



ANNUAL
REPORT

2017

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Boe per day

600,000



Employees

2,050



EBITDA 2017 USD million

336



Number of units

16

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

**SMARTER
TOGETHER.
EVERY DAY**

2017 in brief

Key events

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

- First oil produced by BW Catcher in December
- Signed and closed agreement with ICBC Leasing
- Insurance settlement for Cidade de São Mateus
- Dussafu transactions closed and FID made
- Acquisition of operatorship and interest in Kudu field
- Received arbitration award for Sendje Berge
- Contract extension for Abo FPSO to 2018
- Contract extension for Sendje Berge to 2021
- Contract extension for Umuroa to 2018

BW Offshore consistently provides record-breaking technology and world-class leading production uptime. With over 30 years of experience, BW Offshore has a long record of excellence in project execution and manages a fleet of 15 FPSOs and one FSO.

Performance

With an average uptime routinely at 99% over the past five years, BW Offshore exceeds client expectations but recognises internally that uptime must never be the priority over safe operations. Every day, our units are producing more than 600,000 barrels of oil equivalent.

Competence

INDUSTRY PIONEER

- BW Offshore has produced class leading HSE and production records, with an LTI of 0.3 and an uptime of 99.6% in 2017
- Yuum K'ak'Náab, the world's largest FPSO with a throughput capacity of 600,000 bbl per day
- BW Pioneer, the first FPSO in the US Gulf of Mexico, one of the deepest moored FPSOs to date, operating at a water depth of 2500 metres
- BW Cidade de São Vicente, the first FPSO on the Lula field in Brazil

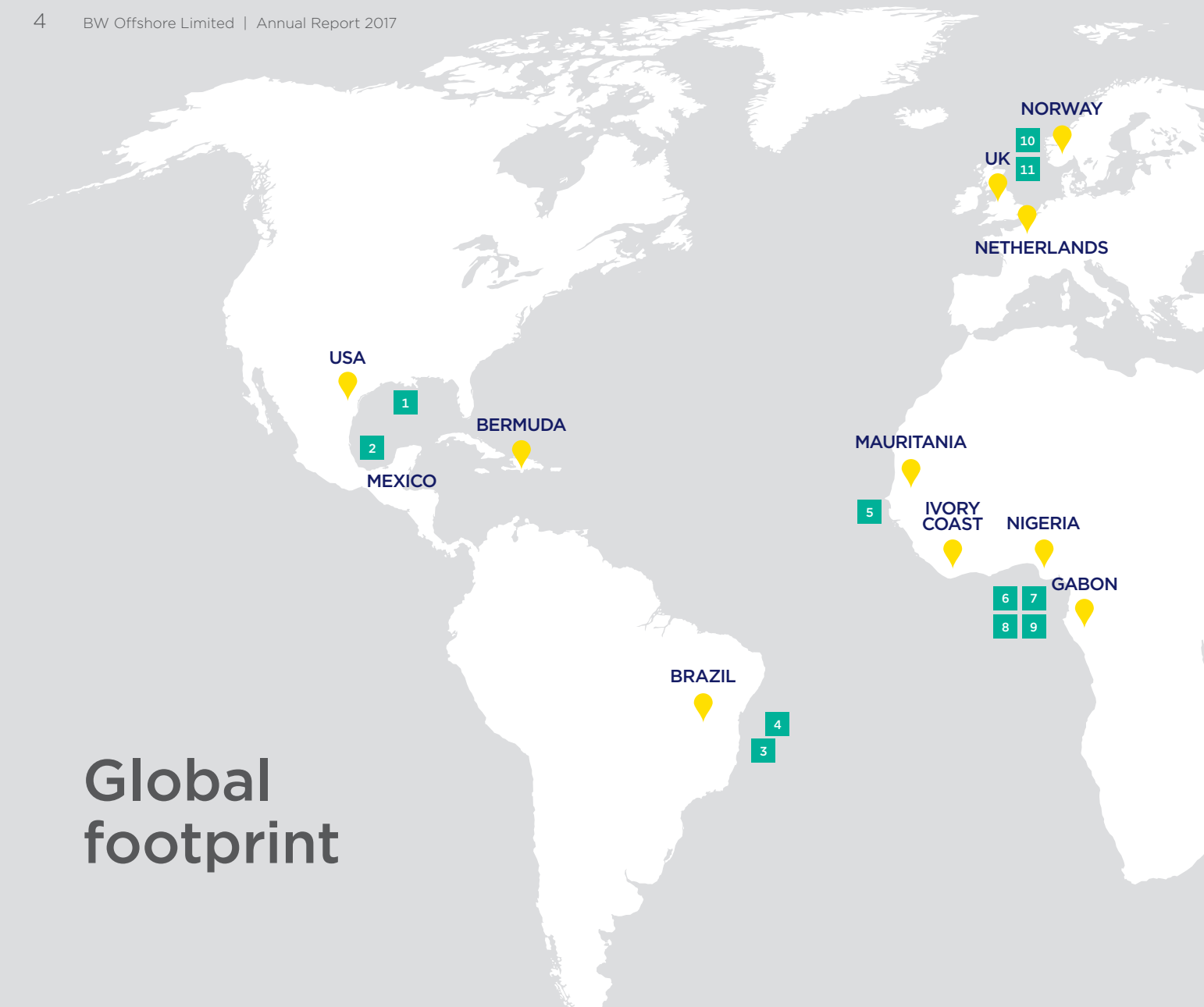
GLOBAL FOOTPRINT

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

Key figures

Production uptime		99.6%
Operating revenues	USD million	626.0
EBITDA	USD million	336.2
EBIT	USD million	80.2
Net profit/(loss)	USD million	41.2
Total assets	USD million	3,422.8
Total equity	USD million	1,259.4
Equity ratio		36.8%
Market cap	USD million	800
Enterprise value	USD million	2,100
Daily export	boe per day	600,000

Global footprint



1 BW PIONEER, PETROBRAS



2 YUUM K'AK' NAAB, PEMEX



3 BW CIDADE DE SÃO VICENTE, PETROBRAS



4 FPSO POLVO, PETRORIO



5 BERGE HELENE, PETRONAS



6 ABO FPSO, AGIP/ENI



7 SENDJE BERGE, ADDAX/SINOPEC



8 ESPOIR IVOIRIEN, CNR



9 PETRÓLEO NAUTIPA, VAALCO



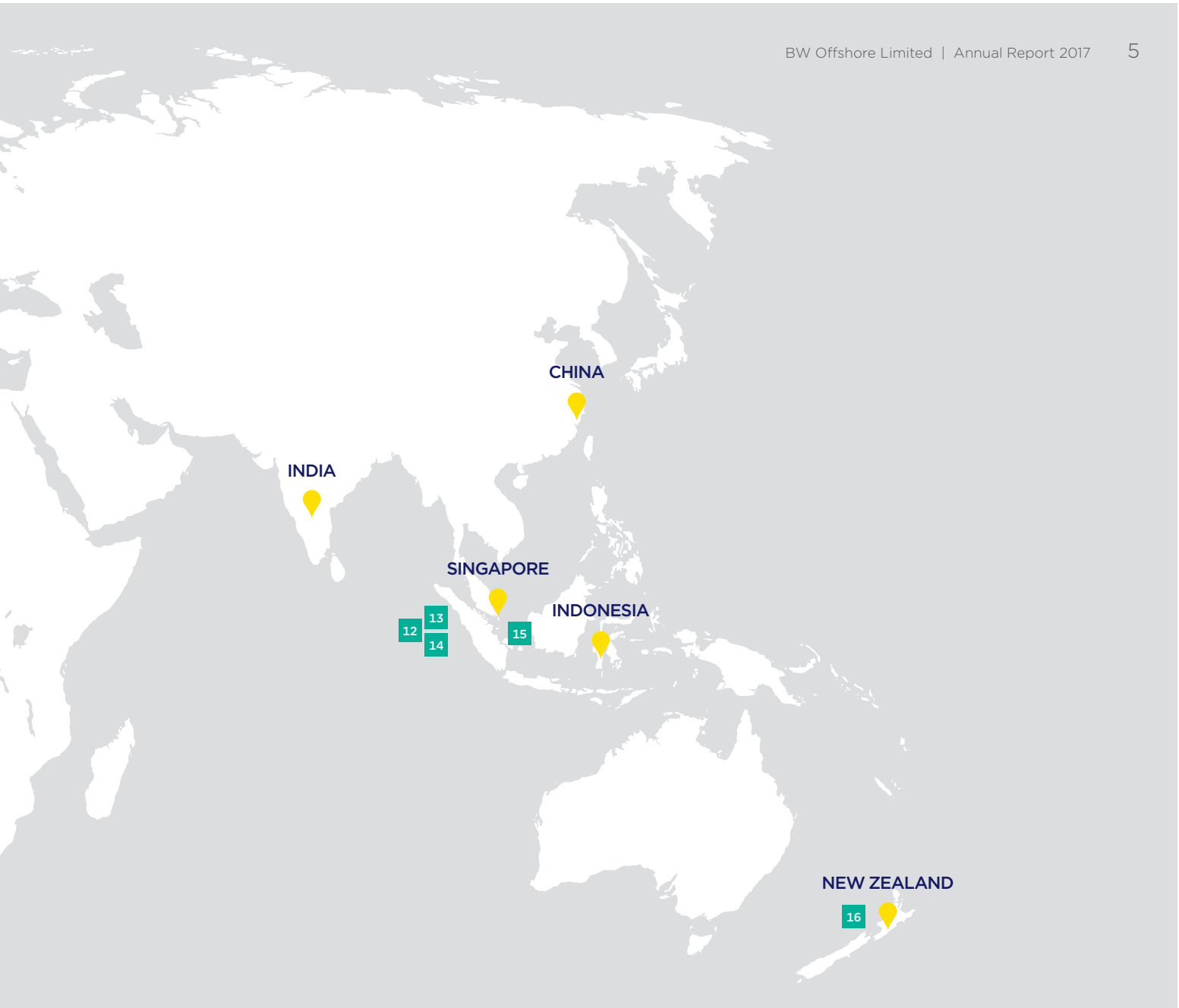
10 BW ATHENA



11 BW CATCHER, PREMIER OIL



12 BW ADOLO, BW ENERGY



BELOKAMENKA FSO



FPSO CIDADE DE SÃO MATEUS,
PETROBRAS



BW JOKO TOLE, KEI



UMUROA, TAMARIND

-  OWNED UNITS
-  OFFICES

History

BW Offshore is a leading global provider of floating production services to the oil and gas industry. BW Offshore is the world's second largest contractor with a fleet of 15 FPSOs and one FSO represented in all major oil regions world-wide.

BW Offshore has a long track record on project execution and operations, as well as a robust balance sheet and strong financial capabilities. In more than 30 years of production, BW Offshore has executed 39 FPSO and FSO projects. The company is listed on the Oslo Stock Exchange.

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

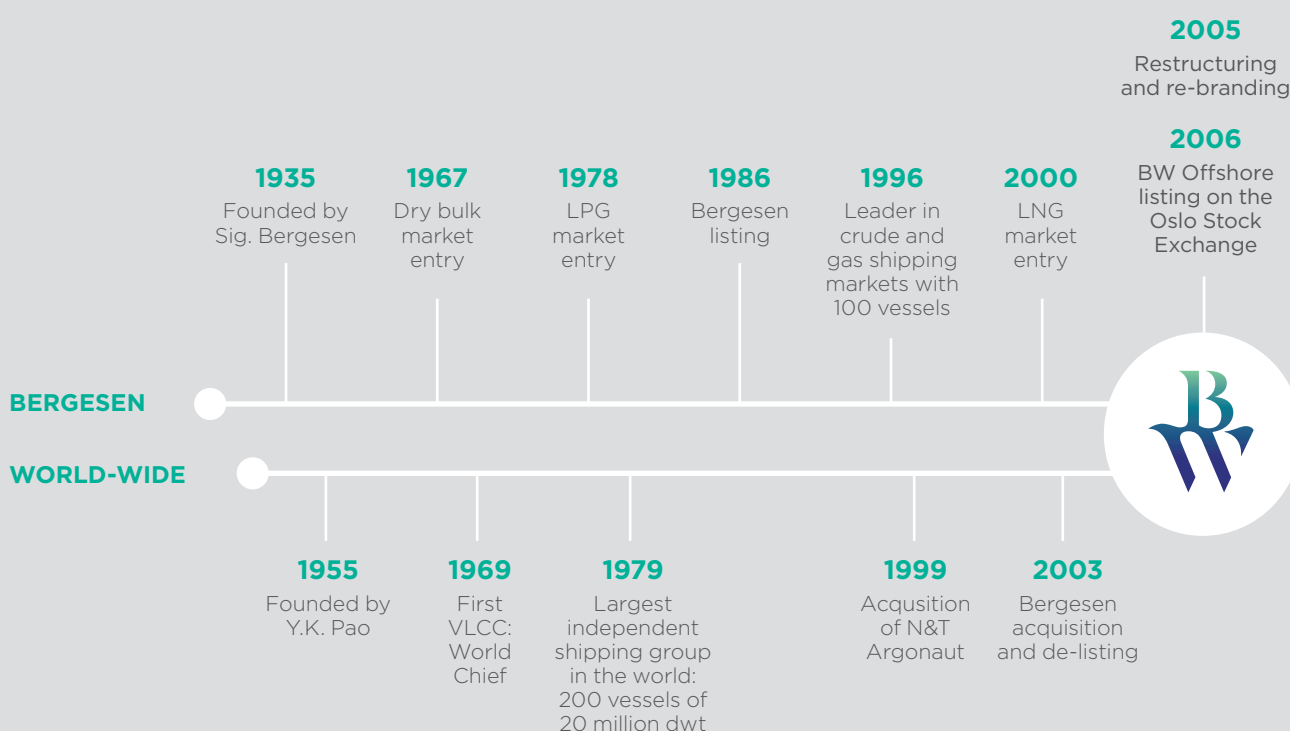
The origin of BW Offshore goes back to 1982, as a department of Bergesen d.y., when Berge Sisar (an LPG FPSO later replaced by Berge Troll) was installed in Angola.

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

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

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

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



80 YEARS OF MARITIME ENERGY HISTORY



2007

World's largest FPSO (Yüüm K'ak'Náab)

2008

Acquisition of APL

2009

First FPSO with drilling capabilities (FDPSO Azurite)

2010

Acquisition of Prosafe Production
Sale of APL

2012

Re-entering North Sea FPSO market (BW Athena)

2013

O&M contract with Statoil for FPSO Peregrino

2014

Contract for BW Catcher

2016

Acquisition of stake in Dussafu field

2017

First Oil BW Catcher

CEO's report

A year of significant achievements for BW Offshore



In a very challenging period for the oil and gas industry, I am pleased to observe some optimism returning to the industry. Both we as a company, and our shareholders, experienced positive developments through 2017 and into early 2018. This was reflected by a close to 30% increase in our share price last year.

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

Carl K. Arnet
CEO BW Offshore

Market activity remains slow for traditional FPSO tenders, despite oil prices reaching almost USD 70/bbl. For us as a company, it means we need to show adaptability to continue to create value for our stakeholders. We believe we have done so by revising our strategy.

In 2017, we established a new vision in response to the current economic and market environment. Under our revised market approach, BW Offshore may participate directly in field developments as a partner, in addition to the traditional lease and operate model. The ability to trigger development of marginal oil fields by redeployment of existing assets provides a win-win solution for our partners and us. We believe this will be an important part of our future business and that it makes BW Offshore an even more relevant partner for all existing and potential new clients.

We have added competencies that are required for a field-development partner. This has meant strengthening our organisation within subsurface, drilling, subsea architecture and field development solutions. In addition, we created a new joint venture with BW Group, called BW Energy (BWE). BWE is an asset owning company for field development participation, of which we have two-thirds ownership. We believe this represents the optimal use of our considerable field development competencies acquired over the years to generate shareholder value, and a natural extension of the standard build, lease and operate model. These resources are now engaged in the Dussafu field where we put our vision into a real-life field development, an FPSO redeployment and from second half 2018 – first oil.

As a company we set a number of key targets for 2017, and I am pleased to say we have been able to deliver on all of them, namely;

Our project team delivered the all-important Catcher project for Premier Oil. First oil was achieved in December 2017 after a successful hook-up and an effective commissioning period. The First Oil Certificate, which confirms the commencement of the contract, was received early January 2018. This was a significant achievement not only for BW Offshore, but also proved that major FPSO developments can be performed according to plan and budget with very high standards for HSSEQ performance. We are particularly pleased that our strategy to provide a complete vessel from the yard enabled a very rapid offshore hook-up and start-up process. We hope this project will be

the start of a long and fruitful partnership with Premier Oil and partners as we work together to tap the full potential of the Catcher field. The Catcher investment will contribute significantly to our revenues and profits for years to come.

We have also been working to develop new sources of financing for future business. As part of this, we signed a co-operation agreement with the world-leading financial leasing firm ICBC Financial Leasing Co., Ltd. (ICBCL) in April, with the intention to establish a long-term strategic partnership to jointly pursue significant international infrastructure projects focused on FPSOs around the world. The first joint project with ICBCL was the equity investment in BW Catcher Limited that closed in 2017, releasing USD 275 million in liquidity for BW Offshore.

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

Through BWE, we acquired a majority stake in the Ruche Exclusive Exploitation Area (Dussafu) offshore Gabon in April 2017. Development drilling commenced early 2018, and we are on track for first oil during the second half of the year. Once production is established, the Dussafu field contains other discoveries and several prospects for future exploitation. A new organisation has been established for this purpose spearheaded by an experienced team at our Houston office.

Safety remains our highest priority, and in 2017 we established Operational Integrity as a new corporate function. The key objective is to ensure that we operate our assets in the safest manner possible to prevent incidents and failures, and perform maintenance systematically and efficiently.

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

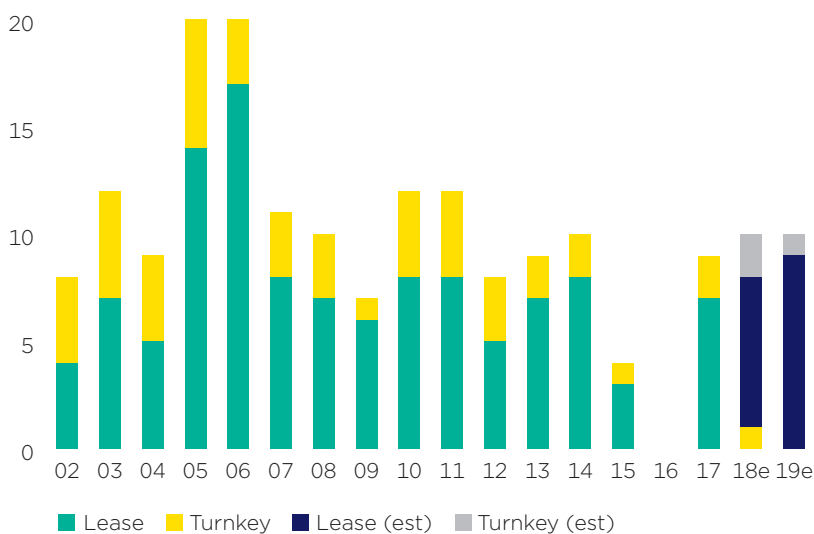


Innovative design

Strong credentials

Over the past three decades, BW Offshore has completed 39 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.

GLOBAL FPSO AWARDS



Source: Fearnley

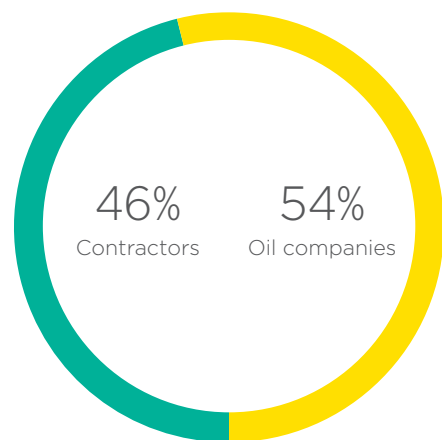


Fit for purpose concept

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's concept and technology experts to explore and evaluate options. BW Offshore has a core team of engineers heavily involved in this phase.

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

FPSO OWNERSHIP



Source: EMA



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 BW Offshore's 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 at the field need to be carefully considered as does 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. 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. The Group owns a fleet of 15 FPSOs and 1 FSO, operating in West Africa, Brazil, Gulf of Mexico, Indonesia, New Zealand and in the North Sea. Each day brings new opportunities for learning and improving on technical maintenance and uptime management. The long-term commitment also ensures that the focus is less on meeting short-term cost objectives in the project phase and more on the cost of the asset over its entire lifecycle. A solid base of engineering standard documentation ensures a consistent and optimised approach to engineering while ensuring that new lessons learned from operations are constantly incorporated.

Translating vision to reality

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

FPSO CONTRACTORS

Fleet



Source: Fearnley

39
FPSO/FSO PROJECTS
COMPLETED

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 disciplined engineers and engineering managers with topside, hull and overall responsibility ensure that a strong link is maintained with the engineering team during project execution. This is essential to ensure that the design concept and the engineering deliveries are translated effectively to a working, well-constructed FPSO. Frontloading of engineering and procurement activities is essential in project execution to ensure sufficient time for construction teams to execute plans and build the facility. This in turn allows for a thorough and timely commissioning process where individuals who combine the best of project and operations experience test the unit adequately to ensure a smooth start-up and high regularity from the get go.

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

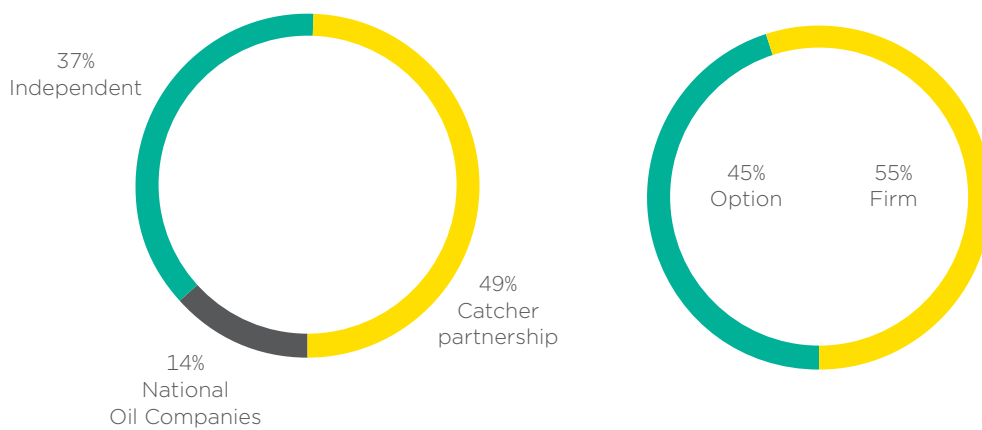


Lease & operate

Funding for the right project and the right client

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

BW OFFSHORE'S REVENUE BACKLOG



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

Funding based on contracts with clients

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

Coordinated management

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

Lifetime maintenance and support

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



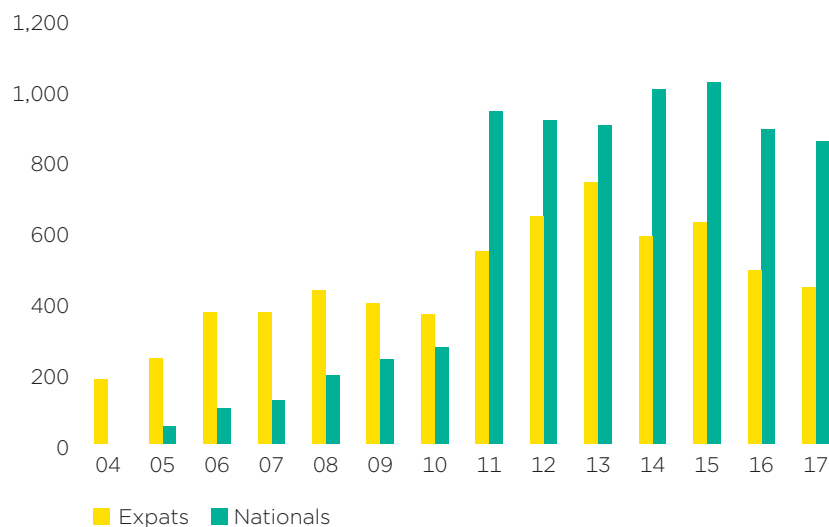


Operational capabilities

Performance commitment

Safe operations and high uptime is not only a requirement but an obligation for BW Offshore to clients and employees. Safety is our highest priority. We are relentless in our focus and commitment to class leading Health, Safety, Security and Environmental (HSSE) standards combined with class leading 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 talent pool of 1295 professionals with production and marine backgrounds.

BWO EMPLOYED PERSONNEL OFFSHORE
Internationals & Nationals 2004 -2017





Experience and results

With an average uptime routinely at 99% over the past five years, BW Offshore exceeds client expectations but recognises internally that uptime must never be the priority over safe operations. More than 600,000 barrels of oil equivalent in daily volume is handled by 11 FPSOs in areas as diverse as West Africa, the South Atlantic off Brazil, the Gulf of Mexico, the US Gulf, the North Sea and South East and Far East Asia. The profile is highly sophisticated dis-connectable FPSOs and test production units that are frequently relocated at the client's request.

Competent and motivated workforce

BW Offshore's operational performance requires a highly qualified, competent and dedicated technical support and logistics service staff. A strong network of onshore in-country offices ensuring operational support linking the

units to shore. BW Offshore's work ethic and culture, high level of experience and competence, global work opportunities and challenging class leading assignments requires the Group to be an attractive employer. Global recruitment centres and manning supply partners attract and select best in class candidates for fleet positions offshore from New Zealand, the Philippines, India, Nigeria, Gabon, USA, Mexico, Ivory Coast, Mauritania, Poland, Indonesia, 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 Group operates with a heavy investment in training and development of local personnel. BW Offshore culture of "can do" is fused with a strong recognition that each and every employee is mandated to question the safety and method in what we do.



"Matching the field requirements with the capabilities of existing assets, is a key competency in BW Offshore's engineering and operations staff."

Operations and maintenance expertise

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

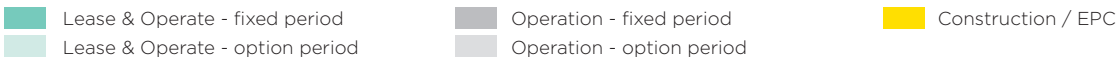
Capturing life extension and redeployment opportunities

Modifications of existing FPSOs in situ to extend production or redeployment can unlock significant value for clients and BW Offshore. BW Offshore's project and

engineering expertise makes this possible. Working closely with client teams, BW Offshore has set up internal teams specifically for this purpose, combining competent project and operations staff from across the organisation. Managing modifications and upgrades on live producing units calls for specialised competence as safety related and economic risks multiply compared to projects run on site in a shipyard. 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. Being able to redeploy a unit with minimal modifications can unlock development and create significant value even at low oil price scenarios. Matching the field requirements with the capabilities of existing assets, is a key competency in BW Offshore's engineering and operations staff.

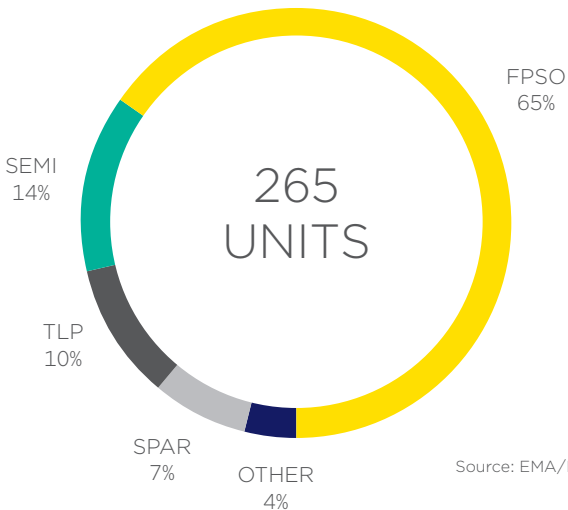
FLEET CONTRACTUAL VIEW

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



1) In lay-up pending agreement with client.

GLOBAL FLOATING PRODUCTION UNITS



Source: EMA/BW Offshore

USD 3.4
BILLION
TOTAL
ASSETS



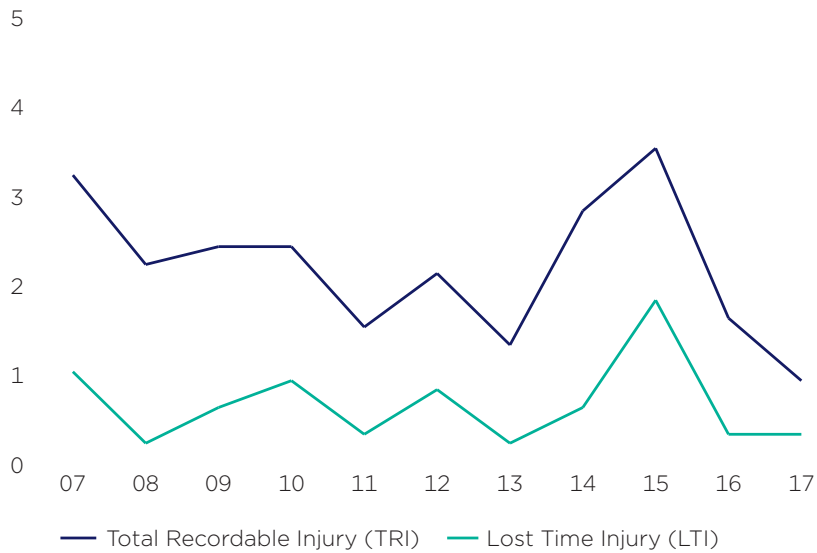
HSSEQ

Strong commitment

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

BW OFFSHORE HSE STATISTICS

Per million hours





"The company's goal is to be an industry leader, with the lowest reasonably possible frequencies for lost time injuries."

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

BW Offshore prioritises HSE in all its operations and believes that all incidents resulting in harm to people, the environment and to property can be prevented. The Group'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 Group continually monitors trends and takes prompt action to prevent or reverse any unwanted developments. BW Offshore gives all employees the explicit authority to stop all actions that they think are unsafe and/or unsure of and initiate a process to define and clarify without any repercussions or questions.

The graph 'BW Offshore HSE statistics' shows the rolling 12-month average per million exposure hours for all persons directly involved in the Group's activities for key elements it measured in 2017. 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.)

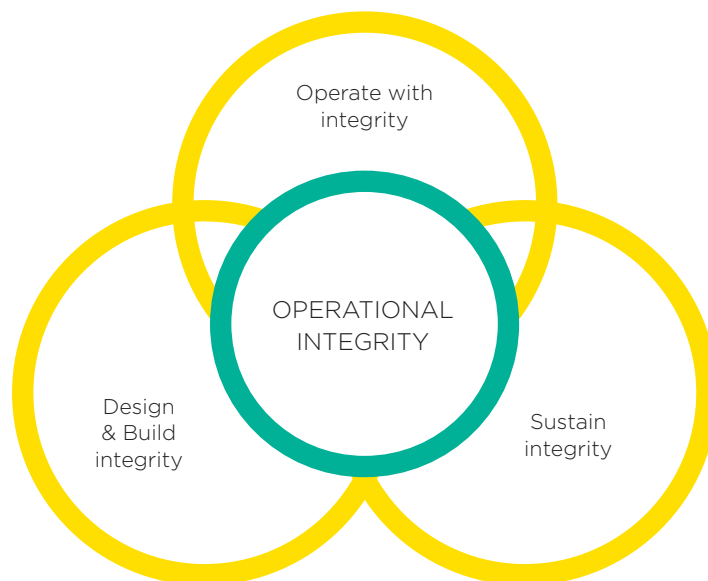
LTI 0.30
PER MILLION HOURS



Operational integrity

A new function called Operational Integrity (OI) has been formed to support the wider BW Offshore organisation, such that the following key business objectives are continually achieved:

- Zero harm to personnel
- Effective management of Major Accident Hazard risks
- Management of Environmental impacts such that they are minimised
- Maintaining a sustainable business through prudent operations, including taking proper care of Company property, without compromising the other key business objectives





This new support function will define OI performance requirements, provide an assurance framework to demonstrate that OI performance is initially achieved during the Project phase, and then continues to be met through the Operations phase.

When the required level of OI performance is not achieved; or when there is a HSE incident or an unexpected failure of business critical equipment, the OI function will provide a robust process, supplemented by comprehensive support, such that the Company can fully understand the root causes of failures.

The Company also plan to take a more proactive approach to ensure that the activities performed throughout the organisation that contribute to achieving OI performance are performed in accordance with our procedures. This proactive approach will allow continuous feedback on the effectiveness of the procedures that describe these activities.

The lessons learned from failures, and from feedback gathered, are invaluable in allowing the OI function to facilitate

continuous improvement, which will adapt BW Offshore into a true learning organisation that anticipates and takes action to prevent incidents and failures.

The OI function will also manage the Health, Safety, Security, Environmental, Quality (HSSEQ) protocols that enables the Company to adhere to both mandatory obligations, and those which are chosen by BW Offshore to follow as best practice.

The HSEQ resources that are allocated to Projects and Fleet form part of the Operational Integrity function, their main responsibility will be to facilitate the successful delivery of the OI programs within the Project or Unit to which they are assigned to, as well as managing the Safe and Quality delivery of the day to day operations.

A development program is currently underway, following which the Operational Integrity function will be fully rolled out in May 2018.



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

1. Implementation and reporting on corporate governance

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

The Board therefore commits the Company to good corporate governance, and has adopted the most current version of the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 (the 'Code'), prepared by the Norwegian Corporate Governance Board.

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

BW Offshore has implemented corporate principles, ethical guidelines and guidelines for corporate social responsibility. These principles 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 objectives 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 by-laws, the Board is authorised to declare dividend to the shareholders. The dividend policy can be found on BW Offshore's website. In light of the reduction in industry activity levels it was decided to suspend dividend payments from the third quarter of 2015 until market visibility improves. Furthermore, as part of the 2016 Financial Plan, the Company has agreed to certain restrictions as to the distribution of dividends.

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 in keeping with the recommendations of the Code. As part of the 2016 Financial Plan, the Company has agreed to certain restrictions as to purchase of the Company's own shares.

4. Equitable treatment of shareholders and transactions with close associates

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

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the shareholders of the Company do not have pre-emption rights in share issues unless otherwise resolved by the Company. Any decision to issue shares without pre-emption rights for existing shareholders shall be justified. In the event that BW Offshore issue shares without pre-emption rights of existing shareholders, the Board of Directors will provide 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 by-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 shareholders to participate at the general meeting shall be set as closely to the date of the general meeting as practically possible and permissible under the provision in the by-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 by-laws state that the general meeting shall be chaired by the chairman of the Board unless otherwise agreed by a majority of those shares represented at the meeting.

7. Nomination Committee

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

The composition of the Nomination Committee should reflect a broad range of shareholder interests. The majority of the committee shall be independent of the Board and the executive personnel of the Company. At least one member of the Nomination Committee shall not be a member of the Board of Directors. The Nomination Committee shall not include the Company's chief executive officer or any other executive personnel.

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

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

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

8. The composition and independence of the Board

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

The composition of the Board shall ensure that it can act independently of any special interests. A majority of the shareholder-elected members of the Board must be independent of the Company's executive personnel and material business connections of the Company. In addition, at least two of the members of the Board must be independent of the Company's major shareholder(s). For the purposes of this Corporate Governance Policy, a major

shareholder shall mean a shareholder that owns 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

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

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

9. The work of the Board

The Board is ultimately responsible for the management of the Company and for supervising its day-to-day management. The duties and tasks of the Board are detailed in the Company's by-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. The Chief Financial Officer, the Company's other relevant senior staff and representatives of the external auditor, attend the meetings of the Audit Committee.

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

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

11. Remuneration of the Board of Directors

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

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

Directors or companies related to BW Offshore, shall not normally undertake special tasks for the Company

in addition to the directorship. However, if they do so, the entire Board shall be informed, and the fee shall be approved by the Board.

12. Remuneration of the executive personnel

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

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

The Board approves any share option programs in the Company available to the employees of the Company and subsidiaries. The Company is not required by law to prepare guidelines for remuneration of the executive personnel. Detailed information of remuneration, loans, shareholding of the management and any share option programs can be found in the consolidated financial statements and on the Company's website.

13. Information and communications

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

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

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

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

14. Take-overs

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

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

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

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

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

The Board shall consider whether to obtain a valuation from an independent expert. If any member of the Board, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board, is either the bidder or

has a particular personal interest in the bid, the Board shall obtain an independent valuation. This shall also apply if the bidder is a major shareholder (as defined in section 8 above). Any such valuation should either be enclosed with the Board's statement, or reproduced or referred to in the statement.

15. Auditor

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

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

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

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

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

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

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



Vision & purpose

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

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



Corporate and Social Responsibility

Guidelines

BW Offshore operates worldwide within the industry of developing, leasing and operating floating structures for production, storing and offloading crude oil and natural gas.

BW Offshore aspires to achieve sustainable development by striking a fair balance between financial results, value creation, sustainability, and corporate responsibilities. The value created shall benefit owners, stakeholders and the society.

BW Offshore requires representatives to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Representatives must practice fair dealing, honesty and integrity in every aspect in dealing with employees, business relations and customers, the public, the business community, shareholders, suppliers, competitors and government authorities.

In its business activities, BW Offshore will comply with applicable laws and governmental rules and regulations in every country in which BW Offshore is operating. It is the personal responsibility of everyone to adhere to the standards and restrictions imposed by those laws, rules and regulations, including those relating to accounting and auditing matters, and to internal BW Offshore rules (if these are not in conflict with the applicable legislation).

The Group has developed policies for ethics and business conduct that constitute general principles and guidelines for business practices and personal conduct which provide a basis for the attitudes and principles that should govern the culture in BW Offshore. These policies include the “BW Offshore Code of Ethics and Business Conduct” which applies to all employees in BW Offshore and companies in which BW Offshore has a majority interest, including joint ventures, and also to all BW Offshore Board members, officers, temporary employees and legal agents, consultants, intermediaries and others who act on behalf of the BW Offshore. The latest version of the Code is available on the company web page: www.bwoffshore.com

The code is supplemented by specific “Ethics and Business Conduct Guidelines”, other subject matter policies and other relevant internal procedures in BW Offshore’s Management System. It is the expectation of BW Offshore that all applicable business partners, suppliers, agents or other third parties (collectively referred to as “Suppliers”) will also observe equivalent principles when conducting businesses with

BW Offshore. BW Offshore has established a “Supplier Code of Ethics and Business Conduct” in which it expresses the expectations the Group holds for its Suppliers.

BW Offshore puts particular emphasis on the following:

- BW Offshore is against any and all forms of corruption, and is committed to support and promote a business environment free of corruption and bribery
- BW Offshore is committed to fair and open competition. In no circumstances shall BW Offshore engage in any anti-competitive practices or other activities in violation of applicable anti-trust laws and directives
- BW Offshore prohibits unlawful discrimination against employees, shareholders, officers, directors, customers and suppliers on account of ethnic or national origin, age, sex or religion.
- BW Offshore supports the United Nations Universal Declaration of Human Rights and the standards advised by the International Labour Organisation. Slavery, child labour, torture and other violations of human rights are totally unacceptable.

BW Offshore encourages open discussions about responsible conduct and if any relevant party discover any unethical or illegal practice or find themselves in an ethical dilemma, they are obliged to seek advice. The Group has established routines and an Intranet channel allowing employees to report a concern in respect to breach of laws and regulations even on an anonymous basis. For concerns of a more general nature, an “Expressions-of-Concern” procedure has been set up. No retaliation will be taken against any employee for raising any concern, questions or complaints in good faith. All reports of suspected violations will be treated confidentially and will be investigated promptly, thoroughly and fairly.

Breaches of BW Offshore’s Code of Ethics and Business Conduct or relevant statutory provisions may result in disciplinary action, or dismissal with or without notice, and may also be reported to the relevant authorities. Should an improper practice occur within BW Offshore, we are committed to making necessary corrections and taking remedial action to prevent recurrence.

Undertaking compliance assessment and due diligence on 3rd parties who work for our business and are involved in our supply chain, is an essential part of our Ethics and

Business Conduct compliance management. All business partners (including country partners, agents acting on our behalf, and suppliers who provide goods and services to us) are assessed for: compliance with relevant laws and regulations; compliance with the principles and spirit of our BWO Code of Ethics and Business Conduct (and the supporting Guidelines) and; any red flags that might indicate to us that use of the agent/ supplier might have an adverse effect on our reputation. At the outcome of the process, if the compliance risk of using an agent or supplier is too high we may find it necessary not to engage them.

The Group administers a training plan and programme for all employees, and relevant 3rd parties, including mandatory general training on the Code and Guidelines, subject matter specific training (e.g. Anti-Bribery specific) and also training tailored for various departments based on the compliance risks of their roles and responsibilities.

Questions or comments related to BW Offshore's Code of Ethics and Business and related policies may be posed to BW Offshore's SVP Compliance, Internal Audit & Risk through the Compliance mailbox: bccompliance@bwoffshore.com

HSSEQ

Health and 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. More details on these policies are available on the company web page.

Measurable targets are defined for each onshore and offshore unit to ensure compliance with the adopted policies and to maintain a continuous improvement cycle. Personnel training and familiarisation with the said policies is recognised as being fundamental to achieving an HSSEQ culture of the highest standard and to minimise risks.

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

- ISO 9001 - Quality Management
- ISO 14001 - Environmental Management
- OHSAS 18001 - Occupational Health and Safety Management
- ISM Code - Safety Management and Pollution prevention

Total LTI-rate (Lost Time Injuries) and total TRI-rate (Total Recordable Incidents) for BW Offshore in 2017 were 0.3 and 0.9. The comparable rate for 2016 were 0.3 and 1.6.

BW Offshore follows the oil companies International Marine Forum (OCIMF) guidelines for reporting marine incidents.

Safety

BW Offshore's FPSOs/FSOs are certified in accordance with the requirements in the International Ship and Port Facility Security Code. The security policy of the company, the FPSOs/FSOs and company premises, is to prevent unauthorised access and to prevent the introduction of weapons and other dangerous devices or substances.

Environment

The activities of the Group are subject to environmental regulations pursuant to a variety of international conventions and national, state and municipal laws and regulations, which the Group is committed to uphold, and where appropriate, exceed. BW Offshore had no significant harmful environmental spills during 2017.

Organisation

BW Offshore ended 2017 with 2,043 employees including contract staff, compared to 2,094 in 2016.

The working environment and culture in BW Offshore is still considered positive and strong, and with projects and new field development opportunities, the atmosphere by year-end in all locations is continuing the upturn. Given the large-scale restructuring and redundancy initiative spanning 2016 and 2017, attraction, retention and development at BW Offshore have become even more critical. Recruiting activity has picked up during 2017. The Company have remained consistent in the intake of new recruits, albeit in smaller numbers than previously. In 2017, BW Offshore continued to focus on early career recruitment through our global intern and graduate programmes.

Further, with the two key elements of the strategy we have managed to communicate exciting opportunities for career development. The Human Capital department is restructured to focus on fleet, crew relations and corporate common processes to further align and strengthen the function as an important partner to the organisation.

In 2017, absence due to sickness amounted to 1.7% of total hours worked by the employees. This compares to 2.0% in 2016. BW Offshore strives to be an attractive workplace that offers challenging and motivating jobs and equal development opportunities for all. There is no discrimination due to gender, nationality, culture or religion with respect to remuneration, promotion or recruitment.

Integrity, Leverage the team, Excellence, Accountability and Disciplined Delivery are the principles for the employees of the Group. Culture surveys are performed regularly to assess the strength of the working culture and show a steady improvement on an already high base



Directors' report

BW Offshore experienced positive developments in 2017. The share price increased over the year, supported by improved macroeconomic conditions as reflected in higher oil prices, global GDP growth and continued low interest rates. All these positive factors led to improvements in the Group's overall market environment. BW Offshore is well positioned for an improved market. During the challenging business environment of the last few years, the Company has adjusted relevant parts of its business, in terms of size and structure, to improve competitiveness and operational integrity.

While oil prices rose sharply in 2017, exploration and production (E&P) companies have not increased their investment levels. The oil and gas industry has so far taken a disciplined approach, and focused on improving existing production rather than invest in new developments. Consequently, few tenders for new FPSOs were issued in 2017. On the supply side, OPEC appears to remain disciplined and has maintained production cuts in support of a higher oil price. This is balanced by an expected growth in production from US shale. BW Offshore anticipates that the growth in US shale over time will not be sufficient to balance the overall decline in global oil production caused by depletion of developed reserves and the global increase in demand. The Group remains confident that current investment levels are too low and will increase, thereby also lead to demand for new FPSOs.

It is the Board of Directors' responsibility to adapt the strategy to the current operating environment. The Group's main business has historically been construction, lease and operation of FPSOs. During 2017, BW Offshore acquired a majority share in the Dussafu Exclusive Exploitation Area offshore Gabon. The investment is a first step towards transforming from being purely a lease-and-operate company, to also actively participating in development of discovered oil and gas fields. It is considered by the Board that this strategy offers attractive risk-reward for the Company in this market environment. The main focus of the Group will be on fields with low reservoir risk which are suitable for cost effective developments and redeployment of the Group's existing FPSOs.

Another key focus area for the Group has been to develop alternative competitive sources of financing. The Board is pleased to have signed a cooperation agreement with the world-leading financial leasing firm ICBC Financial Leasing

Co., Ltd. (ICBCL) with the intention of establishing a long-term strategic partnership to jointly pursue large international infrastructure projects with a focus on FPSOs. The first joint project was ICBCL's equity participation in the BW Catcher FPSO through the subscription of preference shares that was concluded towards the end of 2017.

Operations

At the end of 2017, the owned fleet comprises 15 FPSOs and one FSO. Twelve units were in operation offshore Brazil, Gabon, Indonesia, Côte d'Ivoire, Mexico, New Zealand, Nigeria, UK and USA and one unit was being readied for operations in Gabon at the end of the year. In 2018, one unit will come off charter and return to the yard in preparation for new opportunities. Average commercial uptime for the operating fleet in 2017 was 99.6% (98.0% in 2016).

The Group's order backlog amounted to approximately USD 3.2 billion of firm contracts and USD 5.8 billion when including contract extension options.

The BW Catcher FPSO was completed within budget towards the end of 2017. Following the successful commissioning and hook-up, hydrocarbons were introduced 23 December 2017, and on 6 January 2018, the contract commenced after completion of a mandatory 72-hour test. BW Catcher will contribute significantly to the Group's revenues and profits in the years to come.

In 2017, BW Offshore signed contract extensions for the FPSOs Abo, Sendje Berge and Umuroa. Another extension for Polvo was agreed in January 2018.

During the second quarter, the Group completed the handover of operations for the FPSO Peregrino to Statoil and Sinochem offshore Brazil as planned.

BW Adolo (formerly known as Azurite) will be redeployed to the Dussafu field in Gabon in the second half of 2018. The FPSO fits well with the approved field development plan specifications for the Dussafu field offshore Gabon. The BW Adolo is currently at the Keppel shipyard in Singapore for upgrades before mobilising to Gabon.

Berge Helene received a termination notice and ceased operations late 2017. The Group has agreed on a contract and scope for work related to the disconnection and demobilisation of the FPSO from the field. This project

has commenced, with the unit scheduled to return to Singapore during second quarter of 2018. The FPSO is currently marketed for new projects.

FPSO Cidade de São Mateus remains in lay-up. The Group continues its dialogue with the client regarding a firm plan for the FPSO and the field.

BW Athena and Belokamenka are currently in lay-up while being marketed for new projects.

Financial performance

Income statement

Group revenue was USD 626.0 million in 2017 compared to USD 844.7 million in 2016. The reduction was mainly related to one-off insurance proceeds received in 2016 for loss of hire and repairs after the accident on FPSO Cidade de São Mateus, and the handover of the operation for FPSO Peregrino to Statoil in July 2017.

Total operating expenses were USD 244.9 million compared to USD 311.3 million in 2016. The reduction in operating expenses was related to reversal of loss provisions as overdues were paid by the client, and reduced expenses after the FPSO Peregrino handover.

Other expenses amounted to USD 12.6 million compared to USD 95.8 million in 2016. Other expenses incurred in 2016 included costs for the salvage of FPSO Cidade de São Mateus, and provisions for settlement of outstanding claims and fines.

Group administrative expenses amounted to USD 33.2 million compared to USD 14.8 million in 2016. The increase was mainly related to a reversal of a provision for the variable compensation scheme for employees in 2016.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for 2017 was USD 336.2 million compared to USD 423.4 million in 2016.

In the second quarter, the Group recorded an impairment charge of USD 25.0 million for Sendje Berge to reflect a notice of termination of the contract by the client in May. In November, a four-year contract extension for Sendje Berge was agreed and the termination notice was withdrawn.

Operating profit was USD 80.2 million, compared to an operating loss of USD 35.0 million in 2016.

Net financial expenses were USD 36.7 million compared to USD 65.2 million in 2016. The decrease was mainly related to a mark-to-market gain on derivatives in 2017 due to a weakening USD against NOK, and increased swap rates during the year.

Tax expense amounted to USD 2.3 million compared to USD 32.7 million in 2016. In 2017, a significant tax provision in West Africa was released as updated information indicated changes to tax laws would not be applied retrospectively.

Net profit for 2017 was USD 41.2 million compared to a net loss of USD 132.9 million in 2016.

Financial position

Total assets were USD 3,422.8 million as at 31 December 2017 compared to USD 3,367.9 million in 2016. The net increase of USD 54.9 million was mainly related to the investments in BW Catcher and Dussafu, partly offset by a reduction in trade receivables and scheduled depreciations.

As at 31 December 2017, the Group had net equity of USD 1,259.4 million compared to USD 919.9 million at 31 December 2016. The net equity ratio at the end of 2017 was 36.8%, compared to 27.3% at the end of 2016. The increase in equity was largely related to the investment by ICBCL in BW Catcher.

As at 31 December 2017, the Group had interest-bearing debt of USD 1,420.8 million compared to USD 1,741.8 million in 2016. The interest-bearing debt comprises mainly of the Catcher facility, the USD 2,400 million corporate loan facility and the four unsecured bond loans.

Net interest-bearing debt at 31 December 2017 was USD 1,275.3 million compared to USD 1,634.9 million in 2016.

Cash flow

Net cash inflow from operating activities was USD 659.5 million compared to net cash inflow of USD 387.5 million in 2016. The increase was mainly related to proceeds from the FPSO Cidade de São Mateus insurance settlement received in the first quarter of 2017. Net cash outflow from investment activities amounted to USD 476.6 million, compared to a net cash outflow of USD 399.7 million in 2016. The investments were mainly related to the Catcher project, and to a certain extent life extension activity on units in operation. Net cash outflow from financing activities amounted to USD 144.3 million compared to USD 2.7 million in 2016, mainly related to repayments on the USD 2,400 million corporate loan facility, partly offset by drawdowns on the Catcher facility.

Dividends

No dividends were paid during 2017. BW Offshore is restricted from paying dividends, share buy-backs or buying back bonds until maturity in March 2020 following amendments made to debt facilities in 2016.

Parent company accounts

BW Offshore Limited is a holding company with no operating activities. The Company reported a net profit of USD 25.5 million for 2017, compared to a net loss of USD 211.8 million in 2016. The profit for 2017 is mainly related to reversal of impairments on shares in subsidiaries and intercompany receivables.

Total assets were USD 1,593.3 million as at 31 December 2017 compared to USD 1,613.6 million in 2016.

Total shareholders' equity in BW Offshore Limited as of December 31, 2017 was USD 1,058.4 million, corresponding to an equity ratio of 66.4%.

Going concern

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

Health, safety, security, environment, quality

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

In 2017, BW Offshore established Operational Integrity as a new group function responsible for HSSEQ. The primary objective is to ensure that the Group achieves zero harm to personnel, effective management of major accident hazard risks, effective mitigation of impact on the environment, maintaining a sustainable business through prudent operations, including taking proper care of Group property, without compromising other key business objectives.

Total LTI-rate (Lost Time Injuries) and total TRI-rate (Total Recordable Incidents) for BW Offshore in 2017 were 0.3 and 0.9, respectively. The comparable rates for 2016 were 0.3 and 1.6.

BW Offshore experienced no significant harmful environmental spills during 2017.

Organisation

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

BW Offshore ended 2017 with 2,043 employees including contract staff, compared to 2,094 in 2016.

The working environment and culture in BW Offshore is considered positive and strong, and there is continuous focus on initiatives for improvement. Culture surveys are performed regularly to assess the strength of the working culture and show a steady improvement on an already high base. In 2017, absence due to sickness was 1.7% of total hours worked by the employees. This compares to 2.0% in 2016.

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

Corporate governance

The Board of Directors of the Company has adopted a Corporate Governance policy to reflect BW Offshore's commitment to good corporate governance. This policy is based on the latest update to the 'Norwegian Guidelines on Corporate Governance', prepared by the Norwegian Corporate Governance Board. BW Offshore's Corporate

Governance policy complies with the Norwegian Guidelines with certain deviations as outlined and explained in the chapter named Corporate Governance in this annual report.

Risk

BW Offshore's risk exposure is analysed and evaluated to ensure sound internal control and appropriate risk management based on internal values, policies and code of ethics. The Group is exposed to market risk (including currency risk and price risk), credit risk, liquidity risk and interest rate risk. The 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, which could lead to accidents and oil spills to the environment if not managed properly.

As the Group starts development of oil and gas reserves, this risk exposure changes. Development of oil and gas fields is associated with significant technical risk and uncertainty relating to timing production from new development activities. Risks include, but are not limited to, cost overruns, production disruptions as well as delays compared to initial plans. Some of the most important risk factors are related to estimation and recoverability of reserves. Changes to oil price might influence the economic viability of planned developments and anticipated revenues from production of such developments. There are also technical risks in the development and production phase that may cause cost overruns, failed investment and destruction of wells and reservoirs.

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

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

Events after the balance sheet date

On 6 January 2018, the BW Catcher FPSO received First Oil Certificate following successful completion of a 72-hour interim performance test after the introduction of hydrocarbons on 23 December 2017. The First Oil Certificate confirmed the commencement of the seven-year fixed term contract.

On 7 January 2018, BW Offshore signed an agreement with Petrório for a one-year extension for lease and operation of the FPSO Polvo. The firm period was extended by one year to the third quarter of 2019, with options until the third quarter of 2022.

Outlook

Offshore production of oil and gas is expected to decline after several years of low investments. This will likely become more evident in coming years, as production tied to investments made in the previous up-cycle, has now commenced and will start to decline. The overall market balance has improved with a declining oversupply of crude oil. In addition, the industry has become more effective in bringing down break-even costs for new developments. This is expected to lead to sanction of new projects which will further improve the market outlook for offshore field developments. Initially, the Company expects increased focus on incremental investments to existing infrastructure, but later in the cycle more green-field investments are expected may emerge.

BW Offshore's service offering and ability to partner with field owners to provide cost effective solutions, have been well received in the market. The Group expects to be a valued partner to the industry and ensure sound returns for all parties involved. BW Offshore still expects outsourcing of production to be cost-effective for oil and gas companies as they increase their specialisation.

BW Offshore experiences is seeing improved market activity for FPSOs. The Company will take a commercially disciplined approach to new investments is by bidding selectively on new projects.

The majority of BW Offshore's fleet remains on long-term contracts with national and independent oil companies. The fleet should continue to generate a significant cash flow in the time ahead. The start-up of production from FPSO Catcher at the end of 2017 will be a significant contributor to Group cash flow in 2018 and in the years to come.

BW Offshore has lower leverage and a solid financial position with the additional financial capacity from the ICBC Leasing partnership, and strong liquidity. Proactive management of the balance sheet is a key part of the strategy and enables the Group to take advantage of attractive organic and inorganic opportunities, and to grow from a position of strength. The Group is well positioned to make new investments in an improving market.

Bermuda, 21 February 2018



Mr. Andreas
Sohmen-Pao
Chairman



Mr. Christophe
Pettenati-Auzière
Vice Chairman



Ms. Clare
Spottiswoode
Director



Mr. Maarten
Scholten
Director



Mr. Carsten
Mortensen
Director



Mr. Thomas
Thune Andersen
Director

Management



Marco Beenen
COO

Magda Karim Vakil
Head of Legal

Hans Kristian Langsrud
Head of Engineering

Carl K. Arnet
CEO

Knut R. Sæthre
CFO

Pia Schnitler
Head of Human
Capital

Rune Bjorbekk
CCO

Kei Ikeda
Head of Projects

Board of Directors

Mr. Christophe
Pettenati-Auzière
Vice Chairman



Mr. Andreas
Sohmen-Pao
Chairman



Mr. Maarten
Scholten
Director



Ms. Clare
Spottiswoode
Director



Mr. Carsten
Mortensen
Director



Mr. Thomas
Thune Andersen
Director

Shareholder information

Investor relations policy

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

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

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

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

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

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

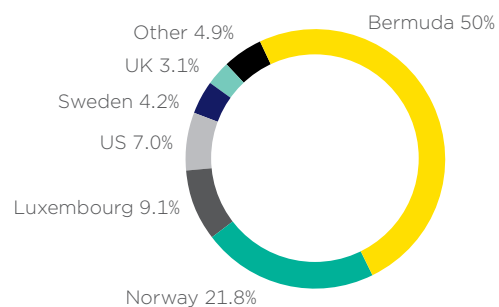
During a period of two weeks before the planned release of an interim financial report, BW Offshore will not comment on matters related to the Company's financial performance or expectations, save for ordinary communication with analysts and investors on general aspects of the business.

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

The investor relations activities aim to ensure that:

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

GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS



20 LARGEST SHAREHOLDERS

Name	No of shares	Holding
1 BW GROUP LIMITED *	92,332,844	49.9%
2 PERESTROIKA AS	8,389,189	4.5%
3 BROWN BROTHERS HARRIMAN (LUX.) SCA	7,860,720	4.3%
4 VERDIPAPIRFONDET ALFRED BERG GAMBA	3,651,163	2.0%
5 CATELLA HEDGEFOND	3,073,824	1.7%
6 CITIBANK, N.A.	2,933,894	1.6%
7 J.P. MORGAN BANK LUXEMBOURG S.A.	2,539,952	1.4%
8 VERDIPAPIRFONDET PARETO INVESTMENT	2,307,000	1.2%
9 SVENSKA HANDELSBANKEN SA, CARL KROGH ARNET	2,268,125	1.2%
10 JPMORGAN CHASE BANK, N.A., LONDON	2,250,001	1.2%
11 NORDEA BANK AB, DENMARK BRANCH	2,219,706	1.2%
12 NORDEA BANK AB, FINNISH BRANCH	1,764,471	1.0%
13 J.P. MORGAN BANK LUXEMBOURG S.A., MUTUAL FUND	1,666,952	0.9%
14 FIDELITY INT SMALL CAP FUND	1,659,938	0.9%
15 F2 FUNDS AS	1,100,000	0.6%
16 NORDNET BANK AB	1,064,605	0.6%
17 NORDNET LIVSFORSIKRING AS	1,063,596	0.6%
18 HELMER AS	900,000	0.5%
19 STATE STREET BANK AND TRUST COMP	877,883	0.5%
20 MSCO EQUITY FIRM ACCOUNT	870,786	0.5%

Date: 31 December 2017

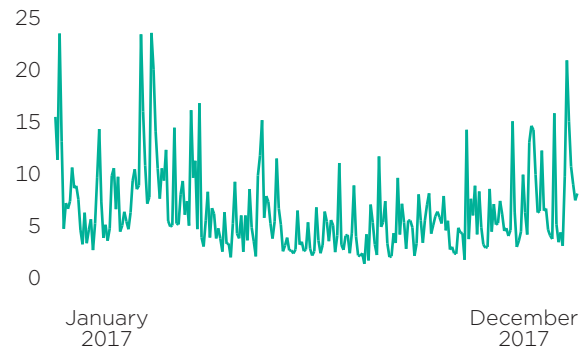
SHARE PRICE

NOK



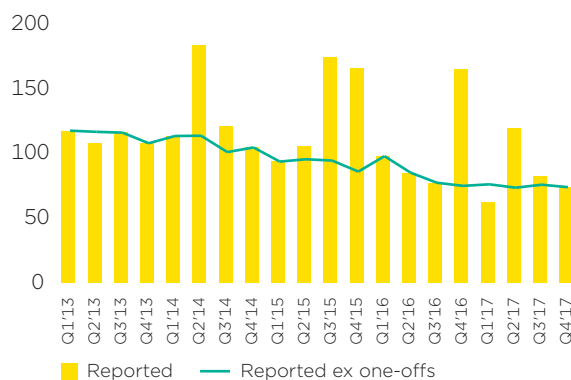
VOLUME

NOK

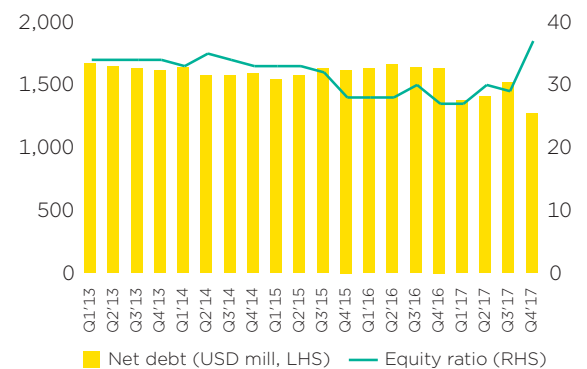


EBITDA

Quarterly, USD million



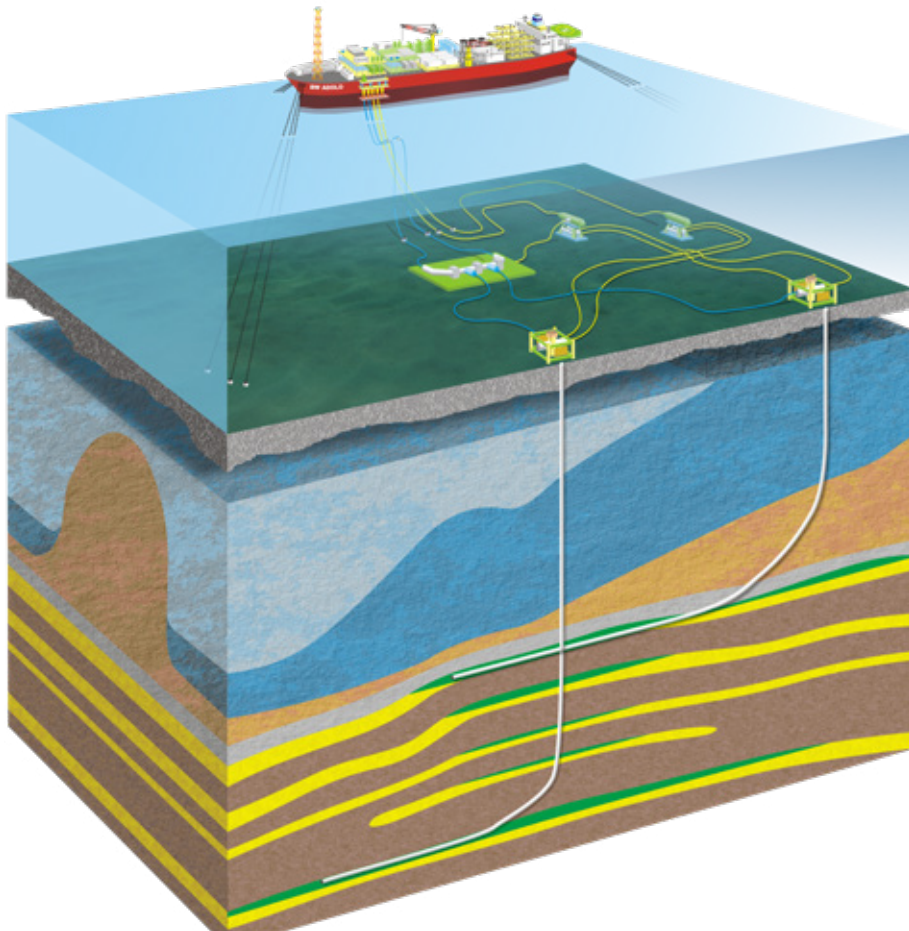
NET DEBT & EQUITY RATIO



Oil and gas development

Dussafu

BW Offshore has formed a joint venture company with BW Group, known as BW Energy, for the purpose of pursuing oil and gas interests. The joint venture is owned 66.67% by BW Offshore and 33.33% by BW Group.



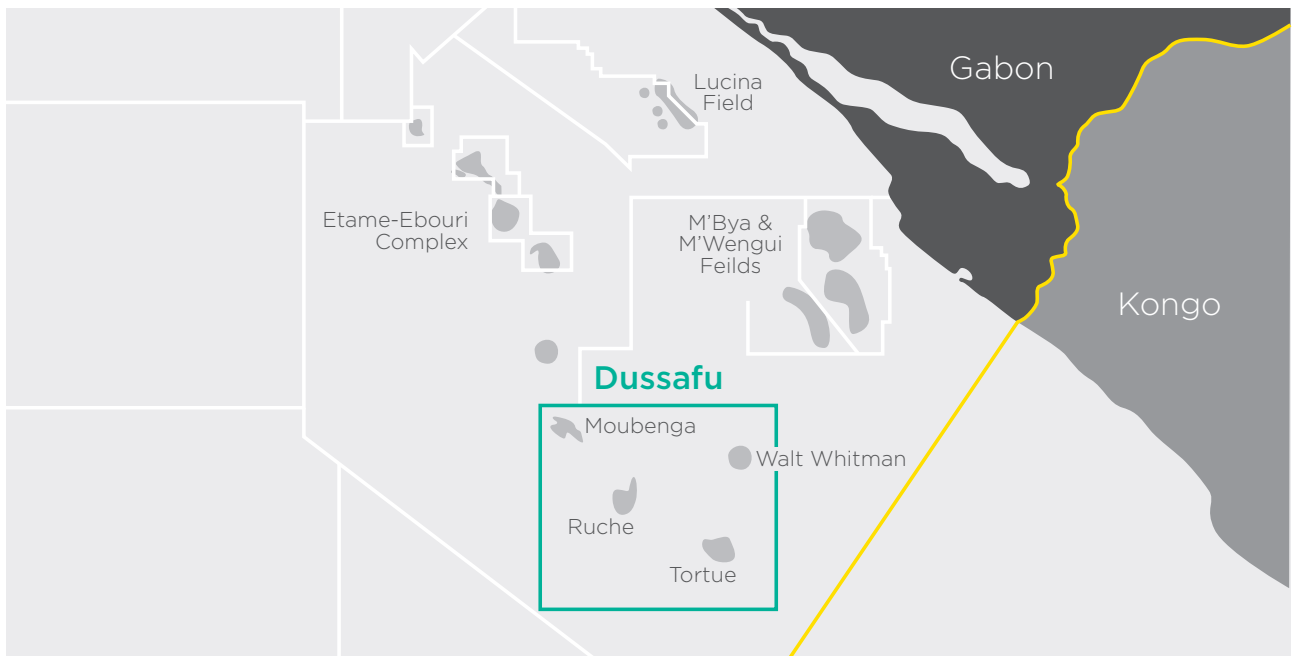
BW Energy holds a 91.667% working interest in the Dussafu production sharing contract, subject to discussions with the Gabon Oil Company for their potential participation (10%). Panoro Energy holds the remaining 8.33% working interest in the Dussafu license.

BW Energy is currently in the development phase of the Ruche Exclusive Exploitation Area (EEA) located offshore in southern Gabon. The Ruche EEA development is on a fast track schedule with first oil targeted for second half of 2018.

The initial development (Tortue Phase 1) includes the drilling of two subsea horizontal producing wells, which will be tied-back to the re-deployed FPSO BW Adolo, formerly named Azurite. The Tortue field is located in 115 meters water depth and situated 60 km to the south of BW Offshore’s FPSO *Petróleo Nautipa*, which produces from the successful *Etame* complex.

In addition to Tortue Phase 1 development, BW Energy is evaluating further development options for the Ruche EEA. Multiple development phases at Tortue are possible, as well as the development of satellite field discoveries. The area awarded under the EEA covers 850 km² and includes four discovered fields and numerous undrilled structures that could be developed through the Ruche area development infrastructure. The EEA allows BW Energy to exploit hydrocarbon resources in the area of the EEA for up to 20 years from first production.

The Dussafu team is working closely with the BW Offshore business development team in evaluating new and interesting projects. As a prudent and responsible Operator, BW Energy Dussafu is committed to develop safe and long-term stable production from the EEA, while maximising recovery for the State and partners. As a socially responsible corporation, BW Energy supports the region by annually contributing to the Hydrocarbon Support Fund as well as to local training.





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Consolidated Statement of Income

USD MILLION (Year ended 31 December)	Note	2017	2016
Charter hire	5,6	617.2	639.8
Lease interest	5,6	7.9	9.2
Other income	5	0.9	195.7
Total revenues		626.0	844.7
Operating expenses vessels	7,8	(244.9)	(311.3)
Other expenses	7	(12.6)	(95.8)
Administrative expenses	7,8	(33.2)	(14.8)
Total expenses		(290.7)	(421.9)
Share of profit/ (loss) of associated companies	13	0.9	0.6
Operating profit before depreciation, amortisation and sale of assets (EBITDA)		336.2	423.4
Depreciation and amortisation	10,11,12	(228.6)	(227.4)
Impairment and disposal	10,11	(27.4)	(231.0)
Operating profit/ (loss) (EBIT)		80.2	(35.0)
Interest income		1.8	1.7
Interest expense		(39.6)	(46.2)
Fair value gain/ (loss) on financial instruments		31.7	(11.9)
Net currency gain/ (loss)		(28.0)	(6.3)
Other financial items		(2.6)	(2.5)
Net financial items		(36.7)	(65.2)
Profit/ (loss) before tax		43.5	(100.2)
Income tax expense	9	(2.3)	(32.7)
Net profit/ (loss) for the year		41.2	(132.9)
Net profit/ (loss) for the year attributable to			
Shareholders of the parent		39.8	(132.9)
Non-controlling interests		1.4	-
Net profit/ (loss) for the year		41.2	(132.9)
Basic and diluted earnings/ (loss) per share net	22	0.22	(1.47)

The notes on pages 48-87 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

USD MILLION (Year ended 31 December)	Note	2017	2016
Profit/ (loss) for the year		41.2	(132.9)
Other comprehensive income			
Items to be reclassified to profit or loss:			
Currency translation differences		(0.8)	(0.6)
Cash flow hedges	18	6.9	23.0
Reclassification during the year to profit/ (loss) of cash flow hedges	18	6.4	(9.7)
Net items to be reclassified to profit or loss:		12.5	12.7
Items not to be reclassified to profit or loss:			
Actuarial gains/ (losses) on defined benefit plans	19	(0.5)	(0.6)
Net items not to be reclassified to profit or loss:		(0.5)	(0.6)
Other comprehensive income, net of tax		12.0	12.1
Total comprehensive income for the year		53.2	(120.8)
Total comprehensive income for the year attributable to			
Shareholders of the parent		51.8	(120.8)
Non-controlling interests		1.4	-
Total comprehensive income for the year		53.2	(120.8)

The notes on pages 48-87 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

USD MILLION (As at 31 December)	Notes	2017	2016
ASSETS			
Vessels	5,10	2,808.4	2,639.5
Property and other equipment	11	10.1	10.2
Oil and gas tangible assets	11	63.3	-
Intangible assets	12	6.7	3.7
Finance lease receivables	6	77.5	96.2
Deferred tax assets	9	11.5	2.6
Pension assets	19	0.5	1.8
Investments in associates and joint ventures	13,21	7.9	7.8
Derivatives	18	7.7	7.1
Other non-current assets		5.4	2.4
Total non-current assets		2,999.0	2,771.3
Inventories	16	31.8	13.9
Trade and other receivables	17	226.3	458.4
Finance lease receivables	6	18.7	17.3
Derivatives	18	1.5	0.1
Cash and cash equivalents	14	145.5	106.9
Total current assets		423.8	596.6
Total assets		3,422.8	3,367.9
EQUITY			
Share capital	15	92.5	92.5
Share premium	15	1,095.5	1,095.5
Other equity		(216.5)	(268.1)
Total equity attributable to shareholders of the parent		971.5	919.9
Non-controlling interests	23	287.9	-
Total equity		1,259.4	919.9
LIABILITIES			
Interest-bearing long-term debt	18,20	1,198.0	1,567.4
Pension obligations	19	4.2	3.6
Deferred tax liabilities	9	0.3	3.1
Other non-current liabilities	26	337.6	293.1
Derivatives	18	101.9	142.4
Total non-current liabilities		1,642.0	2,009.6
Trade and other payables	26	287.8	227.9
Derivatives	18	1.1	10.8
Interest-bearing short-term debt	18,20	222.8	174.4
Current tax liabilities	9	9.7	25.3
Total current liabilities		521.4	438.4
Total equity and liabilities		3,422.8	3,367.9

The notes on pages 48-87 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

USD MILLION	Note	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Other elements	Shareholders' equity	Non-controlling interests	Total equity
Equity at 1 January 2016		6.9	1,085.1	(9.1)	(15.3)	(31.2)	(92.0)	944.4	-	944.4
Issue of share capital	15	85.6	14.4	-	-	-	-	100.0	-	100.0
Transaction costs on issue of shares	15	-	(4.0)	-	-	-	-	(4.0)	-	(4.0)
Share-based payments	8	-	-	-	-	-	0.3	0.3	-	0.3
Profit/ (loss) for the period		-	-	-	-	-	(132.9)	(132.9)	-	(132.9)
Other comprehensive income		-	-	-	(0.6)	13.3	(0.6)	12.1	-	12.1
Total equity at 31 December 2016		92.5	1,095.5	(9.1)	(15.9)	(17.9)	(225.2)	919.9	-	919.9
Equity at 1 January 2017		92.5	1,095.5	(9.1)	(15.9)	(17.9)	(225.2)	919.9	-	919.9
Share-based payments	8	-	-	0.1	-	-	0.1	0.2	-	0.2
Profit/ (loss) for the period		-	-	-	-	-	39.8	39.8	1.4	41.2
Other comprehensive income		-	-	-	(0.8)	13.3	(0.5)	12.0	-	12.0
Other equity transactions		-	-	6.1	-	-	(6.5)	(0.4)	-	(0.4)
Transactions with non-controlling interests	23	-	-	-	-	-	-	-	286.5	286.5
Total equity at 31 December 2017		92.5	1,095.5	(2.9)	(16.7)	(4.6)	(192.3)	971.5	287.9	1,259.4

The notes on pages 48-87 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

USD MILLION (Year ended 31 December)	Note	2017	2016
Operating activities			
Profit/ (loss) before tax		43.5	(100.2)
Taxes paid	9	(28.0)	(31.1)
Fair value change on financial instruments		(31.7)	11.9
Share of loss/ (profit) of associated companies	13	(0.9)	(0.6)
Currency exchange differences		28.0	6.3
Depreciation and amortisation	10,11,12	228.6	227.4
Impairment	10	27.4	231.0
Add back of net interest expense		37.8	44.5
Instalment on financial lease	6	18.7	17.3
Other changes		20.2	8.2
Changes in working capital		315.9	(27.2)
Net cash flows from operating activities		659.5	387.5
Investing activities			
Investment in operating fixed assets and intangible assets	10,11,12	(443.0)	(401.4)
Cash transfer from non-controlling interests ¹⁾	27	(35.4)	-
Interest received		1.8	1.7
Net cash flows used in investing activities		(476.6)	(399.7)
Financing activities			
Proceeds from new interest-bearing debt	20	374.0	415.0
Repayment of long-term debt	20	(725.9)	(421.4)
Proceeds from share issue	15	-	100.0
Transaction costs on issue of shares		-	(4.0)
Cash transfer from non-controlling interests	23	294.9	-
Interest paid		(87.3)	(92.3)
Net cash flows used in financing activities		(144.3)	(2.7)
Net change in cash and cash equivalents		38.6	(14.9)
Cash and cash equivalents at 1 January		106.9	121.8
Cash and cash equivalents at 31 December	14	145.5	106.9

1) Cash transfer from non-controlling interests includes equity investment and loan

The notes on pages 48-87 are an integral part of these consolidated financial statements.

Notes

Note 1 General

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

The Company is listed on Oslo Børs (OSE:OSLO).

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

vessels). In addition, the Group also actively participates in field developments of discovered oil and gas fields.

All figures are in USD million if not otherwise stated. Because of rounding differences, numbers and or percentages may not add up to the total. Figures in brackets refer to corresponding figures for 2016.

The financial statements were approved by the Board of Directors on 21 February 2018.

Note 2 Significant accounting policies

Basis of preparation

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

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

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 statement of income and is included in equity in the statement of financial position. Profit and loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance.

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

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

Associates and joint ventures

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

Joint ventures are a type of joint arrangement where the

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

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

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

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

Revenue recognition

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

Operational services

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

Chartering of vessels

The chartering of FPSOs and FSOs to customers is recognised as revenue based on whether the chartering contract is considered an operating lease or a finance lease pursuant to IAS 17.

Operating lease

Leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments received under operating leases are recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. The lease term period for each lease contract is the non-cancellable period

for which the lessee has contracted the asset together with an assessment of any further terms that the lessee has the option to continue the lease, when management consider it reasonably certain that the lessee will exercise the option. As lease rates can vary over the lease term, this implies that there might be significant timing differences between cash flow and recognised revenue from a particular lease.

Variation orders

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

Finance lease

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Assets held pursuant to a finance lease are presented in the balance sheet as a receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. During the construction phase of the asset, the contract is treated like a construction contract.

Interest income

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

Dividend income

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

Other revenues

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

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

Production Sharing Contracts (PSCs)

A PSC is an agreement between a contractor and a host government, whereby the contractor bears all risk and costs for exploration, development and production in return for a stipulated share of production. The contractor recovers the sum of its investment and operating costs from a percentage of production (cost oil). In addition, the contractor is entitled to receive a share of production in excess of cost oil (profit oil). The sum of cost oil attributable to the Group's share of costs and share of profit oil represents the contractor's entitlement under a PSC. The sum of royalties and the government's share of profit oil, including that

of a governmentally controlled enterprise, represents the government take under a PSC.

Segment reporting

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

Property, plant and equipment

Measurement

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

Subsequent costs are included in the asset's carrying amount, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of day-to-day servicing of the asset are recognised in profit or loss as incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts.

The Group uses the 'successful efforts'-method of accounting for oil and gas exploration costs in accordance with IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Oil and gas expenditure is capitalised when it is considered probable that future economic benefits will be recoverable. Costs that are known at the time of incurrence to fail to meet this criterion are generally charged to expense in the period they are incurred. Once commercial reserves have been discovered, the carrying value of the relevant oil and gas assets is transferred to development tangible assets. Oil and gas expenditure capitalised as tangible assets includes license acquisition costs and other directly attributable costs. Oil and gas expenditure, which is not sufficiently related to a specific mineral resource to support capitalisation, is expensed as incurred.

Depreciation

Depreciation will start when an item of PP&E is ready for use as intended by management. For FPSOs this will be when the unit is successfully installed on the oil field and for the oil and gas assets this will be at first oil.

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

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

FPSOs and FSOs:

- Hull and Marine scope, including associated investments like refurbishment: 15-25 years
- Field specific equipment and associated investment costs which are incurred for a specific project, e.g. installation costs and transport costs: 3-25 years
- Process equipment and associated investment. (In case of long-term contracts these items can be fully depreciated over the contract duration.): 10-25 years

Oil and gas assets are under development and not depreciated.

Other PP&E's, like IT equipment, office equipment and cars: 3-11 years

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

Disposal activities

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

Impairment

Assets including vessels, vessels under construction, conversion candidates, oil and gas assets and other PP&E's, 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. Each individual oil and gas field is identified as a separate cash-generating unit.

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

Intangible assets

Computer software

Acquired computer software licenses are capitalised based on 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.

Exploration and evaluation assets

IFRS 6 Exploration for and Evaluation of Mineral Resources requires exploration and evaluation assets to be classified as tangible or intangible according to the nature of the assets. License acquisition costs and capitalised exploration assets are classified as intangible. When technical feasibility and commercial viability of the assets are confirmed, the assets are reclassified to tangible assets and depreciated. The exploration and evaluation assets classified as intangible are assessed for impairment before reclassification. No amortisation is charged during the exploration and evaluation phase.

The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards incidental to ownership of the leased item to the lessee. All other leases are classified as operating leases. The evaluation is based on the substance of the transaction rather than the form of the contract, and the determination is made when the leasing agreement is entered into.

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

Financial lease

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

Operating lease

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

The Group as lessee

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

Borrowings

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

Borrowing costs

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

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 fuel oil, materials, spare parts and other consumables on board the vessels. Inventories are measured at the lower of cost or net realisable value. Cost of materials and other consumables is determined by the weighted average cost method. Cost on fuel oil is determined by 'first-in-first-out' (FIFO) method. The cost of purchase of inventories comprises the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted when determining the costs of the purchase.

Cash and cash equivalents

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

related to withholding tax from employees is included as cash and cash equivalents.

Financial assets

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

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

Derivative financial instruments and hedging activities

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

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

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

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

The cash flow hedges of various derivative instruments used for hedging purposes are disclosed in Note 18. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the hedged forecast sale takes place). The gain or loss relating to the ineffective portion of derivatives hedging variable rate borrowings is recognised in the income statement within financial income and financial expenses. However, when the hedged forecast

transaction results in the recognition of a non-financial asset (for example inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

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

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

Provisions for other liabilities and charges

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

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

Contingent assets and liabilities

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 contributed to other pension plans. These contributions have been made to pension plans for full-time employees. The pension premiums are charged to expenses as they are incurred. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Share-based payment

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

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

The cost is recognised, together with a corresponding increase in treasury shares in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense (reference to Note 8).

Employee-leave entitlement

In some jurisdictions, an accrual is made for the estimated

liability for unutilised annual leave as a result of services rendered by employees up to the balance sheet date.

Currency translation

Functional and presentation currency

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

Transactions and balances

Transactions in a currency other than the functional currency ('foreign currency') are translated into the functional currency using the exchange rates prevailing at the date of transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Currency translation gains and losses, from items which are hedged in a cash flow hedge, are recognised in other comprehensive income.

Taxes and deferred tax liabilities

The Company is not subject to any income taxes at Bermuda, but the Company and its subsidiaries may be subject to income tax in the countries in which they operate. The Group provides for tax on profit based on the profit for financial reporting purposes, adjusted for non-taxable revenue and expenses. Income tax expense represents the sum of the tax currently payable, changes in deferred tax liabilities and deferred tax assets, and withholding tax on charter hire and financial items. Charter hire and financial items are presented gross of withholding taxes payable where applicable.

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

Deferred taxation is provided for in the statement of financial position 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 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, subject to applicable tax law restrictions on the sources of taxable profits against which deductions can be made on the reversal of that

difference. In assessing whether there are sufficient future taxable profits available, deductible tax reductions resulting from the reversal of those deductible temporary differences are excluded from future taxable profits.

Such assets and liabilities are also not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in the equity.

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

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

Dividend distribution

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

Share capital

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

Preference shares

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

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, except for next year's instalment on long-term debt. This is presented as current interest-bearing debt. Liabilities which fall due less than one year after they are incurred are classified as current liabilities.

Changes in accounting policies

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

New and amended standards adopted by the Group in 2017:

- Amendments to IAS 7 and IAS 12
- Annual improvements: 2014-2016 cycle (IFRS 12)

These changes are not considered material for the Group.

Standards issued but not yet effective:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contract with customers
- IFRS 16 Leases
- Amendments IFRS 2, IFRS 4
- Amendments to IAS 40
- Annual improvements: 2014-2016 cycle (IFRS 1, IAS 28)
- IFRIC 22 Foreign Currency Transactions and Advance considerations

Except for some impact by IFRS 15 and IFRS 16, none of these changes are expected to have a material impact to the Group.

IFRS 15 – Revenue from contracts with customers

Management has assessed the effects of applying the new standard on the financial statements of the Group and has identified the following areas that will be affected:

Maintenance bonus and KPI-bonus:

The application of IFRS 15 has identified separate performance obligations affecting the timing of the recognition of revenue.

The Group expects the implementation of the new standard to be only a shift in timing of recognition revenue. The changes in the revenue recognition criteria will reduce the opening balance in equity for 2018 with USD 4.6 million. Correspondingly, if the new standard had been applied in 2017, revenue for 2017 would have been lower with the same amount.

Disputed revenue:

Under the new standard, the Group is not entitled to recognise disputed revenues. The Group has provided for disputed amounts, however, the new standard will not affect operating profit, but result in a reclassification between revenues and operating expenses. For 2017 this amount to 5.8 USD million.

The Group will apply the changes in IFRS 15 using the modified retrospective method with no practical expedients used.

Date of adoption by the Group: 1 January 2018.

IFRS 16 – Leases

The Group as Lessor:

The lessor accounting is not substantially changed; hence the Group does not expect any material impact of the new standard in the areas where the Group acts as lessor (reference to Note 6).

The Group as Lessee:

The Group does not have any significant lease agreements as lessee, and therefore the impact is expected to be insignificant. According to IFRS 16, the leased assets and the corresponding liabilities will be recorded in statement of financial position (reference to Note 24).

The Group has by year-end 2017 identified the following types of leased assets:

- Office premises
- Office machines
- Warehouse
- Apartments
- Cars

Expected date of adoption by the Group: 1 January 2019.

Note 3 Critical accounting estimates and assessments

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

Depreciation

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

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

Impairment of tangible assets

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

assumptions on rates to be achieved from redeployment. The key assumptions used for the impairment testing of FPSOs and FSOs are described in Note 10.

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

Income tax

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

Presentation of preference shares

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

If dividend is to be paid out on common shares in BW Catcher Limited, then accrued dividend and redemption of preference shares has to be paid (dividend pusher). The dividend stopper disallows dividend payments on common equity in BW Catcher while any accrued preference share dividend and/or redemption amount is outstanding.

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

Note 4 List of subsidiaries, associates and joint ventures

Subsidiaries	Country of incorporation	Ownership 2017	Ownership 2016
Belokamenka Limited	Bermuda	100%	100%
Berge Carmen Singapore Pte Ltd	Singapore	100%	100%
Berge Helene Limited	Bermuda	100%	100%
Bergesen Worldwide Limited	Bermuda	100%	100%
Bergesen Worldwide Mexico, S.A. de C.V.	Mexico	100%	100%
Bergesen Worldwide Offshore Mexico S. de RL de CV	Mexico	100%	100%
BW Ara Limited	Bermuda	100%	100%
BW Belokamenka (Cyprus) Limited ¹⁾	Cyprus	0%	100%
BW Carmen Limited	Bermuda	100%	100%
BW Catcher Limited ²⁾	Bermuda	100%	100%
BW Cidade de São Vicente Limited	Bermuda	100%	100%
BW Energy Dussafu B.V. ³⁾	Netherlands	100%	0%
BW Energy Gabon Pte Ltd ³⁾	Singapore	100%	100%
BW Energy Holdings Pte Ltd ⁴⁾	Singapore	67%	100%
BW Kudu Holding Pte Ltd	Singapore	100%	100%
BW Kudu Limited	United Kingdom	100%	100%
BW KMZ Limited	Bermuda	100%	100%
BW Nisa Limited	Bermuda	100%	100%
BW Offshore Australia Pty Ltd ⁵⁾	Australia	0%	100%
BW Offshore Catcher (UK) Limited	United Kingdom	100%	100%
BW Offshore China Ltd	China	100%	100%
BW Offshore Cyprus Limited	Cyprus	100%	100%
BW Offshore do Brazil Ltda	Brazil	100%	100%
BW Offshore do Brazil Servicos Maritimos Ltda	Brazil	100%	100%
BW Offshore (Ghana) Pte Ltd	Singapore	100%	100%
BW Offshore Global Manning Pte Ltd	Singapore	100%	100%
BW Offshore USA Management, Inc.	USA	100%	100%
BW Offshore Nautipa AS	Norway	100%	100%
BW Offshore Netherlands B.V.	Netherlands	100%	100%
BW Offshore Norway AS	Norway	100%	100%
BW Offshore Norwegian Manning AS	Norway	100%	100%
BW Offshore Opportunity I Limited	Bermuda	100%	0%
BW Offshore Peregrino Limited	Bermuda	100%	100%
BW Offshore Poland sp z o.o.	Poland	100%	100%
BW Offshore Production do Brazil Ltda	Brazil	100%	100%
BW Offshore Shipholding Limited	Bermuda	100%	100%
BW Offshore Shipholding Cyprus Limited	Cyprus	100%	100%
BW Offshore Singapore Pte Ltd	Singapore	100%	100%
BW Offshore TSB Invest Pte Ltd	Singapore	100%	100%
BW Offshore (UK) Limited	United Kingdom	100%	100%
BW Offshore USA, LLC	USA	100%	100%
BW Opportunity Limited	Bermuda	100%	0%
BW Pioneer Limited	Bermuda	100%	100%
BW Pioneer (UK) Limited	United Kingdom	100%	100%
BWO Rouen SAS	France	100%	100%
BWO-Premier Ghana Limited	Ghana	70%	70%
Egyptian Winlines Shipping Co. SAE	Egypt	100%	100%
Prosaf FPSO (D) Pte Ltd	Singapore	100%	100%
Prosaf GFPSO I B.V.	Netherlands	100%	100%
Prosaf Production B.V.	Netherlands	100%	100%
Prosaf Production Management B.V.	Netherlands	100%	100%
Prosaf Production Nigeria Limited	Nigeria	100%	100%
Prosaf Services Cote d'Ivoire Pte Ltd	Singapore	100%	100%
PT BW Offshore TSB Invest ⁶⁾	Indonesia	49%	49%
Sendje Berge Limited	Bermuda	100%	100%
Tinworth Pte Ltd	Singapore	100%	100%
Tinworth Gabon SA	Gabon	100%	100%
Associates			
OCS Services Limited	British Virgin Islands	50%	50%
Euro Techniques Industries	France	40%	40%
Joint ventures			
BW Offshore Nigeria Limited	Nigeria	49%	49%

1) Merged with BW Offshore Cyprus Limited during 2017

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

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

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

5) Deregistered during 2017

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

Note 5 Segment information

The Group's activities have been construction, ownership and operation of FPSOs and FSOs. From 2017 this has been expanded to focus on oil and gas activities with the acquisition of Dussafu and Kudu. The assets and liabilities are allocated based on the operations of the segment. Sales between segments are presented net of intercompany transactions.

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. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

2017

USD MILLION	FPSO	Oil and gas	Eliminations	Total
Revenues from third parties	626.0	-	-	626.0
Revenues inter-segment	3.0	-	(3.0)	-
Total revenues	629.0	-	(3.0)	626.0
Share of profit/(loss) of associates and joint ventures	0.9	-	-	0.9
Operating expenses	(256.9)	(3.6)	3.0	(257.5)
General and administrative expenses	(33.2)	-	-	(33.2)
EBITDA	339.8	(3.6)	-	336.2
Depreciation, amortisation and impairment	(256.0)	-	-	(256.0)
EBIT	83.8	(3.6)	-	80.2
Capital expenditure	424.0	67.2	-	491.2
Balance sheet information				
Investments in associates and joint ventures	7.9	-	-	7.9
Non-current segment assets	2,905.2	67.2	-	2,972.4
Non-current assets, not allocated to segments				18.7
Total non-current assets				2,999.0

2016

USD MILLION	FPSO	Oil and gas	Eliminations	Total
Revenues from third parties	844.7	-	-	844.7
Revenues inter-segment	-	-	-	-
Total revenues	844.7	-	-	844.7
Share of profit/(loss) of associates and joint ventures	0.6	-	-	0.6
Operating expenses	(407.1)	-	-	(407.1)
General and administrative expenses	(14.8)	-	-	(14.8)
EBITDA	423.4	-	-	423.4
Depreciation, amortisation and impairment	(458.4)	-	-	(458.4)
EBIT	(35.0)	-	-	(35.0)
Capital expenditure	401.3	-	-	401.3
Balance sheet information				
Investments in associates and joint ventures	7.8	-	-	7.8
Non-current segment assets	2,749.4	-	-	2,749.4
Non-current assets, not allocated to segments				14.1
Total non-current assets				2,771.3

Revenues by geographical areas ¹⁾

USD MILLION	2017	2016
Americas	234.0	432.4
Europe/Africa	286.2	305.1
Asia and the Pacific	105.8	107.2
Total revenues	626.0	844.7

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

Non-current assets by region

USD MILLION	2017	2016
Americas	704.4	766.4
Europe/Africa	1,716.4	1,399.0
Asia and the Pacific	467.7	488.0
Total non-current assets ¹⁾	2,888.5	2,653.4

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

The Group has a limited number of customers (see also section regarding credit risk in Note 18). 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 144.9 million in 2017 (USD 144.6 million).

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 lease

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

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

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

USD MILLION	2017	2016
Not later than one year	25.3	25.3
Later than one year and not later than five years	88.3	101.0
Later than five years	-	12.5
Gross receivables from finance leases	113.6	138.8
Unearned future finance income on finance leases	(17.4)	(25.3)
Net investment in finance leases	96.2	113.5
Included in non-current assets (Financial lease receivables)	77.5	96.2
Included in current assets (Financial lease receivables)	18.7	17.3

Operating leases

BW Athena, BW Adolo (formerly known as Azurite), Berge Helene and Belokamenka are not on contract as of December 2017. FPSO Cidade de São Mateus is currently in lay-up after the accident. Until final discussions are concluded and agreed with Petrobras, it is not possible to establish a plan for the FPSO and field. BW Adolo will be redeployed to the Dussafu field in Gabon in the second half of 2018. The FPSO fits well with the approved field development plan specifications for the Dussafu field offshore Gabon. BW Adolo is currently at the Keppel shipyard in Singapore for upgrades before mobilizing to Gabon.

The rest of the FPSOs owned by year-end are on firm operating lease contracts. First oil from BW Catcher was achieved on 23 December 2017 and the FPSO commenced operation 6 January 2018.

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

USD MILLION	2017	2016
Not later than one year	706.5	557.4
Later than one year and not later than five years	1,791.0	1,886.7
Later than five years	519.6	722.3
Total nominal amount	3,017.1	3,166.4

Note 7 Specification of operating, administrative and other expenses

USD MILLION	2017	2016
Employee benefit expenses crew (Note 8)	102.1	113.8
Allocations of cost from administrative support	40.0	19.7
Insurance	24.0	29.7
Operation, maintenance, spare parts and repairs	78.8	148.1
Total operating expenses vessels	244.9	311.3

USD MILLION	2017	2016
Employee benefit expenses (Note 8)	107.9	89.1
Allocation to operations and other	(95.6)	(95.6)
Travel expenses	2.4	2.1
Auditors	0.8	0.8
IT and communication	6.2	6.0
Offices (rent etc.)	6.1	7.5
Other expenses	5.4	5.0
Total administrative expenses	33.2	14.8

USD MILLION	2017	2016
Allocations of cost from administrative support	8.1	5.7
Oil and gas expenses	0.6	-
FEED /Tender activities and Insurance claim expenses	3.9	90.1
Total other expenses	12.6	95.8

Note 8 Employee benefit expenses, remuneration to directors and auditors etc.

USD MILLION	2017	2016
Wages, crew	101.6	113.1
Wages, administrative personnel	100.7	79.7
Social security tax	5.8	5.7
Pension costs defined benefit plans (Note 19)	1.9	4.4
Total employee benefit expenses	210.0	202.9
Average number of employees	2,103	2,242

Remuneration to Top Management ¹⁾

USD	Salary	Bonus	Pension benefits	Share options	Other benefits	Number of shares
2017	3,634,746	1,115,968	203,011	90,358	339,356	2,767,487
2016	3,475,761	181,125	2,807,496	271,072	443,918	2,683,620

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

Loans

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

USD	2017	2016
Loans to Top Management	137,078	130,254

Severance

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

Share options

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

Long-term incentive program

The Group has established a long-term incentive program for C-suite management (CEO, CFO, COO and CCO) as well

as Head of Projects. This program is intended to reward performance over a three-year period. It is designed to encourage focus on long-term value generation rather than short-term achievements. Pay-out under the long-term incentive program is based on targets achieved within three parameters:

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

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

Remuneration to Board of Directors

USD	Directors fee	Number of shares	Share options
2017	463,433	92,693,605	-
2016	463,826	92,693,605	-

The compensation for members of the Board of Directors for the period May 2017 to May 2018 will be decided at the annual general meeting in May 2018.

Loans to other employees

USD	2017	2016
Loans to other employees	958,172	548,528

Variable compensation scheme for other employees

The Variable Compensation Scheme (VCS) is a system for rewarding employees if and when the Group reaches set goals, based on financial parameters. The VCS might differ from year to year depending on the challenges and goals set by the Group, and the financial factors that influence the Group's performance. The VCS for 2018 is based on five parameters:

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

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

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

Fees to auditors

USD THOUSAND	2017	2016
Statutory audit	822.0	817.4
Other attestation services	217.0	247.7
Tax related services	824.1	612.9
Total fees	1,863.1	1,678.0

Note 9 Income tax expense

The income tax expense for the period is comprised of corporate income tax, withholding tax and deferred tax.

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

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

deducted by the client who pays the taxes directly to the local tax authorities in the name of the Group.

The Group's operational activities are subject to taxation rates which range from 0% to 34%.

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

Tax expense for the year

USD MILLION	2017	2016
Changes in temporary differences	(11.3)	(0.5)
Tax expense current year	(2.1)	11.7
Tax expense previous years	(1.0)	0.9
Withholding tax	16.7	20.6
Total tax expense recognised in statement of income	2.3	32.7

Effective tax rate

USD MILLION	2017	2016
Net result before tax	43.5	(100.2)
Income tax at Bermuda statutory income tax rate of 0%	-	-
Withholding taxes	16.7	20.6
Effect of higher tax rates outside Bermuda	(3.1)	12.6
Writedown of deferred tax assets	(8.2)	-
Change in temporary differences	(3.1)	(0.5)
Total income tax expense at the effective income tax rate	2.3	32.7
Effective tax rate	5.3%	-

Tax liabilities

USD MILLION	2017	2016
Tax payable at 31 December	9.7	25.3

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

Total tax income has been significantly reduced in 2017 compared to 2016. BW Offshore has released tax-provisions of USD 32 million due to updated information indicating that changes to tax laws for Nigeria, where the Company has operation, will not be applied retrospectively. Tax provisions had been accumulated since 2014. Taxes were also impacted by an increase of deferred tax assets related to BW Pioneer of USD 8 million.

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

USD MILLION	2017	2016
Deferred tax assets		
Vessels	8.2	-
Other	3.3	2.6
Deferred tax assets - gross	11.5	2.6
Deferred tax liabilities		
Other	(0.3)	(3.1)
Deferred tax liabilities - gross	(0.3)	(3.1)
Net recognised deferred tax liabilities/ Deferred tax assets	11.2	(0.5)

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

The Group also has tax loss carried forward in several jurisdictions. The tax value of the losses is USD 544 million (USD 426 million). These losses are not recognised as it is not possible to predict with reasonable certainty whether adequate tax able profit will be available in the future against which losses can be utilised.

Note 10 FPSOs, FSOs and vessels under construction

The owned fleet at 31 December 2017 included the following vessels: Abo FPSO, Belokamenka, Berge Helene, BW Adolo, BW Athena, BW Catcher, BW Cidade de São Vicente, BW Joko Tole, BW Pioneer, FPSO Cidade de São Mateus, Espoir Ivoirien, Petróleo Nautipa, FPSO Polvo, Sendje Berge, Umuroa and Yùum K'ak' Náab.

BW Adolo (formerly known as Azurite) will be redeployed to the Dussafu field in Gabon in the second half of 2018. The FPSO fits well with the approved field development plan specifications for the Dussafu field offshore Gabon. The BW Adolo is currently at the Keppel shipyard in Singapore for upgrades before mobilizing to Gabon. This vessel is included in "Vessels in operation" in the table below.

Vessels available for projects include vessel that are currently not in operation. BW Athena and Belokamenka have been in lay-up since 2016 and are currently marketed for new projects. Berge Helene continued operation beyond the original termination date in May 2017, based on a contract with 75 days' termination notice, until the client is ready to commence disconnection and demobilisation. The Group has agreed a contract and scope of work related to the disconnection and demobilisation of the FPSO from the field. This project has commenced, with the unit scheduled to return to Singapore during second quarter

2018. These vessels are included in "Vessels available for projects" in the table below.

FPSO Cidade de São Mateus is in lay-up after the accident in 2015. The Group signed an agreement with its insurers, with effective date 22 December 2016, for an early repair cost settlement of USD 250 million during January 2017. The amount was received in 2017. An accrual for remaining USD 90 million was recorded as other income by year-end 2016, as the Group had preliminary accrued for USD 160 million in insurance receipt for repair during 2015. Since the accident in 2015, the Group has also had insurance claims related to salvage of the unit. The early repair cost settlement included a settlement also for salvage related claims. As per year-end 2016, taken into account certain provisions for outstanding unsettled expenses, the profit and loss impact was negative USD 57.3 million of which the net impact for 2016 was negative USD 13.6 million. The Group has insurance for loss of hire and has as a result received USD 31.5 million for loss of hire in 2016, until loss of hire payments ended in May the same year. The Group continues the dialogue with the client regarding a plan for the FPSO and the field. This vessel is included in "Vessels in operation" in the table below.

Yùum K'ak' Náab (reference to Note 6) is accounted for as a finance lease and is not included in the table below.

2017

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

2016

USD MILLION	Vessels in operation	Vessels under construction	Vessels available for projects	Total
Cost at 1 January 2016	3,519.0	522.5	369.4	4,410.9
Additions	103.8	289.3	3.3	396.4
Disposal	(27.7)	-	-	(27.7)
Reclassification	(301.5)	-	301.5	-
Cost at 31 December 2016	3,293.6	811.8	674.2	4,779.6
Accumulated depreciation and impairment charge at 1 January 2016	(1,565.9)	-	(150.9)	(1,716.8)
Current year depreciation	(181.3)	-	(39.5)	(220.8)
Impairment charge	(173.6)	-	(49.0)	(222.6)
Disposal	20.1	-	-	20.1
Reclassification	163.3	-	(163.3)	-
Accumulated depreciation and impairment charge at 31 December 2016	(1,737.4)	-	(402.7)	(2,140.1)
Book Value at 31 December 2016	1,556.2	811.8	271.5	2,639.5
Useful life	Up to 25 years			
Capitalised interest cost for vessels under construction	34.5			

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

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

Each vessel is regarded as a cash-generating unit for impairment testing. The recoverable amount is based on a value-in-use calculation for each of the vessels in the fleet. To estimate the recoverable amount, the Group has to make assumptions on contracted cash flows as well as uncontracted cash flows over the useful life for each vessel. Uncontracted cash flows have been estimated based on experience, expectations on future market conditions and return on invested capital. The assumptions made are built into different scenarios with different cash flows for each unit. Part of the basis for the impairment assessment is also that the Group expects an improved market as a result of recovery in the oil price where it is expected that it will be possible to extend contracts for certain units already in operation as well as more likely to achieve redeployment of units that are currently idle. The Group has as part of valuation assumed that idle units will be committed to new contracts two years after end of respective contracts. Each of the scenarios are weighted to provide for a recoverable amount for each unit that is a weighted average of all scenarios. Scenarios will also include a weighted probability that a unit cannot be redeployed beyond current contract and will have to be recycled.

Cash flows were discounted at a rate of 8% (8%) on a pre-tax basis. The discount rate is based on Weighted Average Cost of Capital (WACC) for the Group. The following assumptions have been made for the WACC:

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

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

The WACC used for discounting cash flows during impairment testing is sensitive for assumptions as provided above. An increase of the WACC for the Group by 1% would require an impairment of USD 10 million.

A one-year extra before redeployment of vessels in the weighted scenarios would not lead to impairment, but will for several vessels remove most of headroom between value in use and book value. Similarly a further rate reduction of 10% from the weighted scenario on the same vessels would not require an additional impairment.

The Group also performed an impairment assessment of fleet for 2016. This assessment led to a USD 222.6 million impairment loss recorded, to write down certain vessels to the recoverable amount. Impairment of USD 135.5 million was recognised due to damages on FPSO Cidade de São Mateus caused by the accident in February 2015.

The Impairment recorded in 2016 was in addition to an impairment on the unit of USD 160 million during 2015. The assessment in 2015 was based on preliminary information about the damages to the unit. During 2016, the Group did a complete survey after the FPSO arrived in Singapore where a more accurate estimate of the extend of damages and repair costs were assessed. On this basis, a further impairment for 2016 was recorded.

Further, the Group recorded the following impairments for 2016; USD 49.0 million on BW Athena, USD 19.9 million on FPSO Polvo, USD 8.7 million on Berge Helene and USD 9.5 million on Espoir Ivoirien. Although BW Offshore expected an improved market as a result of recovery in the oil price, the Group adjusted probabilities for extension of contracts and redeployment of units after end of current contract. Combined with reassessed estimates for capital expenditures needed for life extension, this resulted in an impairment on certain units. BW Offshore also increased the average cost of capital used for impairment testing, and this reduced the valuation of the fleet overall compared to previous years. Net book value of vessels impacted by impairment is USD 403.6 million.

Note 11 Oil and gas tangible asset, property and other equipment

2017

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

1) UoP = Unit of Production. Oil and gas assets are under development and not depreciated.

2016

USD MILLION	Property and other equipment
Cost at 1 January 2016	25.1
Additions	3.0
Exchange differences	0.4
Disposals (impairment/discontinued operation)	(3.6)
Cost at 31 December 2016	24.9
Accumulated depreciation at 1 January 2016	(13.1)
Current year depreciation	(3.8)
Disposals	2.5
Exchange differences	(0.3)
Accumulated depreciation at 31 December 2016	(14.7)
Book value at 31 December 2016	10.2
Useful life	0-25 years

The Group completed in April 2017 the acquisition of a 66.667% interest in the Dussafu production sharing contract offshore Gabon from Harvest Energia B.V. The acquisition price was USD 34.3 million including preliminary adjustments. Later in April 2017, the Group also completed the acquisition of 25% working interest in the Dussafu production sharing contract from Pan-Petroleum Gabon B.V., a wholly-owned subsidiary of Panoro Energy ASA. The acquisition price was USD 12 million (reference to Note 27).

The Group owns 66.67% of a 91.667% working interest in the Dussafu production sharing contract, subject to discussions with the Gabon Oil Company for their potential participation (10%). BW Group owns the other 33.33% of the same 91.667% working interest. Panoro Energy holds the remaining 8.33% working interest in the Dussafu license. The license allow for exploration of hydrocarbons for a period of up to 20 years from first oil.

The Group has 2P reserves at 23.5 mmbbl (unaudited). Reference to Annual Statement of Reserves 2017.

Note 12 Intangible assets

USD MILLION	Software	Oil and gas intangible assets	Total intangible assets
Cost			
At 1 January 2017	13.6	-	13.6
Additions	1.8	3.9	5.7
Carrying amount, 31 December 2017	15.4	3.9	19.3
			-
Amortisation and impairment			
At 1 January 2017	(9.9)	-	(9.9)
Amortisation and impairment	(2.7)	-	(2.7)
At 31 December 2017	(12.6)	-	(12.6)
			-
Net book value			
At 31 December 2017	2.8	3.9	6.7
At 31 December 2016	3.7	-	3.7
Useful life	1 - 3 years		
Amortisation method	linear		

Oil and Gas intangible assets are under the exploration and evaluation phase and are not amortised. The Group holds a 56% stake of the Kudu production licence, PL-003, offshore Namibia. National Petroleum Corporation of Namibia

(NAMCOR), the Namibian state-owned oil company, holds the remaining 44% of the licence. The licence expires in November 2036.

Note 13 Investments in associated companies

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

2017

USD MILLION

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

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

USD MILLION

Entity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity	Revenues	Results for the year	OCI
OCS Services Limited	1.8	12.4	-	2.4	11.8	6.0	1.8	-
Euro Techniques Industries	2.8	5.3	-	5.1	3.1	3.7	0.4	-

2016

USD MILLION

Entity	OCS Services Limited	Other associates
Country	British Virgin Islands	France
Industry	Manning Office	Technology
Carrying amount 1 January 2016	5.0	2.7
Effect from sale of shares	-	(1.4)
Share of net profit	0.4	0.1
Carrying amount 31 December 2016	5.4	1.4

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

USD MILLION

Entity	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity	Revenues	Results for the year	OCI
OCS Services Limited	1.8	10.0	-	1.9	9.9	5.5	0.7	-
Euro Techniques Industries	1.1	3.9	-	2.8	2.2	3.9	0.3	-

OCS

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

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

Note 14 Cash and cash equivalents

Cash and cash equivalents are denominated primarily in USD, SGD, BRL, EUR, GBP, JPY and NOK. Restricted bank deposits at 31 December 2017 amounted to USD 1.3

million (USD 3.4 million). This relate to taxes withheld from employees and an escrow account concerning the Dussafu investment.

Note 15 Share capital of the company, largest shareholders, par value etc.

Share capital

Authorised share capital:

At 1 January 2016	700,000,000 ordinary shares at par value USD 0.01 each
Increase during 2016	10,000,000,000 ordinary shares at par value USD 0.01 each
Reverse share split	214,000,000 ordinary shares at par value USD 0.50 each
At 31 December 2016	214,000,000 ordinary shares at par value USD 0.50 each
At 31 December 2017	214,000,000 ordinary shares at par value USD 0.50 each

USD THOUSAND

Issued and fully paid:

At 1 January 2016	6,880.0
Increase during 2016	85,598.2
At 31 December 2016	92,478.2
At 31 December 2017	92,478.2

In July 2016, The Group raised USD 100 million in new equity capital through a rights issue. BW Offshore Limited issued 8,559,810,000 new shares at a subscription price of NOK 0.10 per share, thereby raising gross proceeds of NOK 855,981,000. The rights issue was fully underwritten. The net proceeds from the rights issue were USD 96 million.

Number of issued shares were 9,247,816,004 and 10,700,000,000 in authorised shares, following the rights issue.

In November 2016, the Group announced that the Board of Directors had resolved to carry out a reverse share split of the Company's common shares (the "Reverse Share Split"). The reverse share split was carried out to ensure compliance with section 2.4 of Oslo Børs' continuing obligations about minimum market value of NOK 1 on issued shares. The reverse

share split comprised a consolidation of the common shares of the Company such that every 50 common shares in issue and authorised but unissued of par value USD 0.01 was consolidated into 1 common share of par value USD 0.50.

Following the rights issue and the reverse share split, the number of issued shares was 184,956,320 at 31 December 2016.

The Company held a total of 15,312 own shares at 31 December 2017 (48,627). These shares are held as 'treasury shares'. Book value of the treasury shares was USD 2.9 million at 31 December 2017 (USD 9.1 million).

The 20 largest shareholders at 31 December 2017 were:

Entity	No of shares	Holding
1 BW GROUP LIMITED ¹⁾	92,332,844	49.9%
2 PERESTROIKA AS	8,389,189	4.5%
3 BROWN BROTHERS HARRIMAN (LUX.) SCA	7,860,720	4.3%
4 VERDIPAPIRFONDET ALFRED BERG GAMBA	3,651,163	2.0%
5 CATELLA HEDGEFOND	3,073,824	1.7%
6 CITIBANK, N.A.	2,933,894	1.6%
7 J.P. MORGAN BANK LUXEMBOURG S.A.	2,539,952	1.4%
8 VERDIPAPIRFONDET PARETO INVESTMENT	2,307,000	1.2%
9 SVENSKA HANDELSBANKEN SA, CARL KROGH ARNET	2,268,125	1.2%
10 JPMORGAN CHASE BANK, N.A., LONDON	2,250,001	1.2%
11 NORDEA BANK AB, DENMARK BRANCH	2,219,706	1.2%
12 NORDEA BANK AB, FINNISH BRANCH	1,764,471	1.0%
13 J.P. MORGAN BANK LUXEMBOURG S.A., MUTUAL FUND	1,666,952	0.9%
14 FIDELITY INT SMALL CAP FUND	1,659,938	0.9%
15 F2 FUNDS AS	1,100,000	0.6%
16 NORDNET BANK AB	1,064,605	0.6%
17 NORDNET LIVSFORSIKRING AS	1,063,596	0.6%
18 HELMER AS	900,000	0.5%
19 STATE STREET BANK AND TRUST COMP	877,883	0.5%
20 MSCO EQUITY FIRM ACCOUNT	870,786	0.5%
Top 20 shareholders	140,794,649	76.1%
Total shares outstanding	184,956,320	

The 20 largest shareholders at 31 December 2016 were:

Entity	No of shares	Holding
1 BW GROUP LIMITED ¹⁾	92,332,844	49.9%
2 FIDELITY FUNDS-NORDIC FUND/SICAV	7,049,149	3.8%
3 STATE STREET BANK AND TRUST COMP	7,006,058	3.8%
4 PERESTROIKA AS	6,030,834	3.3%
5 FIDELITY PURITAN TRUST: FIDELITY	5,373,464	2.9%
6 SVENSKA HANDELSBANKEN SA, CARL KROGH ARNET	2,200,000	1.2%
7 FIDELITY SELECT PORTFOLIOS: ENERGY	2,109,147	1.1%
8 JPMORGAN CHASE BANK, N.A., LONDON	1,934,268	1.0%
9 FID BLUE CHIP VAL FD	1,892,041	1.0%
10 VERDIPAPIRFONDET ALFRED BERG GAMBA	1,815,460	1.0%
11 FIDELITY INT SMALL CAP FUND	1,659,938	0.9%
12 F2 FUNDS AS	1,352,808	0.7%
13 NORDNET LIVSFORSIKRING AS	1,350,377	0.7%
14 VERDIPAPIRFONDET DNB SMB	1,280,575	0.7%
15 NORDNET BANK AB	1,191,237	0.6%
16 ARNE TEIGEN	1,000,000	0.5%
17 CITIBANK, N.A.	998,452	0.5%
18 VERDIPAPIRFONDET PARETO INVESTMENT	930,000	0.5%
19 NHO - P665AK	859,007	0.5%
20 VERDIPAPIRFONDET DELPHI NORGE	700,000	0.4%
Top 20 shareholders	139,065,659	75.2%
Total shares outstanding	184,956,320	

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

Note 16 Inventories

USD MILLION	Fuel oil	Materials and consumables	Total
Cost at 1 January 2017	3.8	10.1	13.9
Purchase during the year	0.1	35.8	35.9
Used during the year	(0.5)	(17.5)	(18.0)
Cost at 31 December 2017	3.4	28.4	31.8
Cost at 1 January 2016	4.5	2.2	6.7
Purchase during the year	2.7	12.0	14.7
Used during the year	(3.4)	(4.1)	(7.5)
Cost at 31 December 2016	3.8	10.1	13.9

Inventories comprise mainly fuel oil, materials, spare parts and other consumables on board the vessels. Inventories are measured at the lower of cost or net realisable value. Cost of materials and other consumables is determined

by the weighted average cost method. Cost on fuel oil is determined by 'first-in-first-out' (FIFO) method. The increase during 2017 is related to implementation of inventory module on board the vessels.

Note 17 Trade and other receivables

USD MILLION	2017	2016
Trade receivables - gross	196.8	175.1
Provision for doubtful debt	(7.0)	(29.0)
Other receivables	15.9	15.5
Prepayments	15.4	14.9
Insurance claims	5.2	281.9
Trade and other receivables	226.3	458.4
Current portion	226.3	458.4

In 2016, insurance claims are predominantly related to the accident for FPSO Cidade de São Mateus. There were no outstanding insurance claims related to FPSO Cidade de São Matheus at the end of 2017 (reference to Note 25).

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

USD MILLION	2017	2016
Trade and other receivables	226.3	458.4

As of 31 December 2017, trade receivables of USD 12.2 million (USD 48.2 million) were overdue but not impaired. During 2015 and 2016, the Group had for some time not been paid the full contractual rate by Addax Petroleum Exploration Limited for Sendje Berge. In 2016, the Group submitted a claim to the arbitration tribunal for unpaid

contractual rate. In February 2017, the Group received an arbitration award entirely in the Groups favour, requiring the claimed day rates to be paid. During 2017, all outstanding receivables have been paid and the Group has signed a four-year contract extension with Addax Petroleum Exploration Limited (reference to Note 25).

The aging analysis of trade receivables is as follows:

USD MILLION	2017	2016
Not past due	179.0	91.8
Up to 3 months	8.7	21.5
3 - 6 months	1.0	18.3
6 - 12 months	2.5	27.0
12 - > months	5.6	16.5
Trade receivables - gross	196.8	175.1

As of 31 December 2017, trade receivables of USD 7.0 million (USD 29.0 million) were impaired due to disputes and provided for. The aging of these receivables is as follows:

USD MILLION	2017	2016
Up to 3 months	1.5	7.7
Over 3 months	5.5	21.3
Total	7.0	29.0

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

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

USD MILLION	2017	2016
Provision at 1 January	29.0	5.4
Charge for doubtful debt during the period	4.1	26.5
Reversal of provision	(26.1)	(2.9)
Provision at 31 December	7.0	29.0

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 for financing, treasury management and financial risk management.

Financial risk factors

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

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. A finance management team, led by the Chief Financial Officer identifies and evaluates financial risks in close co-operation with the Group's operating units. The finance management team's activities are governed

by policies approved by the Board of Directors for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity. The finance management team will report to the Group's Top Management, the Audit Committee and the Board of Directors on the status on activities on a regular basis.

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

Market risk

The oil and gas markets remain challenging. The majority of BW Offshore's fleet remains on long-term contracts with national and independent oil companies. The fleet should continue to generate a significant cash flow in the time

ahead. Current oil price levels have reduced, but not eliminated, the risk of customers delaying or defaulting on their obligations. The start-up of production from BW Catcher by the end of 2017 will be a significant contributor to the cash flow of the Group in 2018 and the years to come.

The Group signed a cooperation agreement with the world-leading financial leasing firm ICBC Financial Leasing Co., Ltd. (ICBC) with the intention to establish a long-term strategic partnership to jointly pursue large international infrastructure projects with a focus on FPSOs. The Group have completed the equity transaction for BW Catcher with ICBC as planned, being the first joint project. This has significantly strengthened the balance sheet and made the Group well positioned to make new investments in an improving market.

Fleet asset values are assessed according to a value-in-use methodology, with balanced assumptions on the likelihood of option periods and future projects. The basis for the impairment assessment is that the Group expects an improved market as a result of recovery in the oil price where it is expected that it will be possible to extend contracts for units already in operation as well as more likely to achieve redeployment of units that are currently idle. The Group has as part of valuation assumed that idle units will be committed to new contracts two years after end of respective contracts. We believe that the improvement seen to the oil price will trigger new offshore developments already from 2018 (reference to Note 10).

Credit risk

Most of the Group's customer contracts are long-term. The Group assesses the credit quality of the customers on a regular basis, considering its financial position, experience and other factors. There are no guarantees that the financial position of the Group's major customers will not materially change during the contracted period, as it happens from time to time that customers decides to sell the production license, which exposes the Group to a new customer on an existing lease contract. The Group will normally have contractual clauses to prevent a customer to novate the lease contract without consent. Given the limited number of major customers of the Group and the significant portion these represent to the Group's 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. In the annual report for 2016, the Group highlighted that one of its major customers were going through a refinancing exercise which potentially could indicate a higher credit risk. During 2017, this customer has completed their refinancing, and as such the credit risk is considered reduced.

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

Another risk factor to be addressed is whether negative reservoir development may affect the oil company's

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

The Group observed that overdue trade receivables have reduced in 2017 and was USD 17.8 million at the end of 2017, compared to USD 83.3 million at the end of 2016. The overdue situation was mainly related to units operating in West Africa and this was reduced significantly following the settlement with Addax Petroleum Exploration (Nigeria) Limited (reference to Note 17).

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

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

The Group regards its maximum credit risk exposure to the carrying amount of trade receivables (reference to Note 17), other current assets and financial lease receivables (reference to Note 6).

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains sufficient cash for its daily operations and its investment program via short-term cash deposits at banks and a commitment to make available funds from the unutilised portion of revolving facilities offered by financial institutions to the Group.

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

Besides regular down-payments of debt and capital commitments on BW Catcher, life extension programs and oil and gas developments; several events like the significant drop in oil price since second half of 2014 increased the risk of customers defaulting on payment obligations, made redeployment more challenging, and together with challenging capital markets, increased the liquidity risk in 2016.

After extensive discussions with all stakeholders, BW Offshore Limited announced on 23 May 2016 a plan to secure a long-term financial platform for the Group (the "Plan"). All conditions to the implementation of the Plan have been completed and the long-term financial platform was implemented with effect from 21 July 2016.

The Plan was undertaken to address potential future

liquidity challenges, including avoiding breach of financial covenants, and to secure a credible long-term financial platform for the Group. In total, the Plan contributed to more than USD 500 million in improved liquidity for the period throughout 2020 when completed.

The oil price has increased during 2017 and capital markets have improved during the year. The start-up of production from BW Catcher by the end of 2017 will be a significant contributor to the cash flow of the Group in 2018 and the years to come and has together with the equity transaction for BW Catcher with ICBC and the Plan as described above off-set significant parts of the liquidity risk.

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

Maturity profile - financial liabilities, Year ended 2017

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

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

2) Bond loan illustrated at swapped USD/NOK rate

Maturity profile - financial liabilities, Year ended 2016

	Q1 17	Q2 17	Q3 17	Q4 17	2017	2018	2019-2021	2022 and beyond	Total
USD 2,400 million facility	55.6	-	55.6	-	111.2	111.2	531.9	-	754.3
Catcher facility	-	-	-	-	-	114.3	342.9	102.9	560.0
Joko Tole facility	9.4	9.4	9.4	9.4	37.5	16.3	-	-	53.8
Umuroa facility	1.0	1.0	1.0	1.0	4.0	22.0	-	-	26.0
Petróleo Nautipa facility	5.8	-	5.8	-	11.6	11.6	31.3	8.0	62.5
BWO01 - NOK 500 million Bond ¹⁾	25.0	-	-	-	25.0	-	65.0	-	90.0
BWO02 - NOK 500 million Bond ¹⁾	-	-	-	-	-	-	86.8	-	86.8
BWO03 - NOK 750 million Bond ¹⁾	-	-	-	-	-	-	124.0	-	124.0
BWO04 - NOK 900 million Bond ¹⁾	-	-	-	-	-	-	35.1	81.9	117.0
Interest rate swaps	9.2	7.8	7.4	6.8	31.3	26.8	54.7	(5.0)	107.8
Interest payments	13.4	14.1	14.7	13.8	56.1	50.9	67.7	2.6	177.3
Other	0.6	0.5	0.7	0.5	2.4	2.3	6.3	1.5	12.4
Trade and other payable current	82.7	48.4	48.4	48.4	227.9	-	-	-	227.9
Total	202.8	81.2	143.1	79.9	507.0	355.5	1,345.6	191.8	2,399.9

1) Bond loan illustrated at swapped USD/NOK rate

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

USD MILLION	2017	2016
Expire within one year	-	-
Expire beyond one year	408.9	216.2

Foreign currency risk

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

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

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

Total nominal value of the Group's FX contracts was USD 88.4 million at 31 December 2017. Fair value of the foreign exchange contracts amounted to positive USD 1.2 million (compared to USD 127 million and negative USD 8.9 million in 2016) and are presented gross in the statement of financial position. Net effect of forward exchange contracts recognised in the statement of income in 2017 is positive by USD 3.1 million (positive USD 7.0 million).

The Group is exposed to foreign currency risk on bonds issued in NOK, respectively bond BWO01, BWO02, BWO03 and BWO04. The Group had per 31 December 2017 issued bonds totalling NOK 2,510 million. The foreign currency exposure on bond BWO01, BWO02 and BWO03 are hedged through cross-currency interest swaps, amended, with a nominal value of USD 275.8 million, while BWO04 is hedged through cross-currency swaps with a nominal value of USD 117 million. The market value of the cross-currency interest swaps and the cross-currency swaps were negative by USD 99.6 million at 31 December 2017 (negative USD 135.1 million).

During third quarter 2016, the Group amended the maturities and terms of the cross-currency interest rate swaps, to match the amended maturity on the bonds. As a result of the amended terms on the swaps, the derivatives did not qualify for hedge accounting and the Group stopped using hedge accounting related to the bonds and the underlying swaps. It is expected that net financial income/expense will fluctuate more due to mark-to-market changes of the swaps and revaluation of the bonds.

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

Interest rate risk

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

As of 31 December 2017, the Group's floating rate debt amounted to USD 1,435.6 million (USD 1,763.5 million).

The Group holds interest rate swaps with a nominal value of USD 725 million in total with maturity during 2018-2026. The weighted average interest swap rate was 2.0% at 31 December 2017. The swaps are held to hedge the quarterly cash flows from floating rate interest payments on the USD 2,400 million-loan facility, the USD 800 million-loan facility and the Petróleo Nautipa loan facility. The market value of the interest swaps was positive by USD 5.0 million at 31 December 2017 (negative USD 0.9 million) and the changes in fair value has been recognised as a fair value loss on financial instruments.

The cross-currency interest swaps held to hedge the BWO01, BWO02 and BWO03 bonds also hedge the interest rate risk on these bonds. The Group has stopped using 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 (USD million)
2017	+/- 50	+/- 2.6
2016	+/- 50	+/- 3.1

The effect on fair value of interest hedges as a result in changes in interest rates is not considered in this calculation. Of the total interest-bearing debt of USD 1,435.6 million, USD 921.6 million is hedged.

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

	2017	2016
Loans secured by collateral	4.1%	3.3%
Loans - unsecured	6.7%	6.6%

Interest rate on cash deposits was 1.4% as per year-end 2017 (0.66%).

Fair values

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

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

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

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

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

USD MILLION	Fair value 2017	Fair value 2016
Derivatives current net liability	0.8	(9.6)
Derivatives non-current net liability/(asset) FX	-	(0.4)
Derivatives non-current net liability interest rate swaps	5.3	0.2
Derivatives non-current net liability cross-currency swaps	(99.6)	(135.0)
Total	(93.5)	(144.8)

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

USD MILLION	Carrying amount 2017	Carrying amount 2016	Fair value 2017	Fair value 2016
USD 2,400 million facility	292.6	746.8	296.6	754.3
Catcher facility	735.8	549.7	744.0	560.0
Joko Tole facility	16.2	53.3	16.3	53.8
Umuroa facility	22.0	25.9	22.0	26.0
Petróleo Nautipa facility	50.6	62.1	50.9	62.5
BWO01 - NOK 500 million Bond	43.7	57.6	43.9	50.4
BWO02 - NOK 500 million Bond	60.6	57.5	60.9	46.3
BWO03 - NOK 750 million Bond	90.8	86.0	91.4	68.6
BWO04 - NOK 900 million Bond	108.5	102.9	109.7	83.4
Total	1,420.8	1,741.8	1,435.7	1,705.2

The fair value of bonds has been measured in level 1 of the FV hierarchy. Other loans have been measured in level 3. The difference between carrying amount and fair value mainly relates to amortised loan costs. Other loans were extended in July 2016 based on market terms at that time, and the Group has not made observations indicating there has been any changes in the Group's credit rating subsequent to that time and hence no significant differences between fair value and carrying amount expect for amortised loan costs.

Capital structure and equity

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

The Group also monitors and manages its capital structure in light of changes in the economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to its shareholders, return capital to shareholders or issue new shares. In May 2011, the Group initiated quarterly payments of dividend limited to 20-25% of EBITDA. However, considering the Financial

Plan implemented, the Group are restricted from paying dividends and has restrictions on bond buy backs until 9 March 2020, unless further equity is raised and paid. This does not influence the ability to pay dividends on the preference shares.

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

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

The Company has no specific targeted equity ratio. However, the loan facilities of the Group have certain covenants related to equity and equity ratio, both closely monitored by the Company (reference to Note 20).

Note 19 Retirement benefit assets and obligations

All office employees in Norway, Norwegian seafaring personnel and parts of office employees in countries other than Norway are covered by pension plans, of which two are funded. The 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 Group'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 Group has decided to discontinue the defined benefit scheme for onshore personnel and replace it with a defined contribution scheme, with effect from 01 January 2018.

The above-mentioned pension plans had 59 members at 31 December 2017 and 65 members at 31 December 2016. Members are reduced to 36 from January 2018.

The most recent actuarial valuations of the plan assets and the defined benefit obligations were carried out at 31 December 2017 by Nordic Insurance Administration.

The Group has also provided for an unfunded obligation for its national employees in Indonesia, based on an independent actuarial report. The actuarial valuations of the defined benefit obligations were carried out at 31 December 2017 by PT Miliman Indonesia.

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

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

	2017	2016
Discount rate	2.30%	2.10%
Expected return on plan assets	2.30%	2.10%
Future salary increases	2.50%	2.25%
Future pension increases	0.40%	0.00%
Increase in social security base amount related to Norwegian state pension	2.25%	2.00%
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:

	2017	2016
Male	19.3	19.1
Female	22.4	22.2

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

USD MILLION	2017	2016
Fair value of plan assets - beginning of year	16.4	20.0
Expected return on plan assets	0.4	0.5
Employer contributions excluding administrative expenses	0.3	1.1
Benefits paid - funded plans	(0.3)	(0.4)
Asset gain/ (loss)	(7.5)	(1.5)
Effect of settled contract	-	(3.9)
Exchange differences	0.7	0.6
Fair value of plan assets - end of year	10.0	16.4

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

USD MILLION	2017	2016
Present value of funded obligations	(9.5)	(14.7)
Fair value of plan assets	10.0	16.4
Present value of unfunded obligations	(4.2)	(3.4)
Net liability/asset in the statements of financial position	(3.7)	(1.8)
Of which classified as pension obligations	(4.2)	(3.6)
Of which classified as pension assets	0.5	1.8

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

USD MILLION	2017	2016
Current service cost	1.7	4.1
Net interest	0.1	0.2
Administrative cost	0.1	0.1
Net periodic pension cost (Note 8)	1.9	4.4

Best estimate of net pension cost for 2018 amounts to USD 1.0 million (USD 1.6 million). Best estimate of premium payments in 2018 amounts to USD 0.4 million (USD 1.5 million).

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

USD MILLION	2017	2016
At 1 January	(1.8)	(12.1)
Contributions paid	0.4	1.5
Pension paid, net of plan asset	0.2	14.2
Exchange differences	(0.1)	(0.4)
Re-measurement gain/ (loss) in other comprehensive income	(0.5)	(0.6)
Charged to statement of income	(1.9)	(4.4)
At 31 December	(3.7)	(1.8)

The Chief Executive Officer had an early retirement plan and a pension plan, accrued over his career, that entitled him to a pension equalling 66% of his salary, for life, from the age of 60 years with an annual adjustment for inflation. The plan also included surviving spouse coverage of 55%. The Chief Executive Officer turned 60 years in May 2016. The Board of Directors resolved that the total future pension liability, USD 17.3 million, was paid out in cash as a lump sum, as a full and final payment for all rights under

the plans. The settlement was carried out in July 2016. The Group has annually accrued for its pension liabilities and has obtained various insurance products to partially fund its obligations under the plan. The funds from the insurance products reduced the Group's net cash outlay by USD 3.8 million.

Expenses related to defined contribution plans amounted to USD 1.1 million in 2017 (USD 1.1 million).

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

	2017	2016
Shares and equity instruments	7%	5%
Bonds - fixed yield	25%	28%
Bonds held to maturity	52%	49%
Properties and real estate	11%	11%
Money market funds	4%	6%
Other	1%	1%
Total	100%	100%

The actual return on plan assets amounted to 4.1% at 30 September 2017.

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

The Group further pays a contribution to a central provident fund to Singaporean authorities related to employees with Singaporean citizenship. This contribution is based on the employee's monthly gross salary.

Note 20 Loan facilities

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2017	Carrying amount 2016
USD 2,400 million facility	3 month LIBOR + 2.25%	09-Mar-20	202.3	638.2
Catcher facility	3 month LIBOR + 2.25%	15-Jul-24	652.3	551.9
Joko Tole facility	3 month LIBOR + 2.50%	30-Jun-18	-	16.2
Umuroa facility	3 month LIBOR + 2.00%	09-Mar-18	-	21.9
Petróleo Nautipa facility	3 month LIBOR + 1.70%	14-Sep-22	39.1	50.6
BWO01 - NOK 500 million Bond	3 month LIBOR + 4.50%	15-Mar-20	43.8	41.5
BWO02 - NOK 500 million Bond	3 month LIBOR + 4.15%	21-Sep-20	60.7	57.6
BWO03 - NOK 750 million Bond	3 month LIBOR + 3.50%	11-Mar-21	91.0	86.2
BWO04 - NOK 900 million Bond	3 month LIBOR + 4.25%	16-Mar-22	108.8	103.2
Total long-term debt			1,198.0	1,567.4

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2017	Carrying amount 2016
USD 2,400 million facility	3 month LIBOR + 2.25%	09-Mar-20	90.3	108.5
Catcher facility	3 month LIBOR + 2.25%	15-Jul-24	83.5	(2.2)
Joko Tole facility	3 month LIBOR + 2.50%	30-Jun-18	16.2	37.1
Umuroa facility	3 month LIBOR + 2.00%	09-Mar-18	22.0	3.9
Petróleo Nautipa facility	3 month LIBOR + 1.70%	14-Sep-22	11.5	11.5
BWO01 - NOK 500 million Bond	3 month LIBOR + 4.50%	15-Mar-20	(0.1)	16.1
BWO02 - NOK 500 million Bond	3 month LIBOR + 4.15%	21-Sep-20	(0.1)	(0.1)
BWO03 - NOK 750 million Bond	3 month LIBOR + 3.50%	11-Mar-21	(0.2)	(0.2)
BWO04 - NOK 900 million Bond	3 month LIBOR + 4.25%	16-Mar-22	(0.3)	(0.3)
Total short-term debt			222.8	174.4
Total interest-bearing debt			1,420.8	1,741.8

The Group is in compliance with all covenants at 31 December 2017.

USD 2,400 million facility

In 2011, the Group entered into a USD 2.4 billion seven-year senior secured credit facility. The maturity was extended by two years to March 2020 as part of the amendments implemented in July 2016 and the margin increased by 25 basis points to 225 basis points above USD LIBOR. The facility is split into a term loan and a revolving credit facility, initially totalling USD 1.7 billion and USD 0.7 billion. The Group had USD 408.9 million undrawn under the revolving credit facility at 31 December 2017.

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

Umuroa USD 130 million facility

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

BWO01 - NOK 500 million Bond

During the first quarter of 2012, BW Offshore Limited successfully completed the placement of a new NOK 500 million senior unsecured bond with maturity date on 15 March 2017. The proceeds from the Bond loan was used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

In 2016, the maturity was extended to 15 March 2020 with a NOK 140 million partial redemption paid on 15 March 2017. The margin has now increased to 450 bps in the extended period.

BWO02 - NOK 500 million Bond

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

In 2016, the maturity was extended to 21 September 2020 with NOK 100 million partial redemption on 21 March 2020. The margin will increase to 450 bps in the extended period.

BWO03 - NOK 750 million Bond

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

In 2016, the maturity was extended to 11 March 2021 with NOK 150 million partial redemption on 11 September 2020. The margin will increase to 450 bps in the extended period.

BWO04 - NOK 900 million Bond

During the second quarter of 2015, BW Offshore Limited successfully completed the placement of a new NOK 900 million senior unsecured bond with maturity date on 16 June 2020. The proceeds from the Bond loan was used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

In 2016, the maturity was extended to 16 March 2022 with NOK 90 million partial redemption on 16 March 2021 and NOK 180 million partial redemption on 16 December 2021. The margin will increase to 450 bps in the extended period.

Joko Tole USD 250 million 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.

Catcher USD 800 million facility

During the third quarter of 2014, the Group entered into a USD 800 million senior secured pre-and post-delivery

term loan facility being a project specific bank financing in relation to construction of a FPSO to operate on the Catcher oil field in the UK North Sea. The facility has a margin of 250 basis points above USD LIBOR during construction period and until first oil, and 225 basis points thereafter. The facility is available for drawing during the construction period and will be repaid with a seven-year tenor after completion. The facility is subject to financial covenants similar to the covenants under the USD 2,400 million-loan facility.

Petróleo Nautipa USD 80 million facility

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

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

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

Note 21 Investment in joint ventures

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

The agreed selling price was the book value of the company and no gains or losses were recognised as a result of the transaction. In the period 1 January to 30 December 2016, the investment was treated as a subsidiary.

Company	Registered office	Holding 2017	Holding 2016
BW Offshore Nigeria Limited	Nigeria	49%	49%

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

Note 22 Earnings per share

Basic

Basic earnings per share are calculated by dividing the net result attributable to the shareholders of the parent by the weighted average number of ordinary shares in issue during the year. Reference to Note 15 for information of changes in ordinary shares from rights issue and the reverse share split.

Diluted

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

	2017	2016
Profit/ (loss) attributable to shareholders of the parent (USD MILLION)	39.8	(132.9)
Weighted average number of ordinary shares in issue (USD '000)	184,956	90,212
Basic and diluted earnings/ (loss) per share net	0.22	(1.47)

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

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

Note 23 Related parties transactions

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

In December 2016, BW Offshore has in partnership with the BW Group Limited entered into an agreement to acquire 66.67% of the Dussafu production sharing contract offshore Gabon. BW Offshore has formed a company known as BW Energy Holdings Pte. Ltd. ("BWEH"), for the purpose of pursuing oil and gas interests. As per year-end 2016 the company was owned 100% by BW Offshore, after the closing of the transaction in 2017, the company is owned 66.67% by BW Offshore and 33.33% by Maple Company Limited, a wholly owned subsidiary of BW Group Limited. The transaction amount was USD 16 million. There are no outstanding receivables related to this transaction.

During the fourth quarter 2017, Maple Company Limited provided a long-term loan amounting to USD 8.6 million to BW Energy Holdings Pte. Ltd.

Investments in subsidiaries are disclosed in Note 4.

Investments in joint ventures are disclosed in Note 21.

Remuneration to the Board of Directors, Top Management and auditors is detailed in Note 8.

Pension pay-out to CEO in 2016 is disclosed in Note 19.

Part of the conditions related to the long-term financial platform established during third quarter 2016 was that the equity issue should be fully underwritten. BW Group as well as the CEO of BW Offshore undertook to subscribe for offer shares based on its pro rata holding in BW Offshore. The underwriting shareholders received a fee of USD 0.9 million.

Note 24 Commitments and guarantees

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

USD MILLION	2017	2016
Nominal amount	78.3	220.9
Fair value	72.5	204.6
Interest rate	8.0%	8.0%

For 2017 and 2016, the commitment included committed contract values for the construction of the FPSO for the Catcher Oil Field in the UK North Sea, committed contract values related to life extension activities on the fleet, as well as for ongoing operations.

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

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

USD MILLION	2017	2016
Not later than one year	7.8	7.4
Later than one year and not later than five years	18.6	9.8
Later than five years	3.6	0.3
Total nominal amount	30.0	17.5

The Group has issued bank guarantees in favour of various customers totalling USD 72.2 million (USD 75.7 million).

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

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

The bank debt related to the 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 BW Offshore Singapore Pte Ltd, New Zealand Branch
- first priority secured interest in all earnings and proceeds of insurance related to the FPSO Umuroa

The bank debt related to the Joko Tole facility, as referred to in Note 20, is secured by:

- a parent company guarantee from BW Offshore Limited
- a first priority mortgage over the FPSO BW Joko Tole owned by PT BW Offshore TSB Invest, Indonesia

- first priority secured interest in all earnings and proceeds of insurance related to the FPSO BW Joko Tole

The bank debt related to the Catcher loan 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 Catcher, owned by BW Catcher Limited, Bermuda
- first priority secured interest in all earnings and proceeds of insurance related to the FPSO

The bank debt related to the Petróleo Nautipa facility, as referred to in Note 20, is secured by:

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

The carrying value of vessels pledged as collateral per 31 December 2017 was USD 2,819.3 million (USD 2,730.3 million). In addition, the shares in certain vessel owning companies in the Group are pledged.

Note 25 Provisions and contingent assets and liabilities

During 2015 and 2016, the Group had for some time not been paid the full contractual rate by Addax Petroleum Exploration Limited for Sendje Berge. In 2016, the Group submitted a claim to the arbitration tribunal for unpaid contractual rate. In February 2017, the Group received an arbitration award entirely in the Groups favour, requiring the claimed day rates to be paid. At the end of 2016, the Group had provided for USD 26.1 million of the outstanding balance. During 2017, the provision was reversed as all outstanding receivables were paid. In November 2017, the Group signed a four-year contract extension with Addax Petroleum Exploration Limited (reference to Note 17).

In April 2016, the Group received a tax assessment and tax collection letter issued by the Indonesian Tax Office, subsequent to a tax audit for 2013 and 2014. The tax office disagrees with the revenue recognition method used by the Group. The Group has obtained written expert advice in respect of the revenue recognition method adopted by the Group, with concurrence that this is supported by Indonesian GAAP and International Financial Reporting Standards. In July and September 2016, The Group formally lodged an objection against the tax assessment. In July 2017, the Group was informed by the Regional Tax Office that the objection has been rejected. The Group has submitted an appeal to the Tax Court on October 2017 and the first Tax Court hearing is expected to take place around May 2018. The tax audit for 2015 was concluded in June 2017. Similar to tax audit for 2013 and 2014, the tax office disagrees with the revenue recognition method used by the Group. The Group lodged an objection in September 2017. In October 2017, the Group submitted an appeal to the tax court with respect to assessment of the tax audit for

2013 and 2014. The tax court hearing is expected to take place in May 2018. Total claim is USD 28.7 million, including penalties of USD 8.2 million. Management assesses this claim to be unmerited and no provision is made.

On 11 February 2015, there was a gas explosion on board the FPSO Cidade de São Mateus, operating for Petrobras in Brazil. FPSO Cidade de São Mateus is currently in lay-up. The Group signed an agreement with its insurers, with effective date 22 December 2016, for an early repair cost settlement of USD 250 million during January 2017. The amount was received in 2017. The Group continues the dialogue with the client regarding a firm plan for the FPSO and the field.

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

The Group has an ongoing tax audit in Brazil related to allocation of revenue between the local entities and the vessel owning entities outside Brazil. Based on an evaluation of the case in collaboration with legal advisors, it is not found probable that the final tax assessment will result in additional tax expense for the Group, and no provision has been made.

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

Note 26 Trade, other payables and other non-current liabilities

USD MILLION	2017	2016
Trade payables	44.2	34.4
Accrued vessel expenses	27.3	34.5
Accrued other expenses	87.7	70.5
Accrued conversion expenses	25.2	12.8
Public duties payables	12.1	12.9
Deferred revenues	91.3	62.8
Total trade and other payables	287.8	227.9

USD MILLION	2017	2016
Deferred revenues	322.6	287.4
Long-term deposit	5.7	5.7
Other long-term liabilities	9.3	-
Total other non-current liabilities	337.6	293.1

Note 27 Business combinations

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

The acquisition was a first step towards transforming from lease-and-operate company, to active participation

in developing discovered oil and gas fields. The strategy offers attractive risk-reward for the Group, focusing mainly on fields with low reservoir risk which are suitable for cost effective developments and redeployment of the Group's existing FPSOs.

The provisional fair value of the net identifiable assets acquired (purchase price allocation) at the end of the periode, were USD 35.4 million related to intangible oil and gas assets, later reclassified to tangible oil and gas assets as development has started.

Recognised amounts of identifiable assets:

USD MILLION	
Licence	35.4
Cash and cash equivalents	0.3
Total identifiable assets	35.7

BWEG also completed the acquisition of 25% working interest in the Dussafu production sharing contract from Pan-Petroleum Gabon B.V. (PPGBV), a wholly-owned subsidiary of Panoro Energy ASA. The acquisition price

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

Note 28 Significant events after the balance sheet date

On 6 January 2018, the BW Catcher FPSO received the First Oil Certificate following the successful completion of the 72-hour interim performance test subsequent to the introduction of hydrocarbons on 23 December 2017.

BW Catcher FPSO is owned and operated by BW Offshore and the First Oil Certificate confirms the commencement of a seven-year fixed term contract, with extension options of up to 18 years. The Catcher field partnership is made up of Premier Oil (50%), Cairn Energy (20%), MOL Group (20%) and Dyas (10%). The unit has an oil storage capacity

of 650,000 barrels and a processing capacity of up to 60,000 barrels per day. The BW Catcher FPSO has a design life of 20 years of uninterrupted operations.

On 7 January 2018, BW Offshore signed an agreement with Petrório for a one-year extension for lease and operation of the FPSO Polvo. The firm period has been extended to third quarter of 2019 (from third quarter of 2018), with options until third quarter of 2022.



Parent company financial statements

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Statement of Income

USD MILLION (Year ended 31 December)	Note	2017	2016
Operating expenses			
Other expenses	3	(28.7)	(31.9)
Total operating expenses before amortisation		(28.7)	(31.9)
Operating profit/(loss)		(28.7)	(31.9)
Interest income		35.1	27.3
Interest expense		(30.0)	(26.2)
Net currency gain/ (loss)		(23.5)	4.1
Fair value gain/ (loss) on financial instruments		30.4	(19.3)
Gain on sale of subsidiaries	4	2.2	32.1
Reversal of impairment/(impairment)	4,5	39.4	(199.6)
Other financial income		1.5	2.6
Other financial expenses		(0.5)	(0.4)
Net financial items		54.5	(179.3)
Profit / (loss) before tax		25.8	(211.2)
Income tax expense		(0.3)	(0.6)
Net profit/ (loss) for the year		25.5	(211.8)

Statement of Comprehensive Income

USD MILLION (Year ended 31 December)	Note	2017	2016
Profit / (loss) for the year		25.5	(211.8)
Other comprehensive income			
Cash flow hedges	12	6.4	20.1
Currency gain/(loss) relating to cash flow hedges		-	(14.7)
Total comprehensive income for the year		31.9	(206.4)
Attributable to:			
Equity holders of the parent		31.9	(206.4)

The notes on pages 93-100 are an integral part of these consolidated financial statements.

Statement of Financial Position

USD MILLION (As at 31 December)	Note	2017	2016
ASSETS			
Shares in subsidiaries	4	1,034.2	983.6
Derivatives		0.1	-
Total non-current assets		1,034.3	983.6
Intercompany receivables		529.5	610.8
Derivatives		0.6	0.1
Cash and cash equivalents	8	28.9	19.1
Total current assets		559.0	630.0
Total assets		1,593.3	1,613.6
EQUITY			
Share capital	7	92.5	92.5
Share premium	7	1,095.5	1,095.5
Other equity		(129.6)	(161.7)
Total shareholders' equity		1,058.4	1,026.3
LIABILITIES			
Interest-bearing long-term debt	9,11	304.3	288.5
Derivatives		99.7	138.0
Total non-current liabilities		404.0	426.4
Interest-bearing short-term debt	9,11	(0.7)	15.6
Trade and other payables	10,11	2.1	6.2
Intercompany payables		128.7	138.3
Derivatives		0.8	0.8
Total current liabilities		131.0	160.9
Total shareholders' equity and liabilities		1,593.3	1,613.6

The notes on pages 93-100 are an integral part of these consolidated financial statements.

Statement of Changes in Equity

USD MILLION	Share capital	Share premium	Treasury shares	Cash flow hedges	Other elements	Total equity
At 1 January 2016	6.9	1,085.0	(9.1)	(16.7)	70.2	1,136.3
Proceeds from share issue	85.6	14.4	-	-	-	100.0
Transaction costs on issue of shares	-	(4.0)	(0.0)	-	-	(4.0)
Share-based payments	-	-	(0.0)	-	0.3	0.2
Profit/(loss) for the period	-	-	-	-	(211.8)	(211.8)
Other comprehensive income	-	-	-	5.4	-	5.4
Total equity at 31 December 2016	92.5	1,095.5	(9.1)	(11.3)	(141.3)	1,026.3
At 1 January 2017	92.5	1,095.5	(9.1)	(11.3)	(141.3)	1,026.3
Share-based payments	-	-	0.1	-	0.1	0.2
Profit/(loss) for the period	-	-	-	-	25.5	25.5
Other comprehensive income	-	-	-	6.4	-	6.4
Other equity transactions	-	-	6.1	-	(6.1)	-
Total equity at 31 December 2017	92.5	1,095.5	(2.9)	(4.9)	(121.8)	1,058.4

The notes on pages 93-100 are an integral part of these consolidated financial statements.

Statement of Cash Flow

USD MILLION (Year ended 31 December)	2017	2016
Operating activities		
Profit/ (loss) before tax	25.8	(211.2)
Taxes paid	(0.3)	(0.6)
Impairment charges/(Reversal of impairment)	(39.4)	199.6
Gain on sale of shares	(2.2)	(32.1)
Fair value change on financial instruments	(38.9)	11.5
Changes in receivables and accounts payable	(4.1)	(2.9)
Add back of net interest expense	(3.4)	1.2
Other items from operating activities	31.2	(1.6)
Net cash flow used in operating activities	(31.3)	(35.9)
Investing activities		
Investments in subsidiaries	(3.6)	186.5
Interest received	35.1	27.3
Net proceeds from sale of subsidiaries	5.2	32.1
Net cash flow from investing activities	36.7	245.9
Financing activities		
Changes in intercompany receivables/debt	61.1	(288.2)
Repayment of long-term debt	(25.0)	-
Proceeds from share issue	-	100.0
Transaction costs on issue of shares	-	(4.0)
Interest paid	(31.7)	(28.6)
Net cash flow from/ (used in) financing activities	4.4	(220.7)
Net change in cash and cash equivalents	9.8	(10.7)
Cash and cash equivalents at 1 January	19.1	29.8
Cash and cash equivalents at 31 December	28.9	19.1

The notes on pages 93-100 are an integral part of these consolidated financial statements.

Notes

Note 1 General information

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

The Company is listed on the Oslo Børs (OSE:OSLO).

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

vessels) and FSOs (Floating, Storage and Offloading vessels). In addition, the Group also actively participate in field developments of discovered oil and gas fields.

All figures are in USD million if not otherwise stated. As a result of rounding differences, numbers and or percentages may not add up to the total. Figures in brackets refer to corresponding figures for 2016.

The financial statements were approved by the Board of Directors on 21 February 2018.

Note 2 Accounting policies

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

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 relate to 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

The subsidiaries are all entities (including special purpose entities) over which the Company has power to govern the

financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiaries are stated at cost less any impairment.

Borrowings

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

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

Trade and other receivables

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

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

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and short-term deposits with an original maturity of three months or less.

Currency translation

Functional and presentation currency

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

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Currency translation gains and losses, from items which are hedged as part of a connecting cash flow hedge, are recognised in other comprehensive income.

Provisions for other liabilities and charges

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

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

Share capital

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

Use of estimates

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

Shares in subsidiaries and intercompany receivables are subject to impairment testing at the end of each reporting period. Valuation is subject to assessment of the recoverability in the underlying investment or receivable. Management's assessment can affect the level of impairment loss, or reversal of such, that is recognised in profit or loss.

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, except for following year's instalments on long-term debt. This is presented as current interest-bearing debt. Liabilities which fall due less than one year after they are incurred are classified as current liabilities.

Changes in accounting policies

Changes in accounting policies are the same as can be found in the BW Offshore Limited consolidated financial statements.

Note 3 Operating expenses

USD MILLION	2017	2016
Management fee	18.9	21.3
Lawyer's fee	0.6	1.4
Consultant's fee	1.1	2.1
Auditor's fee	0.4	0.3
Other operating expenses	7.6	6.8
Total operating expenses	28.7	31.9

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 2017	Ownership 2016
Belokamenka Limited	Bermuda	100%	100%
Berge Carmen Singapore Pte. Ltd.	Singapore	100%	100%
BW Ara Limited	Bermuda	100%	100%
BW Catcher Limited	Bermuda	100%	100%
BW Nisa Limited	Bermuda	100%	100%
BW Offshore do Brazil Ltda.	Brazil	100%	100%
BW Offshore Norwegian Manning AS	Norway	0%	100%
BW Offshore Opportunity I Limited	Bermuda	100%	0%
BW Offshore Peregrino Limited	Bermuda	100%	100%
BW Offshore Shipholding Ltd	Bermuda	100%	100%
BW Pioneer Limited	Bermuda	100%	100%
BW Offshore Cyprus Limited	Cyprus	100%	100%

BW Offshore Norwegian Manning AS was sold to a 100% owned Group company. Net proceeds from sale of subsidiaries was USD 5.2 million. The Company contributed USD 3.6 million in capital increase of one of its subsidiaries. For the year ended 31 December 2017, the Company has recorded an impairment of USD 5.6 million, mainly related to investments in subsidiaries, to reflect the net equity of

the subsidiaries as of 31 December 2017. In addition, the Company has recorded a reversal of impairment of USD 55.7 million to reflect net equity of the subsidiaries as of 31 December 2017. The reversal is a result of previously impaired investments developing better than expected when the same exercise was done in 2016.

Note 5 Intercompany receivables and payables

USD MILLION	2017	2016
Loan to Group companies	529.5	610.8
Intercompany receivables	529.5	610.8
Outstanding to Group companies	128.7	138.3
Intercompany payables	128.7	138.3

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 2017, the Company has recorded an impairment of USD 10.7 million on intra-group loan.

Note 6 Income tax

BW Offshore Limited is a Bermuda company. Currently, the Company is not required to pay taxes in Bermuda on ordinary income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that it will be exempt from taxation until 2036.

The income tax for 2017 concerns withholding tax which the Company is subject to in certain countries where the Company has financial income.

Note 7 Share capital

In July 2016, The Group raised USD 100 million in new equity capital through a rights issue. The Company issued 8,559,810,000 new shares at a subscription price of NOK 0.10 per share, thereby raising gross proceeds of NOK 855,981,000. The rights issue was fully underwritten. The net proceeds from the rights issue were USD 96 million.

Number of issued shares were 9,247,816,004 and 10,700,000,000 in authorised shares, following the rights issue.

Following a reverse share split in December 2016, the par value of the shares was reduced, corresponding to a reduced authorised share capital. Further details can be found in the BW Offshore Limited consolidated financial statements.

Share capital

Authorised share capital:

At 1 January 2016	700,000,000 ordinary shares at par value USD 0.01 each
Increase during 2016	10,000,000,000 ordinary shares at par value USD 0.01 each
Reverse share split	214,000,000 ordinary shares at par value USD 0.50 each
At 31 December 2016	214,000,000 ordinary shares at par value USD 0.50 each
At 31 December 2017	214,000,000 ordinary shares at par value USD 0.50 each

USD THOUSAND

Issued and fully paid:

At 1 January 2016	6,880.0
Increase during 2016	85,598.2
At 31 December 2016	92,478.2
At 31 December 2017	92,478.2

Following the rights issue and the reverse share split, the number of issued shares was 184,956,320 at 31 December 2016.

The Company held a total of 15,312 own shares at 31 December 2017 (48,627).

Note 8 Cash and cash equivalents

Cash and cash equivalents comprise the following items:

USD MILLION	2017	2016
Bank deposits	28.9	19.1
Total cash and cash equivalents	28.9	19.1

Note 9 Loan facilities

USD MILLION	Effective interest rate ¹⁾	Maturity date	Carrying amount 2017	Carrying amount 2016
Long-term debt				
BWO01 - NOK 500 million Bond	3 month NIBOR + 4.50%	15-Mar-20	43.8	41.5
BWO02 - NOK 500 million Bond	3 month NIBOR + 4.15%	21-Sep-20	60.7	57.6
BWO03 - NOK 750 million Bond	3 month NIBOR + 3.50%	11-Mar-21	91.0	86.2
BWO04 - NOK 900 million Bond	3 month NIBOR + 4.25%	16-Mar-22	108.8	103.2
Total long-term debt			304.3	288.5

USD MILLION	Effective interest rate ¹⁾	Maturity date	Carrying amount 2017	Carrying amount 2016
Short-term debt				
BWO01 - NOK 500 million Bond	3 month NIBOR + 4.50%	15-Mar-20	(0.1)	16.1
BWO02 - NOK 500 million Bond	3 month NIBOR + 4.15%	21-Sep-20	(0.1)	(0.1)
BWO03 - NOK 750 million Bond	3 month NIBOR + 3.50%	11-Mar-21	(0.2)	(0.2)
BWO04 - NOK 900 million Bond	3 month NIBOR + 4.25%	16-Mar-22	(0.3)	(0.3)
Total short-term debt			(0.7)	15.6

1) Increase of margin to 450 bps in the extended period

BWO01 - NOK 500 million Bond

During the first quarter of 2012, BW Offshore Limited successfully completed the placement of a new NOK 500 million senior unsecured bond with maturity date on 15 March 2017. The proceeds from the Bond loan was used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

In 2016, the maturity was extended to 15 March 2020 with a NOK 140 million partial redemption paid on 15 March 2017. The margin has now increased to 450 bps in the extended period.

BWO02 - NOK 500 million Bond

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

In 2016, the maturity was extended to 21 September 2020 with NOK 100 million partial redemption on 21 March 2020. The margin will increase to 450 bps in the extended period.

BWO03 - NOK 750 million Bond

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

In 2016, the maturity was extended to 11 March 2021 with NOK 150 million partial redemption on 11 September 2020. The margin will increase to 450 bps in the extended period.

BWO04 - NOK 900 million Bond

During the second quarter of 2015, BW Offshore Limited successfully completed the placement of a new NOK 900 million senior unsecured bond with maturity date on 16 June 2020. The proceeds from the Bond loan was used for general corporate purposes. The bond loan is subject to certain covenants, including minimum book equity of at least 20% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

In 2016, the maturity was extended to 16 March 2022 with NOK 90 million partial redemption on 16 March 2021 and NOK 180 million partial redemption on 16 December 2021. The margin will increase to 450 bps in the extended period.

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

USD MILLION	Interest payable	Intercompany payables	Liabilities		Equity		Total
			Interest-bearing short-term debt	Interest-bearing long-term debt	Share capital/premium	Other equity	
Balance at 1 January 2017			15.6	288.5	1,187.9	(161.7)	1,330.3
Repayment of borrowings	-	-	(25.0)	-	-	-	(25.0)
Interest paid	(31.7)	-	-	-	-	-	(31.7)
Changes in intercompany receivables		61.1					61.1
Total changes from financing cash flows	(31.7)	61.1	(25.0)	-	-	-	4.4
Effects of changes in foreign exchange rate			8.8	15.1	-	-	23.0
Liability-related:							
Expensed capitalised borrowing costs			0.0	0.7	-	-	0.7
Total liability-related other changes			0.0	0.7	-	-	0.7
Total equity-related other changes			-	-	-	32.1	32.1
Balance at 31 December 2017			(0.7)	304.3	1,187.9	(129.6)	1,390.5

Note 10 Trade and other payables

USD MILLION	2017	2016
Other accruals	2.1	6.2
Total trade and other payables	2.1	6.2

Note 11 Financial assets and liabilities

USD MILLION Year ended 31 December 2017	Financial assets	Financial liabilities measured at amortised cost	Fair value
Cash and cash equivalents	28.9	-	28.9
Interest-bearing debt	-	303.6	305.9
Other current liabilities	-	2.9	2.9
Total	28.9	306.5	31.8

USD MILLION Year ended 31 December 2016	Financial assets	Financial liabilities measured at amortised cost	Fair value
Cash and cash equivalents	19.1	-	19.1
Interest-bearing debt	-	304.1	248.7
Other current liabilities	-	7.0	7.0
Total	19.1	311.1	274.8

Note 12 Financial risk management

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

(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 to reduce the exchange-rate risk in cash flows nominated in foreign currencies related to administrative expenses. The exchange-rate risk is calculated for each foreign currency and considers assets and liabilities, liabilities not recognised in the balance sheet and expected purchases and sales in the currency in question. Currency hedges and other currency effects include changes in fair value of currency hedges, effects or settlement of these hedges, and other currency effects related to operating cash flows.

The Company is exposed to foreign currency risk on bonds issued in NOK, respectively bond BWO01, BWO02, BWO03 and BWO04. The foreign currency exposure on bond BWO01, BWO02 and BWO03 are hedged through cross-currency interest swaps with a nominal value of USD 275.8 million, while BWO04 is hedged through cross-currency swaps with a nominal value of USD 117 million.

During third quarter 2016, the Group amended the maturities and terms of the cross-currency interest rate swaps, to match the amended maturity on the bonds. As a result of the amended terms on the swaps, the derivatives do not qualify for hedge accounting and the Group stopped using hedge accounting related to the bonds and the underlying swaps. It is expected that net financial income/expense

will fluctuate more due to mark-to-market changes of the swaps and revaluation of the bonds.

(b) Interest rate risk

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

The Company holds interest swaps with a nominal value of USD 100 million in total with maturity in 2018. The swaps are held to hedge the quarterly cash flows from floating rate interest payments on the USD 2,400 million-loan facility.

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

(c) Credit risk

The Company's credit risk is primarily attributable to the amount due from the subsidiaries (non-trade). At the balance sheet date, this amount due from subsidiaries (non-trade) is not past due. The maximum exposure is represented by the carrying amount of this financial asset on the balance sheet.

(d) Liquidity risk and Capital risk

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

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

Note 13 Guarantees

The Company has issued bank guarantees as security for bank debts, relating to the USD 2,400 million facility, the Umuroa USD 130 million facility, the Joko Tole USD 250 million facility, the Catcher USD 800 million facility and the

Petróleo Nautipa USD 80 million facility, as listed in Note 24 of the consolidated financial statements of BW Offshore Group.




Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2017 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.

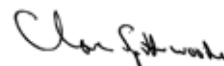
Bermuda, 21 February 2018



**Mr. Andreas
Sohmen-Pao**
Chairman



**Mr. Christophe
Pettenati-Auzière**
Vice Chairman



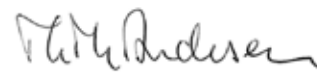
**Ms. Clare
Spottiswoode**
Director



**Mr. Maarten
Scholten**
Director



**Mr. Carsten
Mortensen**
Director



**Mr. Thomas
Thune Andersen**
Director

Independent auditor's report



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of BW Offshore Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BW Offshore Limited, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2017, the income statement, statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Estimates related to impairment testing of vessels

As per 31 December 2017 vessels amounting to USD 2,808.4 million represents 82% of the Group's total assets. Vessels in lay-up or coming off contracts are considered impairment indicators by management. The recoverable amount of the assets has been determined based on value in use. Each assessment contains a number of variables that are subject to significant judgment, e.g. redeployment of vessels in lay-up and after end of current contract, capital expenditure, utilization, production- and maintenance bonuses, expectations to future price of oil, operating expenses, useful life, counter-party risk and discount rate. A significant portion of the carrying value of certain vessels is expected to be recovered through redeployment. This primarily relates to vessels in lay-up and vessels with short to medium remaining contract life. Estimation of uncontracted cash flows requires significant judgment related to if



and when a new contract can be obtained, which charter rates will apply and redeployment expenses, including necessary modifications to the vessel in order to operate on a new field. The Group recognized an impairment for the Group's vessels of USD 25 million in 2017. Management's assessment of the valuation of vessels was a key audit matter to our audit because the process is complex and requires significant management judgment.

We evaluated management's assessment of impairment indications for vessels. We tested management's assumptions used in the value in use calculations and we assessed the historical accuracy of management's estimates. We compared assumptions to data from comparative companies, equity research reports covering the Group and external macroeconomic analysis about the related sector to evaluate revenue projections and utilization assumptions. We compared revenue and operating expenditures to agreed budgets and historical data, and to the long-term market expectations for the sector. We compared assumptions regarding redeployment to current tender activities, historical data and external macroeconomic analysis. We also tested the mathematical accuracy of the valuation model. We involved our valuation expert to assist us in the evaluation of the calculation and the components of the discount rates used by the Group. We tested sensitivity analyses where considered necessary, and assessed the consistency of valuation methodologies applied throughout the Group.

Furthermore, we evaluated the Group's disclosures regarding the impairments of these vessels, which are included in note 10 of the consolidated financial statements.

Presentation of preference shares

On 14 November 2017, the Group closed an agreement with a nominee of the financial leasing firm, ICBC Financial Leasing Co., Ltd. ("ICBCL"), whereby such nominee became an equity partner in a subsidiary of BW Offshore Ltd, through the issuance of preference shares for an aggregate subscription price of USD 275.0 million. Based on the criteria in IAS 32 regarding classification of financial instruments and IFRS 10 regarding control, management has assessed the investor's rights in the instrument and concluded that preference shares are presented within equity as non-controlling interests. We focused on this transaction because of judgment involved in the classification between equity and debt and the materiality of the transaction. We evaluated Management's assessment that the preference shares are presented as non-controlling interests within equity in the consolidated financial statements of the Group. Our evaluation included reading the signed agreements with ICBCL, consideration of applicable guidance included in IAS 32 and IFRS 10 with the support of an expert, and discussion of critical terms of the transaction with Management and the Audit Committee. We also discussed interpretation of certain parts of the agreements with the Group's external legal counsel. Furthermore, we evaluated the Group's disclosures regarding the transaction, which are included in note 3 of the consolidated financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board and Chief Executive Officer are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal



control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that

Independent auditor's report - BW Offshore Limited

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a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 21 February 2018
ERNST & YOUNG AS

A handwritten signature in blue ink, appearing to read 'Asbjørn Rødal', is written over a light blue horizontal line.

Asbjørn Rødal
State Authorised Public Accountant (Norway)

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Gabon: Port Gentil
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