabilities</b>		<b>2,470.8</b>	<b>2,216.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,668.9</b>	<b>3,340.4</b>

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21. The notes in pages 46-70 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

USD MILLION	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Other equity*	TOTAL
At 1 January 2013	6.9	1,085.0	(9.1)	0.8	(3.7)	52.7	1,132.6
Dividend distribution	-	-	-	-	-	(68.5)	(68.5)
Profit (loss) for the period	-	-	-	-	-	81.4	81.4
Total comprehensive income	-	-	-	(5.0)	(12.5)	(3.8)	(21.3)
At 31 December 2013	6.9	1,085.0	(9.1)	(4.2)	(16.3)	61.8	1,124.1
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
Total 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

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21. Other equity as of 1 January 2013 before restatement was USD 50.5 million and total equity as of 1 January 2013 USD 1,130.4 million. The notes in pages 46-70 are an integral part of these consolidated financial statements.

Refer to note 20 for description of downward adjustment to comprehensive income compared to the 4Q Interim report. The Board has declared a cash dividend of USD 0.02 per share for the fourth quarter. The dividend will amount to approximately USD 13.7 million. Total dividend paid out in 2014 amounts to USD 82.2 (USD 68.5 million), at USD 0.12 per share (USD 0.10).

## CONSOLIDATED STATEMENTS OF CASH FLOW

USD MILLION (YEAR ENDED 31 DECEMBER)	Note	2014	2013*
<b>Operating activities</b>			
Profit/ (loss) before tax		225.4	117.5
Income tax paid	10	(35.8)	(24.6)
Loss/ (gain) on disposal of fixed assets	11,12	(0.2)	0.3
Fair value change on financial instruments	18	14.4	(3.7)
Share of loss/ (profit) of associated companies	14	(21.8)	(11.8)
Currency exchange differences		3.8	5.1
Depreciation and amortisation	11,12,13	223.0	263.9
Add back of net interest expense		62.9	60.7
Other changes		16.0	9.9
Changes in working capital		61.2	(97.8)
<b>Net cash flows from operating activities</b>		<b>548.9</b>	<b>319.5</b>
<b>Investing activities</b>			
Investments in fixed assets	11,12,13,15	(364.9)	(102.6)
Proceeds from disposal of fixed assets	11	0.2	0.3
Purchase of subsidiary, net of cash acquired	14	(57.1)	-
Interest received		2.1	2.4
<b>Net cash flows used in investing activities</b>		<b>(419.7)</b>	<b>(99.9)</b>
<b>Financing activities</b>			
Proceeds from new interest bearing debt	20	633.0	486.8
Repayment of long-term debt	20	(508.0)	(518.6)
Dividend paid		(82.2)	(68.5)
Interest paid		(89.0)	(84.9)
<b>Net cash flow from/(used in) financing activities</b>		<b>(46.2)</b>	<b>(185.2)</b>
Net change in cash and cash equivalents		83.0	34.4
Cash and cash equivalents at 1 January		132.4	98.0
<b>Cash and cash equivalents at 31 December</b>		<b>215.4</b>	<b>132.4</b>

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21. The notes in pages 46-70 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 25 March 2015.

**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. In addition, from time to time, the Group has revenues deriving from fixed price construction contracts.

**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.

**Fixed price construction contracts**

Revenue from fixed-price contracts is recognised pursuant to the percentage-of-completion ('POC') method. Pursuant to the POC method, contract revenue is based on actual progress measured as a state of completion of different milestones, resulting in the recognition of revenue, expenses and profit that can be attributed to the proportion of work completed. When the outcome of construction contracts cannot be estimated reliably, no gain is recognised and only revenues equal to the accrued project costs are taken to revenue to the extent cost incurred are expected to be recoverable.

Any estimated loss on a contract will be recognised in the income statement for the period when it is identified that the project will lead to a loss.

In the balance sheet, the gross amount due from customers for contract work is presented as an asset, and prepayment from customers for contract work is presented as a liability.

**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**

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 acquisition, irrespective of the extent of any non-controlling interest. Non-controlling interests represent the portion of the income statement and net assets in the subsidiaries not held by the Group, and the amount attributable to the non-controlling interest is shown beneath the income statement and is included in equity in the consolidated balance sheet.

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 the item of property, plant and equipment is ready for use as intended by management. For FPSO's this will be when the vessel 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. The components are depreciated by using the 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 & 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.

FPSOs/FSOs that have been demobilised from prior field and is actively seeking new projects are reclassified to conversion candidates and depreciation is stopped.

**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.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES cont.**

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 on acquisitions of associates is included in 'Investments in associates' and is tested for impairment as part of the overall balance.

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 onboard the vessels. Inventories are measured at the lower of cost or net realisable value. Cost is determined by the '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:

- (a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) 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 18. 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 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 existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. 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 assets to pay all employees the benefits relating to employee service in the current and prior periods.

**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.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES cont.****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 some of its subsidiaries are 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 deferred tax liabilities and deferred tax assets, and withholding tax on charter hire. Charter hire 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 ex-

pected 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:

Changes in accounting policies and disclosures:

(a) New and amended standards adopted by the Group.

In 2014 the Group has adopted IFRS 10, IFRS 11 and IFRS 12, amendments to IAS 27, IAS 28 and IAS 32 as well as IFRS annual improvements. Apart from changes to IFRS 11, these new and amended accounting standards have not had any material impact on the financial statements of the Group. As a consequence of changes to IFRS 11, comparative numbers for 2013 has been restated. Other equity as of 1 January 2013 has been adjusted from USD 50.5 million to USD 52.7 million. Operating profit before depreciation/amortisation for 2013 has increased with USD 4.2 million, depreciation and amortisation has decreased with USD 1.7 million and income tax expense has decreased with USD 0.3 million. These changes are not considered material for the purpose of presenting a third balance sheet, and the third balance sheet has therefore been omitted.

(b) The following standards and amendments published by the IASB have not been endorsed yet by the European Commission:

Annual improvements: 2010-2012 cycle, 2011-2013 cycle and 2012-2014 cycle  
IFRS 7 Amended Financial Instruments:  
Disclosures  
IFRS 9 Financial Instruments  
IFRS 15 Revenue from contract with customers  
Amendments to IFRS 10, IFRS 11 and IAS 28  
Amendments to IAS 16 and 38

In addition, the IFRIC 21 'Levies', endorsed by the EU, will be mandatory as 1 January 2015. This will not have a material impact of 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. This implies that lease income is recognised over the term of the lease on a straight line basis. When contractual rates are not constant during the contract period this could result in significant deferred income being recognised.

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. Revenues can be significantly affected by the interest rate assumed implicit in the lease.

The Group has classified the lease for FSO Belokamenka and the lease for FPSO Yüum K'ak' Náab as financial leases while the remaining FPSOs/FSOs are classified as operating leases.

**DEPRECIATION**

The level of depreciation depends on the estimated useful life of the different components of the vessels and residual value at the end of useful life. The estimated useful life is based on experience and knowledge of the vessels owned by the Group.

Cost inflation within the FPSO market has seen that the utility of a FPSO have significantly increased, thus also the benefits. This is supported by the recent contract extensions for Abo, Sendje Berge, Espoir Ivoirien and Pétróleo Nautipa. BWO believes this development means that the useful life for the components that are not related to the current contract has increased beyond the current contract periods.

BW Offshore has during first quarter of 2014 reviewed and amended the estimates used for defining useful life on the existing fleet. This review resulted in a revised depreciation schedule on a number of FPSOs in the fleet.

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

**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 11.

The Group reviews periodically 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 22. 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 2014	OWNERSHIP 2013
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	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%	0%
BW Cidade de São Vicente Limited	Bermuda	100%	100%
BW Endeavour Limited	Bermuda	100%	100%
BW KMZ Limited	Bermuda	100%	100%
BW Offshore Peregrino Limited	Bermuda	100%	100%
BW Nisa Limited	Bermuda	100%	100%
BW Offshore Catcher (UK) Limited	United Kingdom	100%	0%
BW Offshore China Ltd	China	100%	100%
BW Offshore Cyprus Limited	Cyprus	100%	100%
BW Offshore do Brazil Ltda	Brazil	100%	100%
BW Offshore Global Manning Pte. Ltd.	Singapore	100%	100%
BW Offshore Management USA Inc	USA	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 Poland sp z o.o.	Poland	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	100%	100%
BW Pioneer (UK) Limited	United Kingdom	100%	0%
BWO Rouen SAS	France	100%	0%
Egyptian Winlines Shipping Co. SAE	Egypt	100%	100%
Nautipa AS	Norway	100%	0%
PPB do Brasil Servicos Maritimos Ltda	Brazil	100%	100%
PPS du Congo SARL	Congo	100%	100%
Prosaf FPSO (D) Pte. Ltd.	Singapore	100%	100%
Prosaf FPSO (D) SARL	Congo	100%	100%
Prosaf GFPSO I BV	Netherlands	100%	100%
Prosaf Nautipa AS	Norway	100%	100%
Prosaf Production B.V.	Netherlands	100%	100%
Prosaf Production do Brasil Ltda	Brazil	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 Australia Pty Ltd	Australia	100%	100%
Prosaf Production Services Pte Ltd	Singapore	100%	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%	50%
Tinworth Gabon SA	Gabon	100%	50%
<b>ASSOCIATES</b>			
OCS Services Limited	British Virgin Islands	50%	50%
<b>JOINT VENTURES</b>			
LLC 'Oil Terminal Belokamenka'	Russia	50%	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.

\*\* The investment in Tinworth Pte Ltd was reclassified as a subsidiary as the Group acquired 100% of the company during 2014. (Note 28 Business Combinations).

LLC 'Oil Terminal Belokamenka' and OCS Services Ltd are consolidated in the financial statements of the Group based on the equity method. Prosaf Production Inc. and Nexus Floating Production Limited were

liquidated during 2014. Prosaf Production Holding Limited and Prosaf Production Public Limited Cyprus has been merged with BW Offshore Cyprus Limited during 2014.

**NOTE 5 SEGMENT INFORMATION**

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

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. The Group has one segment.

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

2014	FPSO activity	2013*	FPSO activity
Revenues from third parties	1,070.4	Revenues from third parties	956.2
General and administrative expenses	(67.6)	General and administrative expenses	(59.5)
Currency hedges and other currency effects	[7.2]	Currency hedges and other currency effects	(5.1)
<b>EBITDA</b>	<b>520.3</b>	<b>EBITDA</b>	<b>443.1</b>
Net loss on sale of tangible fixed assets	0.2	Net loss on sale of tangible fixed assets	(0.3)
Depreciation, amortization and impairment	(223.0)	Depreciation, amortization and impairment	(263.9)
<b>EBIT</b>	<b>297.5</b>	<b>EBIT</b>	<b>178.9</b>
Net finance cost	(72.1)	Net finance cost	(61.4)
Income tax expense	(38.2)	Income tax expense	(36.1)
<b>Profit</b>	<b>187.2</b>	<b>Profit</b>	<b>81.4</b>
<b>Other segment information</b>		<b>Other segment information</b>	
Capital expenditure	364.9	Capital expenditure	102.6
Non-current assets (excl finance items)	2,975.5	Non-current assets (excl finance items)	2,760.3
Investments in associates and joint ventures	4.7	Investments in associates and joint ventures	42.2
<b>Geographical information - Revenue</b>		<b>Geographical information - Revenue</b>	
The classification of revenue per region is determined by the final destination of the FPSO		The classification of revenue per region is determined by the final destination of the FPSO	
Americas	408.8	Americas	420.5
Europe/Africa	551.2	Europe/Africa	408.7
Asia and the Pacific	110.4	Asia and the Pacific	127.0
<b>Total revenue</b>	<b>1,070.4</b>	<b>Total revenue</b>	<b>956.2</b>
<b>The FPSOs by region can be analyzed as follows:</b>		<b>The FPSOs by region can be analyzed as follows:</b>	
Americas	1,221.5	Americas	1,324.4
Europe/Africa	1,107.3	Europe/Africa	824.7
Asia and the Pacific	418.9	Asia and the Pacific (including asset held for sale)	360.8
<b>Total non-current assets</b>	<b>2,747.7</b>	<b>Total non-current assets</b>	<b>2,509.9</b>

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21.

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.

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**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' Náab commenced operations in Mexico in July 2007 on a firm 15 year lease contract. The title of the vessel will automatically be transferred to the customer at the end of the lease term without compensation. The net present value of the minimum lease payments amounts to substantially all the fair value of the FPSO at the inception of the lease. In addition, the firm contract period is for the major part of the economic life of the FPSO. Accordingly, this contract is classified as a finance lease. The Group will operate and maintain the FPSO over the 15 year contract period. Revenues and expenses arising from this operation are recognised as operating revenues, lease interest and operating expenses on vessels.

The FSO Belokamenka commenced a 15 year transshipment agreement in February 2004. The FSO is 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 is 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 has continuous purchase options each quarter after the initial five years of the contract. In addition, the firm contract period is for the major part of the economic life of the FSO. Accordingly, this contract is classified as a finance lease by the Group and by LLC 'Oil Terminal Belokamenka'.

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

	2014	2013
Not later than one year	30.4	30.4
Later than one year and not later than five years	116.5	121.7
Later than five years	63.1	88.3
<b>Gross receivables from finance leases</b>	<b>210.0</b>	<b>240.4</b>
Unearned future finance income on finance leases	(51.7)	(66.3)
<b>Net investment in finance leases</b>	<b>158.3</b>	<b>174.1</b>
Included in non-current assets (Financial lease receivables)	140.9	158.2
Included in current assets (Financial lease receivables)	17.4	15.9

**Operating leases**

BW Offshore has entered into contracts on operating leases on all other FPSO/FSOs owned by year end. Some contracts have clauses to enable annual revision according to certain cost and price indices. 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:

	2014	2013
Not later than one year	820.3	715.5
Later than one year and not later than five years	2,404.1	1,329.6
Later than five years	1,289.0	423.7
<b>Total nominal amount</b>	<b>4,513.4</b>	<b>2,468.8</b>

**NOTE 7 CONSTRUCTION CONTRACTS**

BW Offshore, together with its Brazilian consortium partner QUIP, has converted FPSO P-63 for the Papa Terra Joint Venture (Petrobras and Chevron). BW Offshore's main responsibility has been to deliver the marine scope of the FPSO conversion, including the hull, offloading system and mooring equipment for the vessel. The FPSO achieved first oil on 11 November 2013 and announced the ROPC (Ready for Oil Production Certificate) on 21 November 2013. BW Offshore are, under a separate contract, responsible for operation of the vessel together with Brazilian Joint Venture partner Queiroz Galvão Óleo e Gás for three years, while gradually handing over the operation to the field owners.

The management of BW Offshore had throughout 2013 carried out updated analysis of the project, and the forecasted cost for completing the project was increased to USD 492.8 million. USD 23 million of the total cost increase of USD 42.8 million in 2013, were offset by a corresponding increase in revenues. This included management's best estimate of accrued expenses to the completion of the project.

There has been no further changes to the project for 2014 as the project was completed late 2013.

	2014	2013
Contract revenue FPSO	-	23.0
Contract cost FPSO	-	(42.8)
Net profit/ (loss) recorded in the income statement	-	(19.8)
Due from customers for contract work	4.8	16.3
Net receivable at 31 December	4.8	16.3

**NOTE 8 SPECIFICATION OF OPERATING, ADMINISTRATIVE AND OTHER EXPENSES**

	2014	2013*
<b>Operating expenses vessels</b>		
Employee benefit expenses crew (Note 9)	183.4	181.8
Insurance	28.8	29.0
Operation, maintenance, spare parts and repairs	254.7	178.4
<b>Total</b>	<b>466.9</b>	<b>389.2</b>
<b>Administrative expenses</b>		
Employee benefit expenses (Note 9)	32.0	32.0
Travel expenses	4.4	4.0
Auditors	1.2	0.9
IT & communication	9.1	9.1
Offices (rent etc.)	7.3	5.9
Other expenses including restructuring costs	7.1	7.6
<b>Total</b>	<b>61.2</b>	<b>59.5</b>

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21.

**Other expenses**

Other expenses amounting to USD 36.6 million in 2014 relates to tendering and FEED activities which is to a large extent funded by third parties.

**NOTE 9 EMPLOYEE BENEFIT EXPENSES, REMUNERATION TO DIRECTORS AND AUDITORS ETC.**

	2014	2013*
<b>Employee benefit expenses</b>		
Wages, crew	183.4	181.8
Wages, administrative personnel	27.0	27.8
Social security tax	5.0	4.2
Pension costs defined benefit plans (Note 19)	3.1	3.0
<b>Total employee benefit expenses</b>	<b>218.5</b>	<b>216.8</b>

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

Operating expenses	186.5	184.8
Administrative expenses	32.0	32.0
<b>Total employee benefit expenses</b>	<b>218.5</b>	<b>216.8</b>
Average number of employees	2,375	2,298

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21.

**Remuneration to Top management and Board of Directors**

Corporate management (in USD)	Year	Salary	Bonus	Pension	Other benefits
Top Management	2014	3,905,521	1,481,939	525,472	607,888
Top Management	2013	3,277,620	324,736	330,320	499,654

Number of shares owned by Top Management in 2014 is 9,094,272 (8,458,221).

Top Management comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Chief Technical Officer, the Chief Business Development Officer, the Head of Legal and the Head of Human Capital.

Board of Directors	Year	Directors fee	Shares	Share Options
Board of Directors	2014	470,955	343,046,248	-
Board of Directors	2013	450,716	342,496,248	-

The compensation for board services for the period May 2014 to May 2015 will be decided at the annual general meeting in May 2015.

	2014	2013
<b>Loans to other employees (USD '000)</b>		
Loans to other employees	44.1	157.1

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. 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

**NOTE 9 EMPLOYEE BENEFIT EXPENSES, REMUNERATION TO DIRECTORS AND AUDITORS ETC. cont.**

date using a Black & Scholes pricing model. The valuation indicated that the value of the share options had no material effect on the financial statements.

**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 2015 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)	2014	2013
Statutory audit	791.7	702.5
Other attestation services	308.9	74.8
Tax related services	71.6	116.8
<b>Total fees</b>	<b>1,172.2</b>	<b>894.1</b>

**NOTE 10 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 ex-

penses 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	2014	2013*
Changes in temporary differences	(2.3)	(0.5)
Tax payable ex withholding tax	21.3	16.5
Withholding tax	19.2	20.1
<b>Total</b>	<b>38.2</b>	<b>36.1</b>
Effective income tax rate	2014	2013*
Net result before income tax	225.4	117.5
Income tax at Bermuda statutory Income tax rate of 0%	-	-
Withholding taxes	19.2	20.1
Effect of higher tax rates outside Bermuda	21.3	16.5
Expensed deferred tax assets	(2.3)	(0.5)
Income tax at the effective income tax rate	38.2	36.1
Effective tax rate	16.9 %	30.7 %
Tax liabilities at 31 December	2014	2013*
<b>Tax payable</b>	<b>35.6</b>	<b>31.0</b>

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21.

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	2014	2013*
Other	4.6	2.0
<b>Deferred tax assets - gross</b>	<b>4.6</b>	<b>2.0</b>
Deferred tax liabilities		
Fixed assets	(0.6)	(0.2)
<b>Deferred tax liabilities - gross</b>	<b>(0.6)</b>	<b>(0.2)</b>
<b>Net recognised deferred tax liabilities/Deferred tax assets (-)</b>	<b>4.0</b>	<b>(1.8)</b>

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21.

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 11 FPSO'S, FSO'S AND VESSELS UNDER CONSTRUCTION**

The fleet at 31 December 2014 included the following vessels: Sendje Berge, Berge Helene, Belokamenka, Yùum K'ak' Náab, BW Joko Tole, BW Cidade de São Vicente, BW Pioneer, BW Athena, ABO, Espoir Ivoirien, Petróleo Nautipa, Cidade De São Mateus, Polvo, Azurite, Umuroa and BW Opal.

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 mid-2017.

Vessels allocated for projects includes vessels that is currently not in operation. BW Opal was sold in 2015 (see note 29) and Azurite is currently marketed for new projects.

Belokamenka (Note 21 and 6) and Yùum K'ak' Náab (Note 6) are accounted for as finance leases and are not included in the table below.

	Vessels in operation	Vessels under conversion	Vessels allocated for projects	Total
<b>2014</b>				
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 28)	96.8	-	-	96.8
<b>Cost at 31 December 2014</b>	<b>3,416.6</b>	<b>149.5</b>	<b>432.5</b>	<b>3,998.6</b>
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)	-
<b>Accumulated depreciation and impairment charge at 31 Dec 2014</b>	<b>(1,137.3)</b>	<b>-</b>	<b>(113.6)</b>	<b>(1,250.9)</b>
<b>Book Value at 31 December 2014</b>	<b>2,279.3</b>	<b>149.5</b>	<b>318.9</b>	<b>2,747.7</b>
Useful life	Up to 25 years			
Capitalised interest cost for vessels under conversion		2.2		

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. BW Offshore has during first quarter of 2014 reviewed and amended the estimates used for defining useful life on the existing fleet. This review has resulted in a revised depreciation schedule on a number of FPSOs.

The Group has 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. The recoverable amount for the fleet was based on value-in-use calculations of the vessels determined at the level of cash generating unit. Each vessel is regarded as a cash generating unit. The calculations was based on contracted cash flows during firm and option periods for revenues, and best estimates of the un-contracted cash flows for the useful lives of each vessel, including residual values discounted by an estimated discount rate.

The 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 companies listed on the Oslo Stock Exchange.
- 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 discount rate and cash flows after end of current fixed contract for the vessels. Based on the Group's calculations there is significant headroom, and a 1% increase in pre-tax discount rate would not have led to impairments.

Some of the vessels in the Group have terms of renewal, purchase options and escalation clauses.

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.

2013*	Vessels in operation	Vessels under construction	Total
Cost at 1 January 2013	3,454.3	-	3,454.3
Additions	90.1	-	90.1
<b>Cost at 31 December 2013</b>	<b>3,544.4</b>	<b>-</b>	<b>3,544.4</b>
Accumulated depreciation and impairment charge at 1 January 2013	(775.6)	-	(775.6)
Current year depreciation	(258.9)	-	(258.9)
<b>Accumulated depreciation and impairment charge at 31 December 2013</b>	<b>(1,034.5)</b>	<b>-</b>	<b>(1,034.5)</b>
<b>Book Value at 31 December 2013</b>	<b>2,509.9</b>	<b>-</b>	<b>2,509.9</b>
Useful life	Up to 25 years		

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21.

**NOTE 11 FPSO'S, FSO'S AND VESSELS UNDER CONSTRUCTION cont.**

The Group has performed an impairment testing of fleet for 2013. The impairment testing did not identify that any impairment was required for any of the vessels in the fleet. The recoverable amount for the fleet was based on value-in-use calculations of the vessels determined at the level of cash generating unit. Each vessel is regarded as a cash generating unit. The calculations was based on contracted cash flows during firm and option periods for revenues, and best estimates of the un-contracted cash flows for the useful lives of each vessel, including residual values discounted by an estimated discount rate.

The 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 companies listed on the Oslo Stock Exchange.
- 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 discount rate and cash flows after end of current fixed contract for the vessels. Based on the Group's calculations there is significant headroom, and a 1% increase in pre-tax discount rate would not have led to impairments.

Some of the vessels in the Group have terms of renewal, purchase options and escalation clauses.

**NOTE 12 PROPERTY AND OTHER EQUIPMENT**

2014 In 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)
<b>Balance at 31 December 2014</b>	<b>8.6</b>	<b>2.5</b>	<b>1.1</b>	<b>12.2</b>
Useful life	5-11 years	3 years	0-25 years	

2013* In USD million	Vehicles and equipment	Computer hardware	Buildings	Total
Cost at 1 January 2013	8.0	6.9	1.1	16.0
Additions	5.7	2.6	-	8.3
Disposals (impairment/discontinued operation)	(1.8)	-	-	(1.8)
Cost at 31 December 2013	11.9	9.5	1.1	22.5
Accumulated depreciation at 1 January 2013	(3.5)	(5.1)	-	(8.6)
Current year depreciation	(1.5)	(1.5)	-	(3.0)
Disposals	1.5	-	-	1.5
Accumulated depreciation at 31 December 2013	(3.5)	(6.6)	-	(10.1)
<b>Balance at 31 December 2013</b>	<b>8.4</b>	<b>2.9</b>	<b>1.1</b>	<b>12.4</b>
Useful life	5-11 years	3 years	0-25 years	

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21.

**NOTE 13 INTANGIBLE ASSETS**

BW Offshore has the following intangible assets (including internally developed intangible assets as specified below):

	Goodwill	Internal development	Software	Total Intangible assets
<b>Cost</b>				
At 1 January 2014	186.9	1.5	7.5	195.9
Additions	-	-	3.8	3.8
Disposal	-	(1.5)	(2.5)	(4.0)
<b>Carrying amount, 31 December 2014</b>	<b>186.9</b>	<b>-</b>	<b>8.8</b>	<b>195.7</b>
<b>Amortisation and impairment</b>				
At 1 January 2014	-	(1.3)	(4.8)	(6.1)
Amortisation and impairment	-	-	(2.3)	(2.3)
Disposal	-	1.3	2.5	3.8
<b>At 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>(4.6)</b>	<b>(4.6)</b>
<b>Net book value</b>				
At 31 December 2014	186.9	-	4.2	191.1
At 31 December 2013	186.9	0.2	2.7	189.8
Useful life	indefinite	3 years linear	1 - 3 years linear	
Amortisation method				

Refer to Note 22 for more information on goodwill and intangibles.

**NOTE 14 INVESTMENTS IN ASSOCIATED COMPANIES**

BW Offshore had the following investments in associates at 31 December

2014 Entity	OCS Services Limited British Virgin Islands Manning Office
Country	
Industry	
Ownership interest	50%
<b>Carrying amount 1 January 2014</b>	<b>4.6</b>
Share of net profit	0.0
<b>Carrying amount 31 December 2014</b>	<b>4.6</b>
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
OSC Services Ltd.	12.0	2.9	9.1	5.1	0.0

2013 Entity	Nexus Floating Production Limited (Nexus) Norway Floating production	OCS Services Limited British Virgin Islands Manning Office	Total
Country			
Industry			
Ownership interest	49.7%	50%	
<b>Carrying amount 1 January 2013</b>	<b>-</b>	<b>3.9</b>	<b>3.9</b>
Share of net profit	-	0.7	0.7
<b>Carrying amount 31 December 2013</b>	<b>-</b>	<b>4.6</b>	<b>4.6</b>
Fair value	N/A	N/A	

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

Entity	Assets	Liabilities	Equity	Revenues	Result for the year
Nexus	0.4	0.2	0.2	-	(0.3)
OCS Services Ltd.	12.1	2.9	9.2	5.5	1.4

**NEXUS**

The company was liquidated during 2014. The liquidation did not have any negative impacts on the financial statements of BW Offshore.

**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 15 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 2014 and 31 December 2013 amounted to USD 9.4 million and USD 1.4 million, respectively, and relate to taxes withheld from employees and a restricted

bank deposit of USD 8.1 million for a FX hedge related to the USD 50 million loan facility with ITAU for 2014. The Group also has bank guarantees related to liabilities regarding taxes withheld from employees and lease of office premises.

**NOTE 16 SHARE CAPITAL OF THE COMPANY, LARGEST SHAREHOLDERS, PAR VALUE ETC.**

Share capital	USD '000
Authorised share capital	
At 1 January 2014: 700,000,000 ordinary shares at par value USD 0.01 each	
<b>At 31 December 2014: 700,000,000 ordinary shares at par value USD 0.01 each</b>	
Issued and fully paid	
At 1 January 2014	6,880.0
At 31 December 2014	6,880.0

The Company held a total of 2,609,535 own shares at 31 December 2014 (2,609,535). These shares are held as 'treasury shares'. Book value of the treasury shares was USD 9.1 million at 31 December 2014 (USD 9.1 million).

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.

The 20 largest shareholders at 31 December 2013 were:

	Name	No of shares	Holding
1	BW GROUP LIMITED*	342,312,248	49.8%
2	FIDELITY FUNDS	40,096,042	5.8%
3	RASMUSSENGRUPPEN AS	20,500,000	3.0%
4	ODIN OFFSHORE	13,356,600	1.9%
5	ODIN NORDEN	11,292,933	1.6%
6	FIDELITY FUND-NORDIC FUND/SICAV	11,164,499	1.6%
7	ODIN NORGE	9,781,798	1.4%
8	STATE STREET BANK AND TRUST CO.	7,847,270	1.1%
9	KOLBJØRN INVEST II AS**	6,870,000	1.0%
10	KLP AKSJE NORGE VPF	6,584,120	1.0%
11	GOLDMAN SACHS & CO - EQUITY SEGREGAT	5,469,257	0.8%
12	STATE STREET BANK & TRUST CO.	5,008,540	0.7%
13	CITIBANK, N.A.	4,954,956	0.7%
14	KOMMUNAL LANDSPENSJONSKASSE	4,898,813	0.7%
15	FIDELITY DIV GR FUNDS	4,896,919	0.7%
16	THE BANK OF NEW YORK MELLON	4,668,777	0.7%
17	JPMORGAN CHASE BANK N.A. LONDON	4,481,253	0.7%
18	LOMA INVEST AS	3,795,000	0.6%
19	JPMORGAN CLEARING CORP.	3,579,388	0.5%
20	VERDIPAPIRFONDET DNB SMB	3,250,000	0.5%
	Top 20 shareholders	514,808,413	74.8%
	Total shares outstanding	688,006,004	

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

\*\* Kolbjørn Invest II AS is controlled by corporate interests associated with CEO Carl K. Arnet.

**NOTE 17 TRADE AND OTHER RECEIVABLES**

Total	2014	2013*
Trade receivables – gross	218.2	181.5
Provision for doubtful debt	(8.4)	(2.3)
Other receivables	84.6	55.0
Prepayments	12.0	24.6
Insurance claim	0.7	8.3
Trade and other receivables – net	307.1	267.1
Current portion	307.1	267.1

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

	2014	2013*
Trade and other receivables	307.1	267.1

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21.

As of 31 December 2014, trade receivables of USD 55.2 million (USD 25.3 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:

	2014	2013
Not past due	163.0	156.2
Up to 3 months	48.4	18.8
3 - 6 months	0.6	4.8
6 - 12 months	5.9	0.5
12 - > months	0.3	1.2
Trade receivables - gross	218.2	181.5

As of 31 December 2014, trade receivables of USD 8.4 million (USD 2.3 million) were impaired and provided for. The aging of these receivables is as follows:

	2014	2013
Up to 3 months	2.5	-
Over 3 months	5.9	2.3
<b>Total</b>	<b>8.4</b>	<b>2.3</b>

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:

	2014	2013
Provision at 1 January	2.3	-
Charge for doubtful debt during the period	8.4	2.3
Reversal of provision	(2.3)	-
<b>Provision at 31 December</b>	<b>8.4</b>	<b>2.3</b>

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 18.

**NOTE 18 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. 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 2014 are fixed on long-term contracts, and this, to some extent, reduces the Group's exposure against intermediate oil and gas price fluctuations. Nevertheless, a decrease in the oil prices may have an adverse impact on the financial position of the Group.

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, lead 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.

**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.

**NOTE 18 FINANCIAL RISK MANAGEMENT cont.**

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 324.6 million at 31 December 2014. Fair value of the foreign exchange contracts amounted to negative USD 32.9 million (compared to USD 0.1 million and negative USD 1.3 million in 2013) and are presented gross in the statement of financial position. Net effect of forward exchange contracts recognised in the income statement in 2014 is negative by USD 7.2 million.

The Group is exposed to foreign currency risk on bonds issued in NOK, respectively bond BW001, BW002 and BW003. The Group had per 31 December 2014 issued bonds totalling NOK 1,750 million. The foreign currency exposure on these bonds are hedged through cross-currency interest swaps with a nominal value of USD 300.8 million held. The market value of the cross-currency interest swaps were negative by USD 75.5 million at 31 December 2014, compared to negative USD 16.3 million at 31 December 2013. 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. The net effect of the hedge accounting recognised in other comprehensive income amounts to negative USD 16.5 million (compared to a negative effect of USD 12.5 million in 2013).

**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 solid counterparties, where a significant number are also rated by international credit agencies, the Group believes that the credit risk related to counterparties is at an acceptable 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 2014 we have also seen a significant 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 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.

The Group has policies that limit the amount of credit exposure against any financial institution. Cash deposits, derivatives and financial guarantees are primarily 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 17), 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 un-utilised 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.

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. Financial liabilities that can be required to be repaid on demand are included in the column 'within 1 month'.

**NOTE 18 FINANCIAL RISK MANAGEMENT cont.**

Maturity profile - financial liabilities, Year ended 2014

DUE:	Within 1 months	1-3 months	3-12 months	1-5 years	More than 5 years	Total
USD 2,400 million facility	-	111.2	111.2	1,016.2	-	1,238.6
Umuroa facility	-	4.2	42.5	-	-	46.7
BW001 - NOK 500 million Bond	-	-	-	66.9	-	66.9
BW002 - NOK 500 million Bond	-	-	-	66.9	-	66.9
BW003 - NOK 750 million Bond	-	-	-	100.4	-	100.4
Joko Tole facility	-	14.7	44.2	102.8	-	161.7
USD 50 million unsecured term loan	-	50.0	-	-	-	50.0
USD 800 million credit facility	-	-	-	99.0	-	99.0
Interest rate swaps	1.1	2.1	7.6	9.2	1.4	21.4
Interest payments	2.1	14.9	51.0	277.8	39.9	385.7
Trade and other payables current*	-	59.2	203.8	-	-	263.0
<b>Total</b>	<b>3.2</b>	<b>256.3</b>	<b>460.3</b>	<b>1,739.2</b>	<b>41.3</b>	<b>2,500.3</b>

Maturity profile - financial liabilities, Year ended 2013

DUE:	Within 1 months	1-3 months	3-12 months	1-5 years	More than 5 years	Total
USD 2,400 million facility	-	111.2	111.2	1,088.7	-	1,311.1
Umuroa facility	-	4.2	12.5	42.5	-	59.2
BW001 - NOK 500 million Bond	-	-	-	90.0	-	90.0
BW002 - NOK 500 million Bond	-	-	-	86.8	-	86.8
Joko Tole facility	-	14.7	44.2	161.7	-	220.6
Interest rate swaps	0.3	4.6	10.2	16.2	-	31.3
Interest payments	2.2	13.1	35.4	147.4	-	198.1
Trade and other payables current*	-	35.0	141.1	-	-	176.1
<b>Total</b>	<b>2.5</b>	<b>182.8</b>	<b>354.6</b>	<b>1,633.3</b>	<b>-</b>	<b>2,173.2</b>

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21.

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

	2014	2013
<b>Floating rate</b>		
Expire within one year	-	-
Expire beyond one year	121.2	263.7

The Group had one loan advanced to an associate at 31 December 2014 at USD 0.9 million, equal to the amount at 31 December 2013.

**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 2014 the Group's floating rate debt amounted to USD 1,830.2 million

(USD 1,771.8 million as of 31 December 2013).

The Group holds interest rate swaps with a nominal value of USD 900 million in total with maturity between 2015-2024. The weighted average interest swap rate was 2.31% at 31 December 2014. 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 21.4 million at 31 December 2014 (compared to negative USD 27.8 million at 31 December 2013) 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 BW001, BW002 and BW003 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)
2014	+/- 50	+/- 3.1
2013	+/- 50	+/- 4.0

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 1,830.2 million, USD 1,202 million is hedged.

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

	2014	2013
Loans secured by collateral	2.3%	2.3%
Loans - unsecured	5.6%	5.7%

Average interest rate on cash deposits was 0.24% in 2014 (0.5%).

**NOTE 18 FINANCIAL RISK MANAGEMENT cont.**
**FAIR VALUES**

The Group has adopted the amendments to IFRS 7 for financial instruments. This requires disclosures of fair value measurements by the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2)

Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

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

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves (level 2). The fair value of the cross-currency interest 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:

	2014	2013
Derivatives current net liability	27.1	5.7
Derivatives non-current net liability/(asset) FX	3.7	(0.1)
Derivatives non-current net liability Interest Rate Swaps	20.1	26.2
Derivatives non-current net liability Cross-Currency Swaps	75.5	16.3
<b>Total</b>	<b>126.4</b>	<b>48.1</b>

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

	Carrying amount		Fair value	
	2014	2013	2014	2013
USD 2,400 million facility	1,229.3	1,296.1	1,238.6	1,311.1
Umuroa facility	46.3	62.2	46.7	63.3
BW001 - NOK 500 million Bond	66.5	89.4	66.9	90.0
BW002 - NOK 500 million Bond	66.3	86.0	66.9	86.8
BW003 - NOK 750 million Bond	99.1	-	100.4	-
Joko Tole facility	159.0	216.2	161.7	220.6
USD 50 million unsecured term loan	50.8	-	50.0	-
USD 800 million credit facility	87.9	-	99.0	-
<b>Total</b>	<b>1,805.2</b>	<b>1,749.4</b>	<b>1,830.2</b>	<b>1,771.8</b>

The difference between carrying amount and fair value relates to amortised loan costs, and apart from that there are no significant difference between fair value and carrying amount. The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

**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. No other changes have been made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

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 20).

**NOTE 19 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 80 members at 31 December 2014 and 86 members at 31 December 2013. 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 2014 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:

	2014	2013
Discount rate	2.30%	4.00%
Expected return on plan assets	2.30%	4.40%
Future salary increases	2.75%	3.75%
Future pension increases	0.00%	0.60%
Increase in social security base amount related to Norwegian state pension	2.50%	3.50%
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:

	2014	2013
Male	19.9	19.9
Female	22.0	23.0

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

Figures in USD million	2014	2013
Fair value of Plan Assets - beginning of year	25.8	23.3
Expected return on Plan Assets	1.0	0.8
Employer Contributions excluding administrative expenses	2.7	3.7
Benefits paid - funded plans	(0.6)	(0.5)
Asset gain	(1.7)	1.4
Exchange differences	(3.9)	(2.9)
<b>Fair value of plan assets - end of year</b>	<b>23.3</b>	<b>25.8</b>

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

Figures in USD million	2014	2013
Present value of funded obligations	34.6	30.0
Fair value of plan assets	(23.3)	(25.8)
Present value of unfunded obligations	3.0	2.6
<b>Liability in the statement of financial position</b>	<b>14.3</b>	<b>6.8</b>

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

Figures in USD million	2014	2013
Current service cost	2.7	2.8
Net interest	0.2	0.1
Administrative cost	0.2	0.1
<b>Net periodic pension cost (Note 9)</b>	<b>3.1</b>	<b>3.0</b>

Best estimate of net pension cost for 2014 amounts to USD 3.1 million (USD 3.3 million). Best estimate of premium payments in 2015 amounts to USD 2.7 million (USD 5.1 million).

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

Figures in USD million	2014	2013
At 1 January	(6.8)	(4.7)
Contributions paid	3.1	4.3
Exchange differences	2.7	0.4
Re-measurement gain/(loss) in other comprehensive income	(10.2)	(3.8)
Charged to income statement	(3.1)	(3.0)
At 31 December	(14.3)	(6.8)

Expenses related to defined contribution plans amounted to USD 0.8 million in 2014 (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:

	2014	2013
Shares and equity instruments	9.0%	11.4%
Bonds - fixed yield	20.0%	11.5%
Bonds held to maturity	44.0%	40.0%
Properties and real estate	11.0%	11.5%
Money market funds	10.0%	22.4%
Other	6.0%	3.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The actual return on plan assets amounted to 4.1% at 30 September 2014.

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 20 LOAN FACILITIES**

Long term debt	Effective Interest rate	Maturity date	Carrying amount	
			2014	2013
USD 2,400 million facility	3 month LIBOR + 2.00%	9-Mar-18	1,011.2	1,079.3
Umuroa facility (secured)	3 month LIBOR + 2.00%	3-Nov-15	-	45.5
BW001 - NOK 500 million Bond	3 month NIBOR + 4.25%	15-Mar-17	66.7	89.4
BW002 - NOK 500 million Bond	3 month NIBOR + 4.15%	21-Mar-18	66.4	86.0
BW003 - NOK 750 million Bond	3 month NIBOR + 3.50%	11-Mar-19	99.4	-
Joko Tole facility	3 month LIBOR + 2.50%	30-Jun-18	101.4	159.0
USD 800 million credit facility	3 month LIBOR + 2.50%	28-May-24	88.6	-
<b>Total long term debt</b>			<b>1,433.7</b>	<b>1,459.3</b>

Short term debt	Effective Interest rate	Maturity date	Carrying amount	
			2014	2013
USD 2,400 million facility	3 month LIBOR + 2.00%	9-Mar-18	218.1	216.8
Umuroa facility current (secured)	3 month LIBOR + 2.00%	3-Nov-15	46.3	16.7
BW001 - NOK 500 million Bond	3 month NIBOR + 4.25%	15-Mar-17	[0.2]	[0.3]
BW002 - NOK 500 million Bond	3 month NIBOR + 4.15%	21-Mar-18	[0.2]	[0.3]
BW003 - NOK 750 million Bond	3 month NIBOR + 3.50%	11-Mar-19	[0.3]	-
Joko Tole facility	3 month LIBOR + 2.50%	30-Jun-18	57.6	57.2
USD 50 million unsecured term loan	12 month LIBOR + 1.30%	13-Feb-15	50.8	-
USD 800 million credit facility	3 month LIBOR + 2.50%	28-May-24	[0.7]	-
<b>Total short term debt</b>			<b>371.4</b>	<b>290.1</b>
<b>Total interest bearing debt</b>			<b>1,805.2</b>	<b>1,749.4</b>

During completion of the annual accounts, the bond loans have been downward adjusted compared to the fourth quarter interim report with USD 65.9 million. Due to the fact that the bond loans were swapped to USD, they have been treated as USD loans and have previously not been revaluated. As of 2014 the loans are treated as NOK loans and revaluated. This had a positive effect of USD 11.9 million to other comprehensive income in 2013, but it is not considered significant for the Group. 2013 has not been restated.

The effect on long-term debt is an adjustment from USD 1,499.8 million to USD 1,433.7 million. The adjustment has no effect on profit and loss, but affects other comprehensive income, hence, increases equity with USD 65.9 million.

**USD 2,400 million 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 121.2 million undrawn under the revolving credit facility at 31 December 2014.

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 2014.

**Umuroa 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 period is six years with final maturity date 3 November 2015. The revolving credit facility has financial covenants similar to the covenants under the USD 2,400 million facility. The availability on the facility is reduced by USD 4.2 million four times a year, followed by a balloon payment of USD 30.0 million in 2015.

**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 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.

**Joko Tole 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.

**USD 50 million unsecured term loan**

During the first quarter of 2014, the Group secured a USD 50 million unsecured loan facility. The facility is a bullet loan falling due 13th February 2015. The loan has a margin that is 130 basis points above USD LIBOR.

**USD 800 million credit 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 mid-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 facility.

**NOTE 21 INVESTMENT IN JOINT VENTURE**

The Group has a 50% shareholding in LLC 'Oil Terminal Belokamenka', operating the Arctic FSO Belokamenka. The Group's interest in LLC "Oil Terminal Belokamenka" is accounted for using the equity method in the consolidated financial statements.

Company	Registered office	Holding 2014	Holding 2013
LLC "Oil Terminal Belokamenka"	Russia	50%	50%

Voting rights equal the ownership share.

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Instead of consolidating the assets, liabilities, revenues and expenses, the Group will present its share of equity in joint venture as investment in shares in joint ventures and its share of result from joint ventures on one line as revenues from joint ventures. The Group has considered the shareholding in LLC 'Oil Terminal Belokamenka' as a joint venture, and have accounted for its shareholding according to the equity method. The change is applied retrospectively, and the table below shows the effects on the restated comparative consolidated numbers for 2013.

STATEMENT OF FINANCIAL POSITION	31 December 13
Vessels and other equipment	(28.2)
Investments in associates and joint ventures	37.5
Other non-current assets	(1.5)
Other current assets	(19.0)
Cash and deposits	(3.1)
Equity	-
Non-current liabilities	-
Current liabilities	(14.3)

INCOME STATEMENT	31 December 13
Operating revenue	(26.2)
Operating expenses	10.9
Share of profit/(loss) of associates and joint ventures	11.1
Depreciation and amortisation	1.7
Income tax expense	0.3
<b>Net profit/(loss) for the period</b>	<b>(2.2)</b>

CASH FLOW STATEMENT	31 December 13
Net cash flow from operating activities	(7.1)
Net cash flow from investing activities	7.9
Net cash flow from financing activities	-
<b>Net change in cash and cash equivalents</b>	<b>0.8</b>
Cash and cash equivalents at beginning of period	(3.9)
<b>Cash and cash equivalents at end of period</b>	<b>(3.1)</b>

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

	2014	2013
Revenues	3.4	29.8
Expenses	(4.8)	(6.6)
Net financial Items	0.8	-
Profit before tax	(0.6)	23.2
Income tax expense	0.2	0.2
<b>Profit after tax</b>	<b>(0.4)</b>	<b>23.4</b>
Non-current assets	0.9	37.4
Current assets	3.6	20.5
<b>Total assets</b>	<b>4.5</b>	<b>57.9</b>
Equity	0.9	49.0
Non-current liabilities	-	-
Current liabilities	3.6	8.9
<b>Total Equity and liabilities</b>	<b>4.5</b>	<b>57.9</b>
<b>Group's carrying amount of the investment</b>	<b>-</b>	<b>37.5</b>

The comparative numbers for 2013 includes the 50% interest in Tinworth Pte Ltd, classified as joint venture and accounted for using proportionate consolidation. During 2014, the Group acquired the remaining 50%, and Tinworth Pte Ltd is classified as a subsidiary from July 2014.

The following transactions were carried out between the Group and LLC 'Oil Terminal Belokamenka':

- 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)

The following transactions were carried out between the Group and Tinworth Pte. Ltd:

- Dividend payment USD 0.0 million (USD 1.5 million)

**NOTE 22 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.

Carrying amount of goodwill and intangibles related to combination with Prosafe Production amounts to USD 186.9 million at year end 2014 (USD 186.9 million at year end 2013).

The goodwill and unallocated excess value arising from the acquisition is attributable to a strategic premium paid to gain diversification, larger market presence and financial scale. These intangible assets do not fulfil the recognition criteria pursuant to IAS 38 and are therefore not recognised separately.

The Group has performed an annual impairment test on goodwill as at 31 December 2014. The Group has identified a number of key long term assumptions relevant to impairment review in the combined cash generating unit. The recoverable amount of goodwill has been determined based on a value in use calculation using cash flows from an estimated reduction in corporate management cost as a result of the merger with Prosafe Production, as well as cash flow projections calculated from the ability for the combined company to take on larger projects with increased return in the future. At time of acquisition, management expected that the

ability to take on larger projects with improved margins with materialize within the next 5 years from the date of the merger (Q4 2010). Since then, the Group has been awarded the contract for Premier oil for an FPSO to operate in the UK North Sea and an operations contract for Statoil in Brazil to operate the FPSO Peregrino. The projected cash flows have been updated for 2014 to reflect actual activity achieved as well as new and updated expectations for projects within the next five years based on current and future tenders and market conditions.

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

If the Group is not able to materialize the cost savings or new projects in accordance with the assumptions made in the coming five year period and/or the return on these projects do not turn out favourably compared to historic return levels, it may cause impairment of the carrying goodwill.

At year-end 2014, if applying an increase of 1% of the estimated pre-tax discount rate (from 7% to 8%) there will be no requirement to impair the goodwill.

As a result of this analysis in accordance with IAS 36, management has concluded that no impairment is required as of 31 December 2014.

**NOTE 23 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.

	2014	2013*
Profit/(loss) attributable to equity holders of the Group (USD million)	187.2	81.4
Weighted average number of ordinary shares in issue (thousands)	688,006	688,006
Basic and diluted earnings per share	0.27	0.12

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21.

Basic and diluted earnings per share excludes treasury shares of 2,609,535 held by the Company.

Basic and diluted earnings per share are presented in separate lines in the income statement.

**NOTE 24 RELATED PARTIES TRANSACTIONS**

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

Remuneration to the Board of Directors, auditors and top management is detailed in Note 9.

Investments in subsidiaries are described in Note 4. Transactions with joint ventures are disclosed in Note 21.

The following transactions were carried out with related parties:

	2014	2013
Shareholders loan to OCS	0.9	0.9

Outstanding balances at year end are unsecured. The loan is payable on demand and is subject to interest at a rate of 2.50% and settlement occurs in cash.

**NOTE 25 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:

	2014	2013
Nominal amount	580.4	127.3
Fair value	541.9	119.3
Interest rate	7.1%	7.1%

For 2014 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.

For 2013 the commitment included included committed contract values for life extension activities on the fleet as well as for ongoing operations, commitments related to office rental and remaining amount of USD 75.4 million to be paid for the VLCC BW Blue Opal (which was paid when ownership was handed over to BW Offshore during February 2014).

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 5.6 million (USD 5.9 million).

The Group has issued bank guarantees in favour of various customers totalling USD 86.6 million (USD 97.0 million).

The bank debt related to the USD 2,400 million facility, as referred to in Note 20, 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 20, is secured by:

- a parent company guarantee from BW Offshore Limited;
- a first priority mortgage over the FPSO Umuroa owned by Prosafe Production Services 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 20, 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 20, 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 carrying value of vessels pledged as collateral per 31 December 2014 was USD 2,708.9 million (USD 2,668.3 million in 2013).

**NOTE 26 PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES**

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. There has been no further formal communication from DGT in 2014. 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 other minor disputes with clients or vendors. Provisions or claims are recognised in accordance with the accounting policies as stated in Note 2.

As part of its ordinary business, the Group has 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.

The following short term provisions have been included in the financial statements (USD million) relating to claims and disputes discussed above:

	2014	2013
Provisions at beginning of period	-	14.0
Reversals/payments	-	(14.0)
Provisions at end of period	-	-

**NOTE 27 TRADE AND OTHER PAYABLES**

	2014	2013*
Trade payables	59.2	19.4
Accrued vessel expenses	57.3	42.5
Accrued construction contract expenses**	-	11.8
Accrued other expenses	42.3	27.2
Accrued conversion expenses	5.5	9.0
VAT etc.	9.9	11.4
Deferred revenues	88.8	54.8
<b>Total</b>	<b>263.0</b>	<b>176.1</b>

\* The financial information for 2013 has been restated as the Group has adopted IFRS11 effective 1 January 2014, effects are described in note 21.

\*\* This is related to the construction contract for P-63 and represents largely committed cost. See also note 7.

#### NOTE 28 BUSINESS COMBINATIONS

In July 2014 a sale and purchase agreement with Yinso 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 goodwill 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 BW0. 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 19.7m. This has been recognised as a profit from investments in joint ventures in the income statement.

#### NOTE 29 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 11 February 2015 an explosion occurred onboard the FPSO Cidade de São Mateus, operating on the Camarupim and Camarupim Norte fields for Petrobras in Espírito Santo littoral. Production was stopped and the unit has been shut down. Rescue activities were ongoing until 3 March to recover the people that was killed in the accident. As rescue activities has been completed, BW Offshore will support authorities in their investigation of the accident, while work will be started for assessment of damages and necessary repair of the unit.

On 13 February 2015 the Company settled a USD 50 million unsecured one-year term loan with Itaú Bank, established during first quarter 2014.

On 11 March 2015 the VLCC BW Opal was sold for USD 85.5 million to BW Group. The transaction is 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. BW Opal is a DSME designed and built VLCC (320,000 dwt) from 2012. BW Group owns 49.8% in BW Offshore and is represented on the Board of Directors of BW Offshore.



BW Offshore

## PARENT COMPANY FINANCIAL STATEMENTS

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## STATEMENTS OF INCOME

USD MILLION (YEAR ENDED 31 DECEMBER)	NOTE	2014	2013
<b>OPERATING EXPENSES</b>			
Other expenses	3	(50.1)	(45.7)
<b>Total operating expenses before amortisation</b>		<b>(50.1)</b>	<b>(45.7)</b>
Operating profit/ (loss)		(50.1)	(45.7)
<b>FINANCIAL INCOME AND FINANCIAL EXPENSES</b>			
Interest income		62.9	73.7
Interest expense		(48.3)	(37.0)
Net currency exchange gain/ (loss)		(12.6)	(2.9)
Reversal of impairment/(impairment)	5	116.2	360.7
Other financial income		7.2	-
Other financial expenses		(0.9)	(0.6)
<b>Net financial items</b>		<b>124.5</b>	<b>394.0</b>
<b>Profit / (loss) before tax</b>		<b>74.4</b>	<b>348.3</b>
Income tax expense		-	-
<b>Net profit/ (loss) for the year</b>		<b>74.4</b>	<b>348.3</b>
Net profit/ (loss) attributable to equity shareholders		74.4	348.3

## STATEMENTS OF COMPREHENSIVE INCOME

USD MILLION (YEAR ENDED 31 DECEMBER)	NOTE	2014	2013
Profit / (loss) for the year		74.4	348.3
<b>OTHER COMPREHENSIVE INCOME</b>			
Cash flow hedges	12	(59.2)	(12.5)
Currency gain/(loss) relating to cash flow hedges		65.9	-
<b>Total comprehensive income for the year</b>		<b>81.1</b>	<b>335.8</b>
<b>Attributable to:</b>			
Equity holders of the parent		81.1	335.8

The notes in pages 75-78 are an integral part of these financial statements.

## STATEMENTS OF FINANCIAL POSITION

USD MILLION (AS AT 31 DECEMBER)	NOTE	2014	2013
<b>ASSETS</b>			
Shares in subsidiaries	4	883.7	831.1
Derivatives		-	0.2
<b>Total non-current assets</b>		<b>883.7</b>	<b>831.3</b>
Trade and other receivables		0.2	0.1
Intercompany receivables		1,527.1	1,640.9
Cash and deposits	8	30.6	16.2
<b>Total current assets</b>		<b>1,557.9</b>	<b>1,657.2</b>
<b>TOTAL ASSETS</b>		<b>2,441.6</b>	<b>2,488.4</b>
<b>EQUITY</b>			
Share capital	7	6.9	6.9
Share premium	7	1,085.0	1,085.0
Other equity		316.7	317.8
<b>Total shareholder's equity</b>		<b>1,408.6</b>	<b>1,409.7</b>
Long-term liabilities	9,11	232.6	175.4
Derivatives		82.7	23.9
<b>Total long-term liabilities</b>		<b>315.3</b>	<b>199.3</b>
Trade and other payables	10,11	2.4	3.0
Intercompany payables		711.8	875.6
Derivatives		3.5	0.8
<b>Total current liabilities</b>		<b>717.7</b>	<b>879.4</b>
<b>Total liabilities</b>		<b>1,033.0</b>	<b>1,078.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,441.6</b>	<b>2,488.4</b>

The notes in pages 75-78 are an integral part of these financial statements.

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

USD MILLION	Share capital	Share premium	Treasury shares	Cash flow hedges	Other equity	TOTAL
At 1 January 2013	6.9	1,085.0	(9.2)	(4.0)	63.8	1,142.5
Dividend distribution	-	-	-	-	(68.5)	(68.5)
Profit/(loss) for the period	-	-	-	-	348.3	348.3
Total comprehensive income	-	-	-	(12.5)	-	(12.5)
At 31 December 2013	6.9	1,085.0	(9.2)	(16.5)	343.5	1,409.7
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

Refer to note 9 for description of downward adjustment to comprehensive income compared to the fourth quarter interim report.

## STATEMENTS OF CASH FLOW

USD MILLION (YEAR ENDED 31 DECEMBER)	2014	2013
<b>Operating activities</b>		
Profit/ (loss) before tax	74.4	348.3
Impairment charges/(Reversal of impairment)	(116.2)	(360.7)
Fair value change on financial derivatives	2.6	(11.4)
Changes in receivables and accounts payable	(0.8)	-
Add back of net interest expense	(12.0)	(20.7)
Other items from operating activities	(0.9)	(0.5)
<b>Net cash flow from/ (used in) operating activities</b>	<b>(52.8)</b>	<b>(44.9)</b>
<b>INVESTING ACTIVITIES</b>		
Investments in subsidiaries	(0.0)	(27.5)
Interest received	62.9	73.7
<b>Net cash flow from/ (used in) investing activities</b>	<b>62.9</b>	<b>46.3</b>
<b>FINANCING ACTIVITIES</b>		
Changes in intercompany receivables/debt	13.5	43.5
Received payments from raising new long-term debt	124.0	86.8
Dividend paid	(82.2)	(68.5)
Interest paid	(50.9)	(53.0)
<b>Net cash flow from/ (used in) financing activities</b>	<b>4.3</b>	<b>8.7</b>
Net change in cash and cash equivalents	14.4	9.9
Cash and cash equivalents at 1 January	16.2	6.2
Cash and cash equivalents at 31 December	30.6	16.2

The notes in pages 75-78 are an integral part of these 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 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 25 March 2015.

**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 the obligation using a pre-tax rate that

**NOTE 2 ACCOUNTING POLICIES cont.**

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 ex-

ercise 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. Managements assessment 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**

	2014	2013
Management fee	36.4	32.3
Lawyer's fee	1.4	0.9
Consultant's fee	0.6	1.0
Auditor's fee	0.5	0.4
Other operating expenses	11.3	11.2
<b>Total operating expenses</b>	<b>50.1</b>	<b>45.7</b>

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 2014	Ownership 2013
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%	0%
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**

	2014	2013
Loan to Group companies	1,527.1	1,640.9
Intra-group long-term receivables	1,527.1	1,640.9
Outstanding to Group companies	711.8	875.6
Intra-group short-term payables	711.8	875.6

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 2014, the

Company has recorded a reversal of impairment of USD 142.2 million related to investments and receivables on amounts owed by group subsidiaries which has been considered recoverable.

The Company has recorded an impairment of USD 26.0 million related to investments and receivables on amounts owed by group subsidiaries which has been considered not recoverable.

**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.

**NOTE 7 SHARE CAPITAL**

Share capital	USD '000
Authorised share capital	
At 1 January 2014: 700,000,000 ordinary shares at par value USD 0.01 each	
At 31 December 2014: 700,000,000 ordinary shares at par value USD 0.01 each	
<b>Issued and fully paid</b>	
At 1 January 2014	6,880.0
At 31 December 2014	6,880.0

The Company held a total of 2,609,535 own shares at 31 December 2014.

**NOTE 8 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following items

	2014	2013
Cash and cash deposits	30.6	16.2
<b>Total cash and cash equivalents</b>	<b>30.6</b>	<b>16.2</b>

**NOTE 9 LOAN FACILITIES**

	Eff. Interest rate	Maturity date	Carrying Amount	
			2014	2013
BW001 - NOK 500 million Bond	3 month NIBOR + 4.25%	15-Mar-17	66.7	89.4
BW002 - NOK 500 million Bond	3 month NIBOR + 4.15%	21-Mar-18	66.5	85.9
BW003 - NOK 750 million Bond	3 month NIBOR + 3.5%	11-Mar-19	99.4	-
<b>Total long-term debt</b>			<b>232.6</b>	<b>175.4</b>

During completion of the annual accounts, the bond loans have been downward adjusted compared to the 4Q Interim report with USD 65.9 million. Due to the fact that the bond loans were swapped to USD, they have been treated as USD loans and have previously not been revaluated. As of 2014 the loans are treated as NOK loans and revaluated. This had a positive effect of USD 11.9 million to other comprehensive income in 2013, but it is not considered significant for the Group. 2013 has not been restated.

The effect on long-term debt is an adjustment from USD 298.6 million to USD 232.6 million. The adjustment has no effect on profit and loss, but affects other comprehensive income, hence, increases equity with USD 65.9 million.

**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.

**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 was used for general corpo-

rate 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.

**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 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**

	2014	2013
Other accruals	2.4	3.0
Total interest-free current liabilities	2.4	3.0

**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 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
<b>Total</b>	<b>238.5</b>	<b>30.6</b>	<b>270.7</b>

Year ended 31 December 2013	Financial assets and liabilities measured at amortised cost	Loans and receivables	Fair value
Cash and deposits	-	16.2	16.2
Interest-bearing long-term debt	175.4	-	176.8
Other current liabilities	3.8	-	3.8
<b>Total</b>	<b>179.2</b>	<b>16.2</b>	<b>196.8</b>

**NOTE 12 FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks. Overall risk management follows and is handled by the BW Offshore Group. These processes and policies are described in more detail under note 18 of the consolidated financial statements of BW Offshore Limited.

**(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 and BW003. The foreign currency exposure on these bonds are hedged through cross-currency interest swaps with a nominal value of USD 300.8 million held. The Company applies hedge accounting for the cross-currency interest 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.

**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

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 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.

facility and the USD 800 million credit facility, as listed in note 25 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 2014 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, 25 March 2015

  
Christophe Pettenati-Auzière

  
Maarten Scholten

  
Clare Spottiswoode

  
Carsten Mortensen  
(from 1 January 2015)

  
Andreas Sohlen-Pao  
Chairman

  
Ronny Johan Langeland  
Vice Chairman

## INDEPENDENT AUDITOR'S REPORT



Statsautoriserte revisorer  
Ernst & Young AS

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Medlemmer av den norske revisorforening

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 2014, the statements of income and comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other 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 consolidated financial statements in accordance with 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

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



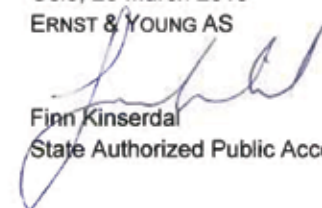
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### *Opinion*

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 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Oslo, 26 March 2015

ERNST & YOUNG AS

  
Finn Kinserdal  
State Authorized Public Accountant (Norway)



BW Offshore

[www.bwoffshore.com](http://www.bwoffshore.com)