

ANNUAL REPORT



BW Offshore

BW OFFSHORE LIMITED 2013

BW OFFSHORE GLOBAL FOOTPRINT



OFFICES

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

OWNED UNITS



BW PIONEER FPSO, PETROBRAS



YÙUM K'AK' NÁAB FPSO, PEMEX



BW CIDADE DE SÃO VICENTE FPSO, PETROBRAS



CIDADE DE SÃO MATEUS FPSO, PETROBRAS



POLVO FPSO, HRT



BW ATHENA FPSO, ITHACA ENERGY



ABO FPSO, ENI



AZURITE FPSO



BERGE HELENE FPSO, PETRONAS



ESPOIR IVOIRIEN FPSO, CNR



PETRÓLEO NAUTIPA FPSO, VAALCO



SENDJE BERGE FPSO, SINOPEC



BW JOKO TOLE FPSO, KEI



UMUROA FPSO, AWE



BELOKAMENKA FSO, ROSNEFT



BW OPAL VLCC

OWNED FLEET:
14 FPSOs, 1 FSO & 1 VLCC
O&M CONTRACTS:
2 FPSOs

O&M CONTRACTS



PEREGRINO FPSO, STATOIL



P-63 FPSO, PETROBRAS



**99%
UPTIME**



COMPETENCE

REFERENCES

- BW Offshore has class leading HSE and production records, with a LTI of 0.23 and an uptime of 99%.
- FPSO Yùum 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, with a turret and for 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 12 different countries, supported by local onshore teams and an organisation with a global presence.

LTI 0.23
PER MILLION HRS.

FOR MORE INFORMATION, PLEASE VISIT www.bwoffshore.com



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2013 IN BRIEF



KEY EVENTS

- SIGNED EXTENSION CONTRACT FOR FPSO ABO
- SIGNED EXTENSION CONTRACT FOR FPSO SENDJE BERGE
- SIGNED EXTENSION CONTRACT FOR FPSO POLVO
- FIRST OIL ON FPSO P-63 (PAPA TERRA)
- COMMENCED OPERATION OF FPSO PEREGRINO FOR STATOIL
- RECEIVED NOTICE OF EARLY TERMINATION FOR AZURITE. THE FPSO IS BEING MARKETED FOR NEW PROJECTS
- ACQUIRED 2012-BUILD DSME (DAEWOO) VLCC BW OPAL
- COMPLETED FEED STUDIES FOR VARIOUS FPSO AND FLNG PROJECTS
- STRENGTHENED ENGINEERING AND EXECUTION CAPABILITIES
- COMPLETED USD 285 MILLION BANK FACILITY FOR BW JOKO TOLE
- COMPLETED NOK 500 MILLION SENIOR UNSECURED BOND ISSUE

EBITDA
447
MILLION

700,000
BOE PER DAY

KEY FIGURES

LTI-RATE		0.23
PRODUCTION UPTIME		99.0 %
OPERATING REVENUES	USD MILLION	982.4
EBITDA	USD MILLION	447.4
OPERATING PROFIT (EBIT)	USD MILLION	181.4
NET PROFIT	USD MILLION	83.6
TOTAL ASSETS	USD MILLION	3,354.6
TOTAL EQUITY	USD MILLION	1,124.1
EQUITY RATIO		33.5 %
MARKET CAP	USD MILLION	850
ENTERPRISE VALUE	USD MILLION	2,450
DAILY EXPORT	BOE PER DAY	700,000
TOTAL NUMBER OF OFFLOADINGS	CRUDE CARGOS	388



CEO'S REPORT



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

In 2013 BW Offshore reaped the results of diligent work to improve operational stability across the fleet. The best practice program which has been running for three years is paying dividends to stakeholders.

In 2013 BW Offshore reaped the results of diligent work to improve operational stability across the fleet. The best practice program which has been running for three years is paying dividends to stakeholders.

The company's focus for the year has been on delivering industry-leading performance on the operating units. With 2,200 colleagues and an operation of 16 FPSOs and one FSO around the world of which 14 FPSOs and one FSO is owned, we have made big strides in operating safely and with an industry leading uptime. The emphasis has been on realising the benefits of scale and global footprint through a relentless best practice mentality.

The macro environment has been favourable with a high level of market activity and an advantageous supply demand balance predicted for some time ahead. Market activity has been on the rise through 2013. Although the number of awards remains well below historical levels, the number of 'active' competitors has reduced drastically, resulting in a much improved supply and demand balance.

We are looking at a period of profitable growth ahead. The continuing strong oil price, the significant increase in commercial discoveries and the cost pressure seen by the offshore oil and gas industry, give us great confidence that the FPSO lease model will continue to be very favourable for our clients.

BW Offshore, with its service offering and optimal mix of experience, capability and opportunities remains an attractive partner for clients. As the industry has developed and matured we also believe it will be seen as an increasingly interesting vehicle for investors and lenders.

A strong competent workforce, a dynamic learning environment and challenging work opportunities make BW Offshore an attractive employer.

Over the past two decades BW Offshore has earned a reputation in project execution, proving its capability with over 38 successfully completed projects. The company's track record boasts significant 'world firsts' including the deepest production facility ever, the largest in terms

The gas FPSO Joko Tole, in operation since June 2012 for the Indonesian Kangean Energy, is a traditional conversion. An integrated team from the project and operations organisations in BW Offshore carried out the commissioning and start-up. The organisation was in place nine months before sail away from the yard, allowing time for on the job training, sufficient preservation of equipment and successful commissioning. Today, more than one and a half years after the start-up, we see the

“ BW Offshore continues to be ranked among best in class when it comes to HSSE in the operating fleet.

of oil throughput as well as the first ever combined drilling and production unit. In an industry that is constantly asked to conquer new frontiers, BW Offshore has an uncontested track record.

The company started an ambitious best practice program three years ago to improve the start-up of new units and increase the general operational stability across the fleet. This work has started to pay dividends. The general up-time for the fleet today stands at 99% and the number of trips and malfunctions have been greatly reduced. In addition, our new projects are seeing better performance from day one of production.

benefits from our investment. The unit has been operation at 100% commercial up-time and very close to 100% technical up-time since the very first day. The unit operates with 95% Indonesian crew.

The FPSO BW Athena has also been in operation since June 2012 for Ithaca Energy and has similarly exceeded our expectations for regularity in the harsh environment of the North Sea.

The joint venture with QUIP for the EPCI (Engineering Procurement Construction and Installation) contract for the Brazilian Papa Terra project for Petrobras completed its work and the unit commenced operations in November 2012. The turnkey contract was granted an extension of time by

Petrobras and delivered according to the revised project schedule. BW Offshore and its JV partner Queiroz Galvão Óil and Gás are responsible for operations of the unit for three years including a gradual hand over to Petrobras.

In January 2013 BW Offshore assumed the operation of the Statoil and partners owned unit Peregrino in Brazil. This unit has the highest production rate of all the non-Petrobras operated fields in Brazil and is Statoil's biggest producer outside Norway. Being selected to manage this important contract is a great vote of confidence in the operational model and competence at BW Offshore.

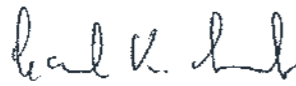
Contracted revenue visibility stands at an average of four years – eight including options – for the current fleet of operating units. The BW Offshore fleet will generate a steady cash flow in the time ahead, pro-

viding a sound basis for dividend payments. We believe that oil price projections make it very valuable and logical for clients to extend operational periods on their units beyond even the optional periods on the current contracts. This theory is borne out in reality by the extensions and associated upgrades for Abo, Espoir Ivoirien, Polvo and Sendje Berge.

BW Offshore continues to be ranked among best in class when it comes to health, safety, security and the environment (HSSE) in the operating fleet. This performance is the result of a relentless emphasis on the safety of our crew and contractors, and respect for the environment from both a business and social standpoint. Our commitment to company principles, compliance with laws and regulations and to the highest international standards is acknowledged and appreciated by clients, partners, lenders,

investors and staff. Over 2012 and 2013 BW Offshore has invested significantly in building technical and project capability and capacity. In the year ahead the focus will be on converting this into successful and profitable new investments in extensions to the fleet. Work will continue on clarifying and harmonizing work methods for maximum effectiveness.

The talent at BW Offshore remains our biggest asset – giving us a competitive advantage. I would again like to take this opportunity to thank the entire team for the hard work, dedication and continued commitment. My thanks also go to the Board of Directors for another year of valued support, sound advice and good steer.



Carl K. Arnet
CEO

MANAGEMENT



Carl K. Arnet
CEO



Knut R. Sæthre
CFO



Stuart Bannerman
COO



Thyl Kint
CTO



Claude Rouxel
CBDO



Magda Karim Vakil
Head of Legal



Rebekah France
Head of Human Capital

“ The talent at BW Offshore remains our biggest asset – giving us a competitive advantage.



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 Zealand. Each day bring 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 partic-

38
FPSO/FSO PROJECTS COMPLETED

GLOBAL FPSO AWARDS



Source: Fearnley Offshore



ipate 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, sub-contractors 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.

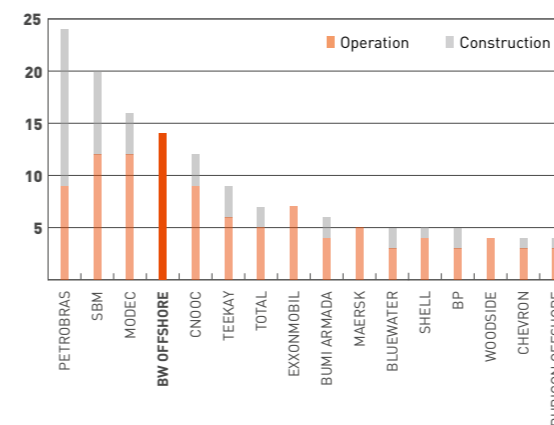
A team of discipline engineers and engineering managers with topside, hull and overall responsibility ensure that a strong link is maintained with the engineering team during project execution. This is essential to ensure that the design concept and the engineering deliveries are translated effectively to a working, well-constructed FPSO. Front-loading 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.

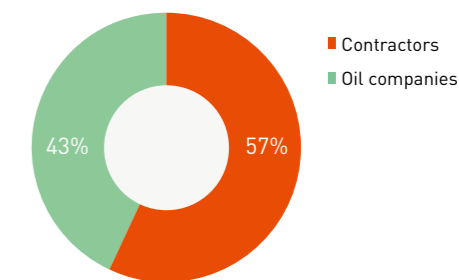
GLOBAL FPSO FLEET

Largest owners (oil companies and lease contractors)



Source: IHS/ODS Petrodata, DNB

FPSO OWNERSHIP



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, 1 FSO and 1 VLCC. 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

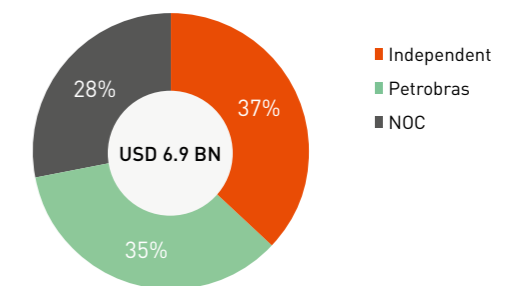
BW Offshore takes full responsibility to operate and maintain as well as upgrade or change the production asset as needed by the client in a lease arrangement. This ensures that production requirements are met for the total duration of the field life including necessary funding, ensuring appropriate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

**USD 3.4
BILLION**
TOTAL ASSETS

BW OFFSHORE REVENUE BACKLOG



NOC: National Oil Companies

WE OPERATE



CLASS LEADING PERFORMANCE

Safe operations and class leading production high uptime are the hallmark of the BW Offshore delivery to clients. This is ensured by 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 consistently exceeds client expectations and earns its place in the top tier for FPSO operations globally. 16 FPSOs and 1 FSO make up the company's operated fleet today, and over 700,000 BOE 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 safe,

high quality and consistent signature performance generates significant cash flow for clients.

COMPETENT AND MOTIVATED WORKFORCE

BW Offshore's world class 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 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

OUR FLEET AND CONTRACTS

UNIT	TYPE	CONTRACT	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22	'23	'24	'25
BW PIONEER	FPSO	LEASE & OPERATE	PETROBRAS, US: 2012-2017 (2020)																
YUUM K'AK'NÁAB	FPSO	LEASE & OPERATE	PEMEX, MEXICO: 2007-2022 (2025)																
BW CIDADE DE SÃO VICENTE	FPSO	LEASE & OPERATE	PETROBRAS, BRAZIL: 2009-2019 (2024)																
CIDADE DE SÃO MATEUS	FPSO	LEASE & OPERATE	PETROBRAS, BRAZIL: 2009-2018 (2024)																
POLVO	FPSO	LEASE & OPERATE	BP, BRAZIL: 2007-2015 (2022)																
BW ATHENA	FPSO	LEASE & OPERATE	ITHACA, UK: 2012-2015 (2020)																
ABO	FPSO	LEASE & OPERATE	AGIP/ENI, NIGERIA: 2003-2014																
AZURITE	FPSO	LEASE & OPERATE	MURPHY, CONGO: 2009-2014																
BERGE HELENE	FPSO	LEASE & OPERATE	PETRONAS, MAURITANIA: 2006-2015 (2021)																
ESPOIR IVOIRIEN	FPSO	LEASE & OPERATE	CNR, IVORY COAST: 2002-2017 (2036)																
PETROLEO NAUTIPA (50%)	FPSO	LEASE & OPERATE	VAALCO, GABON: 2002-2020 (2022)																
SENDJE BERGUE	FPSO	LEASE & OPERATE	ADDAX/SINOPEC, NIGERIA: 2005-2018 (2020)																
BW JOKO TOLE	FPSO	LEASE & OPERATE	KANGEAN, INDONESIA: 2012-2022 (2026)																
UMUROA	FPSO	LEASE & OPERATE	AWE, NEW ZEALAND: 2007-2015 (2022)																
BELOKAMENKA	FSO	LEASE & OPERATE	ROSNEFT, RUSSIA: 2004-2019																
BW OPAL	VLCC	AVAILABLE																	
PEREGRINO	FPSO	OPERATE	STATOIL, BRAZIL: 2013-2018 (2033)																
P-63 (PAPA TERRA)	FPSO	OPERATE	PETROBRAS, BRAZIL: 2013-2016																

■ OPERATION (OWNED) - FIXED PERIOD
 ■ OPERATION (NOT OWNED) - FIXED PERIOD
 ■ CONSTRUCTION / EPC
▬ OPERATION (OWNED) - OPTION PERIOD
 ▬ OPERATION (NOT OWNED) - OPTION PERIOD

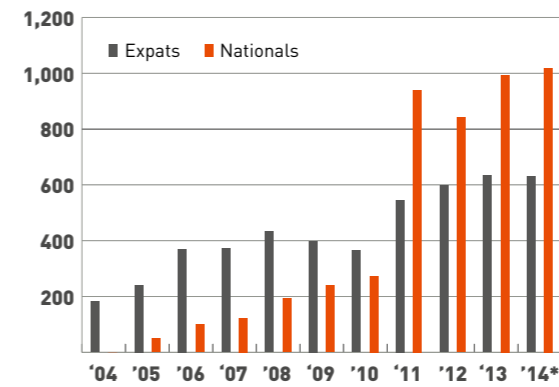


a new lease of commercially lucrative life. Increasingly clients see the benefit of investing in repairs, upgrades and modifications to continue operating in existing fields. BW Offshore's project and engineering expertise makes this possible. Working closely with client teams, BW Offshore has set up 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.



BW OFFSHORE EMPLOYED OFFSHORE PERSONNEL

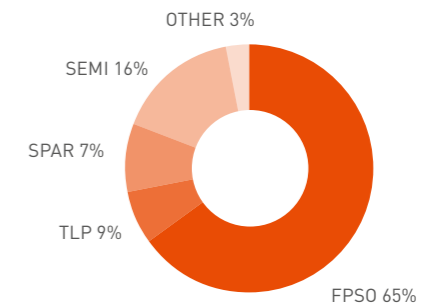
Expats and Nationals 2004-2014



* As of February 2014

GLOBAL FLOATING PRODUCTION UNITS

FPSO is the preferred solution for floating production



Source: IMA, based on a total number of 268 units



HSSEQ

STRONG COMMITMENT

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

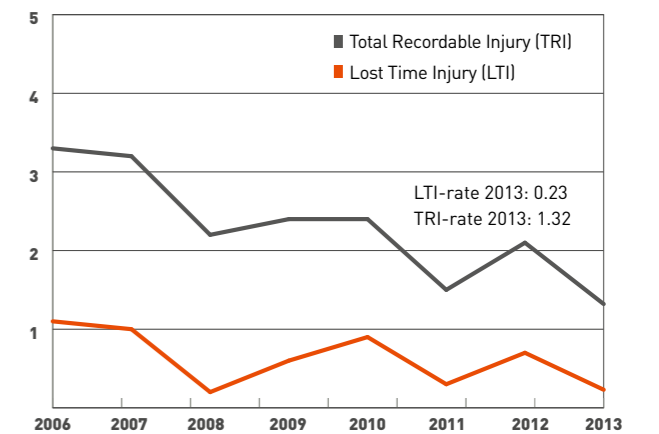
As a proactive measure, BW Offshore monitors the trend on High Risk Incidents (HRI) which are subjected to a formal incident investigation process.

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

2,200
EMPLOYEES

BW OFFSHORE HSE STATISTICS

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



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



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

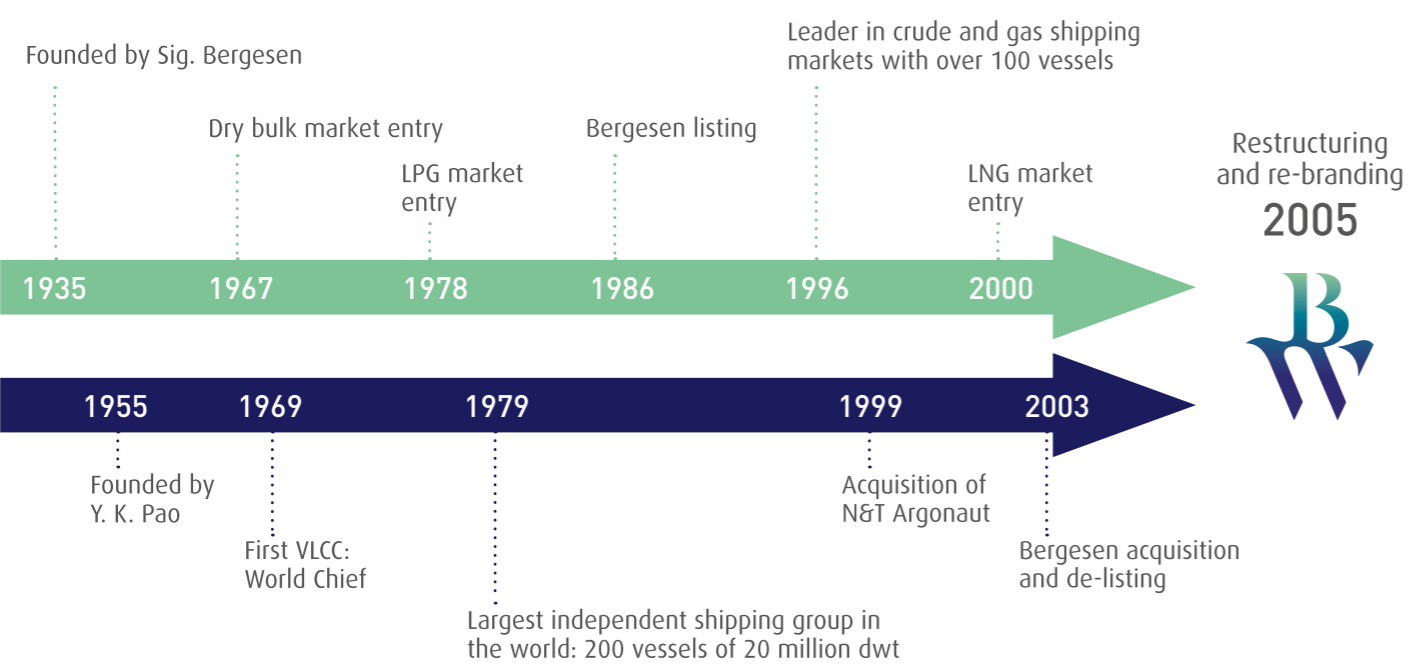


BW PIONEER (2012)
- the world's deepest producing FPSO, operating at 2,500 meters in the US GOM for Petrobras

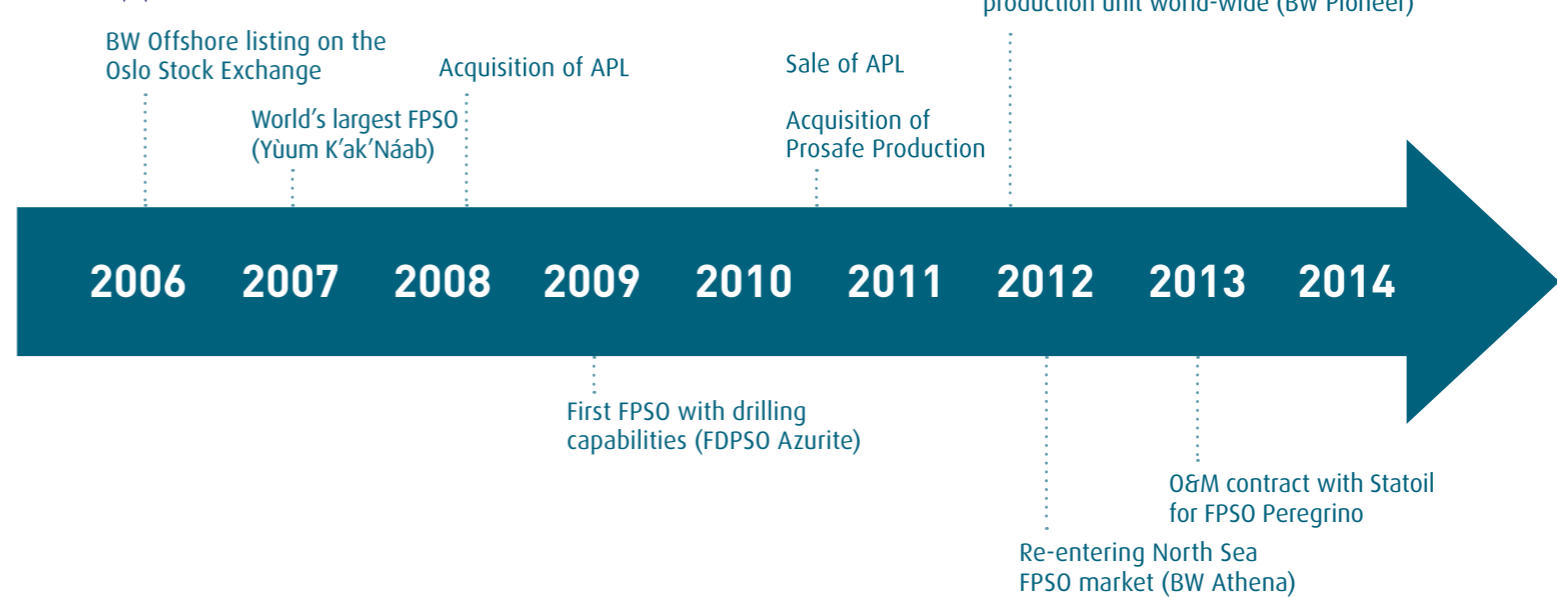


BW JOKO TOLE (2012)
- gas compression capacity of 340 mmscfpd, operating for KEI in Indonesia

BERGESEN
WORLD-WIDE



BW Offshore



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 - including the changes introduced on October 23, 2012 - of the Norwegian Code of Practice for Corporate Governance (the 'Code'), prepared by the Norwegian Corporate Governance Board.

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

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 waives the pre-emption rights of existing shareholders, the Board of Directors will explain the justification in the stock exchange announcement issued in connection with the increase in share capital.

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

In case of material transactions between the Company and a shareholder, a shareholder's parent company, director, officer, or persons closely related to any of these, the Board will obtain a valuation from an independent third party. Independent valuations shall also be

obtained in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

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 Verdipapirsentralen (VPS), where such transfer would, in the opinion of the Board, likely result in 50% or more of the aggregate issued and outstanding share capital of the Company, or shares of the Company to which are attached 50% or more of the votes attached to all issued and outstanding shares of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation. The purpose of this provision is to avoid the Company being deemed a Controlled Foreign Company pursuant to Norwegian tax rules.

6 General meetings

The annual general meeting will normally take place on or before 31 May each year. The Board shall make efforts to ensure that as many shareholders 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 share-

holders 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 for re-election to the Board of Directors. This deviation from the Code has been implemented to facilitate cooperation between the Nomination Committee and the Board, and

continuity in the Board.

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

8 The composition and independence of the Board

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

The composition of the Board shall ensure that it can act independently of any special interests. A majority of the shareholder-elected members of the Board must be independent of the Company's executive personnel and material business connections of the Company. In addition, at least two of the members of the Board must be independent of the Company's major shareholder(s). For the purposes of this Corporate Governance Policy, a major shareholder shall mean a shareholder that owns 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

The composition of the Board does not meet the recommended gender guidelines of the Code, but meets the Company's need for expertise and diversity. A short description of our directors and their respective areas of expertise are presented on the Company's website www.bwoffshore.com.

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

9 The work of the Board

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

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

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

of the meetings of the Board of Directors are kept by the Company in Bermuda.

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

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

10 Risk management and internal control

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

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

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

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

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

The systems for risk management and internal control also encompass the Company's corporate values, ethical guidelines and guidelines for corporate social responsibility.

BW Offshore has established a Code of Conduct

for the Company and its employees.

11 Remuneration of the Board of Directors

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

The remuneration of the directors shall not be linked to the Company's performance and the directors do not receive profit related remuneration or share options or retirement benefits from the Company. Any remuneration in addition to normal fees to the directors is specifically stated in the annual report.

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

12 Remuneration of the executive personnel

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

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

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

13 Information and communications

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

A currently updated financial calendar with dates for important events, such as general meeting, publishing of interim annual reports, dates for payment of potential dividend etc. shall be acces-

sible for the shareholders on www.oslobors.no and on the Company's website www.bwoffshore.com.

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

Information to the Company's shareholders shall be published on the Company's website at the same time that it is sent to the shareholders.

14 Take-overs

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

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

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

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

If an offer is made for a Company's shares, the Board shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to the shareholders on whether or not to accept the offer, it should explain the reasons for this. The Board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case, it shall explain the reasons why specific members of the Board have excluded themselves from the statement.

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

15 Auditor

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

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

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

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

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

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

The auditor shall annually confirm his independence in writing to the Audit Committee. The Board shall give an account to the general meeting of the auditor's fee, including details of the fee paid for audit work and any fees paid for other specific assignments.

DIRECTORS' REPORT

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

BW Offshore ('BW Offshore' or 'Group') is one of the world's leading owners and operators of offshore floating production and storage units. Since the start in 1982 BW Offshore has completed a total of 38 FPSO and FSO conversions.

By the end of 2013, the Group had units operating offshore Brazil, Mauritania, Mexico, Nigeria, Indonesia, Ivory Coast, Gabon, Congo, New Zealand, UK, USA and Russia.

The Group's core strengths are:

- Wide geographical presence
- Engineering
- Project execution
- Operations
- Installation services
- Lease services

BW Offshore Limited ('Company') is a Bermuda incorporated company and is listed on the Oslo Stock Exchange (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 are recognised as key activities in order to achieve an HSSEQ culture of the highest standard and to minimise risks.

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

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

The Board is very pleased with the positive

development of the safety performance in the Group. Total LTI-rate (Lost Time Injuries) and total TRI-rate (Total Recordable Incidents) for BW Offshore in 2013 were 0.2 and 1.3, respectively. The comparable rates for 2012 were 0.8 and 2.1.

The Board considers that the working environment in the Group is good. In 2013, absence due to sickness amounted to 1.8% of total hours worked by the employees. This was compared to 1.5% in 2012. During the year, several initiatives were taken to improve the working environment. Leadership programs, recruitment of engineering and project competence, alignment of compensation and benefit policies and procedures on a global scale are some examples of initiatives undertaken in the year.

The average number of employees including contract staff for 2013 was 2,298 compared to 2,280 in 2012. BW Offshore wants to be considered as an attractive workplace and attaches prime importance to offering challenging and motivating jobs and equal development opportunities for all, regardless of gender, nationality, ethnic background or religion. There is no discrimination due to gender, nationality, ethnic background 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. Compliance with such regulations can require significant expenditure and in the unlikely event breaches occur, this may result in the imposition of fines and penalties, some of which may be material. These concerns apply to all entities operating in the FPSO and FSO market.

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 2013.

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.

OPERATIONS AND PROJECTS

BW Offshore operates 16 FPSOs, of which 13 FPSOs are fully owned, one is owned 50% through a joint venture and two are owned by third parties and operated by BW Offshore. The Group also operates an FSO owned 50% through a joint venture. The Group has currently no ongoing FPSO conversion projects.

The FPSO Yuum K'ak' Náab 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 and with an option to extend for an additional three years.

The FPSO Sendje Berge is in operation at the Okwori field offshore Nigeria for Sinopec. The unit started operation in Equatorial Guinea in 2000 and was modified, upgraded and relocated to Nigeria in 2005. In 2010, the client extended the contract by another two years from 2011 to April 2013. During 2013 the client extended the contract three times, currently until April 2014. The extensions have been done to secure operational continuity while joint work to detail longer term programs for investment and production are completed is done. The Group is currently negotiating with the client for a long term extension.

The FPSO Berge Helene is in operation at the Chinguetti field offshore Mauritania for Petronas. The duration of the contract is nine years fixed plus options for up to six years. The vessel started operation in 2006. In 2012 the firm period of the contract was

extended by two years from 2013 to 2015.

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.

The FDP SO Azurite is the world's first FPSO with drilling capabilities. The unit commenced operations on Murphy's deep water Azurite development field in the Mer Profonde Sud block offshore the Republic of Congo in April 2009. The firm part of the contract is seven years, while there are options for up to eight years. BW Offshore has received notice of termination from Murphy West Africa Limited for FDP SO Azurite in 2013. The termination is to be effective from 1 May 2014. Production ceased in November 2013 and preparation to abandon the field is ongoing. 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. This was completed as HRT Participações em Petróleo SA (HRT) took over operatorship of the Polvo oil field from previous operator BP. In January 2014 BW Offshore signed an agreement with HRT for a one year extension for the lease and operation of the FPSO Polvo. The firm period has been extended to Q3 2015.

The FPSO Espoir Ivoirien is in operation at the Espoir field offshore Ivory Coast for Canadian Natural Resources (CNR). The FPSO first time 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.

The FPSO Abo commenced operation in 2003 and is on a contract with Nigerian Agip Exploration on the Abo field offshore Nigeria until July 2014 after the Group agreed on a short term extension while negotiations for a long term extension with the client are being carried out. The contract has an option for the client to extend until end of 2014.

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 extended in 2005 and in 2007. The contract was further extended in 2012 and is now firm until 2020 with options for two additional years.

The FPSO BW Pioneer commenced operation on the Cascade Chinook oil and gas field 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 additional 15 years.

During 2013 BW Offshore, together with its Brazilian consortium partner QUIP, completed the conversion of **FPSO P-63** for the Papa Terra Joint Venture (Petrobras and Chevron). BW Offshore's main responsibility was to deliver the marine scope of the FPSO conversion, including the hull, offloading system and mooring equipment for the vessel. The FPSO was installed on the Papa Terra field and received first oil during

November 2013. BW Offshore is from November 2013, under a separate contract, responsible for the operation of the vessel together with the Brazilian JV partner, Queiroz Galvão Óleo e Gás, for three years, gradually handing over the operation to the field owners.

On 19 November 2013 BW Offshore signed a Letter of Intent to acquire 30% of the Polvo oil field in Brazil. BW Offshore had the intention to acquire half of HRT Participações em Petróleo S.A. (HRT)'s stake following their purchase of BP's stake in the Polvo field. The Polvo oil field is located in the Campos basin in Brazil. The field was brought on stream in 2007, with a 2013 year to date production of approx. 12,000 bopd. The field installations include the FPSO Polvo, the Polvo A wellhead platform with a drilling rig and an infield pipeline. The definitive agreement was subject to completion of the due diligence process by BW Offshore, and regulatory, governmental approvals.

On 18 December 2013 BW Offshore exercised an option to acquire the tanker Blue Opal for USD 83.8 million from Daewoo Shipbuilding & Marine Engineering ('DSME'). Blue Opal is a DSME designed and built VLCC (320,000 dwt) from 2012. BW Offshore has performed detailed engineering studies and inspections of the VLCC since Q4 2012, and is currently evaluating several FPSO projects suitable for the vessel. The transaction was closed and BW Offshore took possession of the hull, now named BW Opal, 6 February 2014.

The order backlog for the Group is approximately USD 3.3 billion related to non-cancellable contracts and if including options, USD 6.9 billion.

FINANCIAL RESULT

The earnings before interest, taxes, depreciation and amortisation (EBITDA) for BW Offshore and its subsidiaries for 2013 was USD 447.4 million compared to USD 249.2 million in 2012. The increase was mainly due to a full year contribution from FPSO BW Athena and FPSO BW Joko Tole, which both commenced operation during middle of 2012, as well as reduced provisions for cost overruns on the Papa Terra project in 2013 compared to 2012 as the project came to completion in 2013. Operating profit was USD 181.4 million, compared to a profit of USD 96.1 million in 2012. Net result was USD 83.6 million compared to a net profit of USD 1.3 million in 2012.

The Group's revenue derived from charter hire was USD 927.9 million compared to USD 770.7 million

in 2012. The increase is primarily attributable to a full year of operation for FPSO BW Pioneer, FPSO BW Joko Tole and FPSO BW Athena in 2013 as all three units' commenced operation during 2012. The start of operation of FPSO Peregrino did also increase revenue in 2013. Revenue derived from construction contracts was USD 23.0 million compared to USD 56.6 million in 2012. Revenue derived from lease interests was USD 15.9 million compared to USD 17.2 million in 2012. Lease interest revenue is derived from the operation of the FPSO Yuum K'ak'Náab and from the lease of the FSO Belokamenka.

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 535.7 million compared to USD 661.1 million in 2012. The reduction in operating expenses was mainly attributable to reduced provisions for cost overruns on the Papa Terra project in 2013 compared to 2012, offset by some higher operating expenses from FPSO BW Joko Tole, FPSO Peregrino and FPSO BW Athena due to a full year of operation in 2013.

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 tender activities. Total administrative expenses amounted to USD 59.5 million compared to USD 54.0 million in 2012.

Depreciation and amortisation amounted to USD 265.7 million, compared to USD 226.8 million in 2012. The increase is mainly attributable to the full year depreciation of FPSO BW Joko Tole and FPSO BW Athena in 2013.

Interest expenses were USD 63.1 million compared to USD 53.6 million in 2012. The increase is due to net average higher interest bearing debt in 2013.

Tax expense amounted to USD 36.4 million compared to USD 28.7 million in 2012. The increase in tax is related to tax from a full year operation from FPSO BW Athena and FPSO BW Joko Tole. The Group is not subject to taxation in Bermuda, but subject to taxation in the various countries in which it operates.

Total assets were USD 3,354.6 million as at 31 December 2013 compared to USD 3,423.8 million

in 2012. The net decrease of USD 69.2 million (2%) mainly relates to depreciation on assets, reduction of debt, reduced trade payables, offset by higher cash level and higher trade receivables. Goodwill as at 31 December 2013 relates to the acquisition of Prosafe Production in 2010.

As at 31 December 2013, the Group had a net equity of USD 1,124.1 million compared to USD 1,130.4 million at 31 December 2012. The net equity ratio as at 31 December 2013 was 33.5% compared to 33.0% as at 31 December 2012.

As at 31 December 2013, the Group had interest-bearing debt of USD 1,749.4 million compared to USD 1,778.7 million in 2012. BW Offshore is mainly funded through a USD 2.4 billion seven year senior secured credit facility established in 2011. The Group also have two unsecured bonds as of 31 December 2013. 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. Both bond loans have been swapped to USD and the interest rate has been fixed. In addition to this, BW Offshore during second quarter 2013 completed the 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. The interest payable on the five year term loan is USD LIBOR + 250 bps. Net interest-bearing debt at 31 December 2013 was USD 1,613.9 million.

Net cash inflow from operating activities amounted to USD 326.6 million compared to net cash inflow of USD 209.9 million in 2012. Net cash outflow from investment activities amounted to USD 107.8 million, compared to a net cash outflow of USD 37.6 million in 2012. Investments in fixed assets amounted to USD 110.5 million, compared to USD 228.4 million in 2012. Cash outflow from investment activities in 2013 mainly relates to life extension activities on FPSO Sendje Berge, FPSO Espoir Ivoirien, FPSO Abo, FPSO Petróleo Nautipa as well as maintenance capex on remaining units.

CORPORATE GOVERNANCE

Good corporate governance plays a key role in creating shareholder value and building investor confidence, thereby ensuring an optimal capital cost. 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 will 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 a separate chapter in the annual report.

GOING CONCERN

Based on the Group's current fleet, contracts and overall position at the end of the year, and the current amendments to the 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.

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. 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 8 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. This was completed as HRT Participações em Petróleo SA (HRT) took over operatorship of the Polvo oil field from previous operator BP. The Polvo oil field is owned by HRT (operator, 60%) and Maersk (40%).

On 8 January 2014 BW Offshore signed an agreement with HRT for a one year extension for the lease and operation of the FPSO Polvo. The firm period has been extended to Q3 2015

(from Q3 2014), with options until Q3 2022.

On 13 February 2014 BW Offshore completed a USD 50 million unsecured one year term loan. The interest payable on the loan is USD LIBOR + 130 bps. The proceeds will be used for general corporate purposes.

On 27 February 2014 BW Offshore completed a NOK 750 million senior unsecured bond issue with maturity in March 2019. The bond loan has been swapped to USD and the interest rate has been fixed. The proceeds will be used for general corporate purposes.

On 24 March 2014 BW Offshore signed an interim agreement for a six year extension for FPSO Sendje Berge with Addax Petroleum Exploration Ltd, an affiliate of the Sinopec Group. The firm period has been extended to Q1 2018, with options until Q1 2020. The agreement secures operational continuity while awaiting final contract approval by Nigerian authorities.

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 348.3 million for 2013, compared to a net loss of USD 147.0 million in 2012. BW Offshore Limited is a holding company with no operating activities. The profit for 2013 is primarily caused by reversal of impairments of shares in subsidiaries.

Total assets were USD 2,488.4 million as at 31 December 2013 compared to USD 2,558.9 million in 2012.

Total shareholders' equity in BW Offshore Limited as of December 31, 2013 was USD 1,409.7 million, corresponding to 56.7% of total assets.

OUTLOOK

The outlook for BW Offshore's products and services remains good due to the geographical presence, scale and competence of the Group. BW Offshore's cash flow from the operating units is secure and based on long term contracts with national and independent oil companies. The fleet of BW Offshore will continue to generate a steady cash flow in the time ahead, providing a sound basis for dividend payments as well as for further investments in new assets.

BW Offshore is currently evaluating several projects meeting the Group's financial targets. In addition the Group is in negotiations for contract extensions for existing units.

BW Offshore intends to grow selectively and expects to see an improvement in the risk and reward balance for new FPSO projects. BW Offshore will carry on with the efforts to improve safety, efficiency, planning, disciplined execution and financial control in all its operations.



Helmut Sohmen
Dr Helmut Sohmen
Chairman



Ronny Johan Lahgeland
Ronny Johan Lahgeland
Vice Chairman



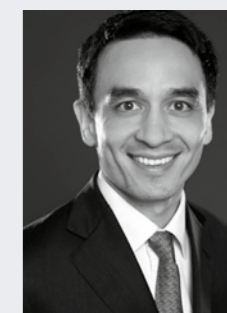
Clare Spottiswoode
Clare Spottiswoode



Christophe Pettenati-Auzière
Christophe Pettenati-Auzière



Maarten Scholten
Maarten Scholten



Andreas Sohmen-Pao
Andreas Sohmen-Pao

Bermuda, 27 March 2014

SHAREHOLDER INFORMATION

INVESTOR RELATIONS POLICY

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

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

All shareholders in BW Offshore have equal rights and the company treats all shareholders equally. The company has one share class and each share carries

one vote at the company's general meetings. BW Offshore is a Bermuda limited liability company listed on the Oslo Stock Exchange. The company is therefore obliged to comply with the Bermuda Companies Act, its Memorandum of Association and its Bye-laws, as well as the disclosure requirements of the Oslo Stock Exchange.

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

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

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

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

BW Offshore maintains a list of primary insiders in the Company, and will also maintain internal lists for insiders in cases

sensitive to the stock prices.

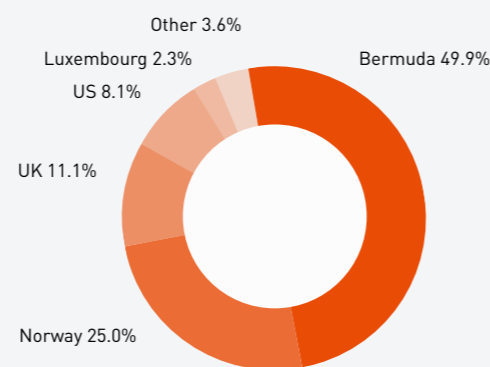
The investor relations activities aims to ensure that:

- 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

20 LARGEST SHAREHOLDERS

NAME	SHARES #	SHARES%
1 BW GROUP LIMITED C/O BW MARITIME PTE	342,312,248	49.75
2 FIDELITY FUNDS	41,058,032	5.97
3 RASMUSSENGRUPPEN AS	20,500,000	2.98
4 ODIN OFFSHORE	13,000,000	1.89
5 FIDELITY FUNDS-NORDI	12,143,631	1.77
6 ODIN NORDEN	11,205,728	1.63
7 ODIN NORGE	7,856,129	1.14
8 STATE STREET BANK (NOMINEE)	7,545,482	1.10
9 KOLBJØRN INVEST II A	7,236,000	1.05
10 JP MORGAN CLEARING (NOMINEE)	7,228,191	1.05
11 KLP AKSJE NORGE VPF	6,584,120	0.96
12 GOLDMAN SACHS & CO (NOMINEE)	6,118,083	0.89
13 THE BANK OF NEW YORK (NOMINEE)	5,731,189	0.83
14 CITIBANK (NOMINEE)	5,728,740	0.83
15 G9 INVEST AS	5,050,000	0.73
16 KOMMUNAL LANDSPENSJON	4,898,813	0.71
17 STATE STREET BANK (NOMINEE)	4,485,364	0.65
18 JP MORGAN (NOMINEE)	4,478,716	0.65
19 MORGAN STANLEY (NOMINEE)	4,043,540	0.59
20 LOMA INVEST AS	3,671,865	0.53
TOP 20 SHAREHOLDERS	520,875,871	75.71
TOTAL SHARES OUTSTANDING	688,006,004	

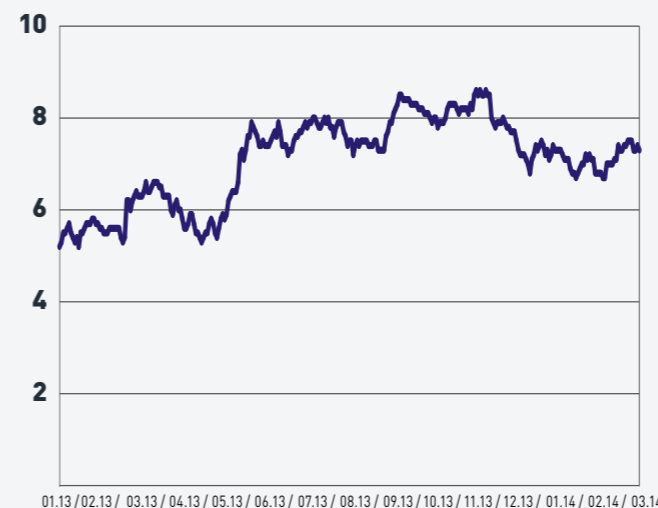
GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS



2827
SHAREHOLDERS

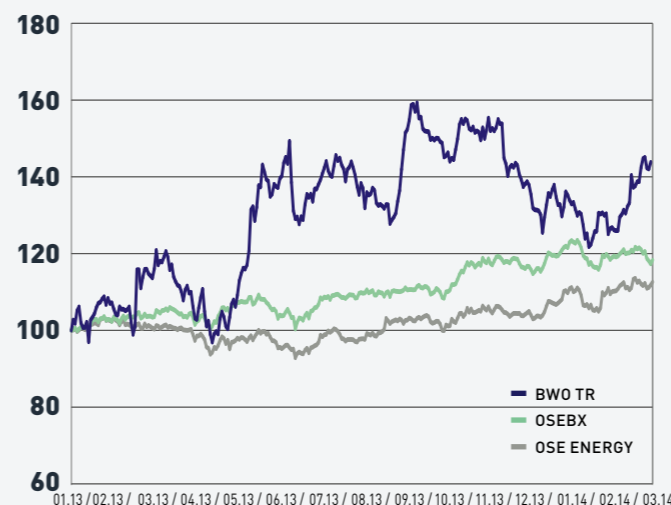
2520
NORWEGIAN
307
NON-NORWEGIAN

SHAREPRICE (NOK)



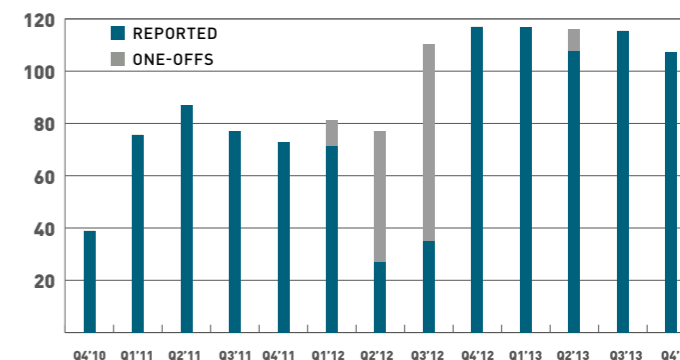
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RELATIVE PERFORMANCE (INCL. DIVIDEND)

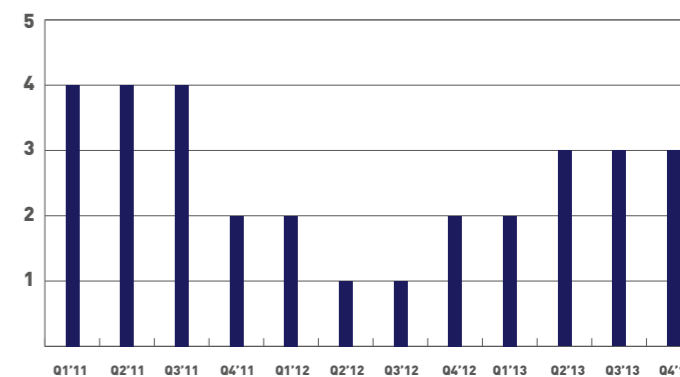


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EBITDA (USD MILLION)



DIVIDEND (USD CENT)



Share and shareholder data as of 17 March 2014

PURPOSE



- 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

FINANCIAL STATEMENTS



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CONSOLIDATED FINANCIAL STATEMENTS

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PARENT COMPANY FINANCIAL STATEMENTS

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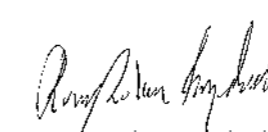
RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2013 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.

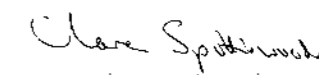
Bermuda, 27 March 2014



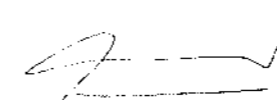
Dr Helmut Sohmen
Chairman



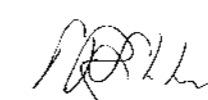
Robny Johan Langeland
Vice Chairman



Clare Spottiswoode



Christophe Pettenati-Auzière



Maarten R. Scholten



Andreas Sohmen-Pao

INDEPENDENT AUDITOR'S REPORT



Statsautoriserte revisorer
Ernst & Young AS
Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 29 01
www.ey.no
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 2013, 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.



2

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 December 31, 2013, 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, 27 March 2014
ERNST & YOUNG AS


Finn Kinserdal
State Authorised Public Accountant (Norway)

CONSOLIDATED STATEMENTS OF INCOME

USD million (Year ended 31 December)	Note	2013	2012*
Charter hire	5,6	927.9	770.7
Construction contract revenue	5,7	23.0	56.6
Lease interest	5,6	15.9	17.2
Other income		15.6	64.9
Total revenues		982.4	909.4
OPERATING EXPENSES			
Operating expenses vessels	8,9	(400.4)	(351.7)
Construction contract expenses	7	(42.8)	(189.0)
Currency hedges and other currency effects	18	(4.8)	(0.9)
Other expenses	8	(28.2)	(65.5)
Administrative expenses	8,9,19	(59.5)	(54.0)
Total expenses		(535.7)	(661.1)
Share of profit/ (loss) of associated companies	14	0.7	0.9
Operating profit before depreciation, amortisation & sale of assets		447.4	249.2
Depreciation and amortisation	11,12,13	(265.7)	(226.8)
Reversal of Impairment/ (Impairment)	11,22	-	75.0
Net gain/ (loss) on sale of tangible fixed assets	11,12	(0.3)	(1.3)
Operating profit		181.4	96.1
FINANCIAL INCOME AND FINANCIAL EXPENSE			
Interest income		2.4	0.4
Fair value gain/(loss) on financial instruments		3.7	(12.1)
Interest expense		(63.1)	(53.6)
Other financial expenses		(4.4)	(0.8)
Net financial expenses		(61.4)	(66.1)
Profit/ (loss) before tax		120.0	30.0
Income tax expense	10	(36.4)	(28.7)
Net profit/(loss) for the year from continued operations		83.6	1.3
Net profit/ (loss) for the year		83.6	1.3
Profit/ (loss) attributable to equity shareholders		83.6	1.3
Basic/diluted earnings/ (loss) per share net	23	0.12	-

*) The financial information for 2012 has been restated as the Group has adopted IAS19R effective 1 January 2013. The notes in pages 48-70 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

USD million (Year ended 31 December)	Note	2013	2012*
Profit/ (loss) for the year		83.6	1.3
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to profit or loss:			
Currency translation differences		(5.0)	0.7
Cash flow hedges	18	(12.6)	(4.5)
Treasury shares		-	0.1
Net items to be reclassified to profit or loss:		(17.6)	(3.7)
Items not to be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans		(3.8)	7.1
Net items not to be reclassified to profit or loss:		(3.8)	7.1
Other comprehensive income, net of tax		(21.4)	3.4
Total comprehensive income for the year		62.2	4.7
Attributable to			
Equity holders of the parent		62.2	4.7
Non-controlling interests		-	-

*) The financial information for 2012 has been restated as the Group has adopted IAS19R effective 1 January 2013. The notes in pages 48-70 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

USD million (As at 31 December)	Note	2013	2012*
ASSETS			
Vessels	11	2,537.5	2,700.1
Property and other equipment	12	13.0	8.2
Goodwill	13	186.9	186.9
Other intangible assets	13	2.9	2.6
Finance lease receivable	6	158.2	174.1
Investments in associates	14	4.6	3.9
Deferred tax asset	10	2.1	1.5
Derivatives	18	2.0	0.4
Other non-current assets		3.5	6.8
Total non-current assets		2,910.7	3,084.5
Inventory		6.7	8.9
Trade and other receivables	17	285.8	212.7
Finance lease receivable	6	15.9	14.5
Derivatives	18	-	1.3
Cash and deposits	15	135.5	101.9
Total current assets		443.9	339.3
TOTAL ASSETS		3,354.6	3,423.8
EQUITY			
Share capital	16	6.9	6.9
Share premium		1,085.0	1,085.0
Other equity		32.2	38.5
Total shareholder's equity		1,124.1	1,130.4
Long-term loan facilities	18,20	1,459.3	1,548.0
Retirement benefit obligations	19	6.8	4.7
Deferred tax liabilities	10	0.2	0.1
Other non-current liabilities		202.7	176.3
Derivatives	18	44.4	55.6
Total non-current liabilities		1,713.4	1,784.7
Trade and other payables	27	190.1	231.7
Derivatives	18	5.7	11.8
Interest-bearing short term debt	18,20	290.1	230.7
Provisions	26	-	14.0
Income tax liabilities	10	31.2	20.5
Total current liabilities		517.1	508.7
Total liabilities	2,230.5	2,293.4	
TOTAL EQUITY AND LIABILITIES	3,354.6	3,423.8	

*) The financial information for 2012 has been restated as the Group has adopted IAS19R effective 1 January 2013. The notes in pages 48-70 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 2012	6.9	1,085.0	(9.2)	0.1	0.8	83.2	1,166.8
Dividend distribution	-	-	-	-	-	(41.1)	(41.1)
Profit (loss) for the period	-	-	-	-	-	1.3	1.3
Total comprehensive income	-	-	0.1	0.7	(4.5)	7.1	3.4
At 31 December 2012	6.9	1,085.0	(9.1)	0.8	(3.7)	50.5	1,130.4
At 1 January 2013	6.9	1,085.0	(9.1)	0.8	(3.7)	50.5	1,130.4
Dividend distribution	-	-	-	-	-	(68.5)	(68.5)
Profit (loss) for the period	-	-	-	-	-	83.6	83.6
Total comprehensive income	-	-	-	(5.0)	(12.6)	(3.8)	(21.4)
At 31 December 2013	6.9	1,085.0	(9.1)	(4.2)	(16.3)	61.8	1,124.1

The Board has declared a cash dividend of USD 0.03 per share for the fourth quarter. The dividend will amount to approximately USD 20.6 million.

Total distributed dividend in 2013 amounts to USD 68.5 (USD 41.1 million), at USD 0.10 per share (USD 0.06).

*) The financial information for 2012 has been restated as the Group has adopted IAS19R effective 1 January 2013. Other equity as of 1 January 2012 before restatement was USD 88.4 million and total equity as of 1 January 2012 USD 1,171.9 million.

The notes in pages 48-70 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

USD million (Year ended 31 December)	Note	2013	2012*
Operating activities			
Profit (loss) before tax		120.0	30.0
Income tax paid	10	(26.3)	(26.7)
Loss (gain) on disposal of fixed assets	11,12	0.3	1.3
Fair value change on financial instruments	18	(3.7)	12.1
Share of loss of associated companies	14	(0.7)	(0.9)
Currency exchange differences		4.8	0.9
Depreciation and amortisation	11,12,13	265.7	226.8
Impairment charges/ (Reversal of impairment)		-	(75.0)
Add back of net interest expense		60.7	53.2
Other changes		7.2	12.9
Changes in inventories, receivables and accounts payable		(101.4)	(24.7)
Net cash flows from operating activities		326.6	209.9
Investing activities			
Investments in operating fixed assets and other assets (228.4)	11,12,13,15	(110.5)	
Proceeds from disposal of fixed assets	11	0.3	190.4
Interest received		2.4	0.4
Net cash flows used in investing activities		(107.8)	(37.6)
Financing activities			
Proceeds from new interest bearing debt	20	486.8	390.0
Repayment of long-term debt (541.4)	20	(518.6)	
Dividend paid		(68.5)	(41.1)
Interest paid		(84.9)	(95.5)
Repayment of short-term debt	20	-	(26.0)
Net cash flow from/(used in) financing activities (314.0)		(185.2)	
Net change in cash and cash equivalents (141.7)		33.6	
Cash and cash equivalents at 1 January		101.9	243.6
Cash and cash equivalents at 31 December	15	135.5	101.9

*) The financial information for 2012 has been restated as the Group has adopted IAS19R effective 1 January 2013. The notes in pages 48-70 are an integral part of these consolidated financial statements.

NOTES

NOTE 1 GENERAL

BW Offshore Limited ('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 develops, 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.

The financial statements were approved by the Board of Directors on 27 March 2014.

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, 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 remaining contract period.

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 finance lease is classified a 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-maker. 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 that propose and implement strategic decisions.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES cont.

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

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. Investments in associates are accounted for by applying the equity method of accounting and are initially recognised at cost. The Group's investment in associates 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 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' post-acquisition profits or losses is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised as reserves. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Share of profit of associates 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.

Joint ventures

Joint ventures are entities that the Group have contractual arrangements with to jointly share the control with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements by proportionate consolidation. Proportionate consolidation involves combining the Group's share of joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

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 sepa-

rate 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.

Disposal activities

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

Impairment of tangible fixed assets

Assets including vessels, vessels under construction, conversion candidates and other tangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A contract and the associated vessel are grouped and assessed together when testing for impairment. Each vessel is specific to the contract. An impairment loss is recognised for the amount that the asset's carrying amount exceeds its recoverable amount, being the higher of an asset's net selling price and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units). Each FPSO and FSO is identified as a cash-generating unit.

At the end of each reporting period the Group will assess whether there is any indication that an impairment recognised in previous periods may no longer exist or may have decreased. If any such indication exists, the Group will estimate the recoverable amount of the asset. If the recoverable amount is higher than the carrying amount of the asset, the carrying amount of the asset will be increased to its recoverable

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES cont.

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 36.11.

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. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. 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 recognized 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 remaining on board the vessels and other consumables. 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:

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES cont.

(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 effective 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 nonfinancial 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.

TAXES AND DEFERRED TAX LIABILITIES

The Company is not subject to any income taxes, 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 expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in the equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by

the same taxation authority, and where the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred income tax is provided for by temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and 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 2013 the Group has adopted the changes in IFRS 7 and IFRS 13, as well as amendments to IAS 19 and IAS 1. Apart from changes to IAS 19, 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 IAS 19 comparative numbers for 2012 has been restated. Other equity as of 1 January 2012 has been adjusted from USD 88.4 million to USD 83.2 million. Administrative expenses for 2012 has decreased with USD 1.3 million and other comprehensive income has increased with USD 7.1 million, impacting the total comprehensive income for 2012 with USD

8.4 million. For 2013 changes in actuarial gains and losses are recognized as part of other comprehensive income with negative USD 3.8 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.

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods, but the Group has not early adopted them:

IFRS 9 - Financial Instruments. Not applicable until 1 January 2018.

IFRS 10 – Consolidated: Financial Statements. Not applicable until 1 January 2014. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In the standard an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group has assessed whether the new control definition would impact which entities that are consolidated, and concluded that there will be no change to the material entities that are consolidated.

IFRS 11 - Joint Arrangements. Not applicable until 1 January 2014. 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. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs), an entity recognises its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. Under this new standard, the Group will have to account for its shareholding in joint ventures according to the equity method. Instead of consolidating the assets, liabilities, revenues and expenses as disclosed in note 21, 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 revenue from joint ventures. Based on the Group's assessment, there will be limited effect on the profit and loss attributable to shareholders and to total asset. The Group expect the following changes in accounting treatment due to changes in IFRS 11:

	JOINT VENTURES	
	LLC 'Oil Terminal Belokamenka'	Tinworth Pte. Ltd.
Ownership	50%	50%
Current accounting treatment	Proportionate Consolidation	Proportionate Consolidation
Expected accounting treatment under IFRS 11	Equity method	Equity method

IFRS 12 - Disclosure of Interests in Other Entities. It is not applicable until 1 January 2014. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity. The new disclosures will assist the users of the financial statements to make their own assessment of the financial impact in cases where management were to reach a different conclusion regarding consolidation — by providing more information about unconsolidated entities. The adoption of this accounting standard will not have any impact on the financial statements of the Group

IAS 27 Revised: Separate Financial Statements. It is not applicable until 1 January 2014. This amendment will not have a material impact of the Group.

IAS 28 Revised: Investments in Associates and Joint Ventures. It is not applicable until 1 January 2014. This amendment will not have a material impact of the Group.

IAS 32 - Amendment: Offsetting Financial Assets and Financial Liabilities. It is not applicable until 1 January 2014. This amendment will not have a material impact of the Group.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND ASSESSMENTS

The following is a summary of the assessments, estimates and assumptions that could have a material effect on the consolidated financial statement.

LEASE CLASSIFICATION

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 retains all significant risks and rewards of ownership of an asset, leases are classified as operating leases. The Group has two FPSOs/FSOs classified as financial lease 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.

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 has 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 2013	Ownership 2012
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 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 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%
Egyptian Winlines Shipping Co. SAE	Egypt	100%	100%
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 Holding Limited	Cyprus	100%	100%
Prosaf Production Inc.	USA	100%	100%
Prosaf Production Public Limited Cyprus	Cyprus	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%
ASSOCIATES			
OCS Services Limited	British Virgin Islands	50%	50%
Nexus Floating Production Limited **	Singapore	50%	50%
JOINT VENTURES			
LLC 'Oil Terminal Belokamenka'	Russia	50%	50%
Tinworth Pte. Ltd.	Singapore	50%	50%
Tinworth Gabon SA ***	Gabon	50%	50%

Tinworth Pte. Ltd. and LLC 'Oil Terminal Belokamenka' are consolidated in the financial statements of the Group by proportional consolidation based on ownership percentage, while OCS Services Ltd is consolidated using the equity method.

* The company is 51% owned by Indonesian shareholders. The company is recognized in the balance sheet without non-controlling interests, as the Group has put in place, and are finalising other, agreements that ensure that 100% of profits are retained by the Group.

** Nexus Floating Production Limited is in liquidation.

*** Tinworth Gabon SA is a 100% owned subsidiary of Tinworth Pte. Ltd.

BW Offshore (KL) Sdn Bhd, Prosaf GFPSO I Pte Ltd and Prosaf Production Technology Pte Ltd were liquidated during 2013.

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. Sales between segments are presented net of intercompany transactions.

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

2013	FPSO/FSO activity	2012	FPSO/FSO activity
Revenues from third parties	982.4	Revenues from third parties	909.4
General and administrative	(59.5)	General and administrative	(54.0)
Currency hedges and other currency effects	(4.8)	Currency hedges and other currency effects	(0.9)
EBITDA	447.4	EBITDA	249.2
Net loss on sale of tangible fixed assets	(0.3)	Net loss on sale of tangible fixed assets	(1.3)
Depreciation, amortization and impairment	(265.7)	Depreciation, amortization and impairment	(151.8)
EBIT	181.4	EBIT	96.1
Net finance cost	(61.4)	Net finance cost	(66.1)
Income tax expense	(36.4)	Income tax expense	(28.7)
Profit	83.6	Profit	1.3

Other segment information

Capital expenditure	97.8
Non-current assets (excl finance items)	2,752.5
Investments in associates	4.6

Geographical information

The classification of revenue per region is determined by the final destination of the FPSO/FSO

Americas	420.5
Europe/Africa	434.9
Asia and the Pacific	127.0
Total revenue	982.4

The FPSOs/FSO by region can be analyzed as follows:

Americas	1,324.4
Europe/Africa	852.3
Asia and the Pacific	360.8
Total non-current assets	2,537.5

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 2013.

Other segment information

Reversal of impairment	75.0
Capital expenditure	231.4
Non-current assets (excl finance items)	2,910.4
Investments in associates	3.9

Geographical information

The classification of revenue per region is determined by the final destination of the FPSO/FSO

Americas	356.8
Europe/Africa	358.7
Asia and the Pacific	193.9
Total revenue	909.4

The FPSOs/FSO by region can be analyzed as follows:

Americas	1,444.4
Europe/Africa	865.3
Asia and the Pacific (including asset held for sale)	390.4
Total non-current assets	2,700.1

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 253.7 million in 2012.

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 charter hire, 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 5 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'.

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 is, 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 has throughout 2013 carried out updated analysis of the project, and the forecasted cost for completing the project has been increased to USD 492.8 million. USD 23 million of the total cost increase of USD 42.8 million in 2013, are offset by a corresponding increase in revenues. This include management's best estimate of accrued expenses to the completion of the project. As of year-end, remaining provision is considered sufficient to finalise punch list items to achieve final completion.

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

	2013	2012
Not later than one year	30.4	30.4
Later than one year		
and not later than five years	121.7	121.7
Later than five years	88.3	118.8
Gross receivables from finance leases	240.4	270.9
Unearned future finance income on finance leases	(66.3)	(82.3)
Net investment in finance leases	174.1	188.6
Included in non-current assets (Financial lease receivables)	158.2	174.1
Included in current assets (Financial lease receivables)	15.9	14.5

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:

	2013	2012
Not later than one year	734.0	677.0
Later than one year and not later than five years	1,301.0	1,758.0
Later than five years	268.0	447.0
Total nominal amount	2,303.0	2,882.0

	2013	2012
Contract revenue FPSO	23.0	56.6
Contract cost FPSO	(42.8)	(189.0)
Net profit/(loss) recorded in the income statement	(19.8)	(132.4)
Due from customers for contract work	16.3	35.1
Advance payments	-	-
Net receivable at 31 December	16.3	35.1

NOTE 8 SPECIFICATION OF OPERATING, ADMINISTRATIVE AND OTHER EXPENSES

Operating expenses vessels	2013	2012	Administrative expenses	2013	2012
Employee benefit expenses crew (Note 9)	187.2	146.8	Employee benefit expenses (Note 9)	32.0	24.6
Insurance	29.4	30.1	Travel expenses	4.0	4.0
Operation, maintenance, spare parts and repairs	183.8	175.7	Auditors	0.9	1.1
Charges for bad debt and other provisions	-	(0.9)	IT & communication	9.1	9.3
Total	400.4	351.7	Offices (rent etc.)	5.9	5.5
			Other expenses including restructuring costs	7.6	9.4
			Total	59.5	54.0

Other expenses amounting to USD 28.2 million in 2013 relates to tendering activities which is to a large extent funded by third parties.

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

Employee benefit expenses	2013	2012*	Loans to other employees (USD '000)	2013	2012
Wages, crew	187.2	146.8	Loans to other employees	157.1	222.4
Wages, administrative personnel	27.8	21.2			
Social security tax	4.2	4.7			
Pension costs defined benefit plans (Note 19)	3.0	3.7			
Total employee benefit expenses	222.2	176.4			

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

Operating expenses	190.2	151.8
Administrative expenses	32.0	24.6
Total employee benefit expenses	222.2	176.4

Average number of employees	2,298	2,280
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*) The financial information for 2012 has been restated as the Group has adopted IAS19R effective 1 January 2013

Remuneration to Top management and Board of Directors (USD)

Corporate management	Year	Salary	Bonus	Pension	Other benefits
Top Management	2013	3,277,620	324,736	330,320	499,654
Top Management	2012	3,085,352	214,596	299,076	815,630

Number of shares owned by Top Management in 2013 is 8,458,221 (7,518,688).

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	2013	450,716	342,496,248	-
Board of Directors	2012	468,057	334,412,248	-

The compensation for board services for the period May 2013 to May 2014 will be decided at the annual general meeting in May 2014.

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.

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 2014 is based on five parameters:

1. Overall company result
2. Increase order backlog
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.

FEEES TO AUDITORS (USD '000)	2013	2012
Statutory audit	702.5	784.7
Other attestation services	74.8	241.7
Tax related services	116.8	41.8
Total fees	894.1	1,068.2

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 Company has received written assurance from the Minister of Finance in Bermuda that it will be exempt from taxation until 2036.

Certain subsidiaries operate in jurisdictions where taxes are imposed. Consequently, income taxes have been recorded in these jurisdictions when appropriate.

The Group's operational activities are subject to profit taxation rates which range from 0% to 40%. The withholding taxes are made by the client who pays the taxes directly to the local tax authorities in the name of the Group.

Tax expense for the year	2013	2012
Changes in temporary differences	(0.5)	(1.3)
Tax payable ex withholding tax	16.5	13.4
Withholding tax	20.4	16.6
Total	36.4	28.7
Effective income tax rate	2013	2012
Net result before income tax	120	30
Income tax at Bermuda statutory	-	-
Income tax rate of 0%	-	-
Withholding taxes	20.4	16.6
Effect of higher tax rates outside Bermuda	16.5	13.4
Expensed deferred tax assets	(0.5)	(1.3)
Income tax at the effective income tax rate	36.4	28.7
Effective tax rate	30.3%	95.7%
Tax liabilities at 31 December	2013	2012
Tax payable	31.2	20.5

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	2013	2012
Other	(2.1)	(1.5)
Deferred tax assets - gross	(2.1)	(1.5)
Deferred tax liabilities		
Fixed assets	0.2	0.1
Deferred tax liabilities - gross	0.2	0.1

Net recognised deferred tax liabilities/
Deferred tax assets (-) (1.9) (1.4)

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 future against which losses can be utilised.

No tax effects are recorded directly against equity since income in Bermuda is not subject to income tax.

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

The fleet at 31 December 2013 included the following vessels: Sendje Berge, Berge Helene, Belokamenka, Yuum 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 and Umuroa. Belokamenka (Note 21 and 6) and Yuum K'ak' Náab (Note 6) are accounted for as finance leases and are not included in the table below.

2013	Vessels in operation	Vessels under conversion	FSO	Total
Cost at 1 January 2013	3,487.3	-	-	3,487.3
Additions	97.8	-	-	97.8
Cost at 31 December 2013	3,585.1	-	-	3,585.1
Accumulated depreciation and impairment charge at 1 January 2013	(787.1)	-	-	(787.1)
Current year depreciation	(260.5)	-	-	(260.5)
Accumulated depreciation and impairment charge at 31 Dec 2013	(1,047.6)	-	-	(1,047.6)
Book Value at 31 December 2013	2,537.5	-	-	2,537.5
Useful life	Up to 25 years			

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% 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

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

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.

The fleet at 31 December 2012 included the following vessels: Sendje Berge, Berge Helene, Belokamenka, Yuum 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 and Umuroa. Belokamenka (Note 21 and 6) and Yuum K'ak' Náab (Note 6) are accounted for as finance leases and are not included in the table below:

2012	Vessels in operation	Vessels under conversion	FSO	Total
Cost at 1 January 2012	2,805.1	450.8	2.0	3,257.9
Additions	42.4	189.0	-	231.4
Disposals	-	-	(2.0)	(2.0)
Reclassification*	639.8	(639.8)	-	-
Cost at 31 December 2012	3,487.3	-	-	3,487.3
Accumulated depreciation and impairment charge at 1 January 2012	(640.9)	-	3.5	(637.5)
Current year depreciation	(221.2)	-	-	(221.2)
Reversal of impairment**	75.0	-	-	75.0
Disposals	-	-	(3.5)	(3.5)
Accumulated depreciation and impairment charge at 31 Dec 2012	(787.1)	-	-	(787.1)
Book Value at 31 December 2012	2,700.1	-	-	2,700.1
Useful life	Up to 25 years		N/A	
Capitalised interest cost for vessels under conversion		12.9		

* BW Joko Tole and BW Athena were reclassified from 'vessels under conversion' to 'vessels in operation' during 2012.

** As part of the impairment testing of fleet in 2012, the Group recognised USD 75.0 million reversal of previous impairment recorded in 2010. Vital to this reversal has been that the Group experience that the fleet is now performing well which has reduced technical and operational risk. This has been recognized in the income statement in the line "Reversal of Impairment/ (Impairment)". 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 are based on contracted cash flows during firm and option periods for revenues, and best estimates of the un-contracted cost 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% 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 capitalization was on average approximately 5.8% based on LIBOR + 2.00% margin and an average interest swap rate.

NOTE 15 CASH AND DEPOSITS

Cash and cash equivalents are denominated primarily in USD, SGD, BRL, EUR and NOK. Restricted bank deposits at 31 December 2013 and 31 December 2012 amounted to USD 1.4 million and USD 2.0 million, respectively, and relate to taxes withheld from employees. The Group also had USD 13.4 million placed on Escrow accounts which were not included in Group cash per 31 December 2013. The

Escrow account is classified as Trade and other receivables per 31 December 2013. In addition, the Group has bank guarantees related to additional liabilities regarding taxes withheld from employees and lease of office premises. Other non-current assets include cash deposits of USD 0.0 million at year end 2013 compared to USD 0.3 million in 2012.

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

Share capital	USD '000
Authorised share capital	
At 1 January 2013: 700,000,000 ordinary shares at par value USD 0.01 each	
At 31 December 2013: 700,000,000 ordinary shares at par value USD 0.01 each	
Issued and fully paid	
At 1 January 2013	6,880.0
At 31 December 2013	6,880.0

The Company held a total of 2,609,535 own shares at 31 December 2013 (2,609,535). These shares are held as 'treasury shares'. Book value of the treasury shares was USD 9.1 million at 31 December 2013 (USD 9.1 million).

The 20 largest shareholders at 31 December 2013 were:

Name	No of shares	Holding	Name	No of shares	Holding
1 BW GROUP LIMITED*	342,312,248	49.8%	1 BW GROUP LIMITED*	334,312,248	48.6%
2 FIDELITY FUNDS	40,096,042	5.8%	2 THE NORTHERN TRUST CO.	32,032,274	4.7%
3 RASMUSSENGRUPPEN AS	20,500,000	3.0%	3 RASMUSSENGRUPPEN AS	23,843,565	3.5%
4 ODIN OFFSHORE	13,356,600	1.9%	4 ODIN OFFSHORE	14,200,000	2.1%
5 ODIN NORDEN	11,292,933	1.6%	5 ODIN NORDEN	11,467,390	1.7%
6 FIDELITY FUND-NORDIC FUND/SICAV	11,164,499	1.6%	6 FIDELITY FUND-NORDIC FUND/SICAV	10,935,899	1.6%
7 ODIN NORGE	9,781,798	1.4%	7 ODIN NORGE	9,781,798	1.4%
8 STATE STREET BANK AND TRUST CO.	7,847,270	1.1%	8 JPMORGAN CLEARING CORP.	9,188,491	1.3%
9 KOLBJØRN INVEST II AS**	6,870,000	1.0%	9 FIDELITY DIV GR FUND	8,972,698	1.3%
10 KLP AKSJE NORGE VPF	6,584,120	1.0%	10 KLP AKSJE NORGE VPF	8,644,360	1.3%
11 GOLDMAN SACHS & CO - EQUITY SEGREGAT	5,469,257	0.8%	11 CREDIT SUISSE SECURITIES (USA) LTD	8,286,888	1.2%
12 STATE STREET BANK & TRUST CO.	5,008,540	0.7%	12 FIDELITY NORDIC FUND	6,304,100	0.9%
13 CITIBANK, N.A.	4,954,956	0.7%	13 KOMMUNAL LANDSPENSJONSKASSE	6,287,038	0.9%
14 KOMMUNAL LANDSPENSJONSKASSE	4,898,813	0.7%	14 KOLBJØRN INVEST II AS**	6,120,000	0.9%
15 FIDELITY DIV GR FUNDS	4,896,919	0.7%	15 JPMORGAN CHASE BANK	5,667,583	0.8%
16 THE BANK OF NEW YORK MELLON	4,668,777	0.7%	16 JPMORGAN CHASE BANK NA	5,442,495	0.8%
17 JPMORGAN CHASE BANK N.A. LONDON	4,481,253	0.7%	17 GOLDMAN SACHS & CO - EQUITY	4,908,454	0.7%
18 LOMA INVEST AS	3,795,000	0.6%	18 LOMA INVEST AS	4,617,706	0.7%
19 JPMORGAN CLEARING CORP.	3,579,388	0.5%	19 SSTL AS DEP OF HSBC EUROPEAN GROWTH	4,610,666	0.7%
20 VERDIPAPIRFONDET DNB SMB	3,250,000	0.5%	20 VERDIPAPIRFONDET DNB SMB	3,800,000	0.6%
Top 20 shareholders	514,808,413	74.8%	Top 20 shareholders	519,423,653	75.5%
Total shares outstanding	688,006,004		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.

The 20 largest shareholders at 31 December 2012 were:

Name	No of shares	Holding	Name	No of shares	Holding
1 BW GROUP LIMITED*	334,312,248	48.6%	1 BW GROUP LIMITED*	334,312,248	48.6%
2 THE NORTHERN TRUST CO.	32,032,274	4.7%	2 THE NORTHERN TRUST CO.	32,032,274	4.7%
3 RASMUSSENGRUPPEN AS	23,843,565	3.5%	3 RASMUSSENGRUPPEN AS	23,843,565	3.5%
4 ODIN OFFSHORE	14,200,000	2.1%	4 ODIN OFFSHORE	14,200,000	2.1%
5 ODIN NORDEN	11,467,390	1.7%	5 ODIN NORDEN	11,467,390	1.7%
6 FIDELITY FUND-NORDIC FUND/SICAV	10,935,899	1.6%	6 FIDELITY FUND-NORDIC FUND/SICAV	10,935,899	1.6%
7 ODIN NORGE	9,781,798	1.4%	7 ODIN NORGE	9,781,798	1.4%
8 JPMORGAN CLEARING CORP.	9,188,491	1.3%	8 JPMORGAN CLEARING CORP.	9,188,491	1.3%
9 FIDELITY DIV GR FUND	8,972,698	1.3%	9 FIDELITY DIV GR FUND	8,972,698	1.3%
10 KLP AKSJE NORGE VPF	8,644,360	1.3%	10 KLP AKSJE NORGE VPF	8,644,360	1.3%
11 CREDIT SUISSE SECURITIES (USA) LTD	8,286,888	1.2%	11 CREDIT SUISSE SECURITIES (USA) LTD	8,286,888	1.2%
12 FIDELITY NORDIC FUND	6,304,100	0.9%	12 FIDELITY NORDIC FUND	6,304,100	0.9%
13 KOMMUNAL LANDSPENSJONSKASSE	6,287,038	0.9%	13 KOMMUNAL LANDSPENSJONSKASSE	6,287,038	0.9%
14 KOLBJØRN INVEST II AS**	6,120,000	0.9%	14 KOLBJØRN INVEST II AS**	6,120,000	0.9%
15 JPMORGAN CHASE BANK	5,667,583	0.8%	15 JPMORGAN CHASE BANK	5,667,583	0.8%
16 JPMORGAN CHASE BANK NA	5,442,495	0.8%	16 JPMORGAN CHASE BANK NA	5,442,495	0.8%
17 GOLDMAN SACHS & CO - EQUITY	4,908,454	0.7%	17 GOLDMAN SACHS & CO - EQUITY	4,908,454	0.7%
18 LOMA INVEST AS	4,617,706	0.7%	18 LOMA INVEST AS	4,617,706	0.7%
19 SSTL AS DEP OF HSBC EUROPEAN GROWTH	4,610,666	0.7%	19 SSTL AS DEP OF HSBC EUROPEAN GROWTH	4,610,666	0.7%
20 VERDIPAPIRFONDET DNB SMB	3,800,000	0.6%	20 VERDIPAPIRFONDET DNB SMB	3,800,000	0.6%
Top 20 shareholders	519,423,653	75.5%	Top 20 shareholders	519,423,653	75.5%
Total shares outstanding	688,006,004		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	2013	2012
Trade receivables – gross	186.1	145.4
Provision for doubtful debt	(2.3)	-
Other receivables	68.7	52.8
Prepayments	25.0	12.9
Insurance claim	8.3	1.6
Trade and other receivables – net	285.8	212.7
Current portion	285.8	212.7

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

	2013	2012
Trade and other receivables	285.8	212.7

As of 31 December 2013, trade receivables of USD 25.3 million (USD 33.6 million) were overdue but not impaired. These relate to customers whom there is no recent history of default. Due to low transshipment volume on one of our FSOs, the client has not been able to pay charter hire on time.

A repayment plan is agreed on. The aging analysis of these trade receivables is as follows:

	2013	2012
Up to 3 months	18.8	23.2
3 - 6 months	4.8	4.1
6 - 12 months	0.5	4.9
12 - > months	1.2	1.4
Total	25.3	33.6

As of 31 December 2013, trade receivables of USD 2.3 million (USD 0.0 million) were impaired and provided for. The aging of these receivables is as follows:

	2013	2012
Up to 3 months	-	-
Over 3 months	2.3	-
Total	2.3	-

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:

	2013	2012
Provision at 1 January	-	-
Charge for doubtful debt during the period	2.3	-
Realised losses for the year	-	-
Provision at 31 December	2.3	-

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 2013 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 identifies and evaluates financial risks in close co-operation with the Group's operating units. The finance management team is governed by written policies for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

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 incurred in currencies other than USD ('foreign currencies'), the major currencies being Norwegian Kroner ('NOK'), Singapore Dollars ('SGD'), British Pounds ('GBP'), Brazilian Reals ('BRL') and Euro ('EUR'). Operating expenses denominated in NOK, SGD, BRL, GBP and EUR constitute a part of the Group's total operating expenses. However, capital expenditures related to conversions and life extension activities on FPSOs will to some extent be denominated in other currencies than USD. Consequently, fluctuations in the exchange rate on NOK, SGD, GBP, BRL and EUR may have significant impact on the financial statements of the Group.

The Group enters into forward/futures contracts in order to reduce the exchange-rate risk in cash flows nominated in foreign currencies, both related to 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 conversion projects have been hedged. As such, 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 109.7 million at 31 December 2013. Fair value of the foreign exchange contracts amounted to USD 0.1 million and negative USD 1.3 million (compared to USD 1.7 million and negative USD 0.4 million in 2012) and are presented gross in the statement of financial position. Net effect of forward exchange contracts recognised in the income statement in 2013 is negative by USD 2.5 million while the net effect recognised

NOTE 18 FINANCIAL RISK MANAGEMENT cont.

against equity amounts to negative USD 12.6 million (compared to a positive effect of USD 4.3 million and negative USD 4.5 million in 2012).

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 decide 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. The existing contracts are essentially covered against these risks through termination fees, cash-flow arrangements and financial and corporate guarantees. The Group will continue its active risk management to mitigate these risk factors.

Maturity profile - financial liabilities, Year ended 2013

DUE:	Within 1 month	1-3 months	3-12 months	1-5 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	155.1	-	190.1
Total	2.5	182.8	368.6	1,633.3	2,187.2

Maturity profile - financial liabilities, Year ended 2012

DUE:	Within 1 month	1-3 months	3-12 months	1-5 years	Total
USD 2,400 million facility	-	111.2	111.2	1,411.1	1,633.5
Umuroa facility	-	4.2	12.5	59.2	75.9
BW001 - NOK 500 million Bond	-	-	-	90.0	90.0
Interest rate swaps	4.0	10.2	17.2	47.3	78.7
Interest payments	2.9	10.7	33.4	115.7	162.7
Trade and other payables current	-	41.6	190.1	-	231.7
Total	6.9	177.9	364.4	1,723.3	2,272.5

The Group is 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 to any financial institution. Cash deposits and derivatives 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. 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 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.

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

	2013	2012
Floating rate	-	-
Expire within one year	-	-
Expire beyond one year	263.7	129.2

The Group had one loan advanced to an associate at 31 December 2013 at USD 0.9 million, equal to the amount at 31 December 2012.

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 cover at least 50% of its future interest rate exposure.

As of 31 December 2013 the Group's floating rate debt amounted to USD 1,771.8 million (USD 1,799.4 million as of 31 December 2012).

The Group holds interest rate swaps with a nominal value of USD 800 million in total with maturity in 2014-2018. The weighted average interest swap rate was 2.8% at 31 December 2013. The swaps are held to hedge the quarterly cash flows from floating rate interest payments on the USD 2,400 million debt facility. The market value of the interest swaps were negative by USD 27.8 million at 31 December 2013 (compared to negative USD 56.9 million at 31 December 2012) and the changes in fair value has been recognised as a fair value loss on financial instruments.

The Group also holds cross-currency interest swaps with a nominal value of USD 176.8 million held to hedge the BW001 and BW002 bonds. The market value of the cross-currency interest swaps were negative by USD 16.3 million at 31 December 2013, compared to negative USD 3.8 million at 31 December 2012. 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*
2013	+/- 50	+/- 7.6
2012	+/- 50	+/-10.0

* 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 total interest bearing debt USD 1,742.6 million, USD 977 is hedged. The changes in fair value on these hedges will to a large extent eliminate the effect on profit & loss from changes in floating interest rates.

The average interest rate on financial instruments was as follows:

	2013	2012
Loans secured by collateral	2.3%	2.4%
Loans - unsecured	5.7%	5.8%

Average interest rate on cash deposits was 0.5% in 2013 (0.3%).

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 are determined using forward exchange rates at the balance sheet date, with the resulting value discounted to present value (level 2). Presented on separate lines in the statement of financial position.

The fair value of interest rate swaps are 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 and cross currency swaps are as follows:

	Fair value	
	2013	2012
Derivatives current net liability	1.5	5.0
Derivatives non-current net liability	-	-
Interest Rate Swaps	26.2	51.9
Derivatives non-current net liability	-	-
Cross-Currency Swaps	16.3	3.8
Total	44.0	60.7

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

	Carrying amount		Fair value	
	2013	2012	2013	2012
USD 2,400 million facility	1,296.1	1,611.3	1,311.1	1,633.5
Umuroa facility	62.2	78.3	63.3	75.9
BW001 - NOK 500 million Bond	89.4	89.1	90.0	90.0
BW002 - NOK 500 million Bond	86.0	-	86.8	-
Joko Tole facility	216.2	-	220.6	-
Total	1,749.4	1,778.7	1,771.8	1,799.4

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.

TAX RISK

The Group's activities will to a large extent be governed by the fiscal legislation of the jurisdictions where it is operating, as its activities in most cases will be deemed to form a permanent establishment according to the tax laws of those countries. Thus, the Group is exposed to a material risk regarding the correct application of the tax regulations as well as possible future changes in the tax legislation of those relevant countries. In addition, the Group is to a certain extent being exposed to different rules of customs duty. Any incorrect application or changes in tax regulations or customs duty, could adversely affect the Group's business, financial condition and results of operations.

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,

NOTE 18 FINANCIAL RISK MANAGEMENT cont.

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 2013 and 31 December 2012.

Conversion projects will 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 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 86 members at 31 December 2013 and 90 members at 31 December 2012. 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 2013 by Nordic Insurance Administrators.

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:

	2013	2012
Discount rate	4.00%	3.70%
Expected return on plan assets	4.40%	3.60%
Future salary increases	3.75%	3.25%
Future pension increases	0.60%	0.00%
Increase in social security base amount related to Norwegian state pension	3.50%	3.00%
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:

	2013	2012
Male	19.9	16.5
Female	23.0	19.4

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

Figures in USD million	2013	2012
Fair value of Plan Assets - beginning of year	23.3	26.7
Expected return on Plan Assets	0.8	1.1
Employer Contributions excluding administrative expenses	3.7	4.2
Benefits paid - funded plans	(0.5)	(0.4)
Asset gain	1.4	(8.6)
Exchange differences	(2.9)	-
Fair value of plan assets - end of year	25.8	23.3

The amounts recognised in the balance sheet are determined as follows:

Figures in USD million	2013	2012*
Present value of funded obligations	30.0	26.1
Fair value of plan assets	(25.8)	(23.3)
Present value of unfunded obligations	2.6	1.9
Unrecognised actuarial gains/ (losses)	-	-
Liability in the statement of financial position	6.8	4.7

*] The financial information for 2012 has been restated as the Group has adopted IAS19R effective 1 January 2013.

The amounts recognised in the income statement are as follows:

Figures in USD million	2013	2012*
Current service cost	2.8	3.7
Net interest	0.1	(0.1)
Administrative cost	0.1	0.1
Net actuarial gain recognised during the financial period	-	-
Net periodic pension cost (Note 9)	3.0	3.7

*] The financial information for 2012 has been restated as the Group has adopted IAS19R effective 1 January 2013.

Best estimate of net pension cost for 2013 amounts to USD 3.3 million (USD 2.3 million). Best estimate of premium payments in 2014 amounts to USD 5.1 million (USD 3.4 million).

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

Figures in USD million	2013	2012*
At 1 January	(4.7)	(3.6)
Contributions paid	4.3	4.2
Exchange differences	0.4	(0.3)
Discontinued operations charge	-	-
Re-measurement gain/ (loss) in other comprehensive income	(3.8)	(1.3)
Charged to income statement	(3.0)	(3.7)
At 31 December	(6.8)	(4.7)

*] The financial information for 2012 has been restated as the Group has adopted IAS19R effective 1 January 2013.

Expenses related to defined contribution plans amounted to USD 0.8 million in 2013 (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:

	2013	2012
Shares and equity instruments	11.4%	10.0%
Bonds - fixed yield	11.5%	18.0%
Bonds held to maturity	40.0%	38.0%
Properties and real estate	11.5%	14.0%
Money market funds	22.4%	14.0%
Other	3.2%	6.0%
Total	100.0%	100.0%

The actual return on plan assets amounted to 3.9% at 30 September 2013.

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

NOTE 20 LOAN FACILITIES

Long term debt	Effective Interest rate	Maturity date	Carrying amount	
			2013	2012
USD 2,400 million facility	3 month LIBOR + 2.00%	9-Mar-18	1,079.3	1,397.2
Umuroa facility (secured)	3 month LIBOR + 2.00%	3-Nov-15	45.5	61.6
BW001 - NOK 500 million Bond	3 month NIBOR + 4.25%	15-Mar-17	89.4	89.2
BW002 - NOK 500 million Bond	3 month NIBOR + 4.15%	21-Mar-18	86.0	-
Joko Tole facility	3 month LIBOR + 2.50%	30-Jun-18	159.0	-
Total long term debt			1,459.3	1,548.0

Short term debt	Effective Interest rate	Maturity date	Carrying amount	
			2013	2012
USD 2,400 million facility	3 month LIBOR + 2.00%	9-Mar-18	216.8	214.0
Umuroa facility current (secured)	3 month LIBOR + 2.00%	3-Nov-15	16.7	16.7
BW001 - NOK 500 million Bond	3 month NIBOR + 4.25%	15-Mar-17	(0.3)	(0.3)
BW002 - NOK 500 million Bond	3 month NIBOR + 4.15%	21-Mar-18	(0.3)	-
Joko Tole facility	3 month LIBOR + 2.50%	30-Jun-18	57.2	-
Total short term debt			290.1	230.7

Total interest bearing debt 1,749.4 1,778.7

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 263.7 million undrawn under the revolving credit facility at 31 December 2013.

The facility agreement is subject to certain covenants, including minimum book equity of at least 30% 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 2013.

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.

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.

NOTE 21 INVESTMENT IN JOINT VENTURES

The Group has the following investments in joint ventures:
 • LLC 'Oil Terminal Belokamenka', operating the Arctic FSO Belokamenka.
 • Tinworth Pte. Ltd., which is the owner of FPSO Petróleo Nautipa operating in Gabon.

Company	Registered office	Holding 2013	Holding 2012
LLC 'Oil Terminal Belokamenka'	Russia	50%	50%
Tinworth Pte. Ltd.	Singapore	50%	50%

Voting rights equal the ownership share.

The following amounts represent the Group's share of assets, liabilities, income and expenses related to the joint ventures and are proportionately consolidated in the Group's statement of financial position and income statement on a line-by-line basis:

	2013	2012
Revenues	29.8	20.9
Expenses	(6.6)	(14.1)
Net financial Items	-	-
Profit before tax	23.2	6.8
Income tax expense	0.2	(1.6)
Profit after tax	23.4	5.8
Non-current assets	37.4	18.0
Current assets	20.5	14.8
Total assets	57.9	32.8
Equity	49.0	25.6
Non-current liabilities	-	-
Current liabilities	8.9	7.2
Total Equity and liabilities	57.9	32.8

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 15,148)

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

- Dividend payment USD 1.5 million (USD 5.0 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 2013 (USD 186.9 million at year end 2012).

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 2013. 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. Management expects and has assumed that the ability to take on larger projects with improved margins will materialize within the next four years. The projected cash flows have been updated for 2013 to reflect new as well as updated expectations for projects within the next four 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 four 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 2013, 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 2013.

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.

	2013	2012
Profit/ (loss) attributable to equity holders of the Group (USD million)	83.6	1.3
Weighted average number of ordinary shares in issue (thousands)	688,006	688,006
Basic and diluted earnings per share*	0.12	-

* 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 25 COMMITMENTS AND GUARANTEES

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

	2013	2012
Nominal amount	127.8	93.8
Fair value	119.3	87.6
Interest rate	7.1%	7.1%

For 2013 the commitment include remaining amount of USD 75.4 million to be paid for the VLCC BW Blue Opal which will be paid when ownership is handed over to BW Offshore. In addition 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 5.9 million (USD 4.9 million).

The Group has issued bank guarantees in favour of various customers totalling USD 97.0 million (USD 102.1 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;

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:

	2013	2012
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.

There are no transactions with Nexus Floating Production Ltd and subsidiaries.

- 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 carrying value of vessels pledged as collateral per 31 December 2013 was USD 2,668.3 million (USD 2,443.0 million in 2012).

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 Groups' Indonesian advisors have attended meetings with officials of the DGT to assert the Groups' position that the revocation of the exemption was unfounded and contrary to Indonesian law as well as to find out whether a VAT assessment is likely to be issued. No provision is made.

In 2006 and 2007, there have been changes in Mexican law with potential effect for the prices stated in the contract for the delivery and operation of the FPSO Yùm 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 January 2013, an agreement was reached with Pemex to effect the payment.

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 also 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:

	2013	2012
Provisions at beginning of period	14.0	14.0
Additions	-	-
Provisions for claims	-	-
Provision for restructuring	-	-
Reversals/payments	(14.0)	-
Offset against receivables	-	-
Provisions at end of period	-	14.0

NOTE 27 TRADE AND OTHER PAYABLES

	2013	2012
Trade payables	23.2	36.5
Accrued vessel expenses	48.4	32.5
Accrued construction contract expenses*	11.8	87.7
Accrued other expenses	32.1	18.6
Accrued conversion expenses	9.0	9.2
VAT etc.	10.4	6.5
Deferred revenues	55.2	40.7
Total	190.1	231.7

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

NOTE 28 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 18 December 2013 BW Offshore exercised an option to acquire the tanker Blue Opal for USD 83.4 million from Daewoo Shipbuilding & Marine Engineering ('DSME'). Blue Opal is a DSME designed and built VLCC (320,000 dwt) from 2012. BW Offshore has performed detailed engineering studies and inspections of the VLCC since Q4 2012, and is currently evaluating several FPSO projects suitable for the vessel. The transaction was closed and BW Offshore took possession of the hull, now named BW Opal, 6 February 2014.

On 8 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. This was completed as HRT Participações em Petróleo SA (HRT) took over operatorship of the Polvo oil field from previous operator BP. The Polvo oil field is owned by HRT (operator, 60%) and Maersk (40%).

On 8 January 2014 BW Offshore signed an agreement with HRT for a one year extension for the lease and operation of the FPSO Polvo. The firm period has been extended to Q3 2015 (from Q3 2014), with

options until Q3 2022.

On 13 February 2014 BW Offshore completed a USD 50 million unsecured one year term loan. The interest payable on the loan is USD LIBOR + 130 bps. The proceeds will be used for general corporate purposes.

On 27 February 2014 BW Offshore completed a NOK 750 million senior unsecured bond issue with maturity in March 2019. The interest payable on the bond is NOK NIBOR + 350bps. The bond loan has been swapped to USD and the interest rate has been fixed. The proceeds will be used for general corporate purposes.

On 24 March 2014 BW Offshore signed an interim agreement for a six year extension for FPSO Sendje Berge with Addax Petroleum Exploration Ltd, an affiliate of the Sinopec Group. The firm period has been extended to Q1 2018, with options until Q1 2020. The agreement secures operational continuity while awaiting final contract approval by Nigerian authorities.



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STATEMENTS OF INCOME

USD million (Year ended 31 December)	Note	2013	2012
OPERATING EXPENSES			
Other expenses	3	(45.7)	(51.8)
Total operating expenses before amortisation		(45.7)	(51.8)
Operating loss before amortisation		(45.7)	(51.8)
Amortisation		-	-
Operating profit/ (loss)		(45.7)	(51.8)
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Interest income		73.7	136.4
Interest expense		(37.0)	(116.1)
Net currency exchange gain/ (loss)		(2.9)	7.6
Reversal of impairment/(impairment)	5	360.7	(122.8)
Other financial expenses		(0.6)	(0.3)
Net financial items		394.0	(95.2)
Profit / (loss) before tax		348.3	(147.0)
Income tax expense		-	-
Net profit/ (loss) for the year		348.3	(147.0)
Net profit/ (loss) attributable to equity shareholders		348.3	(147.0)

The notes in pages 77-81 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

USD million (Year ended 31 December)	Note	2013	2012
Profit / (loss) for the year		348.3	(147.0)
Other comprehensive income			
Cash flow hedges		(12.5)	(4.0)
Treasury shares		-	0.1
Total comprehensive income for the year		335.8	(150.9)
Attributable to:			
Equity holders of the parent		335.8	(150.9)

The notes in pages 77-81 are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

USD million (As at 31 December)	Note	2013	2012
ASSETS			
Shares in subsidiaries	4	831.1	1,245.5
Derivatives		0.2	0.4
Total non-current assets		831.3	1,245.8
Trade and other receivables		0.1	0.2
Intercompany receivables		1,640.9	1,305.9
Derivatives		-	0.7
Cash and deposits	8	16.2	6.2
Total current assets		1,657.2	1,313.0
TOTAL ASSETS		2,488.4	2,558.9
EQUITY			
Share capital	7	6.9	6.9
Share premium	7	1,085.0	1,085.0
Other equity		317.8	50.6
Total shareholder's equity		1,409.7	1,142.5
Long-term liabilities	9,11	175.4	89.2
Derivatives		23.9	16.0
Total short-term liabilities		199.3	105.2
Trade and other payables	10,11	3.0	3.1
Intercompany payables		875.6	1,299.6
Derivatives		0.8	8.5
Total current liabilities		879.4	1,311.2
Total liabilities		1,078.7	1,416.3
TOTAL EQUITY AND LIABILITIES		2,488.4	2,558.9

The notes in pages 77-81 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 2012	6.9	1,085.0	(9.3)	-	251.9	1,334.6
Dividend distribution	-	-	-	-	(41.1)	(41.1)
Profit/(loss) for the period	-	-	-	-	(147.0)	(147.0)
Total comprehensive income	-	-	0.1	(4.0)	-	(3.9)
At 31 December 2012	6.9	1,085.0	(9.2)	(4.0)	63.8	1,142.5
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

The notes in pages 77-81 are an integral part of these financial statements.

STATEMENTS OF CASH FLOW

USD million (Year ended 31 December)	2013	2012
Operating activities		
Profit/ (loss) before tax	348.3	(147.0)
Impairment charges/(Reversal of impairment)	(360.7)	122.8
Fair value change on financial derivatives	(11.4)	(20.4)
Changes in receivables and accounts payable	-	4.0
Add back of net interest expense	(20.7)	(2.1)
Other items from operating activities	(0.5)	(0.7)
Net cash flow from/ (used in) operating activities	(44.9)	(43.4)
Investing activities		
Investments in subsidiaries	(27.5)	(9.5)
Interest received	73.7	136.4
Net proceeds from sale of subsidiaries	-	-
Net cash flow from/ (used in) investing activities	46.3	126.9
Financing activities		
Changes in intercompany receivables/debt	43.5	(121.6)
Received payments from raising new long-term debt	86.8	90.0
Dividend paid	(68.5)	(41.1)
Interest paid	(53.0)	(134.2)
Net cash flow from/ (used in) financing activities	8.7	(206.9)
Net change in cash and cash equivalents	9.9	(123.4)
Cash and cash equivalents at 1 January	6.2	129.6
Cash and cash equivalents at 31 December	16.2	6.2

The notes in pages 77-81 are an integral part of these financial statements.

NOTES

NOTE 1 GENERAL INFORMATION

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

BW Offshore Limited is the holding company.

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

All figures are in USD million if not otherwise stated.

The financial statements were approved by the Board of Directors on 27 March 2014.

NOTE 2 ACCOUNTING POLICIES

The financial statements of BW Offshore Limited 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.

NOTE 2 ACCOUNTING POLICIES cont.

Provisions for other liabilities and charges

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

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

SHARE CAPITAL

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

USE OF ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best know-ledge of current events and actions, actual results may ultimately differ from those estimates.

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

	2013	2012
Management fee	32.3	38.4
Lawyer's fee	0.9	1.0
Consultant's fee	1.0	0.5
Auditor's fee	0.4	0.7
Other operating expenses	11.2	11.2
Total operating expenses	45.7	51.8

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 2013	Ownership 2012
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 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%
Prosafe Production Public Limited **	Cyprus	0%	78.1%
BW Offshore Cyprus Limited	Cyprus	100%	100%

* Company has changed name from BW LPG FPSO I Limited.

** The company was sold to BW Offshore Cyprus Limited as a part of restructuring.

NOTE 5 INTRA-GROUP LOANS AND RECEIVABLES

	2013	2012
Loan to Group companies	1,640.9	1,305.9
Intra-group long-term receivables	1,640.9	1,305.9
Outstanding to Group companies	875.6	1,299.6
Intra-group short-term payables	875.6	1,299.6

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 2013, the Company has recorded a reversal of impairment of USD 504.0 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 143.3 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 2013:	
700,000,000 ordinary shares at par value USD 0.01 each	
At 31 December 2013:	
700,000,000 ordinary shares at par value USD 0.01 each	
Issued and fully paid	
At 1 January 2013	6,880.0
At 31 December 2013	6,880.0

The Company held a total of 2,609,535 own shares at 31 December 2013.

NOTE 8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following items	2013	2012
Cash and cash deposits	16.2	6.2
Short-term interest bearing investment	-	-
Total cash and cash equivalents	16.2	6.2

NOTE 9 LOAN FACILITIES

	Eff. Interest rate	Maturity date	Carrying amount	
			2013	2012
BW001 - NOK 500 million Bond	3 month NIBOR + 4.25%	15 Mar-17	89.4	89.2
BW002 - NOK 500 million Bond	3 month NIBOR + 4.15%	21-Mar-18	86.0	-
Total long-term debt			175.4	89.2

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 15th 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 21st March 2018. The proceeds from the Bond loan was used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 25% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

NOTE 10 OTHER INTEREST FREE CURRENT LIABILITIES

	2013	2012
Other accruals	3.0	3.1
Total interest-free current liabilities	3.0	3.1

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 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	-	175.4
Other current liabilities	3.8	-	3.8
Total	179.2	16.2	195.4

Year ended 31 December 2012	Financial assets and liabilities Measured at amortised cost	Loans and receivables	Fair value
Cash and deposits	-	6.2	6.2
Interest-bearing long-term debt	89.2	-	89.2
Other current liabilities	11.5	-	11.5
Total	100.7	6.2	106.9

NOTE 12 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks. Overall risk management follow 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 recog-

nised 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.

(b) Interest rate risk

Except for the amount due to and from subsidiaries, the Company's operating cash flows are independent of changes in market interest rates.

The Company holds interest swaps with a nominal value of USD 277 million in total with maturity in 2014-2018. The swaps are held to hedge the quarterly cash flows from floating rate interest payments on the USD 2,400 million debt facility and the two NOK 500 million Bonds.

(c) Credit risk

The Company's credit risk is primarily attributable to the amount due to the subsidiaries (non-trade). At balance sheet date, this amount due to subsidiaries (non-trade) is neither past due nor impaired. The maximum exposure is represented by the carrying amount of this financial asset on the balance sheet.

(d) Liquidity risk and Capital risk

The funding requirements of the Company are met by the subsidiaries of the BW Offshore Group. The Company's objective when managing capital is to ensure that the Company is adequately capitalised and that funding requirements are met by the BW Offshore Group.

The Company is not subject to any externally imposed capital requirements.

NOTE 13 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 27 February 2014 BW Offshore completed a NOK 750 million senior unsecured bond issue with maturity in March 2019. The interest payable on the bond is NOK NIBOR + 350bps. The bond loan has been swapped to USD and the interest rate has been fixed. The proceeds will be used for general corporate purposes.

BW Offshore Limited

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

BW Offshore Singapore Pte Ltd

30 Pasir Panjang Road
#14-31/32 & #15-32 Mapletree
Business City
Singapore 117440
Tel: +65 6632 7888
Fax: +65 6323 1263

BW Offshore Norway AS

Drammensveien 149
P.O. Box 33 Skøyen
NO-0212 Oslo
Norway
Tel: +47 2313 0000
Fax: +47 2313 0001

BW Offshore do Brasil Ltda

Rua Lauro Muller 116 Sala 1106
Torre do Rio Sul - Botafogo
Rio de Janeiro
22290-160
Brazil
Tel.: +55 2125432339

bwoffshore@bwoffshore.com
www.bwoffshore.com

GLOBAL PRESENCE

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Norway: Oslo, Arendal
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New Zealand: New Plymouth
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Nigeria: Lagos
Mauritania: Nouakchott
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BW Offshore

