BW OFFSHORE

Annual Report
2022

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BW OFFSHORE

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BW Offshore is a diversified offshore energy company, positioned for sustainable value creation in a changing energy landscape. The company is a global owner and operator of innovative floating production storage and offloading (FPSO) vessels, and is part of a value chain that provides a safe and affordable supply of energy – an important factor for economic growth and security in both developed and developing economies.

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. We have completed 40 FPSO and FSO developments and operated most of the assets after completion, building unique competencies and a very robust platform for the execution of future projects.

KEY FINACIAL FIGURES

Operating revenues	USD million	774.1
EBITDA	USD million	345.7
EBIT	USD million	123.6
Operating cash flow	USD million	650.3
Net profit	USD million	129.5
Total assets	USD million	3 498.6
Total equity	USD million	1 151.1
Equity ratio		32.9%
Market cap	USD million	460
Enterprise value	USD million	957

BOE PER DAY
322 500

UNITS
10

OFFICES
14

LTI
0.22
Per million hours

EMPLOYEES
1 733

EXECUTED PROJECTS
40

FIRM BACKLOG
6
USD billion

COMMERCIAL UPTIME
97.1%

CEO's letter

BW Offshore maintains focus on the execution of our key strategic priorities against a global backdrop of geopolitical changes. During 2022, we progressed our largest FPSO project to date on schedule, continued to optimise our asset base and further strengthened our renewable energy position.

Activity in our main markets increased due to higher oil, gas and power prices and more attention to energy security after the invasion of Ukraine with its devastating impact on the Ukrainian people and society, and on energy supply to Europe. The Covid-19 pandemic, global supply chain challenges and capacity constraints continue to have an impact and have led to rising inflation and interest rates.

DISCIPLINED PROJECT EXECUTION

In this complex environment we are executing the Barossa project. The FPSO, which will be named BW Opal, is currently over 60 per cent completed with strong HSE performance. This is a major milestone for us. The project has so far absorbed the main supply chain and inflation impacts and remains on course due to robust planning, monitoring and partnerships. We look forward to delivering one of the industry's largest state-of-the-art gas FPSOs to our client for first gas as planned in 2025, commencing what will be at least 15 years of operations with attractive returns.

Our ambition is to deliver one similar infrastructure-type FPSO project every second year, meeting clear criteria for returns, counterparties and risk-sharing. During 2022, we worked on an FPSO project in Brazil meeting these criteria. While we are disappointed that the field partners paused the project due to supply chain and inflation concerns, we proved our ability to develop a robust execution plan and financing from high-quality investors and lenders.

GROWING THE 'CORE' AND MAXIMISING VALUE FROM OUR CONVENTIONAL FLEET

Looking at our 'core units', we are working to extend the contracts for BW Catcher and BW Pioneer beyond 2025, and we are preparing BW Adolo to operate at nameplate capacity as BW Energy starts production from new wells in Gabon. We have also completed the BW Opportunity repairs, and she is now actively marketed for potential redeployment projects.

Significant progress has been made on maximising value from the non-core FPSOs, with two units handed over to new owners during the year: the BW Joko Tole in Indonesia and Yùum K'ak'Náab in Mexico. We divested the BW Cidade de São Vicente and Umuroa for safe recycling in compliance with international conventions. Further, we agreed to sell the FPSO Polvo to BW Energy with handover in 2023 for planned redeployment on the Maromba field

> "Just over two years ago, we set a new strategic course for BW Offshore as a diversified offshore energy company

offshore Brazil. Divestment processes are also underway for the remaining non–core units, targeted for completion by end of 2023.

These achievements provide proceeds for investment in new core FPSO projects and for return of capital to our shareholders, while enabling us to optimise our operating organisation.

GROWING IN RENEWABLES

The recent surge in energy costs shows the fragile supply and demand balance after years of global underinvestment in new oil and gas production, and that power generation from solar and wind power remain sub–scale to bridge the gap when system events occur. We believe reliable supply of affordable energy over time must be balanced with the transition to low–carbon energy production.

We are therefore working on both fronts. We plan to grow our core business of large infrastructure type FPSO projects. At the same time, we will leverage our more than four decades of experience from offshore oil and gas production to develop floating solutions for renewable energies and decarbonisation including power generation, with zero carbon fuels or carbon capture and storage.

Our main investment in the renewable energy segment is our 53.2 per cent ownership of BW Ideol, a floating wind pioneer with several ongoing projects as an EPCI and technology provider and as an offshore wind farm co–developer. BW Ideol has a substantial project portfolio of 1 GW and is well positioned for further growth in 2023 and onwards. We consider floating offshore wind a key enabler for meeting future energy needs, and we are prepared to capture this market together with BW Ideol and other partners.

We are also maturing technical concepts for offshore units that can produce zero carbon fuels, such as ammonia, or receive captured CO_2 for safe injection and storage in reservoirs under the seabed. It is still early days, but these solutions are rapidly emerging in preparation for regulatory frameworks and public programmes to support the initial investments.

SAFEGUARDING OUR PEOPLE AND OPERATIONS

Minimising risks and ensuring the safety and security of everyone working for BW Offshore is at the core of everything we do. It is a collective responsibility to ensure 'Zero Harm' in all operations, and that we as a company execute our business guided by a sound environmental, social, and governance framework. We delivered continued high commercial uptime on our fleet in 2022, and I am very pleased to see a continuous improvement in our HSE statistics. Especially when factoring in the high activity on the Barossa project which at year–end had accounted for 8.6 million man–hours worked without injuries.

We seek to promote a culture of safety, and on a quarterly basis we recognise teams and individuals who have made an extra effort in ensuring Zero Harm for our people and assets. This October, we also celebrated our inaugural We LEAD Day across offices and assets to solidify an inclusive culture of leading with integrity across the BW Offshore organisation.

ON COURSE FOR THE FUTURE

Safe operations, a strong culture and integrity are all key enablers for our long–term value creation, and I would like to thank every employee, contractor and business partner for their continued dedication in delivering this every day.

Just over two years ago, we set a new strategic course for BW Offshore as a diversified offshore energy company. I am pleased with our progress and ability to navigate in global markets with increasing complexity.

Our purpose, to engineer offshore production solutions to progress the future of energy, stands firm and I believe we have proven the relevance and resilience in our business model as we seek sustainable growth and returns within offshore energy infrastructure and low–carbon solutions.

Marco Beenen
CEO

Global footprint

AFRICA
Abo FPSO
BW Adolo
Espoir Ivoirien
Petróleo Nautipa
Sendje Berge

EUROPE
BW Athena
BW Catcher

AMERICAS
BW Pioneer

MIDDLE EAST
FPSO Polvo

SOUTH EAST ASIA & OCEANIA
BW Opportunity
BW Opal (under construction)

OFFICES
● **UNITS**

Note: Global footprint per year-end 2022.

A diversified offshore energy company

The increasing global demand for more and cleaner energy is shaping today's offshore industry. Access to safe and affordable energy is essential for people, businesses and societies around the world. This is reflected in BW Offshore's strategy and purpose: to engineer offshore production solutions to progress the future of energy.

As a company, we are committed to responsible growth of our business and exploring new ventures that create value for all our stakeholders, seeking to generate positive returns by finding innovative solutions to the opportunities and challenges of the energy transition. We leverage our proven capabilities in developing floating oil and gas production assets, as well as applying our expertise and experience to adjacent business segments.

By evolving from a pure-play FPSO lease-and-operate model to a diversified offshore energy company, we plan to shift more of our financial and operational resources towards the value creation opportunities of low-carbon energy solutions. This transition has already started and is enabled by long-term cash flow generation from floating offshore oil and gas production, which supports safe, stable and affordable energy supply.

Supporting offshore floating wind company BW Ideol since its launch in 2021 has involved applying our in-house competencies, capabilities and assets to create a leading global offshore floating wind company with a dual strategy – both as a wind farm project developer and an EPCI (engineering, procurement, construction and installation) provider, based on their proprietary Damping Pool® technology.

A CHANGING LANDSCAPE

The global energy market transition reflects both public and environmental concerns and political commitments to reduce carbon emissions. The 2022 Conference of the Parties to the United Nations Framework Convention on Climate Change summit (COP27) in Sharm el-Sheikh, Egypt, reaffirms the focus of the participating nations to continue to strengthen their commitments to cut greenhouse gas emissions each year. The final COP27 declaration also emphasises the role of low-emission energy sources such as natural gas in responding to climate change.

BW Offshore is committed to minimise the impact of our activities over time, by applying innovative technology in collaboration with our clients.

Years of underinvestment in the oil and gas industry, followed by the war in Ukraine and the rapid economic rebound in the aftermath of the Covid-19 pandemic, have resulted in a concern for security of energy supply and a significant tightening of energy markets. In 2022, oil prices reached levels last seen in 2008. Natural gas prices soared to record levels and led to new all-time-high electricity prices in some markets. The high energy prices, combined with elevated inflation levels, rising interest rates and global supply chain challenges, have impacted industrial activity, consumer spending and global economic growth.

Several nations, especially in Europe, are prioritising energy security over short-term emission reduction goals and have turned to alternative producers of gas. This confirms our strategic belief that oil and gas will remain significant contributors to the global energy mix in the coming decades. However, the current situation with high prices and real concerns for reliable energy supply is likely to also contribute to an acceleration of the transition to renewable energy sources. BW Offshore is uniquely positioned to capture growth opportunities by developing offshore energy production solutions within both the oil and gas and the renewables segments.

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Strategic priorities

Positioned for the future

BW Offshore plans to grow through the execution of value-accretive offshore energy projects. Over time, we will shift an increasing share of resources towards global energy transition opportunities. We have a sound financial position, enabling investments in offshore energy infrastructure projects and low-carbon offshore energy production solutions, while providing attractive shareholder returns over time.

DELIVERING ON STRATEGY

BW Offshore has defined a set of clear strategic priorities for long-term value creation.

1. Growing the core floating production business through new offshore energy infrastructure projects
2. Building a substantial and growing position in offshore renewable energy infrastructure
3. Extracting maximum value from the conventional FPSO fleet

Strategic priority 1

Growing the core floating production business through new offshore energy infrastructure projects

BW Offshore has established clear selection criteria for new offshore oil and gas production projects, targeting infrastructure-type projects with:

- Firm contract periods >15 years.
- Project execution and co-investing with partners.
- Solid National Energy Companies (NECs) and investment grade counterparties.

Over the past four decades, we have completed 40 FPSO and FSO developments and operated most of the assets after completion, building unique competencies and a very robust platform for the execution of future projects.

The demand for lease-and-operate floating production solutions is increasing as the major energy companies consider increased capital allocation towards oil and gas projects on the back of elevated energy prices. Numerous FPSO projects are about to be sanctioned

GO BACK

led by high activity in markets such as Brazil, Guyana, Australia and West Africa. At the same time, lenders and equity investors are becoming more selective, favouring large infrastructure-type projects with long-term cash flow and return visibility with existing long-term clients. BW Offshore is well positioned to capture such opportunities.

We aim to secure one new energy infrastructure FPSO project every two years, leveraging our organisation, capturing scale benefits and improving long-term returns. Working and co-investing with partners provides additional execution capabilities and financing capacity, and de-risks the project development phase.

The Barossa project, awarded in 2021, is the first to reflect the selection criteria above. The project execution combines engineering, procurement, construction and installation (EPCI) capabilities and operational experience to generate strong cash flows and sound returns over time. This is supported by a robust financing structure and with top-tier equity partners and a strong lender group.

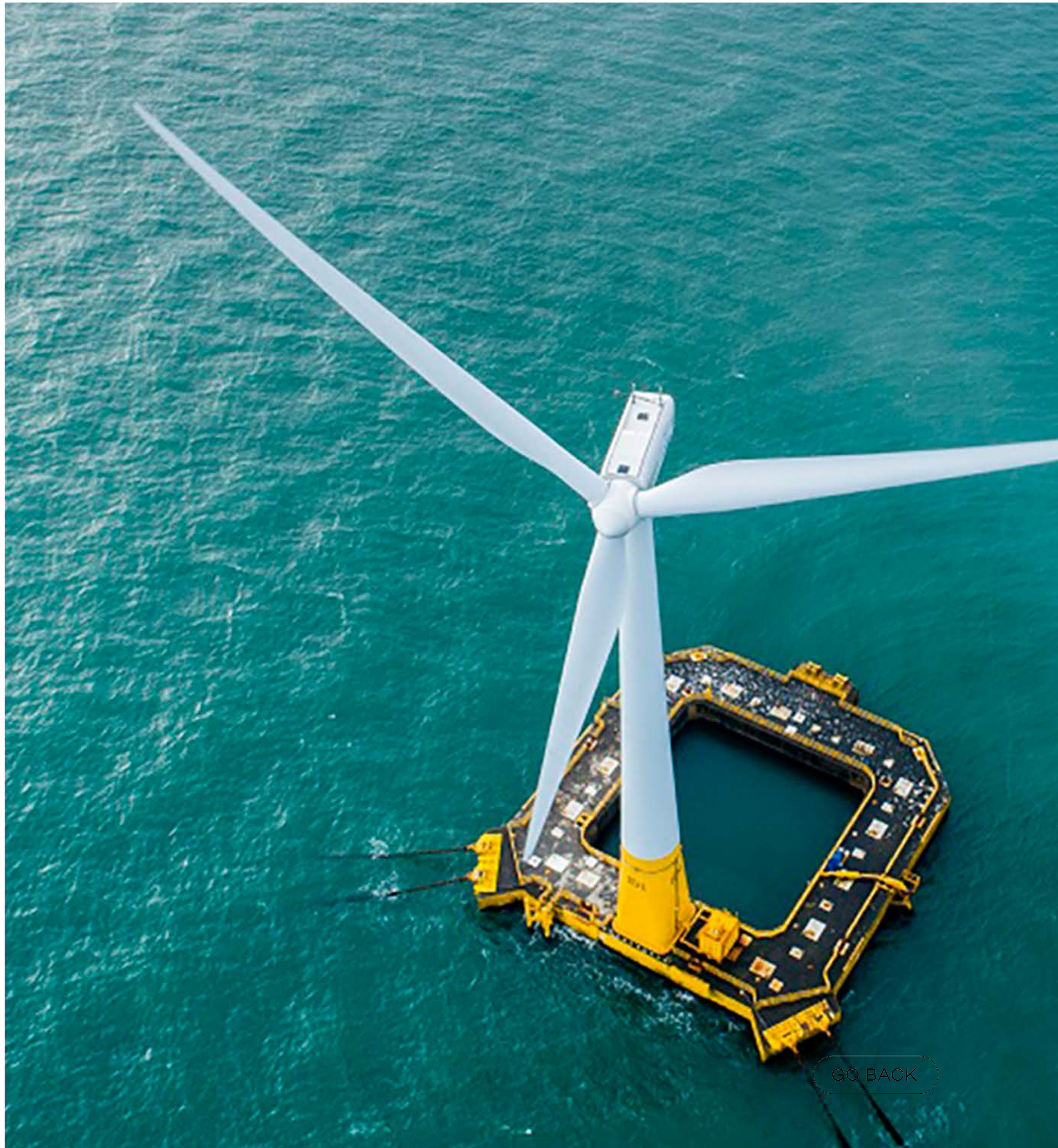
With FPSO demand increasing and a limited number of active FPSO operators, we believe there continues to be a window of opportunity to secure the right projects over the coming years.

Our core fleet is made up of the BW Catcher, BW Pioneer and BW Adolo FPSOs, all operating on multi-year contracts, and the Barossa FPSO, which is under construction. These four units represented 99 per cent of the firm and probable revenue backlog at the end of 2022.

Strategic priority 2

Building a substantial and growing position in offshore renewable energy infrastructure

BW Offshore is committed to contributing to the energy transition by developing low−carbon offshore energy production solutions. We are applying our extensive innovation and financing capabilities to develop floating energy solutions and offshore renewable power production at industrial scale.



GO BACK

Political and financial commitments to reducing the carbon intensity of global energy systems continue to gain momentum, using solutions involving floating wind, gas-to-power, clean fuels such as hydrogen and ammonia, as well as carbon capture. BW Offshore is exploring opportunities to apply our financial, development and operational capabilities to transition-related offshore production solutions and technologies. Investment decisions will be based on a disciplined policy, with clearly defined requirements in terms of long-term returns, accretive partnerships and use of appropriate capital sources.

Our primary investment in offshore floating wind is through a 53.2 per cent ownership of BW Ideol. The company has two full scale offshore floating wind turbines in operation in France and Japan, and a significant project pipeline including ongoing commercial scale tenders.

BW Ideol is making good progress in executing its dual growth strategy of wind farm co-owner and project developer and EPCI and maintenance service provider, having 1 GW of projects under development and 2.9 GW of substantiated pipeline at the end of 2022. By 2030, BW Ideol aims to be involved in a 10 GW gross portfolio of offshore floating wind developments as an EPCI provider and co-owner, as well as being a co-owner of 1.5 GW in operations. At the end of 2022, the company considers itself to be ahead of plan for the 10 GW target.

By combining existing FPSO and floating wind capabilities to develop and deploy clean offshore energy production and develop new adjacent business areas, we are exploring several opportunities for growth. These may include low-carbon FPSOs powered by floating wind or floating gas-to-power plants. As an example, BW Ideol and BW Offshore are collaborating with Fram Green Technology and the broader Grieg Group to make Power-to-Platform solutions technically and economically viable on the Norwegian Continental Shelf.

Strategic priority 3

Extracting maximum value from the conventional FPSO fleet

The conventional FPSO lease-and-operate business model typically involves short-to-medium contract durations, multiple option periods and residual value exposure. This makes it difficult to meet the risk-adjusted return requirements in a market with increased macro uncertainty and energy price volatility.

At year-end, the remaining conventional BW Offshore fleet comprised three FPSOs on short-term contracts, one in lay-up, and one being decommissioned, which in total accounted for 1 per cent of revenue backlog. The conventional FPSOs in operation are all coming off their firm contracts within the next 12 months. We will ensure safe and secure operations during the remaining firm and option periods, as well as compliance with the Hong Kong convention for units being safely recycled.

We are in dialogue to redeploy the FPSO BW Opportunity, with several prospects being evaluated in an active FPSO market. The benefits of reusing an existing asset are short lead time to cash flow, as well as less capital required compared to a newbuild combined with a reduced environmental footprint during development as we reuse existing energy infrastructure.

During 2022, we accelerated the wind-down of the non-core fleet by divestment of the BW Joko Tole, BW Cidade de São Vicente, FPSO Umuroa and FPSO Polvo. We are engaged in dialogues with local operators for potential transactions of the three remaining non-core FPSOs in operation at year-end. Petróleo Nautipa is scheduled to be recycled in the first half of 2023 to reduce lay-up costs and realise steel value.

Directors' report 2022

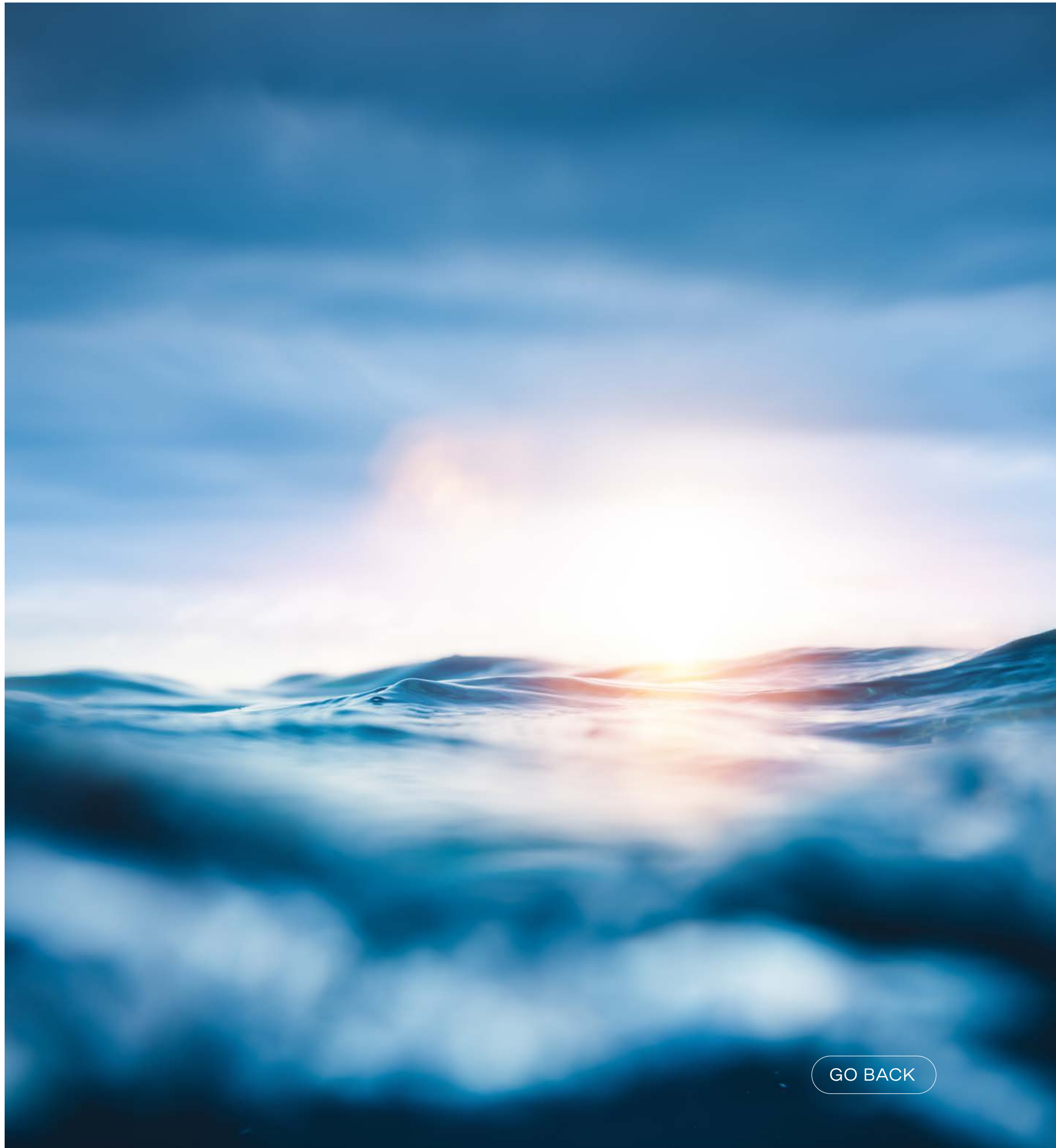
Staying on course in a challenging market environment

BW Offshore is a diversified offshore energy company, contributing to safe and affordable energy supply and the transition to a lower carbon society. This is reflected in the Company's strategic priorities for long-term value creation and guides execution of operational and corporate activities.

During 2022, the core FPSO fleet continued to operate with stable commercial uptime, enabling the Company to maintain a robust financial position and distribute quarterly dividends to shareholders. The order backlog at year-end amounted to approximately USD 6.0 billion of firm contracts and USD 7.1 billion including probable contract extension options, providing future revenue and cash flow visibility.

BW Offshore continued its dual-track strategy of evolving the core floating production business and capturing energy transition opportunities by developing adjacent business areas. Further progress was also made in capturing value from the non-core FPSO fleet, vessels with no contracts or short remaining durations and limited redeployment potential, through divestment for further operations with new owners or for recycling.

The Company continued to selectively progress new floating production business opportunities in line with the ambition and capacity to deliver one new project approximately every second year. Such projects must meet defined return requirements during the firm contract period, with investment-grade counterparties or national energy companies, with co-investors to optimise capital requirements and partnerships for increased execution capacity and risk sharing.



GO BACK

A project meeting these criteria was the potential Gato do Mato FPSO intended for an 18–year firm contract to Shell. During the year, BW Offshore, in a consortium with EPCI partner Saipem, undertook preparatory work under a limited notice to proceed (LNTP) to secure this contract. In November, the field partnership paused the project due to supply chain challenges and concern for inflationary pressures. BW Offshore was reimbursed for costs incurred in line with the agreed terms of the LNTP.

The market fundamentals for new FPSO projects remain favourable despite inflation and supply chain challenges as oil gas companies seek to develop new production supported by the need for energy and consequently an outlook with high energy prices. The Company continues to pursue select opportunities into 2023. This increased market activity is also opening up potential re–deployment projects for BW Opportunity.

With an aim to capture energy–transition–related growth opportunities, BW Offshore formed a partnership with BW Ideol in 2022 to actively pursue Floating Power–to–Platform infrastructure projects. The collaboration leverages on both FPSO and floating wind competencies to develop low–carbon offshore energy production. In 2022, three early–stage studies were initiated with different major oil and gas companies for potential future Power–to–Platform projects.

BW Ideol addresses the rapidly growing demand for offshore power production through in–house developed and proven floating offshore wind technology, supported by BW Offshore's global experience as a developer of offshore projects. The investment in BW Ideol is in line with the Company's strategy to apply its competencies to drive value creation in the ongoing energy transition and position BW Offshore as a provider of clean energy solutions for the coming decades.

BW Offshore's operations are supported by a strong internal operational integrity framework and a focus on business continuity, development and sustainability. The Company's financial position supports growth into accretive offshore energy projects and long–term value creation.

FPSO OPERATIONS

As of 31 December 2022, BW Offshore had six out of 10 FPSOs in operation. The weighted average commercial uptime for the operating fleet in 2022 was 97.1 per cent (97.3 per cent in 2021).[1]

In the first quarter of 2022, BW Offshore divested the BW Cidade de São Vicente and the FPSO Umuroa for recycling at the Priya Blue yard and Baijnath Melaram yard, respectively. The two Indian yards are certified to ISO standards and the Hong Kong International Convention, and both units were recycled in compliance with these standards. A third–party observer was appointed by the Company at both sites to assure compliance with health, safety and environmental regulations, and this were further incentivised by a safe–recycling bonus.

In April, BW Offshore signed an agreement for the sale of FPSO Polvo to BW Energy Limited. The sale will be completed no later than 24 July 2023.

In June, BW Offshore completed the sale and handover of the FPSO BW Joko Tole to an Indonesian consortium for continued operations.

In July, after 15 years of operations, Yùum K'ak' Náab was handed over to Pemex for continued production in accordance with the terms of the financial lease contract.

The contract for Petróleo Nautipa reached the end of its term in October. The FPSO is set to be sold for recycling after the completion of demobilisation and decommissioning.

During the year, BW Offshore continued to execute the Barossa FPSO project according to plan. As of 31 December, the gas and condensate FPSO project was 54 per cent completed in line with schedule. At year–end, the project had passed 8.6 million man–hours without injuries. This milestone reflects the Company's and the project partners' commitment to safeguard people and operations.

In January 2023, the contract for Abo FPSO was extended until the end of March 2023.

BW Offshore is actively pursuing redeployment opportunities for BW Opportunity. Divestment negotiations are ongoing for BW Athena, Espoir Ivoirien, Abo FPSO and Sendje Berge, which represent the remaining units in the conventional FPSO fleet.

OFFSHORE FLOATING WIND

BW Offshore is actively engaged in the energy transition by developing clean energy production solutions, applying its offshore engineering and operations capabilities to drive future value

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[1] Historical data have been updated from 2021 Annual Report to reflect weighted average fleet uptime based on units' actual vs. potential revenue contribution.

creation through its 53.2 per cent ownership in BW Ideol.

BW Ideol is a global leader in offshore floating wind technology and co-development with more than 12 years of experience from design, execution and development of floating wind projects based on proprietary and patented Damping Pool® technology and engineering capabilities.

BW Ideol pursues a dual strategy as a floater EPCI (Engineering, Procurement, Construction and Installation) and maintenance services provider, and as a floating wind farm project developer and co-owner.

In January 2022, BW Ideol secured close to 1 GW of offshore floating wind acreage in the ScotWind leasing round as a partner in the Floating Energy Allyance.

Later in the year, the EolMed partnership, with BW Ideol as a 5 per cent owner, made a final investment decision and began the EPCI phase on the 30 MW EolMed project in the French Mediterranean Sea. In addition, BW Ideol is progressing several co-development, EPCI and floating substation opportunities.

BW Offshore and BW Ideol are jointly pursuing Floating Power-to-Platform infrastructure opportunities that increase fuel availability for sale and reduce greenhouse gas emissions, and in some countries mitigate carbon tax exposure to the operator. The cooperation between BW Offshore and BW Ideol leverages on both FPSO and floating wind competencies to develop low-carbon offshore energy production. To date, the partnership has been involved in four early-stage studies for oil and gas companies.

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 and procedures for safety, security, occupational health and environmental management. BW Offshore prioritises safety in all its operations. 'Zero Harm' is 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.

BW Offshore is committed to achieve sustainable development and integrates corporate responsibility in all processes and daily operations, seeking to meet the Company's environmental, social and governance (ESG) related targets. For more information, please see the Sustainability section of this annual report.

Total HPI-rate (High Potential Incidents), LTI-rate (Lost Time Injury) and total TRI-rate (Total Recordable Injury) for BW Offshore in 2022 were 0.74, 0.22 and 0.44, respectively, measuring the 12-month average per million exposure hours. The rates for 2021 were 0.68, 0.55 and 1.09. The rates are predominantly downwards trending, reflecting BW Offshore's commitment to operational integrity and continuous improvement.

BW Offshore continues to proactively take measures to safeguard people and operations and to minimise risk of business interruptions due to the lingering Covid-19 pandemic by maintaining comprehensive safety procedures, adhering to local public health advice across all locations, and encouraging employees to get vaccinated. The impact on operations was managed through prudent risk management and planning, however, these procedures still resulted in a direct financial impact of approximately USD 7 million, compared to approximately USD 19 million in 2021.

FINANCIAL PERFORMANCE

Income statement

Group revenue was USD 774.1 million in 2022 compared to USD 829.3 million in 2021. Total operating expenses were USD 428.4 million compared to USD 428.0 million in 2021.

Earnings before depreciation, amortisation, impairment and sale of assets (EBITDA) for 2022 was USD 345.7 million compared to USD 401.3 million in 2021. The reduction in EBITDA was mainly driven by the Company's decision to dispose of non-core units whose redeployment opportunities do not materialise, partly offset by reimbursement of expenses from the limited notice to proceed (LNTP) contract with Shell.

In 2022, BW Offshore recorded an impairment of USD 15.8 million. The impairment reflects pausing of the Gato do Mato project. In 2021, BW Offshore recorded an impairment on the FPSO fleet of USD 90.5 million. The impairment reflected reduced probability of extension of current contracts, as well as lack of redeployment opportunities after end of contract period for the more mature part of the FPSO fleet.

Operating profit was USD 123.6 million, compared to an operating profit of USD 42.0 million in 2021.

Share of profit of equity-accounted investees was USD 9.9 million compared to USD 33.5 million in 2021 and included BW Offshore's share of net result from the ownership in BW Energy. The variance was mainly due to gain recognised in 2021 relating to block sale of BW Energy shares.

Net financial gains were USD 16.2 million compared to a financial expense of USD 28.6 million in 2021. The increase comes mainly as a result of positive mark-to-market on interest rate swaps due to increasing swap rates.

Tax expense amounted to USD 20.2 million compared to a net tax income of USD 15.3 million in 2021. BW Offshore had tax losses carried forward in Australia from a previous operation linked to the acquisition of Prosafe Production. This tax loss had previously not been recognised in the balance sheet as BW Offshore had no operation in Australia in recent years. With the signing of the Barossa FPSO contract in 2021, it was anticipated that this tax loss could be utilised and consequently a deferred tax asset of USD 60.7 million was recognised in 2021 resulting in a net tax income for the year. Tax income in 2021 was partly offset by a write down on deferred tax assets of USD 11.8 million relating to the sale of Joko Tole.

Net profit for 2022 was USD 129.5 million compared to a profit of USD 62.2 million for 2021.

Financial position

At 31 December 2022, the Group had a net equity of USD 1 151.1 million compared to USD 1 021.4 million as of 31 December 2021. The equity ratio at the end of 2022 was 32.9 per cent, compared to 33.9 per cent at the end of 2021. The decrease is mainly due to increasing finance liability related to the Barossa lease.

At 31 December 2022, the Group had interest-bearing debt of USD 727.7 million compared to USD 927.6 million in 2021. The interest-bearing debt comprises mainly the Catcher facility, the corporate loan facility, convertible bond and unsecured bond loan. Finance liability relating to the Barossa project was USD 526.1 million as of 31 December 2022, compared to USD 198.1 million as of 31 December 2021.

Net interest-bearing debt as of 31 December 2022 was USD 497.4 million compared to USD 653.4 million in 2021.

Cash flow

Net cash inflow from operating activities was USD 650.3 million compared to net cash inflow of USD 510.2 million in 2021. The increase was mainly driven by prepayments relating to the Barossa project.

Net cash outflow from investment activities amounted to USD 701.8 million compared to USD 323.0 million in 2021. The increase was mainly related to investment in the Barossa project.

Net cash inflow from financing activities amounted to USD 7.6 million compared to cash outflow of USD 52.6 million in 2021. The variance primarily relates to effects from changes in net interest-bearing debt and proceeds from share issue in BW Ideol in 2021.

Dividends

During 2022, BW Offshore paid USD 25.3 million in cash dividends to shareholders, equal to USD 0.035 per share per quarter. In addition, BW Offshore distributed USD 13.6 million worth of BW Energy Limited shares as dividend in-kind, reducing the ownership in BW Energy from 27.46 per cent to 25.42 per cent.

PARENT COMPANY ACCOUNTS

BW Offshore Limited is a holding company. The Company reported a net gain of USD 14.2 million for 2022, compared to a net loss of USD 282.7 million in 2021. The variance is primarily related to higher dividend income in 2022 and lower impairment expense and loss from sale of shares relating to investment in subsidiaries and associates.

Total assets were USD 1 084.9 million as of 31 December 2022 compared to USD 1 414.7 million in 2021.

Total shareholders' equity in BW Offshore Limited as of 31 December 2022, was USD 254.2 million, corresponding to an equity ratio of 23.4 per cent.

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 the major energy 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 2022, BW Offshore had 1 733 employees including contract staff, compared to 1 849 in 2021. The reduction is mainly a function of the divestment of conventional FPSOs during the year.

The working environment and culture in BW Offshore are considered strong, and there is continuous focus on initiatives for improvement. In 2022, onshore absence due to sickness was 2.4 per cent of the total hours worked by employees. This compares to 1.4 per cent in 2021.

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 recognising diversity and inclusion, to ensure equal opportunities, and providing 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.

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's activities expose the company to a variety of financial risks: currency risk, interest rate risk, credit risk, liquidity risk and capital risk. The Group also considers potential future climate change-related risks and opportunities. More information is provided in the Taskforce on Climate-related Financial Disclosures (TCFD) report included in the Sustainability Report.

The most important operational risk factors are related to the operation of FPSOs and project execution, 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 has purchased and maintains a Directors and Officers Liability Insurance issued by a reputable insurer with an appropriate rating.

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

The Company has no direct exposure to the war in Ukraine. The global macroeconomic and geopolitical developments during 2022 have led to higher oil and gas prices amid concerns for regional energy shortages, prompting energy companies to increase capital allocation to traditional hydrocarbon-based projects.

At the same time, inflationary pressures, supply chain and logistics challenges have increased project execution risks, affecting cost management processes and potentially also the profitability of such projects. BW Offshore maintains its focus on mitigating potential impact from ongoing global supply chain disruptions and commodity inflation with special emphasis on the Barossa FPSO project.

Long-term, an observed shift of investor attention towards energy transition activities is likely to continue with increased capital allocation towards electrification and clean fuels. This may over time lead to increased uncertainty related to access to financing and the capital cost for new hydrocarbon-based projects as well as increased costs to comply with changing regulatory requirements.

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.

OUTLOOK

The Company expects that the core units in the existing fleet will continue to generate significant cash flow in the time ahead supported by the USD 6.0 billion firm contract backlog at year–end 2022, including the Barossa contract.

Nations are expected to increasingly prioritise energy security through diversification of sourcing. The attention to energy independence, combined with higher prices, have incentivised oil and gas companies to progress new field development projects in the current inflationary environment.

BW Offshore experiences increased interest for infrastructure type lease and operate FPSO projects, combined with continued access to equity and debt financing for field development initiatives with long–term production, low break–even costs and low–carbon emissions. There is also increased activity related to redeployment projects.

The Gato do Mato tender process reconfirmed BW Offshore's ability to develop a robust execution plan and source the required equity and debt from high–quality investors and lenders. BW Offshore maintains a selective approach to such opportunities, progressing discussions on only a few high–end projects, which can be developed in partnership with global infrastructure investors.

The ongoing asset divestment programme for the non–core FPSOs is expected to be completed in 2023, in line with the strategy, reducing the operational risks associated with the conventional units and strengthening the balance sheet. The BW Opportunity is retained and marketed as a redeployment candidate.

BW Ideol is BW Offshore's vehicle for investment in floating offshore wind. The company is progressing multiple projects in collaboration with BW Offshore and other partners.

BW Offshore is well positioned for future growth and long–term value creation through the execution of accretive offshore energy projects.

27 February 2023

Sign
Mr Andreas Sohmen–Pao
Chairman

Sign
Ms Rebekka Glasser Herlofsen
Director

Sign
Mr Maarten R. 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 listed affiliates BW Offshore, BW LPG, Hafnia, BW Epic Kosan, BW Energy and Cadeler. He is also Chairman of the Global Centre for Maritime Decarbonisation, a director of Navigator Holdings and a trustee of the Lloyd's Register Foundation.

Mr Sohmen-Pao was previously Chairman of the Singapore Maritime Foundation and has served as a non-executive director of Hongkong and Shanghai Banking Corporation Ltd, London P&I Club, Singapore Symphonia Company, National Parks Board Singapore, Sport Singapore and the Maritime and Port Authority of Singapore amongst others.

REBEKKA GLASSER HERLOFSEN

Director

Rebekka Glasser Herlofsen has over 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, the Torvald Klaveness Group, Wilh. Wilhelmsen Holding ASA and Chair of the boards of the marine insurer Norwegian Hull Club and of Handelsbanken Norway.

Ms Herlofsen is independent from the Company's management, major shareholders and principal business associates.

MAARTEN R. SCHOLTEN

Director

Maarten R. Scholten 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. He was co-founder of Delta Hydrocarbons, an alternative investment fund in the upstream oil and gas sector and held the role of General Counsel at TotalEnergies SA from 2013 to 2017.

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 40 years of experience in the oil and gas industry.

Mr Arnet is currently the Chief Executive Officer of BW Energy Limited. Prior to this role, he was the Chief Executive Officer of BW Offshore Limited.

Mr Arnet holds a number of other board memberships and chairmanships in non-related companies and has served as a non-executive director of the Maritime and Port Authority of Singapore.

Leadership

Senior Management

MARCO BEENEN
CEO

STÅLE ANDREASSEN
CFO

KEI IKEDA
COO

RUNE BJORBEKK
CCO

MAGDA VAKIL
General Counsel

Management

FRITZ EKLØFF
Head of IT & Systems

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

YVONNE HILST
Head of Corporate Integrity

COMMITTEES

	Gender	Role
Audit Committee		
Rebekka Glasser Herlofsen	F	Chair
René Kofod-Olsen	M	Member
Nomination Committee		
Sophie Smith	F	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

Read more about the committees on the Company's website.

Corporate governance report

BW Offshore Limited is a Bermuda limited liability company listed on Oslo Børs (the 'Oslo Stock Exchange' – part of Euronext). BW Offshore Limited ('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 seeks to comply with the most current version of the Norwegian Code of Practice for Corporate Governance, dated 14 October 2021 (the 'Code'), prepared by the Norwegian Corporate Governance Board.

The Board provides an 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

On 31 December 2022, 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 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 profiles for the Company's business activities such that the Company creates value for the shareholders, other stakeholders and society at large in a sustainable manner. The Company's objectives, main strategies and risk profiles are subject to annual review and described in the annual report, and take into consideration financial, social and environmental factors.

BW Offshore has implemented corporate values and ethical guidelines that are described in the Company's Code of Ethics and Business Conduct (the Code) and internal policies, as well as in the sustainability report, included in the annual report. The Company's expectations of vendors and third parties are stated in the BW Offshore's Supplier Code of Ethics and Business Conduct (the Supplier Code). Both the Code and the Supplier Code are available on the company website www.bwoffshore.com. Identified risks and opportunities are described in the annual report, and a corporate risk registry is regularly reviewed by the Company and at least annually by the Board.

3 EQUITY AND DIVIDENDS

Equity and capital structure

On 31 December 2022, the Company's consolidated equity was USD 1 151.1 million, which is equivalent to 32.9 per cent 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.

Dividend policy

Pursuant to the Company's Bye-laws, the Board is authorised to declare dividends 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 2022, the Company paid a total of approximately USD 0.22 per share in dividends as a combination of cash and in-kind distributions of shares in BW Energy Ltd. The cash dividend payments totalled USD 0.14 per share split between four payments in March, June, September and November. The dividend in-kind amounted to approximately USD 13.6 million in the form of 5 268 120 BW Energy shares distributed to BW Offshore shareholders, equivalent to approximately USD 0.08 per share. The in-kind dividend was paid in June, September and November.

Authorisations to issue new shares and share buy-backs

Pursuant to Bermuda law and as is 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. On 31 December 2022, the total authorised share capital in the Company was USD 214 million.

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 2022, a total of 1 849 600 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 per cent. A total of 60 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 six years after the award date. A claw back policy is applicable and is described in the Terms and Conditions of the LTIP.

Purchase of own shares

There were no transactions related to the Company's own shares in 2022. On 31 December 2022, BW Offshore held a total of 4 141 437 treasury shares or 2.24 per cent of the total number of issued shares.

4 EQUITABLE TREATMENT OF SHAREHOLDERS

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. The Code requires that 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 2022.

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 on page 23 for details about trading in treasury shares during 2022.

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 Euronext VPS, where such transfer would, in the opinion of the Board, likely result in 50 per cent or more of the aggregate issued and outstanding share capital of the Company, or shares of the Company to which are attached 50 per cent 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 2022 annual general meeting was held on 26 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, sent by post 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.

It is not uncommon in Bermuda-incorporated companies for the Chairman to preside over a general meeting. Consistent with the recommendations of the Code that the Board should ensure that the general meeting may elect an independent person to chair the meeting, the Company's Bye-laws were amended in the 2022 AGM to include that an independent person can be appointed to chair the meeting.

The minutes of the annual general meeting are published on the Company's website no later than three business 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, and the Company will provide shareholders with any deadlines for submitting proposals for candidates to the Nomination Committee.

The composition of the Nomination Committee should reflect a broad range of shareholder interests. The Code recommends that the majority of the committee shall be independent of the Board and the executive personnel of the Company. The Nomination Committee shall not include the Company's Chief Executive Officer or any other executive personnel. None of the members of the Nomination Committee of the Company is a member of the Board of Directors or 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.

NOMINATION COMMITTEE

Name	Role	Considered independent of the board of directors and executive personnel	Served since
Ms Sophie Smith	Chair	Yes	2022
Mr Bjarte Bøe	Member	Yes	2014
Ms Elaine Yew	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 one year 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 per cent 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.

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

BOARD OF DIRECTORS

Name	Role	Considered independent of the main shareholder and executive personnel	Served since	Term expires	Participation in board meetings in 2022	Shares in BW Offshore (direct/indirect)	Nationality
Mr Andreas Sohmen–Pao	Chairman	No	2014	2023	100%	90 245 285	Austrian
Ms Rebekka Glasser Herlofsen	Director	Yes	2020	2023	100%	0	Norwegian
Mr Maarten R. Scholten	Director	Yes	2010	2023	100%	160 761	Dutch
Mr René Kofod–Olsen	Director	Yes	2019	2023	83%[1]	13 183	Danish
Mr Carl Krogh Arnet	Director	No	2019	2023	100%	0	Norwegian

[1] 100% participation in scheduled board meetings

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 Company's executive personnel, with particular emphasis on clear internal allocation of responsibilities and duties. The Board carries out an annual evaluation of its performance and expertise.

In case of any material transactions between the Company and a shareholder, a shareholder's parent company, director, officer, or persons closely related to any of these (collectively referred to as 'related parties'), the Company has in place guidelines and procedures as to how the Board and executive personnel of the Company shall handle agreements with related parties, including when the Board should obtain a valuation from an independent third party. Independent valuations shall also be obtained in respect of transactions between companies within the same group where any of the companies involved have minority shareholders. For more information regarding related party transactions, see Note 27 of the annual report.

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 annually schedules in advance quarterly meetings of the Board for the following calendar year, although additional meetings may be called by any director of the Company. The Board held an aggregate of six meetings in 2022. The directors normally meet in person, but if allowed by the chairman, directors may participate in any meeting of the Board by means of telephone or video conference. Minutes in respect of the meetings of the Board of Directors are maintained by the Company in Bermuda.

The Board shall provide details in the annual report of any Board committees appointed. On 31 December 2022, 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 internal control arrangements, as well as an annual supervisory plan for internal audit work. The Audit Committee reviews the compliance systems and procedures, and follows up on internal controls in connection with quarterly reviews of the Group's financial reporting. The Audit Committee oversees the Company's annual sustainability report and assesses the efforts of the Company to satisfy external stakeholder expectations and align with corporate strategy and value creation and report to the Board accordingly. At least once a year, the Audit Committee reviews the Company's internal control procedures relating to its financial reporting process. On 31 December 2022, the Audit Committee consisted of Rebekka Glasser Herlofsen (Chair) and René Kofod–Olsen, both of whom are independent 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 the Group and the procedures in place to mitigate the impact of such risks. On 31 December 2022, 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. On 31 December 2022, the Compensation Committee consisted of Andreas Sohmen-Pao (Chair) and Maarten R. Scholten, both of whom were also members of the Board.

The Terms of Reference for the Audit Committee and the Guidelines for the Nomination Committee and the Technical and Commercial Committee are available on www.bwoffshore.com.

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 Company-wide policies and internal guidelines in areas such as Finance and Accounting, HSE, Project Management, Operation, Technical and Business Development, in addition to implementation and follow-up of a risk assessment process. The 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 Head of Corporate Integrity is responsible for the internal audit in BW Offshore and reports relevant matters directly to the Audit Committee. In addition to its own controlling bodies and external audit, BW Offshore is subject to external supervision by DNV 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 the 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 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 8 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 and the fee, if any, shall be approved by the Board.

12 SALARY AND OTHER REMUNERATION OF THE EXECUTIVE PERSONNEL

Salary and other 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 shall contribute to execution of strategy, long-term value creation and financial viability and ensure convergence of the 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 Compensation 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 six months' salary.

Any share option programme in the Company available to the employees of the Company, and subsidiaries, requires the approval of the Board.

Detailed information of remuneration, loans, shareholding of the management and any share option programmes can be found in Note 8 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 pre-condition 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 takeover 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 takeover 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 takeover bid unless this has been decided by the shareholders in the 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 takeover offers unless this has been decided by the shareholders in the 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 on page 25). Any such valuation should either be enclosed with the Board's statement or reproduced or referred to in the statement.

15 AUDITOR

The auditor is appointed by the general meeting and is independent of the business of the Company. The auditor shall annually confirm its independence in writing to the Audit Committee. On 31 December 2022, the external auditor of the Company is KPMG AS.

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 shall ensure that the auditor annually presents an audit plan to the Audit Committee and/or the Board.

The Audit Committee shall invite 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 8 in the consolidated financial statements.

Shareholder information

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 is committed to providing timely, orderly, consistent and credible information. Information and communication are regulated by the company's media policy and investor relation policy, and cover 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.

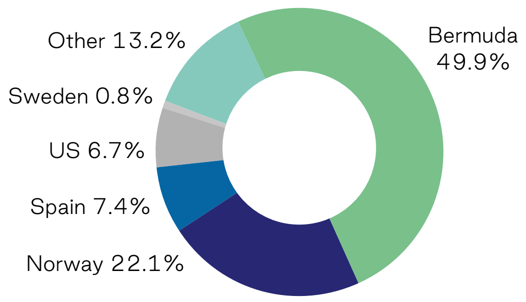
During a period of two weeks before the planned release of an interim financial report, BW Offshore will not comment on matters related to the company's financial performance or expectations, save for ordinary communication with analysts and investors on general aspects of the business.

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 reflects 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	49.91%
2	Cobas Asset Management SGIIC S.A.	13 236 305	7.32%
3	Dimensional Fund Advisors	4 083 803	2.26%
4	Salt Value AS	3 936 179	2.18%
5	Arctic Fund Management	3 503 433	1.94%
6	Vanguard	3 072 100	1.70%
7	First Fondene	2 722 203	1.51%
8	Pareto Funds	1 497 000	0.83%
9	DNB Funds	1 439 221	0.80%
10	BlackRock	1 019 784	0.56%
11	Nordnet Bank AB	939 891	0.52%
12	American Century Investment Management	930 072	0.51%
13	Nordnet Livsforsikring AS	897 556	0.50%
14	Harald Espedal	742 675	0.41%
15	AS Clipper	736 525	0.41%
16	NHO – Næringslivets Hovedorganisasjon	706 146	0.39%
17	Goldman Sachs Asset Management	628 178	0.35%
18	Helmer AS	600 000	0.33%
19	Charles Schwab Investment Management Inc	522 036	0.29%
20	Liontrust	512 544	0.28%

BW Offshore has issued a total of 184 956 320 shares of which 4 141 437 were held as treasury shares as of 31 December 2022. The year-end total number of outstanding shares stood at 180 814 883.

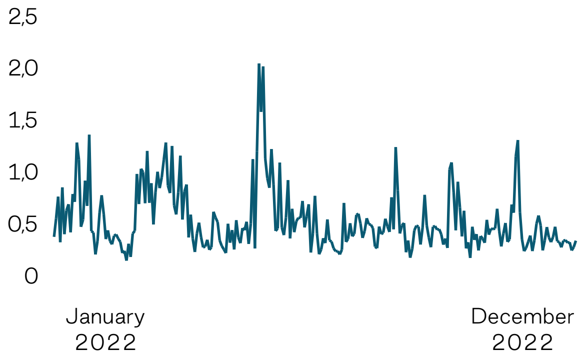
Source: Monitor by Modular Finance. Compiled and processed data from various sources, including VPS, Morningstar, Norwegian Financial Supervisory Authority (Finanstilsynet), Millistream. The verification date may vary for certain shareholders.

SHARE PRICE

NOK

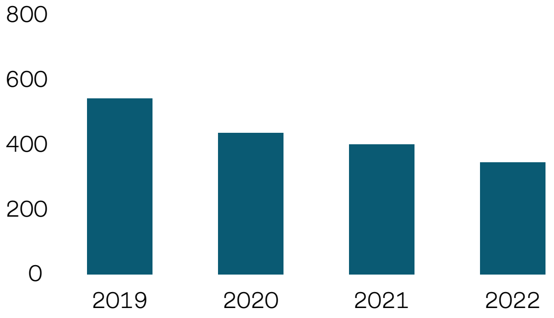
VOLUME

Million (number of shares)



EBITDA[1]

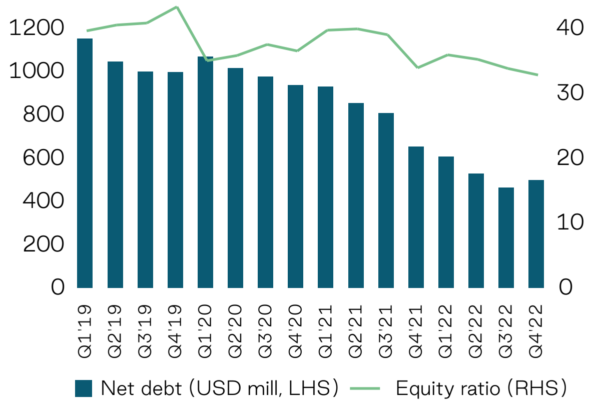
USD Million



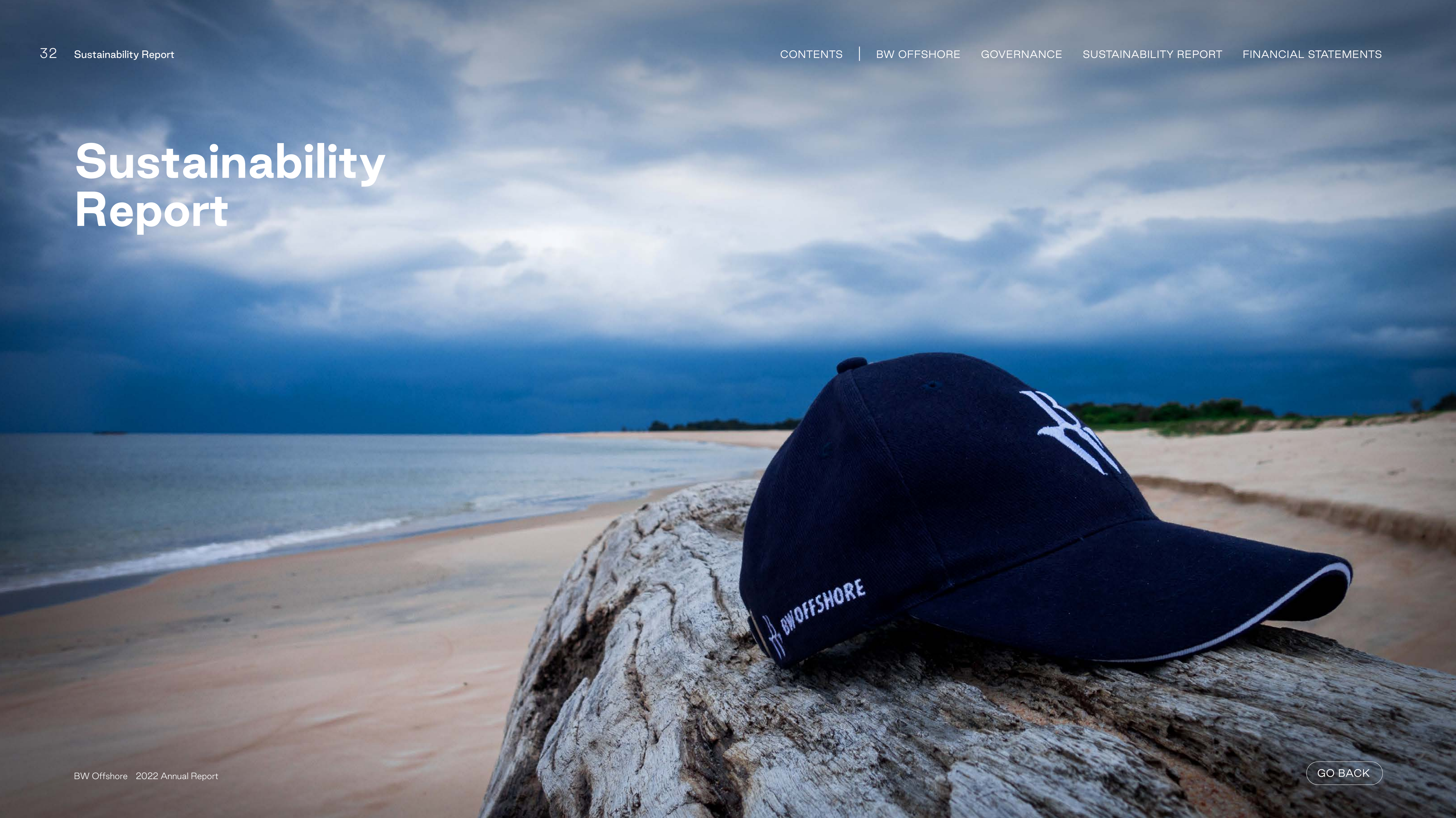
[1] Adjusted for discontinued operation.

NET DEBT & EQUITY RATIO

USD Million %



Sustainability Report



Reporting practices

BW Offshore's annual Sustainability Report for the fiscal year 2022 (1 January 2022 to 31 December 2022) is in accordance with GRI 2021 and GRI sector standard for Oil and Gas 2021. Reference is also made to the United Nations Sustainable Development Goals (SDGs), the Task Force on Climate-related Financial Disclosures (TCFD), CDP and the Green House Gas (GHG) Protocol.

This report was reviewed by the company's ESG Steering Committee and Audit Committee before being approved by the Board of Directors.

CEO message

The global energy landscape is rapidly changing with increasing expectations from a wide range of stakeholders that companies should contribute to the energy transition.

We continue to focus on delivering safe, innovative production systems for hydrocarbons while positioning ourselves as a leading company within offshore renewable energy solutions. We already today allocate a large share of our R&D budget to enable these opportunities. To read more about our strategic positioning within renewables, please see page 11 in the strategy section of this report.

Additionally, we seek to be a good corporate citizen with strong governance and risk management processes to ensure 'Zero Harm' to people and the environment in our operations, supported by a strong foundation for ethical business conduct.

We have an active approach to capture opportunities and manage risks stemming from the ongoing energy transition and seek to integrate ESG-considerations in our strategy and business activities with the ambition to deliver long-term value and benefits to all our stakeholders.

This report summarises our efforts on a corporate level and provides an update on our corporate ESG goals for 2022.

Marco Beenen

GRI STANDARDS

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

GREENHOUSE GAS PROTOCOL

CDP DRIVING SUSTAINABLE ECONOMIES

SUSTAINABLE DEVELOPMENT GOALS

Key figures for 2022

SAFE AND SECURE OPERATIONS

3

Number of LTIs

0.22

LTI rate

ENVIRONMENTALLY CONSCIOUS OPERATIONS

-38%

GHG emissions intensity in 2022 compared to 2021 (Includes Scope 1 and 2: CO_2, CH_4, N_2O, HFCs)

0

Number of significant oils spills

NON-DISCRIMINATING AND FAIR EMPLOYER

55/45

Gender split of new permanent onshore joiners (female/male)

83%

Completion rate of workforce Culture Survey

STRONG GOVERNANCE FRAMEWORK

17

Number of speak-ups

80%

Completion rate for compliance-related mandatory e-learning

We LEAD with Integrity

BW Offshore's values are summarised in 'We LEAD with Integrity'. These values reflect who we are and how we conduct our business.

We are committed to delivering sustainable operations and long-term value creation for our stakeholders – not because this is expected by society, but because it is the right thing to do.

Our values emphasise that team collaboration is the key to making a positive contribution to stakeholders and to society at large. BW Offshore has defined a set of sustainability goals related to environmental, social and governance (ESG) factors and we measure our performance relative to these goals through a corresponding set of indicators.

We maintain a strong focus on developing a culture where everyone is encouraged to treat failure as an opportunity to learn and improve, to take accountability, and to be part of solutions that keep advancing the future of energy.

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.

GO BACK

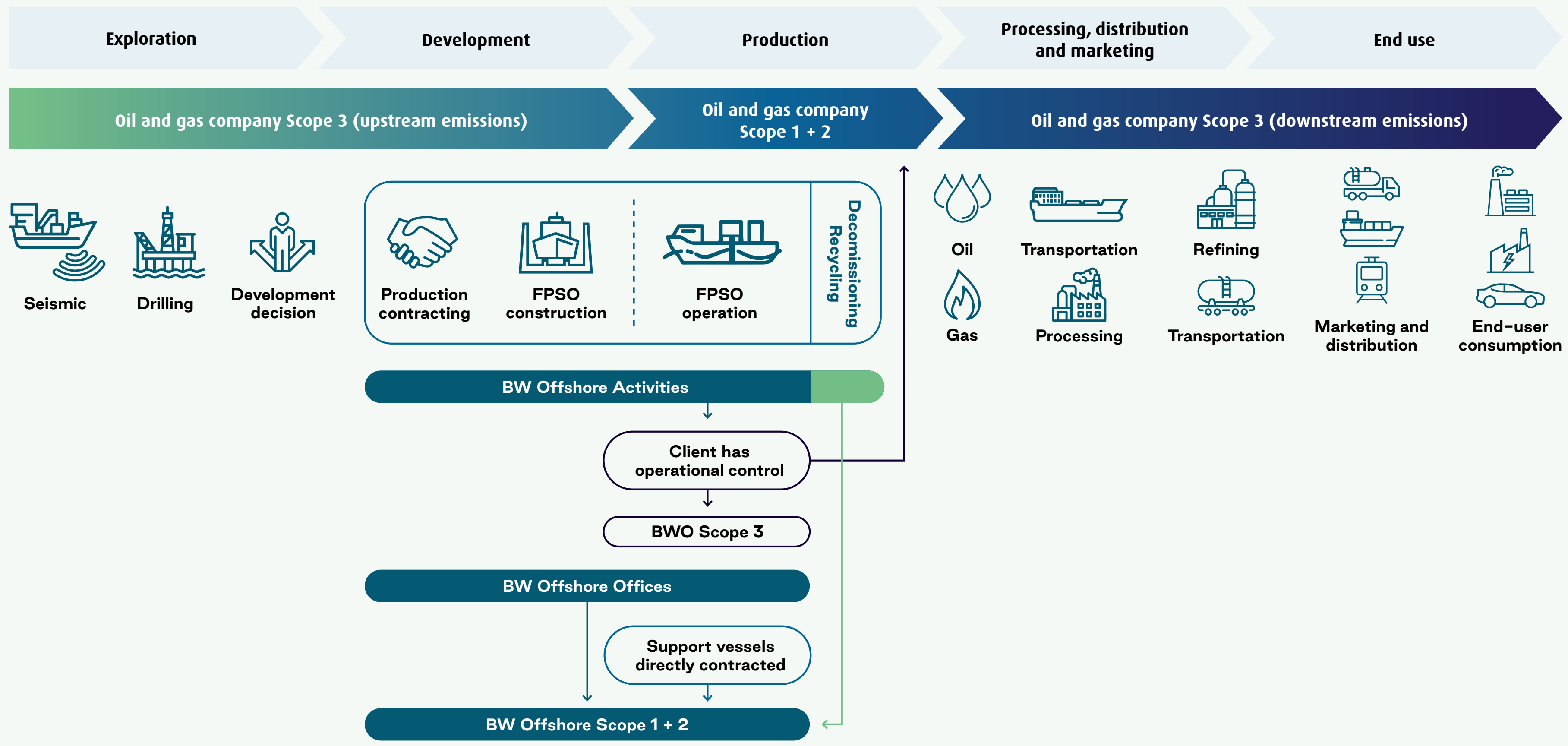
Defining factors for long-term value creation

BW Offshore is part of a value chain that provides a safe and affordable supply of energy – an important factor for economic growth and security in both developed and developing economies. We have an established framework for risk management, ensuring safe and effective operations by adhering to a Zero Harm policy and by minimising environmental impact and unnecessary use of resources. As a responsible and inclusive employer, BW Offshore makes a positive contribution to local job creation and development.

Risks and opportunities related to these 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 our operations. The company demonstrates due respect for the individual, through human rights and employment practices.

GO BACK

Position in the offshore energy production value chain



BW Offshore provides a range of products and services to its clients which enable safe and efficient offshore energy production. The illustration shows the various activities and phases of the offshore oil and gas industry value chain, BW Offshore's positioning within that value chain, and where our direct and indirect emissions (Scope 1 and 2) and related external indirect emissions (Scope 3) occur.

Our clients typically control the entire value chain, from the initial exploration phase to the distribution of hydrocarbons to various markets. BW Offshore's main value add is provided during the energy production system development and operation phases. Within oil and gas, this extends to the field abandonment stage with subsequent FPSO redeployment or recycling.

BW Offshore contributes to the energy transition by developing a range of solutions for offshore renewable energy production. These are complementary to traditional FPSO activities, offering the opportunity to apply engineering, operations and business development expertise developed over more than four decades in order to produce clean energy in a safe and efficient manner. This includes the majority ownership in floating offshore wind developer BW Ideol.

BW Offshore's planned contribution within these value chains will be similar to that of the oil and gas value chain, focused on business development, EPCI (engineering, procurement, construction and installation), operations and maintenance.

GO BACK

BW Offshore's commitment to ESG

We are committed to efficient, reliable and compliant operations, with zero harm to people, the environment and the communities in which we operate. We apply best-in-class as the benchmark for monitoring, assurance and improvement of our operational performance and compliance.

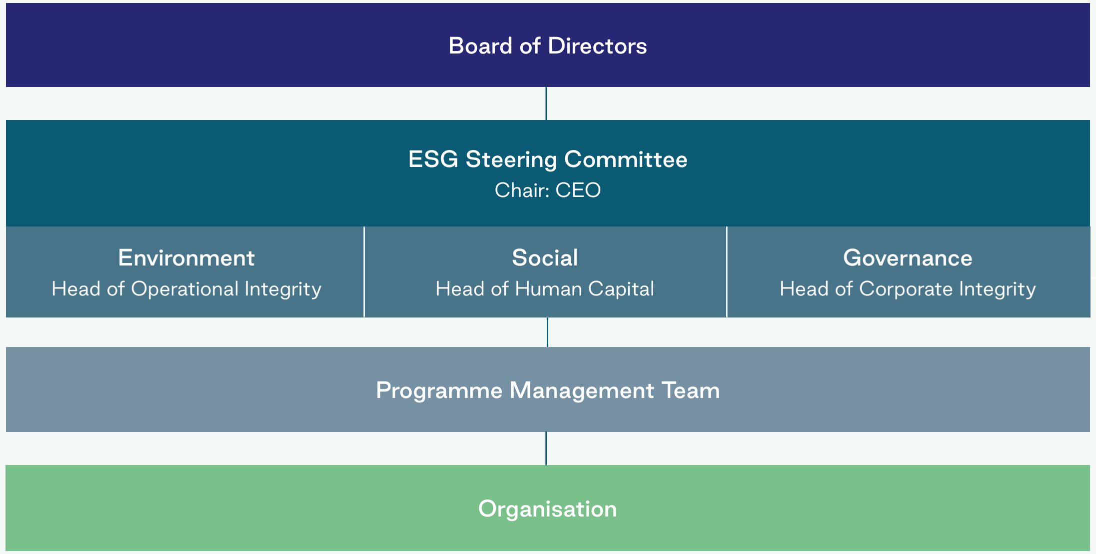
Guided by our purpose and values, BW Offshore aim to achieve sustainable development by striking a fair balance between financial results, value creation, sustainability and corporate responsibility.

ESG COMMITTEE

The company has an internal ESG Steering Committee. Established in 2020, it is chaired by the CEO, who reports directly to the Board of Directors. The committee's mandate is to ensure that sustainability and the relevant environmental, social and governance-related risks and opportunities are recognised throughout the organisation and are integrated in the company's long-term strategy for value creation and in the risk management system. The committee holds quarterly meetings to review progress on sustainability goals and specific objectives.

BW Offshore's sustainability reporting is reviewed by Senior Management, overseen

ESG COMMITTEE STRUCTURE



GO BACK

by the Audit Committee, and approved by the Board of Directors annually. The company incorporates information about our corporate responsibilities in the annual report — reflecting our commitment to integrate corporate responsibility in all processes and daily operations.

STAKEHOLDER ENGAGEMENT TO IDENTIFY MATERIAL TOPICS

BW Offshore uses continuous dialogue with external and internal stakeholders as input when defining material sustainability-related factors. A 2020 materiality analysis was conducted based on feedback from external and internal stakeholders who responded to and provided comments on a questionnaire based on relevant topics either electronically or through interviews. Topics included key factors for BW Offshore's daily operations and long-term value creation, such as safety, security, environmental footprint, emissions, waste management, discrimination, diversity, community involvement, corporate governance, business conduct, responsible supply chain management, human rights and stakeholder engagement. Stakeholders were asked to prioritise relevant topics based on perceived importance, and data was then consolidated into a materiality matrix identifying the key topics for BW Offshore.

BW Offshore seek a continuous, two-way engagement with our stakeholders to identify the areas where we can make the greatest environmental, social and economic impact, as well as related risks and opportunities that may affect our future.

On a corporate level, we regularly engage with lenders, investors and other financial markets' participants through quarterly financial presentations, meetings, annual bank presentations, participating in audits, such as ESAP (Environmental and Social Action Plan) reviews, and general communication as required. Engagement with vendors, clients and partners occurs on a day-to-day basis, and stakeholder communication is embedded into the organisation's workflow, for example, through meetings, performing audits, tender processes and as a natural part of all projects and operations.

In 2022, the BW Offshore Speak Up Channel was made available to all external stakeholders via our website, to further promote feedback from external parties. The Speak Up Channel allows for anonymous feedback and is followed up by the company's Head of Corporate Integrity.

Internally, the company holds quarterly global staff information meetings for all employees and contracted staff. Employee surveys are conducted regularly and feedback is actively followed up to ensure proper engagement with the workforce. In 2022, a new culture survey was conducted and a due diligence risk assessment was performed to validate compliance with the Norwegian Transparency Act.

BW Offshore's four material topics are aligned with the SASB Materiality Map® and with relevant industry-specific external independent materiality frameworks such as the ESG Industry Materiality Map provided by MSCI ESG Ratings. They also align with our commitment to operational integrity and safety, and our Zero Harm objective for personnel and the environment at large – as encapsulated in the 'We LEAD with Integrity' values that guide and motivate leadership at all levels. The factors are also reflected in the company's support for the United Nations Sustainable Development Goals (SDGs).

In 2022, BW Offshore has worked actively with different targets related to the four identified material topics. The progress and details are described throughout this report.

The feedback received through stakeholder engagement in 2022 is well aligned with the findings of the 2020 materiality analysis, and confirms our definition of the following factors as the most important for long-term value creation:

1. SAFE AND SECURE OPERATIONS

Ensuring the safety and wellbeing of our employees is BW Offshore's greatest responsibility and is reflected in our Zero Harm principle. Therefore, all processes seek to leverage human performance and a strong culture of care.

2. ENVIRONMENTALLY CONSCIOUS OPERATIONS

BW Offshore is committed to contributing to a sustainable environment. Risk management is used to identify, assess and eliminate – and where not possible, mitigate – all actual or potential environmental impacts arising from our operations.

3. A NON-DISCRIMINATING AND FAIR EMPLOYER

BW Offshore focus on our employees and organisation, and the opportunities we can provide for the wider community. The company is deeply aware of the importance of our people and their contribution to meeting operational and financial objectives.

4. A STRONG GOVERNANCE FRAMEWORK

We stand for consistent adherence to the applicable laws, rules and regulations in every country we operate. We are committed to conducting business in a fair, ethical and transparent manner by adhering to the principles and guidelines stated in the company's Code of Ethics and Business Conduct. The company strives to be a good corporate citizen and to uphold the highest ethical and responsibility standards.

GO BACK

Safe and secure operations – Zero Harm

RISKS AND IMPACTS

Operating in a high-risk industry, BW Offshore is focused on identifying and mitigating risks that may impact our people, the environment or the communities where we operate. The company operates offshore floating facilities used in the development of oil and gas reserves, often in remote areas far from shore, therefore managing risks is critical to ensure safe and secure operations.

Hazardous incidents occurring onboard an FPSO have the potential to escalate quickly due to the hazardous nature of the processing and storage facilities, and may lead to:

- Fatalities or severe injuries
- Hydrocarbon spills to the environment
- Damage to the assets
- Irreparable reputational damage (towards all stakeholders)

This underlines the fundamental importance of our business objective to achieve safe and secure operations with zero harm. The safety and wellbeing of our employees is a key concern for the organisation, and we work continuously to ensure decent working conditions for all employees and contractors under our control. These activities are described further in this chapter, and additional efforts on human rights are covered in the chapter on being a non-discriminating and fair employer (page 57).

Different levels of risk assessment are used throughout the organisation, depending on the type of activity undertaken — such as during tender and project phases, in operational and corporate offices, in yards during the construction of assets, and onboard the offshore assets during operation.

BW Offshore performs regular reviews of significant risks to the business and evaluates internal control measures to adequately mitigate these risks. Risk management is used as a tool to assess and enhance our internal control systems and to effectively identify, assess and manage risk.

MANAGEMENT FRAMEWORK

Operational integrity

The Operational Integrity (OI) function maintains the necessary systems to achieve safe and secure operations through a continuous improvement cycle. The OI function defines the health, safety, security, environmental, quality and asset integrity performance requirements and targets for the company and its associated assets both in projects and offshore operations. This is complemented by continuous performance analysis, risk–based verification and governance of HSSE aspects.

Resources from the OI function are an integral part of Asset and Project teams who facilitate the processes necessary to maintain operational integrity performance at an acceptable level.

BW Offshore maintains an effective occupational health and safety Management System that enables us to meet and exceed mandatory requirements, as well as those the company applies as best practice. Legal requirements for health, safety, security and environment exist in many of the jurisdictions in which we operate, and a register of applicable legislation is maintained by the OI function.

The main objective of the Management System is to manage the risks to BW Offshore's people and assets. The Management System applies to all employees, contractors and visitors working at locations controlled by BW Offshore, and is available via our intranet page.

The BW Offshore Management System is consistent with industry best practices (including the Energy Institute Process Safety Management Framework and the IOGP Operating Management System Framework), and is certified to:

- The International Safety Management (ISM) Code for the safe operation of ships and for pollution prevention
- ISO 9001 for quality management
- ISO 14001 environmental management
- ISO 45001 occupational health and safety management

All our FPSO assets are certified in accordance with the requirements of the International Ship and Port Facility Security (ISPS) Code. A Security Policy is implemented through standards, procedures and processes to prevent unauthorised access and the introduction of weapons and other dangerous devices

GO BACK

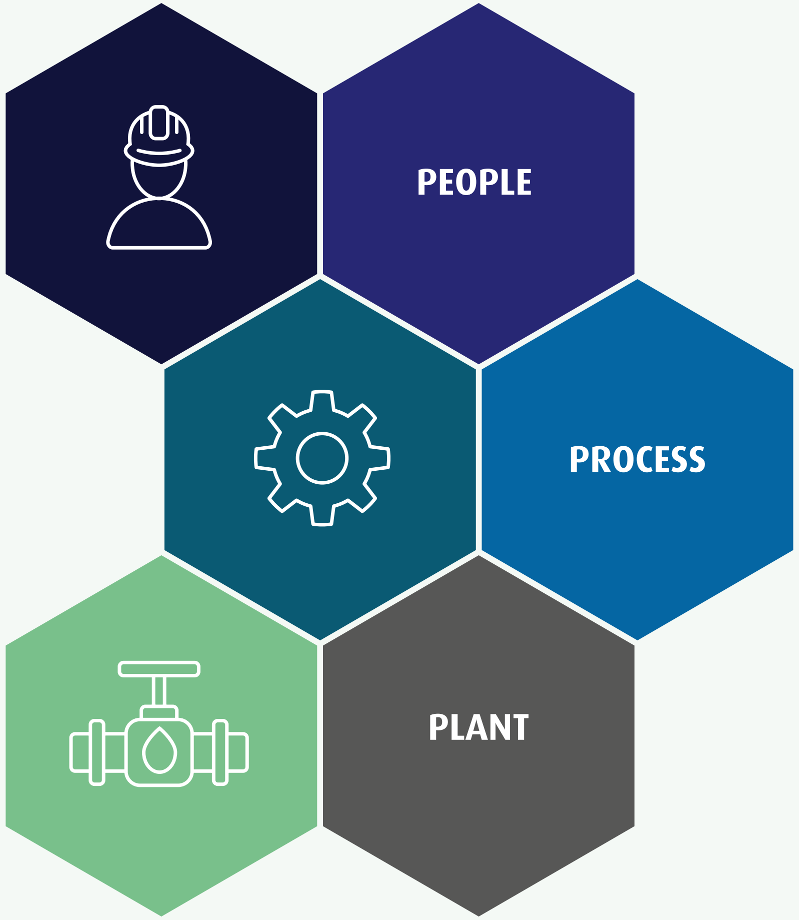
or substances, thus securing zero harm to personnel and preventing damage to assets.

Awareness of the Management System and its processes is maintained through e–learning courses and as part of our onboarding process. Relevant e–learning courses are mandatory and tailored to different roles within the organisation to ensure satisfactory knowledge of BW Offshore's policies and procedures for all employees, contractors and visitors. Refresher training is conducted as required and in accordance with industry best practices.

Process Safety Management

Barriers are important to manage the risk of major accidents and comprise People–, Process– and Plant (i.e. physical asset) elements that work together to fulfil the barrier functions.

The process safety management framework is integral to the Management System, which our workforce can access to log feedback, at any time, for review and action by the assigned owner. Documents are subject to a formal stakeholder review and approval process in the workflow – a process that is mandatory for all published documents. A management review is conducted annually to assess the effectiveness of the Management System.



PEOPLE

The organisation, with **personnel from board room to the front lines**. The training, competence and behaviours that individually and collectively contribute to mature culture and safe operations. How we conduct ourselves and implement our processes with quality.

PROCESS

Our **systems of work**, including manuals, standards, procedure and practises maintained and continuously improved in the **Management System**.

PLANT

The equipment and systems designed into the asset. The **Safety Critical Elements that have to work** to either prevent a major accident or mitigate its consequences.

GO BACK

PERFORMANCE

BW Offshore monitors key indicators of process safety, occupational health and safety, environmental performance, and asset integrity. The indicators are analysed on a quarterly basis to explore weak signals, give insight to the recorded data and promote risk-based verification and governance. This allows us to identify potential performance issues and take proactive steps towards incident prevention and operational improvement.

The company follows the International Association of Oil and Gas Producers (IOGP) guidelines for incident reporting, allowing for benchmarking against the wider industry. Contractors working at BW Offshore sites operate under the company's control of work processes, and BW Offshore maintains oversight to manage risks.

Identified hazards, incident investigation findings, the annual management review and employee input captured in the publishing function of the Management System serve as feedback for continuous improvements to the Management System.

The main types of work-related injuries recorded in 2022 were body and hand trauma, foreign body in eye and dehydration. Work-related hazards are managed through the control of work systems, which requires risk assessment, control of hazards and authorisation to work for all work scope undertaken offshore.

Health hazards are routinely managed through the health risk assessment process and Management System processes for management of noise, asbestos, naturally occurring radioactive material (NORM), hand/arm vibration syndrome, potable water management, catering etc.

We continuously work to raise consciousness of risks associated to work-related hazards by issuing monthly OI reports and frequent personal injury awareness campaigns on the company intranet, and by using infograms and posters in offices and onboard units.

Initiatives, programmes and policies

Learning from failure – Project Evolve

In January 2021, an incident onboard FPSO Espoir Ivoirien led to a leakage of hydrocarbons into a tank where inspection work was being performed, resulting in two fatalities. The tragic accident led to the creation of Project Evolve, which aims to address the necessary changes to prevent future accidents and major incidents. Project Evolve represents a long-term commitment, driven by the company's Senior Management, to ensure safe and secure operations. BW Offshore has adjusted the operating model for relevant FPSOs and introduced robust new requirements and work processes.

As part of Project Evolve, approximately 30 per cent of the BW Offshore workforce has participated in structured feedback sessions. The feedback has been analysed, assessed and consolidated into 72 separate actions ('Improvement Opportunities') that are prioritised and followed up on by designated delivery managers to improve work processes to promote a safe and efficient work environment.

Emergency preparedness

BW Offshore's commitment to emergency preparation and response is captured in our OI standards, which define requirements for emergency response, 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.

Regular training in the form of emergency exercises and drills is conducted to ensure personnel maintain a high level of readiness, and to test aspects of each asset's Emergency Response Plan. Lessons learned are shared onboard during post-drill debriefs and with onshore teams. Drill reports are reviewed and analysed by OI management.

GO BACK

Cyber security

The risks related to cyber security are complex and change rapidly as technology develops. There is an increased need to transmit operational data from every unit's Operational Technology (OT) environment to the Information Technology (IT) environment, and to onshore teams and general application access on the internet. This results in a wider cyber-attack surface.

We seek to maintain safe operations through the deployment of a continuous threat detection system, vulnerability scanning, penetration testing and safe remote access, all monitored by a 24/7 Security Operations Center (SOC) providing Security Event and Incident Management (SIEM) and incident response.

Technology barriers and mitigations are not the only solutions; we have established a cyber security portal, and training of employees is paramount to avoid hacks and data breaches. In 2022, a mandatory e-learning was conducted for all employees and contractors on cyber security, and a monthly phishing awareness campaign was initiated for all users with BW Offshore emails. Since commencing the awareness campaign, a total of 2 135 potential phishing attacks have been reported by employees, whereof 505 (23.7 per cent) were identified as actual threats and managed by the cyber security team without any security breach.

BW Offshore has a detailed Cyber Security Management Plan in place, and has established a dedicated incident response team, comprising qualified personnel and external security providers. Frequent backup of data and restoration mechanisms are in place to ensure swift resets of operation.

In 2023, a cyber security training and awareness programme will be launched for all personnel.

Training and competence

BW Offshore has an e-learning portal with more than 160 internal courses, available in several languages. The portfolio includes technical and operational training, administration, mental health awareness and Covid-19 awareness modules. Specific e-learning courses are included in a global training matrix for offshore units, ensuring all workers have sufficient training for their roles, and HSSE induction training is mandatory for all offshore and onshore work locations.

BW Offshore records and monitors progress to ensure that all employees have valid training and certification to comply with internal and external requirements for each position.

The e-learning portal is also important to ensure visitors, including consultants and subcontractors, have access to relevant training before they embark on our units.

Training and development is an investment in our people and an important priority for the company in line with our values. With the objective to increase focus on training and development, we have set a company-wide annual target of an average of 2 per cent time spent on training and development activities for onshore employees.

TIME SPENT ON TRAINING

Average hours per employee	2022	2021	2020
Onshore[1]	7.5	2.1	5.7
Offshore[2]	43.5	2.1	5.7

[1] In 2022, training activities are registered by time recording for onshore employees, capturing external courses.

[2] In 2022, external courses for offshore employees (such as BOSIET, HUET etc.) are included in the training overview.

Culture programme

BW Offshore foster a strong culture through our corporate values, recording all incidents and applying a 'learning from failures' approach to continuous improvement at all levels. The We LEAD culture programme, based on Sayfr's eight leadership behaviours, was initiated in 2020, with the overall objective to ensure a continual development of the company's safety culture.

In 2022, a new Culture Assessment survey was completed to measure effect and plan the next sequence of the programme. 90 per cent of onshore employees and 76 per cent of offshore employees replied to the questionnaire, respectively. The overall response rate was 83 per cent, well above the 75 per cent target.

Stop Work

BW Offshore give all employees the explicit authority to stop any actions they think are unsafe and/or they are unsure about, and to initiate a process to define and clarify their concerns without any repercussions or questions. The Stop Work policy is endorsed by the CEO and conveys the expectation that everyone has the right to stop work without consequence. A safety observation card system is used at all work locations, offshore and onshore, in which observations can be made anonymously. There is also a Speak Up channel available for all internal and external stakeholders where concerns can be raised anonymously. Read more on page 71.

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
1 July 2019

GO BACK

Safe and secure operations

Safety indicators

	2022	2021
Exposure Hours (in million man-hours)		
Employee[1]	4.9	5.1
Contractor[2]	8.6	2.2
Total Exposure Hours	13.5	7.3
Fatalities[3]		
Employee	0	2
Contractor	0	0
Total Fatalities (FAT)	0	2
Lost Time Injuries[4]		
Employee	3	4
Contractor	0	0
Total Lost Time Injuries (LTI)	3	4
Employee LTI Frequency Rate	0.61	0.78
Contractor LTI Frequency Rate	0.00	0.00
Overall* LTI Frequency Rate	0.22	0.55
Total Recordable Injuries[5]		
Employee	5	8
Contractor	1	0
Total Recordable Injuries (TRI)	6	8
Employee TRI Frequency Rate	1.02	1.57
Contractor TRI Frequency Rate	0.12	0.00
Overall* TRI Frequency Rate	0.44	1.09

	2022	2021
High Potential Incidents[6]		
Employee	5	5
Contractor	5	0
Total High Potential Incidents (HPI)	10	5
Employee HPI Frequency Rate	1.02	0.98
Contractor HPI Frequency Rate	0.58	0.00
Overall* HPI Frequency Rate	0.74	0.68
Occupational Illnesses[7]		
Employee	0	0
Occupational Illnesses Frequency Rate	0.00	0.00

Notes to table:

[1] Direct hires, part-time employees, locally hired agency staff (direct contractors), in the fabrication sites, offices and offshore workers, i.e., all people working for BW Offshore.

[2] Any person employed by a contractor, or contractor's sub-contractor(s), who is directly involved in execution of prescribed work under a contract with BW Offshore.

[3] Person who died as a result of a work-related incident.

[4] A fatality or lost work day case. The number of LTIs is the sum of fatalities and lost work day cases.

[5] The sum of fatalities, lost work day cases, restricted work day cases and medical treatment cases.

[6] An incident that could have realistically resulted in one or more fatalities, but the actual consequence is of lesser severity.

[7] Any abnormal condition or disorder, or any fatality other than one resulting from a work-related injury, caused by prolonged or repeated exposure to environmental factors associated with employment. May be caused by inhalation, absorption, ingestion or direct contact with a hazard, as well as exposure to physical and psychological hazards.

*'Overall' = 12 months sum of Employee and Contractor events in the category multiplied by 1 million divided by the 12 months sum of Employee and Contractor Exposure Hours.

All frequency rates are per 1 000 000 exposure hours.

Environmentally conscious operations

The placement in the oil and gas value chain means that the greenhouse gas emissions from our production activities belong to the Scope 1 emissions of the oil and gas field operators and are regarded as Scope 3 for BW Offshore. Our Scope 1 and 2 emissions are very limited in comparison. Nevertheless, it is important for BW Offshore to participate in an industry-wide effort to reduce the carbon footprint of the entire value chain and to maintain assets and operations that minimise the impact on the environment and on climate change.

RISKS AND IMPACTS

The risks of environmental impacts caused by BW Offshore's operations and activities are considered material. These risks and impacts may include:

- Emissions of greenhouse gases from offshore operations
- Plastics waste and hazardous waste
- Emissions of non GHG-gases to air
- Oil spills
- Discharges to water
- Impact on biodiversity and ecosystems

We integrate environmental management within the overarching BW Offshore Management System to ensure environmental risks are appropriately identified, assessed, controlled and monitored. Continuous improvement is integral to the framework. BW Offshore's Management System is independently certified by DNV to the ISO 14001:2015 environmental management standard.

An independent certification audit in 2022 verified the compliance of the system with no major non-conformities.

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MANAGEMENT FRAMEWORK

Environmental management is led by the organisation's Senior Management. The Environmental Policy is endorsed by the CEO, who steers corporate climate action strategies.

BW Offshore's environmental impact is assessed by monitoring actual operational performance against key performance indicators. The Board of Directors and Senior Management review fleet-wide environmental performance on a quarterly basis. The OI function reports a monthly performance analysis to the organisation so that all personnel may be informed on environmental results and areas for continuous improvement.

PERFORMANCE

BW Offshore works continuously to integrate environmental considerations into our operations and day-to-day activities. In 2022, the Head of Fleet was included into our ESG committee to support accountability and ownership of environmental initiatives across the fleet.

Additionally, we have initiated a process of developing internal emission forecast scenarios, based on internal assumptions and external scenario analysis, which will lay the groundwork for any future transition plan and enable alignment of strategic direction with external sources such as the Paris Agreement and other industry benchmarks.

Corporate goals, initiatives and policies

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 carbon footprint, by engaging with transitional fuels (such as natural gas) and by evaluating alternative clean energy sources.

BW Offshore does not offset emissions by originating or purchasing carbon credits.

CORPORATE GOAL #1:

ECONOMICALLY MINIMISE GREENHOUSE GAS (GHG) EMISSIONS FROM OFFSHORE OPERATIONS

BW Offshore aims to minimise GHG emissions, both from our existing offshore assets and through the design of new assets by ensuring we apply innovative technical solutions and reduce emissions where possible. For example, we are applying the latest power generation technologies of combined cycle gas turbines (CCGT) with waste heat recovery on the FPSO for the Barossa project.

In 2022, we continued to execute our strategy to accelerate divestment of legacy fleet assets operating with high carbon footprints. Read more on page 13.

Operational GHG emissions benchmarking for all operating assets has been developed, using 2020 recorded Scope 3 carbon intensity as a baseline, and implemented to monitor actual performance on a monthly basis. This has placed greater emphasis on optimising operational GHG emissions across the fleet, laying the groundwork for future prioritising. Additionally, we have initiated an update of our technical standards to define the Best Available Techniques (BAT) that shall be considered in engineering design for new FPSOs to minimise all GHG emissions sources to 'as low as reasonably practicable'.

BW Offshore's Scope 1 emissions were reduced from 23.6 thousand tonnes in 2021 to 13.3 thousand tonnes in 2022. The primary reason for this reduction is that two units relocated

PROGRESS ON GOAL #1:

MINIMISING EMISSIONS

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

2022 OBJECTIVES

- Continue to improve transparency related to the corporate climate action measures and disclosure mechanisms through CDP.
- Perform a gap analysis of the corporate climate action strategy against the Task Force on Climate-related Financial Disclosures (TCFD).
- Execute a five-year maintenance plan to manage, and where feasible, minimise emissions from fleet operations.
- Establish monthly operational emissions thresholds for all operating assets and introduce procedures to identify causes, and mitigating actions should thresholds be exceeded.

2022 ACHIEVEMENTS SUMMARY

- Evaluated the company's corporate climate action strategy against the Task Force on Climate-related Financial Disclosures, see page 74.
- On BW Catcher, monitoring software has been integrated to assess the GHG emissions of real-time operations.
- Submitted the 2022 CDP dossier for the second consecutive year.

2023 OBJECTIVES

- Develop future GHG emissions scenario modelling.
- Continue strategy to retire high carbon footprint legacy assets from the fleet. We expect that full demobilisation of legacy assets will occur by end of 2023.
- Perform an analysis of the GHG emissions data gathered in 2022 from the new AI software programme on BW Catcher.
- Phase out routine flaring across majority of operational assets by end of 2023.

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EMISSION OVERVIEW

In thousand tonnes	2022	2021
Scope 1 – CO_2, eq (CO_2, CH_4, N_2O and HFCs)	**13.3**	23.6
Scope 2 – CO_2, eq (CO_2, CH_4, N_2O)	**0.3**	0.4
Scope 3 – CO_2, eq (CO_2, CH_4, N_2O)	**1 398**	1 631

from fields to recycling yards in 2021, resulting in higher Scope 1 emissions than average. Scope 2 and 3 emissions also show a slight reduction in 2022 compared to 2021, primarily due to the shutdown of operational activities in Mexico and Indonesia.

We are collaborating with external financial representatives to ensure climate action financial standards are being effectively implemented throughout ongoing projects and that the associated climate risks are being controlled. We are also including climate assessment criteria through BW Offshore's value chain activities, and as part of our Decision Gate process.

CORPORATE GOAL #2:

REDUCE SINGLE-USE PLASTICS WITHIN COMPANY OPERATIONS

In 2022, BW Offshore continued awareness campaigns targeted at all employees to enhance the organisation's understanding of the environmental challenges posed by single–use plastic waste.

A plastic waste audit was performed for BW Catcher to identify various sources of single–use plastic onboard, resulting in a report with recommendations to reduce and restrict certain plastic waste on the unit. A plastic waste audit was also conducted in our largest office, Singapore, highlighting findings on how onshore employees can contribute to reduce single–use plastics, and a beach clean–up day was organised for all personnel.

BW Offshore's Supply Chain function engaged with key vendors to survey methods to reduce single–use plastic sources arising through the supply of consumable items and packaging to support operations, and to promote industry best practices, resulting in increased awareness in our local supplier community who in return will be accelerating their own plastic reduction efforts.

PROGRESS ON GOAL #2:

REDUCING SINGLE USE PLASTICS

2022 OBJECTIVES

- Ensure all Barossa project sites are free of single–use plastic bottled water in favour of reusable drinking canisters and water dispensers.
- Perform a detailed plastic wastes audit onboard a selected unit, which will include crew training by a specialist environmental organisation. The purpose of the plastics waste audit is to independently verify the quantity of plastic waste generated onboard the unit, identify opportunities for the future reduction or elimination of plastic waste and to enhance crew education and engagement on plastic waste reduction.

2022 ACHIEVEMENTS SUMMARY

- Assessments have been conducted to verify that reusable drinking canisters and water dispensers are available at Barossa project sites.
- A plastic waste audit was performed for BW Catcher with follow up analysis to determine opportunities to reduce or eliminate plastic waste streams and enhance the crew's understanding of the impact of single–use plastics on the environment.
- Sustainable packaging requirements included in tender documents for new FPSO prospects to encourage potential vendors to select sustainable packaging when providing materials.

2023 OBJECTIVES

- Based on 2022 findings from the BW Catcher waste audit, we will develop an action plan.
- Implement measures to reduce use of single–use plastic on specific units and across offices in 2023.

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Additional environmental aspects

EFFLUENT MANAGEMENT

Produced water discharges across the BW Offshore fleet are well within the World Banking Group guideline limit of 29 ppm (parts per million) oil in water content (monthly average).

In 2022, the average oil in water content in produced water discharge from our fleet was 10.9 ppm. All fleet planned effluent streams (produced water, sewage, engine room bilges, cooling water and food wastes) have been discharged within regulatory requirements and industry guidelines.

OIL SPILL MANAGEMENT

A significant oil spill event would potentially represent the most significant short-term impact to the marine environment and regional biodiversity associated with our operations.

In 2022, all assets performed scheduled annual oil spill response drills, in accordance with ISO 14001, to test their responsiveness and preparedness for unplanned oil pollution events. Drills onboard all facilities will continue in 2023.

Cumulatively, accidental spills to sea of hydrocarbons totalled two litres in 2022.

OIL SPILLS

Year	Overboard spills >100 bbls	Accumulated spill (ltr)
2022	**0**	**2 litres**
2021	0	65 litres
2020	0	10 litres

AIR QUALITY

Non-GHG (non-greenhouse gas) emissions, such as sulphur and nitrogen oxides, are released during fuel combustion for the power generation and heating systems required to run the FPSO plant. In 2022, BW Offshore has reduced the emissions of non-GHGs by decommissioning older units from our fleet. See complete overview of non-GHG emissions in the Environmental Indicators Table on page 55.

BIODIVERSITY MANAGEMENT

We are committed to protecting local habitats and native wildlife in the areas where we operate. BW Offshore's potential impact on biodiversity is included in the oilfield operator's environmental impact assessments and monitoring programmes, which are subject to local regulatory approvals.

In 2022, an Energy Efficiency and Lighting study was conducted for the Barossa project. Based on our design efforts and selection of energy efficient technologies, we estimate that during normal operations, the FPSO facility will be consuming 66 per cent less energy on lighting than an industry standard design, thereby also reducing light pollution affecting marine wildlife in proximity to the asset.

Biofouling and ballast water are specific maritime hazards that are relevant only 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 between locations, which can lead to the displacement of native marine species and alter the natural biodiversity at transit points or at the final destination. BW Offshore follows applicable local regulatory requirements when relocating assets.

SHIP RECYCLING

BW Offshore has integrated safe and sustainable ship recycling practices that comply with the Hong Kong Convention into our corporate operational standards and procedures.

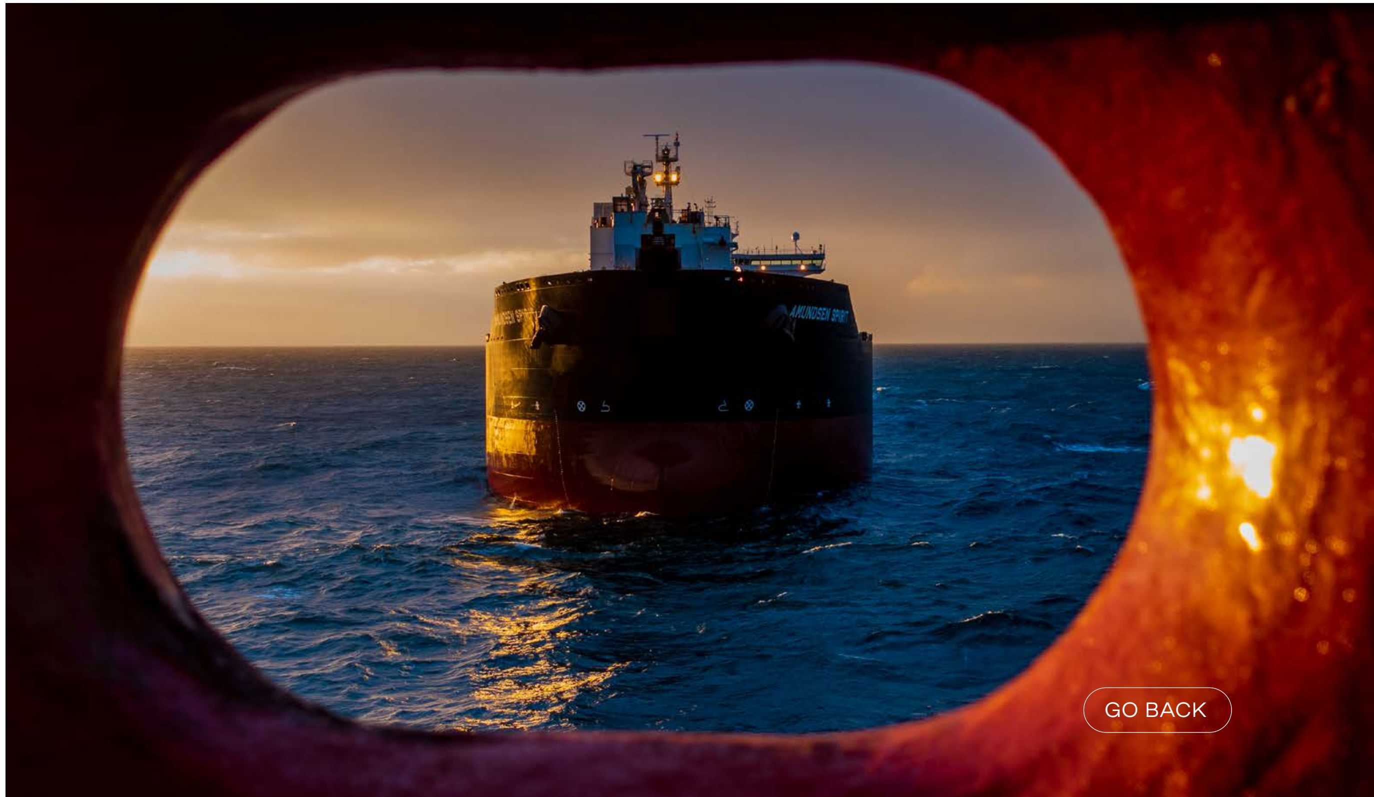
A procedure on ship recycling is in place to ensure any vessel owned by the company (or sold to an intermediary with the intention of being recycled), and all recycling projects are delivered with hazardous material inventories.

In 2022, we sold the FPSO Umuroa and FPSO Cidade de São Vicente assets for recycling in Alang, India.

Grieg Green was nominated as the on-site representative to monitor progress, compliance with environmental and safety regulations, and the application of a ship recycling plan for each asset. The recycling plans were prepared and provided by the yards in cooperation with Grieg Green to ensure strict compliance with the above regulations. In October 2022, representatives from BW Offshore technical, commercial and legal teams visited the respective yards to inspect the ongoing projects.

In addition, BW Offshore provided permanent site supervision of the recycling activities to ensure continual compliance to the Hong Kong Convention's health, safety, human rights and environmental requirements. Recycling activities related to FPSO Umuroa and FPSO Cidade de São Vicente were completed in December 2022 and early 2023, respectively.

In 2023, Petróleo Nautipa is planned to be sold for recycling according to the above standards.



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Envionmentally conscious operations

Enviromental indicators

		2022	2021	2020
Enviromental Impact				
Scope 1 – CO_2 eq	thousand tonnes	**13.3**	23.6	16.6
CO_2	thousand tonnes	–	12	–
CH_4	thousand tonnes	–	–	–
N_2O	thousand tonnes	–	–	–
HFCs (in CO_2, eq)	thousand tonnes	**13**	12	17
Scope 2 – CO_2 eq	thousand tonnes	**0.3**	0.4	0.3
CO_2	thousand tonnes	**0.3**	0.4	0.3
CH_4	thousand tonnes	–	–	–
N_2O	thousand tonnes	–	–	–
Scope 3 – CO_2 eq	thousand tonnes	**1 398**	1 631	1 421
CO_2	thousand tonnes	**1 219**	1 432	1 255
CH_4	thousand tonnes	**5**	6	5
N_2O	thousand tonnes	–	–	–
Energy consumption offshore	TJ	**8 199**	10 264	12 043
CO_2 eq per barrel produced	kg / boe	**23**	18	15
GHG Emissions Intensity (Scope 1 and 2)	Te CO_2 eq/mill USD Revenue	**18**	29	19
GHG Emissions Intensity (Scope 3)	Te CO_2 eq/mill USD Revenue	**1 806**	1 967	1 603

Notes to table:

Scope 1: All non-hydrocarbon, direct emissions from BW Offshore facilities when operating under a services agreement. All combustion and direct emissions from offshore assets when they are not operating under a services agreement. All combustion emissions from third-party vessels directly contracted by BW Offshore and not operating under a head services agreement.

Scope 2: All electricity purchased to operate global office locations based on utility metered consumption and emissions factors for location-based accounting according to CDP guidelines.

Scope 3: All direct and combustion emissions associated with hydrocarbon reception, processing, storage and offloading arising from a BW Offshore facility when operating under a services agreement. All air transportation emissions for BW Offshore employees or direct hire contractors required to travel for work activities.

		2022	2021	2020
Non-Greenhouse Gas Emissions and Discharges				
CO	thousand tonnes	2.9	3.4	2.9
NO_x	thousand tonnes	8.6	10.4	11.3
SO_2	thousand tonnes	0.1	1.4	0.2
nmVOC	thousand tonnes	6.0	7.3	6.3
Flaring (Included in Scope 3)				
Flared gas	mmscf	13 133	14 681	9 890
Air Travel Emissions (Included in Scope 3)				
Fleet operations	thousand tonnes CO_2 eq	5.9	5.4	4.9
Corporate	thousand tonnes CO_2 eq	4.8	0.9	1.5
Marine Discharges and Chemical Management				
Produced water re-injected	thousand bbls	23 749	15 403	7 530
Produced water discharged to sea	thousand bbls	16 364	27 664	37 970
Oil in water content	ppm	10.86	12.71	12.07
Waste				
Total waste	thousand tonnes	2.2	1.0	0.8
General waste	thousand tonnes	0.6	0.4	0.2
Recyclable waste	thousand tonnes	1.3	0.5	0.3
Hazardous waste	thousand tonnes	0.2	0.1	0.3
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 third-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

A non-discriminating and fair employer

RISKS AND IMPACT

BW Offshore operates with multinational teams on all offshore assets and in all onshore locations. Maintaining a competent workforce that is culturally aligned with our objectives is imperative to deliver safe and sustainable operations. A lack of training and development may prevent workers from making their fullest possible contribution to the workplace, and impede the creation of a harmonious and productive work environment.

We strive to foster a culture that values and promotes diversity, inclusion, equal employment opportunities and a work environment free of harassment and hostility. This is reflected in our Diversity, Inclusion and Equity (DI&E) Statement, available on our website.

We are dependent on being perceived as a fair and non-discriminating employer to attract and retain competent and engaged employees, and we carefully consider any impact of our activities on local communities and first nationals.

MANAGEMENT FRAMEWORK

BW Offshore has a wide set of policies that govern our approach to managing our people. We have established policies, routines and procedures aligned with ethical business practices, such as rules for transparent recruitment and the provision of employment agreements that establish the rights and entitlements of personnel. These governing documents can be found on our website and include:

- Human Rights and Decent Working Conditions Policy
- Code of Ethics and Business Conduct
- Supplier Code of Ethics and Business Conduct
- Supplier Ethical Employment Practice Guidelines
- Diversity, Inclusion and Equity Statement
- Modern Slavery Statement

We base our policies and statements on internationally recognised principles and regulations, such as:

- The International Bill of Human Rights
- The International Labour Organisation (ILO) Declaration of Fundamental Principles and Rights at Work
- The Norwegian Transparency Act

The overriding principles that we adhere to include:

- Prohibiting unlawful discrimination based on ethnicity, nationality, social status or origin, age, gender or gender identity or expression, sexual orientation, marital or civil partnership status or family structure, maternity or pregnancy, religion, political beliefs, trade union membership or disability.
- Zero tolerance for inappropriate workplace conduct such as bullying, harassment, violence or discrimination.
- Zero tolerance for human slavery, human trafficking, forced labour, child labour and brutal treatment.
- Full implementation of our principles and policies in our supply chain with regular due diligence.

- A Living Wage is a human right with compensation based on the principles of pay for position, pay for person and pay for results and performance.
- All employees have the right to freedom of association and collective bargaining.

PERFORMANCE

Our workforce consists of permanent employees, contracted staff on direct hire and consultants hired via third parties. The total headcount in BW Offshore has decreased, from 1 849 at the end of 2021 to 1 733 at the end of 2022. There has been a shift in workforce composition as the number of FPSOs in operation has decreased while project activity has increased.

While our industry has an overweighting of male employees, 55 per cent of new permanent joiners onshore were women (32 per cent in 2021), which represents an increase in gender balanced recruitment and a diversity achievement for the past year related to recruitments.

BW Offshore strives to eliminate gender bias and supports equal opportunities both in recruitment and career advancement. For the subsidiary BW Offshore Norway AS, we have assessed potential discrimination or unconscious discrimination in a separate Diversity, Inclusion and Equality Report for 2021, available on our website. We acknowledge that there are some differences in men and women's average salaries in certain position levels, but have not identified any significant or systematic pay gaps that can be explained by gender alone.

See more information about workforce composition in the Social Indicators Table on page 64, and GRI Index, page 81.

Corporate goals, initiatives and policies

CORPORATE GOAL #3:

DEVELOP LOCAL TALENTS IN TARGETED AREAS OF OPERATION

A strong local connection provides knowledge, widens the available skills base and fosters a strong joint company culture. Local talent is regarded as global resources for the long-term development of the company, and local employment contributes to decent work and economic growth in the areas where we operate.

The share of local offshore management was at 27 per cent at the end of 2022, compared with 33.5 per cent in 2021. This decrease is due to the shutdown of operational activities in Mexico and Indonesia. The percentage of local employees in the total offshore staff has decreased to 63 per cent compared to 70 per cent in 2021 for the same reasons.

In 2022, several training initiatives commenced to develop local talent in Gabon, supporting our goal of increased local leadership, and improved local content to 70 per cent by end of 2023 (65 per cent at year-end 2022). Training includes language courses, technical training and certification.

Attracting young talent

The oil and gas sector is increasingly competing with other industries to attract and retain competent and engaged employees. In BW Offshore, we offer two programmes for young talents: our Summer Internship Programme (short-term) and our Graduate Programme (long-term).

In 2022, we recruited seven new graduates into the global Graduate Programme. This increased the total number of current graduates from 11 to 15. Two female and five male graduates were recruited to five different locations including one offshore graduate position. Seven summer interns from four different countries participated in the global Summer Internship Programme in 2022.

PROGRESS ON GOAL #3:

DEVELOPING LOCAL TALENT

2022 OBJECTIVES

- Focus on local talents and local leadership for onshore-based positions in all markets where BW Offshore operates.
- Focus on Australia and Gabon as target areas for local talent and local leadership development for offshore-based operations.
- Target of 100 per cent local Australian residency for initial onshore and offshore leadership roles for our upcoming operation in the country.
- Expand the Graduate Programme to additional locations and functions.

2022 ACHIEVEMENTS SUMMARY

- Recruitment plan for the Barossa project revised to support our target of 100 per cent Australian residents.
- Training initiatives started in Gabon for local offshore talents to support our target of increased local leadership.
- Young talent programme extended to Australia to support our target of local talent development.

2023 OBJECTIVES

- Expand the global young talent programmes to one additional location and one additional function.
- Target to meet 70 per cent local talent goal for BW Adolo by training and certifications of identified roles.
- Fill 100 per cent of offshore leadership positions for the Barossa project by recruiting Australian residents.

CORPORATE GOAL #4:

RECOGNISE DIVERSITY AND ENSURE EQUAL OPPORTUNITIES

To ensure equal opportunities for all applicants participating in a recruitment process with BW Offshore, a requirement to consider Diversity, Inclusion & Equality (DI&E) has been included in our global Recruitment Procedure. The intention is to evaluate and secure overall diversity in the organisation, by ensuring this is considered when making new hires.

A recruitment plan for the operations of the Barossa FPSO has been developed, and recruitment for onshore and offshore personnel started in 2022, with an emphasis on diversity and hiring of Australian residents. Additionally, a D&I Plan for the Barossa project in Australia is nearly completed with the support of local Australian expertise.

An Employment Relationship Management Plan (ERMP) was developed and approved in 2022. We are collaborating with local recruitment agencies in Australia to ensure we adhere to applicable laws and regulations related to local content, diversity and inclusion.

In June 2022, BW Offshore published a Diversity, Inclusion & Equality Report for BW Offshore Norway AS, in accordance with the Equality and Anti-Discrimination Act. This report is available on our website.

PROGRESS ON GOAL #4:

RECOGNISING DIVERSITY

2022 OBJECTIVES

- Launch a mandatory Diversity and Inclusion (D&I) awareness e-learning module.
- Develop a specific D&I plan to support our upcoming activities in Australia.
- Implement D&I specific requirements to our recruitment process.
- Organise annual training, support campaigns and events to promote diversity and inclusion across the company.
- Perform a company-wide Culture Assessment for all employees.
- Increase gender balance for the company young talent programme.

2022 ACHIEVEMENTS SUMMARY

- New onshore permanent hires: 55 /45 per cent (female/male).
- Gender balance in Young Talent Programme: 20/80 per cent (female/male).
- Culture Assessment conducted for all employees.
- Discrimination (conscious and unconscious) within BW Offshore Norway assessed in the Diversity, Inclusion and Equality Report for the full year of 2021.
- A company-wide DI&E mandatory e-learning completed by 80 per cent of the onshore workforce.

2023 OBJECTIVES

- Establish contact and relationships with organisations of first nationals' interests in Australia.
- Target of equal gender split in the recruitment to the Graduate Programme.
- Establish action plan to follow up on Culture Assessment.

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CORPORATE GOAL #5:

SECURE A LIVING WAGE STANDARD FOR ALL EMPLOYEES AND PERSONNEL HIRED THROUGH SUBCONTRACTORS

BW Offshore considers a Living Wage to be a human right and have implemented a Living Wage standard for our personnel. The Living Wage guideline is reviewed bi–annually to keep up with new data and respective countries' developments.

We have implemented a Living Wage standard for all our personnel, and have set clear expectations to our vendors that a Living Wage should be paid throughout BW Offshore's supply chain, as stated in the BW Offshore Supplier Code of Ethics and Business Conduct.

Third-party compliance with human rights and fair employment

Business partners, including vendors, agents or other third parties, are expected to comply with human rights and relevant employment practices as reflected in our Human Rights and Decent Working Conditions Policy and Supplier Code of Ethics and Business Conduct. BW Offshore includes identification and assessment of possible adverse impacts on Human Rights and Decent Working Conditions as part of our risk–based Vendor Qualification Process.

Read more about vendor qualification and third–party due diligence in the Governance section of this report on page 69–70.

Fair compensation

We take a holistic view of various factors to ensure that total employee compensation is fair, and above the minimum legal requirements and our own established Living Wage standards in the various locations in which we operate. 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 business nature operating 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

PROGRESS ON GOAL #5:

SECURING A LIVING WAGE

2022 OBJECTIVES

- Review the Living Wage standard to ensure we keep up with new data and development in different countries.
- Continue the implementation of a Living Wage standard for all direct hires through subcontractors.

2022 ACHIEVEMENTS SUMMARY

- Progressed implementation of Living Wage for personnel engaged through subcontractors' scope.
- Addressed Living Wage expectations to our subcontractors' own employment conditions through our updated terms and conditions and through our Vendor Qualification process.

2023 OBJECTIVES

- Monitor implementation of a Living Wage for personnel engaged through subcontractors' scope. See Governance section for more information on compliance assessment of business partners (page 69), and vendor labour practices (page 70).
- Complete a bi–annual review of the Living Wage guidelines.

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 in the annual salary review. The Human Capital Policy clearly states that compensation schemes should be effective and equitable.

The compensation structure may incorporate 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 assisting the Board of Directors on executive compensation. Executive compensation, including variable compensation schemes (VCS) and benefits, is subject to annual review at the discretion of the Board of Directors in accordance with our Guidelines on Executive Remuneration.

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 VCS for the Executive Management Team is set at an equivalent to six months' base salary.

Employee rights and obligations

BW Offshore is committed to supporting freedom of association and collective bargaining, and all employees have the right to such involvement.

Collective bargaining is exercised in Gabon, Ivory Coast, Singapore and Nigeria. The interests of the employees are commonly presented by representatives of a trade union to which the employees belong, and the negotiation timeframes vary according to local regulations. At year-end 2022, 38 per cent of the total global workforce was covered by collective agreements.

Singapore, our largest office, is covered under a collective agreement by the Shipbuilding and Marine Engineering Employees' Union (SMEEU). The agreement enables a tripartite

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employment arrangement in which the government, employer and union work together to provide employees with a fair and progressive work environment.

Working conditions for employees not covered by formal collective bargaining are based either on agreements involving other relevant employees covered under collective bargaining, or, where such agreements do not exist, by evaluating external market standards and benchmarks.

Labour relations and work environment

Local Work Environment Committees (WEC) or their equivalent are in place to ensure that a secure, safe and healthy work environment is implemented, discussed between management and employee representatives and maintained appropriately. In Norway and Singapore, committees with employee representatives meet on a quarterly basis. The WEC participates in planning of safety and environmental work, and follow-up developments relating to the safety, health and welfare of the employees in the respective offices.

At all offshore units in operation, there is an equivalent organisation called the Offshore Safety Committee (OSC) that maintains regular meetings between employee representatives and the company to discuss occupational health and HSE-related topics. Health risk assessments are in place for all operational locations. At offshore work locations, a dedicated medic, equipment and facilities are provided to manage illness and injuries.

At all locations, onshore and offshore, employees have access to observation cards where safety critical actions, improvements, positive actions and recommendations can be submitted. All cards are registered and followed up by relevant stakeholders in the company.

Performance management

Performance management is the ongoing process of dialogue and following up on personal development, clarification of expectations, setting goals and giving feedback between the manager and the employee that occurs throughout the year. This process is an important element of leadership, continual learning and personal development in BW Offshore.

Annual performance dialogues are initiated for all permanent employees and encouraged for all long-term temporary employees. In 2022, the completion rate of performance dialogues increased to 87.6 per cent, compared with 70.7 per cent in 2021. A new Performance Dialogue system will be introduced in 2023 to support the Performance Management process.

Promotion of worker health

In 2022, the 'Our Whole Self' programme was launched in collaboration with other BW Group companies. The programme includes learning events such as webinars, panel discussions and self-reflection exercises, among others, and is available to all employees, complementing existing initiatives and tools related to health and wellbeing.

Employee assistance programmes (EAPs) are available to all employees in several languages, and include mental and emotional support and counselling, and access to 24/7 hotlines that provide guidance and medical advice. These services are confidential and managed by third parties.

A non-discriminating and fair employer

Social indicators

	2022	2021	2020
Workforce			
Group total	**1 733**	1 849	1 927
Onshore	**824**	761	720
Offshore	**909**	1 088	1 207
Split nationals/expat Offshore	**63% / 37%**	70% / 30%	70% / 30%
Employee turnover rate (permanent onshore)	**12.60%**	8.90%	7.04%
Sick leave	**2.4%**	1.4%	1.2%
Gender split (female/male)			
Group total	**14% / 86%**	14% / 86%	13% / 87%
Onshore	**28% / 72%**	31% / 69%	31% / 69%
Offshore	**1% / 99%**	2% / 98%	2% / 98%
Group Management	**27% / 73%**	27% / 73%	27% / 73%
Board of Directors	**20% / 80%**	20% / 80%	20% / 80%

A strong governance framework

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 on 14 October 2021.

External auditors

Annual General Meeting

Nomination Committee

Board of Directors

Audit Committee

Compensation Committee

Technical and Commercial Committee

Internal Audit

CEO & Senior Management Team

Management Team

External Framework

Internal Framework

RISKS AND IMPACTS

The offshore industry faces several risks requiring a strong governance framework to prevent, detect and respond to incidents. Risk assessments related to human rights and decent working conditions are incorporated into our due-diligence/vendor qualification processes.

Complying with applicable laws, rules and regulations is a priority for the company as part of our commitment to ethical business conduct. We respect the rights and dignity of our personnel and support activities that contribute to local communities.

BW Offshore's governance structure grounds our risk management efforts. The Board and its committees provide oversight, while BW Offshore management are responsible for day-to-day risk management.

Our risk management framework accounts for internal and external risks, such as:

- Corruption and bribery
- Ethical business conduct
- Conflicts of interest
- Human rights and decent working conditions

MANAGEMENT FRAMEWORK

Ethics and business conduct compliance

The BW Offshore Code of Ethics and Business Conduct ('the Code') is a foundational governance document and reflects, among other things, our commitment to respect the individual, uphold human rights and institute fair and ethical employment practices. The Code is publicly available on our website and is supplemented by policies and procedures, which are available in BW Offshore's Management System.

The Code applies to all our personnel, Board members, officers, temporary employees, legal agents, consultants, intermediaries and others who act on behalf of BW Offshore. It also applies to companies in which BW Offshore has a majority interest (including joint ventures).

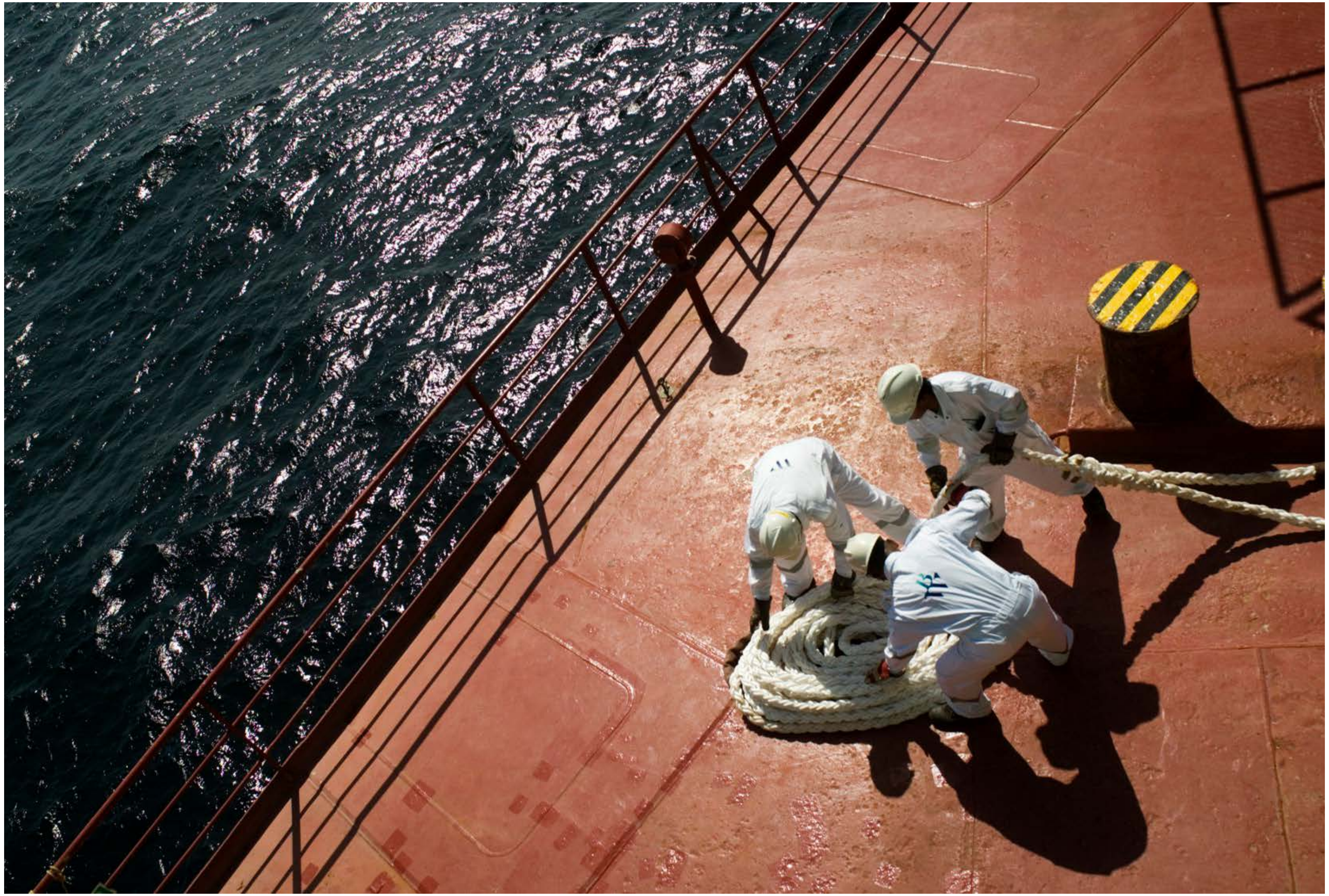
Our compliance programme is derived from the Code and covers a range of subjects and activities that are led by BW Offshore's Head of Corporate Integrity.

The Head of Corporate Integrity reports quarterly to the Audit Committee of the Board and annually to the Board on the activities and progress of the compliance programme.

PERFORMANCE

In accordance with the Norwegian Transparency Act, BW Offshore will publish an annual account regarding our work to promote human rights and decent working conditions on the company website in the first half of 2023. In 2022, we performed a risk mapping of human rights and decent working conditions in our supply chain. Risks were categorised by industry, geography and type of spend, and areas where risk of negative impacts on human rights and decent working conditions were most likely or significant were highlighted. The results of the assessment were factored into BW Offshore's business priorities and risk mitigation efforts.

BW Offshore will continue to assess significant risks and will continue to adjust priorities, mitigation and scrutiny accordingly. BW Offshore's risk management process includes auditing, reporting and risk mitigation activities.



Corporate goals, initiatives and policies

CORPORATE GOAL #6:

CONTINUOUSLY IMPROVE OUR RISK-BASED COMPLIANCE PROGRAMME TO SAFEGUARD THE COMPANY AND STAKEHOLDERS FROM NEGATIVE IMPACTS OF NON-COMPLIANCE

Awareness programme

We maintain and continue to develop training and awareness campaigns to familiarise our employees with our expectations and to reinforce our commitment to compliance. Our initiatives include e–learning courses, intranet announcements, email communications and policy certifications. In 2022, mandatory refresher training for the onshore workforce was rolled out, with a completion rate of 80 per cent at year–end.

Anti-bribery and corruption principles

BW Offshore operates in an industry with inherent high risk for corruption. Our business involves frequent interactions with government officials, whether related to business development, licenses to operate, movements of goods and people, etc. Some of our vessels are located in the waters of countries that are also perceived to be of high risk for corruption. BW Offshore leadership and employees are aware of these risks, and our compliance programme is designed with relevant controls and awareness campaigns in place to mitigate associated corruption risks, including training, internal accounting controls, in–person visits, risk–based reviews and internal audits.

In 2022, BW Offshore did not record any confirmed cases of corruption, nor were there any cases where employees were dismissed or disciplined as a result of corruption.

Bribery is understood to be the giving or receiving of anything of value in exchange for or in expectation of an inappropriate advantage, even if that advantage is not actually realised. Corruption includes dishonest practices (like bribery) and lack of integrity (like cheating).

Bribery and corruption can be disguised in the forms of gifts, entertainment, donations, sponsorships, employment, political contributions and other things. To mitigate the risk that business activities might be used to mask corruption, we have established internal

PROGRESS ON GOAL #6:

SAFEGUARDING THE COMPANY

2022 OBJECTIVES

- Increase KPI reporting to enable improved tracking of the Compliance Programme effectiveness.
- Roll out Code of Ethics and Business Conduct refresher programme for all employees.

2022 ACHIEVEMENTS SUMMARY

- Launched mandatory Code of Ethics refresher designed to test knowledge on key concepts for onshore employees.
- Made Speak Up reporting channel publicly accessible, creating a grievance mechanism available to all stakeholders.
- Initiated ethical labour audit protocol and conducted two audits.

2023 OBJECTIVES

- Evaluate options to provide online compliance–related training to external stakeholders.
- Complete six social/governance–related vendor site visits.
- Conduct ESG awareness for the Board of Directors.
- Add single–topic learning content and language options to include, for example, conflicts of interest, human rights, speaking up, gifts and entertainment.

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controls, approval processes and electronic reporting systems for certain activities.

We oppose all forms of corruption, including what are commonly known as facilitation payments. We enforce our principles through our governance and standard contract terms and conditions. Our Antibribery & Corruption Policy and supporting guidelines are available on our website. In addition, and in partnership with the BW Group, we are a member of the Maritime Anti-Corruption Network (MACN), a global organisation that promotes collective action as a means to work toward eliminating corruption from the maritime industry.

Facilitation payments

BW Offshore forbids what are commonly known as facilitation payments and work to avoid them in our operations. We distinguish extortion and duress payments, which may be paid in the limited circumstance of serious threat to the payer's life or health. Extortion or duress payments must be immediately reported to the Head of Corporate Integrity and properly recorded in our administration.

Loyalty and conflicts of interest

BW Offshore personnel owe us a duty of loyalty in the performance of their work. As such, our personnel should not place themselves in a position that could compromise their objectivity or appear to be in conflict with the company's interests.

Our personnel receive a conflict of interest questionnaire to disclose any situation that might create a conflict of interest, for example, outside employment, financial interests, family/personal relationships, and can make ad hoc disclosures if circumstances change between reporting periods. Any reported instances of conflicts are recorded in our compliance system, and followed up by the Corporate Integrity or other relevant department.

Political contributions

We do not contribute monetarily or in-kind to political parties or officials or to candidates for political office. We also do not permit any third parties, directly or indirectly, to do so on our behalf.

Our personnel may participate in political and democratic processes. However, personal political activities must be conducted on personal time and with personal resources and must not create conflicts of interest with BW Offshore.

Financial administration and internal controls

We maintain a system of internal controls and procedures so that BW Offshore Group's books, records and accounts fairly accurately and in reasonable detail reflect our transactions, permit preparation of annual statements and satisfy regulatory reporting requirements. An authority matrix establishes authorisation limits.

Compliance assessment of business partners

The conduct of third parties may expose an organisation to fines, penalties and reputational risk. We recognise this and, therefore, require our vendors to observe high standards of business ethics in the conduct of their activities with and for us. Our vendors agree to uphold the expectations set forth in our Supplier Code of Ethics and Business Conduct, which is available on our website.

We conduct risk-based due diligence on business partners, including partners, agents and vendors that may include an assessment of their own compliance policies and procedures and commitment to ethical business practices. We also perform restricted party screening and follow up on red flags that are indicated by our review. We will not engage an external party if the compliance risk is deemed too high and cannot be mitigated sufficiently.

Vendor labour practices

We are committed to respecting individual and human rights and to ethical employment practices. We expect our vendors to uphold similar principles, and we review these areas during our risk-based due diligence.

Our Supplier Code of Ethics and Business Conduct and Modern Slavery Statement, available on our website, provide additional detail on our expectations and activities aimed at mitigating risk of modern slavery, human trafficking and forced or child labour in our supply chain.

As part of our risk-based due diligence, some vendors may be requested to complete a questionnaire on ethical employment practices, which may be verified by an on-site audit for selected vendors.

In 2022, we worked with a third party to perform a labour audit on one of our contracted shipyards. Additionally, we conducted an internal assessment of ethical labour practices at another shipyard. Based on the results of these assessments, we are working with our business partners to find appropriate and impactful improvements to labourers' conditions.

As part of our Vendor Qualification Process, all direct vendors are categorised into three risk levels; L01, L02 and L03, based on criticality and complexity for all material and services bought for projects and operations. Before being approved, prospective vendors categorised as L02 and L03 must complete a questionnaire covering topics within governance, conflicts, corruption and social criteria such as ethical labour practices. In 2022, 45 out of 284 new vendors were screened for social criteria (16 per cent of new vendors were categorised as L02 and L03).

In 2023, this questionnaire will also be included in the vendor qualification process for all L01 vendors, and will thereby cover 100 per cent of our direct vendors going forward.

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Approach to tax

BW Offshore has a responsible Tax Policy, available on our website. The Organization for Economic Co-operation and Development (OECD) principles have been used as guiding principles in developing our Tax Policy and our Tax Principles.

For BW Offshore Group, responsible compliance, fairness and transparency have been especially targeted and we are committed to live by these principles in all our operations. Beyond complying with applicable tax laws and regulations in countries of operations, we also follow OECDs principles in all jurisdictions where we have activities (responsible compliance). We comply with the OECD transfer pricing guidelines (fairness). Consistent with this approach, we file detailed reports and transfer pricing documentation in accordance with OECD standards (transparency).

TOP 10 TAX CONTRIBUTIONS (IN USD MILLIONS)

Country	Corporate income tax paid	Withholding tax paid to other jurisdictions
UK	11.4	–
Indonesia	7.1	0.3
Nigeria	3.0	3.5
France	0.5	–
Gabon	0.5	–
USA	0.4	
Norway	0.4	0.3
Singapore	0.3	3.4
Ivory Coast	0.1	–
Bermuda	–	2.6
Rest of the world	–	0.2
Total	23.7	10.3

BW Offshore's Tax Policy and Tax Principles are approved by the Board of Directors, and the management of tax risks is fully integrated in the company's global risk management process.

For more information, see Note 9 Income Taxes of BW Offshore's financial statements.

Reporting concerns, asking questions and raising grievances

The BW Offshore Speak Up Channel, which is hosted by a third party, allows both internal and external stakeholders to ask questions or report concerns involving breaches of laws, regulations or BW Offshore's policies. The Speak Up Channel supports intake via the web or telephone. Local telephone access numbers, with operators speaking the official languages of all BW Offshore's countries of operation, are provided. Through the Speak Up Channel reporters may choose to submit anonymous questions or concerns. Our personnel may also raise concerns or questions directly with their line managers, local Human Capital or Legal departments, or BW Offshore's Head of Corporate Integrity.

We prohibit retaliation against any personnel who raise a concern, question, grievance or complaint in good faith. Reports are treated confidentially, evaluated promptly, and, if necessary, investigated fairly. The Audit Committee receives Speak Up statistics on a quarterly basis and anonymised results of investigations as and when needed.

We take appropriate disciplinary, remedial or corrective action when breaches of law or policy are substantiated. For severe matters, disciplinary action may include dismissal, with or without notice. Illegal conduct may be reported to the relevant authorities. In 2022, we recorded eight reports in the Speak Up Channel, of which seven were subject to further investigation or action.

A strong governance framework

Governance indicators

	2022	2021
Compliance		
Total number of reports (questions included) through the Speak Up Channel	**17**	19
Number of reports made through the Speak Up Channel	**8**	–
– of which related to corruption	**0**	–
Number of questions asked through the Speak Up Channel	**9**	–
Completion rate for compliance-related mandatory e-learning modules[1]	**80%**	96%
Number of instances of inappropriate gift or hospitality reports	**0**	–
Sustainable Supply Chain		
Number of business partners with valid compliance assessment	**2 670**	–
2022 compliance assessed business partners	**664**	1 046
New/Re-assessed vendors	**284 / 380**	–
New/Re-assessed vendors screened using social criteria	**45 / 162**	–
Percentage of new vendors screened for social criteria	**16%**	–

Notes to table:

[1] Onshore employees only

Taskforce on Climate-related Financial Disclosures (TCFD)

BW Offshore appreciates the potential climate-related risks and opportunities that may materialise both in the short and the long terms relating to BW Offshore's role in ensuring adequate supply of affordable energy, how climate change will influence the global energy mix, as well as the company's own climate impact.

The company's business activities are currently primarily within fossil fuels. Therefore, the company recognises that material financial exposure to the energy transition related to GHG emissions may develop over time, despite a near-term positive impact of rising energy prices. Moreover, the company's assets are operated at sea and subject to potential long-term physical risks related to climate change.

BW Offshore participates in the global energy supply chain. The importance of this value chain to the global wellbeing of people and the economy has been highlighted through 2022 due to the onset of the war in Ukraine and extreme weather in many parts of the world.

GOVERNANCE

The Board of Directors (the Board) has the ultimate oversight of climate-related risks and opportunities and regularly reviews these as part of its strategic framework. The Audit Committee oversees the company's sustainability performance, including climate-related risks and opportunities, and reviews the annual Sustainability Report. In addition, the Board of Directors and Senior Management review fleet-wide environmental performance on a quarterly basis.

At management level, BW Offshore has an ESG Steering Committee (ESG Committee) that reports directly to the Board of Directors to ensure sufficient implementation of the sustainability strategy throughout the organisation. The ESG Committee is chaired by the CEO, and its role is to define and improve key areas related to sustainability and set actions to create a corporate ESG strategy and to inspire the organisation in sustainability-related matters.

In addition to the CEO, the ESG Committee consists of senior members of management, including heads of functions from Operational Integrity, Corporate Integrity, Human Capital, Supply Chain, Development and Concepts, and Fleet. The ESG Committee also comprises members of a Programme Management Team (PMT), which coordinates and facilitates sustainability initiatives throughout the organisation (see page 38 in the Annual Report). The committee has four annual meetings and ad-hoc meetings as necessary. The ESG committee held four meetings in 2022.

STRATEGY

BW Offshore has a structured process to identify the most material climate-related risks and opportunities. The company's ambition is to quantify these factors over time and provide stakeholders with a transparent overview of important elements related to the corporate strategy going forward with emphasis on investment risks and the opportunity set.

In this process, BW Offshore considers several climate scenarios relevant to its business. The company follows the recommendations of the TCFD to use a high global warming scenario to analyse physical risks and opportunities, while scenarios more aligned with the Paris Agreement are used to highlight transition risks and opportunities.

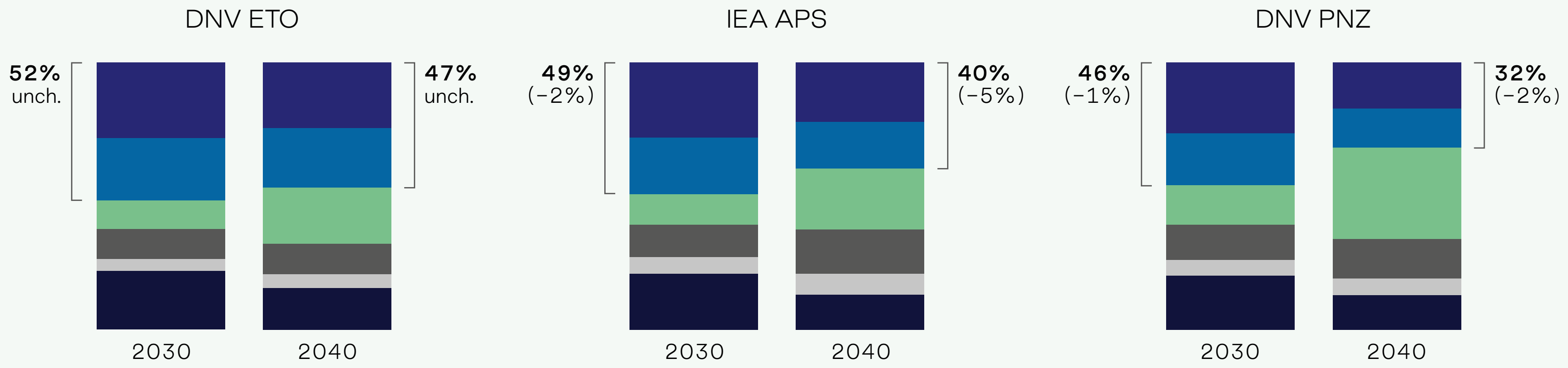
The scenarios used include:

- DNV's 'Energy Transition Outlook' (ETO), which represents DNV's view of 'most likely way forward' when it comes to changing the world's energy supply towards a renewable and climate-neutral future. This scenario points to 2.2° global warming by 2100.
- The International Energy Agency's (IEA) 'Announced Pledges' (APS), points towards 1.7^{0} global warming, which is closer to the goals stated in the Paris Agreement.
- DNV's 'Pathway to Net Zero Emissions' (PNZ), pointing towards 1.5° global warming is in line with the goals in the Paris Agreement.

The DNV scenarios are more comprehensive than other scenarios when it comes to offshore energy production, and therefore useful when evaluating the outlook for BW Offshore and the different segments the company operates in within this sector.

When considering climate risks, BW Offshore believes that it is important to factor in the possibility of a more rapid implementation of net zero commitments and pledges by countries and companies, with a corresponding accelerated

SUMMARY OF THE IEA AND DNV SCENARIOS



DNV ENERGY TRANSITION OUTLOOK (ETO) 2022

The ETO charts the most likely development based on DNVs analysis, which forecasts emission levels until 2050 and extrapolates the data until 2100. This scenario points to 2.20 global warming by 2100.

IEA ANNOUNCED PLEDGES SCENARIO (APS) 2022

The APS is based on all countries with emission pledges keeping their promises on cuts. This scenario points to 1.70 global warming by 2100.

DNV PATHWAY TO NET ZERO EMISSIONS (PNZ) 2022

The PNZ is fully aligned with the Paris Agreement, showing what is required of energy transition to reach net zero by 2050. This scenario points to 1.50 global warming by 2100.

■ Coal ■ Nuclear ■ Biomass ■ Renewable ■ Natural Gas ■ Oil

Source: DNV Energy Transition Outlook 2022 dataset and IEA World Energy Outlook 2022

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roll out of carbon pricing schemes and other regulations that may impact the hydrocarbon sector at an earlier stage.

On the other hand, the oil and gas sector is currently experiencing increased activity and investment levels. Rising energy prices make long-term investments in renewable energy more attractive, and also stimulate renewed investments in the oil and gas sector to meet short- to medium-term energy demand, and ensure energy security.

All the selected scenarios have been updated in 2022 to reflect the new global situation and changes versus forecasts published one year ago. The forecasted share of oil and gas in the global energy mix differs in the scenarios, with DNV's 'Pathway to Net Zero' showing a higher proportion of renewable energy at the expense of fossil fuels.

The main differences between the scenarios relate to assumptions for factors such as the growth in renewable energy, the projected path of carbon pricing, development and uptake of carbon capture and storage technology, the pace of fossil fuel phase out (particularly coal) and the decline in the use of nuclear power.

Based on these scenarios, BW Offshore expects reasonably steady operational conditions in the medium-term. The more transformative changes to the global energy mix are expected to materialise towards 2040, where oil supply is expected to decline in relative and nominal terms. For natural gas, the peak is expected to be within the current decade, with 2040 production expected to be around 5 per cent lower than in 2021. In the near term, other transition risks may be more central, such as stigmatisation of the oil and gas sector, which could impact access to and cost of capital, as well as influence ability to attract qualified personnel.

At the same time, the transition risks also reflect a renewed need for near-term investments in hydrocarbon production, particularly natural gas, to compensate for a post-pandemic increase in energy demand, the shortfall of supply from Russia, as well as lower production of renewable hydropower due to widespread weather events and mandated phase-out of coal and nuclear power in certain regions.

Physical risks are expected to be manageable in the foreseeable future, although more extreme weather events may potentially impact operational uptime and the cost of insurance.

Access to renewable energy is at the core of the global transition to net zero emissions. Being deeply rooted in the offshore energy production sector, BW Offshore sees significant medium- to long-term opportunities for applying its competencies to develop floating offshore wind projects. Subsequently, this enables opportunities for floating clean fuel production like hydrogen and ammonia, leveraging the combination of FPSO and floating wind competence. There are also opportunities for the company within carbon capture and storage, which will be essential to maintain an adequate energy supply towards 2050 in all the scenarios.

The company's risk and opportunities table on page 79–80 summarises BW Offshore's annual review of climate-related risks and opportunities. The company generally considers the magnitude of financial impact as low in the short-term (towards 2025), low in the medium-term (2025–30), and medium to high in the long-term (2030 and onwards).

Opportunity-wise, the short-term impact is considered low. However, the value creation potential related to offshore floating wind, as well as an increased share of natural gas production, starts to have meaningful impact in the medium term, with offshore floating wind positioned to potentially become a material part of future cash flow and asset values over time, along with new concepts for offshore, floating carbon capture and storage solutions.

BW Offshore is already excecuting a corporate strategy that is in line with the above analysis. The strategy centres around three areas (see page 8 in the Annual Report for more details):

1. **Growing the core floating production business through new offshore energy infrastructure projects, based on clear selection criteria. This includes a preference for natural gas projects, providing exposure to an energy source that is increasingly seen as an intermediary mitigator for climate change, as well as a medium-term solution to the general lack of energy supply. Delivering the FPSO for the Barossa project with an asset due to start production already in 2025 illustrates how the company is progressing in this strategic area. Further, the company is developing ways to improve energy efficiency on FPSOs to reduce emission levels from the production of hydrocarbons through combined cycle power plants, as well as digitalisation and smart systems in hydrocarbon processing.**

2. **Accelerating and maximising value extraction from the company's conventional FPSO fleet, including divesting older assets with marginal contracts close to end of firm periods, and assets not considered strong candidates for redeployment. In 2022, four conventional FPSOs left BW Offshore's fleet, and a fifth has been sold with delivery to the buyer in the first half of 2023. Consequently, the company's operations and asset base has become more energy efficient, thus more resilient towards tougher environmental regulations, reducing residual value risk.**

3. **Building a substantial and growing position in offshore renewable energy infrastructure, focusing on floating offshore wind and by leveraging the company's abilities within floating energy production. BW Offshore is the majority owner of BW Ideol through an investment of USD 70 million. BW Ideol was listed in 2021 and in early 2022 won its first large-scale project to develop a 1 GW facility offshore Scotland together with partners. Additionally, the company is developing new solutions to utilise floating assets for a wide range of uses, including gas-to-power projects, floating ammonia production through electrolyse of seawater, and floating CO_2 storage and injection solutions to enable the transportation of carbon capture to offshore storage reservoirs.**

It is BW Offshore's opinion that its strategy and business operations have good resilience towards future climate-related risks. This is also highlighted by the USD 6 billion order backlog, which lasts towards 2040, with additional potential for extensions. This backlog is expected to provide cash flow for investments into new and transition supportive business opportunities.

RISK MANAGEMENT

As outlined in BW Offshore's governing documents, the Board is responsible for the company's strategy, internal controls and risk management, including climate-related matters.

The Board, together with senior management, is responsible for providing oversight of climate-related risk. While some of the long-term trends have already been identified and are reflected in the strategic positioning outlined above, BW Offshore continuously seeks to improve its analysis of climate-related risks and opportunities to further strengthen the basis for decision-making and strategic prioritisation. Environmental risks are included in the company's decision gate process, and emission management is actively considered when selecting new business opportunities.

BW Offshore has a framework for managing all aspects of operational risk integral to understand, assess and mitigate future climate-related risks, particularly those relating to physical risks. The framework is defined within the BW Offshore Management System, which is certified to the ISM Code for safe operation of ships and pollution prevention, ISO 9001 for quality management and OHSAS 18001 for occupational health and safety management.

METRICS

BW Offshore discloses a set of metrics related to its environmental performance. These can be found on page 55–56 in the annual report.

The company is in the process of developing internal emission forecast scenarios, including ambitions and targets, based on internal assumptions and external scenario analysis, thereby enabling alignment of strategic direction with external sources such as the Paris Agreement and other industry benchmarks. The emission scenarios focus on three timelines; 2030, 2040 and 2050. It is expected that the internal forecasts will be completed during 2023. In parallel, BW Offshore has allocated the majority of its Research & Development budget of USD 6 million on renewable or emission reducing technologies to capture energy transition opportunities by developing new adjacent business areas in 2023.

RISK AND OPPORTUNITIES

BW Offshore defines outcomes where a potential financial impact is expected to exceed USD 100 million to be high impact. Potential financial impact between USD 10–100 million represent medium impact, and financial impact below USD 10 million is considered low impact. This categorisation is in line with the company's corporate risk registry. As per this definition, no risks are categorised as having potential high impact for BW Offshore in the short- or medium-term. In the long-term, four transition risks are categorised as having potential high impact when considering magnitude. No physical risks are categorised as having potential high impact.

On the opportunity side, drivers that could have high impact on the company are expected to develop long-term. To capture these opportunities, the company focuses on expanding further into offshore floating wind, as well as developing new concepts for low-carbon energy production.

OVERVIEW OF CLIMATE-RELATED RISKS

BW Offshore defines outcomes where a potential financial impact is expected to exceed USD 100 million to represent a high impact.

Potential financial impact between USD 10—100 million represent medium impact, and financial impact below USD 10 million is considered low impact.

Risk type	Classification	Risk description	Magnitude of financial impact			Mitigation
			Short Term 2022–25	Medium Term 2025–30	Long Term 2030 →	
Physical	Acute	Increased severity and frequency of extreme weather like cyclones and hurricanes	Low	Low	Low	• Emergency response preparedness, risk management systems and contract terms
	Chronic	Sea level rise, wave heights and marine heat waves	Low	Low	Low	• Upgrade design of offshore installations to handle more frequent severe weather conditions
Transition	Policy and legal	Carbon pricing mechanisms: increased costs in the production of oil and gas leading to increased costs for the company	Low	Low	Low	• Cost increase to be charged to field operators • Electrification of FPSO operations • Energy efficient operations
		Carbon pricing mechanisms: fewer projects being sanctioned	Low	Medium	Medium	• See section on Market risk
		Restriction on licensing and exploration acreage for oil and gas clients	Low	Medium	High	• See section on Market risk
		Regulation of production processes, for example, through emission reduction measures	Low	Low	High	• Minimising emissions from operations • Electrification of FPSO operations
		Litigation against clients in relation to field developments or operations, or litigation against the company related to operations	Low	Medium	Medium	• Increase focus on selection criteria related to regulatory risks for new offshore oil and gas production projects • Contractually allocate explicit liability for identified (potential) future climate-related risks
	Technology	Renewable energy sources become competitive vs oil and gas for energy production, while battery storage and hydrogen enable faster take-up of electrification for energy generation	Low	Medium	Medium	• Early investment in offshore floating wind segment • Allocate substantial resources to R&D efforts related to renewable energy technology and solutions
	Market	Reduced demand for hydrocarbons leading to significantly lower oil and gas prices and reduced appetite among clients to develop fields and/or keep production, resulting in less business potential and the risk for stranded assets	Low	Low	High	• Clear selection criteria and process on how to weigh these for new offshore oil and gas production projects • Provide low or zero carbon production technologies • Grow presence in renewable energy segments
		Uncertainty of market signals, like the current energy squeeze where there is both a lack of oil and gas production and distribution capacity and a slow roll-out of renewable energy production	Medium	Low	n.a.	• Maintain business focus in both oil and gas and renewables sectors
	Reputation	Stigmatisation of sector resulting in difficulties in attracting and retaining the right talent	Low	Medium	High	• Enter renewable energy market through early investment in offshore floating wind • Maintain focus on developing low carbon production concepts • Develop new concepts within clean fuels, carbon capture and gas to power
		Stigmatisation of sector resulting in higher financial costs or lack of capital	Low	Medium	High	

OVERVIEW OF CLIMATE-RELATED OPPORTUNITIES

Type	Classification	Description	Magnitude of financial impact			Driver
			Short Term 2022–25	Medium Term 2025–30	Long Term 2030 →	
Resource efficiency	Energy efficiency	More efficient processing plants	Low	Medium	Medium	• Divestment of non-core FPSOs • Combined cycle power generation • Recovery of Volatile Organic Compound (VOC) Emissions from tanks • Digitalisation, smart systems • Improved energy and fuel management
Energy sources	Lower emission source	Electricity, stranded gas	Low	Low	Medium	• CO_2 pricing gives clients incentive to reduce emissions • Floating wind power to oil and gas facilities by BW Ideol (53% owned by BW Offshore)
	Use of new technologies	Offshore floating wind power to platforms and FPSOs	Low	Medium	Medium	
Products and services	Low emission services	Offshore gas developments	Medium	High	Medium	• BW Ideol floating wind solutions with expanded types of application
	Diversification	Gas-to-power units	Low	Low	High	• FPP/FSRP solutions to deliver power onshore, acting has hubs
		Carbon capture in FPSO production processes	Low	Medium	Medium	• Power generation carbon capture or floating injection hub
		Floating clean fuel production (ammonia/hydrogen)	Low	Low	Medium	• Develop ammonia FPSO technology
Markets	Access to new markets	Respond to clean fuel demand (ammonia/hydrogen)	Low	Low	High	• Ammonia/hydrogen market development
		Offshore floating wind power	Low	Low	High	• Development of BW Ideol project pipeline for floating wind • Develop projects that combine BW Ideol capabilities with those of BW Offshore
		Carbon capture	Low	High	High	• Develop solutions for carbon capture both on fields and from shore
Resilience	Participation in renewables	Own and operate floating clean fuel production (ammonia/hydrogen) assets	Low	Medium	High	• Partnerships with ammonia/hydrogen offtakers
		Own and operate offshore floating wind farms	Low	Medium	High	• BW Ideol positioning as co-developer of floating wind farms

Global Reporting Initiative (GRI) content index 2022

Statement of use	BW Offshore has reported in accordance with the GRI Standards for the period 1 Jan–31 Dec 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	GRI 11: Oil and Gas Sector 2021

GENERAL DISCLOSURES

Disclosure Number	Disclosure Title	Disclosure
The organisation and its reporting practises		
2-01	Organisational details	BW Offshore Limited Organisational details are described in Note 1, and on page 6.
2-02	Entities included in the organisation's sustainability reporting	A full list of subsidiaries and joint ventures is included in Note 21. BW Offshore does not include sustainability reporting for BW Ideol.
2-03	Reporting period, frequency and contact point	BW Offshore reports annually, and the financial report and sustainability report is done for full year 2022, published 28 February 2023. Contact person for BW Offshore's Annual Report and Sustainability Report is Una Holmen, Senior Manager Sustainability and Communications, una.holmen@bwoffshore.com
2-04	Restatements of information	Not applicable
2-05	External assurance	BW Offshore does not have a policy in place for external assurance practises. BW Offshore's Sustainability Report is assured internally by the Board of Directors.

Disclosure Number	Disclosure Title	Disclosure
Activities and workers		
2-06	Activities, value chain and other business relationships	BW Offshore is a provider in the oil and gas sector, and the company's clients are primarily international E&P companies and national oil companies. Other relevant business relationships are local state security forces in countries of operation. The company's value chain is described on page 36, and on the company's website: https://www.bwoffshore.com/about-us/; https://www.bwoffshore.com/working-with-us/vendor-information/ No major changes in sector or value chain occured in the reporting period for the 2022 Annual Report and Sustainability Report.
2-07	Employees	BW Offshore's headcount overview is included in tables on the next page. Note to tables: • The personnel statistics are based on the year-end headcount from December 2022. • 'Other' region for offshore personnel overview includes employees not bound to one specific FPSO or country. • The onshore headcount has gone up from 2021 with ~8% due to increased project activity, including Barossa. The offshore headcount has gone down by ~16% due to reduced number of FPSOs in operation.

2–07 Employees (cont.)

ONSHORE HEADCOUNT

Gender	Africa	Americas	APAC	Europe	Middle East	Grand Total
Female	30	7	135	58	4	234
Male	81	18	321	151	19	590
Grand Total	111	25	456	209	23	824

Gender/Employment category	Africa	Americas	APAC	Europe	Middle East	Grand Total
Permanent Onshore Personnel	78	20	280	182	6	566
Female	23	5	98	51	1	178
Male	55	15	182	131	5	388
Direct Hire Contract Onshore Personnel	6		118	5	1	130
Female	3		32			35
Male	3		86	5	1	95
3rd Party Consultant Onshore Personnel	23	5	56	22		106
Female	4	2	3	7		16
Male	19	3	53	15		90
Resource Onshore Personnel	4		1			5
Female			1			1
Male	4					4
Consultant Onshore no hours			1		16	17
Female			1		3	4
Male					13	13
Grand Total	111	25	456	209	23	824

OFFSHORE HEADCOUNT

Gender	Africa	Americas	APAC	Europe	Other	Grand Total
Female	3			8	2	13
Male	568	112	36	135	45	896
Grand Total	571	112	36	143	47	909

Gender/Employment Category	Africa	Americas	APAC	Europe	Other	Grand Total
Permanent EXPAT Offshore Personnel	112	102	14	9	29	266
Female				1		1
Male	112	102	14	8	29	265
Direct Hire Contract EXPAT Offshore Personnel	30	2	22		9	63
Male	30	2	22		9	63
3rd Party Consultant EXPAT Offshore Personnel	8					8
Female	2					2
Male	6					6
Permanent NATIONAL Offshore Personnel	203	7		111	8	329
Female	1			3	2	6
Male	202	7		108	6	323
Direct Hire Contract NATIONAL Offshore Personnel	10	1				11
Male	10	1				11
3rd Party Consultant NATIONAL Offshore Personnel	208			23	1	232
Female				4		4
Male	208			19	1	228
Grand Total	571	112	36	143	47	909

Disclosure Number	Disclosure Title	Disclosure
2–08	Workers who are not employees	Tables included in disclosure 2–07 are also applicable to disclosure 2–08. Note to tables: The most common type of non–permanent personnel are contract and consultant staff hired in for a time specific period. Contract personnel have direct contracts with the company, while consultants are employed via third–party agreements. Non–permanent personnel onshore are typically hired for the following roles: 1. Project positions, technical and administrative roles to cover for peak capacity needs during temporary project periods. 2. Specialist advisory roles to cover for competencies that the company does not have inhouse. 3. Other consultancy contracts signed with specialists and advisors as frame agreements, where work scope and support is called off when and if needed. There has been continued increase of the number of non–permanent personnel for onshore roles since end of 2022. This is due to increased capacity needs for project activity, including the Barossa project.
Governance		
2–09	Governance structure and composition	BW Offshore's governance structure is described on page 65. All members of the board are non–executive, and information about composition of the highest governance body and its committees is covered on page 22, and on the company's website: https://www.bwoffshore.com/about-us/leadership/
2–10	Nomination and selection of the highest governance body	Nomination and selection of BW Offshore's Board of Directors is available on the company's website: https://www.bwoffshore.com/about-us/leadership, and criteria is described on page 22.
2–11	Chair of the highest governance body	The Chairman of BW Offshore's Board of Directors is not a senior executive in the company.

Disclosure Number	Disclosure Title	Disclosure
2–12	Role of the highest governance body in overseeing the management of impacts	Information about the role of the highest governance body and its committees is described on page 25, and on the company's website: https://www.bwoffshore.com/about-us/leadership/ The Board of Directors performs annual reviews of BW Offshore's strategic planning and impacts through the sustainability report process. This is described on page 38.
2–13	Delegation of responsibility for managing impacts	Information about BW Offshore ESG Committee composition and responsibilities is included on page 38. The company reports on impacts on economy, environment and people quarterly, in relation to Board meetings, and the Board approves the annual sustainability report.
2–14	Role of the highest governance body in sustainability reporting	Information about BW Offshore ESG Committee composition and responsibilities is included on page 38. The company reports on impacts on economy, environment and people quarterly, in relation to Board meetings, and the Board approves the annual sustainability report.
2–15	Conflicts of interest	BW Offshore's processes to manage conflicts of interest are described on page 69, and page 25.
2–16	Communication of critical concerns	Critical concerns are reported to the Audit Committee of the Board of Directors on a quarterly basis. In 2022, no bribery or corruption concerns were reported to the Board of Directors, and there were no confirmed cases of corruption.
2–17	Collective knowledge of the highest governance body	The members of the Board of Directors have substantial knowledge in areas related to sustainable development through extensive experience from a variety of fields within the industry. Skills and knowledge are maintained through positions held in various boards and committees, and through attending relevant events and forums.
2–18	Evaluation of the performance of the highest governance body	An annual questionnaire is issued by the Chairman to the Board of Directors for self–review. Results are shared with the Nomination Committee, which identifies any potential competence gaps. An annual evaluation of the Board of Directors is performed by the Chairman and the Nomination Committee (independent stakeholders). In 2022, no actions were taken in response to evaluations.

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Disclosure Number	Disclosure Title	Disclosure
2-19	Remuneration policies	BW Offshore's Guidelines on Executive Remuneration and its Compensation Committee Guidelines are available on the company's website: https://www.bwoffshore.com/ir/corporate-governance/ https://www.bwoffshore.com/about-us/leadership/
2-20	Process to determine remuneration	BW Offshore's process for designing its remuneration policies is described in its Guidelines on Executive Remuneration and its Compensation Committee Guidelines, available on the company's website; and on page 27 and 28. https://www.bwoffshore.com/ir/corporate-governance/ https://www.bwoffshore.com/about-us/leadership/ As voted during Annual General Meeting, 26 May 2022, Directors' fees were approved with 108 202 134 votes for, 7 000 against, and 0 abstain.
2-21	Annual total compensation ratio	The ratio of the annual total compensation for BW Offshore's highest-paid individual to the median annual total compensation for all employees is 8.9:1. Numbers are based on all onshore permanent and direct contract employees. The ratio of salary increase for BW Offshore's highest-paid individual to the median annual total compensation for all employees is 0.8:1. Numbers are based on all onshore permanent and direct contract employees.

Disclosure Number	Disclosure Title	Disclosure
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	For statement on BW Offshore's sustainable development strategy, see page 4, 14 and 33, as well as in general throughout the 2022 Annual Report.
2-23	Policy commitments	BW Offshore's policy statements are described in the 'Code of Ethics and Business Conduct' and 'Supplier Code of Ethics and Business Conduct', and our commitment to human rights is described in the 'Supplier Ethical Employment Practice Guidelines', available from the company's website. https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/ https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/supplier-code-of-ethics// Modern Slavery Statement: https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/ Human Rights and Decent Working Conditions Policy: https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/ The Code of Ethics, Supplier Code of Ethics, Supplier Ethical Employment Practice Guidelines and the Human Rights and Decent Working Conditions Policy are all approved by the CEO, while the Modern Slavery Statement is approved by the Chairman of the Board of Directors. The policy commitments included in this section are applicable to all employees, business partners, suppliers, agents or other third parties when conducting businesses with BW Offshore, and mandatory e-learning is in place for all employees and workers. Policy commitments are included in T&Cs for vendors, and available on our website. https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/supplier-code-of-ethics/

GO BACK

Disclosure Number	Disclosure Title	Disclosure
2-24	Embedding policy commitments	BW Offshore's policy commitments are included in the Code of Ethics and Business Conduct, and the subsequent Code of Ethics Guidelines. Policy commitments are allocated to relevant stakeholders in the following functions: Process and Document Owner / Implementation; and Verification. In the organisation's Management System, it is stated which departments/functions each policy is applicable for. BW Offshore's Management System is structured into four levels, where level one is policies applicable for all employees. The subsequent levels are tied in to the level above ensuring embedment of policies throughout the various processes in the organisation. Processes for implementation of policy commitments are described on page 61 and 70, and mandatory e-learning courses are routinely rolled out to all employees to ensure ownership and commitment throughout the organisation.
2-25	Processes to remediate negative impacts	Commitment to remediate negative impacts, and the process in place to report concerns is described on page 71. The BW Offshore Speak Up Channel is available to all employees and suppliers, managed by a third-party provider to ensure anonymity. In addition, Safety Observation cards are available on all units, in all offices and on the company's website for any party to report a grievance or observation: https://www.bwoffshore.com/contact/observation-cards/
2-26	Mechanisms for seeking advice and raising concerns	BW Offshore's compliance programme is available on our intranet and website. Employees are regularly reminded of means to access compliance advice or raise a concern through the company's intranet, visual aids posted in work environments, townhalls and other company communications. Information about reporting concerns is available on the company's website. The company's Speak Up Channel (speakup.bwoffshore.com) and a system to submit Observation Cards is available on the company's website. Concerns and questions can also be asked via the compliance email available on the website.
2-27	Compliance with laws and regulations	The company has not been involved in any significant instances of non-compliance that resulted in administrative or judicial sanctions or fines during 2022.

Disclosure Number	Disclosure Title	Disclosure
2-28	Membership associations	Maritime Anti-Corruption Network – MACN Norwegian Energy Partners – NORWEP Norwegian Business Association (Singapore) – NBAS
Stakeholder engagement		
2-29	Approach to stakeholder engagement	BW Offshore's approach to stakeholder engagement is described on page 39.
2-30	Collective bargaining agreements	Collective bargaining agreements, and rights and obligations are described on page 62.

Material topics		
3-1	Process to determine material topics	BW Offshore continually engages with stakeholders such as customers, partners, regulators, vendors, contractors, investors and lenders, as well as with internal stakeholders such as employees and contracted staff. The process to determine the company's material topics is described on page 39 and generally throughout the report.
3-2	List of material topics	Based on the 2020 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 • A non-discriminating and fair employer The company did not make changes to its material topics in 2022.

SAFE AND SECURE OPERATIONS

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference#
Material Topic: Safe and secure operations			
03–3	Management of material topics	Management of procedures to ensure safe and secure operations is described on page 42–43, and throughout the chapter on safe and secure operations. The company has selected the following Topic Standards to report specific information on the material topic: **GRI 403 Occupational Health and Safety** **GRI 404 Training and Education**	11.9.1 11.10.1
GRI 403 Occupational Health and Safety			
403–01	Occupational health and safety management system	Information on how BW Offshore manages processes relating to occupational health and safey is described on page 42.	11.9.2
403–02	Hazard identification, risk assessment and incident investigation	Employees and contractors working at BW Offshore sites operate under the company's control of work processes, and BW Offshore maintains oversight to manage risks. This is described on page 44. Competency is tracked and ensured using detailed role–specific training matrixes for all offshore roles. BW Offshore has a 'Stop Work' policy in place, giving all employees the explicit authority to stop any actions they think are unsafe and/or they are unsure about. Read more on page 47. BW Offshore also implements a Safety Observation System, where all employees and contractors are encouraged to report safety observations. Improvements are made to the Management System as a result of identified hazards, incident investigation findings (root–cause analyses), the annual management review and worker input captured in the company's Management System. Read more on page 44 and 45.	11.9.3
403–03	Occupational health services	BW Offshore's occupational health services are described on page 63.	11.9.4
403–04	Worker participation, consultation and communication on occupational health and safety	Stakeholder review and approval of the BW Offshore Management System is described on page 42. Local Work Environment Committees or their 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. See page 63.	11.9.5
403–05	Worker training on occupational health and safety	All employees and contractors receive a mandatory induction programme, which includes an introduction to the Management System, Operational Integrity processes and the HSSE Policies. HSE induction training is mandatory for all personnel visiting BW Offshore units and project sites. The minimum mandatory training requirements for visiting offshore sites includes Basic Offshore Safety Induction and Emergency Training (BOSIET), Helicopter Underwater Escape Training (HUET), 'BW Offshore induction – operations' (internal e–learning), and unit specific offshore induction upon arrival. Completion of e–learning courses is recorded in the company's e–learning portal, as described on page 46.	11.9.6
403–06	Promotion of worker health	All personnel have access to non–occupational healthcare services. The services are described on page 63.	11.9.7
403–07	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	BW Offshore prevents or mitigates significant negative occupational health and safety impacts that are directly linked to its operations, products or services by its business relationships. The company's approach is described on page 69, and in the Supplier Code of Ethics and Business Conduct, available on the company's website: https://www.bwoffshore.com/working–with–us/vendor–information/ https://www.bwoffshore.com/sustainability/governance–and–strategic–commitment/supplier–code–of–ethics//	11.9.8
403–08	Workers covered by an occupational health and safety management system	BW Offshore has implemented an occupational health and safety management system based on legal requirements and recognised standards. The management system applies to all workers, contractors and visitors who are present at any BW Offshore controlled workplace. Read more on page 42.	11.9.9

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference#
403-09	Work-related injuries	BW Offshore's complete HSE statistics are described in the Safety Indicators table on page 48. Rates are calculated as per IOGP standard, with 1 000 000 hrs, and no workers are excluded from the statistics. The main types of work-related injuries are body and hand trauma, foreign body in eye and dehydration. Work-related hazards are managed through the control of work systems, which require risk assessment, control of hazards and authorisation to work for all work scope undertaken offshore.	11.9.10
403-10	Work-related ill health	In 2022, BW Offshore had zero numbers of cases recorded as a result of ill health. Statistics include all workers at BW Offshore premises, onshore and offshore. An Occupational Health Risk Assessment Standard is implemented to identify and manage occupational health hazards during the operations phase. Health hazards are routinely managed through the health risk assessment process and management system processes for management of noise, asbestos, naturally occuring radioactive material (NORM), hand/arm vibration syndrome, potable water management, catering etc.	11.9.11

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference#
GRI 404 Training and Education			
404-01	Average hours of training per year per employee	The company's employees have undertaken training in BW Offshore's e-learning portal, including participating in inhouse and external classroom training as well as sessions in relation to the company's Culture Programme, as described on page 46. The company has improved monitoring of training activity by time recording for onshore employees, and estimation of hours per e-learning and other training for offshore employees. The report does not enable monitoring of training per gender at this point.	11.10.6 11.11.4
404-02	Programmes for upgrading employee skills and transition assistance programmes	BW Offshore facilitates development programmes for young talent in the company's global graduate programme. On the job training and global mobility/exchange programmes across companies within the BW Group are some of the means for supporting career progressions, and language training is provided in targeted areas of operation. Transition assistance programmes are offered to redundant employees as a result of BW Offshore ceasing operations of certain units. Assistance programmes typically include CV-writing, job searching courses and similar. In addition, the company works closely with industry partners and peers to enable transfer opportunities for redundant employees.	11.10.7 11.7.3
404-03	Percentage of employees receiving regular performance and career development reviews	In 2022, 87.6% of eligible employees completed formal performance dialogues.	

Performance Dialogues Completed in 2022

Gender / Employee Category	Onshore	Offshore[1]	Total
Female	82%	100%	83.9%
Male	87%	89%	88.2%
Total	86%	89%	87.6%

[1] This includes employees on permanent rotation (both permanent and fixed-term contracts on a permanent rotation onboard the units).

ENVIRONMENTALLY CONSCIOUS OPERATIONS

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
Material Topic: Environmentally conscious operations			
03-3	Management of material topics	Management of procedures to ensure environmentally conscious operations is described on page 49, and throughout the Environmentally Conscious Operations chapter. The company has selected the following Topic Standard to report specific information on the material topic: **GRI 305 Emissions** **GRI 307 Environmental Compliance**	11.1.1 11.2.1 11.3.1
GRI 305 Emissions			
305-01	Direct (Scope 1) GHG emissions	BW Offshore's complete environmental data is described on page 55–56. Gases included in the company's Scope 1 calculations are CO_2, CH_4, N_2O and HFCs. BW Offshore does not report on Biogenic CO_2 emissions. The source of the emission factors and the global warming potential (GWP) rates used for Scope 1 emissions are the Oil and Gas UK Environmental Emissions Monitoring System, the Climate Registry and IPCC Fifth Assessment Report. The consolidation approach used for emissions is operational control. The methodologies/assumptions used are based on the Oil and Gas UK Environmental Emissions Monitoring System and American Petroleum Institute 2009 Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry.	11.1.5
305-02	Energy indirect (Scope 2) GHG emissions	BW Offshore's complete environmental data is described on page 55–56. Gases included in the company's Scope 2 calculations are CO_2, CH_4 and N_2O. Location-based calculation methology (country specific) emission factor is used for calculations. The source of the emission factors and the global warming potential (GWP) rates used for Scope 2 emissions are the International Energy Agency 2020 Emissions Factors and IPCC Fifth Assessment Report for GWP rates. The consolidation approach used for emissions is operational control. The methodologies/assumptions used are based on the Greenhouse Gas Protocol Scope 2 Guidance.	11.1.6
305-03	Other indirect (Scope 3) GHG emissions	BW Offshore's complete environmental data is described on page 55–56. Gases included in the company's Scope 3 calculations are CO_2, CH_4 and N_2O. Other indirect Scope 3 emissions included in addition to combustion and non-combustion emissions from FPSOs operationg under contract, and air travel. BW Offshore does not report on Biogenic CO_2 emissions. The source of the emission factors and the global warming potential (GWP) rates used for Scope 3 emissions are the Oil and Gas UK Environmental Emissions Monitoring System, the Climate Registry and IPCC Fifth Assessment Report. The consolidation approach used for emissions is operational control, and the methodologies/assumptions used are based on the Oil and Gas UK Environmental Emissions Monitoring System and American Petroleum Institute 2009 Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry.	11.1.7

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
305-04	GHG emissions intensity	BW Offshore's complete environmental data is described on page 55–56 . The metric used to calculate the GHG emissions ratio is annual revenue (USD). Emission intensity includes Scope 1 and Scope 2 emissions, and includes the following gases: CO_2, CH_4, HFC, N_2O.	11.1.8
305-05	Reduction of GHG emissions	When including CO_2, CH_4, N_2O and HFCs in the calculation, BW Offshore has reduced Scope 1 freon gas usage by 3 307 metric tonnes (20%) compared to 2020 usage rates. Scope 3 air travel emissions have reduced by 4 676 metric tonnes (30% reduction) compared to pre-Covid 2019 air travel. The company's assets are operated under contracts with oil field operators and therefore BW Offshore has minimal control over the GHG emissions produced by the asset. However, the company monitors emissions on a monthly basis, and seeks to minimise GHG emissions rates to within a reasonable optimal operating range based on how the asset is instructed to operate contractually and client specifications. Each asset has a monthly, baseline operational GHG emissions volume defined. When asset performance exceeds this GHG emissions baseline, the causes are investigated. If it is found that the source of excesss GHG emissions is within BW Offshore control, corrective actions are taken. BW Offshore follows the standard of the GHG Protocol.	11.2.3
305-06	Emissions of ozone-depleting substances (ODS)	Not applicable.	
305-07	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	BW Offshore reports on emissions of NO_X, SO_X and VOC on page 56. The company uses the Oil and Gas UK Environmental Emissions Monitoring System, and bases its reporting on methodologies from the American Petroleum Institute 2009 Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry.	11.3.2

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
GRI 307 Environmental Compliance			
307-01	Non-compliance with environmental laws and regulations	BW Offshore has not identified any non-compliance with environmental laws and/or regulations in 2022.	

A NON-DISCRIMINATING AND FAIR EMPLOYER

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
Material Topic: A non-discriminating and fair employer			
03-3	Management of material topics	Management of procedures to ensure being a non-discriminating and fair employer is described on page 57, and throughout the non-discriminating and fair employer chapter. The company has selected the following Topic Standards to report specific information on the material topic: **GRI 401 Employment** **GRI 405 Diversity and Equal Opportunity**	11.10.1 11.11.1

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
GRI 401 Employment			
401-01	New employee hires and employee turnover	Employee hires and turnover is monitored for onshore permanent personnel.	11.10.2

Joiners[1]

Gender/ Region	Africa	Americas	APAC	Europe	Middle East	Grand Total
Female	50%	100%	61%	42%	0%	55%
Male	50%	0%	39%	58%	0%	45%

Joiner Rate[2]

Gender/ Age	Number	Rate
Female	23	12.2%
<30	8	53.3%
30–50	13	9.7%
50<	2	5.0%
Male	19	4.8%
<30	6	35.3%
30–50	8	3.1%
50<	5	4.2%
Grand Total	42	7.2%

[1] Turnover rates are calculated for onshore permanent employees

[2] Turnover rate is based on headcount per category on 1 January 2022

<table>
<tr><th>Disclosure Number</th><th>Disclosure Title</th><th>Disclosure</th><th>Sector Specific Reference #</th></tr>
<tr><td>401–01 (cont.)</td><td></td><td>
Leavers[1]
<table>
<tr><th>Gender/ Region</th><th>Africa</th><th>Americas</th><th>APAC</th><th>Europe</th><th>Middle East</th><th>Grand Total</th></tr>
<tr><td>Female</td><td>67%</td><td>33%</td><td>68%</td><td>43%</td><td>0%</td><td>51%</td></tr>
<tr><td>Male</td><td>33%</td><td>67%</td><td>32%</td><td>57%</td><td>0%</td><td>49%</td></tr>
</table>
Leaver Rate[2]
<table>
<tr><th>Gender/ Age</th><th>Number</th><th>Rate</th></tr>
<tr><td>Female</td><td>37</td><td>19.6%</td></tr>
<tr><td><30</td><td>3</td><td>20.0%</td></tr>
<tr><td>30–50</td><td>28</td><td>20.9%</td></tr>
<tr><td>50<</td><td>6</td><td>15.0%</td></tr>
<tr><td>Male</td><td>36</td><td>9.2%</td></tr>
<tr><td><30</td><td>1</td><td>5.9%</td></tr>
<tr><td>30–50</td><td>25</td><td>9.7%</td></tr>
<tr><td>50<</td><td>10</td><td>8.5%</td></tr>
<tr><td>Grand Total</td><td>73</td><td>12.6%</td></tr>
</table>
[1] Turnover rates are calculated for onshore permanent employees
[2] Turnover rate is based on headcount per category on 1 January 2022
</td><td></td></tr>
<tr><td>401–02</td><td>Benefits provided to full-time employees that are not provided to temporary or part-time employees</td><td>Data not available at time of reporting.</td><td></td></tr>
<tr><td>401–03</td><td>Parental leave</td><td>Data not available at time of reporting.</td><td></td></tr>
</table>

<table>
<tr><th>Disclosure Number</th><th>Disclosure Title</th><th>Disclosure</th><th>Sector Specific Reference #</th></tr>
<tr><td colspan="4">GRI 405 Diversity and Equal Opportunity</td></tr>
<tr><td>405–01</td><td>Diversity of governance bodies and employees</td><td>
BW Offshore's Board and Management composition is described on page 21, and on the company's website: https://www.bwoffshore.com/about-us/leadership/

On 31 December 2022, 14% of the total workforce was female and 86% male.

Diversity of employees (total workforce)
<table>
<tr><th>Gender / Age/ Category</th><th>Onshore</th><th>Offshore</th></tr>
<tr><td>Female</td><td>28%</td><td>1%</td></tr>
<tr><td><30</td><td>3%</td><td>0%</td></tr>
<tr><td>30–50</td><td>21%</td><td>1%</td></tr>
<tr><td>50<</td><td>5%</td><td>0%</td></tr>
<tr><td>Male</td><td>72%</td><td>99%</td></tr>
<tr><td><30</td><td>3%</td><td>2%</td></tr>
<tr><td>30–50</td><td>47%</td><td>68%</td></tr>
<tr><td>50<</td><td>22%</td><td>29%</td></tr>
<tr><td>Grand Total</td><td>100%</td><td>100%</td></tr>
</table>
</td><td>11.11.5</td></tr>
<tr><td>405–02</td><td>Ratio of basic salary and remuneration of women to men</td><td>BW Offshore takes a holistic view of various factors to ensure that total employee compensation is fair, as described on page 61. The company monitors ratio of basic salary and remuneration of women to men for permanent employees by significant areas of operation. Half of the ratios have a lower average salary for female than male due to the overrepresentation of female workers in certain job types and levels, often with lower market value than positions where male workers are overrepresented. The company continues to monitor and practice same pay for same jobs.</td><td>11.11.6</td></tr>
</table>

A STRONG GOVERNANCE FRAMEWORK

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
Material Topic: A strong governance framework			
03-3	Management of material topics	Management of procedures to ensure a strong governance framework is described on page 66, and throughout the chapter on a strong governance framework. The company has selected the following Topic Standards to report specific information on the material topic: **GRI 204 Producrement Practices** **GRI 205 Anti-corruption** **GRI 409 Forced or Compulsory Labour** **GRI 412 Human Rights Assessment** **GRI 414 Supplier Social Assessment**	11.10.1 11.12.1 11.14.1
GRI 204 Procurement Practices			
204-01	Proportion of spending on local suppliers	35% of BW Offshore's procurement budget is spent on local suppliers local to that operation. BW Offshore defines a 'significant location of operation' as a country where the company has either an ongoing operation or an ongoing active construction project.	11.14.6
GRI 205 Anti-corruption			
205-01	Operations assessed for risks related to corruption	Seven offshore units (100% of units in operation) and 14 (100%) offices are included in the global risk assessment related to corruption. BW Offshore operates in an industry with inherent high risk for corruption. Our business involves frequent interactions with government officials, whether related to business development, licenses to operate, movements of goods and people, etc. Some of our vessels are located in countries that are perceived to be of high risk for corruption. This is described further in the 2022 Annual Report, page 65.	11.20.2
205-02	Communication and training about anti-corruption policies and procedures	The company's Compliance Awareness Programme is described in the 2022 Annual Report, page 68. BW Offshore's Code of Ethics and Business Conduct (The Code) covers anti-corruption, and is applicable and communicated to 100% of the company's governance body members. The Code is available on the company's website: https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/ The Code is included in mandatory e-learning for all onshore employees, and is communicated to 100% of onshore personnel (824 total per year-end 2022). The Supplier Code of Ethics and Business Conduct is communicated to 100% of our direct vendors (2 670 vendors currently have a valid qualification). The vendor qualification process is described on page 70. In 2022, 664 vendors were qualified through our vendor qualification process. 284 of these were new vendors, and 380 were re-qualifications of existing vendors. No training was organised for the Board of Directors on anti-corruption in 2022. Anti-corruption was included in e-learning refresher training for onshore personnel conducted in 2022. Completion rate was 80%.	11.20.3

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Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
205-03	Confirmed incidents of corruption and actions taken	The company's work to eliminate any unethical and noncompliant business practices — including corruption — is described on page 68, and throughout the governance section of the report. In 2022, BW Offshore did not record any confirmed cases of corruption, nor were there any cases where employees were dismissed or disciplined as a result of corruption. No confirmed incidents occured in 2022 where contracts with business partners were terminated or not renewed due to violations related to corruption. No public legal cases regarding corruption were brought against the company or its employees during the reporting period.	11.20.4
GRI 409 Forced or Compulsory Labour			
409-01	Operations and suppliers at significant risk for incidents of forced or compulsory labour	BW Offshore contributes to the elimination of all forms of forced or compulsory labour. The company's commitment is described in the annual Modern Slavery Statement, available on the company's website: https://www.bwoffshore.com/sustainability/governance-and-strategic-commitment/ Based on an internal risk assessment, BW Offshore considers its contracted shipyards in Asia to present the most significant risk of forced labour in the supply chain. Nevertheless, BW Offshore has detected no actual instances of forced or compulsory labour in our supply chain. We conduct risk-based due diligence on vendors and suppliers that is subject to periodic renewal. We communicate our expectations to suppliers via our Supplier Code of Conduct, and we enforce these expectations through contractual terms. Using a risk-based approach, we verify compliance through on-site visits and audits.	11.12.2

Disclosure Number	Disclosure Title	Disclosure	Sector Specific Reference #
GRI 412 Human Rights Assessment			
412-01	Operations that have been subject to human rights reviews or impact assessments	Seven offshore units (100% of units in operation) and 14 (100%) offices are included in the global human rights impact assessment. We conducted two stand-alone ethical labour audits in 2022: one by an external consultant in Singapore; and one using internal resources in Indonesia.	
412-02	Employee training on human rights policies or procedures	Human rights training was included in e-learning Code of Conduct refresher training conducted in 2022. Completion rate was 80% for onshore personnel.	
412-03	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Information not available at time of reporting.	
GRI 414 Supplier Social Assessment			
414-01	New suppliers that were screened using social criteria	In 2022, 16% of new vendors were screened using social criteria as part of BW Offshore's compliance assessment of business partners. Details are described on page 69.	11.10.8 11.12.3
414-02	Negative social impacts in the supply chain and actions taken	In 2022, 45 new vendors were assessed for social criteria, while 162 vendors were assessed as part of re-qualification. See page 72. The company performed a risk mapping of human rights and decent working conditions within our supply chain, see page 67. Additionally, assessments were performed at two yards, see page 70 for more information.	11.10.9

GRI 11 – OIL AND GAS SECTOR (2021)

BW Offshore's coverage of GRI 11 Oil and Gas Sector — Standard Specific References.

Sector Specific Reference #	Material Topic	Included in Report	Reason for omission
11.1	GHG Emissions	GRI 305	–
11.2	Climate Adaption, Resillience and Transition	GRI 305	–
11.3	Air Emissions	GRI 305	–
11.4	Biodiversity	–	Not considered material
11.5	Waste	–	Not considered material
11.6	Water and Effluents	–	Not considered material
11.7	Closure and Rehabilitation	GRI 404	–
11.8	Asset Integrity and Critical Incident Management	Page 53	–
11.9	Occupational Health and Safety	GRI 403 GRI 404	–
11.10	Employment Practices	GRI 401 GRI 414	–
11.11	Non–Discrimation and Equal Opportunity	GRI 404 GRI 405	–
11.12	Forced Labour and Modern Slavery	GRI 409 GRI 414	–
11.13	Freedom of Association and Collective Bargaining	–	Not considered material
11.14	Economic Impacts	GRI 204	–
11.15	Local Communities	–	Not considered material
11.16	Land and Resource Right	–	Not considered material
11.17	Rights of indigenous Peoples	–	Not considered material
11.18	Conflicts and Security	–	Not considered material
11.19	Anti–Competitive Behaviour	–	Not considered material
11.20	Anti–Corruption	GRI 205	–
11.21	Payments to Governments	–	Not considered material
11.22	Public Policy	–	Not considered material

SUMMARY OF BW OFFSHORE'S CORPORATE ESG GOALS

	Economically minimise GHG emissions from offshore operations	Reduce single-use plastics and wrapping within company operations	Develop local talents in targeted areas of operation	Recognise diversity and ensure equal opportunities	Secure a Living Wage standard for all employees and personnel hired through subcontractors	Continuously improve our risk-based compliance programme to safeguard the company and stakeholders
2022 Objectives	Continue to improve transparency related to the corporate climate action measures and disclosure mechanisms through CDP. Perform a gap analysis of the corporate climate action strategy against the Task Force on Climate-related Financial Disclosures (TCFD). Execute a five-year maintenance plan to manage, and where feasible, minimise emissions from fleet operations. Establish monthly operational emissions thresholds for all operating assets and introduce procedures to identify causes and mitigating actions should thresholds be exceeded.	Ensure all Barossa project sites are free of single-use plastic bottled water in favour of re-usable drinking canisters and water dispensers. Perform a detailed plastic wastes audit onboard a selected unit, which will include crew training by a specialist environmental organisation.	Focus on local talents and local leadership for onshore-based positions in all markets where BW Offshore operates. Focus on Australia and Gabon as target areas for local talent and local leadership development for onshore-based operations. Target of 100% local Australian residency for initial onshore and offshore leadership roles for our upcoming operation in the country. Expand the Graduate Programme to additional locations and functions.	Launch a mandatory Diversity and Inclusion (D&I) awareness e-learning module. Develop a specific D&I plan to support our upcoming activities in Australia. Implement D&I specific requirements to our recruitment process. Organise annual training, support campaigns and events to promote diversity and inclusion across the company. Perform a company-wide Culture Assessment for all employees. Increase gender balance for the company young talent programme.	Review the Living Wage standard to ensure we keep up with new data and development in different countries. Continue the implementation of a Living Wage standard for all direct hires through subcontractors.	Increase KPI reporting to enable improved tracking of the Compliance Programme effectiveness. Roll out Code of Ethics and Business Conduct refresher programme for all employees.
2022 Performance	Evaluated the company's corporate climate action strategy against the Task Force on Climate-related Financial Disclosures. On BW Catcher, monitoring software has been integrated to assess the GHG emissions of real-time operations. Submitted the 2022 CDP dossier for the second consecutive year.	Assessments have been conducted to verify that reusable drinking canisters and water dispensers are available at Barossa project sites. A plastic waste audit was performed for BW Catcher with follow up analysis to determine opportunities to reduce or eliminate plastic waste streams and enhance the crew's understanding of the impact of single-use plastics on the environment. Sustainable packaging requirements included in tender documents for new FPSO prospects to encourage potential vendors to select sustainable packaging when providing materials.	Recruitment plan for the Barossa project revised to support our target of 100% Australian residents. Training initiatives started in Gabon for local offshore talents to support our target of increased local leadership. Young talent programme extended to Australia to support our target of local talent development.	New onshore permanent hires: 55% female/45% male. Gender balance in Young Talent Programme: 20% female/80% male. Culture Assessment conducted for all employees. Discrimination (conscious and unconscious) within BW Offshore Norway assessed in the Diversity, Inclusion and Equality Report for the full year of 2021. A company-wide DI&E mandatory e-learning completed by 80% of the onshore workforce.	Progressed implementation of Living Wage for personnel engaged through subcontractors' scope. Addressed Living Wage expectations to our subcontractors' own employment conditions through our updated terms and conditions and through our Vendor Qualification process.	Launched mandatory Code of Ethics refresher designed to test knowledge on key concepts for onshore employees. Made Speak Up reporting channel publicly accessible, creating a grievance mechanism available to all stakeholders. Initiated ethical labour audit protocol and conducted two audits.
2023 Objectives	Develop future GHG emissions scenario modelling. Continue strategy to retire high carbon footprint legacy assets from the fleet. We expect that full demobilisation of legacy assets will occur by end of 2023. Perform an analysis of the GHG emissions data gathered in 2022 from the new AI software programme on BW Catcher. Phase out routine flaring across majority of operational assets by end of 2023.	Based on 2022 findings from the BW Catcher waste audit, we will develop an action plan. Implement measures to reduce use of single-use plastic on specific units and across offices in 2023.	Expand the global young talent programmes to one additional location and one additional function. Target to meet 70% local talent goal for BW Adolo by training and certifications of identified roles. Fill 100% of offshore leadership positions for the Barossa project by recruiting Australian residents.	Establish contact and relationships with organisations of first nationals' interest in Australia. Target of equal gender split in the recruitment to the graduate programme. Establish action plan to follow up on Culture Assessment.	Monitor implementation of a Living Wage for personnel engaged through subcontractors' scope. Complete a bi-annual review of the Living Wage guidelines.	Evaluate options to provide online, compliance-related training to external stakeholders. Complete six social/ governance-related vendor site visits. Conduct ESG awareness for the Board of Directors. Add single-topic learning content and language options to include, e.g., conflicts of interest, human rights, speaking up, gifts and entertainment.
Related UN Goal	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

Consolidated statement of income

USD MILLION (Year ended 31 December)	Note	2022	2021
Revenue	4, 5, 24	774.1	829.3
Operating expenses	6, 8	(359.6)	(378.4)
Other expenses	6	(49.0)	(40.2)
Administrative expenses	6, 8, 24	(19.4)	(8.6)
Impairment loss on trade receivables	11	(0.4)	(0.8)
Total expenses		(428.4)	(428.0)
Operating profit before depreciation, amortisation, impairment and sale of assets		345.7	401.3
Depreciation and amortisation	14, 15, 24	(208.8)	(270.0)
Impairment	14, 15	(15.8)	(90.5)
Net gain/ (loss) on sale of tangible fixed assets	14	2.5	1.2
Operating profit/ (loss)		123.6	42.0
Interest income		1.9	0.3
Interest expense		(47.4)	(48.4)
Fair value gain/ (loss) on financial instruments	20	54.3	16.0
Net currency gain/ (loss)		5.7	8.5
Other financial items	24	1.7	(5.0)
Net financial items		16.2	(28.6)
Share of profit/ (loss) of equity-accounted investees	16	9.9	33.5
Profit/ (loss) before tax		149.7	46.9
Income tax benefit/ (expense)	9	(20.2)	15.3
Net profit/ (loss) for the year		129.5	62.2

USD MILLION (Year ended 31 December)	Note	2022	2021
Net profit/ (loss) for the year attributable to			
Shareholders of the parent		129.7	62.6
Non-controlling interests	23	(0.2)	(0.4)
Net profit/ (loss) for the year		129.5	62.2
Basic earnings/ (loss) per share net	7	0.72	0.35
Diluted earnings/ (loss) per share net	7	0.66	0.33

The notes on pages 102–147 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

USD MILLION (Year ended 31 December)	Note	2022	2021
Profit/ (loss) for the period		129.5	62.2
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liability (asset)		0.5	(0.2)
		0.5	(0.2)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences		(7.4)	(6.1)
Equity accounted investees – share of OCI	16	77.5	(7.8)
Cash flow hedges – effective portion of changes in fair value	20	(4.0)	(0.4)
		66.1	(14.3)
Other comprehensive income for the period, net of tax		66.6	(14.5)
Total comprehensive income for the period		196.1	47.7
Total comprehensive income attributable to			
Shareholders of the parent		200.5	50.3
Non-controlling interests		(4.4)	(2.6)
		196.1	47.7

The notes on pages 102–147 are an integral part of these consolidated financial statements.

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Consolidated statement of financial position

USD MILLION (As at 31 December)	Note	2022	2021
ASSETS			
Vessels	14	2 394.3	1 836.0
Other property, plant and equipment	14	8.5	17.3
Right-of-use assets	24	21.1	19.2
Intangible assets and goodwill	15	88.0	99.7
Equity-accounted investees	16	337.9	210.3
Deferred tax assets	9	61.8	62.9
Derivatives	20	45.7	3.2
Other non-current assets		7.2	5.0
Non-current assets		2 964.5	2 253.6
Inventories	10	6.7	25.7
Trade and other current assets	9, 11	232.6	297.4
Finance lease receivables	24	48.4	12.3
Derivatives	20	16.1	3.4
Cash and cash equivalents	12	230.3	274.2
Assets held for sale	13	-	143.1
Current assets		534.1	756.1
Total assets		3 498.6	3 009.7

USD MILLION (As at 31 December)	Note	2022	2021
EQUITY			
Share capital	17	92.5	92.5
Share premium		1 095.5	1 095.5
Other equity	18	(249.5)	(414.5)
Equity attributable to shareholders of the parent		938.5	773.5
Non-controlling interests	23	212.6	247.9
Total equity		1 151.1	1 021.4
LIABILITIES			
Interest-bearing long-term debt	18, 20	522.4	807.4
Financial liability related to Barossa lease	18, 20	526.1	198.1
Pension obligations		4.3	5.2
Other non-current liabilities	19	661.3	380.7
Long-term lease liabilities	24	12.0	8.0
Derivatives	20	-	17.6
Deferred tax liabilities	9	20.9	24.2
Non-current liabilities		1 747.0	1 441.2
Current tax liabilities	9	11.7	21.8
Interest-bearing short-term debt	18, 20	205.3	120.2
Trade and other payables	5, 19	359.8	359.2
Derivatives	20	17.8	5.4
Short-term lease liabilities	24	5.9	6.2
Liabilities held for sale	13	-	34.3
Current liabilities		600.5	547.1
Total equity and liabilities		3 498.6	3 009.7

The notes on pages 102–147 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

USD MILLION	Note	Share capital	Share premium	Treasury share reserve	Currency translation reserve	Hedging reserve	Equity component of convertible bonds	Other elements	Shareholders' equity	Non-controlling interests	**Total equity**
Equity at 1 January 2021		92.5	1 095.5	(10.2)	(21.2)	–	50.1	(460.2)	746.5	198.5	**945.0**
Profit/ (loss) for the period		–	–	–	–	–	–	62.6	62.6	(0.4)	**62.2**
Other comprehensive income		–	–	–	(4.0)	(0.4)	–	(7.9)	(12.3)	(2.2)	**(14.5)**
Dividends	17	–	–	–	–	–	–	(25.3)	(25.3)	–	**(25.3)**
Share-based payment	8	–	–	0.1	–	–	–	3.4	3.5	1.0	**4.5**
BW Ideol private placement	22	–	–	–	–	–	–	–	–	80.6	**80.6**
BW Ideol transaction fees	22	–	–	–	–	–	–	(1.5)	(1.5)	(1.2)	**(2.7)**
Dividends to non-controlling interest	23	–	–	–	–	–	–	–	–	(7.9)	**(7.9)**
Transactions with non-controlling interests	23	–	–	–	–	–	–	–	–	(20.5)	**(20.5)**
Total equity at 31 December 2021		92.5	1 095.5	(10.1)	(25.2)	(0.4)	50.1	(428.9)	773.5	247.9	**1 021.4**
Equity at 1 January 2022		92.5	1 095.5	(10.1)	(25.2)	(0.4)	50.1	(428.9)	773.5	247.9	**1 021.4**
Profit/ (loss) for the period		–	–	–	–	–	–	129.7	129.7	(0.2)	**129.5**
Other comprehensive income		–	–	–	(3.2)	(3.9)	–	78.0	70.9	(4.3)	**66.6**
Dividends	17	–	–	–	–	–	–	(38.9)	(38.9)	–	**(38.9)**
Share-based payment	8	–	–	–	–	–	–	2.4	2.4	0.3	**2.7**
Other items	18	–	–	–	–	–	0.6	–	0.6	–	**0.6**
Sale to NCI without a change in control	23	–	–	–	–	0.2	–	0.1	0.3	(0.3)	**–**
Dividends to non-controlling interest	23	–	–	–	–	–	–	–	–	(7.9)	**(7.9)**
Transactions with non-controlling interests	23	–	–	–	–	–	–	–	–	(22.9)	**(22.9)**
Total equity at 31 December 2022		92.5	1 095.5	(10.1)	(28.4)	(4.1)	50.7	(257.6)	938.5	212.6	**1 151.1**

The notes on pages 102–147 are an integral part of these consolidated financial statements.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss.

Convertible bonds

The reserve for the convertible bonds comprises the amount allocated to the equity component for the convertible bonds issued by the Group in November 2019 and effects from repayments during 2022.

Treasury share reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group

Consolidated statement of cash flows

USD MILLION (Year ended 31 December)	Note	2022	2021
Operating activities			
Profit/(loss) before taxes		149.7	46.9
Adjustments for:			
Depreciation and amortisation	14, 15, 24	208.8	270.0
Impairment	14	15.8	90.5
Change in fair value of derivatives		(54.3)	(16.0)
Unrealised currency exchange loss/(gain)		(9.8)	(4.0)
Add back of net interest expense		45.5	48.1
Share of loss/(profit) from equity accounted investees	16	(9.9)	(33.5)
Loss/ (gain) on disposal of property, plant & equipment	14	(2.5)	(1.2)
Share-based payment expense	8	2.7	4.5
Changes in:			
Instalment on financial lease	24	12.3	23.3
Inventories		18.9	8.8
Trade and other current assets		64.5	(93.4)
Trade and other payables		(8.3)	18.4
Other balance sheet items and items related to operating activities		(28.3)	33.6
Deferred revenues		279.2	139.1
Cash generated from operating activities		684.3	535.1
Taxes paid	9	(34.0)	(24.9)
Net cash flow from operating activities		650.3	510.2

USD MILLION (Year ended 31 December)	Note	2022	2021
Investing activities			
Interest received		1.9	0.3
Proceeds from disposal of property, plant & equipment	14	27.4	17.6
Proceeds from sale of investments	16	52.2	65.7
Investment in associated companies	16	(53.8)	(7.7)
Effect of cashflows from loss of control	16	-	(28.7)
Acquisition of subsidiary, net of cash acquired	22	-	(71.6)
Acquisition of other investments		-	(3.2)
Investment in property, plant & equipment and intangible assets	14, 15	(729.5)	(295.4)
Net cash flow from investing activities		(701.8)	(323.0)
Financing activities			
Proceeds from loans and borrowings	18	344.2	312.9
Proceeds from share issue in subsidiary	22	-	61.6
Paid dividend and redemption	23	(30.8)	(28.4)
Interest paid		(38.5)	(52.3)
Transaction costs relating to share issue		-	(2.7)
Repayment of loans and borrowings	18	(182.1)	(305.0)
Repurchase of convertible notes	18	(52.7)	-
Payment of lease liabilities	24	(7.2)	(13.4)
Dividends paid	17	(25.3)	(25.3)
Net cash flow from financing activities		7.6	(52.6)
Net change in cash and cash equivalents		(43.9)	134.6
Cash and cash equivalents at beginning of period		274.2	139.6
Cash and cash equivalents at end of period	12	230.3	274.2

The notes on pages 102–147 are an integral part of these consolidated financial statements.

Notes

NOTE 1 Basis of preparation

REPORTING ENTITY

BW Offshore Limited ('BW Offshore' or 'the Company') was incorporated in Bermuda in 2005 and is domiciled in Bermuda with its registered address at Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, Hamilton HM1189, Bermuda.

BW Offshore Limited and its subsidiaries are referred to as the 'Group'. The Group builds, owns and operates FPSOs (Floating, Production, Storage and Offloading vessels). The Group also does strategic investments to capture energy transition opportunities. The Company is listed on Oslo Stock Exchange (OSE).

BASIS OF ACCOUNTING

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 consolidated financial statements were approved by the Board of Directors on 27 February 2023.

Details of the Group's accounting policies, including changes thereto, are included in Note 2.

FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in United States Dollars (USD). This is also the functional currency of the parent company and most of its subsidiaries. The functional currency is determined in each entity in the Group based on the currency within the entity's primary economic environment. 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 2021.

USE OF JUDGEMENTS AND ESTIMATES

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. Actual results may differ from these estimates. Estimates and judgements are reviewed on an ongoing basis based on historical experience and expectations of future events. 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 an FPSO. Assumptions will also have to be made about the expected contract period for non-recoverable components for the assets, which can deviate significantly from the useful life of hull and process equipment.

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

Impairment

The Group periodically reviews whether vessels, other property, plant and equipment, right-of-use assets, equity accounted investees and intangible assets for potential impairment indicators when circumstances indicate and at least on an annual basis. Goodwill is tested for impairment at a minimum annually. Reference is made to the accounting policies stated in Note 2.

Property, plant and equipment

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. 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.

Goodwill and technology

Valuations performed in light of the impairment test of goodwill and technology assets demand a high degree of estimation. Management must make complex assessments of the expected cash flows arising and discount rates used in the valuation models. Changes to these estimates could have significant impact on the impairments recognised and future changes may lead to additional impairments.

The financial forecasts used in the goodwill and technology asset impairment test reflect management's judgement on the probability of realising projects, and for those projects expected to be developed, the development and capital expenditures, operating expenses and the tariff applied to the electricity sold, which is being determined using a target internal rate of return as well as the discount rate. This judgement is based on present circumstances at the valuation date, as to the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts and as such differences may be material. In addition, floating offshore wind is a new industry with no commercial projects established yet globally, resulting in a high degree of estimation uncertainty related to the identification of prospective projects and chances of acquiring such projects.

Lease classification

When the Group enters into a new or amended lease arrangement with customers, 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 some jurisdictions to determine 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 estimates 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.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Various new standards are effective from 1 January 2022, none of these changes have a material impact on the Group's financial statements.

NOTE 2 Significant accounting policies

BASIS OF CONSOLIDATION

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity instruments.

Subsidiaries

The subsidiaries are legal entities (including special purpose entities) controlled by the Group. 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 from the date on which control commences until the date on which control ceases.

Non-controlling interests

Non-controlling interests (NCI) 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 or loss and each component of Other Comprehensive Income (OCI) are attributed to the shareholders 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.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has a significant influence, but not control, or has joint control, over the financial and operating policies, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Joint ventures are joint arrangements in which the parties that share control have rights to the net assets of the arrangement.

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 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.

Interests in associates and joint ventures are accounted for using the equity method.

The interests include 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. The balance sheet value of associates and joint ventures represents the original cost price (equalling the fair value at the time of purchase) plus profit accumulated up to the present, less any amortisation of excess values and accumulated dividends received.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. 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.

FOREIGN CURRENCY

Foreign currency transactions

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. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from qualifying cash flow hedges to the extent that the hedges are effective, are recognised in OCI.

Foreign operations

The assets and liabilities of entities whose functional currencies are other than USD, are translated into USD at the exchange rates at the balance sheet date. The revenues and expenses of such entities are translated into USD using the monthly average exchange rates.

Exchange differences are recognised in OCI and accumulated in the currency translation reserve in other equity, except to the extent that the translation difference is allocated to NCI.

Upon disposal of a foreign subsidiary, or when control, significant influence or joint control is lost, the accumulated exchange differences related to investments accumulated in shareholders' equity are reclassified to the consolidated statement of income.

If the Group disposes of parts of its interests in a subsidiary but retains control, the proportionate share of the accumulated exchange differences is allocated to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

REVENUES

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

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 control of 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 Group's performance obligations are to operate and lease out FPSOs.

Operational services

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

Variable consideration

Certain lease contracts contain variable elements, which include 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 it is highly probable that it would not be subject to significant reversal in the future.

FEED (Front-End Engineering Design)

A FEED study is a preliminary step taken before basic engineering level work and is undertaken to confirm the technical and economic feasibility of a prospective oil field development. Income from FEED contracts is recognised as revenue from contracts with customers when a certain milestone is reached and 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 considers it reasonably certain that the lessee will exercise the option. This judgement is based on a combination of information about the field, the market and the client. 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.

EMPLOYEE BENEFITS

Defined contribution plans

In addition to the defined benefit, the Group has contributed to other pension plans. 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.

TAXES

The Company is not subject to any income taxes in 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 based on the weighted average cost method and cost of fuel oil is based on the 'first-in, first-out' allocation 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 attributable overheads and estimate of costs of demobilising the asset.

Borrowing costs directly attributable to an acquisition or construction of vessels, 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. Borrowing cost consists of interest and other cost, which the entity incurs in connection with the borrowing of funds.

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.

Depreciation

Depreciation will start when an item of PP&E is ready for intended use.

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.

GO BACK

Other PP&Es, like IT equipment, office equipment, technical installation and cars: 3–10 years.

The assets' useful life and residual values are reviewed, and if necessary adjusted, at each reporting date.

Disposal of PP&E

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 AND GOODWILL

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is allocated to cash–generating units (CGUs) for the purpose of the annual impairment testing.

Technology

Technology acquired in a business combination is recognised at fair value at the acquisition date when intangible assets criteria are met and amortised on a straight–line basis over the useful life of fifteen years.

Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditures are measured at cost less accumulated amortisation and any accumulated impairment losses.

Capitalised development costs are amortised over the period of expected future benefit, usually five years.

Impairment

Intangible assets 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 fair value less cost of disposal and its value in use.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is greater than its value in use and its fair value less cost of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a post–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU. The use of a post–tax discount rate does not result in a different determination of the need for, or the amount of, impairment (reversal) that would be required if a pre–tax discount rate had been used.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro–rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ASSETS HELD FOR SALE

Non–current assets, or disposal groups comprising assets and liabilities, are classified as held–for–sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held–for–sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity–accounted investee is no longer equity accounted.

Assets and liabilities classified as held–for–sale are presented separately as current items in the statement of financial position.

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 Group's financial assets at amortised cost include 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 the 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 Estimated Credit Losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime 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 has applied the derecognition requirement in IFRS 9 – Financial Instruments prospectively to transactions occurring on or after the transition date, but not retrospectively to financial liabilities already derecognised prior to the transition date.

Under IFRS, the amortised cost of a modified financial liability, in which the terms of the financial liability are not determined to be substantially modified, is recalculated as the present value of the estimated future contractual cash flows, discounted at the original effective interest rate. The resulting gains or losses are recognised in profit or loss.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are initially measured at fair value.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non–financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non–financial item when it is recognised. For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and short-term deposits with an original maturity of three months or less. Cash and cash equivalents also include short-term highly liquid investments, readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value. 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. As these preference shares in subsidiaries are not held by the Group directly, these are presented as non-controlling interest and the result to those preference shares, equivalent to the preference dividend, is presented as the non-controlling interests share of the result regardless of whether dividends have been paid or accumulated. Refer to Note 23.

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 as 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, unless repurchases of convertible bonds occur before maturity. Upon repurchase, the difference between the repurchase price and carrying amount is allocated between the liability component, equity component and a potential gain or loss is recognised in the consolidated statement of income.

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.

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.

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.

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 has 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, including the existence and terms of any extension or purchase options.

NOTE 3 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 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.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) Classification of Liabilities as Current or Non–current (Amendments to IAS 1)
- Classification of Liabilities as Current or Non–current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

NOTE 4 Operating segments

Following the establishment of BW Ideol AS in March 2021, the Group's activities are construction, lease and operation of FPSOs as well as offshore floating wind.

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 Senior Management team as the CODM, reference to Note 8 for definition of Senior Management team. The reported measure of segment profit is operating profit/(loss). Deferred tax assets, pension assets and non-current financial assets are not allocated to the segments. Operating segment disclosures are consistent with the information reviewed by the CODM.

Segment performance for 2022 and 2021 is presented below:

2022

USD MILLION	FPSO	Floating wind	Eliminations	**Total**
Revenues	732.6	6.6	–	739.2
Other revenue	32.6	2.3	–	34.9
Revenues inter-segment	0.1	0.3	(0.4)	–
Total revenues	765.3	9.2	(0.4)	774.1
Operating expenses	(395.5)	(13.5)	–	(409.0)
Administrative expenses	(19.4)	–	–	(19.4)
Operating profit before depreciation, amortisation, impairment and sale of assets	350.4	(4.3)	(0.4)	345.7
Depreciation, amortisation and impairment	(210.0)	(14.6)	–	(224.6)
Profit/(loss) sale of fixed assets	2.5	–	–	2.5
Operating profit/(loss)	142.9	(18.9)	(0.4)	123.6
Capital expenditure	779.1	4.1	–	783.2
Balance sheet information				
Equity-accounted investees	320.7	17.2	–	337.9
Non-current segment assets	2 441.0	99.6	–	2 540.6
Non-current assets, not allocated to segments				86.0
Total non-current assets				2 964.5

2021

USD MILLION	FPSO	Floating wind	Eliminations	**Total**
Revenues	775.2	2.7	–	777.9
Other revenue	49.8	1.6	–	51.4
Revenues inter-segment	0.2	–	(0.2)	–
Total revenues	825.2	4.3	(0.2)	829.3
Operating expenses	(405.2)	(14.4)	0.2	(419.4)
Administrative expenses	(8.6)	–	–	(8.6)
Operating profit before depreciation, amortisation, impairment and sale of assets	411.4	(10.1)	–	401.3
Depreciation, amortisation and impairment	(350.2)	(10.3)	–	(360.5)
Profit/(loss) sale of fixed assets	1.2	–	–	1.2
Operating profit/(loss)	62.4	(20.4)	–	42.0
Capital expenditure	417.2	10.4	–	427.6
Balance sheet information				
Equity-accounted investees	210.3	–	–	210.3
Non-current segment assets	1 840.5	114.8	–	1 955.3
Non-current assets, not allocated to segments				88.0
Total non-current assets				2 253.6

GEOGRAPHIC INFORMATION

Revenue

For the FPSO segment, the classification of revenue per region is determined by the final destination of the FPSO, while the classification in the floating wind segment is based on the geographic location of the customers.

USD MILLION	2022	2021
Americas	171.7	177.2
Europe/Africa	557.3	531.8
Asia and the Pacific	45.1	120.3
Total revenues from continuing operations	774.1	829.3

USD 8.9 million (USD 4.3 million) of revenues in the Europe/Africa region is related to the floating wind segment. Revenues in the other regions are related to the FPSO segment.

Non-current assets

USD MILLION	2022	2021
Americas	213.3	340.5
Europe/Africa	1 109.8	1 240.2
Asia and the Pacific	1 188.7	391.5
	2 511.8	1 972.2

Non-current assets exclude deferred tax assets, derivatives, equity accounted investees and other non-current assets.

MAJOR CUSTOMER

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 per cent or more of the total revenue.

In 2022, the Group has identified two such customers. For these, the revenue was USD 388.7 million related to the FPSO segment. In 2021, the Group identified two such customers. For these, the revenue was USD 383.4 million related to the FPSO segment.

NOTE 5 Revenue

REVENUE STREAMS

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

USD MILLION	2022	2021
Revenue from contracts with customers	308.3	305.9
Leasing revenue	430.9	472.0
Other revenue	34.9	51.4
Total revenue	774.1	829.3

In May 2022, the Group was awarded a limited notice to proceed (LNTP) by Shell Brasil Petróleo Ltda (Shell) and its partners for early-stage engineering and supplier reservations for the supply of an FPSO for the Gato do Mato oil and gas field offshore Brazil. In November 2022, Shell paused the project due to concerns about the supply chain market and inflationary pressure. The Group was reimbursed for costs incurred in line with the agreed terms of the LNTP. The Group presents this income as 'other revenue' in the statement of profit or loss in 2022.

During the normal course of business, the Group 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 2021, the Group recognised USD 2.4 million in 'other revenue' related to a settlement reached with Petrobras pertaining to 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 was located on the Tui oil field offshore New Zealand. The Group did recognise USD 38.7 million in 'other revenue' in the statement of profit or loss in 2021.

In 2021, the Norwegian Shipowners´ Mutual War Risks Insurance Association, Den Norske Krigsforsikring for Skib (DNK) returned USD 7.5 million, net of 25 per cent withholding tax, of previous paid insurance. This is presented as 'other revenue' in the statement of profit or loss.

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CONTRACT BALANCES

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

USD MILLION	31 Dec 2022	31 Dec 2021
Receivables included in trade and other current assets	151.9	188.8
Contract assets included in trade and other current assets	58.3	48.9
Contract liabilities – included in trade and other payables	4.3	3.7

The majority of the Group's contracts consist of a lease for the FPSO as well as an operating agreement. The Group assessed the underlying risk profile to be equal.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date.

The contract liabilities primarily relate to advance consideration received from customers. USD 3.7 million (USD 3.6 million) recognised in contract liabilities in the beginning of the period has been recognised as revenue during 2022.

The remaining unsatisfied performance obligations to be recognised as revenues from contracts with customers over the remaining firm contract period is USD 1 652.9 million (USD 1 837.9 million).

NOTE 6 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	2022	2021
Employee benefit expenses (Note 8)	169.5	184.6
Vessel operating expenses	235.5	220.6
Other expenses	23.0	22.0
Total operating expenses	428.0	427.2

NOTE 7 Earnings per share

BASIC EARNINGS PER SHARE

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

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

USD MILLION	2022	2021
Profit/(loss) attributable to ordinary shareholders	129.7	62.6

Weighted-average number of ordinary shares (basic)

IN THOUSAND	2022	2021
Issued ordinary shares at 1 January	184 956	184 956
Effect of treasury shares held	(4 141)	(4 141)
Weighted–average number of ordinary shares at 31 December	180 815	180 815

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	2022	2021
Profit/(loss) attributable to ordinary shareholders	129.7	62.6
Interest expense on convertible notes	9.4	9.3
Profit/(loss) attributable to ordinary shareholders (diluted)	139.1	71.9

Weighted-average number of ordinary shares (diluted)

IN THOUSAND	2022	2021
Weighted–average number of ordinary shares (basic)	180 815	180 815
Effect of share option on issue	872	–
Effect of conversion of convertible bonds	29 316	34 275
Weighted–average number of ordinary shares (diluted) at 31 December	211 002	215 090

EARNINGS PER SHARE

USD MILLION	2022	2021
Basic earnings / (loss) per share net	0.72	0.35
Diluted earnings / (loss) per share net	0.66	0.33

NOTE 8 Employee benefit expenses, remuneration to directors and auditors

EMPLOYEE BENEFIT EXPENSES

USD MILLION	2022	2021
Wages, crew	88.7	108.4
Wages, administrative personnel	62.9	58.4
Social security contributions	7.4	7.8
Expenses related to defined contribution scheme	7.7	5.4
Expenses related to defined benefit scheme	0.2	0.2
Share-based payment	2.6	4.4
Total employee benefit expenses	169.5	184.6
Average number of employees	1 806	1 908

SENIOR MANAGEMENT TEAM[1] REMUNERATION

(IN USD)	Salary	Bonus	Pension benefits	Share options	Other benefits	Number of shares
2022	2 570 225	742 992	169 188	847 799	85 629	430 518
2021	2 734 465	44 441	63 834	954 295	21 350	430 518

[1] Senior Management team comprises Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Commercial Officer and General Counsel.

Loans

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

(IN USD)	2022	2021
Loans to Senior Management team	-	22 744

Severance

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

BOARD OF DIRECTORS' REMUNERATION AND SHARES HELD

(IN USD) Year	Directors' fee	Number of shares	Share options
2022	385 000	90 419 229	-
2021	336 792	91 729 229	-

The compensation for members of the Board of Directors for the period May 2022 to May 2023 will be decided at the annual general meeting in May 2023.

EMPLOYEE REMUNERATION

Variable Compensation Scheme

The Variable Compensation Scheme (VCS) is a system for rewarding employees if and when the Group reaches set goals for the Group's performance. The VCS plan is established on a year to year basis guided from the Board of Directors. The VCS for the performance year 2022 is based on the following parameters:

1. Overall company results defined by targeted return on equity
2. Health, Safety, Environment and Quality (HSEQ) performance of Zero Harm

The Board of Directors are assessing the achievements, including applying discretionary evaluations, to determine the Group pay-out pool for the VCS accordingly.

Full pay-out is capped at three months' base salary for eligible employees, and six months for the Senior Management Team. Individual assessment of VCS pay-out is applied on a discretionary basis evaluating individual contributions, performance and key accomplishments.

Long-term share option programme

In 2019, the Board approved to establish a long-term share option programme (LTIP) where key personnel were granted options to purchase shares in the Company. The programme is approved for five years, with annual grants, each grant corresponding to 1 per cent of the total outstanding shares in the Company. The first grant was in 2019, with the last grant planned for 2023. The programme is discretionary, and participants are invited on an annual basis. The purpose of the programme is to further align the interests of the Group and its shareholders by providing incentives to employees to motivate them to contribute materially to the success and long-term profitability of the Group.

The key terms and conditions related to the grants under these programmes are as follows; all options are to be settled by 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-year exercise period	6 years
On 6 March 2020	1 832 250	Same as above	6 years
On 26 February 2021	1 849 600	Same as above	6 years
On 7 March 2022	1 849 575	Same as above	6 years
Total share options	7 263 425		

Each option will give the holder the right to acquire one BW Offshore share. In 2022, a total of 60 (2021: 60) BW Offshore key employees were invited to participate in the programme.

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 per cent which is corresponding to a 5 per cent increase annually over three years.

The Company's exposure relating to the 2019 award is hedged by a Total Return Swap (TRS) agreement with financial exposure to 1 732 000 shares in BW Offshore. 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 values

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.

	2022	2021
Fair value at grant date (NOK)	12.20	14.47
Share price at grant date (NOK)	28.84	35.24
Exercise price (NOK)	33.78	42.08
Expected volatility (weighted average)	59%	60%
Expected life	4 years	4 years
Expected dividends	n/a	n/a
Risk-free interest rate (based on government bonds)	1.86%	0.81%

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.

Reconciliation of outstanding share options

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

	2022		2021	
	Number of options	Weighted-average exercise price (NOK)	Number of options	Weighted-average exercise price (NOK)
Outstanding at 1 January	5 128 025	40.81	3 564 250	44.77
Terminated during the year	(107 117)	39.48	(285 825)	42.23
Adjusted	12 582	38.13	-	n/a
Expired	(12 582)	38.13	-	n/a
Granted during the year	1 849 575	31.68	1 849 600	41.49
Outstanding at 31 December	6 870 483	38.38	5 128 025	42.89
Exercisable at 31 December	1 657 000	45.48	-	n/a

Expense recognised in profit or loss

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

Loans to other employees

(IN USD)	2022	2021
Loans to other employees	303 901	692 155

AUDITORS' REMUNERATION

USD '000	2022	2021
Statutory audit	1 155.8	1 157.6
Other attest services	5.1	45.3
Tax-related services	–	27.2
Other services	–	47.3
Total fees	1 160.9	1 277.4

KPMG is the appointed auditor of the Group.

NOTE 9 Income taxes

The income tax expenses 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 per cent to 35 per cent.

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	2022	2021
Deferred tax effect of changes in temporary differences	(1.6)	(59.8)
Taxes payable current year	18.6	42.2
Taxes payable prior years	(0.1)	(2.7)
Withholding taxes	3.3	5.0
Total tax expense continuing operations recognised in statement of income	20.2	(15.3)

EFFECTIVE TAX RATE

USD MILLION	2022	2021
Profit/ (loss) before tax	149.7	46.9
Effect on permanent differences	(1.0)	7.6
Deferred tax effect of unrecognised deferred tax asset	5.5	
Income tax at Bermuda statutory income tax rate of 0%	-	-
Withholding taxes	3.3	5.0
Taxes payable current year, non-Bermuda jurisdictions	18.6	42.2
Taxes payable prior years, non-Bermuda jurisdictions	(0.1)	(2.7)
Deferred tax effect of changes in temporary differences	(1.6)	(59.8)
Total income tax expense continuing operations at the effective income tax rate	20.2	(15.3)
Effective tax rate	13.5%	n/a

TAX ASSETS AND LIABILITIES

USD MILLION	2022	2021
Tax assets at 31 December (included in trade and other current assets)	0.3	0.7

USD MILLION	2022	2021
Tax payable at 31 December	11.7	21.8

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	2022	2021
Deferred tax assets		
Losses and unabsorbed capital allowances	61.0	61.9
Other	0.8	1.0
Deferred tax assets – gross	61.8	62.9
Deferred tax liabilities		
Unpaid/unremitted foreign interest income	-	(0.6)
Vessels	(8.5)	(9.4)
Other	(12.4)	(14.2)
Deferred tax liabilities – gross	(20.9)	(24.2)
Net recognised deferred tax assets / (deferred tax liabilities)	40.9	38.7

In 2021, the Group, following the signing of the Barossa contract, considered it probable that tax losses carried forward in Australia can be utilised and consequently a deferred tax asset of USD 60.7 million was recognised in 2021.

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 399.5 million (USD 492.1 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. None of these will expire in 2023. Some of the tax losses have no expiry date. Note 26, Contingent assets and liabilities, provides information about tax audits and uncertainty of tax treatments.

NOTE 10 Inventories

USD MILLION	2022	2021
Fuel oil	1.2	1.2
Materials and consumables	5.5	24.5
Inventories at 31 December	6.7	25.7

In 2022, inventories were reduced by USD 18.5 million due to impairment on inventory balances for Abo FPSO, Espoir Ivoirien, Petróleo Nautipa, Sendje Berge and Yùum K'ak' Náab. Inventories have been impaired considering respective assets are nearing completion of their respective contracts and it is not expected that inventory items will be utilised. The impairment is included in other expenses.

NOTE 11 Trade and other current assets

USD MILLION	2022	2021
Trade receivables	151.9	188.8
Contract assets	58.3	48.9
Other receivables	16.0	28.3
Tax assets – current	0.3	0.7
Prepayments	6.1	30.7
Trade and other current assets	232.6	297.4

Trade receivables are shown net of a provision for expected losses of USD 20.0 million (USD 19.6 million) of which USD 13 million is relating to the Umuroa contract (reference to Note 26).

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

The ageing analysis of trade receivables is as follows:

USD MILLION	2022	2021
Not past due	133.5	143.6
Up to 3 months	5.9	23.4
3–6 months	1.6	18.7
6–12 months	–	3.1
12 > months	10.9	–
Trade receivables – net	151.9	188.8

As of 31 December 2022 and 2021, the expected credit loss for the Group related to customers was immaterial.

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

The Group has a provision for impairment loss of USD 20.0 million at 31 December 2022 (USD 19.6 million). Movement in allowance for impairment in respect of trade receivables is as follows:

USD MILLION	2022	2021
Balance at 1 January	19.6	18.9
Net remeasurement of loss allowance	0.4	0.7
Balance at 31 December	20.0	19.6

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.

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NOTE 12 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 2022 amounted to USD 0.9 million (USD 7.5 million). This relates to taxes withheld from employees. In 2021, Total Return Swap related to the long–term share option programme was also included as restricted bank deposit, reference to Note 8.

NOTE 13 Assets and liabilities held for sale

Assets and liabilities held for sale at 31 December comprised the following:

USD MILLION	2022	2021
Vessels	–	117.2
Inventories	–	5.0
Trade and other current assets	–	14.6
Cash and cash equivalents	–	6.3
Assets held for sale	–	143.1

USD MILLION	2022	2021
Pension obligations	–	0.8
Trade and other payables	–	28.1
Current tax liabilities	–	5.4
Liabilities held for sale	–	34.3

NOTE 14 Property, plant and equipment

VESSELS AND OTHER PROPERTY, PLANT AND EQUIPMENT

The owned fleet at 31 December 2022 included the following vessels: Abo FPSO, BW Adolo, BW Athena, BW Catcher, BW Pioneer, BW Opportunity, Espoir Ivoirien, Petróleo Nautipa and Sendje Berge.

Vessels available for projects include vessels that are currently not in operation. BW Athena is in lay-up and the Group is currently evaluating options.

BW Opportunity is in lay-up and undergoing certain repairs. This vessel is included in 'Vessels available for projects' on 31 December 2022 in the table below. There is no identified impairment trigger as Management is pursuing redeployment options.

The contract for Petróleo Nautipa reached the end of its term in October. The Group is considering selling the FPSO for recycling after the completion of demobilisation and decommissioning.

In April 2022, the Group signed an agreement for the sale of the FPSO Polvo to BW Energy. The contract is classified as a financial lease receivable as of 31 December 2022. Refer to Note 24.

In March 2022, the Group completed the sale of BW Umuroa for environmentally safe demolition and recycling in compliance with the Hong Kong International Convention at Baijnath Melaram ('the Yard') in India. The vessel was sold for a cash consideration of USD 14.5 million. Impact from the sale is included in Net gain/(loss) on sale of tangible fixed assets in the consolidated statement of income.

In February 2022, the Group completed the sale of BW Cidade de São Vicente for environmentally safe demolition and recycling in compliance with the Hong Kong International Convention at Priya Blue Industries Pvt Ltd ('the Yard') in India. The vessel was sold for a cash consideration of USD 12.8 million. Impact from the sale is included in Net gain/(loss) on sale of tangible fixed assets in the consolidated statement of income.

In January 2022, BW Offshore signed an agreement for the sale of PT BW Offshore TSB Invest, the owner of FPSO BW Joko Tole, to PT Bahari Inti Tanker and PT Cahaya Haluan Pasifik, both of which are Indonesian companies, in consortium with PT Buana Lintas Lautan Tbk, a company publicly listed in Indonesia. The consortium will continue to operate the FPSO under the lease contract with Kangean Energy Indonesia. The BW Joko Tole is a gas producing FPSO operating on the TSB field offshore Indonesia. The transaction was closed on 3 June 2022. Cash consideration was USD 52.2 million and no gain or loss was recorded in the consolidated statement of income related to this transaction.

The vessels BW Joko Tole, BW Cidade de São Vicente and FPSO Polvo were classified as held for sale as of 31 December 2021.

In April 2021, the Group completed the sale of Berge Helene for environmentally safe demolition and recycling in compliance with the Hong Kong Convention at Priya Blue shipyard in India. The vessel was sold for a cash consideration of USD 16 million.

In November 2022, BW Offshore signed a six-month contract extension for the lease and operation of Sendje Berge.

In January 2023, the Group signed a short-term contract extension for ABO to the end of March 2023.

The FPSO's capital expenditure in 2022 was mainly related to investments in the Barossa FPSO, as well as upgrade of the BW Adolo for Ruche field outside Gabon and repair on the BW Opportunity. The Barossa lease contract is assessed to be an operating lease. The contract has a firm period of 15 years plus 10 years of options. BW Offshore will be responsible for engineering, procurement, construction, installation and operation of the FPSO.

FPSO's capital expenditure in 2022 and 2021 was mainly related to investments in the Barossa FPSO.

2022 USD MILLION	**Vessels in operation**	**Vessels under construction**	**Vessels available for projects**	**Other property, plant & equipment**	**Total**
Cost at 1 January 2022	3 290.6	374.7	683.9	55.3	**4 404.5**
Additions	17.7	738.1	14.1	1.7	**771.6**
Disposal	–	–	(118.8)	(9.5)	**(128.3)**
Exchange differences	–	–	–	(0.7)	**(0.7)**
Derecognition		(15.8)		–	**(15.8)**
Cost at 31 December 2022	3 308.3	1 097.0	579.2	46.8	**5 031.3**
Accumulated depreciation and impairment charge at 1 January 2022	(1 917.7)	–	(595.5)	(38.0)	**(2 551.2)**
Current year depreciation	(181.9)	–	(2.6)	(9.2)	**(193.7)**
Disposal	–	–	107.5	9.0	**116.5**
Impairment	–	(15.8)	–	–	**(15.8)**
Exchange differences	–	–	–	(0.1)	**(0.1)**
Derecognition		15.8		–	**15.8**
Accumulated depreciation and impairment charge at 31 December 2022	(2 099.6)	–	(490.6)	(38.3)	**(2 628.5)**
Book value at 31 December 2022	1 208.7	1 097.0	88.6	8.5	**2 402.8**
Useful life	Up to 25 years				
Capitalised interest cost for vessels under construction		28.5			

2021 USD MILLION	**Vessels in operation**	**Vessels under construction**	**Vessels available for projects**	**Other property, plant & equipment**	**Total**
Cost at 1 January 2021	3 844.5	9.0	1 225.1	35.5	**5 114.1**
Additions	39.3	365.7	11.1	4.0	**420.1**
Additions from business combinations	–	–	–	16.9	**16.9**
Disposal	–	–	(260.4)	(0.2)	**(260.6)**
Exchange differences	–	–	–	(0.9)	**(0.9)**
Reclassification to held-for-sale	(593.2)	–	(291.9)	–	**(885.1)**
Cost at 31 December 2021	3 290.6	374.7	683.9	55.3	**4 405.5**
Accumulated depreciation and impairment charge at 1 January 2021	(2 081.2)	–	(1 104.3)	(31.4)	**(3 216.9)**
Current year depreciation	(245.5)	–	(5.6)	(6.9)	**(258.0)**
Disposal	–	–	245.0	0.2	**245.2**
Impairment	(79.8)	–	(9.7)	–	**(89.5)**
Exchange differences	–	–	–	0.1	**0.1**
Reclassification to held-for-sale	488.8	–	279.1	–	**767.9**
Accumulated depreciation and impairment charge at 31 December 2021	(1 917.7)	–	(595.5)	(38.0)	**(2 551.2)**
Book value at 31 December 2021	1 372.9	374.7	88.4	17.3	**1 853.3**
Useful life	Up to 25 years				
Capitalised interest cost for vessels under construction		1.5			

Refer to Note 25 for information of committed cost relating to construction of FPSO.

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The Group has capitalised FEED expenses, early–stage engineering and supplier reservations for the supply of an FPSO for the Gato do Mato oil and gas field offshore Brazil for Shell Brasil Petróleo Ltda (Shell). In November 2022, the Group was informed by Shell that the final investment decision was not to be made within the next 12 to 24 months. Consequently, the Group has impaired capitalised expenses of USD 15.8 million. Refer to note 5 for further information regarding compensation received from Shell.

The Group has performed an impairment trigger assessment for the remaining fleet thereby considering, amongst others, the outlook for each vessel including the effects of climate change and associated energy transition (refer to Note 28). 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.

The Group considers probability of redeployment of more mature FPSOs after end of current contracts to be low. Due to economics of keeping mature assets in a safe operating condition the Group also considers it challenging to extend contracts on certain FPSOs beyond their current contracts. The Group has performed an impairment trigger assessment at 31 December 2022 and no triggers were identified.

In 2021, impairment charges were recognised on BW Athena (USD 2.0 million), Espoir Ivoirien (USD 21.4 million), Berge Helene (USD 4.2 million), Sendje Berge (USD 15.7 million), Joko Tole (USD 23.8 million), Petróleo Nautipa (USD 19.9 million) and Umuroa (USD 7.6 million). BW Cidade de São Vicente was sold for recycling in 2022, for a higher consideration than NBV. This led to a reversal of previous impairment of USD 4.2 million in 2021. The Group consequently recorded a net impairment loss of USD 90.5 million on the FPSO fleet in 2021.

NOTE 15 Intangible assets and goodwill

USD MILLION	Software	R&D	Technology	Goodwill	Total intangible assets
Cost at 1 January 2022	20.9	4.6	68.0	28.7	**122.2**
Additions	–	0.3	–	–	**0.3**
Additions from business combinations	–	–	–	0.4	**0.4**
Exchange differences	–	(0.3)	(4.0)	(1.7)	**(6.0)**
Disposal	(10.2)	–	–	–	**(10.2)**
Carrying amount at 31 December 2022	10.7	4.6	64.0	27.4	**106.7**
Amortisation and impairment at 1 January 2022	(18.8)	(0.1)	(3.6)	–	**(22.5)**
Current year amortisation	(1.9)	(0.4)	(4.2)	–	**(6.5)**
Exchange differences	–	–	0.1	–	**0.1**
Disposal	10.2	–	–	–	**10.2**
At 31 December 2022	(10.5)	(0.5)	(7.7)	–	**(18.7)**
Net book value at 31 December 2022	0.2	4.1	56.3	27.4	**88.0**
Useful life	1–3 years	5 years	15 years		
Amortisation method	linear	linear	linear		

USD MILLION	Software	R&D	Technology	Goodwill	Total intangible assets
Cost at 1 January 2021	20.6	–	–	–	**20.6**
Additions	0.2	0.3	–	–	**0.5**
Additions from business combinations	0.1	4.6	71.2	30.0	**105.9**
Exchange differences	–	(0.3)	(3.2)	(1.3)	**(4.8)**
Carrying amount at 31 December 2021	20.9	4.6	68.0	28.7	**122.2**
Amortisation and impairment at 1 January 2021	(17.3)	–	–	–	**(17.3)**
Current year amortisation	(1.5)	(0.1)	(3.7)	–	**(5.3)**
Exchange differences	–	–	0.1	–	**0.1**
At 31 December 2021	(18.8)	(0.1)	(3.6)	–	**(22.5)**
Net book value at 31 December 2021	2.1	4.5	64.4	28.7	**99.7**
Useful life	1–3 years	5 years	15 years		
Amortisation method	linear	linear	linear		

Goodwill, Technology and R&D were initially recognised in March 2021 as part of the acquisition of Ideol SA (reference to Note 22). R&D assets represent the accumulated capitalised development projects. BW Ideol is pursuing a number of initiatives around its Damping Pool® patented foundation technology including research and development of innovative building materials, mooring systems and construction methods.

Goodwill has an indefinite useful life and is tested for impairment at least annually.

Goodwill was tested for impairment as of 31 December 2022 and the impairment test also included technology assets. A discounted cash flow model was used to determine the fair value less cost of disposal for the CGU. The projected cash flows were based on the most up-to-date forecast by management which includes: 1) A probability weighted pipeline of projects in co-development, with cash flows using end-of-life cash flows for projects identified and 2) a probability weighted pipeline of EPCI contracts. The impairment calculation demonstrated that the value in use exceeded the carrying amount of the CGU, thus no impairment loss was recognised.

KEY ASSUMPTIONS USED IN THE IMPAIRMENT CALCULATION INCLUDE:

Cash flows, project IRR, price of electricity

For the co-development activity, cash flows related to the estimated projects in portfolio include: (i) development expenses, including expenses related to engineering services provided by BW Ideol to each project during this phase, (ii) capital expenditures during construction phase, including royalties derived from BW Ideol's technology licensing, (iii) wind farm operating expenses and (iv) reimbursement of project finance debt. The tariff applied to the electricity sold is being determined by using a target IRR estimated at the start of the construction phase and takes into account the target financial structure and expenses profiles. For the co-EPCI activity, cash flows related to potential EPCI contracts include engineering services during the development phase, gross profit from procurement and construction, and royalties derived from licensing the technology to each project.

Discount rate and Sectorial WACC

In order to assess the relevance of our implied discount rate-based approach to valuation, we have determined a sectorial post-tax Weighted Average Cost of Capital (WACC) derived from the Capital Asset Pricing Model (CAPM) methodology and incremental borrowing rate, assuming cash flows in Euro. A selected sample of comparable companies active in the renewable power sector was established. Due to the nature of the projects, a separate WACC is established for co-development projects and EPCI projects. The WACC for co-development projects is based on a risk-free rate in 2022 of 2.4 per cent based on S&P capital IQ data, and a market risk premium of 6.3 per cent. The estimated unlevered beta for equity was 0.53. The equity to total capital ratio was 71 per cent. This resulted in a post-tax WACC of 5.6 per cent (2021: 5.4 per cent). The targeted Discount Rates being used as part of the impairment test ranges from 5.6 per cent to 6.8 per cent (2021: 6.7 per cent), reflecting a risk premium ranging from 0.0 per cent to 1.2 per cent compared to the sectorial WACC reflective of the underlying risk for individual co-development prospects. The WACC for EPCI projects is based on a risk-free rate in 2022 of 2.4 per cent based on S&P capital IQ data, and a market risk premium of 6.3 per cent. The estimated unlevered beta for equity was 0.90. The equity to total capital ratio was 67 per cent. This resulted in a post-tax WACC of 5.6 per cent. The targeted Discount Rates being used as part of the impairment test is 13.0 per cent for EPCI projects, reflecting the riskier nature of the pipeline of prospective contracts.

Testing procedures of BW Ideol's single CGU-related goodwill as of 31 December 2022 are conducted to meet IFRS requirements, and especially IAS 36. In compliance with IAS 36, BW Ideol's recoverable value was based on the estimation of its fair value from a discounted cash flow approach and is equivalent to BW Ideol's enterprise value as of 31 December 2022. Key assumptions have been updated to reflect management's best estimate per 31 December 2022 for all projects and contracts.

SENSIVITIES

Prospective capacity

In the impairment test it is assumed the BW Ideol Group to secure 9.5 GW (2021: 10.7 GW) within the next 10 years, comprising 1.0 GW of co-development projects under development or construction, 5.18 GW of co-development across targeted prospects or anticipated licensing rounds and the equivalent of 3.32 GW across five potential EPCI contracts. A sensitivity whereby the overall capacity would be reduced by 1.0 GW (approximately 10 per cent), by taking out a targeted prospect entering into operation in 2031, would result in an impairment to be recognised of USD 4.5 million.

Discount rate

The impairment assessment is sensitive to changes in the discount rate on co-development projects. A 0.3 per cent increase in the discount rate of co-development projects would result in an impairment of goodwill and technology assets of USD 51.1 million. An increase in the discount rate on EPCI projects of 1.0 per cent would not result in an impairment.

Internal rate of return

The impairment assessment is sensitive to changes in the target IRR of co-development projects. A 0.5 per cent decrease in the discount rate of co-development projects would result in an impairment of goodwill and technology assets of USD 50.0 million.

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NOTE 16 Equity-accounted investees

USD MILLION	**2022**	2021
Interest in joint ventures	**140.3**	10.1
Interest in associates	**197.6**	200.2
Balance at 31 December	**337.9**	210.3

Equity-accounted investees relates mainly to the investment in BW Energy Limited (BWE) and BW Offshore AUS-JV Pte Ltd.

On 21 January 2021, BWE completed a USD 75 million private placement and 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 Group was not allocated shares in the private placement, consequently the ownership interest in BWE diluted by 3.56 per cent to 35.21 per cent.

On 29 October 2021, the Group sold 20 000 000 shares in BWE, representing approximately 7.8 per cent of the outstanding shares, at NOK 28 per share. The share sale generated USD 65.7 million in gross proceeds, and a gain of USD 14.9 million. Following the sale, the Group holds 70 840 553 shares in BWE, representing 27.5 per cent of the shares outstanding in BWE.

In 2022, the Board of Directors of BW Offshore decided to increase the annual dividend to include USD 20 million in-kind distribution of BW Energy shares, distributed on a quarterly basis. Dividend shares for the first three quarters of 2022, equal to USD 13.6 million, were distributed in 2022. Following the dividend shares, the Group holds 65 572 433 shares in BWE, representing 25.4 per cent.

The following table illustrates the summarised financial information of the Group's investment in BWE.

USD MILLION	**2022**	2021
Percentage ownership interest	**25.4%**	27.5%
Non-current assets	**964.8**	727.5
Current assets	**240.5**	230.1
Non-current liabilities	**409.8**	285.1
Current liabilities	**180.2**	103.2
Net assets (100%)	**615.3**	569.3
Group's share of net assets	**156.3**	156.3
Excess value	**30.0**	34.0
Carrying amount of interest in associate	**186.3**	190.3
Revenue	**277.7**	271.5
Profit for the year (100%)	**45.0**	52.1
Total comprehensive income for the year[1]	**12.2**	15.3
Gain sale of shares	**-**	14.9
Gain dilution	**-**	5.5
Gain/(loss) dividend shares	**(1.3)**	-
Depreciation of excess value	**(1.3)**	(1.6)
Group's share of total comprehensive income for the year	**9.6**	34.1

[1] Adjusted for change in owned share

Up until September 2021, BW Offshore AUS-JV Pte. Ltd. was a wholly owned subsidiary. In October 2021, a joint venture was established with external investors. The shareholders agreements between the Group and the external investors resulted in the Group and the external investors having joint control over this company. The Group's interest in BW Offshore AUS-JV Pte. Ltd. is consequently accounted for using the equity method in the consolidated financial statements.

Considering the loss of control, BW Offshore AUS-JV Pte. Ltd. was no longer consolidated as part of the Group from October 2021.

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Refer to Note 9 for information about deferred tax asset, Note 20 for information about lending agreements and Note 25 for information about guarantees.

Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below.

USD MILLION	2022	2021
Percentage ownership interest	51.0%	51.0%
Non-current assets	662.6	198.1
Current assets	60.8	90.3
Non-current financial liabilities	410.3	199.3
Current liabilities	68.5	70.3
Net assets (100%)	244.6	18.8
Group's share of net assets	124.7	9.6
Elimination of internal net interest	(2.1)	–
Carrying amount of interest in joint venture	122.6	9.6
Net interest income/(expense)	4.1	(4.5)
Profit for the year (100%)	2.0	(5.9)
Other comprehensive income (100%)	(151.8)	15.3
Total comprehensive income for the year (100%)	(149.8)	9.4
Total comprehensive income for the year (51%)	(76.4)	4.8
Effect from loss of control	–	1.6
Elimination of internal net interest	(2.1)	–
Group's share of total comprehensive income for the year	(78.5)	(6.4)

The Group also has interests in three individually immaterial joint venture/associates, Floating Energy Allyance 1 Limited, OCS Services Limited and Euro Techniques Industries.

For OCS Services Limited, the Group owns 50 per cent, 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.

33.5 per cent ownership interest in Floating Energy Allyance 1 Limited was acquired in April 2022. A shareholder loan facility was granted in 2022. The loan was subsequently converted to equity in December 2022. The carrying amount of interests in Floating Energy Allyance 1 Limited was USD 17.2 million at 31 December 2022.

The following table analyses the carrying amount and share of profit and OCI of these associates.

USD MILLION	2022	2021
Carrying amount of interests in associates	28.9	9.9
Share of:		
Profit	1.4	0.6
OCI	–	–

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NOTE 17 Capital and reserves

SHARE CAPITAL

Authorised share capital:

At 1 January 2022:	214 000 000 ordinary shares at par value USD 0.50 each
At 31 December 2022:	214 000 000 ordinary shares at par value USD 0.50 each

Issued and fully paid	USD THOUSAND
At 1 January 2022	92 478.2
At 31 December 2022	92 478.2

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss.

CONVERTIBLE BONDS

The reserve for the convertible bonds comprises the amount allocated to the equity component for the convertible bonds issued by the Group in November 2019. Refer to Note 18.

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 2022, the Group held 4 141 437 of the Company's shares (4 141 437). Book value of the treasury shares was USD 10.1 million at 31 December 2022 (USD 10.1 million).

DIVIDENDS

The following dividends were declared and paid by the Company for the year.

USD MILLION	2022
Fourth quarter 2021: USD 0.035 per qualifying ordinary share	6.3
First, second and third quarter: USD 0.035 per qualifying ordinary share	19.0
First quarter: Dividend shares – 1 607 407 BWE shares	4.2
Second quarter: Dividend shares – 1 835 978 BWE shares	4.4
Third quarter: Dividend shares – 1 824 735 BWE shares	5.0
	38.9

USD MILLION	2021
Fourth quarter 2020: USD 0.035 per qualifying ordinary share	6.3
First, second and third quarter: USD 0.035 per qualifying ordinary share	19.0
	25.3

Refer to 'Shareholder information' section for information on the 20 largest shareholders at 31 December 2022.

Refer to Note 23, Non-controlling interests, for information on preferred dividends.

NOTE 18 Loans and borrowings

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2022	2021
USD 672.5 million Corporate Facility	3 month LIBOR + 2.25%	16-May-24	**156.5**	178.1
Convertible bonds	2.50%	12-Nov-24	**218.7**	264.5
Catcher facility	3 month LIBOR + 2.25%	15-Jul-24	**142.7**	256.4
Other facilities	2.20%	30-Jun-26	**4.5**	6.4
BWO05 – NOK 900 million Bond	3 month NIBOR + 4.50%	04-Dec-23	**-**	102.0
Total long-term debt			**522.4**	807.4

USD MILLION	Effective interest rate	Maturity date	Carrying amount 2022	2021
USD 672.5 million Corporate Facility	3 month LIBOR + 2.25%	16-May-24	**(1.3)**	(1.8)
Convertible bonds	2.50%	12-Nov-24	**(0.6)**	(0.6)
Catcher facility	3 month LIBOR + 2.25%	15-Jul-24	**113.7**	113.4
Other facilities	2.40%	30-Jun-26	**1.8**	1.6
Petróleo Nautipa facility	3 month LIBOR + 1.70%	14-Sep-22	**-**	8.0
BWO05 – NOK 900 million Bond	3 month NIBOR + 4.50%	04-Dec-23	**91.7**	(0.4)
Total short-term debt			**205.3**	120.2
Total interest-bearing debt			**727.7**	927.6

Refer to Note 20, Financial instruments – Fair values and risk management, for information on Barossa finance liability.

The financial liability related to Barossa lease has a carrying amount of USD 526.1 million (USD 198.1 million) and implicit interest of 7.80 per cent (7.87 per cent) at 31 December 2022. Reference to Note 20 Financial instruments – Fair values and risk management for information on Barossa finance liability.

The Group is in compliance with all covenants on 31 December 2022. 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 per cent, the margin increases by another 25 basis points. The facility is reduced semi-annually. The Group had USD 139 million undrawn under the revolving credit facility at 31 December 2022.

The USD 672.5 million Corporate Facility is subject to certain covenants, including minimum book equity of at least 25 per cent 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, which is 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 Petróleo 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. The final instalment of the PNA facility was paid in September 2022.

BWO05 – 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 were used to partly repay existing bond loans. The bond loan is subject to certain covenants, including minimum book equity of at least 25 per cent of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group.

OTHER FACILITIES

Other facilities comprise interest-bearing debt in BW Ideol Group. All debt is in EUR.

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 cent 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 were 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 per cent 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). BW Offshore Limited has during 2022 repurchased bonds with an aggregate principal amount of USD 60.6 million in its USD 297.4 million Senior Unsecured Convertible Bonds due for cancellation in 2024. Following the cancellation, the principal amount outstanding under the bond loan will be USD 236.8 million.

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	28.5
Repayment of convertible bonds	(55.8)
Expensed capitalised borrowing costs	1.9
Carrying amount of liability at 31 December 2022	218.1

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

During 2022, the quarterly dividends resulted in adjustments to the initial conversion rate.

	Distribution declared per share	Dividend in kind[1]	Conversion price
First quarter, 2022	0.035		8.58
Second quarter, 2022	0.035	0.0089	8.44
Third quarter, 2022	0.035	0.0102	8.27
Fourth quarter, 2022	0.035	0.0101	8.08

[1] Dividend in kind relates to shares in BW Energy Limited

	Distribution declared per share	Conversion price
First quarter, 2021	0.035	8.95
Second quarter, 2021[1]	0.035	8.95
Third quarter, 2021	0.035	8.78
Fourth quarter, 2021	0.035	8.68

[1] No adjustment

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

	Interest payable	Other liabilities	Liabilities		Equity	Total
USD MILLION			Interest-bearing short-term debt	Interest-bearing long-term debt[1]		
Balance at 1 January 2022		14.2	120.2	1 005.5	1 021.4	
Proceeds from loans and borrowings	–	–	–	344.2	–	344.2
Paid dividend and redemption	–	–	–	–	(30.8)	(30.8)
Interest paid	(38.5)	–	–	–	–	(38.5)
Repayment of loans and borrowings	–	–	(8.0)	(174.1)	–	(182.1)
Repurchase of convertible notes	–	–	–	(52.7)	–	(52.7)
Payment of lease liabilities	–	(7.2)	–	–	–	(7.2)
Dividends paid		–	–	–	(25.3)	(25.3)
Total changes from financing cash flows	(38.5)	(7.2)	(8.0)	117.4	(56.1)	7.6
Effects of changes in foreign exchange rate and interest rate swaps		(0.1)	–	(10.4)	–	(10.5)
Liability-related:						
Expensed capitalised borrowing costs		–	0.9	3.1	–	4.0
New leases/adjustments		10.6	–	–	–	10.6
Interest expense		0.4	–	–	–	0.4
Accreted interest		–	–	9.4	–	9.4
Non-cash movements		–	92.2	(76.5)	–	15.7
Total liability-related other changes		11.0	93.1	(64.0)	–	40.1
Total equity-related other changes		–	–	–	185.8	185.8
Balance at 31 December 2022		17.9	205.3	1 048.5	1 151.1	

[1] Inclusive finance liability relating to Barossa lease

	Interest payable	Other liabilities	Liabilities		Equity	Total
USD MILLION			Interest-bearing short-term debt	Interest-bearing long-term debt[1]		
Balance at 1 January 2021		19.8	117.7	958.0	945.0	
Proceeds from loans and borrowings	–	–	–	312.9	–	**312.9**
Proceeds from share issue in subsidiary	–	–	–	–	61.6	**61.6**
Paid dividend and redemption	–	–	–	–	(28.4)	**(28.4)**
Interest paid	(52.3)	–	–	–	–	**(52.3)**
Transaction costs relating to share issue	–	–	–	–	(2.7)	**(2.7)**
Repayment of loans and borrowings	–	–	–	(305.0)	–	**(305.0)**
Repurchase of convertible notes	–	–	–	–	–	**–**
Payment of lease liabilities	–	(13.4)	–	–	–	**(13.4)**
Dividends paid	–	–	–	–	(25.3)	**(25.3)**
Total changes from financing cash flows	(52.3)	(13.4)	–	7.9	5.2	**(52.6)**
Effects of changes in foreign exchange rate and interest rate swaps		(0.2)	–	(0.5)	–	**(0.7)**
Liability-related:						
Expensed capitalised borrowing costs		–	0.8	3.4	–	**4.2**
New leases/adjustments		7.6	–	–	–	**7.6**
Interest expense		0.4	–	–	–	**0.4**
Accreted interest		–	–	9.3	–	**9.3**
From business combinations		–	2.6	6.2	–	**8.8**
Non-cash movements		–	(0.9)	21.2	–	**20.3**
Total liability-related other changes		8.0	2.5	40.1	–	**50.6**
Total equity-related other changes		–	–	–	71.2	**71.2**
Balance at 31 December 2021		14.2	120.2	1 005.5	1 021.4	

[1] Inclusive finance liability relating to Barossa lease

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

USD MILLION	2022	2021
Trade payables	81.2	108.9
Accrued vessel expenses	60.1	47.6
Accrued other expenses	29.6	41.4
Accrued construction expenses	114.6	81.4
Public duties payables	11.2	14.6
Contract liabilities	4.3	3.7
Deferred revenues	58.8	61.6
Total trade and other payables	359.8	359.2

USD MILLION	2022	2021
Deferred revenues	654.0	371.7
Other long-term liabilities	7.3	9.0
Total other non-current liabilities	661.3	380.7

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

NOTE 20 Financial instruments – fair values and risk management

The Group's finance department 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, liquidity risk and climate risk.

The Group's overall risk management programme 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 Senior Management team, the Audit Committee and the Board of Directors on the status of activities on a regular basis.

The Group has seen that capital is being reallocated from hydrocarbons towards electrification and low-carbon emission energy projects. The effect is an increasing cost of capital for the oil and gas sector. However, the Group has been successful in financing projects by keeping an open dialogue on ESG performance with key lenders and partners. The Group is committed to contributing to the energy transition by developing clean energy production solutions as part of the strategy, applying its offshore engineering and operations capabilities to drive future value creation.

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'), Euro ('EUR'), Korean Won ('KRW') and British Pounds ('GBP'). Operating expenses denominated in NOK, SGD, GBP and EUR constitute a part of the Group's total operating expenses. Capital expenditures related to construction projects, repair and upgrade 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, EUR, CHF and KRW 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 projects and to operating and administrative expenses. The Group does not apply hedge accounting for hedging of its operational and administrative expenses in foreign currencies and the changes in valuation are taken over the profit and loss statement. 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.

Total nominal value of the Group's foreign currency contracts was USD 403.3 million on 31 December 2022 (USD 96.5 million). Fair value of the foreign currency contracts amounted to negative USD 0.5 million in 2022 (positive USD 0.4 million) and are presented gross in the statement of financial position. Net effect of forward exchange contracts recognised in the statement of income in 2022 is positive by USD 3.6 million (negative by USD 3.1 million).

The Group is exposed to foreign currency risk on Bond Loan BWO05, which is issued in NOK, and per 31 December 2022 the issued bond had a value of NOK 900 million. The foreign currency exposure on BWO05 is hedged through cross-currency interest rate swaps with a nominal value of USD 98.8 million. The market value of the cross-currency interest swaps was negative by USD 4.7 million on 31 December 2022 (positive USD 1.9 million).

The Group seeks to apply hedge accounting for larger construction projects to manage volatility in the income statement and statement of comprehensive income. BW Offshore apply hedge accounting for the foreign exchange hedging related to the construction contract of the Barossa FPSO. The purpose is to manage currency risk during the project phase. The Group uses forward currency contracts to eliminate the currency exposure once the Group has entered into a firm commitment of a project contract. For foreign currency risk, the principal terms of the forward currency contract (notional and settlement date) and the future expense (or revenue) (notional and expected cash flow date) are identical. The foreign exchange derivatives are entered to match the respective supplier payments.

The following are identified as sources of ineffectiveness:

- Over-hedging – if the total amount of exposure is less than the notional amount hedged.
- Timing mismatch – if the total amount of exposure exists, but occurs in a different period (month) than anticipated.

The net effect of the hedge accounting recognised in other comprehensive income amounts to negative USD 3.9 million (negative USD 0.4 million). Hedge ineffectiveness recognised in profit or loss during 2022 and 2021 were immaterial.

Cash flow hedges

On 31 December, the Group held the following instruments to hedge exposures to changes in foreign currency.

2022	1–6 months	6–12 Months	More than one year
Foreign currency risk			
Forward exchange contracts			
Net exposure (in USD million)	388.5	11.7	3.1
Average USD:SGD forward contract rate	1.4	1.4	–
Average USD:NOK forward contract rate	9.0	9.4	9.5
Average USD:KRW forward contract rate	1 283.9	–	–
Average USD:EUR forward contract rate	1.0	–	–
Average USD:CHF forward contract rate	1.0	–	–

2021	1–6 months	6–12 Months	More than one year
Foreign currency risk			
Forward exchange contracts			
Net exposure (in USD million)	0.3	0.4	(0.4)
Average USD:SGD Forward Contract rate	1.36	1.37	1.37
Average USD:KRW Forward Contract rate	1 168.2	1 168.9	1 187.3
Average USD:CHF Forward Contract rate	0.92	0.91	–

Sensitivity analysis

A reasonably possible strengthening (weakening) of the NOK, SGD, KRW and CHF against USD on 31 December 2022 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. NOK is being forward hedged in relation to operational and administrative expenses, additional exposures in SGD, KRW, CHF and EUR are hedged in relation to ongoing construction of the Barossa FPSO, 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.

	Profit or loss		Equity, net of tax	
USD MILLION	Strengthening	Weakening	Strengthening	Weakening
31 December 2022				
NOK (5% movement)	0.1	(0.1)	0.1	(0.1)
SGD (5% movement)	0.4	(0.4)	0.3	(0.3)
KRW (5% movement)	0.1	(0.1)	0.1	(0.1)
31 December 2021				
NOK (5% movement)	0.4	(0.4)	0.3	(0.3)
SGD (5% movement)	1.3	(1.3)	1.1	(1.1)
KRW (5% movement)	1.0	(1.0)	0.8	(0.8)

Interest rate risk

The Group is exposed to interest rate risk through its funding activities. Most 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 per cent 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 alternative 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's main IBOR exposure on 31 December 2022 was indexed to USD LIBOR. The alternative reference rate for USD LIBOR is the Secured Overnight Financing Rate (SOFR). As announced by the Financial Conduct Authority (FCA) in early 2022, the panel bank submissions for US dollar LIBOR will cease in mid-2023.

The Group's finance department is managing BW Offshore's IBOR transition plan. The greatest change will be amendments to the contractual terms of the USD LIBOR referenced floating-rate debt and the associated interest rate swaps and the corresponding update of the hedge designation. As at 31 December 2022, the Group has not finished the process of implementing appropriate fallback provisions for all USD LIBOR indexed exposures. The counterparties to the Group's interest rate swaps are also counterparties to the floating loan they are hedging. It is then assumed that the result of the negotiations with external banks and the implementation of SOFR will not have material impacts on the Group's future financial results.

As of 31 December 2022, the Group's floating rate debt amounted to 742.8 USD million (USD 959.1 million).

The Group holds interest rate swaps with a nominal value of USD 650 million and interest rate caps with a nominal value of USD 100 million with maturity during 2023–2030. The weighted average interest swap rate was 2.0 per cent on 31 December 2022, and the average cap rate was 3.5 per cent. The swaps and caps are held to hedge the quarterly cash flows from floating rate interest payments on the Corporate Facility and the Catcher facility. The market value of the interest swaps and caps was positive by USD 49.2 million on 31 December 2022 (negative USD 18.2 million) and the changes in fair value have been recognised as a fair value gain on financial instruments.

The cross-currency interest rate 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 and is maturing in 2023. The weighted average interest swap rate was 6.3 per cent at 31 December 2022. The market value of the cross-currency interest rate swaps was negative by USD 4.7 million at 31 December 2022 (positive USD 1.9 million) and the changes in fair value have been recognised as a fair value 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 in the table below. The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss		Equity, net of tax	
USD MILLION	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2022				
Variable rate instruments	(4.1)	4.1	(3.4)	3.4
Interest rate swaps	6.5	(6.5)	5.4	(5.4)
Cash flow sensitivity	2.4	(2.4)	2.0	(2.0)
31 December 2021				
Variable rate instruments	(5.6)	5.6	(4.6)	4.6
Interest rate swaps	7.0	(7.0)	5.8	(5.8)
Cash flow sensitivity	1.4	(1.4)	1.2	(1.2)

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.

The Group assesses the credit quality of the customers on a regular basis, considering its financial position, credit ratings from international credit rating agencies if available, experience and other factors. New projects and clients will similarly be assessed by reviewing financial statements and external credit ratings, but also country-risk will be evaluated in relation to potential financing and legal impact of agreements. Parent company guarantees are negotiated with customers and the Group will normally have contractual clauses to prevent a customer from novating the lease contract to counterparts with credit rating lower than investment grade (or comparable proxy), 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, the war in Ukraine 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 financially solid counterparties, the Group believes that the credit risk related to counterparties is at an acceptable level.

Overdue trade receivables were USD 38.2 million at the end of 2022, compared to USD 64.8 million at the end of 2021. The overdue situation was mainly related to units operating in West Africa and Brazil.

The Group is also exposed to certain credit risk related to agreements entered into with suppliers such as yards used for construction projects. The Group manages its exposure to such risks through a thorough evaluation of the counterparty's financial position, external credit rating if available, and its backlog and ability to deliver on time, and subsequently by continuous monitoring of larger counterparties.

The Group regards its maximum credit risk exposure to the carrying amount of trade receivables (refer to Note 11), other current assets and financial lease receivables (refer to Note 24).

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 programme 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.

In 2021, the Group completed the debt financing and the equity joint venture partnership for the Barossa project. The Barossa FPSO is financed by a 14-year combined construction and long-term debt facility of USD 1.150 billion with a syndicate of nine international banks and by USD 240.0 million from the equity joint venture, consisting of BW Offshore (51 per cent) and ICMK Offshore Investment Pte Ltd (a 50:50 JV of ITOCHU Corporation and a subsidiary of Meiji Shipping Co Ltd) (25 per cent) and Macquarie Bank Limited (24 per cent). In addition, approximately USD 1 billion in pre-payments will be paid by the Barossa Upstream Joint Venture Partners during the construction period. These pre-payments are linked to progress and milestones on the project. By end of 2022, a total of USD 554 million has been received as per plan, USD 112 million was injected in total by equity partners and USD 435 million was drawn under the loan facility.

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

The refinancing of the USD 672.5 million Corporate Facility, the placement of BWO05 bond and the Convertible bond in 2019, extended tenors of the Groups financing and mitigated short-term refinancing and liquidity risk and cashflows from continuing operations are sufficient to fulfil short-term financial obligations. Production from BW Catcher throughout 2022 has been a significant contributor to the cash flow of the Group together with BW Pioneer and BW Adolo.

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 2022

USD MILLION	Carrying Amount	Q1 23	Q2 23	Q3 23	Q4 23	2023	2024–2027	2028 and beyond	Total
USD 672.5 million Corporate Facility	155.2	–	–	–	–	–	156.9	–	**156.9**
Convertible bonds[1]	218.1	–	–	–	–	–	236.8	–	**236.8**
Catcher facility	256.4	28.6	28.6	28.6	28.6	114.3	142.8	–	**257.1**
BWO05 – NOK 900 million bond[2]	91.7	–	–	–	98.8	98.8	–	–	**98.8**
Other facilities	6.3	0.4	0.5	0.4	0.5	1.8	4.5	–	**6.3**
Finance liability related to Barossa lease	526.1	–	–	–	–	–	155.8	370.3	**526.1**
Interest rate swaps[3]	(2.1)	(5.0)	(4.6)	(4.6)	(4.4)	(18.6)	(41.4)	(13.5)	**(73.5)**
Interest payments	4.0	7.9	10.5	6.8	9.0	34.2	12.6		**46.8**
Other	0.4	0.4	0.5	0.5	0.3	1.8	0.9	–	**2.6**
Lease liabilities	17.9	1.6	1.6	1.6	1.6	6.4	9.4	3.8	**19.6**
Trade and other payable current	359.8	154.1	68.6	68.6	68.6	359.8	–	–	**359.8**
Total	1 633.8	187.9	105.6	101.9	203.0	598.4	678.2	360.6	1 637.3

[1] The cash flow presented reflects a full repayment of the loan without conversion into equity instruments
[2] The cash flow presented reflects swapped USD/NOK rate.
[3] Interest rate swaps are positive

Maturity profile – financial liabilities, Year ended 2021

USD MILLION	Carrying Amount	Q1 22	Q2 22	Q3 22	Q4 22	2022	2023–2026	2027 and beyond	Total
USD 672.5 million Corporate Facility	176.3	–	–	–	–	–	180.0	–	180.0
Convertible bonds[1]	263.9	–	–	–	–	–	297.4	–	297.4
Catcher facility	369.8	28.6	28.6	28.6	28.6	114.3	257.1	–	371.4
Petróleo Nautipa facility	8.0	4.0	–	4.0	–	8.0	–	–	8.0
BWO05 – NOK 900 million bond[2]	101.6	–	–	–	–	–	98.8	–	98.8
Other facilities	8.0	0.3	0.5	0.4	0.4	1.6	6.4	–	8.0
Finance liability related to Barossa lease	198.1	–	–	–	–	–	49.5	148.6	198.1
Interest rate swaps	1.5	2.6	2.6	2.6	2.5	10.3	18.3	2.4	31.0
Interest payments	3.0	3.3	3.1	3.0	2.8	12.2	11.7	–	23.9
Other	0.9	0.9	1.0	0.6	0.5	3.0	2.5	–	5.5
Lease liabilities	14.2	1.6	1.6	1.6	1.6	6.4	7.3	1.0	14.7
Trade and other payable current	359.2	174.3	61.6	61.6	61.6	359.2	–	–	359.2
Total	1 504.5	215.6	99.0	102.4	98.0	515.0	929.0	152.0	1 596.0

[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:

USD MILLION	2022	2021
Expire within one year	–	–
Expire beyond one year	139.0	154.8

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.

31 December 2022		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	5.1	–	–	**5.1**	–	5.1	–	**5.1**
Forward exchange contracts used in hedge accounting	20	6.5	–	–	**6.5**		6.5		**6.5**
Interest rate swaps used for hedging	20	50.2	–	–	**50.2**	–	50.2	–	**50.2**
		61.8	–	–	**61.8**	–	61.8	–	**61.8**
Financial assets not measured at fair value									
Trade and other receivables	11	–	232.6	–	**232.6**	–	–	–	**–**
Financial lease receivable	24	–	48.4	–	**48.4**	–	–	–	**–**
Cash and cash equivalents	12	–	230.3	–	**230.3**	–	–	–	**–**
Other non-current assets		–	7.2	–	**7.2**	–	–	–	**–**
		–	518.5	–	**518.5**	–	–	–	**–**
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	20	(1.0)	–	–	**(1.0)**	–	(1.0)	–	**(1.0)**
Forward exchange contracts used for hedging	20	(1.8)	–	–	**(1.8)**	–	(1.8)	–	**(1.8)**
Forward exchange contracts used in hedge accounting	20	(10.3)	–	–	**(10.3)**	–	(10.3)	–	**(10.3)**
Cross-currency swaps used for hedging	20	(4.7)	–	–	**(4.7)**	–	(4.7)	–	**(4.7)**
		(17.8)	–	–	**(17.8)**	–	(17.8)	–	**(17.8)**
Financial liabilities not measured at fair value									
Secured bank loans	18	–	–	(417.9)	**(417.9)**	–	–	(420.3)	**(420.3)**
Unsecured bond issues	18	–	–	(309.8)	**(309.8)**	–	(328.8)	–	**(328.8)**
Finance liability related to Barossa lease		–	–	(526.1)	**(526.1)**	–	–	–	**–**
Other non-current liabilities	19	–	–	(661.3)	**(661.3)**	–	–	–	**–**
Trade and other payables	19	–	–	(359.8)	**(359.8)**	–	–	–	**–**
Lease liabilities	24	–	–	(17.9)	**(17.9)**	–	–	–	**–**
		–	–	(2 292.8)	**(2 292.8)**	–	(328.8)	(420.3)	**(749.1)**

31 December 2021		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	1.6	–	–	**1.6**	–	1.6	–	**1.6**
Forward exchange contracts used in hedge accounting	20	2.3	–	–	**2.3**		2.3		**2.3**
Interest rate swaps used for hedging	20	0.8	–	–	**0.8**	–	0.8	–	**0.8**
Cross–currency swaps used for hedging	20	1.9	–	–	**1.9**	–	1.9	–	**1.9**
		6.6	–	–	**6.6**	–	6.6	–	**6.6**
Financial assets not measured at fair value									
Trade and other receivables	11	–	297.4	–	**297.4**	–	–	–	**–**
Financial lease receivable	24	–	12.3	–	**12.3**	–	–	–	**–**
Cash and cash equivalents	12	–	274.2	–	**274.2**	–	–	–	**–**
Other non–current assets		–	5.0	–	**5.0**	–	–	–	**–**
		–	588.9	–	**588.9**	–	–	–	**–**
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	20	(19.0)	–	–	**(19.0)**	–	(19.0)	–	**(19.0)**
Forward exchange contracts used in hedge accounting	20	(2.0)	–	–	**(2.0)**	–	(2.0)	–	**(2.0)**
Forward exchange contracts used for hedging	20	(1.5)	–	–	**(1.5)**	–	(1.5)	–	**(1.5)**
		(22.5)	–	–	**(22.5)**	–	(22.5)	–	**(22.5)**
Financial liabilities not measured at fair value									
Secured bank loans	18	–	–	(562.2)	**(562.2)**	–	–	(559.4)	**(559.4)**
Unsecured bond issues	18	–	–	(365.4)	**(365.4)**	–	(399.7)	–	**(399.7)**
Finance liability related to Barossa lease		–	–	(198.1)	**(198.1)**	–	–	–	**–**
Other non–current liabilities	19	–	–	(380.7)	**(380.7)**	–	–	–	**–**
Trade and other payables	19	–	–	(359.2)	**(359.2)**	–	–	–	**–**
Lease liabilities	24	–	–	(14.2)	**(14.2)**	–	–	–	**–**
		–	–	(1 879.8)	**(1 879.8)**	–	(399.7)	(559.4)	**(959.1)**

The difference between carrying amount and fair value of the unsecured bond relates to amortised loan costs and the equity portion of the convertible bond.

CAPITAL STRUCTURE AND EQUITY

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

The Group also monitors and manages its capital structure in light of changes in the economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to its shareholders, return capital to shareholders or issue new shares.

Construction and conversion projects will normally be funded through current loan facilities and/or specific project loan facilities equalling 70–80 per cent 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 commences operation.

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

The Company has no specific targeted equity ratio. However, the loan facilities of the Group have certain covenants related to equity and equity ratio, both closely monitored by the Company (reference to Note 18).

NOTE 21 List of subsidiaries, associates and joint ventures

Subsidiaries	Country of incorporation	Ownership 2022	Ownership 2021
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 Abo Pte Ltd	Singapore	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 Catcher Limited[1]	Bermuda	100%	100%
BW Cidade de São Vicente Pte Ltd	Singapore	100%	100%
BW Espoir Ivoirien Pte Ltd	Singapore	100%	100%
BW Ideol AS[3]	Norway	53%	53%
BW Ideol S.A.[4]	France	100%	100%
BW Offshore Catcher (UK) Limited	United Kingdom	100%	100%
BW Offshore Australia Management Pty Ltd	Australia	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 EPC FZCO[5]	United Arab Emirates	90%	100%
BW Offshore France SAS	France	100%	100%
BW Offshore GDM B.V.	Netherlands	100%	100%
BW Offshore GDM Holdings Pte Ltd	Singapore	100%	–
BW Offshore Pte Ltd	Singapore	100%	100%
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 Italy S.r.l	Italy	100%	–
BW Offshore Management (UK) Limited	United Kingdom	100%	–
BW Offshore Management B.V.	Netherlands	100%	100%

Subsidiaries	Country of incorporation	Ownership 2022	Ownership 2021
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 Poland sp z o.o.	Poland	**100%**	100%
BW Offshore Project Management FZE	United Arab Emirates	**100%**	–
BW Offshore Scotwind (UK) Limited	United Kingdom	**–**	100%
BW Offshore Shipholding Cyprus Limited	Cyprus	**100%**	100%
BW Offshore Shipholding Pte Ltd	Singapore	**100%**	100%
BW Offshore Singapore Pte Ltd	Singapore	**100%**	100%
BW Offshore SPV Bermuda I Limited	Bermuda	**100%**	–
BW Offshore SPV Bermuda II Limited	Bermuda	**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%
Ideol Japan, LLC[4]	Japan	**100%**	100%
Ideol USA, Inc.[4]	USA	**100%**	100%
Prosafe GFPSO I B.V.	Netherlands	**100%**	100%
Prosafe Production B.V.	Netherlands	**100%**	100%
Prosafe Services Cote d'Ivoire Pte Ltd	Singapore	**100%**	100%
PT BW Offshore TSB Invest[2]	Indonesia	**–**	49%
Tinworth Pte Ltd	Singapore	**100%**	100%
Tinworth France SAS	France	**100%**	100%
Tinworth Gabon SA	Gabon	**100%**	100%

Associates and joint ventures

Subsidiaries	Country of incorporation	Ownership 2022	Ownership 2021
OCS Services Limited	British Virgin Islands	**50%**	50%
Euro Techniques Industries	France	**40%**	40%
BW Energy Limited[6]	Bermuda	**25%**	27%
BW Offshore AUS-JV Pte Ltd[7]	Singapore	**51%**	51%
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 was 51 per cent owned by Indonesian shareholders in 2021. The company was recognised in the balance sheet without non-controlling interests, as the Group has put in place and has finalised agreements that ensure that 100 per cent of profits are retained by the Group. The company was sold June 2022.

[3] Refer to Note 22 and Note 23.

[4] Owned by BW Ideol AS, ownership effectively reduced to 53 per cent.

[5] Macquarie Bank Limited holds 10 per cent from 2022

[6] Ownership effectively reduced to 25 per cent in 2022 due to distribution of dividend shares, refer to Note 16.

[7] Joint control due to shareholders agreements between the Group and external investors.

NOTE 22 Business combinations

On 16 February 2021, BW Ideol AS, a subsidiary of BW Offshore Limited, entered into a sale and purchase agreement (the 'SPA') regarding the acquisition of 100 per cent of the shares in Ideol SA for a total consideration of USD 94.5 million settled as a combination of cash and newly issued shares in BW Ideol AS. On 10 March 2021 and in connection with the closing of the SPA, BW Ideol AS held an extraordinary general meeting where it was resolved to (i) redeem the existing share capital, (ii) issue 14 639 660 new shares to BW Offshore Holdings Pte. Ltd. (a subsidiary of BW Offshore Limited) against a cash injection of USD 62.2 million, and (iii) issue 5 815 240 new shares to the sellers against contribution in-kind in the form of shares in Ideol SA. On 15 March 2021, the transaction was closed, and BW Ideol AS acquired 71.6 per cent of the shares of Ideol SA. The remaining 28.4 per cent of Ideol SA were acquired and paid in BW Ideol AS shares.

In parallel, BW Ideol AS completed a private placement (including partial Greenshoe exercise) of 11 655 625 shares at a price of NOK 47.00 per share and got listed on Euronext Growth Oslo. BW Offshore Holdings Pte. Ltd. subscribed for USD 11.8 million (NOK 100 million) in the private placement.

After the listing of BW Ideol AS on Euronext Growth in Oslo on 18 March and the following Greenshoe exercise, BW Offshore's ownership in BW Ideol AS is 53.2 per cent for a total cash consideration of USD 74.0 million.

Taking control of Ideol SA enables the BW Ideol Group to establish itself as a leading global player in floating offshore wind. The combination of Ideol technology, operational track record and engineering capabilities, and a pipeline of projects with the execution capabilities focused on large-scale offshore projects within BW Offshore, offers a unique combination.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Ideol S.A. are inputs (primarily technology), processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that this is acquisition of a business.

CONSIDERATION TRANSFERRED

USD MILLION	
Cash	62.2
Contribution in kind (5 815 240 shares à NOK 47)	32.3
Total consideration transferred	94.5

The value of the share retained for the valuation of the portion of Ideol SA acquisition paid in shares has been considered equal to the listing price of NOK 47.00

ACQUISITION-RELATED COSTS

The Group incurred acquisition-related costs of USD 1.6 million on external legal fees and due diligence costs. These costs have been included in operating expenses in the consolidated statement of profit or loss.

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

The following table summarises the recognised amounts of assets and liabilities assumed at the date of acquisition.

USD MILLION	
Intangible assets – R&D and software	4.4
Intangible assets – Technology	71.2
Property, plant & equipment	17.0
Other non-current assets	0.5
Trade receivables and other current assets	3.7
Cash and cash equivalents	2.5
Interest-bearing debt	(8.8)
Other non-current liabilities	(8.0)
Deferred tax liabilities	(15.7)
Trade and other payables	(4.0)
Other timing adjustments	1.3
Total identifiable net assets acquired	64.1

Acquired receivables were estimated at the contractual amounts. The estimate at the acquisition date of the contractual cash flows not expected to be collected was zero and all amounts were collected during 2021.

Measurement of fair values

The Purchase Price Allocation analysis led to the recognition of a technology intangible asset. Ideol has developed a floating barge for offshore wind turbines based on its patented technology that optimises the stability and performance of the floating wind turbine, even in extreme conditions.

As of the acquisition date, it was valued at USD 71.2 million. It will be amortised on a straight-line basis over the remaining useful life of the asset estimated at 15 years, taking into consideration current industry experience and patents associated with the technology. The fair value of the technology has been measured provisionally, based on the present value of net cash flows it is expected to generate, pending completion of an independent valuation. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition, then the accounting for the acquisition will be revised.

GOODWILL

Goodwill arising from the acquisition has been recognised as follows:

USD MILLION	
Total consideration transferred	94.5
Fair value of identifiable net assets	(64.1)
Goodwill	30.4

Final adjustments were made to the purchase price allocation in 2022 within the one-year timeframe, resulting in a USD 0.4 million increase in the goodwill balance.

The goodwill is attributable mainly to the skills of the established assembled workforce, to the synergies expected to be achieved from integrating the new business segment and the value from future offshore windmill projects.

NOTE 23 Non-controlling interests

The following table summarises the information related to the Group's subsidiaries that has material NCI. Refer to Note 22 for information about incorporation of BW Ideol AS.

BW Ideol AS

USD MILLION	31 Dec 2022	31 Dec 2021
NCI percentage	46.8%	46.8%
Non-current assets	123.2	121.2
Current assets	12.0	40.9
Non-current liabilities	25.1	27.4
Current liabilities	5.3	5.6
Net assets (100%)	104.8	129.1
Net assets attributable to NCI	49.0	60.4
Revenue	9.2	4.3
Profit for the year	(17.6)	(19.5)
OCI	-	-
Total comprehensive income (100%)	(17.6)	(19.5)
Profit allocated to NCI	(8.2)	(9.1)
OCI allocated to NCI	-	-
Cash flows from operating activities	(3.7)	(6.7)
Cash flows from investing activities	(20.0)	(64.7)
Cash flows from financing activities (dividends to NCI: nil)	(1.6)	105.7
Net increase (decrease) in cash and cash equivalents (100%)	(25.3)	34.3

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 aggregate redemption and dividends payments on the preference shares are estimated to reflect approximately 25–30 per cent 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 the Group.

USD 7.9 million (USD 7.9 million) has been paid in dividends during 2022 and the redemption for 2022 amounts to USD 22.9 million (USD 20.5 million).

NOTE 24 Leases

THE GROUP AS A LESSEE

The Group leases office premises, apartments, warehouses and vessels. Leases of office premises generally have lease terms between one and seven years, while apartments and warehouses and vessels generally have lease terms between one and three 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 7.2 million (USD 13.4 million).

Right-of-use assets and lease liabilities

	Land and buildings	Right-of-use assets	Lease liabilities
Balance at 1 January 2022	19.2	19.2	14.2
Additions	10.9	10.9	10.5
Adjustments	0.1	0.1	0.1
Depreciation expense	(8.6)	(8.6)	n/a
Interest expense	n/a	n/a	0.4
Lease payments	n/a	n/a	(7.2)
Foreign currency translation gain/(loss)	(0.5)	(0.5)	(0.1)
Balance at 31 December 2022	21.1	21.1	17.9

	Land and buildings	Right-of-use assets	Lease liabilities
Balance at 1 January 2021	18.5	18.5	19.8
Additions	7.0	7.0	7.0
Adjustments	0.6	0.6	0.6
Depreciation expense	(6.6)	(6.6)	n/a
Interest expense	n/a	n/a	0.4
Lease payments	n/a	n/a	(13.4)
Foreign currency translation gain/(loss)	(0.3)	(0.3)	(0.2)
Balance at 31 December 2021	19.2	19.2	14.2

USD MILLION	2022	2021
Maturity analysis – contractual undiscounted cash flows		
Not later than one year	6.4	6.5
Later than one year and not later than five years	9.4	7.3
Later than five years	3.8	1.0
Total undiscounted lease liabilities at 31 December	19.6	14.8
Lease liabilities included in the statement of financial position at 31 December	17.9	14.2
Current	5.9	6.2
Non-current	12.0	8.0

Amounts recognised in profit or loss

USD MILLION	2022	2021
Interest on lease liabilities	0.4	0.4
Depreciation expense	8.6	6.6

Extension options

Some leases, such as 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 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 AS A LESSOR

Finance lease

In April 2022, the Group signed an agreement for the sale of the FPSO Polvo to BW Energy for a total consideration of USD 50 million, split by USD 5 million in one year charter hire and USD 45 million for purchase of the vessel. The sale will be completed no later than July 24, 2023. BW Energy has the option to complete the transaction before that date. If the transaction is completed early, BW Energy will pay USD 30 million upon the vessel transfer date, with the remaining USD 20 million provided as a seller's credit by BW Offshore until settlement on July 24, 2023, at the latest. An independent third-party valuation of the FPSO concluded that the sales price is within a fair market value range. The contract is classified as a financial lease as of 31 December of 2022.

The FPSO Yùum K'ak' Náab commenced operations in Mexico in July 2007 on a firm 15-year lease contract. In July 2022, Pemex assumed the ownership and operation of Yùum K'ak' Náab in accordance with the terms of the 15-year FPSO financial lease contract. This lease contract has been classified as a finance lease as the net present value of the minimum lease payments amounted to substantially all the fair value of the FPSO at the inception of the lease.

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

USD MILLION	2022	2021
Not later than one year	50.0	12.5
Later than one year and not later than five years	-	-
Later than five years	-	-
Gross receivables from finance leases	50.0	12.5
Unearned future finance income on finance leases	(1.6)	(0.2)
Net investment in finance leases	48.4	12.3
Included in non-current assets (Financial lease receivables)	-	-
Included in current assets (Financial lease receivables)	48.4	12.3

Operating leases

BW Athena and BW Opportunity are not on contract as of 31 December 2022. The contract for Petróleo Nautipa reached the end of its term in October and will be sold for recycling after the completion of demobilisation and decommissioning.

All other FPSOs owned by year-end are on firm operating lease contracts.

Future minimum payments receivable under non-cancellable operating lease contracts as at 31 December are as follows:

USD MILLION	2022	2021
Not later than one year	267.1	313.7
Later than one year and not later than five years	831.9	896.4
Later than five years	2 170.9	2 301.4
Total amount	3 269.9	3 511.5

NOTE 25 Commitments and guarantees

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

USD MILLION	2022	2021
Nominal amount	788.7	749.3

At 31 December 2022 and 2021, the commitment included committed contract values related to the construction of the FPSO for the Barossa gas field, 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 0.8 million (USD 65.6 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 six FPSOs
- first priority secured interest in all earnings and proceeds of insurance related to the same six 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 USD 1 150 million Barossa Loan Facility, as referred to in Note 20, is secured by:

- a parent company guarantee from BW Offshore Limited
- assignment of key construction contracts
- a first priority mortgage over the FPSO, once completed, to be owned by BW Offshore AUS-JV Pte Ltd, Singapore
- first priority secured interest in all earnings and proceeds of insurances related to the FPSO once contract has commenced.

The carrying value of vessels pledged as collateral per 31 December 2022 was USD 514.6 million (USD 1 409.5 million). In addition, the shares in certain vessel-owning companies in the Group are pledged.

NOTE 26 Contingent assets and liabilities

In September 2021, Petro Rio Exploração e Produção de Petróleo Ltda. ('PetroRio') filed a Request for arbitration in relation to the FPSO Polvo against the Group under the Charter and Services Agreements. PetroRio puts forward different heads of claim in the total amount of approximately USD 31 million for overpayment of hire and arbitration costs and fees. In October 2021, BW Offshore filed their Response and put forward substantial counterclaims primarily for unpaid invoices and demobilisation costs for approximately USD 30 million. It is expected that an award will be obtained before the end of 2023. The net exposure is considered approximately USD 11 million.

The contract for Umuroa was terminated effective 31 December 2019. Following the termination of the FPSO contract, the client had contractual hire which was due but not paid. 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 and any recovery of the outstanding amounts is considered uncertain.

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 27 Related parties transactions

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

Investments in subsidiaries are disclosed in Note 21, investments in associates and joint ventures are disclosed in Note 16 and remuneration to the Board of Directors, Senior Management team and auditors is detailed in Note 8.

Other related party transactions:

	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
USD MILLION	**2022**	2021	**2022**	2021
Sale of goods and services				
Joint ventures	**690.7**	207.1	**67.8**	71.2
Associates	**102.1**	93.1	**12.3**	12.3
Purchase of goods				
Joint ventures	**333.7**	65.2	**48.5**	41.7
Associates	**9.3**	6.0	**1.9**	2.1
Others				
Associates				
–Short–term receivable	**–**	–	**0.2**	0.1

Sale and purchase from joint ventures primarily relate to the Barossa project. These transactions are considered a sale leaseback and are eliminated at group level.

NOTE 28 Climate risks

Climate-related risks to BW Offshore include market effects from changing demand for oil and gas, evolving laws and regulations, stricter climate policies, disruptive technology, as well as physical effects of climate change and reputational effects.

Demand for hydrocarbon products in the long-term is uncertain due to the global clean energy transition. Decreased demand for new upstream hydrocarbon developments will result in less demand for FPSOs. The Group's primary revenue stream is owning, leasing and operating such assets to oil and gas operators. Reduced market demand for upstream production in the long-term could prompt assets within the BW Offshore fleet to become stranded.

Another strategic priority is to divest older assets with marginal contracts approaching end of contract. In 2022, four conventional FPSOs have left the fleet. This makes the operations and asset base more resilient towards stringent environmental regulations and reduces residual value risk.

Based on climate scenarios provided by the International Energy Agency (IEA) and DNV, the Group expects reasonably steady operational conditions in the medium-term. More transformative changes to the global energy supply are expected to materialise towards 2040, where fossil fuel supply in the global energy mix is expected to decline in relative and nominal terms, with natural gas as a potential exception (offshore natural gas production is projected by DNV to increase by nine per cent from 2021 to 2040, and peaking around 2030).

To respond to this market risk, the Group has identified the need to diversify its asset portfolio to include energy transition fuels (such as floating natural gas plants) and renewable technologies. The Group has invested in offshore floating wind technology and owns 53.2 per cent of BW Ideol. In early 2022, BW Ideol won its first large-scale project to develop a 1 GW facility offshore Scotland together with partners.

In the near term, other types of risks may become significant, such as stigmatisation of the oil and gas sector, which could impact access to and cost of capital.

STRANDED ASSETS

An assessment has been made as to whether the Group has assets that are exposed to significant environmental risk or climate risk ('stranded assets'). The Group has not identified any stranded assets at 31 December 2022.

NOTE 29 Covid-19 and war in Ukraine

The Group has proactively taken steps to minimise risk of business interruptions due to the Covid-19 pandemic, by implementing comprehensive procedures to safeguard people and operations and adhering to local public health advisory across all locations.

Throughout 2021 and 2022, the impact on operations was managed through good risk management, planning and procedures. The Group has a financial impact due to extra costs related to additional crew management and logistics, in addition to other negative financial impacts which are not directly measurable, such as challenges related to managing regular offshore maintenance.

The war in Ukraine and the Covid-19 pandemic continue to affect global markets through supply chain disruptions and inflation across a wide range of commodities. The direct impact on operations from the pandemic continues to ease and is now considered very limited. Energy prices remain high following normalisation of activity levels in the wake of Covid-19 and continued supply concerns due to the war in Ukraine. These effects are, however, tempered by inflation and rising interest rates, which are having a cooling effect on the global economy.

NOTE 30 Subsequent events

In January 2023, the Group signed a short-term extension for Abo FPSO with Nigerian Agip Exploration Ltd, a subsidiary of ENI S.p.A., until 31 March 2023.

Statement of income

USD MILLION (Year ended 31 December)	Note	2022	2021
Revenue	3	**76.3**	45.8
Operating expenses			
Other expenses	4	**(25.8)**	(25.9)
Total operating expenses		**(25.8)**	(25.9)
Operating profit/(loss)		**50.5**	19.9
Amortisation	15	**(1.2)**	(1.0)
Operating profit/(loss) (EBIT)		**49.3**	18.9
Interest income		**23.1**	19.3
Interest expense		**(46.6)**	(42.5)
Net currency exchange gain/(loss)		**10.0**	4.2
Fair value gain/(loss) on financial instruments		**19.9**	9.3
Loss on sale of shares in associate	12	**(0.6)**	(54.1)
Impairment	12, 14	**(40.5)**	(234.2)
Other financial expenses		**2.2**	(1.1)
Net financial items		**(32.5)**	(299.1)
Profit/(loss) before tax		**16.8**	(280.2)
Income tax expense	5	**(2.6)**	(2.5)
Net profit/(loss) for the year		**14.2**	(282.7)

Statement of comprehensive income

USD MILLION (Year ended 31 December)	Note	2022	2021
Profit /(loss) for the year		**14.2**	(282.7)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**14.2**	(282.7)

The notes on pages 152–164 are an integral part of these financial statements.

Statement of financial position

USD MILLION (As at 31 December)	Note	2022	2021
ASSETS			
Intangible assets	15	–	1.2
Shares in subsidiaries	12	558.4	516.9
Investment in associates	12	176.2	190.3
Intercompany receivables long-term	14	259.1	665.2
Derivatives	11	24.5	2.7
Non-current assets		1 018.2	1 376.3
Trade and other receivables		2.4	2.0
Intercompany receivables short-term	14	49.9	10.3
Derivatives	11	3.8	0.6
Cash and cash equivalents	6	10.6	25.5
Current assets		66.7	38.4
Total assets		1 084.9	1 414.7

USD MILLION (As at 31 December)	Note	2022	2021
EQUITY			
Share capital	7	92.5	92.5
Share premium		1 095.5	1 095.5
Other equity	7, 8	(933.8)	(911.8)
Total shareholders' equity		254.2	276.2
LIABILITIES			
Interest-bearing long-term debt	8, 10	218.7	366.5
Intercompany payables long-term	14	299.2	696.5
Derivatives	11	–	7.8
Non-current liabilities		518.0	1 070.8
Interest-bearing short-term debt	8, 10	91.0	(1.0)
Trade and other payables	9, 10	3.1	3.9
Intercompany payables short-term	14	210.8	63.2
Derivatives	11	7.5	1.2
Current tax liabilities	5	0.3	0.4
Current liabilities		312.7	67.7
Total shareholders' equity and liabilities		1 084.9	1 414.7

The notes on pages 152–164 are an integral part of these financial statements.

Statement of changes in shareholders' equity

USD MILLION	Share capital	Share premium	Treasury share reserve	Equity component of convertible bonds	Other elements	Total
At 1 January 2021	92.5	1 095.5	(10.2)	50.1	(646.1)	**581.8**
Profit/(loss) for the period	–	–	–	–	(282.7)	**(282.7)**
Dividends	–	–	–	–	(25.3)	**(25.3)**
Share-based payment	–	–	0.1	–	2.3	**2.4**
Total equity at 31 December 2021	92.5	1 095.5	(10.1)	50.1	(951.8)	**276.2**
At 1 January 2022	92.5	1 095.5	(10.1)	50.1	(951.8)	**276.2**
Profit/(loss) for the period	–	–	–	–	14.2	**14.2**
Dividends	–	–	–	–	(38.9)	**(38.9)**
Share-based payment	–	–	–	–	2.0	**2.0**
Other items	–	–	–	0.6	–	**0.6**
Total equity at 31 December 2022	92.5	1 095.5	(10.1)	50.7	(974.4)	**254.2**

The notes on pages 152–164 are an integral part of these financial statements.

Statement of cash flows

USD MILLION (Year ended 31 December)	Note	2022	2021
Operating activities			
Profit/(loss) before tax		16.8	(280.2)
Adjustments for:			
Amortisation	15	1.2	1.0
Impairment charges	12, 14	40.5	234.2
Fair value change on financial instruments		(26.4)	(14.0)
Currency gain/loss		(11.6)	(2.8)
Add back of net interest expense		23.5	23.2
Loss from sale of shares	12	0.6	54.1
Dividends from group companies		(35.0)	(45.0)
Share-based payment expense		2.0	2.4
Changes in:			
Receivables and accounts payable		(1.2)	0.5
Other items from operating activities		0.5	5.0
Cash generated from operating activities		10.9	(21.6)
Taxes paid	5	(2.6)	(2.4)
Net cash flows from/(used) in operating activities		8.3	(24.0)

USD MILLION (Year ended 31 December)	Note	2022	2021
Investing activities			
Proceeds from sale of investments		-	65.7
Interest received		23.1	19.3
Dividends received	3	35.0	45.0
Investments in subsidiaries		(82.1)	-
Investment in intangible assets	15	-	(0.1)
Net cash flows from/(used in) investing activities		(24.0)	129.9
Financing activities			
Changes in intercompany receivables/payables	14	116.8	(35.4)
Repurchase of convertible notes	8	(52.7)	-
Dividends paid		(25.3)	(25.3)
Interest paid		(38.0)	(36.9)
Net cash flows from/(used in) financing activities		0.8	(97.6)
Net change in cash and cash equivalents		(14.9)	8.3
Cash and cash equivalents at 1 January		25.5	17.2
Cash and cash equivalents at 31 December	6	10.6	25.5

The notes on pages 152–164 are an integral part of these financial statements.

Notes

NOTE 1 Reporting entity

BW Offshore Limited ('BW Offshore' or the 'Company') was incorporated in Bermuda in 2005 and is domiciled in Bermuda with its registered address at Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, Hamilton HM1189, Bermuda. BW Offshore Limited is the holding company in the BW Offshore Limited Group and is listed on Oslo Stock Exchange (OSE).

NOTE 2 Significant accounting policies

BASIS OF ACCOUNTING

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, with some exceptions, as detailed in the accounting policies set out below.

The financial statements were approved by the Board of Directors on 27 February 2023.

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 2021.

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.

USE OF JUDGEMENTS AND ESTIMATES

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 Company's accounting policies.

Impairment

Shares in subsidiaries, investment in associates 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 receivables. 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.

ACCOUNTING FOR SUBSIDIARIES AND ASSOCIATES

The subsidiaries are those entities (including special purpose entities) in 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 those entities in which the Company has significant influence, but no control, or has joint control, over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. 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.

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 include 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 and financial assets when the fair value is positive.

Derecognition of financial liabilities

The Company has applied the derecognition requirement in IFRS 9 – Financial Instruments prospectively to transactions occurring on or after the transition date, but not retrospectively to financial liabilities already derecognised prior to the transition date.

Under IFRS, the amortised cost of a modified financial liability, in which the terms of the financial liability are not determined to be substantially modified, is recalculated as the present value of the estimated future contractual cash flows, discounted at the original effective interest rate. The resulting gains or losses are recognised in profit or loss.

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 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.

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 as 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, unless repurchases of convertible bonds occur before maturity. Upon repurchase, the difference between the repurchase price and carrying amount is allocated between the liability component, equity component and a potential gain or loss is recognised in the consolidated statement of income.

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.

NOTE 3 Revenue

USD MILLION	2022	2021
Revenue from contracts with customers	1.3	0.8
Dividend income	75.0	45.0
Total revenue	76.3	45.8

NOTE 4 Operating expenses

USD MILLION	2022	2021
Management fee	11.9	14.1
Lawyer's fee	1.0	0.5
Consultant's fee	0.9	0.6
Auditor's fee	0.3	0.2
Other operating expenses	11.7	10.5
Total operating expenses	25.8	25.9

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 2022 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	2022	2021
Bank deposits	10.6	25.5
Total cash and cash equivalents	10.6	25.5

NOTE 7 Share capital and reserves

Authorised share capital:	
At 1 January 2022	214 000 000 ordinary shares at par value USD 0.50 each
At 31 December 2022	214 000 000 ordinary shares at par value USD 0.50 each

Issued and fully paid	USD THOUSAND
At 1 January 2022	92 478.2
At 31 December 2022	92 478.2

TREASURY SHARE RESERVE

On 31 December 2022, the Company held a total of 4 141 427 own shares (4 141 437). Book value of the treasury shares was USD 10.1 million on 31 December 2022 (USD 10.1 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. Refer to Note 8.

NOTE 8 Loans and borrowings

			Carrying amount	
USD MILLION	Effective interest rate	Maturity date	**2022**	2021
Convertible bonds	2.50%	12-Nov-24	**218.8**	264.5
BWO05 – NOK 900 million bond	3-month NIBOR + 4.50%	04-Dec-23	**-**	102.0
Total long-term debt			**218.8**	366.5

			Carrying amount	
USD MILLION	Effective interest rate	Maturity date	**2022**	2021
Convertible bonds	2.50%	12-Nov-24	**(0.6)**	(0.6)
BWO05 – NOK 900 million bond	3-month NIBOR + 4.50%	04-Dec-23	**91.6**	(0.4)
Total short-term debt			**91.0**	(1.0)
Total interest-bearing debt			**309.8**	365.5

BWO05 – 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 were used to partly repay existing bond loans. The bond loan is subject to certain covenants, including minimum book equity of at least 25 per cent 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 cent 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 were 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 per cent 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). BW Offshore Limited has during 2022 repurchased bonds with an aggregate principal amount of USD 60.6 million in its USD 297.4 million Senior Unsecured Convertible Bonds due 2024 for cancellation. Following the cancellation, the principal amount outstanding under the bond loan will be USD 236.8 million.

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	28.5
Repayment of convertible bonds	(55.8)
Expensed capitalised borrowing costs	1.9
Carrying amount of liability at 31 December 2022	218.1

During 2022, the quarterly dividends resulted in adjustments to the initial conversion rate.

	Distribution declared per share	Dividend in kind[1]	Conversion price
First quarter, 2022	0.035		8.58
Second quarter, 2022	0.035	0.0089	8.44
Third quarter, 2022	0.035	0.0102	8.27
Fourth quarter, 2022	0.035	0.0101	8.08

[1] Dividend in kind relates to shares in BW Energy Limited

	Distribution declared per share	Conversion price
First quarter, 2021	0.035	8.95
Second quarter, 2021[1]	0.035	8.95
Third quarter, 2021	0.035	8.78
Fourth quarter, 2021	0.035	8.68

[1] No adjustment

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Interest payable	Intercompany payables	Liabilities		Equity	**Total**
USD MILLION			Interest-bearing short-term debt	Interest-bearing long-term debt		
Balance at 1 January 2022	–	–	(1.0)	366.5	276.2	
Repurchase of convertible notes	–	–	–	(52.7)	–	**(52.7)**
Dividends paid	–	–	–	–	(25.3)	**(25.3)**
Interest paid	(38.0)	–	–	–	–	**(38.0)**
Changes in intercompany receivables	–	116.8	–	–	–	**116.8**
Total changes from financing cash flows	(38.0)	116.8	–	(52.7)	(25.3)	**0.8**
Effects of changes in foreign exchange rate and interest rate swaps			–	(10.3)	–	**(10.3)**
Liability-related:						
Accreted interest			–	9.4	–	**9.4**
Expensed capitalised borrowing costs			–	0.9	–	**0.9**
Non-cash movements			92.0	(95.1)	–	**(3.1)**
Total liability-related other changes			92.0	(84.8)	–	**7.2**
Total equity-related other changes			–	–	3.3	**3.3**
Balance at 31 December 2022			91.0	218.7	254.2	

	Interest payable	Intercompany payables	Liabilities		Equity	Total
USD MILLION			Interest-bearing short-term debt	Interest-bearing long-term debt		
Balance at 1 January 2021	–	–	(1.0)	358.7	581.8	
Dividends paid	–	–	–	–	(25.3)	**(25.3)**
Interest paid	(18.5)	–	–	–	–	**(18.5)**
Changes in intercompany receivables	–	(35.4)	–	–	–	**(35.4)**
Total changes from financing cash flows	(18.5)	(35.4)	–	–	(25.3)	**(79.2)**
Effects of changes in foreign exchange rate and interest rate swaps			–	(2.5)	–	**(2.5)**
Liability-related:						
Non-cash movements			–	–	–	**–**
Accreted interest			–	9.3	–	**9.3**
Expensed capitalised borrowing costs			–	1.0	–	**1.0**
Total liability-related other changes			–	10.3	–	**10.3**
Total equity-related other changes			–	–	(280.3)	**(280.3)**
Balance at 31 December 2021			(1.0)	366.5	276.2	

NOTE 9 Trade and other payables

USD MILLION	**2022**	2021
Trade payables	**0.7**	0.3
Other accruals	**2.4**	3.6
Total trade and other payables	**3.1**	3.9

NOTE 10 Financial assets and liabilities

As of 31 December, the Company had financial assets and liabilities in the following categories:

Year ended 31 December 2022		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	1.4	–	–	**1.4**	–	1.4	–	**1.4**
Cross–currency swaps used for hedging	11	26.9	–	–	**26.9**	–	26.9	–	**26.9**
		28.3	–	–	**28.3**	–	28.3	–	**28.3**
Financial assets not measured at fair value									
Other non–current assets	14	–	259.1	–	**259.1**	–	–	–	**–**
Trade and other receivables	14	–	52.3	–	**52.3**	–	–	–	**–**
Cash and cash equivalents	6	–	10.6	–	**10.6**	–	–	–	**–**
		–	322.0	–	**322.0**	–	–	–	**–**
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	11	(1.0)	–	–	**(1.0)**	–	(1.0)	–	**(1.0)**
Cross–currency swaps used for hedging	11	(4.7)	–	–	**(4.7)**	–	(4.7)	–	**(4.7)**
Forward exchange contracts used for hedging	11	(1.9)	–	–	**(1.9)**	–	(1.9)	–	**(1.9)**
		(7.5)	–	–	**(7.5)**	–	(7.5)	–	**(7.5)**
Financial liabilities not measured at fair value									
Unsecured bond issues	8	–	–	(309.8)	**(309.8)**	–	(328.8)	–	**(328.8)**
Other non–current liabilities	14	–	–	(299.2)	**(299.2)**	–	–	–	**–**
Trade and other payables	9, 14	–	–	(209.0)	**(209.0)**	–	–	–	**–**
		–	–	(818.0)	**(818.0)**	–	(328.8)	–	**(328.8)**

Year ended 31 December 2021		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	0.7	–	–	**0.7**	–	0.7	–	**0.7**
Cross-currency swaps used for hedging	11	2.6	–	–	**2.6**	–	2.6	–	**2.6**
		3.3	–	–	**3.3**	–	3.3	–	**3.3**
Financial assets not measured at fair value									
Other non-current assets	14	–	665.2	–	**665.2**	–	–	–	**–**
Trade and other receivables	14	–	12.3	–	**12.3**	–	–	–	**–**
Cash and cash equivalents	6	–	25.5	–	**25.5**	–	–	–	**–**
		–	703.0	–	**703.0**	–	–	–	**–**
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	11	(8.2)	–	–	**(8.2)**	–	(8.2)	–	**(8.2)**
Forward exchange contracts used for hedging	11	(0.8)	–	–	**(0.8)**	–	(0.8)	–	**(0.8)**
		(9.0)	–	–	**(9.0)**	–	(9.0)	–	**(9.0)**
Financial liabilities not measured at fair value									
Unsecured bond issues	8	–	–	(365.5)	**(365.5)**	–	(399.7)	–	**(399.7)**
Other non-current liabilities	14	–	–	(696.5)	**(696.5)**	–	–	–	**–**
Trade and other payables	9, 14	–	–	(67.1)	**(67.1)**	–	–	–	**–**
		–	–	(1 129.1)	**(1 129.1)**	–	(399.7)	–	**(399.7)**

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 of BW Offshore Group.

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

The Company is exposed to foreign currency risk on 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 hedges 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.

The following table sets out the maturity profile of the Company'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 2022

USD MILLION	Carrying amount	Q1 23	Q2 23	Q3 23	Q4 23	2023	2024–2027	2028 and beyond	Total
Convertible bonds[1]	218.1	–	–	–	–	–	236.8	–	**236.8**
BWO05 – NOK 900 million bond[2]	91.7	–	–	–	98.8	98.8	–	–	**98.8**
Interest rate swaps	(23.4)	(2.0)	(2.1)	(2.1)	(2.1)	(8.3)	(23.6)	(10.3)	**(42.2)**
Interest payments	1.5	1.6	4.5	1.6	4.5	12.2	5.9		**18.1**
Trade and other payable current	3.1	1.3	0.6	0.6	0.6	3.1	–	–	**3.1**
Total	291.0	0.9	3.0	0.1	101.8	105.8	219.1	(10.3)	**314.6**

Maturity profile – financial liabilities, year ended 2021

USD MILLION	Carrying amount	Q1 22	Q2 22	Q3 22	Q4 22	2022	2023–2026	2027 and beyond	Total
Convertible bonds[1]	263.9	–	–	–	–	–	297.4	–	297.4
BWO05 – NOK 900 million bond[2]	101.6	–	–	–	–	–	98.8	–	98.8
Interest rate swaps	5.7	2.1	2.1	2.1	–	6.3	11.6	1.0	18.9
Interest payments	1.7	–	3.7	–	3.7	7.4	14.9	–	22.3
Trade and other payable current	3.9	1.2	0.9	0.9	0.9	3.9	–	–	3.9
Total	376.8	3.3	6.7	3.0	4.6	17.6	422.7	1.0	441.3

[1] The cash flow presented reflects a full repayment of the loan without conversion into equity instruments
[2] The cash flow presented reflects swapped USD/NOK rate.

NOTE 12 Shares in subsidiaries and associates

Subsidiaries	Country of incorporation	2022	2021
BW Catcher Limited	Bermuda	100%	100%
BW Offshore Cyprus Limited	Cyprus	100%	–
BW Offshore do Brazil Ltda	Brazil	100%	100%
BW Offshore EPC FZCO	United Arab Emirates	90%	100%
BW Offshore Holdings Pte. Ltd.	Singapore	100%	100%
BW Offshore Opportunity I Limited	Bermuda	100%	–
BW Offshore Project Management FZE	United Arab Emirates	100%	–
BW Offshore SPV Bermuda I Limited	Bermuda	100%	–
BW Offshore SPV Bermuda II Limited	Bermuda	100%	100%

In 2022, the Company recorded an impairment of USD 40.5 million on investments in subsidiaries, to write down the carrying amount to its recoverable amount.

Associates	Country of incorporation	2022	2021
BW Energy Limited	Bermuda	25%	27%

The Company recorded an impairment of USD 234.2 million in 2021 on interest in associates to write down the carrying amount to its recoverable amount.

On 21 January 2021, BW Energy Limited (BWE) completed a USD 75 million private placement and 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 was not allocated shares in the private placement, consequently the ownership interest in BWE diluted by 3.56 per cent to 35.21 per cent.

On 29 October 2021, the Company sold 20 000 000 shares in BWE, representing approximately 7.8 per cent of the outstanding shares, at NOK 28 per share. Following the sale, the Company holds 70 840 553 shares in BWE, representing 27.5 per cent of the shares outstanding in BWE.

In 2022, the Board of Directors of BW Offshore decided to increase the annual dividend to include USD 20 million in-kind distribution of BW Energy shares, distributed on a quarterly basis. Dividend shares for the first three quarters of 2022, equal to USD 13.6 million, was distributed in 2022. Following the dividend shares, the Group holds 65 572 433 shares on BWE, representing 25.4 per cent of the shares in BWE.

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 and the Catcher USD 800 million facility, as listed in Note 25 of the consolidated financial statements of BW Offshore Group.

NOTE 14 Intercompany receivables and payables

USD MILLION	**2022**	2021
Intercompany receivables long–term	259.1	665.2
Intercompany receivables short–term	49.9	10.3
Intercompany payables long–term	299.2	696.5
Intercompany payables short–term	210.8	63.2

Reduction in balances relate to internal restructuring. Intercompany loan agreements with subsidiaries are set up based on regular market rates, using 3–month LIBOR. Outstanding balances at year–end are unsecured.

NOTE 15 Intangible assets

USD MILLION	Software
Cost at 1 January 2022	3.2
Additions	–
Carrying amount at 31 December 2022	3.2
Amortisation at 1 January 2022	(2.0)
Amortisation	(1.2)
At 31 December 2022	(3.2)
Net book value at 31 December 2022	–

GO BACK

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2022 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties facing the Company and the Group.

Bermuda, 27 February 2023

Sign
Mr Andreas Sohmen-Pao
Chairman

Sign
Ms Rebekka Glasser Herlofsen
Director

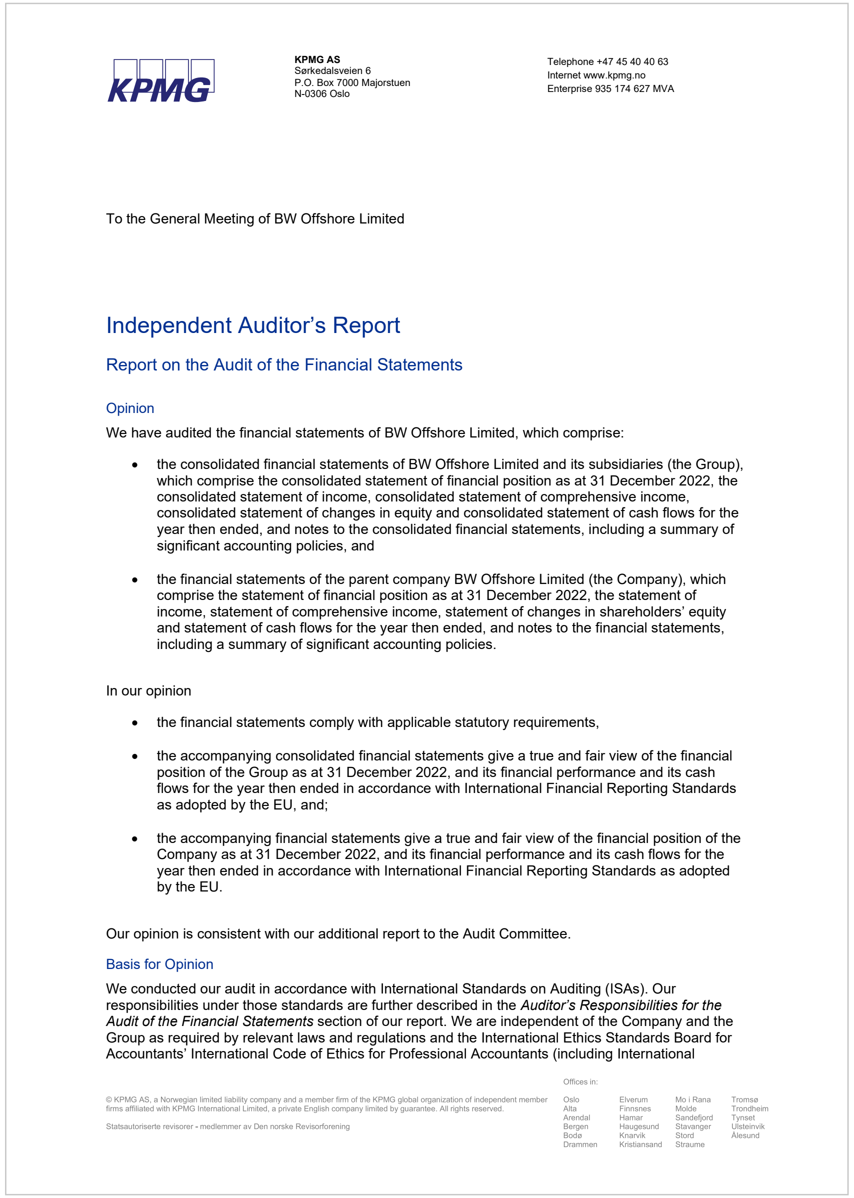
Sign
Mr Maarten R Scholten
Director

Sign
Mr René Kofod-Olsen
Director

Sign
Mr Carl K. Arnet
Director

GENERAL DATA ESEF

Name of reporting entity or other means of identification	BW Offshore Limited
Domicile of entity	Bermuda
Legal form of entity	Limited
Country of incorporation	Bermuda
Address of entity's registered office	Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, Hamilton HM 1189
Principal place of business	Bermuda
Description of nature of entity's operations and principal activities	Holding company
Name of parent entity	BW Offshore Limited
Name of ultimate parent of group	BW Offshore Limited



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To the General Meeting of BW Offshore Limited

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 Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, 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 consolidated financial statements, including a summary of significant accounting policies, and
- the financial statements of the parent company BW Offshore Limited (the Company), which comprise the statement of financial position as at 31 December 2022, 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.

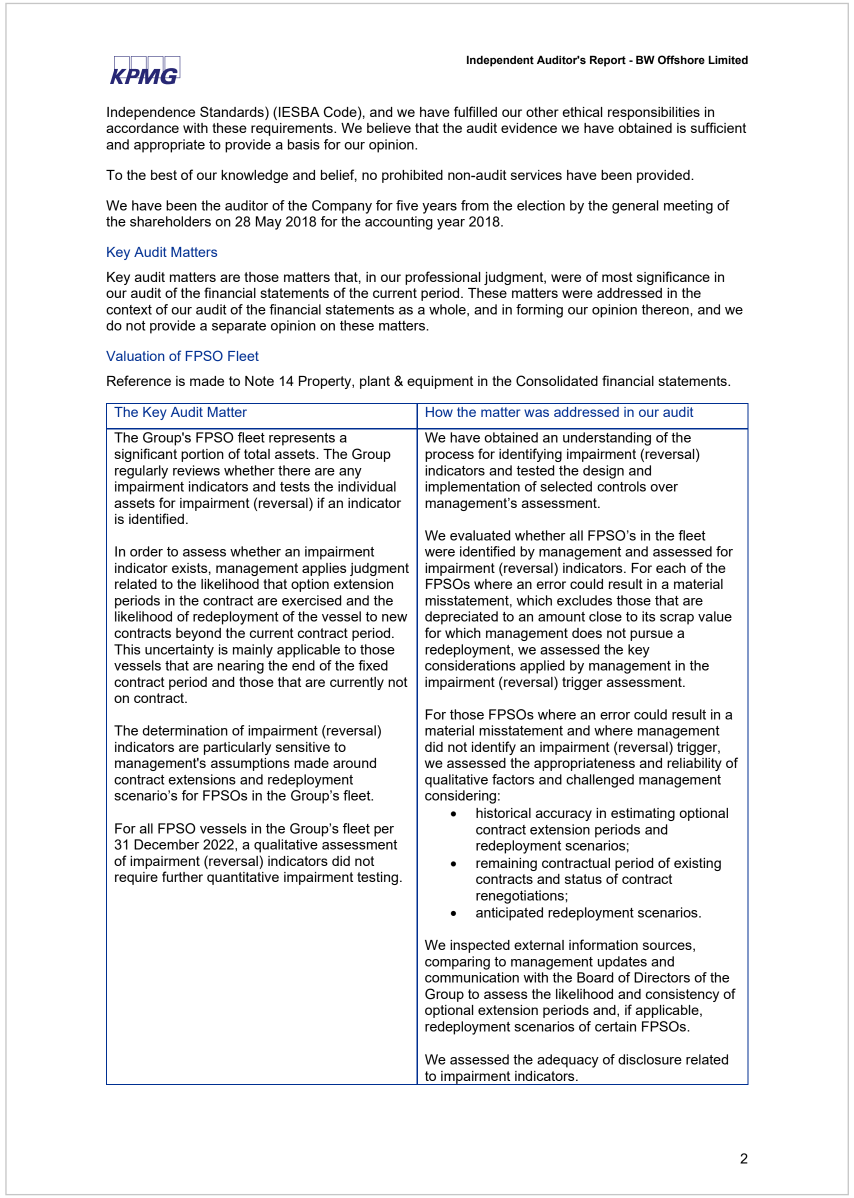
In our opinion

- the financial statements comply with applicable statutory requirements,
- the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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, and;
- the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 relevant laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International



Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services have been provided.

We have been the auditor of the Company for five years from the election by the general meeting of the shareholders on 28 May 2018 for the accounting year 2018.

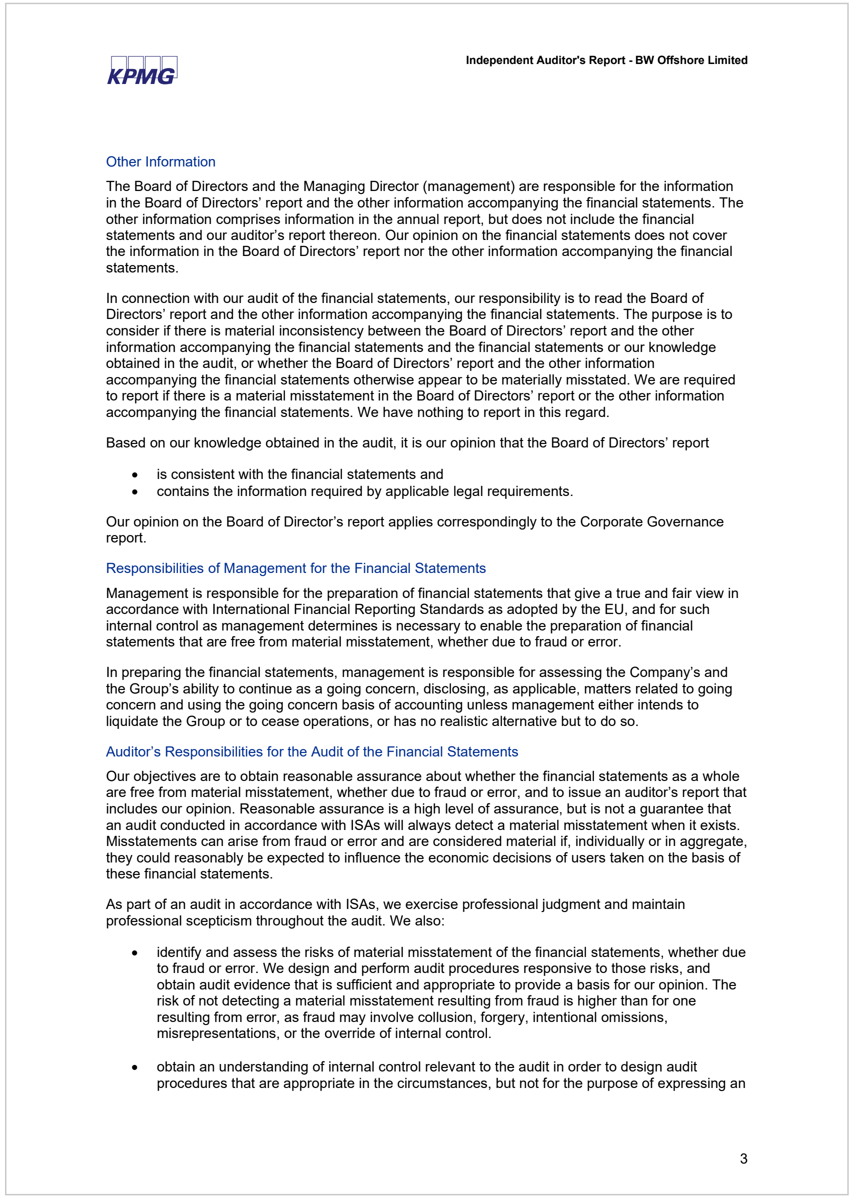
Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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.

The Key Audit Matter	How the matter was addressed in our audit
The Group's FPSO fleet represents a significant portion of total assets. The Group regularly reviews whether there are any impairment indicators and tests the individual assets for impairment (reversal) if an indicator is identified. In order to assess whether an impairment indicator exists, management applies judgment related to the likelihood that option extension periods in the contract are exercised and the likelihood of redeployment of the vessel to new contracts beyond the current contract period. This uncertainty is mainly applicable to those vessels that are nearing the end of the fixed contract period and those that are currently not on contract. The determination of impairment (reversal) indicators are particularly sensitive to management's assumptions made around contract extensions and redeployment scenario's for FPSOs in the Group's fleet. For all FPSO vessels in the Group's fleet per 31 December 2022, a qualitative assessment of impairment (reversal) indicators did not require further quantitative impairment testing.	We have obtained an understanding of the process for identifying impairment (reversal) indicators and tested the design and implementation of selected controls over management's assessment. We evaluated whether all FPSO's in the fleet were identified by management and assessed for impairment (reversal) indicators. For each of the FPSOs where an error could result in a material misstatement, which excludes those that are depreciated to an amount close to its scrap value for which management does not pursue a redeployment, we assessed the key considerations applied by management in the impairment (reversal) trigger assessment. For those FPSOs where an error could result in a material misstatement and where management did not identify an impairment (reversal) trigger, we assessed the appropriateness and reliability of qualitative factors and challenged management considering: • historical accuracy in estimating optional contract extension periods and redeployment scenarios; • remaining contractual period of existing contracts and status of contract renegotiations; • anticipated redeployment scenarios. We inspected external information sources, comparing to management updates and communication with the Board of Directors of the Group to assess the likelihood and consistency of optional extension periods and, if applicable, redeployment scenarios of certain FPSOs. We assessed the adequacy of disclosure related to impairment indicators.



Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the Corporate Governance report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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.

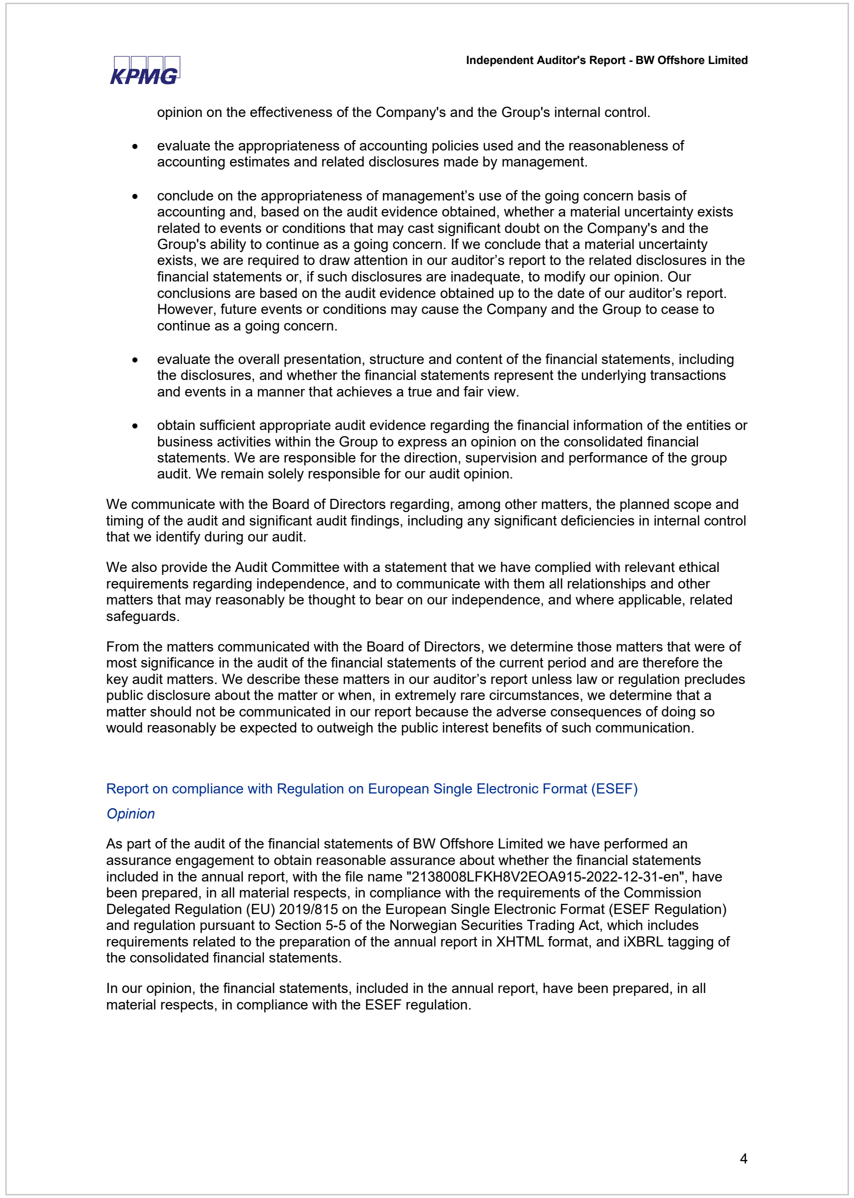
Auditor's Responsibilities for the Audit of the Financial Statements

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 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. 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 and 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's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 a true and fair view.

- 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 Audit Committee 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.

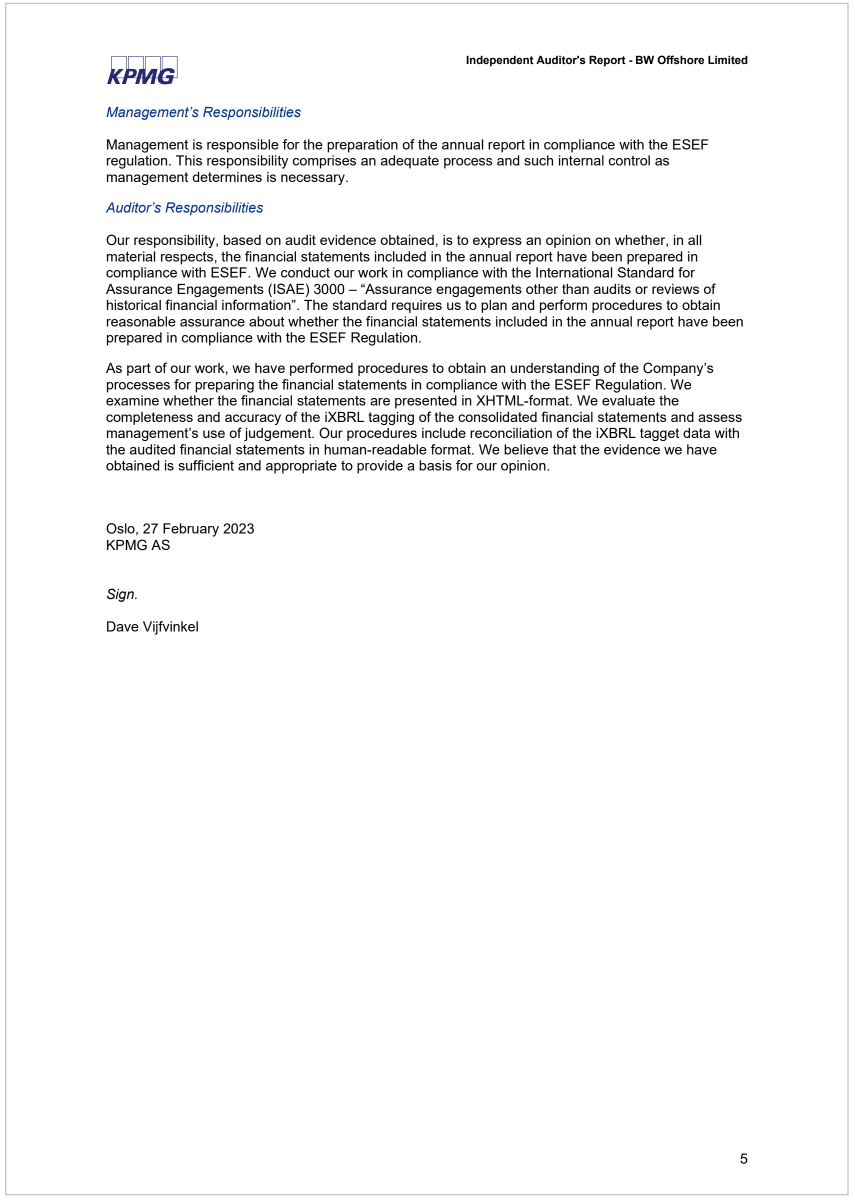
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of BW Offshore Limited we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name "2138008LFKH8V2EOA915-2022-12-31-en", have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.



Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagget data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 27 February 2023
KPMG AS

Sign.

Dave Vijfvinkel

Alternative Performance Measures (APMs)

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

EBIT

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

EBITDA

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

USD MILLION	2022	2021
Revenue	774.1	829.3
Operating expenses	(359.6)	(378.4)
Other expenses	(49.0)	(40.2)
Administrative expenses	(19.4)	(8.6)
Impairment loss on trade receivables	(0.4)	(0.8)
Total expenses	(428.4)	(428.0)
Operating profit before depreciation, amortisation, impairment and sale of assets (EBITDA)	345.7	401.3
Depreciation and amortisation	(208.8)	(270.0)
Impairment	(15.8)	(90.5)
Net gain/(loss) on sale of tangible fixed assets	2.5	1.2
Operating profit/(loss) (EBIT)	123.6	42.0

CAPITAL EXPENDITURES

Capital expenditures means investments in vessels, intangible assets and property and other equipment, including capitalised interest. Capital expenditure may differ from investment in operating fixed assets and intangible assets presented in the consolidated statement of cash flows, as capital expenditure may also contain non-cash transactions.

USD MILLION	2022	2021
Vessels and other property, plant and equipment	771.6	420.1
Intangible assets	0.7	0.5
Total capital expenditures	772.3	420.6
Change in working capital	(42.8)	(125.2)
Investment in operating fixed asset and intangible assets	(729.5)	(295.4)

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	2022	2021
Cash and cash equivalents	(230.3)	(274.2)
Long-term interest-bearing debt	522.4	807.4
Short-term interest-bearing debt	205.3	120.2
Net interest-bearing debt	497.4	653.4

ORDER BACKLOG

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

EQUITY RATIO

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

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