

Annual report 2020



BW OFFSHORE

We engineer offshore production solutions to progress the future of energy.



BOE PER DAY

525,000



NUMBER OF UNITS

15



EMPLOYEES

1,927



EXECUTED PROJECTS

40



EBITDA 2020 USD million

436.1

GLOBAL FOOTPRINT

BW Offshore brings together extensive floating production experience with a global FPSO fleet, and is represented in all the major oil and gas regions worldwide, across Asia Pacific, the Americas, Europe and West Africa. The Company currently operates FPSOs in eight countries, supported by local onshore teams and a corporate organisation with a global presence.

BW Offshore's global presence, operational integrity, and extensive experience leads the way in global floating production solutions for the oil and gas industry.

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SMARTER TOGETHER

We engineer offshore production solutions to progress the future of energy.

This philosophy is the foundation of BW Offshore's open and collaborative approach with clients across projects and operations. It fosters the sharing of experience, engineering considerations and agreement on best practices. A true partner for valuable and responsible growth, the Company has a powerful ambition to generate new ideas and positive returns for all stakeholders.

2020 in brief

BW Offshore engineers innovative floating production solutions. The Company has 10 FPSOs in operation, with potential and ambition to grow. By leveraging four decades of offshore operations and project execution, the Company creates tailored energy solutions for evolving markets world-wide.

The BW Offshore team delivers with a combined engineering and operating mindset when designing new FPSOs, preparing redeployments and exploring new opportunities. The Company fosters a culture where people grow and thrive.

BW Offshore has around 2,000 employees and is publicly listed on the Oslo Stock Exchange.

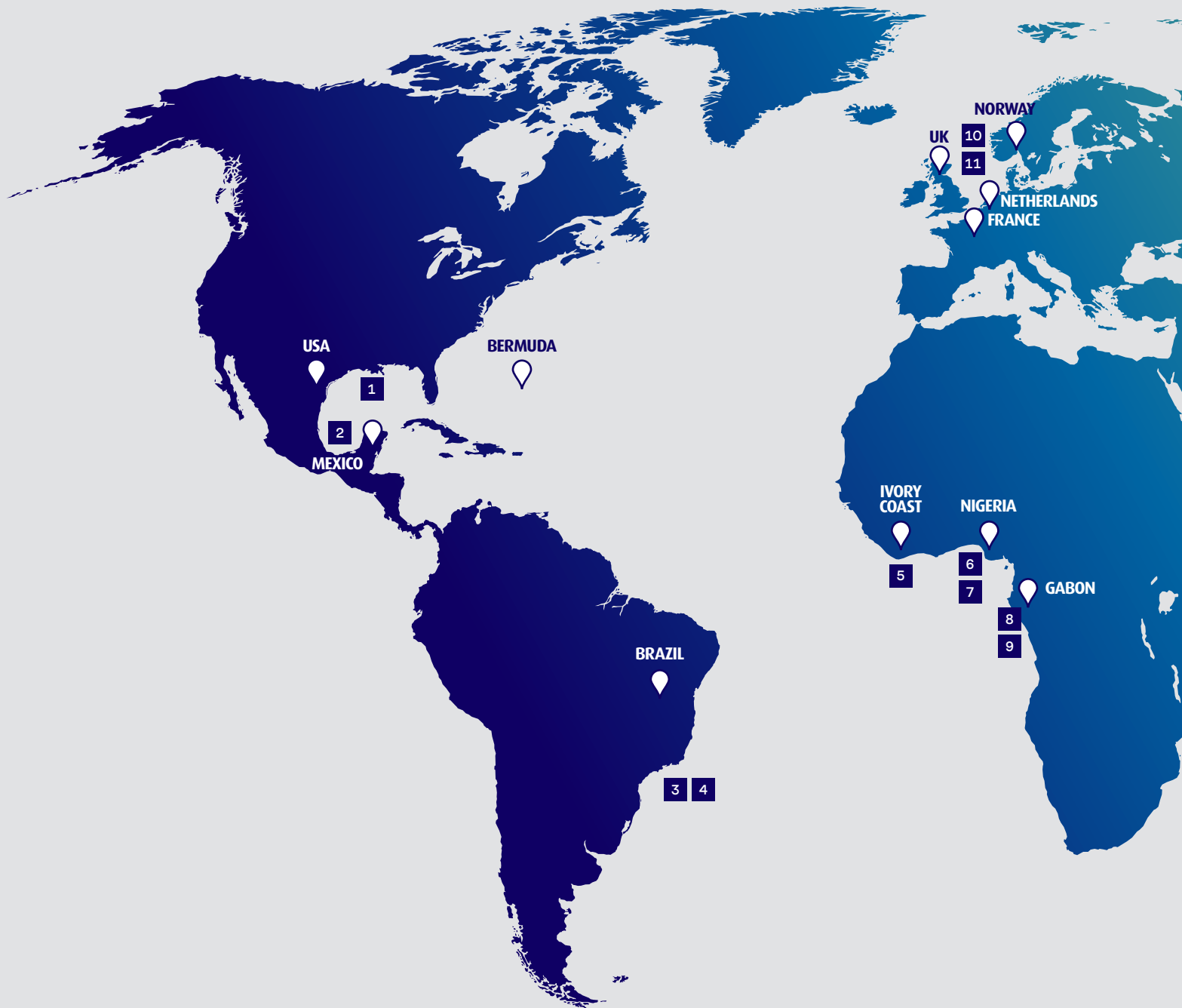
KEY EVENTS

- Safeguarding people, operations and partners throughout the COVID-19 pandemic
- High commercial uptime for the FPSO Fleet
- BW Energy listed as an independent E&P company on the Oslo Stock Exchange in February
- Five-year contract plus five year options for BW Pioneer
- Contract extensions for Petróleo Nautipa, Abo FPSO and FPSO Polvo
- Agreement with New Zealand government for a fully funded disconnection of Umuroa
- Completed USD 10 million share buy-back programme
- Quarterly dividend payments introduced, totalling USD 25 million annually

KEY FIGURES

Commercial uptime		96.7%
LTI	per million hours	1.86
Operating revenues	USD million	886.3
EBITDA	USD million	436.1
Operating cash flow	USD million	387.3
Total assets	USD million	2,586.8
Total equity	USD million	945.0
Equity ratio		36.5%
Market cap	USD million	795
Enterprise value	USD million	1,750
Daily export	boe per day	525,000

Global footprint



BW PIONEER, MURPHY OIL



YÙUM K'AK' NÁAB, PEMEX



BW CIDADE DE SÃO VICENTE



FPSO POLVO, PETRORIO



ESPOIR IVOIRIEN, CNR



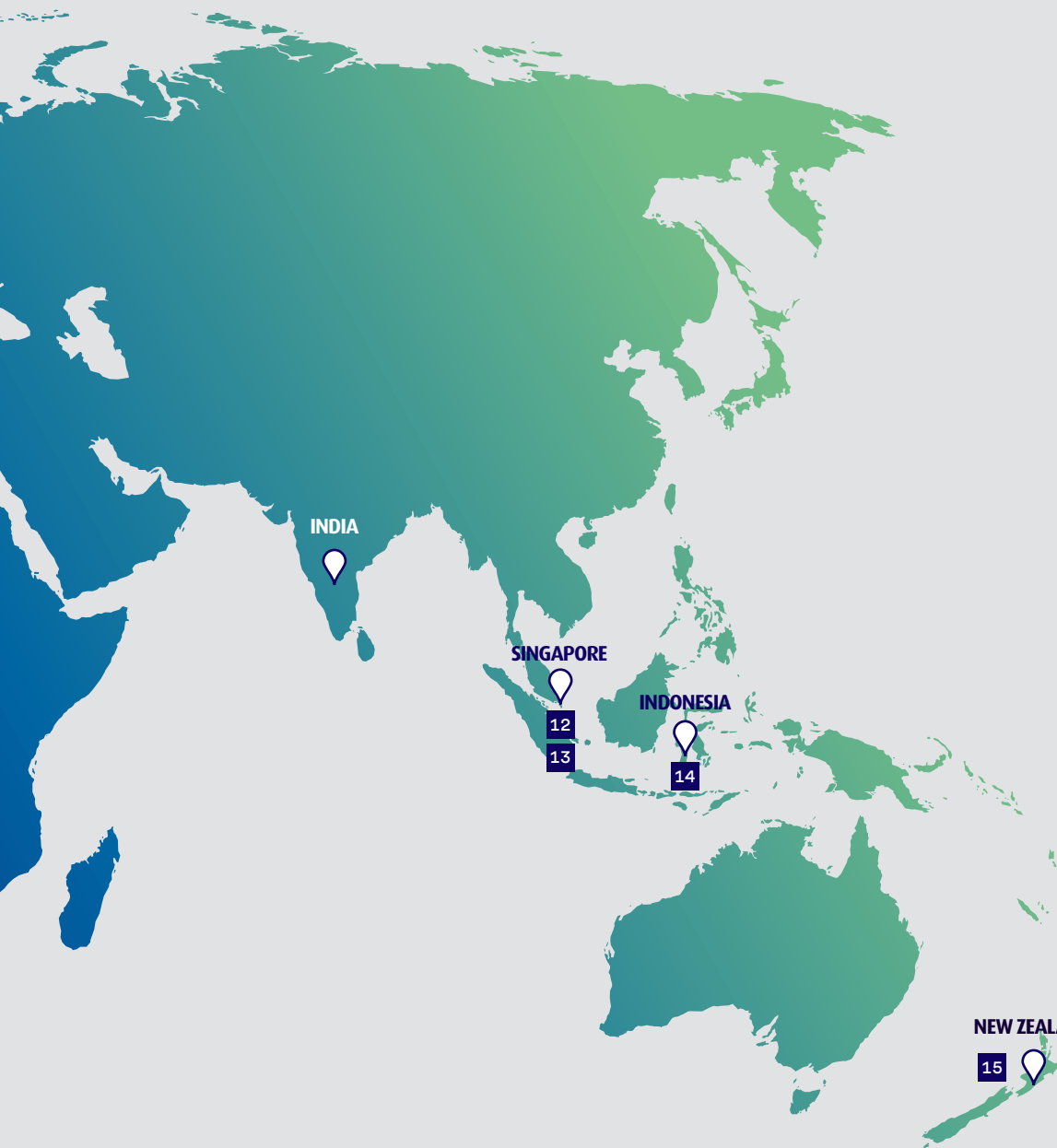
ABO FPSO, AGIP/ENI



SENDJE BERGE, ADDAX/SINOPEC



PETRÓLEO NAUTIPA, VAALCO



BW ADOLO, BW ENERGY



BW ATHENA



BW CATCHER, PREMIER OIL



BW OPPORTUNITY



BERGE HELENE



BW JOKO TOLE, KANGAEAN



UMUROA

History

Through continuous development and exploration of new business segments, BW Offshore has always been an industry pioneer. Executing complex projects and operating advanced production systems over the past four decades has instilled the importance of thorough engineering, trust and teamwork throughout the organisation.

The Company has an extensive track record of project execution and operations, as well as a robust balance sheet and strong financial capabilities. Since its origin, BW Offshore has executed 40 FPSO and FSO projects.

The origin of BW Offshore dates 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.

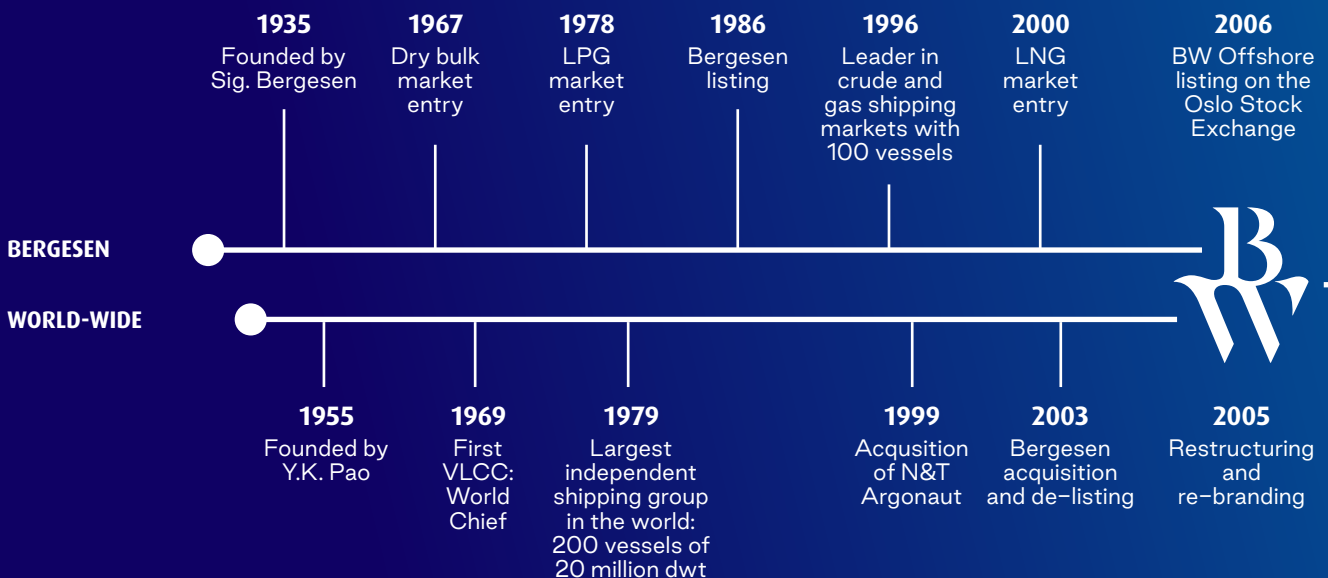
In 2003, World-Wide acquired Bergesen d.y. ASA, the world's largest gas carrier operator. The acquisition brought together two well-established businesses with similar commitments to quality and industry leadership. Bergesen Worldwide was established as a holding company incorporated in Bermuda on 29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

In 2005, a further reorganisation took place, accompanied by the rebranding of the business under a single group brand, BW. BW Offshore Ltd was listed on the Oslo Stock Exchange in 2006, while BW Group Ltd was incorporated in Bermuda and became the holding company of the Group on 10 April 2007.

BW Group is a significant shareholder in BW LNG, BW LPG, BW Epic Kosan, BW Offshore, BW Energy, BW Dry Cargo, BW Solar, Hafnia, DHT, Navigator, and Cadeler.

In 2007, BW Offshore acquired APL (Advanced Production and Loading) ASA, a producer of technology for the offshore oil and gas industry, and in 2010 this was followed by the acquisition of Prosafe ASA, another FPSO company listed in Norway. The merged company constituted one of the largest FPSO fleets in the world, a position that has been maintained to date.

The use of existing FPSOs to trigger offshore developments has been an instrumental part of BW Offshore's strategy, as FPSO redeployments require less time and capital than traditional tanker conversions or newbuilds. This approach led to the creation of BW Energy, an E&P company involved in the acquisition, development and production of proven oil and natural gas fields. BW Energy was listed on the Oslo Stock Exchange in 2020, with BW Offshore and BW Group as main shareholders.



OVER 85 YEARS OF MARITIME ENERGY HISTORY



2007
World's
largest FPSO
(Yüum
K'ak'Náab)

2009
First FPSO
with drilling
capabilities
(FDPSO
Azurite)

2012
Re-entering
North Sea
FPSO
market (BW
Athena)

2014
Contract for
BW Catcher

2017
First Oil
BW Catcher

2019
Acquisition
of stake in
Maromba
field

2008
Acquisition
of APL

2010
Acquisition of
Prosafé
Production
Sale of APL

2013
O&M contract
with Statoil
for FPSO
Peregrino

2016
Acquisition
of stake in
Dussafu
field

2018
First Oil
BW Adolo
from
Dussafu
field

2020
Listing of
BW Energy
on the
Oslo Stock
Exchange

Purpose

Energy is a driving force for people and businesses around the world. Demand for more energy and demand for cleaner energy is driving the industry today. BW Offshore's strategy reflects this, and the redefined Company purpose is to engineer offshore production solutions to progress the future of energy.

BW Offshore creates new and innovative solutions to the evolving challenges presented in the energy industry, driving forward momentum with an aim to serve society.



To reflect the Company's evolving strategy, a rebranding project was commenced at the end of 2019, and has been ongoing throughout 2020, aligning the Company's visual profile with its plans for the future. BW Offshore is a partner for responsible growth, with the courage to explore new ways forward, leveraging competence and experience for future ventures.

The Company has an ambition to generate new ideas and positive returns for stakeholders, using proven capabilities in flexible floating production assets, as well as applying its competence and experience to adjacent business segments to capture energy transition opportunities.

CEO's report



Looking back at an unprecedented year full of challenges and extraordinary efforts by an organisation in constant development, and positioning for new opportunities.

We entered 2020 with an ambition of starting a new chapter, by using our strong financial position generated over the past years to win at least one new FPSO project and to start considering opportunities for BW Offshore to take part in the global energy transition. With the listing of BW Energy in February 2020, we were ready to focus our efforts on continuous development and exploration of new business opportunities.

However, it soon became evident that our plans had to change as the COVID-19 pandemic spread across the world. BW Offshore, together with the industry and society as a whole, had to adapt to face these new challenges. Combined with the onset of a new oil price environment, the pandemic has required our full commitment, flexibility and resilience to safeguard our people and operations.

My sincere appreciation goes out to every single employee, contractor and business partner, and especially to our very own offshore teams for their incredible dedication throughout 2020.

RELYING ON A SOLID FOUNDATION, SUPPORTING INNOVATION AND DIGITALISATION

The impact on the oil and gas industry from the COVID-19 pandemic has been multifaceted, including travel restrictions, postponement of offshore maintenance projects, and offshore personnel enduring quarantine in country-of-operation instead of travelling home to their loved ones. Most onshore personnel have been working from home during large parts of 2020.

With alternative work situations for most of our people, trust and care have been key to ensuring the wellbeing of all our colleagues. Witnessing how members of our organisation have stayed in touch with their peers and managers, and followed up their teams from other parts of the world without the possibility of travel, has shown me an organisation filled with individuals with genuine care for their colleagues. I am honoured to lead these extraordinary teams.

In what is slowly becoming a new normal, we have found new ways of communicating and remotely working together, managing to keep our operations going, as well as position ourselves at the forefront for new business opportunities. Progress comes from pushing the limits of knowledge, experience and technology. Learnings from this period will stay with us in the years to come as we see clear benefits from our diligent focus on utilising innovative digital solutions across the organisation.

LEARNING FROM FAILURE

Throughout 2020, we continued to assess the maturity of our company culture, articulated by our values in our "I LEAD" framework. Wanting to emphasise the importance of the collective outcome of our behaviours, we decided to evolve from I LEAD to We LEAD – with Integrity, with Integrity being highlighted as the definition of who we are and what we do.

In January 2021, despite a collective and continuous focus on safety, we experienced an incident on the FPSO Espoir Ivoirien,

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We will progress by capturing opportunities which arise in the ongoing global energy transition. As the world changes, we at BW Offshore also change, adding new, different but closely related business opportunities which will thrive next to the established FPSO business.

Marco Beenen, CEO BW Offshore

offshore the Ivory Coast, resulting in two fatalities. A tragedy for all parties involved, the incident re-emphasises the constant importance of safety in all operations. Our commitment to the highest international safety standards is unwavering, but the accident serves as a reminder that we can never stop improving.

Our aim is to continuously mature our company culture where everyone is encouraged to learn from failures, speak up, and make the right decisions in any situation.

PREPARING FOR A LONG-TERM FUTURE

A priority in 2020 has been to ensure our financial robustness, so that we are positioned to pursue new opportunities, while also returning value to our shareholders through dividends and share buy-backs.

We will progress by capturing opportunities which arise in the ongoing global energy transition. As the world changes, we at BW Offshore also change, adding new, different but closely related business opportunities which will thrive next to the established FPSO business.

We are well positioned to be a force in developing new environmentally friendly energy production systems. Leveraging four decades of experience from developing, financing and operating offshore oil and gas production facilities, and with the right partnerships, we are progressing into floating power solutions. We

have already announced an investment with the aim of taking a leading position in floating wind energy infrastructure developments.

Our ambitions are articulated through our redefined purpose:

We engineer offshore production solutions to progress the future of energy.

We live in times of uncertainty and change, and are still not yet on the other side of the COVID-19 pandemic. Still, I remain confident that we are well positioned for the future, guided by our values, clear strategy and ambitions, and by our renewed purpose.



Marco Beenen
CEO BW Offshore

Safe and efficient offshore development



COVID-19

During 2020, the COVID-19 pandemic created challenges throughout the offshore industry, and under these extraordinary circumstances, the main priority for BW Offshore has been to safeguard the health and safety of its people and to maintain safe and reliable operations. The Company implemented a wide range of measures at all locations to minimise the risk to people and operations from the COVID-19 pandemic, including reduced offshore manning, mandatory testing for all offshore personnel prior to embarkation offshore, social distancing, enhanced hygiene in the workplace, travel restrictions and working from home. The relevant policies and procedures implemented due to COVID-19 will remain in place for as long as necessary.

The Company experienced COVID-19 cases on four FPSOs in 2020. However, the commercial impact on operations was limited through good risk management, planning and procedures, including deep cleaning of affected facilities.

COVID-19 TASK FORCE

In March 2020, a task force was created and assigned to ensure safe, uninterrupted operations across the Company's

operations. Prioritising people, operations and partners, the task force remains responsible for risk management, planning and creating protocols to implement risk management controls, and through monitoring and benchmarking, continuous improvement of these protocols.

Ensuring adherence to local public health advisory at all Company locations to minimise spread of the virus has been critical to reduce risk of business interruptions and maintaining operational uptime and safeguarding the people within the Company.

The defined barriers in the event of confirmed cases of COVID-19 onboard any of the assets, are detailed in a Management Plan and include:

- Offshore Business Continuity Plan (BCP)
- Offshore Quarantine Plan
- Testing Plan
- Medevac Plan
- Deep Cleaning Plan
- Pre-Embarkation Plan

Case Study: COVID-19 Response

The response to confirmed cases of COVID-19 on any of the Company's FPSOs has been swift and efficient, initiated with clinical assessment and isolation of individuals with confirmed infection until medevac has been possible. Affected assets have been shut down to perform deep-cleaning by third-parties.

On FPSO Polvo, three offshore workers were disembarked from the FPSO on 23 June 2020, having displayed symptoms of COVID-19. They were subsequently tested and were all confirmed as having COVID-19 on 25 June 2020.

Following the medevac flight, a further five personnel were down-manned due to either showing COVID-19 symptoms

or having been in contact with those displaying symptoms. This culminated in the temporary shutdown of the unit to allow for the remaining crew to be tested and deep cleaning to be carried out.

The asset utilised medical support onshore and mobilised a team to carry out testing on the entire offshore crew to determine any further onward transmission. A further 13 positive cases were identified and subsequently disembarked from the FPSO.

Following completion of the deep clean a new crew arrived offshore, and the unit resumed operations already seven days after shutdown.

PERFORMANCE COMMITMENT

BW Offshore is committed to efficient, reliable, and compliant operations, with 'zero harm' as an overriding objective for personnel, environment and communities. Safe operations and high uptime are not only requirements, but obligations for BW Offshore to clients and employees. Safety is the highest priority and the Company maintains relentless focus and commitment to best-in-class Health, Safety, Security, Environmental and Quality (HSSEQ) standards and asset integrity management.

COMPETENT AND MOTIVATED WORKFORCE

BW Offshore places high emphasis on work ethics and culture, and is deeply aware of the importance of the people in the organisation and their contribution to meeting the Company's operational and financial objectives. The Company's commitment to building a fair, supportive and sustainable culture is embedded in its policies. The level of experience and competence required to execute industry-leading assignments requires BW Offshore to be an attractive employer offering global work opportunities. Global recruitment

centres and manning supply partners select best-in-class candidates for offshore and onshore positions. BW Offshore's international employee-base allows for global rotation of talent based on required competence.

The Company is committed to the deployment of local content in its operating countries, with substantial investments in training and development of local personnel. The Company focuses on increasing its local content by prioritising local candidates for open positions, training programmes for fast-track talent development and having clear goals on nationalisation within the local presence. BW Offshore's operational performance requires highly qualified, competent and dedicated technical support and logistics service personnel. A strong network of onshore in-country offices ensures operational support linking the FPSOs to shore, in addition to corporate offices supporting the operational teams. This fosters a strong joint culture across the Company.

OPERATIONS AND MAINTENANCE EXPERTISE

BW Offshore is a trusted partner for clients seeking to outsource technical competence to run and operate complex offshore assets. With its existing operational network, the Company offers synergies that are difficult for a client to obtain on a stand-alone basis. Well-established infrastructure, manning pools and supply chain networks are some immediate advantages, in addition to the familiarity with regulatory requirements, technical maintenance and lifecycle cost management offered by BW Offshore.

CAPTURING LIFE EXTENSION

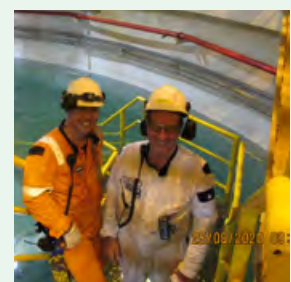
Modifications of existing FPSOs in situ to extend production, increase capacity or redeployment can unlock significant value for clients and BW Offshore. BW Offshore's project and engineering expertise makes this possible. Working closely with client teams, the Company has set up internal groups specifically for this purpose, combining competent project and operations staff from across the organisation. Managing modifications and upgrades on live producing assets calls for specialised competence, as safety-related and economic risks multiply compared to projects run on site in a shipyard. Maintaining asset integrity in situ in such scenarios represents some of the most advanced technical execution challenges in the business.

ENABLING REDEPLOYMENT OPPORTUNITIES

BW Offshore introduced a strategic shift in 2017 through the subsidiary BW Energy, which was successfully executed in 2018 with first oil from the Dussafu licence. In 2019, BW Offshore expanded the asset and reserve base with the acquisition of the Maromba Field offshore Brazil, and in February 2020 BW Energy was listed as a separate entity on the Oslo Stock Exchange. BW Offshore kept 39% ownership, remaining the largest shareholder. BW Energy holds a diversified portfolio of production and development assets offshore West Africa and Brazil, and currently holds majority interests in three hydrocarbon licences in Dussafu, Gabon; Maromba, Brazil; and Kudu, Namibia.



OIM and Marine Superintendent on BW Pioneer





Case Study: Evading Hurricane Laura – Disconnecting BW Pioneer

2020 was a record-breaking year in terms of tropical storms and hurricanes in the Gulf of Mexico and the Atlantic Basin. For the first time in her 10-year history, BW Offshore's FPSO BW Pioneer had to disconnect and evade the path of an oncoming hurricane. The disconnect operation commenced on 24 August 2020.

The BW Offshore Turret Mooring System (TMS) allows the turret to be disconnected from the asset while remaining attached to the mooring lines on the seabed, enabling the asset to react quickly to external hazards.

In order to safely disconnect the FPSO from the buoy, a full procedure must be observed and executed before weather conditions become prohibitive. However, the disconnection is only part of the sequence. Prior to that, there are several steps involving manual handling operations in the confined STP (Submerged Turret Production) compartment. These steps involve disconnecting pipe spools, hydraulic umbilicals, high voltage cables and fibre optic communication lines. BW Pioneer draws hydrocarbon fluids from two fields via sub-sea electric submersible pumps, and many

connections need to be safely de-energised and opened before it is safe to lower them into the sea.

As per procedure, after disconnecting, BW Pioneer sailed South West in a direction perpendicular to the track of the storm and waited it out. Hurricane Laura passed over the location of BW Pioneer as a Category 3 Hurricane before strengthening further to a Category 4 and causing widespread devastation to the Lake Charles area of Louisiana where she made landfall. The wind and waves were the highest ever recorded by the fields weather buoy, with 18 metre high waves and 193 kph winds during the night as it passed. BW Pioneer had safely moved away from the storm to wait it out.

On the morning of 28 August 2020, BW Pioneer was back on location and ready to retrieve the buoy. After a textbook execution of the procedure, the buoy was locked back into the STP compartment and the complex reverse operation of reconnecting and reconfiguring the spools, lines and cables could begin. The asset resumed operations on 30 August 2020.

The FPSO Fleet

With experience in all phases from design, engineering through to long-term operations, BW Offshore has a competitive advantage when it comes to providing clients with an efficient total lifecycle cost.



Over the past four decades, BW Offshore has completed 40 FPSO and FSO conversions and operated most of the assets after completion, developing a unique conversion project and operating competence and a very robust foundation for future projects. Leasing the production asset from BW Offshore has allowed clients to focus on their core competencies of reservoir development and management. The lease model also allows for reduced investments and financial exposure for clients related to FPSO projects. Additionally, BW Offshore has valuable insights into developing and managing reservoirs, making the Company an even stronger partner for current and future clients.

LIFETIME MAINTENANCE, MODIFICATIONS AND SUPPORT

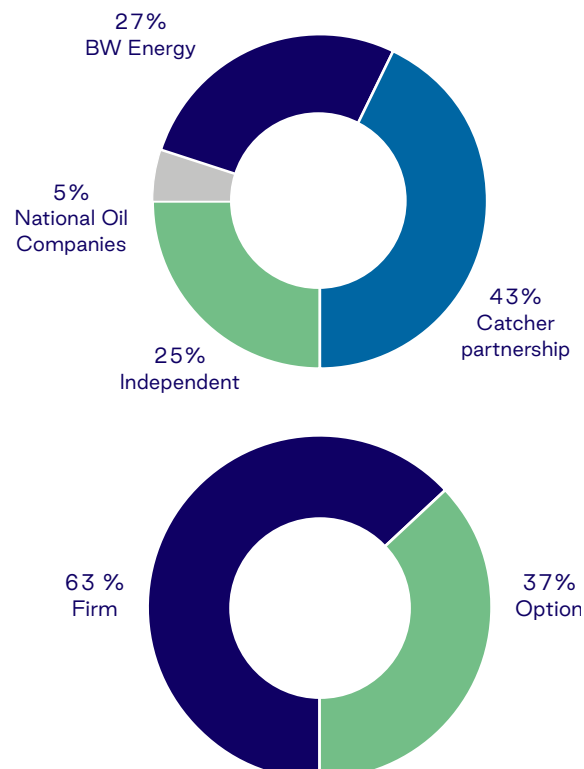
BW Offshore takes full responsibility for operating, maintaining, upgrading and/or modifying the production asset as required by the client in a lease arrangement. This ensures that production requirements are met for the total duration of the field life, including necessary funding and the availability of appropriate competencies, as well as know-how regarding the production equipment. Taking care of the existing fleet is a key priority for the Company, and consistent focus on good communication between the offshore personnel and the onshore support functions is central to the continuous fleet modification and maintenance projects.

Throughout 2020, maintenance work was adapted to the COVID-19 pandemic, largely due to international travel restrictions. Focus remains on critical functions to ensure safe, uninterrupted operations on all the Company's FPSOs.

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 Stock Exchange 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'S REVENUE BACKLOG





DIGITALISATION

2020 was a different year in many respects due to the COVID-19 pandemic and its disruptive impact on the usual modes of working, both offshore and onshore. Digitalisation has been key to find alternative ways of working and to enhance existing operational structures.

Business Intelligence (BI) has led the way in the Company's digital transformation with Microsoft Power BI dashboards developed by several departments. In March 2020, the Company appointed a COVID-19 taskforce to respond to the emerging pandemic, and a COVID-19 dashboard was developed and launched in May 2020, providing real-time status updates on the global pandemic in relation to the countries where the Company operates.

The Company's digitalisation strategy supports improved operational performance and reduced environmental impact. Establishing an onshore system for comprehensive visualisation of offshore operations has been a target project for BW Offshore in 2020. By leveraging a Plant Information (PI) system, onshore engineers and operators can analyse asset operating parameters in real-time, using incoming data from the assets for remote monitoring, troubleshooting of operational issues and optimising the plant process.

The successful go-live of Lighthouse, a digital platform that analyses and displays real-time operational data, in 2019, was a major milestone in the digitalisation strategy and the pilot was a first step towards an integrated operations centre. In 2020,

the Company continued to implement several other initiatives, such as Remote Offshore Support & Survey (ROSS), a platform facilitating improved remote communication on the FPSOs through video calls and augmented reality. Solutions like ROSS are intended to minimise vendor and third-party inspection travel offshore, contributing to lower costs and reduced emissions.

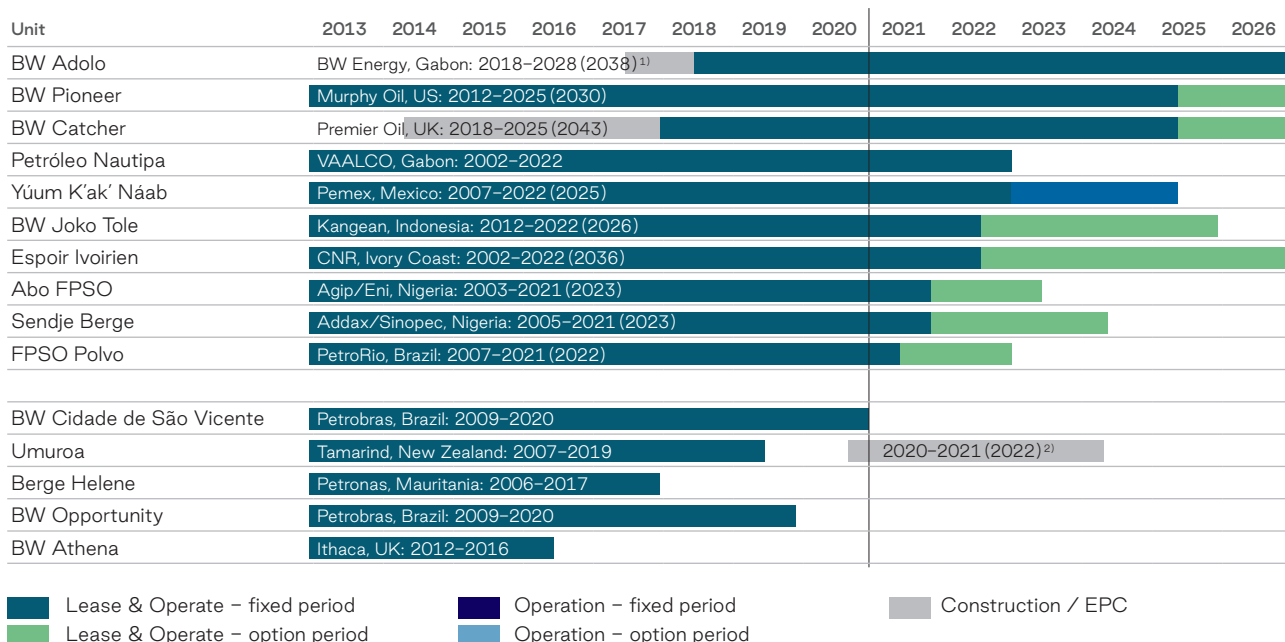


For its digitalisation progress in 2020, BW Offshore was awarded winner of the Trailblazer award by Offshore Technology Excellence Awards. The Company was nominated for its implementation of ROSS on BW Catcher, as well as 360 Street view on BW Joko Tole in which PI and document modules have been integrated. The Offshore Technology Excellence Awards celebrates achievements and innovations in the global offshore oil and gas industry. The Awards provides a platform to recognise the people and companies that are driving digital change.

By using available technology in innovative ways, BW Offshore is tapping into the growing fields of Artificial Intelligence, the Internet-of-Things and Machine Learning. In 2021, the Company plans to launch an Integrated OI Performance Dashboard that will provide a real-time overview that will provide an overview of fleet asset integrity and performance assurance status.



FLEET CONTRACTUAL VIEW



1) Contract duration reflects BW Offshore estimated field life (2028) and current license (2038)

2) Agreement reached with New Zealand government for a fully funded disconnection of Umuroa

Directors' report

Maintaining stable operations amid COVID-19 pandemic, and progressing key strategic development initiatives.

During 2020, BW Offshore delivered continued stable commercial uptime in a challenging operational environment, progressed key strategic development initiatives, and maintained a robust financial position enabling the resumption of cash dividends to its shareholders. These achievements were supported by a strong internal operational integrity framework and focus on business continuity and development, which enabled the Company to respond proactively to an unprecedented impact on the international oil and gas industry from the COVID-19 pandemic and a significant decline in oil prices early in the year.

BW Offshore's main priority has been to safeguard the health and safety of its people and to maintain safe and reliable operations. The Company adheres to local rules and recommendations for the FPSOs and onshore offices. A wide range of measures have been implemented at all locations to minimise the risk to people and operations. These include reduced offshore manning, mandatory testing for all offshore personnel, social distancing, travel restrictions and working from home. The relevant policies and procedures implemented due to COVID-19 will remain in place for as long as necessary.

BW Offshore has established a strong platform for long-term value creation supported by recent refinanced debt facilities which extended maturities, combined with a successful listing of the E&P business BW Energy in February 2020. BW Offshore held 38.8% of BW Energy at year-end.

A priority in 2020 has been to maintain the Company's financial robustness and flexibility to pursue value-accretive growth opportunities, while resuming quarterly dividend payments based on a long-term sustainable annual level of USD 25 million. In addition, BW Offshore returned USD 101 million as an in-kind distribution of BW Energy shares in connection with the IPO and bought back own shares for a total of USD 10.0 million.

Tendering for several infrastructure-like FPSO opportunities has positioned the Company to deliver new, accretive projects. The goal of securing at least one new large FPSO investment for a long-term lease contract in 2021 to increase backlog and financial performance remains firm. The Company requires such projects to achieve attractive return on equity during the firm period of a contract. The projects under consideration have investment grade counterparties and BW Offshore will secure equity partners pre-construction to optimise capital requirements.

A more robust FPSO backlog will provide additional cash flow visibility, supporting potential investments into business areas

adjacent to the traditional FPSO activity. The Company has observed how the COVID-19 pandemic has accelerated the transition to renewable energy sources.

BW Offshore is committed to contributing to the energy transition, and is assessing market developments and future opportunities. In 2020, the Company has evaluated clean offshore energy opportunities related to new production solutions. This work is tied to a strategy where the Company is exploring how to apply its capabilities to drive value creation and position itself for the next decade and beyond. On 17 February 2021, the Company took the first step in this strategy by announcing its plan to invest in Ideol S.A., a global pure player in floating offshore wind technology by jointly creating BW Ideol, a renewable energy company with market-leading capabilities based on in-house developed and proven technology.

FPSO OPERATIONS

As of 31 December 2020, BW Offshore had 10 out of 15 FPSOs in operation. The average commercial uptime for the operating fleet in 2020 was 96.7% (99.6% in 2019). The change mainly reflects temporary shut-downs on Yuum K'ak' Náab and Sendje Berge.

The Group's order backlog amounted to approximately USD 2.6 billion of firm contracts and USD 4.0 billion when including contract extension options.

In March, the Company signed a new five-year contract for the FPSO BW Pioneer which will add approximately USD 350 million of EBITDA over the firm five-year period. Contract extensions for the existing fleet continued as expected despite oil market volatility. The contracts for FPSO Polvo, Petróleo Nautipa, BW Cidade de São Vicente and Abo FPSO were extended during the year.

The contracts for BW Cidade de São Mateus and BW Cidade de São Vicente reached the end of their terms in 2020 and the FPSOs are currently in lay-up in Singapore and Brazil, respectively. Berge Helene, BW Opportunity, BW Athena are also currently in lay-up while being marketed for new projects.

In November, an agreement was signed with the New Zealand government, through the Ministry of Business, Innovation and Employment (MBIE), which will cover costs for continued safe lay-up on the field of the FPSO Umuroa until such time when the unit is disconnected from the Tui oil field. Subject to prevailing COVID-19 restrictions, the disconnection is expected to be completed before second half of 2021.

HEALTH, SAFETY, SECURITY, ENVIRONMENT, QUALITY

Health, safety, security, environment and quality ("HSSEQ") have the highest priority throughout the BW Offshore organisation. The Company has established policies for safety, security, occupational health and environmental management. BW Offshore prioritises safety in all its operations and has "zero harm" as an overriding objective for personnel and the environment to ensure all assets are operated in the safest manner. The Company also shows due respect for the individual, human rights and employment practices.

The Operational Integrity function remained a driving factor for the Company achieving its HSSEQ objectives throughout 2020 and has been central to establishing routines and procedures to safeguard people and assets during the COVID-19 pandemic. The primary objective is to ensure that the Company achieves zero harm to personnel, effective management of major accident hazard risks, effective mitigation of impact on the environment and maintaining a sustainable business through prudent operations, including taking proper care of property, without compromising other key business objectives. The Company has experienced COVID-19 outbreaks on four FPSOs in 2020. The impact on operations has been limited through good risk management, planning and procedures, although associated costs have been high.

Total HPI-rate (High Potential Incidents), LTI-rate (Lost Time Injury) and total TRI-rate (Total Recordable Injury) for BW Offshore in 2020 were 1.03, 1.86 and 2.69, respectively. In 2020, the calculation of exposure hours was adjusted to reflect actual working hours (12 hours shift) compared to a 24 hours exposure period. This has significantly reduced the total exposure hours across the fleet and therefore increases LTI, TRI and HPI rates compared to prior reported performance. The rates for 2019 were 0.78, 0.48 and 1.45.

In early July, the FPSO Yuum K'ak' Náab was involved in a minor collision with an offtake tanker due to a rapid change in weather conditions. Concurrently, the FPSO Sendje Berge was boarded by pirates offshore Nigeria and nine offshore personnel were abducted. All nine offshore employees were safely released on 7 August. Production from the units were reactivated in end July and mid-October respectively.

In January 2021 there was an incident onboard FPSO Espoir Ivoirien. Despite continuous efforts to maintain safe operations across the fleet, there were two fatalities in a tragic accident caused by a leakage of hydrocarbons into a tank where work

was being performed on 14 January 2021. The unit is operated for CNR International by BW Offshore. Production was stopped and the unit was shut down. A full investigation has been carried out with root cause analysis, and new safety measures have been implemented. The unit resumed operation on 13 February 2021.

In 2020, BW Offshore appointed an internal ESG Steering Committee mandated to ensure that sustainability and relevant environment, social and governance related risks and opportunities are addressed throughout the organisation and integrated in the Company's long-term strategy for value-creation.

For more information, please see the Sustainability section of this Annual Report.

FINANCIAL PERFORMANCE

Income statement

Group revenue was USD 886.3 million in 2020 compared to USD 947.4 million in 2019. Total operating expenses were USD 450.2 million compared to USD 404.5 million in 2019. 2019 numbers are restated due to the listing of BW Energy and consequently this being considered a discontinued operation for reporting purposes.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for 2020 was USD 436.1 million compared to USD 542.9 million in 2019.

The reduction in EBITDA of USD 106.8 million was mainly driven by increased expenses related to COVID-19 management, reduced revenue from Yuum K'ak' Náab due to shut down following the tanker incident in July 2020, reduced revenue from Sendje Berge due to shut down after the pirate attack in July 2020, and end of contract for BW Cidade de São Vicente in 2020. Further, variation order revenue related to ABO FPSO during 2020 was lower compared to 2019.

BW Offshore recorded a non-cash impairment to the book value of the FPSO fleet and other assets of USD 292.7 million during 2020. The impairment reflects uncertainty on redeployment following the current market turmoil and future development of oil prices, also considering increased focus on energy transition. Impairment charges were recognised on BW Athena, BW Cidade de São Vicente, Espoir Ivoirien, Berge Helene, FPSO Polvo and Umuroa. Depreciation decreased by USD 71.7 million, mainly related to revised amortisation schedules for certain vessels and impairment recognised during the first quarter in 2020.

Operating loss was USD 140.6 million, compared to an operating profit of USD 186.5 million in 2019.

Net financial expenses were USD 115.7 million compared to USD 116.0 million in 2019.

Tax expense amounted to USD 38.0 million compared to USD 39.3 million in 2019.

Net loss for 2020 was USD 272.3 million compared to a net profit of USD 106.1 million in 2019.

Financial position

As of 31 December 2020, the Group had a net equity of USD 945.0 million compared to USD 1,458.5 million as of 31 December 2019. The equity ratio at the end of 2020 was 36.5%, compared to 43.3% at the end of 2019. The decrease is mainly due to impairment and the deconsolidation of BW Energy.

As of 31 December 2020, the Group had interest-bearing debt of USD 1,075.7 million compared to USD 1,246.8 million in 2019. The interest-bearing debt comprises mainly the Catcher facility, the corporate loan facility, convertible bond and unsecured bond loan.

Net interest-bearing debt as of 31 December 2020 was USD 936.1 million compared to USD 996.6 million in 2019.

Cash flow

Net cash inflow from operating activities was USD 387.3 million compared to net cash inflow of USD 608.3 million in 2019. The decrease was mainly related to discontinued operation as a result of the listing of BW Energy.

Net cash outflow from investment activities amounted to USD 149.6 million, compared to USD 224.7 million in 2019. The investments were mainly related to lower life extension activities on units in operation due to COVID-19, and discontinued operation.

Net cash outflow from financing activities amounted to USD 348.3 million compared to USD 275.5 million in 2019. The increase in outflow relates to repayment of debt, paid dividends, treasury shares acquired, offset by lower interest payments.

Dividends

BW Offshore has during 2020 paid out USD 18.6 million in dividends to shareholders, equal to USD 0.034 per share for the first and second quarter and USD 0.035 per share for the third quarter.

Share buy-back

In 2020, BW Offshore initiated a share buy-back program under which the Company repurchased common shares in the Company for a total consideration of USD 10 million. Shares acquired under the buy-back programme are held in treasury. For BW Group Limited to maintain its current ownership interest of 49.92%, BW Group Limited participated in share buy-backs on a pro-rata basis.

Following the acquisition under the share buy-back, the Company held a total of 4,156,534 treasury shares at 31 December 2020.

PARENT COMPANY ACCOUNTS

BW Offshore Limited is a holding company. The Company reported a net loss of USD 156.9 million for 2020, compared to a net loss of USD 196.7 million in 2019. The loss for 2020 is mainly related to impairment of investment in subsidiaries and intercompany loans and mark to market losses from financial instruments.

Total assets were USD 1,785.4 million as of 31 December 2020 compared to USD 2,080.4 million in 2019.

Total shareholders' equity in BW Offshore Limited as of December 31, 2020 was USD 581.8 million, corresponding to an equity ratio of 32.6%.

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 been prepared on a going concern basis.

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 is an organisation with a global presence.

At year-end 2020, BW Offshore had 1,927 employees including contract staff, compared to 2,126 in 2019.

The working environment and culture in BW Offshore are considered strong, and there is continuous focus on initiatives for improvement. In 2020, onshore absence due to sickness was 1.2% of the total hours worked by employees. This compares to 1.9% in 2019.

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. The Company is committed to recognise diversity and ensure equal opportunities, including fair employment conditions.

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 Corporate Governance Report 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 interest rate risk), credit risk, and liquidity risk.

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

During 2020, the Company has seen an accelerated energy transition and capital is being reallocated from hydrocarbons towards electrification and clean fuels. The effect is an increasing cost of capital for the oil and gas sector.

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.

On a fleet-wide basis, the Group takes out insurance coverage 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. Coverage for oil pollution and oil pollution caused by war and war-like actions is 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 21 January 2021, BW Energy Limited, an associated company, successfully completed a USD 75 million private placement and have allocated and issued 23,690,000 new shares at a subscription price of NOK 27 per share, raising gross proceeds of NOK 639,640,000. The Company did not subscribe for shares in the private placement and the shareholding was consequently reduced by 3.56% to 35.21%.

OUTLOOK

The majority of BW Offshore's fleet remains on contract with national and independent oil companies. These contracts have withstood market fluctuations, with options to extend exercised even during previous oil price lows. The resilience of our contract backlog and fleet was again tested and proven during a challenging period in 2020 where several extensions and a new contract was signed. The Company expects that the existing fleet will continue to generate significant cash flow in the time ahead.

The COVID-19 pandemic combined with reduced long-term oil price expectations have made the global E&P sector reassess its investment plans. At the same time, the industry continues to progress long-term field development initiatives on larger projects with low break-even costs. The Company is positive to the market for large scale offshore FPSO infrastructure projects and expects that there will be a number of potential awards over the coming years. BW Offshore maintains a selective approach to such opportunities and has matured partnerships with global infrastructure investors which will accelerate the Company's ability to take on accretive new projects and grow in the high-end FPSO market.

In parallel, investments in clean offshore energy production solutions are growing rapidly as a response to global initiatives to reduce carbon emissions. BW Offshore has over some time been evaluating investment opportunities in clean offshore energy. The announced investment in Ideol S.A. represents such an opportunity, to create a floating offshore wind champion by leveraging BW Offshore's experience in developing and operating offshore production systems and accessing capital markets.

BW Offshore has over time substantially reduced leverage and strengthened its financial solidity. Combined with the IPO of BW Energy, these measures position the Company to deploy capital towards future accretive offshore projects and long-term value creation, and to provide growing returns to shareholders and a quarterly cash dividend.

18 February 2021

Sign.

Mr Andreas Sohlen-Pao
Chairman

Sign.

Ms Rebekka Glasser Herlofsen
Director

Sign.

Mr Maarten Scholten
Director

Sign.

Mr René Kofod-Olsen
Director

Sign.

Mr Carl K. Arnet
Director

Board of Directors



Andreas Sohmen-Pao

Chairman

Andreas Sohmen-Pao is Chairman of BW Group and its listed entities, including BW Offshore, BW LPG, Hafnia, Epic Gas and BW Energy. He is also Chairman of the Singapore Maritime Foundation and a trustee of the Lloyd's Register Foundation. Mr Sohmen-Pao was previously Chief Executive Officer of BW Group. He has also served as a non-executive director of The Hongkong and Shanghai Banking Corporation Ltd, The London P&I Club, The Esplanade Co Ltd, National Parks Board Singapore, Sport Singapore and the Maritime and Port Authority of Singapore amongst others.



Rebekka Glasser Herlofsen

Director

Rebekka Glasser Herlofsen has 25 years of experience from the shipping and finance industries, and has served on the management teams of several leading Norwegian shipping companies. Ms. Herlofsen is a board member of Equinor ASA, Rockwool International A/S, SATS ASA, Klaveness Combination Carriers ASA, Wilh. Wilhelmsen Holding ASA and chairman of the board of the marine insurer Norwegian Hull Club. Ms. Herlofsen is independent from the Company's management, major shareholders and principal business associates.



Maarten Scholten

Director

Maarten R. Scholten, Director has over 30 years of extensive legal, financial and operational experience in the upstream oil and gas sector. Mr Scholten has held senior and executive positions at Schlumberger spanning two decades. During his career at Schlumberger, Mr Scholten was Director of Legal Service, Head of Finance, President Schlumberger Oilfield Services ECA (Europe, Africa and CIS), and Director Mergers & Acquisitions/Business Development. Mr Scholten is independent from the Company's management, major shareholders and principal business associates.



René Kofod-Olsen

Director

René Kofod-Olsen has experience from almost three decades in the global shipping and energy industries. Mr Kofod-Olsen was appointed Chief Executive Officer and Board Executive of V.Group in 2020. In 2012, he was appointed Chief Executive Officer of Topaz Energy & Marine, a position he held until the company's successful divestment in 2019. He stepped down after completing the integration process in 2020. Mr Kofod-Olsen is independent from the Company's management, major shareholders and principal business associates.



Carl K. Arnet

Director

Carl Krogh Arnet has over forty years of experience in the oil and gas industry. Mr. Arnet is currently the Chief Executive Officer of BW Energy Ltd. Prior to this role, he was the Chief Executive Officer of BW Offshore Limited. He holds a number of other board memberships and chairmanships in non-related companies and is a non-executive director of the Maritime and Port Authority of Singapore.

Management

Senior Management



Marco Beenen
CEO



Ståle Andreassen
CFO



Kei Ikeda
COO



Rune Bjorbekk
CCO



Magda Vakil
General Counsel

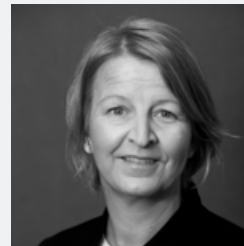
Functional Management



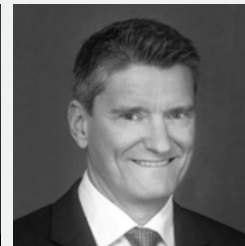
Lucy McCabe
Head of Corporate Integrity



Mike McAreavey
Head of Operational Integrity



Pia Schnitler
Head of Human Capital



Hans Kristian Langsrud
Head of Asset Engineering & Maintenance



Michael Skyum
Head of Supply Chain



Fritz Ekløff
Head of IT & Systems

COMMITTEES

	Gender	Role
Audit Committee		
Rebekka Glasser Herlofsen	F	Chair
René Kofod-Olsen	M	Member
Nomination Committee		
Andreas Sohmen-Pao	M	Chair
Bjarte Bøe	M	Member
Elaine Yew Wen Suen	F	Member
Technical and Commercial Committee		
Carl K. Arnet	M	Chair
Maarten R. Scholten	M	Member
Compensation Committee		
Andreas Sohmen-Pao	M	Chair
Maarten R. Scholten	M	Member

Corporate governance Report

BW Offshore Limited is a Bermuda limited liability company listed on Oslo Børs (the 'Oslo Stock Exchange').

BW Offshore Limited (hereinafter 'BW Offshore' or 'Company') and its activities are primarily governed by the Bermuda Companies Act, its Memorandum of Association and its Bye-laws. Certain aspects of the Company's activities are governed by Norwegian law pursuant to the Listing Agreement between the Oslo Stock Exchange and the Company. In particular, the Norwegian Securities Trading Act and the Norwegian Stock Exchange Regulations will generally apply.

1 IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Board of Directors (the 'Board') is of the opinion that the 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, dated 17 October 2018, of the Norwegian Code of Practice for Corporate Governance (the 'Code'), prepared by the Norwegian Corporate Governance Board.

The Board provides an overall overview of the Company's corporate governance practices in the Company's annual report. The review addresses each individual section of the Code and provides an explanation and description of the chosen alternative approach if the Company does not fully comply with the Code.

Deviations to the Code

As at December 31, 2020, the Company did not comply with the following recommendations of the Code:

- **Section 3:** Board powers to issue and purchase shares are neither limited to specific purposes nor to a specified period
- **Section 5:** Bye-laws include a right for the Board to decline to register the transfer of shares
- **Section 6:** The Chairman of the Board also acts as the Chair of the General Meetings.
- **Section 7:** Any member of the Board of Directors who is

also a member of the Nomination Committee may offer himself for re-election to the Board of Directors

- **Section 8:** The composition of the Board does not meet the recommended gender guidelines of the Code

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 Board is responsible for and shall take the lead on the Company's strategic planning, and should define clear objectives, strategies and risk profile for the Company's business activities such that the company creates value for the shareholders. The Company's objectives, main strategies and risk profile are subject to annual review and described in the annual report.

BW Offshore has implemented corporate values, ethical guidelines and guidelines for corporate social responsibility. These values and guidelines are described in BW Offshore's Code of Ethics and Business Conduct and internal policies, as well as in the sustainability report included in the annual report. The Company's expectations of suppliers and third parties are stated in the BW Offshore's Supplier Code of Ethics and Business Conduct. Both documents are available on the Company website www.bwoffshore.com.

3 EQUITY AND DIVIDENDS

Equity and capital structure

At 31 December 2020, the Company's consolidated equity was USD 945.0 million, which is equivalent to 36.5% of total assets. The Board continuously evaluates the Company's capital requirements to ensure that the Company's capital structure is at a level which is suitable considering the Company's objectives, strategy and risk profile.

As part of the initial public offering (IPO) and listing of BW Energy Limited as a separate company in February 2020, BW Offshore distributed approximately 37,741,000 BW Energy shares as a dividend to its shareholders, equivalent to approximately USD 101 million in total at the share price set in the IPO. The distribution amounted to approximately 0.204 BW Energy share per BW Offshore share.

Dividend policy

Pursuant to the Company's Bye-laws, the Board is authorised to declare dividend to the shareholders. The Board has drawn up a clear and predictable dividend policy, which was last revised and approved by the annual general meeting on 18 May 2020:

"BW Offshore has an objective to generate competitive long-term total shareholder returns. This return will be achieved through growth and dividend payments. The Company targets to pay dividends on a quarterly basis.

The Board of Directors will target a sustainable dividend level that can grow over time, taking into account the overall cash flow position and future capital requirements.

In addition to paying a cash dividend, BW Offshore may also buy back shares as part of its plan to distribute capital to shareholders."

During 2020, the Company paid a total of USD 0.10 per share as cash dividend, split on three payments in June, September and December.

Authorisations to issue new shares and share buy-backs

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board has wide powers to issue any authorised unissued shares in the Company on such terms and conditions as it may decide, and may exercise all powers of the Company to purchase the Company's own shares.

The powers of the Board to issue and purchase shares are neither limited to specific purposes nor to a specified period as recommended in the Code. At 31 December 2020, the total authorised share capital in the Company was 214 000 000.

Share option programme for key employees

On 8 April 2019, the Group established a long-term share option programme (LTIP) that entitles key personnel to purchase shares in the Company. The programme is discretionary, and participants are invited on an annual basis. Under the programme, holders of vested options are entitled to purchase shares at the market price of the shares at the grant date.

In 2020, a total of 1,832,250 options were awarded under the LTIP, giving the holder the right to acquire one BW Offshore share. The strike price of the options is calculated based on the volume weighted average share price five trading days prior to grant date, plus a premium of 15.76%. A total of 59 BW Offshore employees were invited to participate in the programme. The options have a three year vesting period, followed by a three year exercise period. Exercise windows are set by the Company. The options will expire 6 years after the award date.

In June 2020, the Company transferred shares to certain employees in relation to a long-term bonus plan. CEO Marco Beenen has received 5 237 shares, CCO Rune Bjorbekk has received 5 983 shares and COO Kei Ikeda has received 8 287 shares. The shares will be restricted until June 2021.

Purchase of own shares

On 31 March 2020, the Board resolved to initiate a share buy-back programme limited to up to USD 10 million in total

consideration for the shares. The shares acquired under the buy-back programme are held in treasury or used towards the Company's long-term incentive programme for employees. The shares were purchased in the open market. BW Group Limited participated in the share buy-backs on a pro-rata basis to its ownership interest of 49.92% of BW Offshore. The share buy-back programme was completed on 29 May 2020, following the acquisition of 4 183 206 treasury shares at an average price of NOK 25.18 per share. As at 31 December 2020, BW Offshore held a total of 4,156 534 treasury shares or 2.25% of the total number of issued 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.

Pre-emption rights to subscribe

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the shareholders of the Company do not have pre-emption rights in share issues unless otherwise resolved by the Company. Any decision to issue shares without pre-emption rights for existing shareholders shall be justified. In the event that BW Offshore waives the pre-emption rights of existing shareholders, the Board of Directors will explain the justification in the stock exchange announcement issued in connection with the increase in share capital. There were no share issues in 2020.

Trading in own shares

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. See section 3 above for details about trading in treasury shares during 2020.

Transactions with close associates

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. For more information regarding related party transactions, see Note 25 of the annual report.

5 SHARES AND NEGOTIABILITY

The Company's constituting documents do not impose any restrictions on the ability to own, trade or vote for shares in the Company and the shares in the Company are freely transferable. However, the Bye-laws include a right for the Board to decline to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in a share held through Verdipapirsentralen (VPS), where such transfer would, in the opinion of the Board, likely result

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

6 GENERAL MEETINGS

The annual general meeting normally takes place on or before 31 May each year. The 2020 annual general meeting was held on 18 May. The Board seeks to ensure that as many shareholders as possible can participate 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, comprehensive and specific to allow shareholders to understand and form a view on matters that are to be considered at the meeting;
- the registration deadline, if any, for shareholders to participate at the general meeting shall be set as closely to the date of the general meeting as practically possible and permissible under the provision in the Bye-laws;
- the shareholders shall have the opportunity to vote separately on each individual matter, including on each individual candidate nominated for election to the Company's Board and committees (if applicable).

Registration is made in writing, per telefax or by e-mail. Shareholders who cannot be present at the general meeting must be given the opportunity to vote by proxy or to participate by using electronic means. The Company shall in this respect:

- provide information on the procedure for attending by proxy;
- nominate a person who will be available to vote on behalf of shareholders as their proxy; and
- prepare a proxy form, which shall, insofar as this is possible, be formulated in such a manner that the shareholder can vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

Pursuant to common practice for Bermuda incorporated companies, the Company's Bye-laws states that the general meeting shall be chaired by the chairman of the Board unless otherwise agreed by a majority of those shares represented at the meeting. The Code states that the Board should ensure that the general meeting may elect an independent person to chair the meeting. BW Offshore consequently deviates from the code of practice in this respect. This is based on tradition. Having the chairman of the board also chairing the general meeting also simplifies preparations for the meeting.

The minutes of the annual general meeting will be published on the Company's website no later than 15 days after the date of the meeting.

7 NOMINATION COMMITTEE

The nomination committee is governed by the Company Bye-laws section 37.3.

The Nomination Committee composition is determined by the Company's general meeting from time to time, and the members are appointed by a general meeting resolution, including the chairman of the committee. The general meeting determines the remuneration of the Nomination Committee and stipulates guidelines for the duties of the Nomination Committee. The guidelines are available at the Company's website www.bwoffshore.com.

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. No more than one member of the Nomination Committee shall 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 justifies its recommendations for each candidate separately.

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

As at 31 December 2020, the Nomination committee consisted of Andreas Sohmen-Pao (Chair), Bjarte Bøe and Elaine Yew Wen Suen. The committee held 1 meeting during the year with all the members present.

NOMINATION COMMITTEE

Name	Role	Considered independent of the main shareholder and management	Served since
Mr Andreas Sohmen-Pao	Chair	No, Chairman of the Board	2014
Mr Bjarte Bøe	Member	Yes	2014
Ms Elaine Yew Wen Suen	Member	Yes	2014

8 THE COMPOSITION AND INDEPENDENCE OF THE BOARD

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

The composition of the Board ensures that it can act independently of any special interests. A majority of the shareholder-elected members of the Board are independent of the Company's executive personnel and material business connections of the Company. In addition, at least three of the members of the Board are independent of the Company's major shareholder(s). A major shareholder is defined as owning 10% or more of the Company's shares or votes, and independence entails that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

The Board does not include the Company's chief executive officer or any other executive personnel. 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.

The annual general meeting on 18 May 2020 elected Ms. Rebekka Glasser Herlofsen as a new Director to the Board for a two-year period.

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

9 THE WORK OF THE BOARD

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

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

Directors and officers of the Company and other leading personnel shall notify the Board if they directly or indirectly have a significant interest in matters to be considered by the Board of Directors.

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 Board held 10 meetings in 2020. The directors normally meet in person, but if so allowed by the chairman, directors may participate in any meeting of the Board by means of telephone or video conference. The majority of Board meetings in 2020 was held digitally due to COVID-19. 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. As at 31 December 2020, the Company had the following Board-appointed Committees:

Audit committee

The Audit Committee acts as an advisory committee to the Board. The Audit Committee is responsible for reviewing the financial statements of the Company, and advising the Board as to whether they show a true and fair view and have been prepared in accordance with the law and all regulations and standards applicable to the Company. The Audit Committee also reviews the Company's key areas of exposure to risk and also its internal control arrangements, as well as an annual supervisory plan for internal audit work. The Audit Committee follows up on internal controls in connection with quarterly reviews of the Group's financial reporting. At least once a year, the Board and the Audit Committee review the Company's internal control procedures relating to its financial reporting process. As at 31 December 2020, the Audit committee consisted of Rebekka Glasser Herlofsen (Chair) and René Kofod-Olsen, both of whom were also members of the Board.

Technical and Commercial committee

The Technical and Commercial committee acts as a preparatory and advisory committee to the Board in respect of the management of the Company's business. Matters reviewed by the Committee, and reported to the Board, include commercial and technical matters relating to the Company's operations, and marketing and tender activities of the Company. At least once a year, the Technical and Commercial committee will also review the systems utilised by the Company for identifying areas of material business risk, for measuring their possible impact on

BOARD OF DIRECTORS

Name	Role	Considered independent of the main shareholder and management	Served since	Term expires	Participation in board meetings in 2020	Shares in BW Offshore (direct/indirect)	Nationality
Mr Andreas Sohmen-Pao	Chairman	No	2014	2021	100%	90 245 285	Austrian
Ms Rebekka Glasser Herlofsen	Director	Yes	2020	2022	100% since election	0	Norwegian
Mr Maarten R. Scholten	Director	Yes	2010	2021	100%	160 761	Dutch
Mr René Kofod-Olsen	Director	Yes	2019	2021	100%	13 183	Danish
Mr Carl Krogh Arnet	Director	No	2019	2022	100%	2 390 000	Norwegian

the Group and the procedures in place to mitigate the impact of such risks. As at 31 December 2020, the Technical and Commercial committee consisted of Carl K. Arnet (Chair) and Maarten R. Scholten, both of whom were also members of the Board.

Compensation Committee

The Compensation Committee acts 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. As at 31 December 2020, the Compensation Committee consisted of Andreas Sohmen-Pao (Chair) and Maarten R. Scholten, both of whom were also members of the Board.

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 contribute to securing shareholders' investment and the Company's assets.

Management and internal control are based on Companywide 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 management system is central to BW Offshore's internal control and ensures that the Company's purpose, policies, goals and procedures are known and adhered to.

The Board annually reviews 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, BW Offshore is subject to external supervision by DNV GL for classification in accordance with relevant ISO standards.

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

The systems for risk management and internal control also encompass the Company's guidelines regarding how the Company integrates considerations related to stakeholders into its creation of value. Please see separate sustainability report included in the annual report for further information.

BW Offshore has established a Code of Conduct for the Company and its employees providing guidance to employees on how they can communicate with the Board to report matters relating to illegal or unethical conduct by the Company.

11 REMUNERATION OF THE BOARD OF DIRECTORS

The general meeting decides the remuneration of the Board based on a proposal from the Nomination Committee. 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. Detailed information of Board remuneration can be found in Note 9 of the consolidated financial statements.

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, the fee, if any, shall be approved by the Board.

12 REMUNERATION OF THE EXECUTIVE PERSONNEL

Remuneration of the executive personnel is reviewed annually by the Compensation 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. The Guidelines on Executive Remuneration is available on the Company's website, www.bwoffshore.com.

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 which is available on the website. The maximum potential pay-out of the Variable Compensation Scheme for the Executive Management Team is set at 6 months' salary effective from 2020.

The Board approves any share option programmes in the Company available to the employees of the Company and subsidiaries.

Detailed information of remuneration, loans, shareholding of the management and any share option programmes can be found in Note 9 of the consolidated financial statements.

13 INFORMATION AND COMMUNICATIONS

BW Offshore is committed to provide information in a manner that contributes to establishing and maintaining confidence with important interest groups and stakeholders. The information is 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, BW Offshore 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.

Please see the Investor Relations Policy available on www.bwoffshore.com.

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 BW Offshore'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 the 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

BW Offshore's external auditor is KPMG AS. The auditor is appointed by the general meeting and is independent of BW Offshore Ltd and shall annually confirm its independence in writing to the Audit Committee.

The auditor holds office for the term resolved by the general meeting or until a successor is appointed and is responsible for the audit of the consolidated financial statements of the Company. The board of directors ensures that the auditor annually presents an audit plan to the Audit Committee and/or the Board.

The Audit Committee invites the auditor to participate 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.

At least once a year, the Audit Committee reviews the Company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

The Board has established guidelines specifying the right of the Company's executive management to use the auditor for purposes other than auditing.

The auditor's remuneration is approved by the shareholders at the general meeting or in such manner as the general meeting may determine. For more information about remuneration of the auditor, see Note 9 in the consolidated financial statements.

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 provide consistent and transparent information to ensure fair treatment of all stakeholders. The integrity of the capital markets is based on full and fair disclosure of information.

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

All shareholders in BW Offshore have equal rights and the Company treats all shareholders equally. The Company has one share class and each share carries one vote at the Company's general meetings. BW Offshore is a Bermuda limited liability company listed on the Oslo Stock Exchange. The Company is therefore obliged to comply with the Bermuda Companies Act, its Memorandum of Association and its Bye-laws, as well as the disclosure requirements of the Oslo Stock Exchange. Certain aspects of the Company's activities are governed by Norwegian law pursuant to the Listing Agreement between the Oslo Stock Exchange and the Company. In particular, the Norwegian Securities Trading Act and the Norwegian Stock Exchange Regulations will generally apply.

BW Offshore commits to good corporate governance and generally comply also with the Norwegian Code of Practice for Corporate Governance. Divergence from this code is clearly described in BW Offshore's Corporate Governance report, 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 is regulated by the Company's Media Policy and Investor Relation Policy, and covers disclosures to the investment community, the press, industry consultants and other audiences. All investors have equal access to material information, and all information provided externally by the Company shall be consistent with disclosures to the investment community.

During a period of two weeks before the planned release of an interim financial report, BW Offshore will not comment on

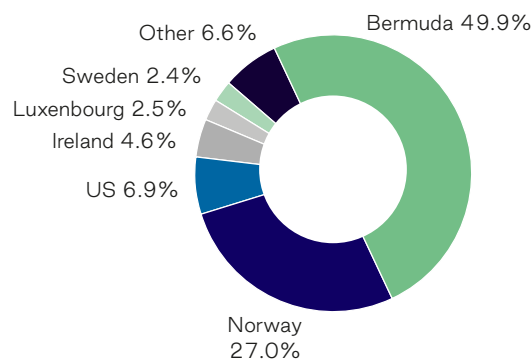
matters related to the Company's financial performance or expectations, save for ordinary communication with analysts and investors on general aspects of the business.

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

The investor relations activities 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 reflect the fair value of the Company
- BW Offshore's shares remain as liquid as possible, with lowest possible 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	90,245,285	49.92
2 Folketrygdfondet	6,333,008	3.42
3 Morgan Stanley & Co. LLC	3,262,499	1.76
4 Citibank, N.A.	3,202,452	1.73
5 The Bank of New York Mellon SA/NV	2,819,828	1.52
6 Carl K. Arnet	2,310,000	1.25
7 Brown Brothers Harriman (Lux.) SCA	2,196,746	1.19
8 Verdipapirfondet Alfred Berg Norge	2,155,646	1.17
9 Verdipapirfondet First Generator	1,973,263	1.07
10 Salt Value AS	1,788,389	0.97
11 State Street Bank and Trust Comp	1,694,434	0.92
12 JPMorgan Chase Bank, N.A., London	1,639,410	0.89
13 Nordea Bank Abp	1,634,467	0.88
14 Skandinaviska Enskilda Banken AB	1,431,590	0.77
15 Verdipapirfondet Alfred Berg Aktiv	1,394,965	0.75
16 Verdipapirfondet Norge Selektiv	1,366,852	0.74
17 Verdipapirfondet Pareto Investment	1,348,000	0.73
18 Spesialfondet KLP Alfa Global	1,300,000	0.70
19 Verdipapirfondet DNB SMB	1,277,748	0.69
20 Nordnet Bank AB	1,261,835	0.68

Date 31 December 2020

BW Offshore has issued a total of 184,956,320 shares of which 4,156,534 have been bought back and were held as treasury shares as of 31 December 2020. The year-end total number of outstanding shares stood at 180,799,786 held by 4 595 shareholders.

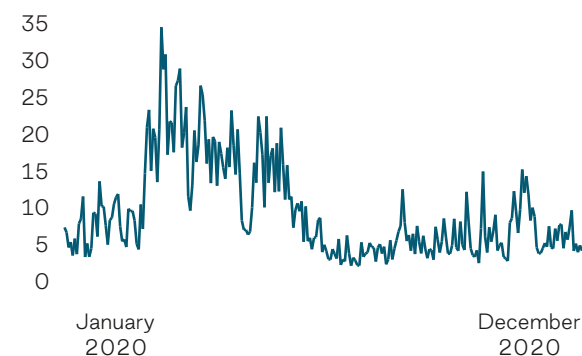
SHARE PRICE

NOK



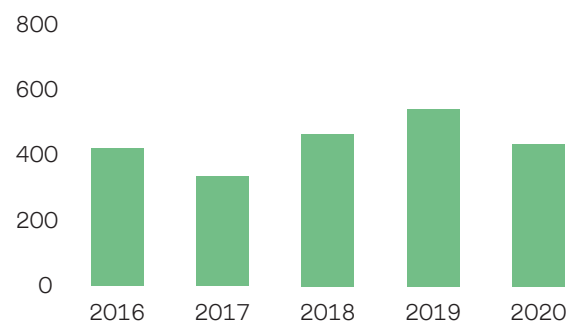
VOLUME

NOK



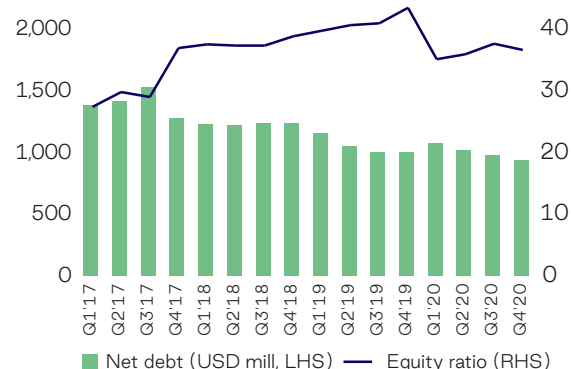
EBITDA ¹⁾

USD million



1) Adjusted for discontinued operation.

NET DEBT & EQUITY RATIO





Sustainability report

Guided by its purpose and values, BW Offshore aspires to achieve sustainable development by striking a fair balance between financial results, value creation, sustainability and corporate responsibility. BW Offshore will inform stakeholders about objectives, priorities and achievements that are relevant to their interests, expectations and concerns from a sustainability perspective.



DEFINING FACTORS FOR LONG-TERM VALUE CREATION

BW Offshore takes part in a value chain providing safe and affordable energy supply, an important factor for economic growth in both developed and undeveloped economies. The Company has an established framework for risk management to ensure safe and effective operations by adhering to a 'zero harm' policy and by minimising unnecessary use of resources and environmental impact. As a responsible and inclusive employer, BW Offshore impacts positively on local job creation and development.

Risks related to the factors are described throughout this report, and evaluated from a safety, operational, regulatory, reputational and market perspective. BW Offshore has an established, holistic approach to Health, Safety, Security, Environment and Quality (HSSEQ) across all its operations. The Company shows due respect for the individual, human rights and employment practices.

BW OFFSHORE HAS DEFINED THE FOLLOWING AS THE MOST IMPORTANT FACTORS FOR LONG-TERM VALUE CREATION:

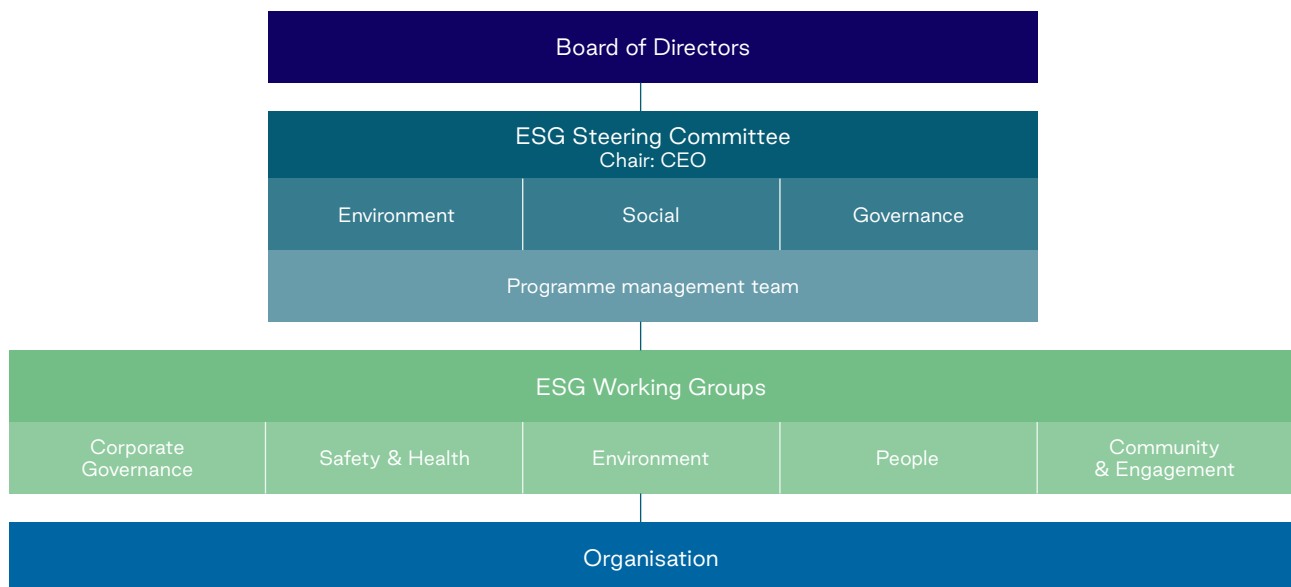
- Safe and secure operations
- Environmentally conscious operations
- A strong governance framework
- Being a non-discriminating and fair employer



ESG COMMITTEE

In 2020, BW Offshore established an internal ESG (Environmental, Social and Governance) Steering Committee with a mandate to ensure that sustainability and relevant environment, social and governance related risks and opportunities are recognised throughout the organisation and integrated in the Company's risk management and long-term strategy for value creation.

The high-level objectives of the committee are to; clarify roles and responsibilities for internal stakeholders in order to motivate positive ESG-related outcomes and strategy as an integrated part of each functional area; monitor and report performance; and assess operations and strategic objectives in order to establish and achieve specific targets.

COMMITTEE STRUCTURE**RESPONSIBILITIES OF THE COMMITTEE**

- Assist CEO and Board of Directors in forming a Corporate ESG strategy
- Define sustainability priorities and related KPI's
- Review proposed ESG initiatives and support and monitor implementation
- Track current ESG related initiatives across the organisation for visualisation, coordination and alignment
- Serve as expert panel and advisor to the organisation to proactively respond to changing market expectations and requirements
- Support internal and external communication activities related to ESG
- Inspire the organisation by continuously strengthening the Company's understanding of ESG factors

MATERIALITY ANALYSIS

BW Offshore holds a leading position as a provider of FPSOs to energy companies worldwide and is represented in all major oil and gas regions. The Company conducts its business in a responsible manner and seeks to exert a positive influence on matters related to corporate responsibility in activities and operations that are important for the Company and for long-term value creation for stakeholders.

BW Offshore has chosen to develop its framework for providing information about the Company's corporate responsibility as a part of the Annual Report rather than as a stand-alone document. This reflects a continuous commitment to integrate corporate responsibility in all processes and daily operations. Satisfactory financial performance over time is considered a pre-requisite for creating stakeholder value.

To better understand stakeholders' expectations and the risk factors and opportunities they perceive as important to the Company's long-term value creation, BW Offshore prepared a materiality analysis in January 2020, which has been summarised in a materiality matrix. The analysis identifies the areas where BW Offshore may make the biggest contribution related to environmental, social and governance topics for the society at large and to support value creation over time.

The materiality analysis is based on feedback from external and internal stakeholders who have responded to and provided comments on a questionnaire based on relevant topics (inspired by Global Reporting Initiative

(GRI) standards), either electronically or through interviews. External stakeholders included customers, partners, regulators, supply chain, investors and lenders. Internal stakeholders included various functions and employee feedback provided through a culture assessment conducted in 2019.

The materiality analysis covers key factors for BW Offshore's daily operations and long-term value creation related to the environment, people, safety and governance. The responses help identify the most material challenges and opportunities that the Company needs to address in both its day-to-day operations and long-term strategic development, to ensure sustainable value creation.

Based on the materiality analysis, BW Offshore has defined the following as the most important factors for long-term value creation: safe and secure operations; environmentally conscious operations; a strong governance framework; and being a non-discriminating and fair employer.

These factors are aligned with factors identified in the Sustainability Accounting Standards Board's Materiality Map "SASB Materiality Map®" as sustainability issues that are likely to affect the financial condition or operating performance of companies within a) the Extractives & Minerals Processing sector and b) the Oil & Gas Exploration and Production and Oil & Gas Services sub-industries, summed up as: Environment, Employee Health & Safety, and Leadership & Governance.

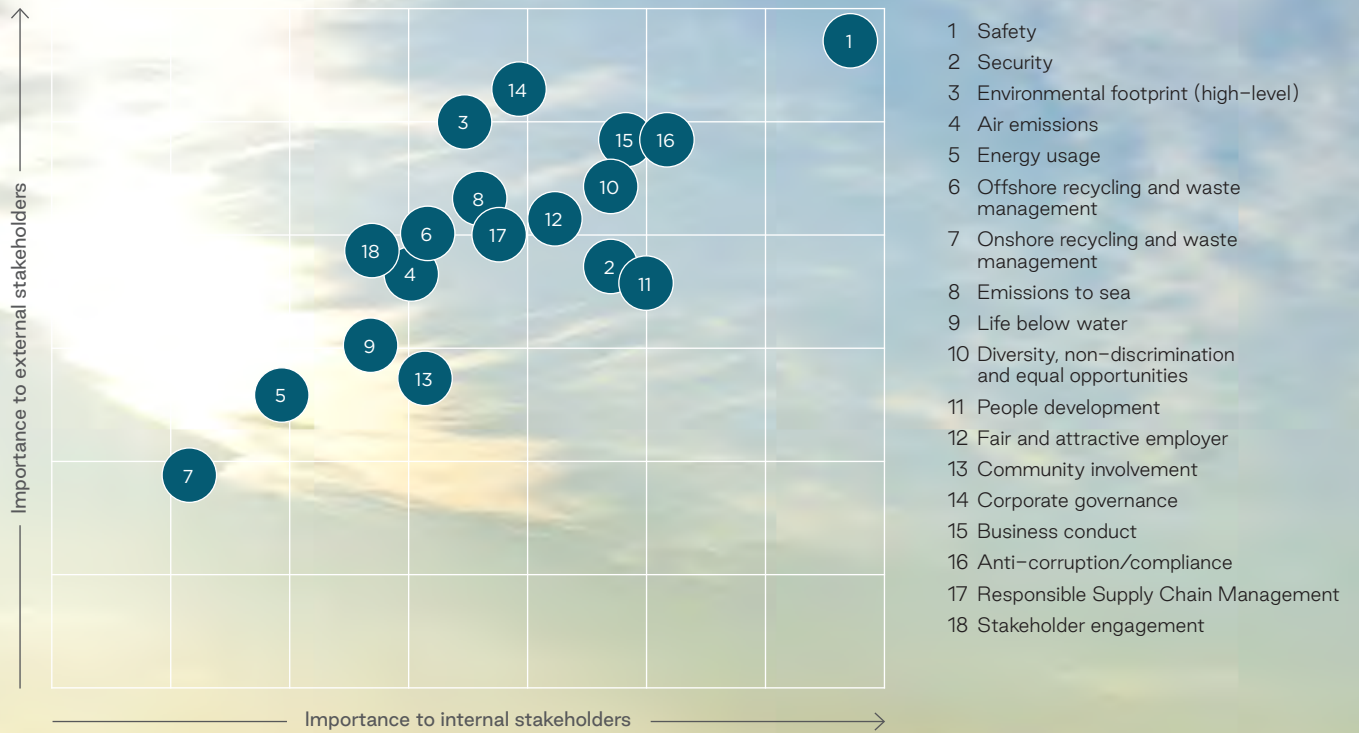
The result of the materiality analysis resonates well with material issues highlighted by the Norwegian Shipowner's association guidelines for ESG reporting in the shipping and offshore industries published 18 February 2020.

The Norwegian Shipowner's association guidelines focus on three material themes with sub-sections:

ENVIRONMENT	SOCIAL	GOVERNANCE
<ul style="list-style-type: none">• Emissions and energy reduction• Biodiversity and marine pollution	<ul style="list-style-type: none">• Health, safety and security• Labour and human rights	<ul style="list-style-type: none">• Anti-corruption• Accountability and transparency


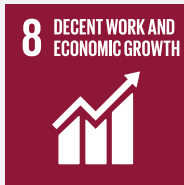

The key factors defined by BW Offshore through the materiality analysis are aligned with relevant industry specific external independent materiality frameworks. They tie in with the Company's commitment to Operational Integrity and safety and its 'zero harm' objective for personnel and the environment at large, supported by the "We LEAD with Integrity" values that guide and motivate leadership at all levels in the organisation. The factors are also reflected in the Company's support for the United Nations Sustainable Development Goals (SDGs).

Materiality analysis



Contribution to UN Sustainable Development Goals ¹⁾

The SDGs described below are those considered to be the most material for BW Offshore and where the Company can have the greatest impact.

UN GOAL	 <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all.</p>	 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p>	 <p>10 REDUCED INEQUALITIES</p> <p>Reduce inequality within and among countries to have quality jobs that stimulate the economy while not harming the environment</p>	
2020 AMBITION	No defined goals in 2020	<p>Global young talent programmes. Recruit 5–10 new talents every year</p> <p>Recruitment and development with the global organisation as an arena</p> <p>Culture improvement programme as a response to culture survey</p> <p>Train on leadership behaviours for leaders and the whole workforce</p> <p>Nationalisation Programmes</p>	No defined goals in 2020	
2020 PERFORMANCE	No defined goals in 2020	<p>Seven young talent hired for the Graduate Programme in 2020, and separate department for graduates established to ensure development and exposure to learning opportunities across the global organisation</p> <p>Culture improvement programme ongoing, with 252 leaders completed X-lab workshop and coaching</p> <p>Local offshore management increased from 22% in 2019 to 35% in 2020</p>	No defined goals in 2020	
2021 DEFINED GOALS	<p>Economically reduce GHG emissions from offshore operations</p> <p>Apply Company resources and capabilities to develop renewable energy production solutions</p>	Maximise recruitment and long-term development of local talents in areas of operation	Recognise diversity and ensure equal opportunities, including fair employment conditions	
OBJECTIVES	<p>Improve the energy efficiency and harnessing waste energy streams of asset design and operations. Contribute to affordable and clean energy by maximising the economic recovery of natural resources.</p> <p>In the project phase, optimal energy efficient plant design and best available technologies shall be demonstrated through engineering studies.</p> <p>In the operations phase, asset operational reliability, power management and waste energy streams shall be monitored and managed according to Best Environmental Practices (BEP).</p> <p>Develop new business renewable energy production.</p>	Develop targeted recruitment and development programmes in all locations where the Company operates, and assign experienced assessors and mentors to support.	<p>Continue implementation of, and securing, a Living Wage Standard for all employees and subcontractors.</p> <p>Further strengthen diversity within the Company. Define targeted actions to recognise and promote diversity and inclusion across the organisation. Involve and engage employees.</p>	

1) The UN Sustainable Development Goals (SDGs) were agreed upon by all 193 UN member states in 2015, and guide governments, civil society and the private sector in a collaborative effort for change towards sustainable development.



Ensure sustainable consumption and production patterns.



Take urgent action to combat climate change and its impacts.



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

No defined goals in 2020

Study the potential for early phase out of controlled ozone depleting substances
Study reductions and fugitive emissions
Implement a standard for Best Available Techniques (BAT) for new projects
Study optimising power and utility system, to reduce fuel consumption

Further develop the Company's Code of Ethics and Business Conduct compliance programme by providing training sessions on all locations

Vendor qualification programme

No defined goals in 2020

Inventory of freon gases completed with greener substitute gases identified across fleet operations
Operational Integrity Hydrocarbon release reduction priority programme initiated
BAT implemented as a standard requirement for all new projects or refurbishments
Preliminary pilots within the digitalisation programme to improve equipment operating efficiencies (machine learning and remote survey), completed in 2020. Pilot work that proved useful will continue to be developed in 2021

Training/awareness sessions completed in all Company locations

Compliance assessment conducted of all new vendors as part of the Company's Vendor Qualification Process

Eliminate single-use plastics within company operations

Economically reduce GHG emissions from offshore operations
Eliminate the use of harmful Chlorofluorocarbons (CFCs) wherever practicable

Eliminate any unethical and non-compliant business practices in the organisation

Engaging with suppliers to influence their packaging selection.

Implement alternative technical solutions to eliminate the need for plastic use, such as replacing bottled water with alternative drinking water supplies.

Minimising GHG emissions from offshore assets to align with global efforts to combat climate change and its impacts.

Ensuring that the GHG emissions sources of the asset design are reduced to 'as low as reasonably practicable' through Best Available Techniques (BAT) engineering assessment in the project phase of an asset development.

Maximising operational efficiency of power and combustion equipment and the reliability of the process plant to minimise combustion emissions, flaring and direct emissions.

Ensure zero tolerance for corruption throughout the organisation, via implementation of anti-bribery compliance programme measures.

Safe and secure operations

BW Offshore is committed to efficient, reliable and compliant operations with zero harm to people, the environment and the communities in which it operates. The Company applies best-in-class as a benchmark for monitoring, assurance and improvement of operational performance and compliance.



Operational Integrity (OI) is a separate business function that supports the wider BW Offshore organisation. The function defines the Health, Safety, Security, Environmental, Quality (HSSEQ) and Asset Integrity performance requirements and targets. It also provides an assurance framework to demonstrate OI performance throughout an asset lifecycle, from design and yard construction to installation and operations.

The OI function manages HSSEQ protocols that enable BW Offshore to meet and exceed mandatory requirements, in addition to those the Company has chosen to apply as best practice.

The Company is certified to the ISO 9001, ISO 14001 and OHSAS 18001 international standards, which recognise the way it manages business processes, commitment to minimising environmental impact and health and safety systems. The Company also holds a Document of Compliance to the International Safety Management Code.

EMERGENCY PREPAREDNESS

BW Offshore's commitment towards preparation for and responses to emergencies are captured in the Company's Operational Integrity Standards. The standards define requirements for Emergency Response, Emergency Support and Crisis Management for operational assets, project worksites, permanent office locations and the corporate organisation. Each offshore asset has a specific Emergency Response Plan covering the Major Accident Hazards present onboard.

Emergency Response and Crisis Management Plans are aligned with industry recognised Incident Management System (IMS) principles, including the incident planning cycle and risk-based prioritisation concepts. The Emergency Preparedness material is available to all personnel in the BW Offshore Management System and on the Company intranet.

The procedures ensure timely and effective action is taken to protect people, the environment, assets and company reputation in the event of an emergency.

Regular training in the form of emergency exercises and drills are conducted to ensure personnel maintains a high level of readiness. Every asset is required to carry out regular, realistic drills to test aspects of their Emergency Response Plan. Lessons learned are shared onboard during post-drill debriefs and with onshore teams. Drills reports are sent to OI management for review and analysis. Additionally, full tier exercises are performed across all operations on an annual basis to ensure that all aspects of Emergency Preparedness are effective and continuously improved.

STOP WORK

BW Offshore has a target of being an industry leader, with the lowest reasonably practicable frequencies for lost time injuries, high-risk incidents – including spills to the environment and unplanned emissions – and occupational illnesses. BW Offshore believes that striving to be an industry leader in safety is aligned with the firm commitment of 'zero harm'. The Company fosters a strong culture through the corporate values "We LEAD with Integrity", faithfully records all incidents and applies a 'learning from failures' approach to continuous improvement at all levels in the organisation. The Company's OI function continuously 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 are unsure of, and to initiate a process to define and clarify without any repercussions or questions.

STOP WORK

Doc. no: MS-PO05247 Rev: 2 Published: 01.07.2019

No task is so important that you must put yourself or others at risk of injury or illness to get it done.

This policy covers all employees, visitors, contractors and any other person affected by BW Offshore activities.

All employees, contractors and visitors have the permission and the responsibility to stop a work task or decline to perform an assigned task, without fear of negative consequences, when they believe there is a threat to the health and safety of themselves or others.

Individuals calling for Stop Work should inform their Supervisor or the person in charge of the work immediately. All people with the responsibility for performing work also have the responsibility to stop and reassess the work when a safety concern is raised.

**If you are worried about your safety
or the safety of others**

If something feels wrong

STOP – don't do it

You have my support

Marco Beenen
CEO BW Offshore
01st July 2019

OPERATIONAL INTEGRITY FRAMEWORK

The Operational Integrity framework promotes repeatable operational excellence and provides a platform for continuous improvement. It is based on the three core elements: people, process and asset.



PEOPLE

Strong competence and behaviour delivering operational excellence



PROCESS

Robust and transparent policies, standards and procedures that set clear expectations and accountabilities



ASSET

Asset integrity maintained to deliver safe, efficient and reliable operations

This framework is defined within the BW Offshore Management System, with the desired outcome of efficient, reliable and compliant operations delivered with zero harm through a comprehensive assurance programme. This assurance programme then allows for opportunities for improvement to be identified and realised.

OPERATIONAL INTEGRITY COMPLIANCE

The BW Offshore Management System is consistent with industry best practices, such as the Energy Institute Process Safety Management framework, and is certified to the International Safety Management (ISM) code for safe operation of ships and pollution prevention, ISO 9001 for Quality Management and OHSAS 18001 for Occupational Health and Safety Management.

In 2021, BW Offshore intends to migrate its certification status to ISO 45001 Occupational Health and Safety Management Standard. This will enhance the BW Offshore Management System by ensuring opportunities for improvement are included in third-party verification of the occupational health and safety management system.

All BW Offshore's FPSOs are certified in accordance with the requirements of the International Ship and Port Facility Security (ISPS) Code. The security policy of the Company, the FPSOs and Company premises is to prevent unauthorised access and the introduction of weapons and other dangerous devices or substances. The security policy underpins the Company's commitment to ensure zero harm to personnel and prevent damage to the Company's assets.

OPERATIONAL INTEGRITY PERFORMANCE

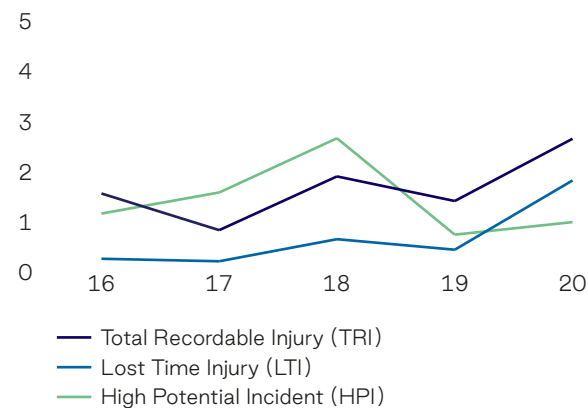
BW Offshore monitors Process Safety, Occupational Safety, Environmental Performance and Asset Integrity, indicators to anticipate future performance issues, and take proactive action to improve. The Company follows the International Association of Oil and Gas Producers (IOGP) guidelines for incident reporting, thus allowing for benchmarking with the wider industry.

A Lost Time Injury (LTI) is an injury in the workplace that means the injured person is unable to resume normal duties in their next shift or subsequent shifts. Total Recordable Injuries (TRI) are the sum of lost time injuries, restricted work cases and medical treatment cases. A High Potential Incident (HPI) is an incident not causing harm or damage but that, under slightly different circumstances, could have realistically resulted in one or more fatalities or major damage. This indicator is considered the most important of the three.

BW Offshore registered 9 LTI incidents in 2020 (5 in 2019). In 2020, the calculation of exposure hours has been adjusted to reflect actual working hours, 12 hours shift compared to a 24 hours exposure period. This has significantly reduced the total exposure hours across the fleet and therefore increases LTI, TRI and HPI ratios. The LTI ratio (number of LTIs/million man-hours) was 1.86 in 2020. The HPI ratio was 1.03 in 2020.

BW OFFSHORE HSE STATISTICS

Per million hours



The 2020 performance was influenced by the difficult operating environment imposed by the COVID-19 pandemic. Nevertheless, the number of incidents the Company incurred is higher than the prior year, and targeted improvement programmes are a priority in 2021.

CONTINUOUS IMPROVEMENTS

BW Offshore considers failures as an opportunity to learn and improve. An effective process has been established to identify root causes of deviations and transform these into real improvements, which allows the Company to progressively build on experience and strengthen performance.

BW OFFSHORE'S ACTIONS FOR CONTINUOUS IMPROVEMENT INVOLVES:

- Regularly monitoring leading and lagging health and safety indicators
- Periodic review of risk assessments and control measures
- Conducting incident investigations to identify improvement actions
- Circulating safety alerts to the wider organisation
- Implementing health and safety initiatives
- Audits, verification and inspections
- Facilitating Senior Management oversight

The Operational Integrity function has established processes and tools to demonstrate operational performance and compliance in a transparent manner. The process is based on BW Offshore's operational objectives and how the OI function supports the organisation in meeting these targets through a continuous improvement cycle.



Case Study: Life-Saving Rules

BW Offshore implemented the IOGP 9 Life-Saving Rules in the end of 2020. The rules, based on rigorous industry data analysis, are designed to draw attention to the activities that are most likely to lead to a fatality, and the life-saving actions over which an individual has control. Each rule consists of an icon and simple life-saving actions that individuals can take to prevent a work-related fatality.

The rules are intended to support existing company management systems.

THE ADOPTION OF THE LIFE-SAVING RULES WILL:

- Enable better transfer of knowledge, experience and lessons learned
- Increase individual awareness and ownership of critical safeguards that prevent fatalities
- Encourage an industry-wide common safety language especially with contract personnel
- Improve clarity and encourage consistent use by contractors and operators doing similar work on BW Offshore operating FPSOs and Projects

Eight key leadership behaviours:

TRUST

See the value of and have confidence in other people. Believing that people act with good intentions (and without hidden agendas), even when they act and think in a way that is different from you.

OPENNESS

Be open to the possibility that no one (not even you) is right and that this might have severe consequences. Be open to feedback from others.

FEEDBACK

Give personal feedback to show that you see, appreciate what people around you do. Give critical feedback without blame or causing shame.

TEAMWORK

Collaborate towards common goals and agreed-upon norms, while helping each other become better in the process.

CARE

Take ownership of your job by resolving problems and managing failures, even when they are outside of your formal role. Show colleagues that you care about their wellbeing.

LEARN

Have the attitude that you can always learn something new, and to see failure as a vital source of learning.

SPEAK-UP

Speak up if you observe non-compliance or hazards, or if you have any concerns. Encourage and empower others to do the same.

DILEMMAS

Seek out and manage failures arising from conflicts and dilemmas between goals, policies and people.

In 2019, BW Offshore performed a culture survey based on eight key leadership behaviors, conducted by PROPEL SAYFR.

The 'learning from failure' approach is further strengthened through the implementation of the Culture Programme 'We LEAD with Integrity', which instills continuous improvements related to eight key leadership behaviours that promote positive outcomes. The programme is based

on a company wide culture survey conducted in 2019, followed by detailed engagement and feedback with the workforce in 2020. The programme involves extensive continuous personal development of leaders and teams throughout the organisation.

An underwater photograph showing a large, turbulent wave at the top of the frame. Below the wave, a single striped fish swims in the center. At the bottom of the frame, a school of many smaller striped fish is visible. The entire image has a blue color cast.

FUTURE PRIORITIES

Throughout 2021, BW Offshore will continue to target full alignment of operations with the expectations set within the Management System. The objective is full transparency and ownership of the key activities that are instrumental in delivering efficient, reliable and compliant operations with zero harm.

Environmentally conscious operations

BW Offshore is committed to contributing to a sustainable environment. The Company recognises that its operations may have wide-ranging impact on the environment and therefore applies risk management to identify, assess and mitigate actual or potential environmental impacts.



BW Offshore integrates environmental management within the overarching BW Offshore Management System to ensure environmental risks are appropriately identified, controlled and monitored. Continual improvement is achieved via feedback cycles within the Management System framework.

The BW Offshore Management System is independently certified by DNV GL to the ISO 14001:2015 environmental management standard. In 2020, the environmental management system was subject to a thorough, independent ISO 14001:2015 re-certification audit and compliance was demonstrated with no major non-conformities recorded.

Environmental management is led from the organisation's senior management. The Environmental Policy is endorsed by the CEO, providing direction for future corporate climate action strategies.

BW Offshore operates in a highly regulated industry with a growing body of environmental law, as well as increasing stakeholder interest. The environmental management system identifies and integrates all relevant regulatory compliance requirements and seeks to apply best available environmental technologies and techniques. For environmental factors that are not fully within the control of the organisation, BW Offshore endeavours to collaborate with operators and regulatory authorities to achieve the best practicable environmental performance. BW Offshore monitors emerging environmental issues, technologies and practices to ensure it remains compliant, relevant and positioned to operate sustainably in the present and future.

Stakeholders are important to BW Offshore. The Company has identified the collective UN Sustainable Development Goal #7 Affordable and Clean Energy, Goal #12 Responsible Consumption and Production and Goal #13 Climate Action as particularly relevant goals where operations can make a positive environmental impact. BW Offshore has developed initiatives to align with the targets of these UN Sustainable Development Goals and will monitor progress throughout the year ahead.

ENVIRONMENTAL PERFORMANCE

BW Offshore's environmental impact is determined by assessing operational performance against key indicators. The key environmental aspects of all operating FPSO's are digitally recorded through the daily reporting process and these aspects are continuously monitored. The Asset Management function ensures that facilities are operated in accordance with the asset's environmental management system and environmental performance standards. Performance reports are generated monthly for asset level assessment. The Board of Directors and Senior Management reviews fleetwide environmental performance quarterly. All employees within the organisation have real-time access to the fleet's environmental performance statistics.

In 2021, BW Offshore plans to roll out operational integrity awareness campaigns to all employees to improve the organisation's understanding of the specific environmental topics of plastics wastes and climate change.

CLIMATE ACTION

BW Offshore recognises the threat climate change poses and the challenges societies face when balancing development and environmental impacts. BW Offshore shares the global commitment towards cleaner energy sources and the reduction of Greenhouse Gas (GHG) emissions. As an energy sector services provider, BW Offshore is inherently involved in the transition to renewable energy sources. This transition poses new risks from an operational, regulatory, reputational and market perspective. It also generates new opportunities for participation by ensuring existing fossil fuel infrastructures are operated with a minimum footprint, engaging with transitional fuels, such as natural gas markets, and evaluating alternative clean energy sources.

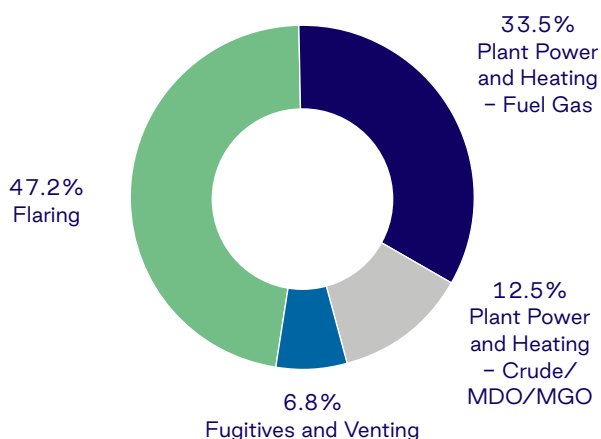
Case Study: Reducing GHG emissions, improving operational resilience

BW Offshore recognises air travel as a contributor to global GHG emissions. In recent years, BW Offshore has invested in enhancing digital communication systems to reduce travel associated for meetings. Communications and digitalisation systems have been further enhanced throughout 2020 to enable the performance of remote audit surveys and provide remote technical support to operating

assets. Complementary to the environmental benefits, the success of the remote survey tools and the digitalisation programme has concurrently improved operational resilience which has arisen from travel restrictions imposed by the COVID-19 pandemic. In 2020, GHG emissions associated with air travel reduced by 42% compared to 2019.

In 2020, the BW Offshore fleet's carbon intensity increased compared to the previous year. This is attributed to reduced operational efficiencies due to unplanned shutdowns on several facilities and the GHG contribution from maintaining the Umuroa safety systems throughout the year, while production was stopped in end 2019. The 2020 fleetwide carbon intensity was 18.9 kg of CO₂, eq. per barrel of oil equivalent (boe) produced. In absolute terms, total GHG emissions in 2020 decreased 14% based on 2019 performance.

FLEETWIDE GHG EMISSION SOURCES



Flaring of associated gas represents the largest share of the fleet's greenhouse gas emissions. For legacy assets where the field developer has not provided infrastructure to efficiently utilise associated gas, BW Offshore is working with its clients to investigate future technologies that may enable the conversion of associated gas feedstock into clean hydrogen-based energy sources. In addition, the Company seeks to reduce flaring by maximising operational efficiency and limiting interruptions.

For new FPSO prospects, BW Offshore implements closed flare and vapour recovery systems to ensure best available technologies are integrated into the design. These systems significantly reduce

the operational carbon footprint compared to traditional direct venting of hydrocarbons, as well as improving operational safety.

The total fleetwide volume of gas flared remained stable in 2020 compared to 2019.

Throughout 2020, the Company continued implementation of the hydrocarbon release reduction programme, which commenced in 2019, to reduce direct emission releases from accidental loss of hydrocarbon containment. This year, the programme included a gap analysis against UK industry standards to identify areas for further improvement. The number of reported gas release incidents have decreased from 51 cases annually to 27 cases since the hydrocarbon release reduction programme started.

To reduce the impact of greenhouse fluorinated gases, the Company initiated a review of the FPSO fleet's inventory of refrigerants in 2020. In 2021, the Supply Chain function will continue working with local suppliers to source environmentally friendly fluorinated gas alternatives when existing refrigerant inventories require replacement or topping up.

AIR QUALITY

Non-GHG (Non-greenhouse gas) emissions, such as sulphur oxide and nitrogen oxides, are released during fuel combustion for the power generation and heating systems required to run the FPSO plant. These pollutants impact air quality, human and animal health, and may lead to acid rain and the subsequent acidification of waterways and habitat contamination. BW Offshore is committed to reducing the impact of non-GHG's and emissions are recorded and monitored fleetwide.

The fuels used to power BW Offshore's fleet are supplied by its clients (fuel gas, crude and bunkers). BW Offshore is not able to control the quality of supplied fuels, however, the Company can seek to maximise use of the cleanest burning fuel sources available and improve the operational efficiency of the asset to reduce overall consumption. BW Offshore aims to reduce non-greenhouse gas emissions and operates concurrently within the energy efficiency goals.

Case Study: H₂ Flare Reduction Initiative

Routine flaring of associated gas is a safe method to manage waste hydrocarbons from oil production. It is also a significant contributor to global GHG emissions and represents wasted energy which could otherwise be used to support developing economies. The Global Gas Flaring Reduction Partnership is encouraging Governments, industry and development institutions to adopt a 'zero routine flaring by 2030' policy. This has given rise to new regulatory attention particularly in West African nations where routine flaring has been problematic.

BW Offshore is evaluating technologies that may be used to capture these waste gases and convert them into hydrogen derivative feedstock. The feedstock can be stored onboard and exported as a hydrogen fuel. To maximise the environmental benefit, carbon emissions from processing methane gas could be sequestered and stored in abandoned subsea wells for long term carbon capture and storage.

In 2020, there was an increase of nitrogen oxide (NO_x) emissions due to reduced operational uptime which increased consumption of bunker fuel compared to cleaner burning of fuel gas. Additionally, Umuroa has been using a small inventory of crude oil as fuel since entering warm lay-up.

ENERGY EFFICIENCY

Improved energy efficiency is integrated with BW Offshore's climate action goal. The Company has two main ways of improving fleetwide energy efficiency. Firstly, by maximising use of the cleanest and most readily available fuel sources for power generation to reduce energy consumption and minimising GHG emissions associated with transporting bunker fuels to the facility. Secondly, by reducing total energy demand, fuel consumption and GHG emissions, by maintaining optimal facility and plant operations and ensuring systems and equipment run at their design optimal efficiency range.

Fuel gas is currently the cleanest and most efficient fuel source available. In 2020, the ratio of fuel gas to bunker fuel usage decreased due to reduced operational uptime, mainly due to external factors.

RATIO FUEL GAS TO TOTAL ENERGY CONSUMPTION

2019	84.1%
2020	76.1%

A potential future fuel source is the hydrocarbon vapours recovered from cargo storage tanks. In legacy design assets, these vapours are normally vented to the atmosphere. In 2020, BW Offshore worked with a potential client on exploring a vapour recovery system to process waste vapours into a supplementary fuel source onboard an FSO, reducing demand for externally sourced fuel. Converting the waste gases into energy will also positively impact overall carbon emissions by reducing direct release of methane gases.

The BW Offshore Digitalisation Strategy enables remote monitoring of plant operations throughout the fleet. In 2021, BW Offshore plans to enhance the use of this data to improve monitoring operational efficiency, maintain uptime and optimise power management.

The implementation of findings noted in the BW Catcher ISO 50001 energy assessment was hampered in 2020 due to the COVID-19 pandemic. It is anticipated that continuation of this work will resume in 2021. During the implementation delay period, the Company has reviewed the findings and developed detailed plans to expedite efficiency gains.

For future FPSO projects, BW Offshore will seek to integrate energy efficiency technologies such as vapour recovery systems, closed flare systems and power management system optimisation where feasible. By implementing state-of-the-art technical solutions for energy efficiency and reducing overall emissions, BW Offshore expects to maintain a competitive advantage amongst global FPSO service providers.

CONSUMPTION, WASTE AND MATERIALS MANAGEMENT

In 2020, the BW Offshore fleet continued to reduce the amount of waste generated offshore and shipped to shore. The hazardous waste mix as a proportion of total waste generated increased in 2020 compared to 2019. The proportion of recyclable waste was down from the previous year. The transportation and onshore processing of offshore generated waste is managed through licensed waste disposal companies contracted by the Company's clients.

In 2020, BW Offshore fleet operations sought to reduce waste by strengthening its material inventories management, establishing systems to reduce inefficiencies. Offshore personnel and onshore support teams have access to digital systems that track inventory stocks including procurement and use of materials over time. This digital system makes it easier to visualise inventory stock flows, plan and optimise procurement. These measures have reduced consumables inventories, improved management of consumable stocks and reduced the risk of over-supply and waste generation.

CIRCULAR ECONOMY - SHIP RECYCLING

Ship recycling is inherently sustainable. It enables the maximum material recovery of an end-of-life asset. Nonetheless, BW Offshore is aware that ship recycling practices can also pose unacceptable risks to the environment, human health and safety due to unsustainable ship recycling practices.

BW Offshore has integrated safe and sustainable ship recycling practices into its corporate Operational Integrity standards. In 2020, the Company developed a ship recycling procedure to ensure that all BW Offshore end-of-life FPSO's are managed responsibly. During 2020, hazardous material inventories have been implemented for all fleet assets subject to the EU Ship Recycling Regulations. BW Offshore is in the process of performing surveys to complete hazardous material inventories for all remaining assets in the fleet and plans to have these in place by end of the first quarter of 2021. These inventories shall be independently certified to comply to IMO guidelines or where applicable, EU regulations.

Future recycling projects shall ensure all assets are delivered with hazardous material inventories. BW Offshore's policy on ship recycling is to ensure any vessel owned by the Company (or sold to an intermediary with the intention of being scrapped or recycled) is recycled at a yard which operates in accordance with the Hong Kong International Convention for the safe and environmentally sound recycling of ships. These requirements have been translated into standard business operating practice.

The recycling of FPSO Belokamenka was completed in the first quarter of 2020 in accordance with the principles of the Hong Kong International Convention. BW Offshore provided third-party oversight to ensure the yard's ship recycling activities complied with the ship recycling plan and received statements of compliance issued by an independent International Association of Classification Societies (IACS) authority.

OIL SPILL MANAGEMENT

The most significant short-term impact to the marine environment and regional biodiversity associated with BW Offshore operations is the potential for a significant oil spill event. In 2020, all assets performed scheduled annual oil spill response drills to test their responsiveness and preparedness for unplanned oil pollution events. Where oil pollution preparedness and response drills simulated an uncontained spill to sea, these exercises were coordinated with the field operator to maximise effectiveness. Oil spill response drills onboard all facilities shall continue in 2021

to ensure the preparedness of personnel, equipment and management systems.

In 2020, two minor operational spills were recorded from BW Offshore facilities totalling 10 litres of oil. In addition, there was a related incident of a 30-litres diesel oil spill from a subsea service riser during commissioning activities. This is not recorded in BW Offshore's annual overview as the subsea equipment is not owned or maintained by the Company.

NUMBER OF OIL SPILLS

Year	Overboard spills >100 bbls	Overboard spill < 100 bbls
2020	0	10 litres
2019	0	19 litres
2018	0	319 litres
2017	0	401 litres
2016	0	237 litres
2015	0	238 litres

EFFLUENT MANAGEMENT

Planned effluent streams (produced water, sewage, engine room bilges, cooling water and food wastes) have been discharged to quality requirements in compliance with regulatory requirements and industry guidelines. Produced water discharges across the BW Offshore fleet is well within the World Banking Group guideline limit of 29 parts per million (ppm) oil in water content (monthly average). In 2020, the average produced water discharge from the BW Offshore fleet was 12.07 ppm. This is a significant improvement on the performance in previous years.

The Company is committed to ensuring all permissible effluents are minimised and comply with local regulatory requirements and industry guidelines. Asset integrity checks ensure the systems that control shipboard effluents are fully functional.

BIODIVERSITY MANAGEMENT

BW Offshore is committed to protect local habitats and the native wildlife in the areas where the Company operates. BW Offshore's potential impact on biodiversity is included in clients' environmental impact assessments and monitoring programmes. Generally, these relate to discharges, emissions or effluents which are managed through environmental performance criteria established during the design phase. BW Offshore cooperates

with its clients to comply to their environmental management and monitoring plans. During the development phase, environmental impact assessments and supporting studies are performed by the client to identify and validate the primary, secondary and cumulative impacts (or potential impacts) of the development on the environment. These assessments and studies define the environmental design performance criteria of the asset. BW Offshore has standard engineering practices in place to ensure these performance criteria are incorporated into the engineering design of the facility and are tested and verified prior to commencement of operations at site.

Biofouling and ballast water are specific maritime hazards only relevant when an FPSO relocates from one location to another. The hull, appendages and seawater systems provide an opportunity to transport non-native, invasive marine species from one location to another which can lead to the displacement of native marine species and alter the natural biodiversity at transit points or at the final destination.



Case Study: Minimising light pollution by utilising intelligent lighting system

All offshore facilities must be constantly lit to meet operational and navigational safety requirements. Light emissions from offshore infrastructures can impact the local environment by attracting or disorientating marine fauna such as marine turtles, migratory seabirds and fish species. BW Offshore is working with lighting suppliers to develop an intelligent lighting system for FPSO's. The Lighting system consists of a centralised battery (UPS) and a Digital Addressable Lighting

Interface (DALI) control & monitoring system. The DALI system allows the lighting in external areas to be dimmed to a minimum illumination level (whilst maintaining maritime illumination safety standards) when not required. This minimises the impacts of FPSO source light emissions on the local environment. The lighting is automatically restored in an emergency to aid escape and evacuation.

A strong governance framework

BW Offshore stands for consistent adherence to the applicable laws, rules and regulations in every country in which it operates and is committed to conduct business in a fair, ethical and transparent manner by adhering to the principles and guidelines stated in the Code of Ethics and Business Conduct. The Company strives to be a good corporate citizen and uphold the highest ethical and responsibility standards.

BW Offshore is a fair and non-discriminating employer. The Company respects the rights and dignity of all people in the organisation and supports activities which contribute and generate substantial local revenue in terms of salaries and tax income. These factors support the UN Sustainable Development Goal #16 regarding peace and justice and strong institutions, and the UN Sustainable Development Goal #8 on decent work and economic growth.



The Company has developed policies for ethics and business conduct, which provide a basis for the attitudes and principles that govern the culture in BW Offshore. These policies include the 'BW Offshore Code of Ethics and Business Conduct' ('the Code'), which applies to all personnel and representatives of BW Offshore and companies in which BW Offshore has a majority interest (including joint ventures), and to all BW Offshore Board members, officers, temporary employees and legal agents, consultants, intermediaries and others who act on behalf of BW Offshore.

ETHICS AND BUSINESS CONDUCT COMPLIANCE

The latest version of the Code is available on the Company website. The Code is supplemented by specific 'Ethics and Business Conduct Guidelines' ('the Guidelines'), other subject matter policies and relevant internal procedures in BW Offshore's management system. The BW Offshore Ethics and Business Conduct compliance programme covers a range of subjects and comprises compliance management activities administered by BW Offshore's Head of Corporate Integrity, who reports directly to the CEO.

The activities and progress of the Ethics and Business Conduct compliance programme is reported to and discussed by the BW Offshore Board of Directors on a quarterly basis.

BW Offshore has mandatory E-learning modules in the BW Offshore Academy, which is an internal E-learning platform available for all employees currently offering over 160 courses. This training is developed for all personnel and representatives, and is completed on a regular basis to ensure that the entire workforce knows and understands the Company's expectations and commitment to compliance. The Company also provides job-role or geography-specific compliance training on-site, as dictated by the Ethics and Business Conduct risk assessment. The completion rate for the mandatory E-learning modules was 93% in 2020.

During the global COVID-19 pandemic, the BW Offshore Corporate Integrity function has worked on enhancing the accessibility of the internal corporate compliance reporting mechanisms, which includes conflict of interest, gifts and hospitality, and sponsorship and donation reporting.

In 2020, the Corporate Integrity function added two new modules to the E-learning suite. These modules cover Data Protection and Modern Slavery and aim to provide personnel with a better understanding of the topics and why they are important to the organisation. The overall completion rate for these modules was 87% for onshore employees, and 84% for offshore employees at year-end. During 2020, the pandemic affected some employees' ability to remote access the Company's systems due to connectivity issues in their home locations.

NEXT STEPS FOR THE ETHICS AND BUSINESS CONDUCT COMPLIANCE PROGRAMME

The Corporate Integrity function continues to focus on improving understanding of the programmes through training and awareness activities, including updating E-learning material and requirements. BW Offshore intends to implement a refresher training programme which will test the knowledge of the employees in the topics covered in the Ethics and Business Conduct programme and thereby tailor training needs to specific employees' understanding. During the coming year, the Company intends to supplement the current commitment declaration requirement. Currently, personnel commit to compliance with the Code, Guidelines and compliance programme activities during completion of the E-learning modules (each module culminating in a 'read and click' declaration of compliance commitment). Further, the Company intends to additionally have an annual, standalone declaration made by personnel going forward.

BW Offshore will conduct periodic audits on manpower companies in relation to modern slavery and human rights to ensure that suppliers abide by the Company's position on 'Respect for the Individual, Human Rights and Ethical Employment practices'.

ANTI-BRIBERY AND CORRUPTION

BW Offshore opposes any and all forms of corruption and is – together with the other companies in the BW Group – a member of the Maritime Anti-Corruption Network (MACN), a global business network working towards the vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large.

Guidelines on anti-bribery and corruption can be found on the BW Offshore website. These guidelines are based on the principles stated in the Code and provides further guidance to all employees.

RECOGNISING BRIBERY AND CORRUPTION

Bribery is understood to be an offer, or receipt, of any gift, loan, fee, reward, pecuniary or any other advantage, to or from any person as an inducement to do something which is dishonest, illegal or a breach of trust, such as to improperly retain or obtain business or other improper advantage, in the conduct of the Company's business.

Bribery can take many forms and there are many types of improper advantages that can fall within the scope of bribery or corruption. In the most simple form, look for situations in which something is being given, received or offered and it is being done (or looks as though it is being done) as an attempt to induce the other party into doing something, or refraining from doing something.

Bribery and Corruption can often be hidden in common forms of disguise, such as through gifts and entertainment, donations, sponsorship or political contributions. The exchange of corporate gifts and entertainment in a business context can help build goodwill and is a legitimate and valuable component of how the Company conducts its business, providing that any giving or receipt complies with the relevant laws and locally accepted good practice. Instances of gifts or hospitality that are excessive or could be seen to influence decision-making or judgements are not acceptable, and BW Offshore has established corporate reporting and approval mechanisms to review and monitor the giving or receipt of gifts or hospitality. During review and approval activities, no instances of inappropriate gifts or hospitality (giving or receiving) were discovered in 2020.

BW OFFSHORE DOES NOT TOLERATE FACILITATION PAYMENTS

BW Offshore does not pay what is commonly termed as 'facilitation payments' and will actively work to avoid them in all operations.

A facilitation payment is a form of bribery recognised as a small, unofficial payment with the purpose of securing or speeding up the performance by a public official of a governmental action, which the payer of the facilitation payment is already entitled to.

BW Offshore personnel should never encourage nor initiate facilitation payments. The general rule is that facilitation payments should be resisted. Such payments can only be made in exceptional circumstances, as in cases of extortion where demands for facilitation payments are associated with expressed or reasonably perceived threats (of physical harm, detention, or undue harassment). BW Offshore has established reporting requirements and procedures for dealing with cases of extortion or threat of harm.

LOYALTY AND CONFLICT OF INTEREST

A conflict of interest may arise in any situation in which an employee's other business or personal interests impair his or her judgment to act honestly and with integrity, or otherwise conflict with the interests of the Company.

The Company expects that no employee will knowingly place himself or herself in a position that would be, or would have the appearance of being, in conflict with the interests of the Company.

The Company requires that all employees transparently and honestly complete the annual "Conflict of Interest Declaration" assigned to them and this requires personnel to disclose all business, commercial or financial interests or activities that might create a conflict of interest.

In addition, if an employee holds a position as a public official, or has a close relative or any other person with whom he/she has close relations, who is a public official, the employee is also required to disclose this information, in the Conflict of Interest Declaration.

In 2020, Conflict of Interest declarations have been collected through a new compliance IT portal (the "Corporate Compliance Reporting System") with the objective of making reporting easier and allowing for more comprehensive review and recording of decision-making related to declared conflicts of interest.

Conflicts can arise sporadically as employee's personal interests and relationships change or when the interests and activities of the Company may change. In addition to completing the annual declaration personnel should consider conflicts of interests on a day to day basis. If an employee becomes aware that a new conflict has or might arise, they can update this in the BW Offshore Corporate Compliance Reporting System platform so the issue can be reviewed by the Corporate Integrity department.

POLITICAL CONTRIBUTIONS

BW Offshore, through its officers, agents and/or personnel, will not make any offer, payment, promise to pay, or authorise the transfer of any BW Offshore assets to political parties, officials or candidates for political office, as this can be perceived as an attempt to gain an improper business advantage, and presents an area of risk of damage to the Company's reputation.

BW Offshore allows personnel to use their personal right to voluntarily participate in political and democratic processes. However, personal political activities of the personnel must be conducted on the personnel's own time, and with the personnel's own resources. In addition, it is the personnel's responsibility to make sure that personal political pursuits and contributions do not create potential conflicts of interest with the Company and are in compliance with applicable laws governing political activities and contributions.

BW Offshore is committed to ensuring that the Company discloses any political donations and/or lobbying expenditures.

RECORD KEEPING AND APPROVAL PROCEDURES

BW Offshore has financial policies and procedures covering record keeping and several other internal financial controls. Such controls ensure that BW Offshore and its subsidiaries will maintain books, records, and accounts which, in reasonable detail, accurately and fairly reflect all the Company's transactions.

At a minimum, BW Offshore and its subsidiaries will maintain a system of internal accounting controls sufficient to reinforce compliance with this policy and provide reasonable assurance that:

- Transactions are executed in accordance with management's general and specific authorisation procedures
- Transactions are recorded as necessary (a) to permit accurate preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (b) to maintain accountability of assets
- Access to Company assets and funds is permitted only in accordance with management's general or specific authorisation

It is expressly forbidden to forge accounting records or otherwise try to conceal, disguise or hide bribes or facilitation payments. Failure to comply with this directive may result in disciplinary actions, including termination, and the case might need to be reported to the relevant authorities.

COMPLIANCE ASSESSMENT OF BUSINESS PARTNERS

A key focus of the Ethics and Business Conduct Compliance Programme at BW Offshore is the assessment of external related parties who work for the various functional areas or are part of their value chain. All business partners (including country partners, agents acting on behalf of the Company, and suppliers who provide goods and services) are assessed for: compliance with relevant laws and regulations; compliance with the principles and spirit of the BW Offshore Code of Ethics and Business Conduct (and the Guidelines); any red flags that might indicate that use of the external party might have an adverse effect on BW Offshore's reputation, as part of the Company's 'Supplier Qualification' processes.

The Company's commitment to 'Respect for the Individual, Human Rights and Ethical Employment Practices' is also reflected in the qualification compliance assessment work. The BW Offshore Supplier Code of Ethics and Business Conduct and BW Offshore's 'Modern Slavery Statement' – which can be found on the Company website – detail the risk assessments and the activities that aim to eradicate the risk of modern slavery, human trafficking and forced or child labour within the Company's business and supply chain.

The Corporate Integrity function performs the assessment of vendors as part of the qualification process, and may also request further information, perform in-person audits or mandate specific activities (such as certifications or trainings) to be completed by the supplier, as deemed necessary to manage the compliance risk the party might pose to BW Offshore. The Company will not engage an external party if the compliance risk is deemed too high.

In 2020, BW Offshore compliance assessed 887 new potential business partners, of whom 315 (or roughly 35%) were subject to additional compliance activities prior to being accepted as a potential tenderer, or prior to being engaged, to provide goods or services to the Company. The increase in business partners subjected to additional activities was partly due to a human rights and ethical employment practices questionnaire added to the Company's compliance assessment process in 2020. This enabled the Corporate Integrity function to ask for additional documents or certifications where it is deemed necessary. During 2020, no potential business partners were rejected from doing business with BW Offshore following the compliance assessment.

REPORTING CONCERNS, ASKING QUESTIONS AND RAISING GRIEVANCES

BW Offshore encourages open discussions about responsible conduct and if any relevant party discovers any unethical or illegal practice or finds themselves in an ethical dilemma, they are obliged to seek advice.

BW Offshore has established routines and an externally available reporting channel (the BW Offshore 'Speak Up Channel') allowing employees, business partners and relevant stakeholders to report a concern in respect to breach of laws, regulations or BW Offshore's expectations in the Code and Guidelines. The 'Speak Up Channel' enables reporting via web and telephone,

GOVERNANCE STRUCTURE

BW Offshore has a well-developed corporate governance structure and adheres to the Norwegian Corporate Governance Board (NUES) Code of Practice, last updated 17 October 2018. Please refer to the BW Offshore Corporate Governance Report in the Annual Report for more details.



MANAGEMENT OF THE COMPANY:

Senior Management: has the responsibility to discuss and decide upon strategic objectives, business evaluation, opportunities and risks review, priorities and financial results

Functional Management: includes Heads of functions; has the responsibility to develop and implement plans in accordance with the Company's strategy and priorities

with local access numbers provided for most countries in the world and with the ability for reporters to speak to operators in 58 languages, including the official languages of all the countries in which BW Offshore operates. Reports can be made anonymously, and even when anonymity is chosen, the functionality of the 'Speak Up Channel' allows a reporter to create an access number and password to re-enter the report, which enables two-way communication between the Company and the reporter, thereby increasing the ability of the Company to request further information to properly understand and investigate the report. The 'Speak Up Channel' web portal has an 'Ask a Question' function, which can also be posed anonymously in the same way as the reporting mechanism. This 'Ask a Question' functionality aims to increase transparency and respect for the views and concerns of its key stakeholders.

BW Offshore commits that no retaliation will be taken against any personnel for raising any concern, question, grievance or complaint in good faith. All reports are treated confidentially and investigated promptly, thoroughly and fairly. Reports received and questions asked through the 'Speak Up Channel' function

are communicated to the BW Offshore Board of Directors on a quarterly basis—with as much detail as is practical based on the Company's commitments to confidentiality and carrying out a fair and thorough investigation.

Breaches of BW Offshore's Code or relevant statutory provisions may result in disciplinary action, or dismissal with or without notice, and may also be reported to the relevant authorities. BW Offshore is committed to making necessary corrections and taking remedial action to prevent recurrence, should improper practice occur.

The BW Offshore Expressions of Concern policy elaborates several routes for BW Offshore personnel to raise concerns, grievances or make reports and the BW Offshore Speak Up Channel is only one of those possible avenues. In 2020, BW Offshore recorded 30 reports across the BW Offshore Speak Up Channel, of which 10 were subject to further investigation and specific actions taken by the Company. None included any confirmed cases of corruption.



PALF
SINGLE FALL - 2
DOUBLE FALL - 2
MANDING - 2

A full-page background image of a sunset over the ocean. The sky is filled with soft, wispy clouds, transitioning from a deep orange near the horizon to a pale blue at the top. The sun is partially visible on the right side of the horizon, creating a bright glow. The ocean below shows gentle waves with white foam, reflecting the warm colors of the sunset. Overlaid on the lower-left portion of the image is the text "Being a non-discriminating and fair employer" in a clean, white, sans-serif font.

Being a non-
discriminating
and fair employer

BW Offshore focuses on its employees and organisation, and the opportunities it can provide for the wider community. The Company is deeply aware of the importance of its people and their contribution to meeting operational and financial objectives. Ensuring the safety and wellbeing of its employees is BW Offshore's greatest responsibility and is reflected in its zero-harm principle. Therefore, all processes seek to leverage human performance and a strong culture of care, and are in support of the UN Sustainable Development Goal #8 regarding decent work and economic growth and the UN Sustainable Development Goal #10 concerning reducing inequalities.

HUMAN RIGHTS, ANTI-DISCRIMINATION AND FAIR EMPLOYMENT

The BW Offshore Code of Ethics and Business Conduct represents the commitment to respect the individual, upholding human rights and instituting fair and ethical employment practices. The Company has established several policies with routines and procedures aligned with ethical and compliant business practices, such as rules for transparent recruitment and provision of employment agreements establishing its personnel's rights and entitlements.

The Company is committed to treating all persons with dignity and respect. The Company carefully considers the effect and impact on local communities and indigenous peoples where its activities might have an impact. BW Offshore prohibits unlawful discrimination based on ethnic or national origin, age, gender identity or expression, sexual orientation, marital status or family structure, religion or disability. Inappropriate workplace conduct, such as harassment, violence or discrimination is not tolerated.

BW Offshore supports the United Nations Universal Declaration of Human Rights and the standards advised by the International Labour Organisation (ILO). Slavery, forced labour, child labour, torture and other violations of human rights are totally unacceptable.

Third parties providing goods and services to BW Offshore are expected to comply with human rights and relevant employment practices, and the Company performs due diligence to support the effort to ensure that the various supply chains operate in an ethical and responsible manner to prevent slavery, human trafficking, forced or child labour and any other violations of human rights and labour standards.

BW Offshore believes a Living Wage is a human right. A Living Wage is, as defined by the Global Wage Coalition, "The remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family". The Company has implemented a Living Wage standard for its personnel and has set expectations of a Living Wage being paid throughout the Company's supply chain. This expectation is stated in the BW Offshore Supplier Code of Ethics and Business Conduct.

BW Offshore recognises that it is not easy to influence and change the behaviour of all supply chain partners, however, the Company has initiated a project to analyse the wage levels and conditions of the supply chain partners, on a tiered basis, with the long term objective of ensuring that all existing suppliers meet this expectation. Commitment to paying a Living Wage is one of the criteria assessed during the qualification and selection of third parties.

WORKFORCE DIVERSITY AND EQUAL OPPORTUNITY

BW Offshore believes that diversity promotes healthy collaboration and positive development of the Company's capabilities and operates with multinational teams on all offshore units and in all onshore locations. The Company is committed to ensure equal opportunities regardless of gender, ethnic background, age, religion or sexual orientation, and aim to provide a comfortable and adequate work environment to all employees, as stated in the Human Capital Policy.

BW Offshore consists of employees with a wide range of experiences and backgrounds. The Company continues to build a diverse workforce by attracting, recruiting, developing and retaining people regardless of gender, nationality and age, across all types of positions. The Company has employees from 62 nationalities, aged between 21 to 72.

To support BW Offshore's commitment to diversity, a Diversity and Inclusion Committee ("D&I Committee") was established in 2020, founded in line with the Company's value to "Leverage the Team" and embrace diversity and collective competencies in all aspects. It also supports the Company's commitment to the UN Sustainable Development Goal #10, by recognising diversity and ensuring equal opportunities. The committee, consisting of employees from various locations, nationalities, gender and religions, shall be a representative for employees in mapping gaps, establishing targets and providing solutions to further evolve BW Offshore as a diverse and respected company.

BW Offshore monitors improvement on gender diversity in the organisation. The gender composition has been stable from 2019 to 2020. As at 31 December 2020, 13% of the workforce was female and 87% male. Onshore, the workforce was 31% female and 69% male. Women held 20% of the seats on the Board of Directors

and women accounted for 27% of the Senior and Functional Management team. In 2020, 39% of new joiners onshore were women.

The average age of the Senior and Functional Management team is 50.3 years.

The total headcount in BW Offshore decreased by approximately 10% from 2019 to a total of 1 927 employees at year-end 2020 (2 126 in 2019). This was mainly due to transfer of personnel to BW Energy after its listing as a separate entity in February 2020. In addition, expiring FPSO contracts, and a decrease in project activity, affected the Company's headcount.

WE LEAD WITH INTEGRITY

In 2020, BW Offshore initiated a Culture Programme, with targeted improvement areas as identified in the culture assessment performed in 2019. The purpose of the programme is to mature the Company culture and leadership behaviours and develop a culture where learning from failure and continuous improvement are core values.

BW Offshore believes that a “top down and bottom up” approach, engaging all employees at the same time, will increase the effect of the programme. Leaders are key culture influencers and will attend leadership training to prepare them to facilitate and drive relevant discussions in their teams. The entire workforce will also be engaged through virtual reality games resembling everyday situations they may encounter.

As a result of the culture assessment, BW Offshore has also redefined the corporate values from “I LEAD” to “We LEAD with Integrity”. The evolution of the values emphasises the belief that the key to success for the Company is team collaboration rather than individual silo deliveries.

By evolving the Company's values from I LEAD to We LEAD – with Integrity, with Integrity being highlighted as the definition of who we are and what we do, the original values of I LEAD still apply. The Company is maturing and there is a strong focus to further develop a culture where everyone is encouraged to treat failures as opportunities to learn and improve. Articulating this, the “D” now stands for “Development”.

GENDER SPLIT MANAGEMENT ROLES

Title	Female	Male	Total
Senior and Functional Management	27%	73%	11
SVP/VP (Vice President)	24%	76%	23
Manager	25%	75%	160
Grand Total	25%	75%	194

Case Study: Donation of solar backpacks in Mayumba, Gabon

Electricity supply is scarce and instable in Mayumba, Gabon, and as part of BW Offshore's local commitment in 2020, the Company donated backpacks with solar-charged lights to children, making it possible to have available reading light at any time.

Almost 900 backpacks were donated to primary-school children in Mayumba, which is the area associated with the Tortue oil field where the Company operates, and 200 backpacks were given to orphans in Libreville.

The initiative was supported by the Gabonese Oil Ministry (DHG), and as per their guidance, the backpacks were distributed at the two locations. Representatives from both BW Offshore and BW Energy were present at the events.



We LEAD

– with Integrity



LEVERAGING THE TEAM

We trust each other and recognise that we are stronger as a team. We commend contributions and make each other better, embracing diversity and collective competencies to achieve the best result.



EXCELLENCE

We strive to do everything to the best of our abilities, and we always seek to improve. We see sharing of failure as a sign of strength and an opportunity to learn.



ACCOUNTABILITY

Each of us care about what we do and the people we work with. We take ownership to understand and ensure positive outcomes for all our stakeholders.



DEVELOPMENT

We are open, and actively seek opportunities to learn, inspiring individual growth and enabling progress. We continuously seek feedback from others to develop and improve.

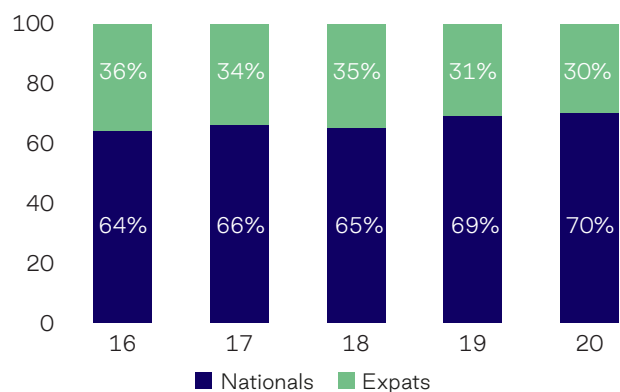
With INTEGRITY

Integrity is the definition of who we are and what we do. It is the sum of our values. We are committed to speaking up and making the right decisions to resolve any dilemma we face.

LOCAL CONTENT

The Company is committed to delivering local content to meet and exceed local requirements. Developing local content and competencies strengthens BW Offshore's position and operational capabilities. A strong local connection provides knowledge, widens available competence base, fostering a strong joint culture across the Company. Local offshore management has increased from 22% in 2019 to 35% in 2020, demonstrating the commitment to developing local competencies in leading positions. BW Offshore's strategy is to increase this percentage by prioritising local candidates for any open positions, further focus on training programmes for fast track development of local talents and clear goals on nationalisation within the local presence.

OFFSHORE EXPATS AND NATIONALS



Case Study: Assessors – providing coaching and competence assessment of offshore and onshore personnel

BW Offshore has a team of highly competent and experienced assessors to conduct assessments, provide training and guidance to offshore personnel. The objective of the assessors is to ensure that BW Offshore's personnel is properly trained for duties and responsibilities offshore.

The Company introduced the use of an aligned Competence Profile Task List (CPTL) in 2020. The BW Offshore Process Academy, prepared for BW Catcher, and the BW Offshore Marine Academy, prepared for Yuum K'ak' Náab, are both knowledge-bridging programmes in process and marine operations. A Task Assessment Form was also created, based on the BW Catcher model.

Further, work was done on simulators for control room operations assessment, with the first assessments for marine operators was implemented towards the end of 2020. The assessors also conducted response training remotely for the Company Crisis Management Teams worldwide to improve the emergency response capabilities.

The Company continues to improve the competency system to align with international oil and gas standards were possible, and continue developing and improving the Competency Programme.

TRAINING, COMPETENCY AND ASSESSMENT

BW Offshore continuously invests in employee training and competency. The BW Academy, which is an internal E-learning platform, currently offers over 160 courses, which are available for all employees. The platform continues to develop new and updated courses in various formats to promote the best possible training.

The platform had considerable expansion over the last year with many new courses in 2020. The courses range from technical and operational training, administration, mental health awareness and COVID-19 awareness modules. In addition to E-learning courses, several online instruction videos, mainly within operations and safety, are available. These are made by highly competent personnel and has been a valuable addition to the existing learning material.

In 2020, a total of 14 666 courses were completed by employees in the BW Academy portal. Each employee on average completed 7.6 E-learning courses, spending approximately 5.7 hours each to complete the training, which is an increase of 17% from 2019.

To improve understanding and increase effect of training, a large proportion of the courses are available in several languages. Courses are available in English, Spanish, French, Portuguese and Bahasa.

As a part of the Company's Culture Programme, 252 leaders and key personnel have been through the tailored Experience 'X-LAB' workshop as a kick-off of the programme. Due to COVID-19, workshops were performed virtually, and included individual coaching sessions and personal profile assessments.

E-LEARNING COURSES OFFERED AND COMPLETED BY BW OFFSHORE EMPLOYEES

	2019	2020
Total no. of courses offered during the year	75	160
Courses completed	12 944	14 666
Average courses completed per employee	6.3	7.6
Hours per employee	4.4	5.7

In addition to E-learning, the Company supports personal development and training by internal or external courses, within the categories of leadership development, induction training, young talent programmes, professional and technical training.

A reporting system is in place to monitor and ensure all employees have satisfactory training and certificates to comply with internal and external requirements. The system adapts to the requirements for each position. Requirements for training and certificates are applicable for contractors as specified in the Management System, in the same manner as for employees. Contractors and consultants have access to all internal courses.

As an initiative to promote learning, a section of the Company's E-learning portal is available to the public. Visitors to the Company website may access courses listed under 'FPSO University'. The aim is to provide a general understanding of how an FPSO works, and to motivate and attract interest in BW Offshore and its business.

The external training portal is also an important part to ensure visitors, including consultants and subcontractors, have access to relevant training. In 2020 visitors completed 4 669 courses in the external section of the BW Academy portal.

Case Study: Mental Health and the Wellness of employees

In the past year, BW Offshore has introduced programmes to support mental health and the wellness of employees in response to the unprecedented challenges posed by the COVID-19 pandemic. The purpose of these programmes is to ensure that assistance is available for all employees,

and covers mental health issues such as, but not limited to, work/life balance, stress at work or other job related difficulties, anxiety, depression, family relations, financial planning, bereavement assistance and medical information.

OUR EMPLOYEES HAVE ACCESS TO 3 DIFFERENT LEVELS OF SUPPORT:

- 1. Specialist Care:** Through health insurance schemes at each of the Company's locations, personnel have access to a doctor or psychologist and get support for any mental or emotional health issues.
- 2. EAP Arrangements (Employee Assistance Programmes):** All personnel have access to EAP support, which includes mental and emotional support and counselling either online, via telephone or text. It also includes access to 24/7 support "hotlines" which provide guidance and medical advice.
- 3. Internal Mental Health Support Tools:** Access to tools that promote mental health awareness and support within the Company. This includes platforms like WhatsApp or Yammer where personnel on location connects and supports each other, E-learning booklet (ELT) of leadership on mental health awareness, as well as ELT available for everyone on how to manage stress, understand mental health problems and seek for help.

YOUNG TALENTS

BW Offshore's Young Talent Programmes are aimed at attracting and retaining talent even before graduation. The Company tailors programmes for students and recent graduates from targeted universities world-wide.

The BW Offshore Summer Internship Programme focuses on building awareness among students regarding what the Company can offer upon completion of their degrees, across departments, disciplines and locations. In 2020, five summer interns from four different countries participated in the global programme. In addition to this global programme, the Company facilitates several local initiatives for young talent.

The BW Offshore Summer Internship Programme is the two-time winner of the "Student Placement Award", awarded by the Aberdeen & Grampian Chamber of Commerce during the annual Northern Star Business Awards in the UK. The Programme won the award in 2018 and 2019, and have been shortlisted as a finalist for the award for 2021.

The BW Offshore Graduate Programme aims to give recent graduates a comprehensive introduction to the business, as well as a strong understanding of expectations and opportunities within the Company. In 2020, seven new graduates were enrolled into the programme, keeping the total number of current graduates at 12, employed in three different locations. The three-year programme, which includes close mentorship from dedicated senior personnel, builds a strong foundation for long-term personal development and a career with BW Offshore. 33% of the Company's graduates are female.

The Company is committed to support the UN Sustainable Development Goal #8, related to decent work and economic growth. The Company's strategy is to recruit 5-10 young talents every year.



Interview with a Graduate

Peder Gjestvang joined BW Offshore as a Graduate Engineer in August 2020. He follows the Graduate Programme, which will introduce him to different departments and disciplines throughout its three-year duration.

"My career at BW Offshore started when joining the Global Summer Internship in 2019. The internship was an amazing experience, where I spent five weeks in the Oslo office and three weeks in the Singapore office. During my stay in Singapore, I also spent time at Keppel Shipyard, where I, along with other interns, performed a condition assessment of the bilge and ballast system on the FPSO Berge Helene, as well as a tank inspection. The time spent in the yard was a rewarding experience and a great supplement to the more theoretical angle I got from university.

The experience from the internship provided me with a good insight in the varied tasks I could expect to be part of in the company, while being exposed to the global corporate culture and the opportunities of working internationally, both on- and offshore. All this made it an easy decision to start my career at BW Offshore when I was offered a graduate position".

“

I am confident that BW Offshore will provide me with opportunities to develop my career, and I am proud to work for a company that really invests in young talent, especially in light of the COVID-19 pandemic, with both the Graduate- and Summer Internship programmes continuing despite the challenging circumstances.

Peder Gjestvang, Graduate Engineer

PERFORMANCE MANAGEMENT

Performance Dialogues (formerly Performance Appraisals) is an important tool for the Company to ensure that each employee is followed up in a formal process. Performance management is a continual process. Managers are expected to clarify expectations, set objectives and provide feedback to the employee throughout the year. Managers should also promote openness for the employee to provide feedback to manager. This process is an important element of leadership, continual learning and people development in the Company, for both managers and employees.

Performance Dialogues are initiated for all permanent employees, and encouraged for all long-term temporary employees. Throughout the year, both employees and managers are responsible to follow up on deliveries agreed in the Performance Dialogue from the year before. In 2020 the completion rate of Performance Dialogues was 83,4%, compared to 95% in 2019.

FAIR COMPENSATION STRUCTURES

BW Offshore applies a meritocratic approach to ensure that the compensation framework supports the Company's long-term business strategy and delivers a total compensation that fairly reflects each employee's contribution and performance. The Company is committed to the UN Sustainable Development Goal #8 of decent work and economic growth.

BW Offshore is committed to recognise diversity and ensure equal opportunities, including fair employment conditions. In 2020, the Company conducted an in-depth study of wages that go beyond legal requirements, to ensure wages are in line with the actual costs of living in specific regions.

With support from external parties, as well as internal research for locations where no external recognised guides were available, the Company decided on a methodology and a standard for the organisation, defining what is a decent standard of living through employment without any subsidies (see page 63).

The initiative is part of BW Offshore's objective of preventing modern slavery and shows the Company's commitment to ensuring human rights related to employment practices, labour standards and equality are recognised. The initiative is applicable worldwide for all employees in BW Offshore and its subsidiaries.

BW Offshore is consistently reviewing employee's wages across the global locations through annual salary review, pay scales, union agreements, in the perspective of in-country inflation, to ensure a sustainable living wage for employees.

The Company's overall compensation philosophy is to strive to set employees' total compensation packages at a competitive level by benchmarking against the market and providing incentives geared to the agreed performance outcomes, where appropriate.

The compensation structure incorporates any of the following elements:

- Fixed compensation
- Variable compensation (short-term and long-term incentives programme)
- Pension and insurance schemes
- Other employment-related benefits

The BW Offshore Compensation Committee, appointed by the Board of Directors, is responsible for providing assistance to the Board of Directors regarding executive compensation. Executive compensation, including variable compensation schemes (VCS) and benefits, are subject to annual review at the discretion of the Board of Directors in accordance with the Company's Compensation Strategy.

The VCS pay-out is determined according to overall Company results broken down to net profit, return on equity and equity ratio, and HSEQ (Health, Safety, Environment and Quality) performance where the target is to keep or improve the safety statistics throughout the year. The maximum potential pay-out of the Variable Compensation Scheme for the Executive Management Team is set at six months' salary effective from 2020.

COMPENSATION PRINCIPLES

BW Offshore takes a holistic view of various factors to determine and ensure that total employee compensation is fair and above the minimum legal requirements in the various locations in which the Company operates. These factors include:

- **Pay for Position:** Independent compensation consultants are engaged periodically to ensure that pay levels in the Company are competitive with other companies of comparable size and nature of business in the same markets
- **Pay for Person:** An employee's personal attributes, such as skills, experience and competency, influence the individual pay level and salary reviews
- **Pay for Results and Performance:** The individual remuneration should reflect achievement of results, accomplishments and performance. The differentiation of base pay and variable pay should be a fair recognition and reward

The fair evaluation of compensation is ensured through alignment processes as part of the yearly salary review. The Management team, guided by the Human Capital function, collectively reviews all evaluations and salaries across teams and locations. The Human Capital Policy clearly states that compensation schemes shall be effective and equitable.



RIGHTS AND OBLIGATIONS

BW Offshore is committed to supporting freedom of association and collective bargaining, and all employees have the right to such involvement. This is clearly stated in the Code of Ethics and Business Conduct. Collective bargaining is a negotiation process between the employers and unionised employees to regulate the terms and conditions, which include wages, working conditions, benefits and other aspects of workers' compensation and rights for workers.

Collective bargaining is exercised in Brazil, Gabon and Nigeria. The interests of the employees are commonly presented by representatives of a trade union to which the employees belong, and the negotiation timeframe may vary according to local regulations. At year-end, 39% of the total global workforce was covered by collective agreements.

Singapore, the Company's largest office, is covered under the Collective Agreement by the Shipbuilding and Marine Engineering Employees' Union (SMEEU). The agreement

enables a tripartite employment arrangement where the government, employer and union work together to provide employees with a fair and progressive work environment.

LABOUR RELATIONS

Local Work Environment Committees or equivalent are in place to ensure that a secure, safe and healthy working environment is implemented, discussed between management and employee representatives and maintained appropriately. At all offshore units in operation, there is an equivalent organisation called the Offshore Safety Committee (OSC) that maintains monthly meetings between employee representatives and the Company to discuss subjects regarding occupational health and HSE-related topics.

At all locations, onshore and offshore, employees have access to observation cards where safety critical actions, improvements, positive actions, recommendations can be submitted. All cards are registered and follow up is required by the Company.

Case Study: Supporting Local Societies during COVID-19

In light of the global COVID-19 pandemic, BW Offshore provided financial support to organisations and projects contributing to their local communities around the world. Contributions were donated to groups and organisations as advised by local teams through the means of money or equipment. Some of the projects that received support were:

IVORY COAST: In Ivory Coast the Company supported the “Orphelinat national de filles de Grand Bassam” (a young girl orphanage). A donation was done in the form of food, mattresses, chairs and sewing machines. The handover ceremony was arranged by the Ivory Coast onshore team and presented to the director of the orphanage as well as a representative from the Ministry of child protection.

BRAZIL: Fundacao Coppetec, a non-profit organisation linked to the Federal University of Rio de Janeiro, works to improve capacity in local hospitals. A donation made jointly by BW Offshore and BW Energy had the main objective to increase bed capacity in the local hospitals, providing health equipment.

INDONESIA: Sanggar Ma’e Peduli – Benyuwangi, a foundation supporting COVID-19 initiatives, also received a donation from BW Offshore. The organisation typically support families from lower income households, and target community support of affected areas. During the COVID-19 pandemic, Sanggar Ma’e Peduli has extended their outreach to families in Banyuwangi to increase knowledge about the virus, and providing masks and basic essentials.

NIGERIA: In Nigeria, a donation was given to the Lagos Food Bank Initiative to support their COVID-19 Emergency Food Intervention Programme (CEFIP). The donation provided the support needed to continue CEFIP’s mission to support affected children and women.

SINGAPORE: In Singapore, BW Offshore employees, together with employees from BW Group, BW LPG and Hafnia, made contributions by means of lunch packs for healthcare workers at the Singapore General Hospital, and care packs with daily necessities for migrant workers. The donations were matched by all companies that took part in the initiative. Almost 20,000 lunch sets were provided to healthcare workers, and approximately 4,300 care packs were distributed.

UK: CFINE is an organisation fighting poverty in North-East Scotland. Their work includes a foodbank delivering weekly emergency parcels, and the Company’s contribution to the organisation went a long way in supporting those in need during the COVID-19 outbreak in the UK.

Summary of ESG KPIs

	2020	2019	2018
People			
Group total , at year-end	1,927	2,126	2,138
Onshore	720	809	800
Offshore	1,207	1,317	1,338
Split nationals/expat Offshore	70% / 30%	69% / 31%	65% / 35%
Employee turnover rate	7.04%	7.83%	5.30%
Gender split (female/male)			
Group total	13% / 87%	13% / 87%	13% / 87%
Onshore	31% / 69%	30% / 70%	31% / 69%
Offshore	2% / 98%	3% / 97%	2% / 98%
Group Senior Management and Functional Management	27% / 73%	25% / 75%	22% / 78%
Board of Directors	20% / 80%	17% / 83%	20% / 80%
	2020	2019	2018
Health and safety			
Sick leave	1.20%	1.90%	2.10%
Fatalities Employees	0	0	0
Fatalities Contractors	0	0	0
Lost Time Injuries rate (per million exposed hours) ¹⁾	1.86	0.48	0.68
Total Recordable Injury rate (per million exposed hours) ¹⁾	2.69	1.45	1.94
High Potential Incidents (per million exposed hours) ¹⁾	1.03	0.78	2.70
Lost Time Injuries	9	5	8
Contractors Lost Time Injuries	1	5	3
Total Exposure Hours (million man hours) ¹⁾	4.83	10.32	11.67

1) In 2020, the calculation of exposure hours has been adjusted to reflect actual working hours (12hr shift) compared to a 24hr exposure period.

This has significantly reduced the total exposure hours across the fleet and therefore increases LTI, TRI and HPI ratios compared to prior reported performance.

		2020	2019	2018
Environmental impact				
Energy				
Energy consumption offshore	GJ	12,043,007	14,717,502	16,353,555
GHG				
CO ₂ equivalent	tonnes	1,431,281	1,670,719	2,513,000
N ₂ O		67	80	-
CH ₄ (Methane)	tonnes	5,094	9,123	5,448
CO ₂	tonnes	1,254,679	1,393,695	-
CO ₂ equivalent per barrel produced	kg / boe	19	15	-
Non-Greenhouse Gas Emissions and Discharges				
CO		2881	2898	-
NO _x	tonnes	11,250	8,233	2,574
SO ₂	tonnes	224	340	634
nmVOC		6,316	10,644	-
Flaring				
Flared Gas	mmscf	9,890	9,770	14,715
Air Travel Emissions (in Tonnes CO₂ equivalent)				
Fleet Operations	tonnes	4886	9,277	9,051
Corporate	tonnes	1531	6,060	8,169
Marine Discharges and Chemical Management				
Produced Water Re-Injected	bbl	7,529,831	2,055,850	-
Produced Water Discharged to Sea	bbl	37,969,631	67,657,546	77,657,051
Oil in Water Content	ppm	12.07	17.3	18.0
Waste				
Total waste	tonnes	764	1,544	2,245
General Waste	tonnes	204	404	532
Recyclable Waste	tonnes	259	824	991
Hazardous Waste	tonnes	301	316	722
Number of significant oil spills		0	0	0

Reporting boundaries for emissions calculations include:

Annual direct emissions (annual calculated estimate)
 Plant combustion processes (calculated daily through environmental reporting system)
 Gas flaring (calculated daily through environmental reporting system)
 Unplanned gas releases (recorded through incident reporting system)
 Direct and fugitive emissions (API Compendium estimation methods)
 Air travel emissions recorded by 3rd party agent
 Global warming potentials taken from IPCC 5th assessment report (2014)
 Emissions are limited to FPSO operations and air travel. Project activities are excluded

"-" indicates data not available

Taskforce for Climate-related Financial Disclosure (TCFD)

GOVERNANCE

BW Offshore recognises the threat climate change poses and the challenges societies face when balancing development and environmental impacts. The Company acknowledges that its operations may have wide-ranging impact on the environment and therefore applies risk management to identify, assess and mitigate actual or potential environmental impacts. BW Offshore ensures that climate related risks are considered in the Company's strategy. Matters pertaining sustainability and strategy, including climate risks, are reviewed quarterly by the Board of Directors. Climate related risk is considered part of the Board of Directors' strategic agenda. In addition, the Board of Directors and Senior Management reviews fleetwide environmental performance quarterly.

BW Offshore has established an ESG Steering Committee which is chaired by the CEO who reports directly to the Board of Directors. The ESG Steering Committee's role is to define and improve key areas related to sustainability and set them into action, create a corporate ESG strategy and to inspire the organisation in ESG related matters. This includes evaluation of climate related risks and direct measures that can be implemented by the Company.

In addition to the CEO, the ESG Committee consists of members of senior members of management, including heads of department from Operational Integrity, Compliance, Human Capital, Supply Chain, Development and Concepts and Investor Relations. The committee has four fixed annual meetings and ad-hoc meetings as deemed necessary. As the committee is newly established, the meeting frequency has initially been high

and have included the members of the programme management team (PMT). The PMT coordinates and facilitates the sustainability initiatives throughout the BW Offshore organisation (see page 39 in the Annual report).

STRATEGY

BW Offshore shares the global commitment towards cleaner energy sources and to reducing GHG (greenhouse gas) emissions. Energy is a driving force for people and businesses around the world. BW Offshore's strategy reflects this, and the Company's purpose is to engineer offshore production solutions to progress the future of energy.

The Company has a powerful ambition to generate new ideas and positive returns for all stakeholders, by leveraging proven engineering and operational capabilities in reliable and flexible floating production assets to ensure growth and long-term value creation. BW Offshore is committed to contributing to the energy transition by analysing market developments and identifying future opportunities through close communication with relevant stakeholders.

RISK

As an energy sector services provider, BW Offshore is inherently involved in the transition to renewable energy sources. This transition poses new risks from an operational, regulatory, reputational and market perspective. It also generates new opportunities for participation by ensuring existing fossil fuel infrastructures are operated as efficiently as possible, engaging with transitional fuels, and looking towards alternative renewable energy sources.

Risk driver	Risk factor	Mitigation actions
Market scenarios	<ul style="list-style-type: none"> – Uncertain level of demand for hydrocarbons after 2030 – Increased focus on low (gas) and non-emission resources 	<ul style="list-style-type: none"> – Increased focus on gas prospects – Entering renewable energy markets
Regulatory drivers	<ul style="list-style-type: none"> – Increased operating and investment costs to meet new requirements on both direct construction and operation, and from increased cost of GHG emissions (i.e. carbon tax). 	<ul style="list-style-type: none"> – High energy efficient assets – Minimising emissions from operation
Physical drivers	<ul style="list-style-type: none"> – Disruption of operations – More extreme weather 	<ul style="list-style-type: none"> – Emergency response and offshore installations that can handle severe weather conditions – Operational integrity and risk management systems
Reputational drivers	<ul style="list-style-type: none"> – Stigmatisation of sector and increased stakeholder concern – Hard to attract skilled labour – Increased cost of capital 	<ul style="list-style-type: none"> – Entering renewable energy market – R&D (Improved operations and new business)

METRICS AND TARGETS

BW Offshore has set short to medium term corporate goals related to ESG (see page 42–43 in the Annual report). These targets are linked to the United Nations Sustainable Development Goals (SDGs) #7, #12 and #13.

THE COMPANY IS COMMITTED TO:

- Economically reduce GHG emissions from offshore operations (SDG #7 and #13)
- Eliminate single-use plastics within company operations (SDG #12)
- Eliminate the use of harmful Chlorofluorocarbons (CFCs) wherever practicable (SDG #13)
- Invest in renewable energy production solutions (SDG #7)





An aerial photograph of a ship's wake in deep teal water. The wake is a turbulent trail of white foam and churning water that starts from the bottom left and extends towards the center of the frame. The rest of the water is a deep, textured teal color with small ripples and waves.

**We engineer
offshore production solutions
to progress the future of energy.**

Consolidated financial statements

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Consolidated Statement of Income

USD MILLION (Year ended 31 December)	Notes	2020	2019 ¹⁾
Revenue	4,5,6,22	886.3	947.4
Operating expenses	7,9	(348.0)	(320.3)
Other expenses	7	(63.1)	(21.0)
Administrative expenses	7,9,22	(39.1)	(51.2)
Impairment loss on trade receivables	12	-	(12.0)
Total expenses		(450.2)	(404.5)
Operating profit before depreciation, amortisation and sale of assets (EBITDA)		436.1	542.9
Depreciation and amortisation	14,15,22	(284.0)	(356.1)
Impairment	14,15	(292.7)	-
Net gain/ (loss) on sale of tangible fixed assets	15,16	-	(0.3)
Operating profit/ (loss) (EBIT)		(140.6)	186.5
Interest income		0.5	3.0
Interest expense		(58.6)	(86.1)
Fair value gain/ (loss) on financial instruments	20	(44.9)	49.8
Net currency gain/ (loss)		(10.0)	(76.4)
Other financial items	22	(2.7)	(6.3)
Net financial items		(115.7)	(116.0)
Share of profit/ (loss) of equity-accounted investments	16	(15.7)	0.7
Profit/ (loss) before tax		(272.0)	71.2
Income tax expense	10	(38.0)	(39.3)
Net profit/ (loss) for the year from continuing operations		(310.0)	31.9
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	5	37.7	74.2
Net profit/ (loss) for the year		(272.3)	106.1
Net profit/ (loss) for the year attributable to			
Shareholders of the parent		(272.6)	82.6
Non-controlling interests		0.3	23.5
Net profit/ (loss) for the year		(272.3)	106.1

1) The comparative information is restated due to a discontinued operation. Reference Note 5.

The notes on pages 84–129 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

USD MILLION (Year ended 31 December)	Note	2020	2019
Profit/ (loss) for the year		(272.3)	106.1
Other comprehensive income			
Items to be reclassified to profit or loss:			
Currency translation differences		(2.4)	(0.5)
Reclassification during the year to profit/ (loss) of cash flow hedges		–	1.7
Net items that are or may be reclassified to profit or loss		(2.4)	1.2
Items not to be reclassified to profit or loss:			
Actuarial gains/ (losses) on defined benefit plans	9	(0.1)	0.1
Net items not to be reclassified to profit or loss:		(0.1)	0.1
Other comprehensive income, net of tax		(2.5)	1.3
Total comprehensive income for the year, net of tax		(274.8)	107.4
Total comprehensive income for the year attributable to			
Shareholders of the parent		(275.1)	83.9
Non-controlling interests		0.3	23.5
Total comprehensive income for the year, net of tax		(274.8)	107.4

The notes on pages 84–129 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

USD MILLION (As at 31 December)	Notes	2020	2019
ASSETS			
Vessels	14	1,893.1	2,377.1
Other property, plant & equipment	14	4.1	16.0
Right-of-use assets	22	18.5	22.0
E&P tangible assets	15	–	216.1
Intangible assets	15	3.3	101.1
Equity-accounted investments	16	231.6	9.8
Finance lease receivables	22	12.3	35.6
Deferred tax assets	10	17.3	12.3
Pension assets	9	–	0.2
Derivatives	20	4.3	5.7
Other non-current assets		1.1	1.6
Total non-current assets		2,185.6	2,797.5
Inventories	11	34.5	62.6
Trade and other current assets	12	199.6	235.3
Finance lease receivables	22	23.4	21.7
Tax receivables	10	1.0	1.1
Derivatives	20	3.1	0.7
Cash and cash equivalents	13	139.6	250.2
Total current assets		401.2	571.6
Total assets		2,586.8	3,369.1
EQUITY			
Share capital	17	92.5	92.5
Share premium		1,095.5	1,095.5
Other equity	18	(441.5)	(68.4)
Total equity attributable to shareholders of the parent		746.5	1,119.6
Non-controlling interests	17	198.5	338.9
Total equity		945.0	1,458.5
LIABILITIES			
Interest-bearing long-term debt	18,20	958.0	1,025.7
Pension obligations	9	6.0	5.3
Deferred tax liabilities	10	11.6	10.1
Asset retirement obligations		–	8.9
Other non-current liabilities	19	214.1	218.6
Long-term lease liabilities	22	13.7	14.8
Derivatives	20	50.6	35.5
Total non-current liabilities		1,254.0	1,318.9
Trade and other payables	19	236.5	323.7
Contract liabilities	6	3.6	1.9
Derivatives	20	2.9	23.1
Interest-bearing short-term debt	18,20	117.7	221.1
Short-term lease liabilities	22	6.1	8.2
Tax liabilities	10	21.0	13.7
Total current liabilities		387.8	591.7
Total equity and liabilities		2,586.8	3,369.1

The notes on pages 84–129 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	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		–	–	–	–	–	–	82.6	82.6	23.5	106.1
Other comprehensive income		–	–	–	(0.5)	1.7	–	0.1	1.3	–	1.3
Issue of convertible bonds	17	–	–	–	–	–	50.1	–	50.1	–	50.1
Share-based payment	9	–	–	–	–	–	–	1.0	1.0	–	1.0
Other equity transactions		–	–	–	–	–	–	(1.5)	(1.5)	–	(1.5)
Dividends to non-controlling interest	17	–	–	–	–	–	–	(9.5)	(9.5)	(1.4)	(10.9)
Transactions with non-controlling interests	17	–	–	–	–	–	–	–	–	(8.5)	(8.5)
Total equity at 31 December 2019		92.5	1,095.5	(0.3)	(18.8)	–	50.1	(99.4)	1,119.6	338.9	1,458.5
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		–	–	–	–	–	–	(272.6)	(272.6)	0.3	(272.3)
Other comprehensive income		–	–	–	(2.4)	–	–	(0.1)	(2.5)	–	(2.5)
Treasury shares acquired	17	–	–	(10.0)	–	–	–	–	(10.0)	–	(10.0)
Dividends	17	–	–	–	–	–	–	(18.6)	(18.6)	–	(18.6)
Share-based payment	9	–	–	0.1	–	–	–	1.4	1.5	–	1.5
Dilutive effect of BW Energy IPO	5	–	–	–	–	–	–	(61.3)	(61.3)	–	(61.3)
Dividends to non-controlling interest	17	–	–	–	–	–	–	(9.6)	(9.6)	(0.3)	(9.9)
Transactions with non-controlling interests	17	–	–	–	–	–	–	–	–	(140.4)	(140.4)
Total equity at 31 December 2020		92.5	1,095.5	(10.2)	(21.2)	–	50.1	(460.2)	746.5	198.5	945.0

The notes on pages 84–129 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

USD MILLION (Year ended 31 December)	Notes	2020	2019 ¹⁾
Operating activities			
Profit/ (loss) before tax		(272.0)	184.3
<i>Adjustments for:</i>			
Fair value change on financial instruments		(6.1)	(49.8)
Share of loss/ (profit) from equity-accounted investments	16	15.7	(0.7)
Currency exchange differences		10.8	(9.7)
Depreciation and amortisation	14,15,22	284.0	412.3
Share-based payment expense	9	1.5	1.0
Impairment	14	292.7	-
Changes in asset retirement obligations through income statement		-	0.3
Add back of net interest expense		58.1	81.8
Instalment on financial lease	22	21.7	20.1
Changes in inventories		18.8	1.2
Changes in trade and other current assets		5.0	(47.6)
Changes in trade and other payables		(26.5)	24.1
Changes in other balance sheet items and items related to operating activities		30.1	54.0
Taxes paid	10	(34.9)	(63.0)
Gain from discontinued operation	6	(11.6)	-
Net cash flows from operating activities		387.3	608.3
Investing activities			
Investment in property, plant & equipment and intangible assets	14,15	(84.0)	(273.5)
Proceeds from disposal of property, plant & equipment	14,15	-	44.5
Dividends received	25	0.2	0.1
Interest received		0.5	4.2
Discontinued operation, net of cash disposed off	6	(66.3)	-
Net cash flows used in investing activities		(149.6)	(224.7)
Financing activities			
Proceeds from new interest-bearing debt	18	140.0	1,001.2
Repayment of long-term debt	18	(367.0)	(1,136.5)
Payment of lease liabilities	22	(5.9)	(10.3)
Cash transfer from/ (to) non-controlling interests		-	(3.7)
Paid dividend and redemption	17	(36.2)	(33.9)
Dividends paid	17	(18.6)	-
Treasury shares acquired	17	(10.0)	-
Interest paid		(50.6)	(92.3)
Net cash flows used in financing activities		(348.3)	(275.5)
Net change in cash and cash equivalents		(110.6)	108.1
Cash and cash equivalents at 1 January		250.2	142.1
Cash and cash equivalents at 31 December	13	139.6	250.2

1) 2019 has not been restated while Consolidated Statement of Income has been restated due to a discontinued operation

The notes on pages 84–129 are an integral part of these consolidated financial statements.

Notes

NOTE 1 Corporate information

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

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

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

The consolidated financial statements were approved by the Board of Directors on 18 February 2021.

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 ('EU'). The consolidated financial statements have been prepared in accordance with the historical cost convention with some exceptions, as detailed in the accounting policies set out below.

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.

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 2019.

FUNCTIONAL AND PRESENTATION CURRENCY

Functional currency

The functional currency is determined in each entity in the Group based on the currency within the entity's primary economic environment. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Currency gains and losses are recognised within net financial items in the consolidated statement of income in the period in which those occur.

Presentation currency

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

For the purpose of the consolidated financial statements, the statement of income, the statement of financial position and the cash flows of each entity are translated from the functional currency into the presentation currency, USD. The assets and liabilities of entities whose functional currencies are other than USD, are translated into USD at the foreign exchange rate at the balance sheet date. The revenues and expenses of such entities are translated using the monthly average exchange rates. Exchange differences are recognised in other comprehensive income (OCI) and accumulated in currency translation reserve in other equity.

The accumulated translation differences relating to the investments in foreign subsidiaries attributable to the equity holders of the parent are recognised in the statement of comprehensive income. Upon disposal of a foreign subsidiary, or when a loss of control, significant influence or joint control is present, the accumulated exchange differences related to investments accumulated in shareholders' equity are reclassified to the consolidated statement of income.

When a partial disposal of a subsidiary (not loss of control) is present the proportionate share of the accumulated exchange differences is allocated to non-controlling interests.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Various new standards are effective from 1 January 2020, none of these changes have a material impact on the Group's financial statements.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new and amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

- COVID-19-Related Rent Concessions (Amendments to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Onerous Contracts – Cost of fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts

BASIS OF CONSOLIDATION

Subsidiaries

The subsidiaries are legal entities (including special purpose entities) over which the Group has control. Control is achieved when the Group is exposed or has rights to variable returns from its involvement with a company in which it has invested and has the ability to use its power to affect its returns from this company. Subsidiaries are fully consolidated as of the date on which control is transferred to the Group. They are de-consolidated as of the date control ceases.

Intercompany 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.

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 statement of income 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 statement of income.

Interests in associated companies and joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. 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.

Associated companies are those entities in which the Group has a significant influence, but not control, or joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint arrangements, which are arrangements of which the Group has joint control together with one or more parties, are classified into joint ventures and joint operations.

Joint ventures are joint arrangements in which the parties that share control have rights to the net assets of the arrangement. Joint operations are joint arrangements in which the parties that share joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group's investment in associated companies and joint ventures are accounted for using the equity method.

The Group's investment in associated companies 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 associated companies 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 venture's post-acquisition profits or losses is recognised in the statement of income, and the share of post-acquisition movements in reserves is recognised as reserves. Unrealised gains on transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Share of profit of associated companies 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.

The Group has classified its E&P licences as joint operations and recognises investments in the licences by reporting its share of related revenues, expenses, assets, liabilities and cash flows under the respective items in the consolidated financial statements of the Group.

CLASSIFICATION OF ASSETS AND LIABILITIES

Assets for long-term ownership or use are classified as non-current assets. Other assets are classified as current assets. Liabilities which fall due more than one year after being incurred are classified as non-current 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.

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 discounted from the start of the comparative year.

REVENUES

The Group's revenues derive from chartering of FPSOs, rendering of operational services related to FPSOs and from production of crude oil.

Revenue from contracts with customers

Revenue from contracts with customers is recognised upon satisfaction of the performance obligations for the transfer of services in each such contract. A performance obligation is satisfied when or as the customer obtains the goods or services delivered. It is recognised at an amount that reflects the consideration which the Group expects to receive in exchange for those goods or services. Revenues are presented net of indirect sales taxes. The Groups performance obligations are to operate and lease out FPSOs.

Operational services

Income from the rendering of operational services related to FPSOs is recognised as revenue over time in the period when the services are rendered.

Variable consideration

Some of the contracts contain variable elements like production incentive-, KPI- and maintenance bonuses. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled. The variable consideration is only recognised when its highly probable that it would not be subject to significant reversal in the future.

FEED

A FEED study is a preliminary step taken before basic engineering level work and is undertaken to confirm the technical and economical feasibility of a prospective oil field development. Income from FEED contracts is recognised as revenue from contract with customers if control transfers to the customer.

Lease revenue

Chartering of vessels

Revenue from chartering of FPSOs is based on whether the contract is considered an operating lease or a finance lease.

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.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract. Contingent rental income is recognised as revenue in the period in which it 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 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.

Other revenues

Dividend income

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

Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

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

The grant date fair value of equity settled share-based payment arrangements granted to employees is recognised as an employee benefits expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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.

SEGMENTS

The Group identifies segments on the basis of those components of the Group that are regularly reviewed by the chief operating decision maker ('CODM'). The Group identified its Top Management as the CODM.

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.

TAXES

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 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 including withholding taxes payable where applicable.

Deferred tax liabilities/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, except for:

- differences linked to goodwill which are not tax deductible
- differences related to investments in subsidiaries, associates or joint ventures when the Group controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax assets and liabilities are recognised when assets with temporary differences are acquired through business combinations.

Deferred tax liabilities and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences exist.

Deferred tax assets and deferred tax liabilities are recognised at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

INVENTORIES

Inventories are valued at the lower of cost or net realisable value.

Cost of materials and other consumables is determined by the weighted average cost method and cost on fuel oil is determined by 'first-in-first-out' (FIFO) method. The cost 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.

PROPERTY, PLANT AND EQUIPMENT (PP&E)

Measurement

PP&E are recognised at cost and subsequently 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 capital expenditure 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 the consolidated statement of income as incurred. Costs of day-to-day servicing are primarily the costs of labour and consumables and may include the cost of small parts.

Depreciation

Depreciation will start when 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.

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.

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

FPSOs:

- 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

Other PP&Es, 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 statement of income.

Impairment

Assets including vessels, vessels under construction,

conversion candidates and other PP&Es, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 is identified as a cash-generating unit.

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

INTANGIBLE ASSETS

Computer software

Software licences are capitalised based on the cost incurred when acquiring and bringing to use the specific software. These costs are amortised over the estimated useful life of the software. Costs directly associated with the development of identifiable and unique software products controlled by the Group, estimated to generate economic benefits exceeding the cost beyond one year, are recognised as intangible assets. Other development expenditures are recognised as an expense when incurred.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Group's financial assets are derivatives, trade and financial lease receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group classifies its financial assets in two categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of income when the asset is derecognised, modified or impaired.

The Groups financial assets at amortised cost includes trade and other receivables, finance lease and other non-current assets. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

Financial assets at fair value through profit or loss

Derivatives at fair value are carried in the statement of financial position at fair value with net changes in fair value through profit or loss. The category includes foreign exchange contracts and interest rate swaps.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - a. the Group has transferred substantially all the risks and rewards of the asset, or
 - b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

For trade and other receivables, finance lease and other non-current assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime Estimated Credit Losses (ECLs) at each reporting date, based on its historical credit loss experience.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when the Group has no reasonable expectations of recovering the contractual cash flows. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. This assessment is based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial liabilities

Financial liabilities are classified as measured at amortised cost except for financial liabilities at fair value through profit or loss (FVTPL). Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the consolidated statement of income, as well as any gain or loss on derecognition.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount and the consideration paid is recognised in the consolidated statement of income.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in 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.

SHARE CAPITAL

Ordinary shares

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.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a reduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

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.

COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible bonds denominated in USD, that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in the consolidated statement of income. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

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 liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, except for contingent liabilities that are unlikely to be incurred.

Contingent assets are not recognised in the annual accounts but are disclosed if the probability that the benefit will be added to the Group is more likely than not.

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases except for short-term leases and leases of low value. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group has elected to not separate non-lease components and account for the lease and the non-lease components as a single lease component.

Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease. This is the date the underlying asset is available for use.

Right-of-use assets are measured at cost and depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. In calculating the present value, The Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group determines its incremental borrowing rate by obtaining interest rates from the external bank financing.

Short-term leases and leases of low value

The Group applies the short-term lease recognition exemption to its short-term leases. A short-term lease is a lease that have a lease term of 12 months or less from the commencement date. It also applies the low-value exemption to leases of office equipment that are considered to be low value. Lease payments for these leases are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

When the Group acts as a lessor, it assesses whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

NOTE 3 Significant accounting estimates and judgements

The preparation of the financial statements requires use of judgements and estimates. The following is a summary of the judgements and estimates 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.

IMPAIRMENTS

The Group reviews periodically whether tangible assets, FPSO related contracts, FPSOs under construction and conversion candidates and equity accounted investments 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, is the higher of its fair value less cost of disposal and its value in use. The fair value less cost of disposal calculation is based on the discounted cash flow model and is the same as the value in use. 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 are described in Note 14.

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.

LEASE CLASSIFICATION

When the Group enters into a new or amended lease arrangement, the terms and conditions of the contract are

analysed in order to assess whether or not the Group retains the significant risks and rewards of ownership of the asset subject of the lease contract. To identify whether risks and rewards are retained, the Group considers the indicators listed by IFRS 16 on a contract-by-contract basis. By performing such assessment, the Group makes significant judgement to determine whether the arrangement results in a finance lease or an operating lease. This judgement can have a significant effect on the amounts recognised in the consolidated financial statements and its recognition of profits in the future.

TAXATION

The Group is subject to income taxes payable to various jurisdictions across the globe. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the final tax determination is uncertain during the ordinary course of business. The Group monitors each issue around uncertain tax treatments across the Group in order to ensure that the Group applies sufficient judgement to the resolution of tax disputes that might arise.

The Group recognises liabilities for anticipated tax audit issues based on estimated of whether additional taxes will be due. The income tax liabilities include any penalties and interest that could be associated with a tax audit issue. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will influence the income tax and deferred tax amounts in the period in which such determination is made.

PRESENTATION OF PREFERENCE SHARES

In November 2017, BW Catcher Limited, a subsidiary of BW Offshore Limited, 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 dividends payments on the preference shares are estimated to reflect approximately 25–30% of the estimated free cash flow after debt servicing in the BW Catcher contract over a similar term.

If dividends are paid out on the common shares, BW Catcher is obligated to pay dividends and redemption on the preference shares (dividend pusher). The dividend stopper disallows dividends payments on common equity in BW Catcher while any preference share dividend and/or redemption amount is outstanding.

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

NOTE 4 Segment information

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

Segment performance for 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.

2020

USD MILLION	FPSO	E&P (discontinued) ¹⁾	Eliminations	Total
Revenues	870.6	–	0.8	871.4
Other revenue	15.7	5.1	(0.9)	19.9
Revenues inter-segment	–	–	(14.1)	(14.1)
Total revenues	886.3	5.1	(14.2)	877.2
Operating expenses	(405.2)	(1.2)	0.5	(405.9)
General and administrative expenses	(45.0)	–	9.8	(35.2)
Operating profit /(loss) before depreciation/amortisation	436.1	3.9	(3.9)	436.1
Depreciation, amortisation and impairment	(576.7)	(4.7)	0.5	(580.9)
Operating profit/(loss)	(140.6)	(0.8)	(3.4)	(144.8)
Capital expenditure	42.7	30.2	–	72.9
Balance sheet information				
Equity accounted investments	231.6	–	–	231.6
Non-current segment assets	1,910.8	–	–	1,910.8
Non-current assets, not allocated to segments				43.2
Total non-current assets				2,185.6

1) The E&P segment includes the period 1 January 2020 – 16 February 2020.

Reconciliation of reportable segment operating profit or loss

USD MILLION	2020
Operating profit/(loss) for reportable segments	(144.8)
Elimination of discontinued operation	4.2
Operating profit/(loss)	(140.6)

Reconciliation of reportable segment revenues

USD MILLION	2020
Revenues for reportable segments	877.2
Elimination of discontinued operation	9.1
Revenues	886.3

2019

USD MILLION	FPSO	E&P	Eliminations	Total
Revenues	870.0	241.1	5.0	1,116.1
Other revenue	–	41.3	(4.4)	36.9
Revenues inter-segment	77.4	–	(77.4)	0.0
Total revenues	947.4	282.4	(76.8)	1,153.0
Operating expenses	(346.9)	(92.6)	29.8	(409.7)
General and administrative expenses	(57.6)	–	23.5	(34.1)
Operating profit /(loss) before depreciation/amortisation	542.9	189.8	(23.5)	709.2
Depreciation, amortisation and impairment	(356.1)	(74.7)	18.4	(412.4)
Profit/(loss) on sale of fixed assets	(0.3)	0.3	–	–
Operating profit/(loss)	186.5	115.4	(5.1)	296.8
Capital expenditure	130.3	142.4	(6.8)	265.9
Balance sheet information				
Equity accounted investments	9.8	–	–	9.8
Non-current segment assets	2,484.6	547.4	(288.1)	2,743.9
Non-current assets, not allocated to segments				43.8
Total non-current assets				2,797.5

Reconciliation of reportable segment operating profit or loss

USD MILLION	2019
Operating profit/(loss) for reportable segments	296.8
Elimination of discontinued operation	(110.3)
Operating profit/(loss)	186.5

Reconciliation of reportable segment revenues

USD MILLION	2019
Revenues for reportable segments	1,153.0
Elimination of discontinued operation	(205.6)
Revenues	947.4

Revenues by geographical areas

USD MILLION	2020	2019 Restated ¹⁾
Americas	223.2	255.7
Europe/Africa	572.1	578.6
Asia and the Pacific	91.0	113.1
Total revenues from continuing operations	886.3	947.4
Europe/Africa	(9.1)	205.6
Total revenues from discontinued operation	(9.1)	205.6

1) The comparative information is restated due to a discontinued operation. Reference to Note 5.

For the FPSO segment, the classification of revenue per region is determined by the final destination of the FPSO, while the classification in the E&P segment is determined by the region where the commodities are produced.

Non-current assets by region

USD MILLION	2020	2019
Americas	435.8	635.7
Europe/Africa	1,332.3	1,884.0
Asia and the Pacific	150.9	212.5
Total non-current assets ¹⁾	1,919.0	2,732.2

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

The Group has a limited number of customers (see also section regarding credit risk in Note 20). In accordance with IFRS 8.34, the Group has evaluated whether any single customers amount to 10% or more of the total revenue.

In 2020, the Group has identified two such customers. For these, the revenue was USD 374.5 million related to the FPSO segment. In 2019, the Group identified two such customers.

For these, the revenue was USD 395.2 million related to the FPSO segment. In 2019, the E&P segment consisted of two customers.

USD 5.1 million (282.4 million) of revenues in the Europe/Africa region is related to the E&P segment. Revenues in the other regions are related to the FPSO segment.

NOTE 5 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 68.6% 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 16 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. The discontinued operation did not impact the comprehensive income.

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.

Although intra-group transactions have been fully eliminated in the consolidated statement of income, the Group has elected to attribute the elimination of transactions between the continuing operations and the discontinued operation before the disposal in a way that reflects the continuance of these transactions subsequent to the disposal, because the Group believes this is useful to the users of the financial statements.

To achieve this presentation, the Group has eliminated the inter-segment sales (and costs, less unrealised profits) from the results of the discontinued operation made before its disposal. Because sale to the discontinued operation will continue after the disposal, inter-segment sale made to the continuing operations before the disposal are retained in continuing operations.

Results of discontinued operation

USD MILLION	2020	2019
Revenue	5.1	282.4
Elimination of inter-segment revenue	(14.2)	(76.8)
External revenue	(9.1)	205.6
Operating expenses	(1.2)	(92.6)
Elimination of inter-segment expenses	10.3	53.3
External expenses	9.1	(39.3)
Operating profit /(loss) before depreciation/amortisation	-	166.3
Depreciation	(4.2)	(56.3)
Gain/(loss) sale of assets	-	0.3
Operating profit/(loss)	(4.2)	110.3
Interest income	0.2	1.4
Other financial items	0.2	1.2
Net financial income/(expense)	0.4	2.6
Profit/(loss) before tax	(3.8)	112.9
Income tax expense	(3.8)	(38.8)
Profit/(loss) from operating activities	(7.6)	74.1
Gain on sale of discontinued operation	45.3	-
Profit/(loss) from discontinued operation for the period	37.7	74.1
Earnings per share		
Basic earnings/(loss) per share in USD net	0.20	0.40
Diluted earnings/(loss) per share (USD) net	0.20	0.39

Cash flows from/ (used in) discontinued operation

USD MILLION	2020	2019
Net cash flow from/(used in) operating activities	47.4	203.3
Net cash flow from/(used in) investing activities	(30.0)	(106.0)
Net cash flow from/(used in) financing activities ¹⁾	86.1	(24.6)
Net cash flow for the period	103.5	72.7

1) 2020 numbers includes IPO effect

Effect of disposal on the financial position of the Group

USD MILLION	2020
Vessels	35.8
Property, plant & equipment	(0.3)
Right-of-use assets	(2.1)
E&P tangible assets	(238.2)
Intangible assets	(103.8)
Equity accounted investments	237.9
Other non-current assets	(0.1)
Inventories	(14.2)
Trade and other current assets	(32.7)
Cash and cash equivalents	(184.6)
Asset retirement obligations	8.9
Other non-current liabilities	(34.9)
Lease liabilities	2.4
Trade and other payables	74.8
Net assets and liabilities	(251.1)
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 6 Revenue

REVENUE STREAMS

The Group generates revenue primarily from rendering of services on operating FPSOs and chartering of FPSOs to its customers.

	Continuing operations		Discontinued operation		Total	
USD MILLION	2020	2019	2020	2019	2020	2019
Revenue from contracts with customers	346.7	357.9	(7.5)	197.6	339.2	555.5
Leasing revenue	523.9	589.5	(5.8)	(28.9)	518.1	560.6
Other revenue	15.7	–	4.2	36.9	19.9	36.9
Total revenue	886.3	947.4	(9.1)	205.6	877.2	1,153.0

In response to the COVID-19 coronavirus pandemic, in March 2020 the Government of Singapore introduced a wage subsidy programme. Under the programme, the Government co-fund up to 75% of each Singapore Citizen and Singapore permanent resident employee's salary, subject to a maximum of SGD 3,450 per employee. The Group benefited from the programme from April 2020 to March 2021 and has received a wage subsidy of USD 2.6 million during the financial year ended 31 December 2020. Over 14 months of economic uncertainty from February 2020 to March 2021, the grant is recognised in the income statement in 'other income' on a systematic basis as the related salary costs incurred by the Group is recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In that case, the grant is recognised when it becomes receivables. The outstanding balance of

deferred income related to this grant is US 0.8 million.

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 2019, 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.

In November 2020, the Group reached an agreement with New Zealand Government for a fully funded disconnection of FPSO Umuroa which is presently located on the Tui oil field offshore New Zealand. The Group presents this income as 'other income' in the statement of profit or loss.

CONTRACT BALANCES

The following table provides information about receivables and contract assets and liabilities.

USD MILLION	31 Dec 2020	31 Dec 2019
Receivables included in trade and other current assets	103.5	110.4
Contract assets included in trade and other current assets	45.4	23.9
Contract liabilities – current	3.6	1.9

Most of the Group's contracts are a mix of revenues from both leasing of FPSOs, as well as service fees for operating FPSOs, of which the Group assessed the underlying risk profile to be equal.

The contract liabilities primarily relate to the advance consideration received from customers. USD 1.9 million (USD 1.9

million) recognised in contract liabilities in the beginning of the period has been recognised as revenue during 2020.

The fixed term order backlog to be recognised as revenues from contracts with customers over the remaining contract period is USD 999.8 million (USD 986.9 million).

NOTE 7 Operating, administrative and other expenses

The table below sets out expenses by nature for items included in operating expenses, other expenses and administrative expenses.

USD MILLION	2020	2019 ¹⁾
Employee benefit expenses (Note 9)	200.8	216.8
Vessel operating expenses	172.1	151.8
Other expenses	77.3	23.9
Total operating expenses	450.2	392.5

1) The comparative information has been restated due to a discontinued operation

Increase in other expenses relates to higher FEED activities compared to 2019.

NOTE 8 Earnings per share

BASIC EARNINGS PER SHARE

The calculation of basic EPS has been based on the following profit attributable to ordinary shareholders the weighted-average number of ordinary shares outstanding.

Profit/(loss) attributable to ordinary shareholders (basic)

USD MILLION	2020			2019		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total (restated) ¹⁾
Profit/ (loss) attributable to ordinary shareholders	(310.3)	37.7	(272.6)	30.5	74.2	104.7

1) The comparative information has been restated due to a discontinued operation

Weighted-average number of ordinary shares (basic)

USD THOUSAND	2020	2019
Issued ordinary shares at 1 January	184,956	184,956
Effect of treasury shares held	(4,156)	(1)
Weighted-average number of ordinary shares at 31 December	180,800	184,955

DILUTED EARNINGS PER SHARE

The calculation of diluted EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

Profit/(loss) attributable to ordinary shareholders (diluted)

USD MILLION	2020			2019		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total (restated) ¹⁾
Profit/ (loss) attributable to ordinary shareholders	(310.3)	37.7	(272.6)	30.5	74.2	104.7
Interest expense on convertible notes	8.7	–	8.7	1.1	–	1.1
Profit/ (loss) attributable to ordinary shareholders (diluted)	(301.6)	37.7	(263.9)	31.6	74.2	105.8

1) The comparative information has been restated due to a discontinued operation.

Weighted-average number of ordinary shares (diluted)

USD THOUSAND	2020	2019
Weighted-average number of ordinary shares (basic)	180,800	184,955
Effect of conversion of convertible bonds	32,671	3,899
Weighted-average number of ordinary shares (diluted) at 31 December	213,471	188,854

EARNINGS PER SHARE

USD MILLION	2020	2019 ¹⁾
Basic earnings/ (loss) per share net	(1.51)	0.57
Diluted earnings/ (loss) per share net	(1.24)	0.56

1) The comparative information has been restated due to a discontinued operation

EARNINGS PER SHARE – CONTINUING OPERATIONS

USD MILLION	2020	2019 ¹⁾
Basic earnings/ (loss) per share net	(1.72)	0.16
Diluted earnings/ (loss) per share net	(1.41)	0.17

1) The comparative information has been restated due to a discontinued operation

NOTE 9 Employee benefit expenses, remuneration to directors and auditors**EMPLOYEE BENEFIT EXPENSES**

USD MILLION	2020	2019 Restated ¹⁾
Wages, crew	117.0	118.8
Wages, administrative personnel	72.1	85.7
Social security contributions	4.9	5.5
Expenses related to defined contribution scheme	4.7	4.7
Expenses related to defined benefit scheme	0.7	1.1
Share-based payment	1.4	1.0
Total employee benefit expenses	200.8	216.8

1) The comparative information is restated due to a discontinued operation. Reference to Note 5.

Average number of employees	2,030	2,163
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TOP MANAGEMENT ¹⁾ REMUNERATION

USD	Salary	Bonus	Pension benefits	Share options	Other benefits	Number of shares
2020	2,923,748	1,245,124	65,933	544,438	5,733	470,115
2019	3,527,845	1,209,965	86,961	361,377	80,404	2,960,608

1) At 31 December 2020 Top Management comprises Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Commercial Officer and General Counsel.

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	2020	2019
Loans to Top Management	46,632	56,958

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.

Long-term incentive program

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

Head of Projects. This program is intended to reward performance over a three-year period. 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. The long-term incentive program was discontinued in 2019 and the last deferred payment will be completed in 2021.

BOARD OF DIRECTORS' REMUNERATION

USD	Directors fee	Number of shares	Share options
2020	454,544	92,809,229	–
2019	366,868	95,099,605	–

The compensation for members of the Board of Directors for the period May 2020 to May 2021 will be decided at the annual general meeting in May 2021.

EMPLOYEE REMUNERATION

Variable compensation scheme

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 the performance year 2020 is based on the following parameters:

1. Overall company results
2. HSEQ performance

The assessment of the Group's achievement will determine the pay-out of the VCS. The Board of Directors will exercise its discretion to determine appropriate compensation levels.

Full pay out is capped at 3 months' salary for all employees, with an exception of a higher cap of 6 months for the Senior Management Team. 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.

Long-term share option program

On 8 April 2019, the Group established a long-term share option program (LTIP) that entitles key personnel to purchase shares in the Company. On 6 March 2020, a further grant on similar terms was offered. The program is discretionary, and participants are invited on an annual basis. Under these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at the grant date.

The key terms and conditions related to the grants under these programmes are as follows; all options are to be settled by the physical delivery of shares.

Grant date	Number of instruments	Vesting conditions	Contractual life of options
On 8 April 2019	1,732,000	Vesting period of three years, followed by a three years exercise period	6 years
On 6 March 2020	1,832,250	Same as above	6 years
Total share options	3,564,250		

Each option will give the holder the right to acquire one BW Offshore share. In 2020, a total of 59 (45) BW Offshore key employees have been invited to participate in the program.

The strike price of the options is calculated based on the volume weighted average share price five trading days prior to grant date, plus a premium of 15.76% which is corresponding to a 5% increase annually over 3 years.

The company's exposure relating to the 2020 and 2019 awards are hedged by a Total Return Swap (TRS) agreement with financial exposure to 1,832,250 (1,732,000) shares in BW Offshore. The options are non-tradable and conditional upon the option holder being employed by the Company and not having resigned or being terminated for cause prior to the vesting date.

Measurement of fair value

The fair value of the employee share options has been measured using the Black–Scholes formula. The inputs used in the measurement of the fair value at grant date were as follows.

	2020	2019
Fair value at grant date (NOK)	5.41	18.53
Share price at grant date (NOK)	33.12	49.86
Exercise price (NOK)	41.88	54.69
Expected volatility (weighted average)	30%	50%
Expected life	4 years	4 years
Expected dividends	n/a	n/a
Risk-free interest rate (based on government bonds)	0.73%	1.40%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price particularly over the historical period equal to the expected term, adjusted for extreme movements. The expected term of the instruments has been based on historical experience and general option holder behaviour.

The number and weighted-average exercise prices of share options under the share option programmes were as follows:

	2020		2019	
	Number of options	Weighted average exercise price (NOK)	Number of options	Weighted average exercise price (NOK)
Outstanding at 1 January	1,732,000	54.69	–	–
Granted during the year	1,832,250	41.88	1,732,000	54.69
Outstanding at 31 December	3,564,250	44.77	1,732,000	54.69
Exercisable at 31 December	0	n/a	0	n/a

For details of the related employee benefit expenses, see the employee benefit expenses table.

Loans to other employees

USD	2020	2019
Loans to other employees	341,568	455,661

AUDITORS' REMUNERATION

USD THOUSAND	2020	2019 Restated ¹⁾
Audit	936.9	674.6
Other assurance	26.2	38.6
Tax	20.9	2.3
Total fees	984.0	715.5

1) The comparative information is restated due to a discontinued operation. Reference to Note 5.

KPMG is the appointed auditor of the Group.

RETIREMENT BENEFIT PLANS

The Group has funded defined benefit plans for Norwegian crew and unfunded defined benefit plans for national employees in Indonesia and for early retirement in Norway.

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

	2020	2019
Discount rate	1.50%	1.80%
Expected return on plan assets	1.50%	1.80%
Future salary increases	2.00%	2.25%
Future pension increases	0.00%	1.33%
Increase in social security base amount related to Norwegian state pension	1.75%	2.00%
Social security tax	14.10%	14.10%

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

USD MILLION	2020	2019
Fair value of plan assets – beginning of year	2.8	9.0
Expected return on plan assets	0.1	0.2
Benefits paid – funded plans	(0.2)	(0.2)
Asset gain/ (loss)	(0.1)	(6.1)
Exchange differences	–	(0.1)
Fair value of plan assets – end of year	2.6	2.8

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

USD MILLION	2020	2019
Present value of funded obligations	(2.6)	(2.5)
Fair value of plan assets	2.6	2.8
Present value of unfunded obligations	(6.0)	(5.4)
Net liability/asset in the statements of financial position	(6.0)	(5.1)
Of which classified as pension obligations	(6.0)	(5.3)
Of which classified as pension assets	–	0.2

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

USD MILLION	2020	2019
Current service cost	0.6	1.0
Net interest	0.1	0.1
Net periodic pension cost	0.7	1.1

Best estimate of net pension cost for 2021 amounts to USD 0.7 million (USD 0.9 million).

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

USD MILLION	2020	2019
At 1 January	(5.1)	(4.6)
Contributions paid	–	0.1
Exchange differences	(0.1)	0.3
Re-measurement gain/ (loss) in other comprehensive income	(0.1)	0.2
Charged to statement of income	(0.7)	(1.1)
At 31 December	(6.0)	(5.1)

The actual return on plan assets amounted to 3.42% at 30 September 2020.

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

The Group has defined contribution plans in all locations where the Group has employees.

NOTE 10 Income taxes

The income tax expense for the period comprise 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 subsidiary's actual profits, and withholding tax is levied on a deemed profit basis or revenue basis (simplified calculation in lieu of profits 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 customer 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 35%.

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	2020	2019 ¹⁾
Deferred tax effect of changes in temporary differences	(0.4)	5.6
Taxes payable current year	32.2	28.7
Taxes payable prior years	2.5	2.6
Withholding taxes	3.7	2.4
Total tax expense continuing operations recognised in statement of income	38.0	39.3

1) The comparative information has been restated due to a discontinued operation

EFFECTIVE TAX RATE

USD MILLION	2020	2019 ¹⁾
Net result before tax	(272.0)	71.2
Effect on permanent differences	5.7	5.5
Income tax at Bermuda statutory income tax rate of 0%	–	–
Withholding taxes	3.7	2.4
Taxes payable current year, non-Bermuda jurisdictions	32.2	28.7
Taxes payable prior years, non-Bermuda jurisdictions	2.5	2.6
Deferred tax effect of changes in temporary differences	(0.4)	5.6
Total income tax expense continuing operations at the effective income tax rate	38.0	39.3
Effective tax rate	n/a	55.2 %

1) The comparative information has been restated due to a discontinued operation

TAX LIABILITIES

USD MILLION	2020	2019
Tax payable at 31 December	21.0	13.7

DEFERRED TAX

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

Deferred tax liabilities and deferred tax assets are specified as follows:

USD MILLION	2020	2019
Deferred tax assets		
Vessels	8.2	5.7
Losses and unabsorbed capital allowances	7.9	5.6
Other	1.2	1.0
Deferred tax assets – gross	17.3	12.3
Deferred tax liabilities		
Unpaid / Unremitted foreign interest income	(0.6)	(3.8)
Vessels	(11.0)	(6.3)
Deferred tax liabilities – gross	(11.6)	(10.1)
Net recognised deferred tax assets / (deferred tax liabilities)	5.7	2.2

The change from 2019 to 2020 in the net recognised deferred tax, was charged to the income statement.

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

The Group also has tax losses carried forward in several jurisdictions which are not recognised. The losses carried forward

are USD 492.6 million (USD 583.0 million). These losses are not recognised as it is not possible to predict with reasonable certainty whether adequate taxable profit will be available in the future against which losses can be utilised. Of the total amount, USD 27.8 million will expire in 2021. Some of the tax losses have no expiry date. Note 24 Contingent assets and liabilities provides information about tax audits and uncertainty of tax treatments.

NOTE 11 Inventories

USD MILLION	Fuel oil	Materials and consumables	Crude oil	Total
Cost at 1 January 2020	2.5	60.1	–	62.6
Purchase during the year	–	29.4	–	29.4
Use during the year	(0.2)	(21.1)	–	(21.3)
Write-down during the year	–	(22.0)	–	(22.0)
Discontinued operation	(0.5)	(13.7)	–	(14.2)
Cost at 31 December 2020	1.8	32.7	–	34.5
Cost at 1 January 2019	3.0	48.7	12.1	63.8
Volumes lifted during the year	–	–	(12.1)	(12.1)
Purchase during the year	–	50.6	–	50.6
Use during the year	(0.5)	(39.2)	–	(39.7)
Cost at 31 December 2019	2.5	60.1	–	62.6

Inventories have been reduced by USD 22.0 million as a result of write-down of inventory on units in layup in addition to small value items. This write-down was recognised as an expense during 2020 and is included in 'operating expenses'.

NOTE 12 Trade and other current assets

USD MILLION	2020	2019
Trade receivables – gross	167.8	153.5
Provision for doubtful debt	(18.9)	(19.3)
Other receivables	33.8	56.8
Prepayments	16.9	44.3
Trade and other current assets	199.6	235.3

The fair value of trade and other current assets is the same as the carrying amount.

As of 31 December 2020, trade receivables of USD 25.2 million (USD 15.7 million) were overdue but not impaired.

The aging analysis of trade receivables is as follows:

USD MILLION	2020	2019
Not past due	123.7	118.5
Up to 3 months	21.4	13.3
3 – 6 months	3.8	1.1
6 – 12 months	–	1.3
Trade receivables – net	148.9	134.2

The contract for Umuroa was terminated effective 31 December 2019. Following the termination of the FPSO contract and recent developments, the Group assessed contractual hire which was due but not paid by the client. The assessment identified uncertainties related to payment of outstanding overdue hire. The Group has recognised an impairment of USD 13 million in 2019.

As of 31 December 2020, the expected credit loss for the Group related to other customers is immaterial. As of 31 December 2019, the expected credit loss for the Group was immaterial.

The aging of provision for impairment loss is as follows:

USD MILLION	2020	2019
Up to 3 months	–	–
More than 3 months	18.9	19.3
Total	18.9	19.3

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

Movement in allowance for impairment in respect of trade receivables are as follows:

USD MILLION	2020	2019
Balance at 1 January	19.3	7.3
Amounts written off	–	13.0
Net remeasurement of loss allowance	(0.4)	(1.0)
Balance at 31 December	18.9	19.3

Expected credit loss for other classes within trade and other receivables are immaterial. Credit risk and foreign exchange risk regarding trade receivables are described in Note 20.

NOTE 13 Cash and cash equivalents

Cash and cash equivalents are denominated primarily in USD, SGD, BRL, EUR, GBP, NGN and NOK. Restricted bank deposits at 31 December 2020 amounted to USD 6.5 million (USD 5.9 million). This relate to taxes withheld from employees,

the Total Return Swap related to the long-term share option program (Note 9) and cash security provided in relation to a customs comprehensive guarantee towards HMRC.

NOTE 14 Property, plant & equipment

VESSELS AND OTHER PROPERTY, PLANT & EQUIPMENT

The owned fleet at 31 December 2020 included the following vessels: Abo FPSO, Berge Helene, BW Adolo, BW Athena, BW Catcher, BW Cidade de São Vicente, BW Joko Tole, BW Pioneer, BW Opportunity, Espoir Ivoirien, Petróleo Nautipa, FPSO Polvo, Sendje Berge, Umuroa and Yuum K'ak' Náab.

Vessels available for projects include vessels that are currently not in operation. BW Athena, Berge Helene and BW Cidade de São Vicente are in lay-up and are currently marketed for new projects.

In March 2020, the Group signed a five-year contract for BW Pioneer with a five-year option to extend. The lease is classified as an operating lease.

The contract on Umuroa was terminated with effect from 31 December 2019. The vessel is still connected to the Tui oil field as the owners of the Tui field Permit, Tamarind Taranaki Ltd., went into insolvency in December 2019, without any funding secured for decommissioning and abandonment liabilities. On 18 November 2020, the Group signed an agreement with the New Zealand Government, through the Ministry of Business, Innovation and Employment (MBIE), which will cover costs from August 2020 for continued safe operations of the FPSO

until such time when the unit is disconnected from the Tui oil field. Subject to prevailing Covid-19 restrictions, the disconnection is expected to be completed in the first half of 2021. The vessel is marketed for new projects.

BW Opportunity is in lay-up and under repair. The contract was terminated in 2020 and final settlement with the client is expected to be executed early 2021. This vessel is at 31 December 2020 included in "Vessels available for projects" in the table below.

Yuum K'ak' Náab (reference to Note 22) is accounted for as a finance lease and is not included in the table below.

FPSOs capital expenditure in 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.

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 Group.

2020

USD MILLION	Vessels in operation	Vessels under construction ¹⁾	Vessels available for projects	Other property, plant & equipment	Total
Cost at 1 January 2020	4,683.7	–	742.5	35.4	5,461.6
Additions	20.7	9.0	7.2	0.9	37.8
Exchange differences	–	–	–	(0.3)	(0.3)
Disposal	–	–	–	(0.1)	(0.1)
Discontinued operation	35.8	–	–	(0.4)	35.4
Reclassification	(366.6)	–	366.6	–	–
Cost at 31 December 2020	4,373.6	9.0	1,116.3	35.5	5,534.4
Accumulated depreciation and impairment charge at 1 January 2020	(2,489.6)	–	(559.5)	(19.4)	(3,068.5)
Current year depreciation	(255.9)	–	(19.3)	(1.3)	(276.5)
Disposal	–	–	–	0.1	0.1
Discontinued operation	–	–	–	0.1	0.1
Impairment	(131.0)	–	(150.5)	(11.2)	(292.7)
Exchange differences	–	–	–	0.3	0.3
Reclassification	266.2	–	(266.2)	–	–
Accumulated depreciation and impairment charge at 31 December 2020	(2,610.3)	–	(995.5)	(31.4)	(3,637.2)
Book Value at 31 December 2020	1,763.3	9.0	120.8	4.1	1,897.2
Useful life	Up to 25 years				

1) Additions relates to FEED studies with probable future benefits for the Group.

2019

USD MILLION	Vessels in operation	Vessels under construction	Vessels available for projects	Other property, plant & equipment	Total
Cost at 1 January 2019	4,762.9	–	549.7	31.4	5,344.0
Additions	102.4	–	11.2	4.3	117.9
Exchange differences	–	–	–	(0.1)	(0.1)
Disposal	–	–	–	(0.2)	(0.2)
Reclassification	(181.6)	–	181.6	–	–
Cost at 31 December 2019	4,683.7	–	742.5	35.4	5,461.6
Accumulated depreciation and impairment charge at 1 January 2019	(2,287.5)	–	(410.5)	(18.1)	(2,716.1)
Current year depreciation	(334.4)	–	(16.7)	(1.4)	(352.5)
Exchange differences	–	–	–	0.1	0.1
Reclassification	132.3	–	(132.3)	–	–
Accumulated depreciation and impairment charge at 31 December 2019	(2,489.6)	–	(559.5)	(19.4)	(3,068.5)
Book Value at 31 December 2019	2,194.1	–	183.0	16.0	2,393.1
Useful life	Up to 25 years				

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.

As a result of reduced probability of redeployment of FPSO's after end of contract period, particularly for those vessels with a short remaining contract period or vessels currently off contract, impairment triggers were identified. 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 281.5 million on the FPSO fleet.

Impairment charges were recognised on BW Athena (USD 36.1 million), BW Cidade de São Vicente (USD 104.8 million), Espoir Ivoirien (USD 34.9 million), Berge Helene (USD 71.6 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. 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. 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

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.

An increase of the WACC for the Group by 1% would require an impairment of USD 0.7 million.

The Group make assumptions on redeployment of vessels after contemplated end of current contract. An additional one-year before redeployment of vessels in the weighted scenarios would not lead to an impairment.

A further rate reduction of 10% from the weighted scenario on the same vessels would require an additional impairment of USD 9.7 million.

The Group has performed an impairment assessment of the fleet for 2019. The impairment testing did not identify any required impairments or reversals of impairment.

E&P TANGIBLE ASSETS

E&P assets capital expenditure in 2020 relates mainly to development of the phase II development of Dussafu oil field in Gabon in the period 1 January to 17 February, prior to the IPO and deconsolidation of BW Energy. E&P assets under development are not depreciated.

2020

USD MILLION	E&P assets under development	E&P production assets	Total
Cost at 1 January 2020	88.2	183.7	271.9
Additions	23.0	–	23.0
Discontinued operation	(111.2)	(183.7)	(294.9)
Cost at 31 December 2020	–	–	–
Accumulated depreciation at 1 January 2020	–	(55.8)	(55.8)
Current year depreciation	–	(0.9)	(0.9)
Discontinued operation	–	56.7	56.7
Accumulated depreciation at 31 December 2020	–	–	–
Book value at 31 December 2020	–	–	–
Useful life	UoP ¹⁾		

1) UoP = Unit-of-Production.

2019

USD MILLION	E&P assets under development	E&P production assets	Total
Cost at 1 January 2019	5.2	190.5	195.7
Additions ¹⁾	81.4	(7.6)	73.8
Reclassification from intangible assets	1.6	–	1.6
Reclassification to assets held for sale	–	0.8	0.8
Cost at 31 December 2019	88.2	183.7	271.9
Accumulated depreciation at 1 January 2019	–	(12.3)	(12.3)
Current year depreciation	–	(43.5)	(43.5)
Accumulated depreciation at 31 December 2019	–	(55.8)	(55.8)
Book value at 31 December 2019	88.2	127.9	216.1
Useful life	UoP ²⁾		

1) Asset Retirement Cost has been reduced due to extended field life estimate

2) UoP = Unit-of-Production.

NOTE 15 Intangible assets

USD MILLION	Software	E&P intangible assets	Total intangible assets
Cost			
At 1 January 2020	20.2	97.4	117.6
Additions	0.4	7.2	7.6
Discontinued operation	–	(104.6)	(104.6)
Carrying amount, 31 December 2020	20.6	–	20.6
Amortisation and impairment			
At 1 January 2020	(15.7)	(0.8)	(16.5)
Discontinued operation	–	0.8	0.8
Amortisation	(1.6)	–	(1.6)
At 31 December 2020	(17.3)	–	(17.3)
Net book value			
At 31 December 2020	3.3	–	3.3
Useful life	1 – 3 years		
Amortisation method	linear		

USD MILLION	Software	E&P intangible assets	Total intangible assets
Cost			
At 1 January 2019	16.6	35.8	52.4
Additions	3.6	68.4	72.0
Reclassification to tangible assets	–	(1.6)	(1.6)
Reclassification to assets held for sale	–	(5.2)	(5.2)
Carrying amount, 31 December 2019	20.2	97.4	117.6
Amortisation and impairment			
At 1 January 2019	(14.5)	(0.2)	(14.7)
Amortisation	(1.2)	(0.6)	(1.8)
At 31 December 2019	(15.7)	(0.8)	(16.5)
Net book value			
At 31 December 2019	4.5	96.6	101.1
Useful life	1 – 3 years		
Amortisation method	linear		

NOTE 16 Equity-accounted investments

USD MILLION	2020	2019
Interest in joint venture	0.4	0.3
Interest in associates	231.2	9.5
Balance at 31 December	231.6	9.8

Associates

In 2020, equity-accounted investments relates mainly to the investment in BW Energy Limited. Reference to Note 5 Discontinued operation for further information.

The Group 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.

The Group has accounted for its shareholding in this investment according to the equity method. The following table summarises the financial information of BW Energy Limited as included in its own financial statements, adjusted for fair value adjustments at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in BW Energy Limited. The information for 2020 presented in the table includes results of BW Energy Limited for the period 17 February 2020 to 31 December 2020.

USD MILLION	2020
Percentage ownership interest	38.8 %
Non-current assets	576.2
Current assets	183.6
Non-current liabilities	248.3
Current liabilities	68.3
Net assets (100%)	443.2
Group's share of net assets (38.8%)	171.8
Excess value	50.1
Carrying amount of interest in associate	221.9
Revenue	160.3
Profit for the year (100%)	(41.2)
Total comprehensive income (38.8%)	(16.0)
Discontinued operation	2.3
Depreciation of excess value	(2.2)
Group's share of total comprehensive income	(15.9)

The Group also has interests in two individually immaterial associates. For one of these associates, OCS Services Limited, the Group owns 50%, but does not have joint control over this investment. The 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 an associate. The Group's interest in OCS is accounted for using the equity method in the consolidated financial statements.

The following tables analyses the carrying amount of these associates:

2020

USD MILLION

Entity Country Industry	OCS Services Limited British Virgin Islands Manning Office	Euro Techniques Industries France Technology	Total
Carrying amount 1 January 2020	7.4	2.1	9.5
Dividend	–	(0.2)	(0.2)
Share of net profit	(0.4)	0.4	–
Carrying amount 31 December 2020	7.0	2.3	9.3

2019

USD MILLION

Entity Country Industry	OCS Services Limited British Virgin Islands Manning Office	Euro Techniques Industries France Technology	Total
Carrying amount 1 January 2019	7.2	1.7	8.9
Dividend	–	(0.1)	(0.1)
Share of net profit	0.2	0.5	0.7
Carrying amount 31 December 2019	7.4	2.1	9.5

NOTE 17 Capital and reserves

SHARE CAPITAL

Authorised share capital:

At 1 January 2020:	214,000,000 ordinary shares at par value USD 0.50 each
At 31 December 2020:	214,000,000 ordinary shares at par value USD 0.50 each

USD THOUSAND

Issued and fully paid:

At 1 January 2020	92,478.2
At 31 December 2020	92,478.2

TREASURY SHARE RESERVE

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 31 December 2020, the Group held 4,156,534 of the Company's shares (1,513). Book value of the treasury shares was USD 10.2 million at 31 December 2020 (USD 0.3 million).

CONVERTIBLE NOTES

The reserve for the convertible notes comprises the amount allocated to the equity component for the convertible notes issued by the Group in November 2019.

DIVIDENDS

The following dividends were declared and paid by the Company for the year. No dividends were paid in 2019.

USD MILLION	2020
First and second quarter: USD 0.034 per qualifying ordinary share	12.3
Third quarter: USD 0.035 per share	6.3
Total	18.6

Reference to "Shareholder information" section for information of the 20 largest shareholders at 31 December 2020.

ICBCL AGREEMENT

In November 2017, the Group closed an agreement with a nominee of the financial leasing firm, ICBC Financial Leasing Co., Ltd. (ICBCL), whereby such nominee becomes an equity partner in BW Catcher Limited. BW Catcher 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 dividends 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.

USD 10.9 million (USD 11.0 million) has been paid in dividends during 2020 and the redemption for 2020 amounts to USD 25.3 million (USD 22.9 million).

NOTE 18 Loans and borrowings

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2020	Carrying amount 2019
USD 672.5 million Corporate Facility	3 month LIBOR + 2.25%	16-May-24	221.5	180.2
Convertible bonds	2.50%	12-Nov-24	254.5	245.2
Catcher facility	3 month LIBOR + 2.25%	15-Jul-24	369.8	483.0
Petróleo Nautipa facility	3 month LIBOR + 1.70%	14-Sep-22	8.0	15.9
BWO05 – NOK 900 million Bond	3 month NIBOR + 4.50%	04-Dec-23	104.2	101.4
Total long-term debt			958.0	1,025.7

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2020	Carrying amount 2019
USD 672.5 million Corporate Facility	3 month LIBOR + 2.25%	16-May-24	(2.3)	(2.3)
Convertible bonds	2.50%	12-Nov-24	(0.6)	(0.6)
Catcher facility	3 month LIBOR + 2.25%	15-Jul-24	113.0	112.8
Petróleo Nautipa facility	3 month LIBOR + 1.70%	14-Sep-22	8.0	11.6
BW001 – NOK 500 million Bond	3 month NIBOR + 4.50%	15-Mar-20	–	27.1
BW002 – NOK 500 million Bond	3 month NIBOR + 4.50%	21-Sep-20	–	10.4
BW003 – NOK 750 million Bond	3 month NIBOR + 4.50%	11-Mar-21	–	37.5
BW004 – NOK 900 million Bond	3 month NIBOR + 4.25%	16-Mar-22	–	25.0
BW005 – NOK 900 million Bond	3 month NIBOR + 4.50%	04-Dec-23	(0.4)	(0.4)
Total short-term debt			117.7	221.1
Total interest-bearing debt			1,075.7	1,246.8

The Group is in compliance with all covenants at 31 December 2020. Covenants are calculated and reported on consolidated financials.

USD 672.5 MILLION CORPORATE FACILITY

During the second quarter of 2019, the Group refinanced the previous USD 2,400 million facility into a five-year senior secured USD 672.5 million revolving credit facility. The facility is priced at a margin of 225 basis points above USD LIBOR and if utilisation exceeds 50%, the margin increases by another 25 basis points. The facility is reduced semi-annually with USD 52.5 million. The Group had USD 230 million undrawn under the revolving credit facility at 31 December 2020.

The new USD 672.5 million 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 million available liquidity including undrawn amounts and interest coverage ratio of minimum 3.0.

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 an FPSO to operate on the Catcher oil field in the UK North Sea. The facility has a margin of 225 basis points above USD LIBOR and is subject to financial covenants similar to the covenants under the USD 672.5 million Corporate 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 672.5 million Corporate Facility.

BW001 - NOK 500 MILLION BOND

During the first quarter of 2012, BW Offshore Limited successfully completed the placement of a NOK 500 million senior unsecured bond with maturity date on 15 March 2017. The maturity was extended to 15 March 2020 with NOK 140 million partial redemption on 15 March 2017 as part of the

amendment exercise. The proceeds from the Bond loan can be used for general corporate purposes. As per 31 December 2019 NOK 237.6 million was outstanding. Upon placement of BW005 and the convertible bond, the remaining balance was repaid mid-January 2020 upon expiry of the 60 days Call Notice period.

BW002 - NOK 500 MILLION BOND

During the first quarter of 2013, BW Offshore Limited successfully completed the placement of a NOK 500 million senior unsecured bond with maturity date on 21 March 2018. The maturity was extended to 21 September 2020 with NOK 100 million partial redemption on 23 March 2020. The proceeds from the Bond loan can be used for general corporate purposes. As per 31 December 2019 NOK 91.5 million was outstanding. Upon placement of BW005 and the convertible bond, the remaining balance was repaid mid-January 2020 upon expiry of the 60 days Call Notice period.

BW003 - NOK 750 MILLION BOND

During the first quarter of 2014, BW Offshore Limited successfully completed the placement of a NOK 750 million senior unsecured bond with maturity date on 11 March 2019. The maturity was extended to 11 March 2021 with NOK 150 million partial redemption on 11 September 2020. The proceeds from the Bond loan can be used for general corporate purposes. As per 31 December 2019 NOK 329 million was outstanding. Upon placement of BW005 and the convertible bond, the remaining balance was repaid mid-January 2020 upon expiry of the 60 days Call Notice period.

BW004 - NOK 900 MILLION BOND

During the second quarter of 2015, BW Offshore Limited successfully completed the placement of a NOK 900 million senior unsecured bond with maturity date on 16 June 2020. 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 proceeds from the Bond loan can be used for general corporate purposes. As per 31 December 2019 NOK 220 million was outstanding. Upon placement of BW005 and the convertible bond, the remaining balance was repaid mid-January 2020 upon expiry of the 60 days Call Notice period.

BW005 – NOK 900 MILLION BOND

During the fourth quarter 2019, BW Offshore Limited successfully completed the placement of a NOK 900 million senior unsecured bond with maturity date on 4 December 2023. The proceeds from the Bond loan was used to partly repay existing bond loans. The bond loan is subject to certain covenants, including minimum book equity of at least 25% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

CONVERTIBLE BONDS

During the fourth quarter 2019, BW Offshore Limited issued a

USD 297.4 million convertible bond with a five-year tenor and coupon of 2.50% per annum, payable semi-annually in arrears. The convertible bond has no regular repayments and matures in full on 12 November 2024. There are no financial covenants in the convertible bond agreement. The proceeds from the convertible bond loan was used to refinance the existing bond loans and for general corporate purposes. The initial conversion price of USD 10.24 corresponds to a conversion premium of 37.5% over the volume weighted average price of the shares on the Oslo Stock Exchange at 5 November 2019 (converted at the prevailing USD:NOK spot rate equal to NOK 9.1921 / USD 1.00)

USD MILLION

Proceeds from issue of convertible bonds	297.4
Transaction costs	(3.8)
Net proceeds	293.6
Amount classified as equity (net of transaction costs of USD 0.7 million)	(50.1)
Accreted interest	9.7
Expensed capitalised borrowing costs	0.7
Carrying amount of liability at 31 December 2020	253.9

The conversion price is subject to adjustment for dividends paid or other changes affecting the value of the share.

During 2020, the listing of BW Energy and the quarterly dividends resulted in adjustments to the initial conversion rate.

	Distribution declared per share	Conversion Price
First quarter, 2020 ¹⁾		9.27
Second quarter, 2020 ²⁾	0.034	9.27
Third quarter, 2020	0.034	9.10
Fourth quarter, 2020 ²⁾	0.035	9.10

1) Distribution of BW Energy shares

2) No adjustment

RECONCILIATION OF MOVEMENTS OF LIABILITIES AND EQUITY TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**2020**

USD MILLION	Interest payable	Other liabilities	Liabilities		Equity			Total
			Interest-bearing short-term debt	Interest-bearing long-term debt	Share capital/premium	Other equity	Non-controlling interests	
Balance at 1 January 2020			221.1	1,025.7	1,188.0	(68.4)	338.9	
Proceeds from loans and borrowings	-	-	-	140.0	-	-	-	140.0
Repayment of borrowings	-	-	(141.1)	(225.9)	-	-	-	(367.0)
Transferred to/from non-controlling interests	-	-	-	-	-	-	(36.2)	(36.2)
Payment of lease liabilities	-	(5.9)	-	-	-	-	-	(5.9)
Dividends paid	-	-	-	-	-	(18.6)	-	(18.6)
Treasury shares acquired	-	-	-	-	-	(10.0)	-	(10.0)
Interest paid	(50.6)	-	-	-	-	-	-	(50.6)
Total changes from financing cash flows	(50.6)	(5.9)	(141.1)	(85.9)	-	(28.6)	(36.2)	(348.3)
Effects of changes in foreign exchange rate and interest rate swaps			41.0	2.3	-	-	-	43.3
Liability-related:								
Expensed capitalised borrowing costs			0.4	3.6	-	-	-	4.0
Accreted interest			-	8.6	-	-	-	8.6
Non-cash movements			(3.7)	3.7	-	-	-	-
Total liability-related other changes			(3.3)	15.9	-	-	-	12.6
Total equity-related other changes			-	-	-	(344.5)	(104.2)	(448.7)
Balance at 31 December 2020			117.7	958.0	1,188.0	(441.5)	198.5	

2019

USD MILLION	Interest payable	Other liabilities	Liabilities		Equity			Total
			Interest-bearing short-term debt	Interest-bearing long-term debt	Share capital/premium	Other equity	Non-controlling interests	
Balance at 1 January 2019			260.9	1,112.8	1,188.0	(192.4)	325.3	
Proceeds from loans and borrowings	-	-	-	1,001.2	-	-	-	1,001.2
Repayment of borrowings	-	-	(138.9)	(997.6)	-	-	-	(1,136.5)
Transferred to/from non-controlling interests	-	(5.0)	-	-	-	-	(32.6)	(37.6)
Payment of lease liabilities	-	(10.3)	-	-	-	-	-	(10.3)
Interest paid	(78.2)	-	(3.6)	(10.5)	-	-	-	(92.3)
Total changes from financing cash flows	(78.2)	(15.3)	(142.5)	(6.9)	-	-	(32.6)	(275.5)
Effects of changes in foreign exchange rate and interest rate swaps			(5.8)	70.8	-	-	-	65.0
Liability-related:								
Expensed capitalised borrowing costs			2.6	3.9	-	-	-	6.5
Accreted interest			-	1.1	-	-	-	1.1
Non-cash movements			105.9	(105.9)	-	-	-	-
Total liability-related other changes			108.5	(100.9)	-	-	-	7.6
Total equity-related other changes			-	(50.1)	-	124.0	46.2	120.1
Balance at 31 December 2019			221.1	1,025.7	1,188.0	(68.4)	338.9	

NOTE 19 Trade, other payables and other non-current liabilities

USD MILLION	2020	2019
Trade payables	24.7	49.3
Accrued vessel expenses	46.8	40.0
Accrued other expenses	65.2	138.5
Public duties payables	13.2	11.8
Deferred revenues	86.6	84.1
Total trade and other payables	236.5	323.7

USD MILLION	2020	2019
Deferred revenues	207.5	212.1
Long-term deposit	5.7	5.7
Other long-term liabilities	0.9	0.8
Total other non-current liabilities	214.1	218.6

Accrued other expenses in 2019 was including accruals for demobilisation of Umuroa from the Tui oil field and accruals relating to discontinued operations.

Deferred revenues primarily relate to the advance consideration received from customers for which revenue is recognised over time, mainly over the remaining contract period.

NOTE 20 Financial instruments – fair values and 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: market risk (including currency risk and interest rate risk), credit risk and liquidity 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's operations are at risk during pandemics, like the spread of Covid-19, which can lead to outbreaks onboard affecting operations and uptime, logistical challenges in the form of travel restrictions and rotation of crew onboard units, and supply of goods and spare parts. There are several industry examples of operations temporarily affected by Covid-19, and the Group has proactively taken steps to minimize risk of

business interruption by implementing comprehensive procedures to safeguard people and operations and adhering to local public health advisory across all locations.

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holding of financial instruments. The Group has international operations and therefore a combination of natural and financial hedging. The Group uses derivatives like FX forwards, interest rate swaps and options to manage market risk.

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') and Brazilian Reals ('BRL'). Operating expenses denominated in NOK, SGD, GBP, BRL 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, 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 foreign currency contracts was USD 144.2 million at 31 December 2020. Fair value of the foreign currency contracts amounted to positive USD 2.7 million (compared to USD 163.5 million and negative USD 0.6 million in 2019) and are presented gross in the statement of financial position. Net effect of forward exchange contracts recognised in the statement of income in 2020 is positive by

USD 3.3 million (positive USD 2.4 million).

The Group is exposed to foreign currency risk on Bond Loan BWO05 which is issued in NOK, and per 31 December 2020 the issued bond had a value of NOK 900 million. The foreign currency exposure on BWO05 is hedged through cross-currency interest swaps with a nominal value of USD 98.8 million. The market value of the cross-currency interest swaps was positive by USD 2.8 million at 31 December 2020 (in 2019 BWO05 was positive by USD 3.9million; and total for all cross-currency interest swaps was negative USD 39.8 million).

The Group does not apply hedge accounting and net financial income/expense fluctuate due to mark-to-market changes of the swaps and due to currency gains/losses of the bonds.

Sensitivity Analysis

A reasonably possible strengthening (weakening) of the NOK and SGD against USD at 31 December 2020 would have affected the measurement of financial instruments denominated in a foreign currency and effected equity and profit and loss by the amounts shown below. NOK and SGD are the only currencies that are being forward hedged, all other currencies that The Group is exposed to are covered spot. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasts.

USD MILLION	Profit or loss		Equity, net of cash	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2020				
NOK (12% movement)	2.6	(2.6)	2.0	(2.0)
SGD (4% movement)	(0.1)	0.1	(0.1)	0.1
31 December 2019				
NOK (6% movement)	–	–	–	–
SGD (3% movement)	0.8	(0.8)	0.7	(0.7)

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.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternatives nearly risk-free rates (referred to as "IBOR reform"). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group continues to monitor the development of the reform.

As of 31 December 2020, the Group's floating rate debt amounted to 1,129 USD million (USD 1,312.6 million).

The Group holds interest rate swaps with a nominal value of USD 708 million and interest rate caps with a nominal value of USD 100 million with maturity during 2020–2030.

The weighted average interest swap rate was 2.05% at 31 December 2020, and the average cap rate was 3.5%. The swaps and caps are held to hedge the quarterly cash flows from floating rate interest payments on the Corporate Facility – loan of USD 515 million, the Catcher facility and the Petróleo Nautipa loan facility. The market value of the interest swaps and caps was negative by USD 50.2 million at 31 December 2020 (negative USD 11.7 million) and the changes in fair value has been recognised as a fair value loss on financial instruments.

The cross-currency interest swap held to hedge the BWO05 bond also hedges the interest rate risk on the bond with a nominal value of USD 98.8 million with a maturity during 2020–2023. The weighted average interest swap rate was 6.6% at 31 December 2020. The market value of the cross-currency interest rate swaps was positive by USD 2.8 million at 31 December 2020 (negative USD 35.6 million) and the changes in fair value has been recognised as a fair value gain/(loss) on financial instruments.

A reasonable possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis

assumes that all the other variables, in particular foreign currency exchange rates, remain constant.

USD MILLION	Profit or loss	
	100 bp increase	100 bp decrease
31 December 2020		
Variable rate instruments	(34.1)	34.1
Interest rate swaps	24.6	(24.6)
Cash flow sensitivity	(9.5)	9.5
31 December 2019		
Variable rate instruments	(57.0)	57.0
Interest rate swaps	33.4	(33.4)
Cash flow sensitivity	(23.6)	23.6

Of the total interest-bearing debt at 31 December 2020 of USD 1,129 million, USD 906.8 million is hedged.

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

Interest rate on cash deposits was 0.05% as per year-end 2020 (1.369%).

Credit risk

Credit risk is the risk of financial losses if a customer or counterparty to financial receivables and financial instruments fails to meet contractual obligations.

Loans, credit facilities, financial guarantees and derivatives are only conducted with approved counterparties and predominantly with investment grade financial institutions, and are governed by standard agreements (ISDA, Nordic Trustee and LMA documentation). The Group has policies that limit the amount of credit exposure against any financial institution. The maximum risk exposure is represented by the carrying amount of the financial assets in the balance sheet except for financial guarantees.

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. 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 revenue, 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.

The Covid-19 pandemic and general market uncertainties has increased the credit risk in most industries. With the additional factors of volatile commodity prices and an increasing transition towards greener energy, credit risk has increased more in the oil and gas industry compared with other industries. 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. 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.

Overdue trade receivables were USD 44 million at the end of 2020, compared to USD 35 million at the end of 2019. The overdue situation was mainly related to units operating in New Zealand and West Africa (reference to Note 12).

The Group is also exposed to certain credit risk related to agreements entered into with suppliers such as yards used for conversion projects. 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 regards its maximum credit risk exposure to the carrying amount of trade receivables (reference to Note 12), other current assets and financial lease receivables (reference to Note 22).

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 in order to meet obligations of finance liabilities when they become due. 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.

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

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

During 2020 we have seen an accelerated energy transition and capital is being reallocated from hydrocarbons towards electrification and clean fuels. The effect is an increasing cost of capital for the oil and gas sector.

The refinancing of the USD 672.5 million Corporate Facility, the placement of BWO05 bond and the Convertible bond in 2019, has extended tenors of the Groups financing and has mitigated short term refinancing and liquidity risk. Cashflows from continuing operations are sufficient to fulfil short-term financial obligations. Production from BW Catcher throughout 2020 has been a significant contributor to the cash flow of the Group and together with the extension of the Pioneer contract with Murphy in March 2020 and the production of oil from BW Adolo in the Dussafu licence.

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 2020

USD MILLION	Q1 21	Q2 21	Q3 21	Q4 21	2021	2022– 2025	2026 and beyond	Total
USD 672.5 million Corporate Facility	–	–	–	–	–	225.0	–	225.0
Convertible bonds ¹⁾	–	–	–	–	–	297.4	–	297.4
Catcher facility	28.6	28.6	28.6	28.6	114.3	371.4	–	485.7
Petróleo Nautipa facility	4.0	–	4.0	–	8.0	8.0	–	16.0
BWO05 – NOK 900 million Bond ²⁾	–	–	–	–	–	98.8	–	98.8
Interest rate swaps	4.8	4.8	4.9	4.8	19.3	49.8	17.1	86.2
Interest payments	4.3	8.0	4.1	7.6	24.0	49.4	–	73.4
Other	1.2	1.2	1.2	1.0	4.6	3.9	–	8.5
Contract liabilities	3.6	–	–	–	3.6	–	–	3.6
Lease liabilities	1.7	1.6	1.6	1.6	6.5	12.7	1.5	20.7
Trade and other payable current	77.6	53.0	53.0	52.9	236.5	–	–	236.5
Total	125.8	97.2	97.4	96.5	416.8	1,116.4	18.6	1,551.8

1) The cash flow presented reflects a full repayment of the loan without conversion into equity instruments

2) Bond loan illustrated at swapped USD/NOK rate

Maturity profile – financial liabilities, Year ended 2019

USD MILLION	Q1 20	Q2 20	Q3 20	Q4 20	2020	2021– 2024	2025 and beyond	Total
USD 672.5 million Corporate Facility	–	–	–	–	–	185.0	–	185.0
Convertible bonds ¹⁾	–	–	–	–	–	297.4	–	297.4
Catcher facility	28.6	28.6	28.6	28.6	114.3	485.7	–	600.0
Petróleo Nautipa facility	5.8	–	5.8	–	11.6	16.0	–	27.6
BWO01 – NOK 500 million Bond ²⁾	42.8	–	–	–	42.8	–	–	42.8
BWO02 – NOK 500 million Bond ²⁾	15.5	–	–	–	15.5	–	–	15.5
BWO03 – NOK 750 million Bond ²⁾	54.4	–	–	–	54.4	–	–	54.4
BWO04 – NOK 900 million Bond ²⁾	28.3	–	–	–	28.3	–	–	28.3
BWO05 – NOK 900 million Bond ²⁾	–	–	–	–	–	98.8	–	98.8
Interest rate swaps	2.5	5.3	1.6	5.4	14.9	49.0	–	63.9
Interest payments	9.1	8.2	8.0	7.6	32.9	73.0	–	105.9
Other	1.3	1.4	1.4	1.2	5.3	10.0	–	15.3
Contract liabilities	1.9	–	–	–	1.9	–	–	1.9
Lease liabilities	2.8	2.6	2.2	1.6	9.2	14.9	1.1	25.2
Trade and other payable current	117.9	68.6	68.6	68.6	323.7	–	–	323.7
Total	310.9	114.7	116.1	112.9	654.7	1,229.8	1.1	1,885.6

1) The cash flow presented reflects a full repayment of the loan without conversion into equity instruments

2) 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	2020	2019
Expire within one year	–	–
Expire beyond one year	230.0	375.0

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 forward hedges (plain vanilla 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 swaps is presented as non-current liabilities in the statement of financial position.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2020

		Carrying Amount				Fair value			
USD MILLION	Note	Fair value – hedging instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Forward exchange contracts used for hedging	20	4.6	–	–	4.6	–	4.6	–	4.6
Cross-currency swaps used for hedging	20	2.8	–	–	2.8	–	2.8	–	2.8
		7.4	–	–	7.4	–	7.4	–	7.4
Financial assets not measured at fair value									
Trade and other receivables	12	–	199.6	–	199.6	–	–	–	–
Financial lease receivable	22	–	35.7	–	35.7	–	–	–	–
Cash and cash equivalents	13	–	139.6	–	139.6	–	–	–	–
Other non-current assets		–	1.1	–	1.1	–	–	–	–
		–	376.0	–	376.0	–	–	–	–
Financial liabilities measured at fair value									
Interest Rate Swaps used for hedging	20	(51.7)	–	–	(51.7)	–	(51.7)	–	(51.7)
Forward exchange contracts used for hedging	20	(1.8)	–	–	(1.8)	–	(1.8)	–	(1.8)
		(53.5)	–	–	(53.5)	–	(53.5)	–	(53.5)
Financial liabilities not measured at fair value									
Secured bank loans	18	–	–	(718.0)	(718.0)	–	–	(726.7)	(726.7)
Unsecured bond issues	18	–	–	(357.7)	(357.7)	–	(402.3)	–	(402.3)
Other non-current liabilities	19	–	–	(214.1)	(214.1)	–	–	–	–
Trade and other payables	19	–	–	(240.1)	(240.1)	–	–	–	–
Lease liabilities	22	–	–	(19.8)	(19.8)	–	–	–	–
		–	–	(1,549.7)	(1,549.7)	–	(402.3)	(726.7)	(1,129.0)

2019

		Carrying Amount				Fair value			
USD MILLION	Note	Fair value – hedging instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Forward exchange contracts used for hedging	20	1.2	–	–	1.2	–	1.2	–	1.2
Interest Rate Swaps used for hedging	20	1.3	–	–	1.3	–	1.3	–	1.3
Cross-currency swaps used for hedging	20	3.9	–	–	3.9	–	3.9	–	3.9
		6.4	–	–	6.4	–	6.4	–	6.4
Financial assets not measured at fair value									
Trade and other receivables	12	–	235.3	–	235.3	–	–	–	–
Financial lease receivable	22	–	57.3	–	57.3	–	–	–	–
Cash and cash equivalents	13	–	250.2	–	250.2	–	–	–	–
Other non-current assets		–	1.6	–	1.6	–	–	–	–
		–	544.4	–	544.4	–	–	–	–
Financial liabilities measured at fair value									
Interest Rate Swaps used for hedging	20	(13.1)	–	–	(13.1)	–	(13.1)	–	(13.1)
Cross-currency swaps used for hedging	20	(43.7)	–	–	(43.7)	–	(43.7)	–	(43.7)
Forward exchange contracts used for hedging	20	(1.8)	–	–	(1.8)	–	(1.8)	–	(1.8)
		(58.6)	–	–	(58.6)	–	(58.6)	–	(58.6)
Financial liabilities not measured at fair value									
Secured bank loans	18	–	–	(801.2)	(801.2)	–	–	(812.6)	(812.6)
Unsecured bond issues	18	–	–	(445.6)	(445.6)	–	(500.0)	–	(500.0)
Other non-current liabilities	19	–	–	(218.6)	(218.6)	–	–	–	–
Trade and other payables	19	–	–	(325.6)	(325.6)	–	–	–	–
Lease liabilities	22	–	–	(23.0)	(23.0)	–	–	–	–
		–	–	(1,814.0)	(1,814.0)	–	(500.0)	(812.6)	(1,312.6)

The difference between carrying amount and fair value relates to amortised loan costs and the equity portion of the convertible bond.

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 dividends payments to its shareholders, return capital to shareholders or issue new shares. The Group is no longer restricted from paying dividends.

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 issued bonds in NOK and will consider to continue to do so when the market is attractive and if it provides competitive funding as an alternative to traditional bank financing. The Group placed a convertible bond in 2019 and has now more diversified sources of funding.

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 18).

NOTE 21 List of subsidiaries, associates and joint venture

Subsidiaries	Country of incorporation	Ownership 2020	Ownership 2019
Belokamenka Limited ⁵⁾	Bermuda	0%	100%
Berge Carmen Singapore Pte Ltd	Singapore	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 Adolo Pte Ltd	Singapore	100%	100%
BW Athena Pte Ltd	Singapore	100%	100%
BW Berge Helene Pte Ltd	Singapore	100%	100%
BW Bergesen Worldwide Pte Ltd	Singapore	100%	100%
BW Carmen Limited ⁵⁾	Bermuda	0%	100%
BW Catcher Limited ¹⁾	Bermuda	100%	100%
BW Cidade de São Vicente Pte Ltd	Singapore	100%	100%
BW Energy Dussafu B.V. ³⁾	Netherlands	0%	100%
BW Energy Gabon Pte Ltd ³⁾	Singapore	0%	100%
BW Energy Gabon SA ³⁾	Gabon	0%	100%
BW Energy Limited ⁴⁾	Bermuda	0%	69%
BW Energy Maromba B.V. ³⁾	Netherlands	0%	100%
BW Energy Maromba do Brazil Ltda ³⁾	Brazil	0%	100%
BW Energy Holdings Pte Ltd ³⁾	Singapore	0%	100%
BW Espoir Ivoirien Pte Ltd	Singapore	100%	100%
BW Kudu Holding Pte Ltd ³⁾	Singapore	0%	100%
BW Kudu Limited ³⁾	United Kingdom	0%	100%
BW KMZ Limited ⁵⁾	Bermuda	0%	100%
BW Maromba Holdings Pte Ltd ³⁾	Singapore	0%	100%
BW Nisa Limited ⁵⁾	Bermuda	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 France SAS	France	100%	0%
BW Offshore (Ghana) Pte Ltd	Singapore	100%	100%
BW Offshore Global Manning Pte Ltd	Singapore	100%	100%
BW Offshore Holdings Pte Ltd	Singapore	100%	100%
BW Offshore Management B.V.	Netherlands	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%	100%
BW Offshore Peregrino Limited ⁵⁾	Bermuda	0%	100%
BW Offshore Poland sp z o.o.	Poland	100%	100%
BW Offshore Shipholding Cyprus Limited	Cyprus	100%	100%
BW Offshore Shipholding Limited ⁵⁾	Bermuda	0%	100%
BW Offshore Shipholding Pte Ltd	Singapore	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 Management, Inc.	USA	100%	100%
BW Offshore USA, LLC	USA	100%	100%
BW Opportunity Limited	Bermuda	100%	100%
BW Pioneer (UK) Limited	United Kingdom	100%	100%
BW Polvo Pte Ltd	Singapore	100%	100%
BW Sendje Berge Pte Ltd	Singapore	100%	100%
BW Umuroa Pte Ltd	Singapore	100%	100%
BWO-Premier Ghana Limited	Ghana	70%	70%
Egyptian Winlines Shipping Co. SAE	Egypt	100%	100%
Prosafes GFPSO I B.V.	Netherlands	100%	100%
Prosafes Production B.V.	Netherlands	100%	100%
Prosafes Production Nigeria Limited ⁵⁾	Nigeria	0%	100%
Prosafes Services Cote d'Ivoire Pte Ltd	Singapore	100%	100%
PT BW Offshore TSB Invest ²⁾	Indonesia	49%	49%
Tinworth Pte Ltd	Singapore	100%	100%
Tinworth France SAS	France	100%	100%
Tinworth Gabon SA	Gabon	100%	100%
Associates			
OCS Services Limited	British Virgin Islands	50%	50%
Euro Techniques Industries	France	40%	40%
BW Energy Limited ⁴⁾	Bermuda	39%	0%
Joint venture			
BW Offshore Nigeria Limited	Nigeria	49%	49%

1) 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.

2) 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.

3) Deconsolidated as a part of the BW Energy IPO in February 2020

4) Ownership effectively reduced to 39% due to the BW Energy IPO in February 2020 and the investment is consequently classified as an associate.

5) Liquidated in 2020.

NOTE 22 Leases

THE GROUP AS A LESSEE

The Group leases office premises, apartments, warehouses and vessel. Leases of office premises generally have lease terms between 1 and 7 years, while apartments and warehouses and vessel generally have lease terms between 1 and 3 years.

The Group has leases of certain office equipment (i.e., personal computers, printing- and photocopying machines, coffee machines) that are considered of low value.

Total cash outflow for leases included in the statement of cash flows is USD 5.9 million (USD 10.3 million).

Right-of-use assets and lease liabilities

USD MILLION	Land and buildings	Vessels	Right-of-use assets	Lease liabilities
Balance at 1 January 2020	20.1	1.9	22.0	23.0
Additions	1.3	–	1.3	1.3
Adjustments	3.2	–	3.2	3.2
Depreciation expense	(5.7)	(0.2)	(5.9)	n/a
Interest expense	n/a	n/a	n/a	0.5
Lease payments	n/a	n/a	n/a	(5.9)
Discontinued operation	(0.4)	(1.7)	(2.1)	(2.4)
Foreign currency translation gain/(loss)	–	–	–	0.1
Balance at 31 December 2020	18.5	–	18.5	19.8

USD MILLION	Land and buildings	Vessels	Right-of-use assets	Lease liabilities
Balance at 1 January 2019	24.5	5.1	29.6	29.6
Additions	1.9	–	1.9	1.9
Adjustments	0.4	–	0.4	0.4
Depreciation expense	(6.7)	(3.2)	(9.9)	n/a
Interest expense	n/a	n/a	n/a	1.2
Lease payments	n/a	n/a	n/a	(10.3)
Foreign currency translation gain/(loss)	–	–	–	0.2
Balance at 31 December 2019	20.1	1.9	22.0	23.0

Amounts recognised in profit or loss

Leases under IFRS 16

USD MILLION	2020	2019 ¹⁾
Interest on lease liabilities	0.5	1.0
Expenses relating to short-term leases	0.6	0.6

1) The comparative information has been restated due to a discontinued operation

Extension options

Some leases, such as lease of office leases, contain contractual rights and options, such as extension and cancellation options, exercisable only by the Group and not by the lessors. These options may impact the estimated lease term. The Group assesses at lease commencement, and subsequently when facts and circumstances which under the control of the Group require it, whether it is reasonably certain to exercise these options and reflects this in the lease term.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of USD 0.4 million.

THE GROUP AS A LESSOR

The Group has entered into lease contracts as lessor.

Finance lease

The FPSO Yùum 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 revenues from contracts with customers, lease interest and operating expenses on vessels.

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

USD MILLION	2020	2019
Not later than one year	25.3	25.3
Later than one year and not later than five years	12.5	37.7
Later than five years	–	–
Gross receivables from finance leases	37.8	63.0
Unearned future finance income on finance leases	(2.1)	(5.7)
Net investment in finance leases	35.7	57.3
Included in non-current assets (Financial lease receivables)	12.3	35.6
Included in current assets (Financial lease receivables)	23.4	21.7

Operating leases

BW Athena, BW Cidade de São Vicente, BW Opportunity, Umuroa and Berge Helene are not on contract as of 31 December 2020.

All other FPSOs owned by year-end are on firm operating lease contracts.

Future minimum payments receivable under non-cancellable operating leases contract as at 31 December are as follows:

USD MILLION	2020	2019 ¹⁾
Not later than one year	397.4	412.1
Later than one year and not later than five years	844.5	903.4
Later than five years	60.6	89.0
Total amount	1,302.5	1,404.5

1) The comparative information has been restated due to a discontinued operation

NOTE 23 Commitments and guarantees

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

USD MILLION	2020	2019
Nominal amount	37.4	170.0
Fair value	34.6	157.4
Interest rate	8.0 %	8.0 %

At 31 December 2020, the commitment included committed contract values related to life extension activities on the fleet, as well as for ongoing operations.

At 31 December 2019, the commitment included committed contract values for conversion of BW Adolo, development of the Dussafu field, committed contract values related to life extension activities on the fleet, as well as for ongoing operations.

The Group has issued bank guarantees in favour of various customers totalling USD 67.3 million (USD 69.1 million).

The bank debt related to the USD 672.5 million Corporate Facility, as referred to in Note 18, 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 Catcher loan facility, as referred to in Note 18, 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 18, is secured by:

- a parent company guarantee from BW Offshore Limited
- a first priority mortgage over the FPSO Petróleo Nautipa owned by Tinworth Pte Ltd
- 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 2020 was USD 1,718.8 million (USD 2,226.3 million). In addition, the shares in certain vessel owning companies in the Group are pledged.

NOTE 24 Contingent assets and liabilities

The contract for Umuroa was terminated effective 31 December 2019. Following the termination of the FPSO contract and recent developments, the Group assessed contractual hire which was due but not paid by the client. The assessment identified uncertainties related to payment of overdue hire. The client, Tamarind Taranaki Limited, is in liquidation. The Group has various claims against the Tamarind group companies for deferred capex payments, VOR settlements, unpaid charter hire and operating day rates in addition to claims for early termination fees. No receivable is recognised as the amounts are not virtually certain.

In April 2016, the Group received a tax assessment and tax collection letter issued by the Indonesian Tax Office related 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 confirming that this is supported by Indonesian GAAP and International Financial Reporting Standards. A tax audit for 2015 was concluded in June 2017. Similar to the tax audit for 2013 and 2014, the tax office disagrees with the revenue recognition method used by the Group.

In February 2020, the Tax Court in Indonesia ruled in favour of the Group. This court ruling was appealed by the Tax Office to which the Group sought rebuttal in July 2020. There is no time limit for the Supreme Court to revert on its decision relating to the appeal. The total claim amounts to USD 26.5 million, including interest USD of 7.6 million, which could also be subject to 100% penalties. Management assesses this claim to be without merit and no amounts have consequently been provided for in the accounts.

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. The total exposure is approximately USD 3.8 million.

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 25 Related parties transactions

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

Investments in subsidiaries are disclosed in Note 21.

Investments in associates are disclosed in Note 16.

Remuneration to the Board of Directors, Top Management and auditors is detailed in Note 9.

Other related party transactions:

Other related party transactions:

USD MILLION	Note	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
		2020	2019	2020	2019
Sale of goods and services					
Associates		80.5	–	8.5	–
Purchase of goods					
Joint venture		5.2	4.2	(0.3)	(0.4)
Associates		5.0	8.5	2.4	2.5
Others					
Associates					
–Dividends received	16	0.2	0.1	–	–
–Short-term receivable		–	–	0.1	0.1

NOTE 26 Subsequent events

On 14 January 2021, an incident occurred on FPSO Espoir Ivoirien whilst work was being performed in a cargo tank on board the vessel. Despite continuous efforts to maintain safe operations across the fleet, there were two fatalities in this tragic accident caused by a leakage of hydrocarbons into a tank where work was being performed.

On 21 January 2021, BW Energy Limited, an associated company, successfully completed a USD 75 million private placement and have allocated and issued 23,690,000 new shares at a subscription price of NOK 27 per share, raising

gross proceeds of NOK 639,630,000. The Company is not allocated shares in the private placement, consequently the ownership interest in BW Energy Limited diluted by 3.56% to 35.21%.

On 17 February 2021, the Group announced that it will invest EUR 60 million in Ideol S.A, creating BW Ideol, a global integrated floating offshore wind company with proven technology and market-leading capabilities. The Group expects to own approximately 50% of BW Ideol post a contemplated capital raise and listing as a separate company on Euronext Growth.

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Statement of Income

USD MILLION (Year ended 31 December)	Notes	2020	2019
Revenue	3	55.1	54.2
Operating expenses			
Other expenses	4	(33.9)	(35.0)
Total operating expenses		(33.9)	(35.0)
Operating profit/(loss)		21.2	19.2
Amortisation	15	(1.0)	–
Operating profit/ (loss) (EBIT)		20.2	19.2
Interest income		20.7	35.8
Interest expense		(31.2)	(39.1)
Net currency exchange gain/ (loss)		(7.1)	(72.0)
Fair value gain/ (loss) on financial instruments		(24.5)	69.3
Loss on sale of subsidiaries	12	–	(196.4)
Impairment	12,14	(131.9)	(10.4)
Other financial expenses		(0.5)	(2.1)
Net financial items		(174.5)	(214.9)
Profit / (loss) before tax		(154.3)	(195.7)
Income tax expense	5	(2.6)	(1.0)
Net profit/ (loss) for the year		(156.9)	(196.7)

Statement of Comprehensive Income

USD MILLION (Year ended 31 December)	Note	2020	2019
Profit / (loss) for the year		(156.9)	(196.7)
Other comprehensive income			
Reclassification during the year to profit from cash flow hedges	11	–	2.0
Total comprehensive income for the year		(156.9)	(194.7)

The notes on pages 135–145 are an integral part of these financial statements.

Statement of Financial Position

USD MILLION (As at 31 December)	Note	2020	2019
ASSETS			
Intangible assets	15	2.1	2.9
Shares in subsidiaries	12	516.9	1,250.3
Investment in associates	12	544.4	–
Intercompany receivables long-term	14	690.3	520.4
Derivatives	11	4.1	4.4
Total non-current assets		1,757.8	1,778.0
Trade and other receivables		1.8	0.2
Intercompany receivables short-term	14	7.5	280.3
Derivatives	11	1.1	0.5
Cash and cash equivalents	6	17.2	21.4
Total current assets		27.6	302.4
Total assets		1,785.4	2,080.4
EQUITY			
Share capital	7	92.5	92.5
Share premium		1,095.5	1,095.5
Other equity	7,8	(606.2)	(323.3)
Total shareholders' equity		581.8	864.7
LIABILITIES			
Interest-bearing long-term debt	8,10	358.7	346.6
Intercompany payables long-term	14	725.6	130.4
Derivatives	11	22.8	23.2
Total non-current liabilities		1,107.1	500.2
Interest-bearing short-term debt	8,10	(1.0)	99.0
Trade and other payables	9,10	3.3	2.8
Intercompany payables short-term	14	91.8	590.8
Derivatives	11	2.1	22.9
Tax liabilities	5	0.3	–
Total current liabilities		96.5	715.5
Total shareholders' equity and liabilities		1,785.4	2,080.4

The notes on pages 135–145 are an integral part of these financial statements.

Statement of Changes in Shareholders' Equity

USD MILLION	Share capital	Share premium	Treasury shares	Cash flow hedges	Equity component of convertible bonds	Other elements	Total equity
At 1 January 2019	92.5	1,095.5	(0.3)	(2.0)	–	(177.2)	1,008.5
Profit/(loss) for the period	–	–	–	–	–	(196.7)	(196.7)
Other comprehensive income	–	–	–	2.0	–	–	2.0
Issue of convertible bonds	–	–	–	–	50.1	–	50.1
Share-based payment	–	–	–	–	–	1.0	1.0
Other equity transactions	–	–	–	–	–	(0.2)	(0.2)
Total equity at 31 December 2019	92.5	1,095.5	(0.3)	–	50.1	(373.1)	864.7
At 1 January 2020	92.5	1,095.5	(0.3)	–	50.1	(373.1)	864.7
Profit/(loss) for the period	–	–	–	–	–	(156.9)	(156.9)
Treasury shares acquired	–	–	(10.0)	–	–	–	(10.0)
Dividends	–	–	–	–	–	(18.6)	(18.6)
Share-based payment	–	–	0.1	–	–	1.3	1.4
Dividend distribution	–	–	–	–	–	(98.8)	(98.8)
Total equity at 31 December 2020	92.5	1,095.5	(10.2)	–	50.1	(646.1)	581.8

The notes on pages 135–145 are an integral part of these financial statements.

Statement of Cash Flows

USD MILLION (Year ended 31 December)	Note	2020	2019
Operating activities			
Profit/ (loss) before tax		(154.3)	(195.7)
Taxes paid	5	(2.4)	(1.0)
Impairment charges	12,14	131.9	10.4
Amortisation	15	1.0	–
Loss from sale of shares	12	–	196.4
Fair value change on financial instruments		(21.5)	(71.1)
Currency gain/loss		8.0	–
Changes in receivables and accounts payable		(1.1)	0.3
Share-based payment expense		1.5	1.0
Add back of net interest expense		(0.3)	5.2
Other items from operating activities		45.1	9.7
Net cash flows used in operating activities		7.9	(44.8)
Investing activities			
Investments in subsidiaries		(6.0)	(6.0)
Investment in intangible assets	15	(0.2)	(2.9)
Interest received		20.7	35.8
Dividends received	3	55.0	54.2
Net cash flows from/ (used in) investing activities		69.5	81.1
Financing activities			
Changes in intercompany receivables/payables	14	108.5	(130.4)
Repayment of long-term debt	8	(141.1)	(251.7)
Proceeds from new interest-bearing debt	8	–	396.2
Treasury shares acquired	7	(10.0)	–
Dividends		(18.6)	–
Interest paid		(20.4)	(41.0)
Net cash flows from/ (used in) financing activities		(81.6)	(26.9)
Net change in cash and cash equivalents		(4.2)	9.4
Cash and cash equivalents at 1 January		21.4	12.0
Cash and cash equivalents at 31 December	6	17.2	21.4

The notes on pages 135–145 are an integral part of these financial statements.

Notes

NOTE 1 General information

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

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

All figures are in USD million if not otherwise stated. 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 2019.

The financial statements were approved by the Board of Directors on 18 February 2021.

NOTE 2 Accounting policies

BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). The 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 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 judgment in the process of applying the Company's accounting policies.

ACCOUNTING FOR SUBSIDIARIES AND ASSOCIATES

The subsidiaries are entities (including special purpose entities) over which the Company has control. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with a company in which it has invested and has the ability to use its power to affect its returns from this company. Investments in subsidiaries are stated at cost less any impairment.

Associates are entities in which the Company has significant influence but no control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee. Investments in associates are stated at cost less any impairment.

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 statement of income. Currency translation gains and losses, from items which are hedged as part of a connecting cash flow hedge, are recognised in other comprehensive income.

REVENUE RECOGNITION

Revenue from contracts with customers

Revenue from contracts with customers is recognised upon satisfaction of the performance obligations for the transfer of services in each such contract. A performance obligation is satisfied when or as the customer obtains the goods or services delivered. It is recognised at an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. Revenues are presented net of indirect sales taxes.

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.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company's financial assets are derivatives, trade- and intercompany receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. Except for trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, (in the case of a financial asset not at fair value through profit or loss), transaction costs.

The Company classifies its financial assets in two categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade- and intercompany receivables and cash and cash equivalents.

Financial assets at fair value through profit or loss

Derivatives at fair value are carried in the statement of financial position at fair value with net changes in fair value through profit or loss. The category includes foreign exchange contracts and interest rate swaps.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - a. the Company has transferred substantially all the risks and rewards of the asset, or
 - b. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

For intercompany receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime Estimated Credit Losses (ECLs) at each reporting date, based on its historical credit loss experience.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost except for financial liabilities at fair value through profit or loss (FVTPL). Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

Derecognition of financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

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.

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.

COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Company comprise convertible bonds denominated in USD, that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

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.

CLASSIFICATION OF ASSETS AND LIABILITIES

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.

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.

CHANGES IN ACCOUNTING POLICIES

There are no changes in the accounting policies.

NOTE 3 Revenue

USD MILLION	2020	2019
Revenue from contracts with customers	0.1	-
Dividend income	55.0	54.2
Total revenue	55.1	54.2

NOTE 4 Operating expenses

USD MILLION	2020	2019
Management fee	17.9	20.8
Lawyer's fee	1.3	1.8
Consultant's fee	1.3	2.2
Auditor's fee	0.3	0.3
Other operating expenses	13.1	9.9
Total operating expenses	33.9	35.0

Management fee is fee for management services provided to the Company by subsidiaries in the Group.

NOTE 5 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 2020 concerns withholding tax which the Company is subject to in certain countries where the Company has financial income.

NOTE 6 Cash and cash equivalents

Cash and cash equivalents comprise the following items:

USD MILLION	2020	2019
Bank deposits	17.2	21.4
Total cash and cash equivalents	17.2	21.4

NOTE 7 Share capital and reserves

Authorised share capital:

At 1 January 2020	214,000,000 ordinary shares at par value USD 0.50 each
At 31 December 2020	214,000,000 ordinary shares at par value USD 0.50 each

USD THOUSAND

Issued and fully paid:

At 1 January 2020	92,478.2
At 31 December 2020	92,478.2

TREASURY SHARE RESERVE

At 31 December 2020, the Company held a total of 4,156,534 own shares (1,513). Book value of the treasury shares was USD 10.2 million at 31 December 2020 (USD 0.3 million).

CONVERTIBLE BONDS

The reserve for the convertible bonds comprises the amount allocated to the equity component for the convertible bonds issued by the Company in November 2019.

NOTE 8 Loans and borrowings

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2020	Carrying amount 2019
Convertible bonds	2.50%	12-Nov-24	254.5	245.2
BWO05 – NOK 900 million Bond	3 month NIBOR + 4.50%	04-Dec-23	104.2	101.4
Total long-term debt			358.7	346.6

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2020	Carrying amount 2019
Convertible bonds	2.50%	12-Nov-24	(0.6)	(0.6)
BW001 – NOK 500 million Bond	3 month NIBOR + 4.50%	15-Mar-20	–	27.1
BW002 – NOK 500 million Bond	3 month NIBOR + 4.50%	21-Sep-20	–	10.4
BW003 – NOK 750 million Bond	3 month NIBOR + 4.50%	11-Mar-21	–	37.5
BW004 – NOK 900 million Bond	3 month NIBOR + 4.25%	16-Mar-22	–	25.0
BW005 – NOK 900 million Bond	3 month NIBOR + 4.50%	04-Dec-23	(0.4)	(0.4)
Total short-term debt			(1.0)	99.0
Total interest-bearing debt			357.7	445.6

BW001 - NOK 500 MILLION BOND

During the first quarter of 2012, BW Offshore Limited successfully completed the placement of a NOK 500 million senior unsecured bond with maturity date on 15 March 2017. The maturity was extended to 15 March 2020 with NOK 140 million partial redemption on 15 March 2017 as part of the amendment exercise. The proceeds from the Bond loan can be used for general corporate purposes. As per 31 December 2019 NOK 237.6 million was outstanding. Upon placement of BW005 and the convertible bond, the remaining balance was repaid mid-January 2020 upon expiry of the 60 days Call Notice period.

BW002 - NOK 500 MILLION BOND

During the first quarter of 2013, BW Offshore Limited successfully completed the placement of a NOK 500 million senior unsecured bond with maturity date on 21 March 2018. The maturity is extended to 21 September 2020 with NOK 100 million partial redemption on 23 March 2020. The proceeds from the Bond loan can be used for general corporate purposes. As per 31 December 2019 NOK 91.5 million was outstanding. Upon placement of BW005 and the convertible bond, the remaining balance was repaid mid-January 2020 upon expiry of the 60 days Call Notice period.

BW003 - NOK 750 MILLION BOND

During the first quarter of 2014, BW Offshore Limited successfully completed the placement of a NOK 750 million senior unsecured bond with maturity date on 11 March 2019. The maturity is extended to 11 March 2021 with NOK 150 million partial redemption on 11 September 2020. The proceeds from the Bond loan can be used for general corporate purposes. As per 31 December 2019 NOK 329 million was outstanding. Upon placement of BW005 and the convertible bond, the remaining balance was repaid mid-January 2020 upon expiry of the 60 days Call Notice period.

BW004 - NOK 900 MILLION BOND

During the second quarter of 2015, BW Offshore Limited successfully completed the placement of a NOK 900 million senior unsecured bond with maturity date on 16 June 2020. The maturity is 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 proceeds from the Bond loan can be used for general corporate purposes. As per 31 December 2019 NOK 220 million was outstanding. Upon placement of BW005 and the convertible bond, the remaining balance was repaid mid-January 2020 upon expiry of the 60 days Call Notice period.

BW005 – NOK 900 MILLION BOND

During the fourth quarter 2019, BW Offshore Limited successfully completed the placement of a NOK 900 million senior unsecured bond with maturity date on 4 December 2023. The proceeds from the Bond loan was used to partly repay existing bond loans. The bond loan is subject to certain covenants, including minimum book equity of at least 25% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

CONVERTIBLE BONDS

During the fourth quarter 2019, BW Offshore Limited issued a USD 297.4 million convertible bond with a five-year tenor and coupon of 2.50% per annum, payable semi-annually in arrears. The convertible bond has no regular repayments and matures in full on 12 November 2024. There are no financial covenants in the convertible bond agreement. The proceeds from the convertible bond loan was used to refinance the existing bond loans and for general corporate purposes. The initial conversion price of USD 10.24 corresponds to a conversion premium of 37.5% over the volume weighted average price of the shares on the Oslo Stock Exchange at 5 November 2019 (converted at the prevailing USD:NOK spot rate equal to NOK 9.1921 / USD 1.00).

USD MILLION

Proceeds from issue of convertible bonds	297.4
Transaction costs	(3.8)
Net proceeds	293.6
Amount classified as equity (net of transaction costs of USD 0.7 million)	(50.1)
Accreted interest	9.7
Expensed capitalised borrowing costs	0.7
Carrying amount of liability at 31 December 2020	253.9

The conversion price is subject to adjustment for dividends paid or other changes affecting the value of the share.

During 2020, the listing of BW Energy and the quarterly dividends resulted in adjustments to the initial conversion rate.

	Distribution declared per share	Conversion Price
First quarter, 2020 ¹⁾		9.27
Second quarter, 2020 ²⁾	0.034	9.27
Third quarter, 2020	0.034	9.10
Fourth quarter, 2020 ²⁾	0.035	9.10

1) Distribution of BW Energy shares

2) No adjustment

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

2020

USD MILLION	Interest payable	Intercompany payables	Liabilities		Equity	Total
			Interest-bearing short-term debt	Interest-bearing long-term debt		
Balance at 1 January 2020	–	–	99.0	346.6	864.7	
Repayment of borrowings	–	–	(141.1)	–	–	(141.1)
Dividends paid	–	–	–	–	(18.6)	(18.6)
Treasury shares acquired	–	–	–	–	(10.0)	(10.0)
Interest paid	(20.4)	–	–	–	–	(20.4)
Changes in intercompany receivables	–	108.5	–	–	–	108.5
Total changes from financing cash flows	(20.4)	108.5	(141.1)	–	(28.6)	(81.6)
Effects of changes in foreign exchange rate and interest rate swaps			41.1	2.5	–	43.6
Liability-related:						
Non-cash movements			–	–	–	–
Accreted interest			–	8.6	–	8.6
Expensed capitalised borrowing costs			–	1.0	–	1.0
Total liability-related other changes			–	9.6	–	9.6
Total equity-related other changes			–	–	(254.3)	(254.3)
Balance at 31 December 2020			(1.0)	358.7	581.8	

2019

USD MILLION	Liabilities				Total
	Interest payable	Intercompany payables	Interest-bearing short-term debt	Interest-bearing long-term debt	
Balance at 1 January 2019	–	–	(0.6)	289.7	
Proceeds from loans and borrowings	–	–	–	396.2	396.2
Repayment of borrowings	–	–	–	(251.7)	(251.7)
Interest paid	(35.7)	–	(1.0)	(4.3)	(41.0)
Changes in intercompany receivables	–	(130.4)	–	–	(130.4)
Total changes from financing cash flows	(35.7)	(130.4)	(1.0)	140.2	(26.9)
Effects of changes in foreign exchange rate and interest rate swaps			(5.8)	70.6	64.8
Liability-related:					
Non-cash movements			105.8	(105.8)	–
Accreted interest			–	1.1	1.1
Expensed capitalised borrowing costs			0.6	0.9	1.5
Total liability-related other changes			106.4	(103.8)	2.6
Total equity-related other changes			–	(50.1)	(50.1)
Balance at 31 December 2019			99.0	346.6	

NOTE 9 Trade and other payables

USD MILLION	2020	2019
Trade payables	0.6	–
Other accruals	2.7	2.8
Total trade and other payables	3.3	2.8

NOTE 10 Financial assets and liabilities

As of 31 December, the Company had financial assets and liabilities in the following categories:

2020

USD MILLION	Note	Carrying Amount				Fair value			
		Fair value – hedging instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Forward exchange contracts used for hedging	11	2.4	–	–	2.4	–	2.4	–	2.4
Cross-currency swaps used for hedging	11	2.8	–	–	2.8	–	2.8	–	2.8
		5.2	–	–	5.2	–	5.2	–	5.2
Financial assets not measured at fair value									
Other non-current assets	14	–	690.3	–	690.3	–	–	–	–
Trade and other receivables		–	9.3	–	9.3	–	–	–	–
Cash and cash equivalents	6	–	17.2	–	17.2	–	–	–	–
		–	716.8	–	716.8	–	–	–	–
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	11	(23.1)	–	–	(23.1)	–	(23.1)	–	(23.1)
Forward exchange contracts used for hedging	11	(1.8)	–	–	(1.8)	–	(1.8)	–	(1.8)
		(24.9)	–	–	(24.9)	–	(24.9)	–	(24.9)
Financial liabilities not measured at fair value									
Unsecured bond issues	8	–	–	(357.7)	(357.7)	–	(402.3)	–	(402.3)
Other non-current liabilities	14	–	–	(725.6)	(725.6)	–	–	–	–
Trade and other payables	9	–	–	(95.1)	(95.1)	–	–	–	–
		–	–	(1,178.4)	(1,178.4)	–	(402.3)	–	(402.3)

2019

		Carrying Amount				Fair value			
USD MILLION	Note	Fair value - hedging instrument	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Forward exchange contracts used for hedging	11	1.0	-	-	1.0	-	1.0	-	1.0
Cross-currency swaps used for hedging	11	3.9	-	-	3.9	-	3.9	-	3.9
		4.9	-	-	4.9	-	4.9	-	4.9
Financial assets not measured at fair value									
Other non-current assets	14	-	520.4	-	520.4	-	-	-	-
Trade and other receivables		-	280.5	-	280.5	-	-	-	-
Cash and cash equivalents	6	-	21.4	-	21.4	-	-	-	-
		-	822.3	-	822.3	-	-	-	-
Financial liabilities measured at fair value									
Cross-currency swaps used for hedging	11	(39.5)	-	-	(39.5)	-	(39.5)	-	(39.5)
Interest rate swaps used for hedging	11	(4.9)	-	-	(4.9)	-	(4.9)	-	(4.9)
Forward exchange contracts used for hedging	11	(1.7)	-	-	(1.7)	-	(1.7)	-	(1.7)
		(46.1)	-	-	(46.1)	-	(46.1)	-	(46.1)
Financial liabilities not measured at fair value									
Unsecured bond issues	8	-	-	(445.6)	(445.6)	-	(500.0)	-	(500.0)
Other non-current liabilities	14	-	-	(130.4)	(130.4)	-	-	-	-
Trade and other payables	9	-	-	(593.6)	(593.6)	-	-	-	-
		-	-	(1,169.6)	(1,169.6)	-	(500.0)	-	(500.0)

NOTE 11 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 20 of the consolidated financial statements.

FOREIGN CURRENCY 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 denominated 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 bond issued in NOK, respectively bond BWO05. The foreign currency exposure on BWO05 is hedged through cross-currency interest swaps with a nominal value of USD 98.8 million.

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 rate caps with a nominal value of USD 100 million in total with maturity in 2023. The caps are held to hedge the quarterly cash flows from floating rate interest payments on the Corporate Facility loan. The cross-currency interest swap held to hedge the BWO05 bond also hedge the interest rate risk on the bond.

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.

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 12 Shares in subsidiaries and associates

Subsidiaries	Country of incorporation	2020	2019
Belokamenka Limited	Bermuda	0%	100%
BW Catcher Limited	Bermuda	100%	100%
BW Nisa Limited	Bermuda	0%	100%
BW Offshore do Brazil Ltda.	Brazil	100%	100%
BW Offshore Holdings Pte. Ltd.	Singapore	100%	100%
BW Offshore Opportunity I Limited	Bermuda	100%	100%
BW Offshore Peregrino Limited	Bermuda	0%	100%
BW Offshore Shipholding Ltd	Bermuda	0%	100%

Belokamenka Limited, BW Nisa Limited, BW Offshore Peregrino Limited and BW Offshore Shipholding Limited were liquidated in December 2020.

The Company recorded an impairment of USD 55.5 million on investments in subsidiaries. In 2019, the Company recorded a net loss from sale of subsidiaries of USD 196.4 million.

Associates	Country of incorporation	2020	2019
BW Energy Limited	Bermuda	39%	0%

In January 2020, the Company acquired 68.6% of BW Energy Limited.

In February 2020, BW Energy Limited was listed at Oslo Stock Exchange.

The Company resolved to distribute 37,741,000 shares in BW Energy (the "Dividend Shares") to the eligible shareholders. The total value of the Dividend Shares was USD 98.8 million.

Following the completion of the Offering and the Dividend Distribution, the Company's share of the investment in BW Energy Limited was reduced to 38.8%. Considering a loss of control, BW Energy Limited is no longer a subsidiary from 17 February 2020.

NOTE 13 Guarantees

The Company has issued parent guarantees as security for its subsidiaries' bank debts, relating to the USD 672.5 million Corporate facility, the Catcher USD 800 million facility and the

Petróleo Nautipa USD 80 million facility, as listed in Note 23 of the consolidated financial statements of BW Offshore Group.

NOTE 14 Intercompany receivables and payables

USD MILLION	2020	2019
Intercompany receivables long-term	690.3	520.4
Intercompany receivables short-term	7.5	280.3
Intercompany payables long-term	725.6	130.4
Intercompany payables short-term	91.8	590.8

Intercompany loan agreements with subsidiaries are set up based on regular market rates, using 3 month LIBOR. Outstanding balances at year-end are unsecured.

The Company recorded an impairment of USD 76.4 million on intercompany loan. In 2019, the Company recorded an impairment of USD 10.4 million on intercompany loan.

NOTE 15 Intangible assets

USD MILLION	Software
Cost	
At 1 January 2020	2.9
Additions	0.2
Carrying amount, 31 December 2020	3.1
Amortisation	
At 1 January 2020	-
Amortisation	(1.0)
At 31 December 2020	(1.0)
Net book value	
At 31 December 2020	2.1

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2020 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.

18 February 2021

Sign.

Mr. Andreas Sohmen-Pao
Chairman

Sign.

Ms. Rebekka Glasser Herlofsen
Director

Sign.

Mr. Maarten Scholten
Director

Sign.

Mr. René Kofod-Olsen
Director

Sign.

Mr. Carl K. Arnet
Director

Alternative performance measures

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. Reference to Consolidated Statement of Income in the Financial Statements for calculation of EBIT.

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. Reference to Consolidated Statement of Income in the Financial Statements for calculation of EBITDA.

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

USD MILLION	2020	2019
Vessels and other property, plant and equipment	37.8	117.9
Tangible E&P assets	23.0	73.8
Intangible assets	7.6	72.0
Total capital expenditures	68.4	263.7
Change in working capital and asset retirement obligation	15.6	9.8
Investment in property, plant & equipment and intangible assets	84.0	273.5

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	2020	2019
Cash and cash equivalents	(139.6)	(250.2)
Long-term interest-bearing debt	958.0	1,025.7
Short-term interest-bearing debt	117.7	221.1
Net interest-bearing debt	936.1	996.6

ORDER BACKLOG

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

FIXED TERM ORDER BACKLOG

Fixed term order backlog is defined as the aggregated revenue backlog from firm contracts.

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.

Independent auditor's report



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To the General Meeting of BW Offshore

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BW Offshore Limited, which comprise:

- The consolidated financial statements of BW Offshore and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
- The financial statements of the parent company BW Offshore ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statement of income, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows 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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities 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.

Offices in:

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knaresund	Sandnessjøen	Tynset
Drammen	Kristiansand	Slavanger	Ålesund



Auditor's report 2020
BW Offshore Limited

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

Valuation of FPSO fleet

Reference is made to *Note 14 Property, plant & equipment* in the Consolidated Financial statements.

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's FPSO and FSO fleet represents a significant portion of total assets. The Group regularly reviews whether there are any impairment indicators and test the individual assets for impairment if an indicator is identified.</p> <p>To determine the recoverability of these assets management uses valuation models which includes management's estimates of the future cash flows that these assets are expected to produce. The carrying value of these assets are particularly sensitive to management's assumptions made around utilisation of the vessels beyond the current contract period. These assumptions are, by nature, dependent upon the application of judgement and are subject to estimation uncertainty. Key assumptions that are subject to judgement in the valuation models include, capex for modifications, redeployment expenses, future charter rates and discount rate.</p> <p>For those assets where management identified an impairment (reversal) indicator, an impairment test was performed. Considering, amongst others, the impact of the Covid-19 pandemic, as well as a sudden and longer-term effect on future commodity prices, management considered a reduced probability of redeployment of FPSOs after their respective contract periods.</p> <p>During 2020, impairment charges were recognised for BW Athena (USD 36.1 million), BW Cidade de São Vicente (USD 104.8 million), Espoir Ivoirien (USD 34.9 million), Berge Helene (USD 71.6 million), FPSO Polvo (USD 17.0 million) and Umuroa (USD 17.1 million).</p>	<p>We assessed whether all material assets requiring impairment testing had been identified by management. For this purpose we have assessed key input factors in the impairment (reversal) trigger assessment, including remaining contract period and field lifetime expectancy.</p> <p>For those assets where management identified an impairment (reversal) trigger, we evaluated the impairment calculations performed, including the assumptions applied.</p> <p>We assessed the estimates of future cash flows and challenged whether these were appropriate considering:</p> <ul style="list-style-type: none"> • historical performance and budgets; • remaining contract period and status of contract renegotiations; • long term market views published by consultancies and respected industry bodies; and • previous estimates. <p>We also assessed by reference to market data the inputs to and calculation of the discount rate used by management. The key inputs included the risk-free rate, market risk premium and industry financing structures (gearing and cost of debt and equity). In testing these assumptions we made use of KPMG valuation experts.</p> <p>We assessed the mathematical accuracy of the valuation models used to calculate the value in use.</p> <p>We assessed the adequacy of disclosure related to impairments in <i>Note 14 Property, plant & equipment</i> in the Consolidated financial statements.</p>



Auditor's report 2020
BW Offshore Limited

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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 the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Chief Executive Officer ("Management") are responsible for the preparation in accordance with law and regulations, including 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 and the Group'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 Group 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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 or the Group'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 and the Group's ability to continue as a going concern. If we conclude that a material uncertainty



Auditor's report 2020
BW Offshore Limited

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 and the Group 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 the Board of Directors 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 the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the Board of Directors, 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 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, 18 February 2021
KPMG AS

Sign.

Arve Gevoll
State Authorised Public Accountant

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