



**HALF-YEAR
RESULTS**
2020

BW Offshore first half-year results

Highlights

- EBITDA of USD 246.1 million and operating cashflow of USD 215.1 million from FPSO operations in the first half-year
- Safeguarding people, operations and partners throughout the Covid-19 pandemic
- BW Energy IPO completed in February
- Five-year contract for BW Pioneer and extensions for FPSO Polvo, Petróleo Nautipa and BW Cidade de São Vicente
- Completed USD 10 million share buy-back programme
- Quarterly dividend payments introduced of USD 0.034 per share
- Non-cash impairment of USD 233.1 million
- Equity ratio of 35.8% and USD 388.5 million in total liquidity as at 30 June

Financials

EBITDA for the period was USD 246.1 million (USD 291.9 million)¹⁾. EBITDA in the first half of 2020 is reduced mainly as the contract for Umuroa came to an end in 2019, but also as variation order revenue from ABO FPSO has reduced during the first half of 2020.

Depreciation was USD 157.9 million (USD 172.4 million). The decrease of USD 14.5 million was mainly related to revised amortisation schedules for certain vessels and impairment of USD 233.1 million in first quarter 2020.

Operating loss for the first half-year was USD 145.7 million (operating profit of USD 118.1 million). This is mainly related to the impairment of the FPSO fleet.

Net financial expense was USD 106.6 million (USD 69.3 million). During the first half of 2020, mark-to-market values for both cross-currency interest rate swaps and interest rate swaps declined due to decreasing USD swap rates resulting in a loss on financial instruments.

Net loss for the first half-year was USD 243.9 million, compared to net profit of USD 66.0 million in the first half of 2019.

Total equity at 30 June 2020 was USD 1,004.5 million, a decrease of USD 368.9 million (USD 1,373.4 million) mainly due to impairment and the deconsolidation of BW Energy as a result of the IPO. The equity ratio was 35.8% (40.5%).

As of 30 June 2020, the Company had USD 325.0 million of interest-bearing loans and a USD 60.0 million letter of guarantee drawn under the USD 672.5 million Corporate Facility. Total utilised debt facilities for the Company, including bond

loans and other facilities were USD 1,280.7 million. Total liquidity as at 30 June 2020 amounted to USD 388.5 million.

Net interest-bearing debt was USD 1,015.4 million at 30 June 2020 (USD 1,046.1 million).

Net cash inflow from operating activities was USD 215.1 million (USD 316.8 million) in the first half-year. Net cash outflow on investment activities including discontinued operation was USD 132.0 million (USD 62.0 million). Investments were mainly related to development of phase 2 on Tortue, certain works being performed on BW Adolo for the upcoming phase 2 of Tortue, capital expenditures for ongoing life extension activities as well as ongoing repair of FPSO Cidade de São Mateus. Net cash outflow from financing activities was USD 127.3 million (USD 131.7 million).

FPSO operations

The FPSO fleet of 11 operating units continued to deliver strong safety performance and consistent high commercial uptime for the six-month period with an average commercial uptime for the fleet of 98.3% (99.7%). Commercial uptime was impacted by planned maintenance and start-up audit on Espoir Ivoirien and BW Cidade de São Vicente respectively.

In March, BW Offshore signed a new five-year contract for the FPSO BW Pioneer. The contract will add approximately USD 350 million of EBITDA over the firm five-year period.

The Company continues to receive contract extensions for its existing fleet. In the first half of 2020, these included: a one-year extension for FPSO Polvo to the third quarter of 2021, the firm period for BW Cidade de São Vicente

¹⁾ Figures presented are compared to previous half-year (restated first half-year of 2019 in brackets)

extended to the third quarter of 2020, and the contract for Petróleo Nautipa extended until the third quarter of 2022.

The contract for BW Cidade de São Mateus reached the end of its term. The FPSO is currently in lay up in Singapore.

The FPSO Umuroa has been laid-up on the Tui field over the southern hemisphere winter season pending development of a new demobilisation plan, including funding, in cooperation with the New Zealand authorities, which have assumed ownership of the field.

On 2 July 2020, BW Offshore's FPSO Sendje Berge was boarded by pirates offshore Nigeria and nine Nigerian nationals were abducted. All nine offshore employees were safely released on 7 August. The unit continues to be shut down while work is undertaken to prepare for reactivation of production.

BW Offshore has proactively taken steps to minimise risk of business interruption due to the spread of Covid-19 by implementing comprehensive procedures to safeguard people and operations and adhering to local public health advisory across all locations. The Company has experienced Covid-19 outbreaks on four units to date. However, the commercial impact on operations has been limited through good risk management, planning and procedures.

FPSO projects

Modification and life extension activities on existing FPSOs have been reduced due to the Covid-19 pandemic, to safeguard operations and employees by minimising personnel offshore.

Corporate matters

On 28 May, BW Offshore completed the share buy-back programme announced 31 March. At 30 June, the Company held a total of 4,156,534 treasury shares. On 10 June, BW Offshore paid a cash dividend of USD 0.034 per share to all

shareholders on record as at 3 June 2020.

The Board of Directors has declared a further cash dividend of USD 0.034 per share. Shares will trade ex-dividend from and including 3 September 2020. Shareholders recorded in VPS following the close of trading on Oslo Børs on Record date 4 September 2020 will be entitled to the distribution payable on or around 11 September 2020.

Outlook

BW Offshore has over time substantially reduced leverage and strengthened its financial solidity, including refinancing the main loan facility and bond portfolio in 2019. With the recent IPO of BW Energy, these measures position the Company to deploy capital towards future accretive FPSO projects and long-term value creation, and to provide a sustainable return to shareholders through a quarterly cash dividend.

The majority of BW Offshore's fleet remains on contracts with national and independent oil companies. Historically, these contracts have withstood market fluctuations, with options to extend exercised even during previous oil price lows. The fleet should continue to generate significant cash flow in the time ahead. The order backlog amounted to USD 4.4 billion of future revenue from firm contracts and options expected to be exercised.

The combination of the Covid-19 pandemic and a new low oil price environment has made the global E&P sector reassess short-term investment plans pending a normalisation of demand patterns and supply-side adjustments. At the same time, the oil and gas industry continues to progress long-term field development initiatives. BW Offshore, with its service offering and ability to partner with field owners to provide cost-effective solutions, maintains an active dialogue in relation to several field-development prospects and FPSO projects.

Bermuda, 26 August 2020



Mr. Andreas Sohmen-Pao
Chairman



Ms. Rebekka Glasser Herlofsen
Director



Mr. Maarten Scholten
Director



Mr. René Kofod-Olsen
Director



Mr. Carl K. Arnet
Director

Declaration of the Board

We confirm to the best of our knowledge that the Condensed Interim Consolidated Financial Information for the six months ending 30 June 2020 has been prepared in accordance with IAS 34 “Interim Financial Reporting” and gives a true and fair view of BW Offshore Limited’s consolidated assets, liabilities, financial position and income statement as a whole. We also confirm to the best of our knowledge that the Financial Summary includes a fair review of important events that arose during the first six months of 2020, and their impact on the Condensed Interim Consolidated Financial Information, and accounts properly for the principal risks and uncertainties for the remaining six months of the financial year, as well as major related party transactions.

Bermuda, 26 August 2020



Mr. Andreas Sohmen-Pao
Chairman




Ms. Rebekka Glasser Herlofsen
Director



Mr. Maarten Scholten
Director



Mr. René Kofod-Olsen
Director



Mr. Carl K. Arnet
Director

Condensed Consolidated Statement of Income

(Unaudited figures in USD million)

	Notes	1H 2020	1H 2019 ¹⁾	FY 2019 ¹⁾
Continuing operations				
Revenues	2	468.7	481.7	947.4
Operating expenses		(222.6)	(189.8)	(404.5)
Operating profit /(loss) before depreciation/amortisation		246.1	291.9	542.9
Depreciation	4	(157.9)	(172.4)	(354.3)
Amortisation	5	(0.8)	(1.2)	(1.8)
Impairment vessels and other assets	4	(233.1)	-	-
Net gain/(loss) on sale of tangible fixed assets		-	(0.2)	(0.3)
Operating profit/(loss)		(145.7)	118.1	186.5
Interest income		0.5	1.5	3.0
Interest expense		(32.1)	(44.1)	(86.1)
Gain/(loss) on financial instruments	3	(76.4)	(16.5)	49.8
Other financial items		1.4	(10.2)	(82.7)
Net financial income/(expense)		(106.6)	(69.3)	(116.0)
Share of profit/(loss) from equity accounted investments	6	(8.2)	0.9	0.7
Profit/(loss) before tax		(260.5)	49.7	71.2
Income tax expense		(21.1)	(18.7)	(39.3)
Profit/(loss) from continuing operations		(281.6)	31.0	31.9
Discontinued operation				
Profit/(loss) from discontinued operation, net of tax	7	37.7	35.0	74.2
Net profit/(loss) for the period		(243.9)	66.0	106.1
Attributable to shareholders of the parent		(245.2)	52.9	82.6
Attributable to non-controlling interests		1.3	13.1	23.5
Earnings per share				
Basic earnings/(loss) per share in USD net		(1.36)	0.29	0.45
Diluted earnings/(loss) per share (USD) net		(0.98)	0.29	0.44

1) The comparative information has been restated due to a discontinued operation, reference note 7

Condensed Consolidated Statement of Comprehensive Income

(Unaudited figures in USD million)

	1H 2020	1H 2019	FY 2019
Net profit/(loss) for the period	(243.9)	66.0	106.1
Currency translation differences	(2.8)	0.2	(0.5)
Net profit/(loss) on cash flow hedges	-	0.8	1.7
Net items to be reclassified to profit or loss:	(2.8)	1.0	1.2
Actuarial gains/(losses) on defined benefit plans	-	-	0.1
Net items not to be reclassified to profit or loss:	-	-	0.1
Other comprehensive income, net of tax	(2.8)	1.0	1.3
Total comprehensive income	(246.7)	67.0	107.4
Attributable to shareholders of the parent	(248.0)	53.9	83.9
Attributable to non-controlling interests	1.3	13.1	23.5

Condensed Consolidated Statement of Financial Position

(Unaudited figures in USD million)

	Notes	30.06.2020	30.06.2019	31.12.2019
ASSETS				
Vessels	4	2,053.5	2,498.3	2,377.1
Property, plant & equipment	4	4.3	14.1	16.0
Right-of-use assets	9	16.2	25.0	22.0
E&P tangible assets	4	-	184.1	216.1
Intangible assets	5	4.3	40.4	101.1
Equity accounted investments	6	239.4	9.9	9.8
Finance lease receivables	8	24.2	46.7	35.6
Deferred tax assets		14.2	11.5	12.3
Pension assets		0.2	-	0.2
Derivatives		0.7	2.3	5.7
Other non-current assets		1.1	4.9	1.6
Total non-current assets		2,358.1	2,837.2	2,797.5
Inventories		51.1	56.7	62.6
Trade receivables and other current assets		187.7	205.6	258.1
Derivatives		0.5	0.2	0.7
Cash and cash equivalents		206.0	265.2	250.2
Assets held for sale		-	25.1	-
Total current assets		445.3	552.8	571.6
Total assets		2,803.4	3,390.0	3,369.1
EQUITY AND LIABILITIES				
Shareholders' equity	10	791.2	1,045.6	1,119.6
Non-controlling interests	10	213.3	327.8	338.9
Total equity		1,004.5	1,373.4	1,458.5
Interest-bearing long-term debt	11	1,101.5	1,135.9	1,025.7
Pension obligations		5.0	4.7	5.3
Asset retirement obligations		-	15.3	8.9
Other non-current liabilities	12	242.0	230.0	228.7
Long-term lease liabilities	9	12.4	16.6	14.8
Derivatives		78.9	96.5	35.5
Total non-current liabilities		1,439.8	1,499.0	1,318.9
Trade and other payables		209.2	296.8	325.6
Derivatives		6.2	25.2	23.1
Interest-bearing short-term debt	11	119.9	175.4	221.1
Short-term lease liabilities	9	4.6	8.9	8.2
Tax liabilities		19.2	11.3	13.7
Total current liabilities		359.1	517.6	591.7
Total liabilities		1,798.9	2,016.6	1,910.6
Total equity and liabilities		2,803.4	3,390.0	3,369.1

Condensed Consolidated Statement of Changes In Equity

(Unaudited figures in USD million)

	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Equity component of convertible bonds	Other elements	Shareholders' equity	Non-controlling interests	Total equity
Equity at 1 January 2020	92.5	1,095.5	(0.3)	(18.8)	-	50.1	(99.4)	1,119.6	338.9	1,458.5
Profit/(loss) for the period	-	-	-	-	-	-	(245.2)	(245.2)	1.3	(243.9)
Other comprehensive income, net of tax	-	-	-	(2.8)	-	-	-	(2.8)	-	(2.8)
Treasury shares acquired	-	-	(9.9)	-	-	-	-	(9.9)	-	(9.9)
Dividends	-	-	-	-	-	-	(6.1)	(6.1)	-	(6.1)
Share-based payment	-	-	-	-	-	-	0.6	0.6	-	0.6
Dilutive effect of IPO	-	-	-	-	-	-	(61.3)	(61.3)	-	(61.3)
Dividend to non-controlling interests	-	-	-	-	-	-	(3.7)	(3.7)	(1.3)	(5.0)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	(125.6)	(125.6)
Total equity at 30 June 2020	92.5	1,095.5	(10.2)	(21.6)	-	50.1	(415.1)	791.2	213.3	1,004.5

	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Equity component of convertible bonds	Other elements	Shareholders' equity	Non-controlling interests	Total equity
Equity at 1 January 2019	92.5	1,095.5	(0.3)	(18.3)	(1.7)	-	(172.1)	995.6	325.3	1,320.9
Profit/(loss) for the period	-	-	-	-	-	-	52.9	52.9	13.1	66.0
Other comprehensive income, net of tax	-	-	-	0.2	0.8	-	-	1.0	-	1.0
Share-based payment	-	-	-	-	-	-	0.3	0.3	-	0.3
Dividend to non-controlling interests	-	-	-	-	-	-	(4.2)	(4.2)	(1.4)	(5.6)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	(9.2)	(9.2)
Total equity at 30 June 2019	92.5	1,095.5	(0.3)	(18.1)	(0.9)	-	(123.1)	1,045.6	327.8	1,373.4

Condensed Consolidated Statement of Cash Flows

(Unaudited figures in USD million)

	1H 2020	1H 2019	FY 2019
Profit/(loss) before taxes	(260.5)	103.7	184.3
<i>Adjustments for:</i>			
Unrealised currency exchange loss/(gain)	(2.3)	5.5	(9.7)
Depreciation and amortisation	158.7	205.1	412.4
Share of loss/(profit) from equity accounted investments	8.2	(0.9)	(0.7)
Loss/ (gain) on disposal of property, plant & equipment	-	(0.1)	-
Impairment	233.1	-	-
Share-based payment expense	0.6	-	1.0
Change in fair value of derivatives	31.6	16.5	(49.8)
Changes in asset retirement obligations through income statement	-	0.6	0.3
Add back of net interest expense	31.6	42.2	81.8
Instalment on financial lease	10.6	9.9	20.1
Changes in inventories	2.2	7.1	1.2
Changes in trade and other current assets	40.5	3.8	(47.6)
Changes in trade and other payables	(40.1)	(11.5)	24.1
Changes in other balance sheet items and items related to operating activities	32.3	(33.0)	53.9
Taxes paid	(19.8)	(32.1)	(63.0)
Gain from discontinued operation	(11.6)	-	-
Net cash flows from operating activities	215.1	316.8	608.3
Investment in property, plant & equipment and intangible assets	(66.2)	(92.4)	(273.5)
Proceeds from disposal of property, plant & equipment	-	28.6	44.5
Interest received	0.5	1.8	4.2
Dividends received	-	-	0.1
Discontinued operation, net of cash disposed off	(66.3)	-	-
Net cash flows used in investing activities	(132.0)	(62.0)	(224.7)
Proceeds from new interest-bearing debt	140.0	445.0	1,001.2
Repayment of interest-bearing debt	(204.1)	(506.9)	(1,136.5)
Interest paid	(27.8)	(49.0)	(92.3)
Payment of lease liabilities	(2.9)	(5.1)	(10.3)
Dividends paid	(6.1)	-	-
Treasury shares acquired	(9.9)	-	-
Cash transfer from/(to) non-controlling interests ¹⁾	(16.5)	(15.7)	(37.6)
Net cash flows used in financing activities	(127.3)	(131.7)	(275.5)
Net change in cash and cash equivalents	(44.2)	123.1	108.1
Cash and cash equivalents at beginning of period	250.2	142.1	142.1
Cash and cash equivalents at end of period	206.0	265.2	250.2

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

Notes to the condensed interim consolidated financial statements

(Figures in brackets refer to corresponding figures for 2019)

Note 1 Basis for preparation

Organisation and principal activities

BW Offshore Limited (hereafter 'BW Offshore' or 'the Company') is incorporated and domiciled in Bermuda. The Company is listed on Oslo Børs (Norway). These condensed interim consolidated financial statements ('interim financial statements') as at and for the six months ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group build, owns and operates FPSOs (Floating, Production, Storage and Offloading vessels).

These interim financial statements were authorised for issue by the Company's Board of Directors on 26 August 2020.

Basis of preparation

These interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019 ('last annual financial statements'). They do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The interim financial statements are unaudited.

Changes in accounting policies

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of BW Offshore's annual consolidated financial statements for the year ended 31 December 2019. However, management adopted an accounting policy for discontinued operations as a result of the Initial Public Offering (IPO) of BW Energy Limited.

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

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is presented as if the operation had been discontinued from the start of the comparative year.

Use of estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. The ongoing Covid-19 pandemic and the oil price decline in the first half of 2020 create additional estimation uncertainties and impact key assumptions applied in the valuation of assets and the measurement of liabilities and related sensitivities. Reference to Note 15 Impact of the Covid-19 pandemic and the oil price decline for further information.

Note 2 Segment information

Following the IPO and deconsolidation of BW Energy Limited and its subsidiaries (the 'BW Energy Group') as of 17 February 2020, the Company's activities are construction, lease and operation of FPSOs.

Segment performance for the first half-year 2020 and 2019 is presented below. As of first half-year 2020, following the IPO and deconsolidation of the BW Energy Group, BW Offshore has only one remaining segment.

The reported measure of segment profit is net operating profit (EBIT). Deferred tax assets, pension assets and non-current financial assets are not allocated to the segments. The assets and liabilities are allocated based on the operations of the segment.

1H 2020

USD MILLION	FPSO	E&P	Eliminations	Total
Revenues	454.6	-	-	454.6
Other revenue	-	5.1	-	5.1
Revenues inter-segment	14.1	-	(14.1)	-
Total revenues	468.7	5.1	(14.1)	459.7
Operating expenses	(199.3)	(1.2)	9.8	(190.7)
General and administrative expenses	(23.3)	-	4.3	(19.0)
Operating profit /(loss) before depreciation/amortisation	246.1	3.9	-	250.0
Depreciation, amortisation and impairment	(391.8)	(4.7)	0.5	(396.0)
Operating profit/(loss)	(145.7)	(0.8)	0.5	(146.0)
Capital expenditure	17.7	30.2	-	47.9
Balance sheet information				
Equity accounted investments	239.4	-	-	239.4
Non-current segment assets	2,118.7	-	-	2,118.7
Non-current assets, not allocated to segments				-
Total non-current assets				2,358.1

Reconciliation of reportable segment operating profit or loss

USD MILLION	1H 2020
Operating profit/(loss) for reportable segments	(146.0)
Elimination of discontinued operation	0.3
Operating profit/(loss)	(145.7)

1H 2019

USD MILLION	FPSO	E&P	Eliminations	Total
Revenues	442.0	118.8	2.3	563.1
Other revenue	-	21.4	(2.1)	19.3
Revenues inter-segment	39.7	-	(39.7)	-
Total revenues	481.7	140.2	(39.5)	582.4
Operating expenses	(163.6)	(42.9)	18.0	(188.5)
General and administrative expenses	(26.2)	-	9.8	(16.4)
Operating profit /(loss) before depreciation/amortisation	291.9	97.3	(11.7)	377.5
Depreciation, amortisation and impairment	(173.6)	(39.5)	7.9	(205.2)
Profit/(loss) sale of fixed assets	(0.2)	0.3	-	0.1
Operating profit/(loss)	118.1	58.1	(3.8)	172.4
Capital expenditure	63.4	29.0	(3.1)	89.3
Balance sheet information				
Equity accounted investments	9.9	-	-	9.9
Non-current segment assets	2,594.6	397.4	(209.5)	2,782.5
Non-current assets, not allocated to segments				44.8
Total non-current assets				2,837.2

Reconciliation of reportable segment operating profit or loss

USD MILLION	1H 2019
Operating profit/(loss) for reportable segments	172.4
Elimination of discontinued operation	(54.3)
Operating profit/(loss)	118.1

Non-current assets by region

USD MILLION	30.06.2020	30.06.2019	31.12.2019
Americas	480.9	628.7	635.7
Europe/Africa	1,439.6	1,913.8	1,884.0
Asia and the Pacific	157.8	219.3	212.5
Total non-current assets ¹⁾	2,078.3	2,761.8	2,732.2

1) Excluding deferred tax assets, pension assets, finance lease receivables, derivatives equity accounted investments and other non-current assets

Revenues by geographical areas ²⁾

USD MILLION	1H 2020	1H 2019	FY 2019
Americas	124.9	120.7	240.3
Europe/Africa	304.3	299.6	599.0
Asia and the Pacific	39.5	61.4	108.1
Total revenues from continuing operations	468.7	481.7	947.4
Europe/Africa	-	100.7	205.6
Total revenues from discontinued operation	-	100.7	205.6

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

During the normal course of business, BW Offshore is involved in legal and other proceedings which are unresolved and outstanding. We have accounted for such claims and litigations based on the Group's best

judgement. In the second quarter, the Group recognised USD 8.0 million in revenue related to a settlement reached with Petrobras pertaining the P-63 EPC contract for which no receivable was previously recognised.

Note 3 Gain/ (loss) on financial instruments

USD MILLION	1H 2020	1H 2019	FY 2019
Gain/(loss) on interest rate swaps	(51.5)	(22.5)	(23.3)
Gain/(loss) on forward exchange contracts	(7.3)	1.2	2.3
Gain/(loss) on cross-currency swaps	(15.7)	4.6	71.5
Gain/(loss) on other financial instruments	(1.9)	0.2	(0.7)
Net gain/(loss) on financial instruments	(76.4)	(16.5)	49.8

Note 4 Property, plant & equipment

USD MILLION	Vessels	E&P assets	Property and other equipment	Total
At 1 January 2020	2,377.1	216.1	16.0	2,609.2
Additions	16.6	23.0	0.4	40.0
Current year depreciation	(154.5)	(0.9)	(0.6)	(156.0)
Impairment	(221.9)	-	(11.2)	(233.1)
Discontinued operation	36.2	(238.2)	(0.3)	(202.3)
At 30 June 2020	2,053.5	-	4.3	2,057.8
At 1 January 2019	2,614.6	183.4	13.3	2,811.3
Additions	56.1	23.5	1.5	81.1
Reclassification from intangible assets	-	1.6	-	1.6
Current year depreciation	(172.4)	(21.7)	(0.7)	(194.8)
Reclassification to assets held for sale	-	(2.7)	-	(2.7)
At 30 June 2019	2,498.3	184.1	14.1	2,696.5

Vessels capital expenditure in the first half-year 2020 is mainly related to capital expenditures for ongoing life extension activities. Most life extension activities are on either a reimbursable cost-plus basis or covered through higher day rates.

E&P assets capital expenditure for the period 1 January 2020 up until 17 February 2020 relates mainly to development of the phase II development of Dussafu oil field in Gabon.

The level of depreciation depends on the estimated useful life of the different components of the vessels and the residual value at the end of useful life. The estimated useful

life used for depreciations are based on experience and knowledge of the vessels owned by the Company.

Impairment

The Group has performed an impairment trigger assessment thereby considering, amongst others, the impact of the Covid-19 pandemic as well as sudden and longer-term effect on commodity prices on the outlook for each vessel. The Group further considered the remaining fixed contract period, option clauses in the contracts and commerciality of the various fields on which the vessels operate.

Impairment triggers were identified for a number of assets, particularly those vessels with a short remaining

contract period or vessels currently off contract. When an impairment trigger was identified, an impairment test was performed considering whether the recoverable amount, using a value-in-use model, on individual vessels were higher than the net book value. BW Offshore consequently recorded an impairment loss of USD 233.1 million on the FPSO fleet and other assets.

Impairment charges were recognised on BW Athena (USD 36.1 million), BW Cidade de São Vicente (USD 79.1 million), Espoir Ivorien (USD 15.5 million), Berge Helene (USD 57.1 million), FPSO Polvo (USD 17.0 million) and Umuroa (USD 17.1 million).

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. 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 8.0% (8.0%) 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

BW Offshore expects the market to improve as a result of recovery in the oil price compared to the current market conditions, nevertheless the Group considers reduced probabilities for extension of contracts and redeployment of units after end of current contract.

Note 5 Intangible assets

USD MILLION	Software	E&P intangible assets	Total intangible assets
At 1 January 2020	4.5	96.6	101.1
Additions	0.6	7.2	7.8
Current year amortisation	(0.8)	-	(0.8)
Discontinued operation	-	(103.8)	(103.8)
At 30 June 2020	4.3	-	4.3
At 1 January 2019	2.1	35.6	37.7
Additions	2.1	5.5	7.6
Reclassification to tangible assets	-	(1.6)	(1.6)
Current year amortisation	(0.9)	(0.3)	(1.2)
Reclassification to assets held for sale	-	(2.1)	(2.1)
At 30 June 2019	3.3	37.1	40.4

Note 6 Equity accounted investments

Equity accounted investments relates mainly to the investment in BW Energy Limited. Reference to Note 7 Discontinued operation for further information.

The Company has performed a preliminary purchase price allocation to determine the fair value of the retained interest at initial recognition, no significant goodwill has

been identified. Due to the sudden drop in oil price, an impairment trigger was identified, and as a result of this, an impairment test was performed. The test did not result in any impairment.

The Company has accounted for its shareholding in this investment according to the equity method.

Note 7 Discontinued operation

BW Offshore completed the IPO of BW Energy Limited in February 2020. Following the IPO, BW Offshore's ownership in BW Energy Limited was reduced from 66% to 38.8%. Considering a loss of control, the BW Energy Group is no longer consolidated as part of the Group from 17 February 2020. The retained interest is classified as an equity accounted investment that is initially recognised at its fair value and subsequently measured using the equity method. Further reference is made to Note 6 Equity accounted investments.

The BW Energy Group was not previously classified as held-for-sale or as discontinued operation. The comparative condensed consolidated statement of income and condensed consolidated statement of comprehensive income have been represented to show the discontinued operation separately from continuing operations.

Subsequent to the disposal, the Group has continued transactions with the discontinued operation, primarily a lease and operating contract for the FPSO Adolo as well as back-office support to the BW Energy Group.

Results of discontinued operation

USD MILLION	17.02.2020	1H 2019
Other revenue	5.1	100.7
Operating expenses	(1.2)	(15.1)
Operating profit /(loss) before depreciation/amortisation	3.9	85.6
Depreciation	(4.7)	(31.6)
Gain/(loss) sale of assets	-	0.3
Operating profit/(loss)	(0.8)	54.3
Interest income	0.2	0.7
Other financial items	(1.5)	(1.0)
Net financial income/(expense)	(1.3)	(0.3)
Profit/(loss) before tax	(2.1)	54.0
Income tax expense	(3.8)	(19.0)
Profit/(loss) from operating activities	(5.9)	35.0
Gain on sale of discontinued operation	43.6	-
Profit/(loss) from discontinued operation for the period	37.7	35.0
Attributable to shareholders of the parent	39.6	23.2
Attributable to non-controlling interests	(1.9)	11.8
Earnings per share		
Basic earnings/(loss) per share in USD net	0.21	0.13
Diluted earnings/(loss) per share (USD) net	0.21	0.13

Cash flows from/ (used in) discontinued operation

USD MILLION	17.02.2020	1H 2019
Net cash flow from/(used in) operating activities	19.9	116.4
Net cash flow from/(used in) investing activities	(30.0)	(3.2)
Net cash flow from/(used in) financing activities ¹⁾	113.6	(24.2)
Net cash flow for the period	103.5	89.0

1) HI 2020 number includes IPO effect

Effect of disposal on the financial position of the Group

USD MILLION	17.02.2020
Vessels	35.8
Property, plant & equipment	(238.5)
Right-of-use assets	(2.1)
Intangible assets	(103.8)
Other non-current assets	(0.1)
Inventories	(14.2)
Trade and other current assets	(32.8)
Cash and cash equivalents	(184.6)
Other non-current liabilities	(34.9)
Lease liabilities	2.4
Asset retirement obligations	8.9
Trade and other payables	74.8
Net assets and liabilities	(489.1)
Net consideration received in cash from IPO	118.3
Cash and cash equivalents disposed of	(184.6)
Net cash in/(out)flow	(66.3)

Note 8 Finance lease receivables

At the end of the first half-year of 2020, amortisation of finance lease receivables is related to Y'ÜUM K`AK`NÀAB.

Note 9 IFRS 16 Leases

BW Offshore leases mainly office premises and apartments. Leases of office premises generally have lease terms between 1 and 7 years, while apartments generally have lease terms between 1 and 3 years. Previously these

leases were classified as operating leases under IAS 17. BW Offshore has leases of certain office equipment (i.e. personal computers, printing- and photocopying machines, coffee machines) that are considered of low value.

Right-of-use assets and Lease liabilities

USD MILLION	Land and buildings	Vessels	Right-of-use assets	Lease liabilities
At 1 January 2020	20.1	1.9	22.0	23.0
Interest adjustments	0.2	-	0.2	0.2
Depreciation expense	(2.9)	(0.2)	(3.1)	n/a
Interest expense	n/a	n/a	n/a	0.3
Lease payments	n/a	n/a	n/a	(2.9)
Discontinued operation	(0.4)	(1.7)	(2.1)	(2.4)
Foreign currency translation gain/(loss)	(0.8)	-	(0.8)	(1.2)
Balance at 30 June 2020	16.2	-	16.2	17.0

Lease payments of USD 2.9 million consist of lease instalments of USD 2.6 million and interest expense of USD 0.3 million.

USD MILLION	Land and buildings	Vessels	Right-of-use assets	Lease liabilities
At 1 January 2019	24.0	5.1	29.1	29.1
Additions	0.6	-	0.6	0.6
Depreciation expense	(3.2)	(1.5)	(4.7)	n/a
Interest expense	n/a	n/a	n/a	0.7
Lease payments	n/a	n/a	n/a	(5.1)
Foreign currency translation gain/(loss)	-	-	-	0.2
Balance at 30 June 2019	21.4	3.6	25.0	25.5

Note 10 Equity

The number of issued shares was 184,956,320 at 30 June 2020 (184,956,320). There were 214,000,000 authorised shares at 30 June 2020 (214,000,000).

Share buy-back program

On 31 March 2020, BW Offshore announced the initiation of a share buy-back program under which the Company may repurchase common shares in the Company for a total consideration of up to USD 10 million. Any shares acquired under the buy-back program will be held in treasury or used towards the Company's long-term incentive program for employees. The shares will be purchased in the open market and potentially through private offerings. In order for BW Group Limited (BW Group) to maintain its current ownership interest of 49.92%, BW Group will participate in share buy-backs on a pro-rata basis.

The highest price to be paid per share in the open market and through private offerings will in no event exceed the prevailing market price for the BW Offshore shares at the time of the relevant repurchase.

The Board of Directors has authorised management to, at its discretion, facilitate the repurchase of shares from 31 March 2020 up to and including 30 June 2020. Following the acquisition under the share buy-back program and the Long-term bonus pay out (reference to Note 14), the Company held a total of 4,156,534 treasury shares at 30 June 2020.

Non-controlling interests

BW Offshore Limited has through BW Catcher Limited issued preference shares with a preferential dividend right to ICBC Financial Leasing Co., Ltd. (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 in the Catcher contract over a similar term. The net proceeds from the issue of the preference shares will be used for general corporate purposes. The investment by ICBCL is presented as a non-controlling interest in the statement of financial position of BW Offshore.

Note 11 Interest-bearing debt

Non-current debt

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

USD MILLION	30.06.2020	30.06.2019	31.12.2019
USD 672.5 million Corporate facility	320.5	335.1	180.2
Convertible bond	249.9	-	245.2
BWO05 - NOK 900 million bond	92.7	-	101.4
BWO04 - NOK 900 million bond	-	105.1	-
BWO03 - NOK 750 million bond	-	87.8	-
BWO02 - NOK 500 million bond	-	46.8	-
Catcher USD 800 million facility	426.4	539.4	483.0
Petróleo Nautipa USD 80 million facility	12.0	21.7	15.9
Total	1,101.5	1,135.9	1,025.7

Current debt

The Company had the following current interest-bearing debt:

USD MILLION	30.06.2020	30.06.2019	31.12.2019
USD 672.5 million Corporate facility	(1.8)	(2.1)	(2.3)
Convertible bond	(0.6)	-	(0.6)
BWO05 - NOK 900 million bond	(0.4)	-	(0.4)
BWO04 - NOK 900 million bond	-	(0.2)	25.0
BWO03 - NOK 750 million bond	-	(0.2)	37.5
BWO02 - NOK 500 million bond	-	11.6	10.4
BWO01 - NOK 500 million bond	-	42.1	27.1
Catcher USD 800 million facility	112.9	112.6	112.8
Petróleo Nautipa USD 80 million facility	9.8	11.6	11.6
Total	119.9	175.4	221.1

Instalment overview

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

USD MILLION	Q3 20	Q4 20	Q1 21	Q2 21	2020	2021	2022-2024	Total
USD 672.5 million Corporate facility	-	-	-	-	-	-	325.0	325.0
Convertible bond USD 297.4 million	-	-	-	-	-	-	297.4	297.4
BWO05 - NOK 900 million bond ¹⁾	-	-	-	-	-	-	99.0	99.0
Catcher USD 800 million facility	28.6	28.6	28.6	28.6	57.2	114.3	371.3	542.8
Petróleo Nautipa USD 80 million facility	5.8	-	4.0	-	5.8	8.0	8.0	21.8
Total	34.4	28.6	32.6	28.6	63.0	122.3	1,100.7	1,286.0

1) Bond loan illustrated at swapped USD/NOK rate

Covenants

The USD 672.5 Corporate facility is subject to certain covenants, including minimum book equity of at least 25% of total assets, debt to EBITDA of maximum 5.5, minimum USD 75.0 million available liquidity and interest coverage ratio of minimum 3.0.

The Catcher USD 800 million facility and the Petr leo Nautipa USD 80 million facility are subject to certain covenants, including minimum book equity of at least 20% of total assets, debt to EBITDA of maximum 6.0, minimum USD 75.0 million available liquidity and interest coverage ratio of minimum 3.0.

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 Company.

As per end of first half-year 2020, the Company is in compliance with all covenants.

Note 12 Other non-current liabilities

Other long-term liabilities comprise upfront payments related to charter contracts. Payments received under operating leases are recognised as operating revenue on

a straight-line basis over the lease term. This implies that there might be significant timing differences between cash flow and recognised revenue from a particular lease.

Note 13 Capital commitments

Total unrecognised contractual capital commitments at 30 June 2020 amounted to USD 42.6 million (corresponding figure for 30 June 2019 was USD 203.0 million including discontinued operation). At 30 June 2020, this is mainly

related to ongoing life extension activities and operation. In 2019, the commitment was mainly related to Dussafu, the BW Adolo redeployment project, ongoing life extension activities and operations.

Note 14 Related party transactions

On the 6 March 2020, under the second annual award under the Long-term Incentive Programme (LTIP), BW Offshore awarded 306.250 options to CEO Marco Beenen, 100.625 options to CCO Rune  . Bjorbekk, 100.625 options to CFO St le Andreassen, 100.625 options to COO Kei Ikeda and 100.625 options to General Counsel Magda Vakil.

The total number of options awarded under the LTIP for 2020 is 1,832,250 where each option will give the holder the right to acquire one BW Offshore share. A total of 59 BW Offshore employees have been invited to participate in the programme.

The strike price is NOK 41.88 and is calculated based on the volume weighted average share price five trading days

prior to grant date, plus a premium of 15.76% (corresponding to 5% increase annually over 3 years). The options will have a vesting period of three years, followed by a three-years exercise period. The options will expire 6 years after the award date. The Company's exposure relating to the 2019 award is hedged by a Total Return Swap (TRS) agreement with financial exposure to 1,732,000 shares in BW Offshore.

On the 17 June 2020, under a long-term bonus plan, BW Offshore transferred 5,237 shares to CEO Marco Beenen, 5,983 shares to CCO Rune Bjorbekk and 8,287 shares to COO Kei Ikeda. The shares will be restricted until June 2021.

Note 15 Impact of the Covid-19 pandemic and oil price decline

A considerable decline in oil prices during 2020, triggered among other factors lower demand due to the Covid-19 pandemic, continues to significantly impact the oil industry. High volatility in short-term oil prices has continued subsequent to the second quarter end.

Impact

A less active market for marginal development on the back of a longer road to recovery for the oil price. This led to an impairment on the fleet. The impact on cash-flow and liquidity in the short-term has been very limited. Due to expected disruption in supply chain the Company is not doing much maintenance work offshore at the moment.

Measures taken

BW Offshore's key priorities in this challenging situation have been, and continue to be, to safeguard its people, its production and its financial capacity. The Company has implemented a wide range of measures to

minimise the risk to people and operations from the Covid-19 pandemic, including reduced offshore manning, social distancing, travel restrictions and working from home. During the second quarter, the Company has implemented mandatory testing for all offshore personnel. The Company will continue to work systematically to maintain safe and reliable operations as activity returns to more normal levels.

Expected future impact

The majority of BW Offshore's fleet remains on contracts with national and independent oil companies. Historically, these contracts have withstood market fluctuations with options to extend exercised even during previous oil price lows. The fleet should continue to generate significant cash flow in the time ahead.

BW Offshore has evaluated the possible changes in certain assumptions as of 30 June 2020. For interest rate and credit risk, this remains unchanged from 31 December 2019.

Note 16 Subsequent events

On 2 July 2020, the FPSO Sendje Berge was subject to an attack by pirates offshore Nigeria and nine Nigerian nationals were kidnapped. The situation was resolved on the 7 August when all of the offshore employees were safely released. Sendje Berge is situated on the Okwori field in Nigeria on contract to Addax Petroleum.

On 21 July 2020, BW Offshore received a one-year contract extension for the lease and operation of the FPSO Petr leo Nautipa. The firm period has been extended to Q3 2022 (from Q3 2021). The FPSO is operating on the Etame field offshore Gabon for VAALCO Energy.

Key figures

	Note	1H 2020	1H 2019	FY 2019
EBITDA-margin	1	52.5%	65.0%	61.6%
Equity ratio	2	35.8%	40.5%	43.3%
Return on equity	3	-30.7%	12.8%	10.8%
Return on capital employed	4	-10.2%	11.8%	10.1%
Net interest-bearing debt (USD million)	5	1,015.4	1,046.1	996.6
Cash flow per share (USD)	6	1.16	1.71	3.29
EPS - basic (USD)	7	(1.36)	0.29	0.45
EPS - diluted (USD)	7	(0.98)	0.29	0.44
Shares - end of period (million)		185.0	185.0	185.0
Share price (NOK)		31.6	52.0	66.0
Market cap (NOKm)		5,845	9,608	12,207
Market cap (USDm)		608	1,128	1,390

Notes to key figures and definition of Alternative Performance Measures

- 1 Earnings before interest, taxes, depreciation and amortisation / Operating revenues
- 2 Equity / Total assets
- 3 Annualised net profit / Equity previous period (adjusted for preference shares)
- 4 EBIT (annualised) / Capital employed previous period
- 5 Interest bearing debt - cash and cash equivalents
- 6 Net cash flow from operating activities / Number of shares (weighted average)
- 7 Parent net profit / Number of shares end of period (adjusted for treasury shares)

Alternative performance measures (APMs)

The Group discloses alternative performance measures in addition to those required by IFRS, as we believe these provide useful information to management, investors and security analysts regarding our historical financial performance.

EBIT

EBIT, as defined by the Group, means earnings before interest and tax.

EBITDA

EBITDA, as defined by the Group, means EBIT excluding depreciation and amortisation, impairment and disposal and gain from sale of tangible fixed asset. EBITDA may differ from similarly titled measures from other companies.

USD MILLION	1H 2020	1H 2019 ¹⁾	FY 2019 ¹⁾
Continuing operations			
Revenues	468.7	481.7	947.4
Operating expenses	(222.6)	(189.8)	(404.5)
Operating profit /(loss) before depreciation/amortisation (EBITDA)	246.1	291.9	542.9
Depreciation	(157.9)	(172.4)	(354.3)
Amortisation	(0.8)	(1.2)	(1.8)
Impairment vessels and other assets	(233.1)	-	-
Net gain/(loss) on sale of tangible fixed assets	-	(0.2)	(0.3)
Operating profit/(loss) (EBIT)	(145.7)	118.1	186.5

1) The comparative information has been restated due to a discontinued operation, reference note 7

Capital expenditures

Capital expenditures means investments in vessels, E&P assets, intangible assets and property and other equipment, including capitalised interest and asset retirement obligations. Capital expenditure may differ from investment in operating fixed assets and intangible assets presented in the Consolidated Statement of Cash Flows, as capital expenditure may also contain non-cash transactions.

Net interest-bearing debt

Net interest-bearing debt is defined as short-term and long-term interest-bearing debt less cash and cash equivalents.

USD MILLION	1H 2020	1H 2019 ¹⁾	FY 2019 ¹⁾
Cash and cash equivalents	(206.0)	(265.2)	(250.2)
Long-term interest-bearing debt	1,101.5	1,135.9	1,025.7
Short-term interest-bearing debt	119.9	175.4	221.1
Net interest-bearing debt	1,015.4	1,046.1	996.6

1)The comparative information has been restated due to a discontinued operation, reference note 7

Order backlog

Order backlog is defined as the aggregated revenue backlog from firm contracts and probable options.

Equity ratio

Equity ratio is an indicator of the relative proportion of equity used to finance the Group's assets, defined as total equity divided by total assets.



SMARTER TOGETHER

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

