Condensed Interim
Consolidated Financial Information

BW OFFSHORE

HALF-YEAR RESULTS

2019

BW OFFSHORE FIRST HALF-YEAR RESULTS

HIGHLIGHTS

- EBITDA of USD 378.4 million in the first half-year
- Acquisition of the Maromba field offshore Brazil
- Approved as operator by ANP in Brazil
- Gross production from Tortue of 2.2 million bbls
- Three liftings completed, totalling 1.8 million bbls net to BW Energy
- Reached agreement with Gabon Oil Company for farm-in to the Dussafu license
- Contract extensions for FPSO Polvo, Abo FPSO and BW Cidade de São Vicente
- Contract extension for Petróleo Nautipa received in August
- Closed new corporate loan facility of USD 672.5 million in May
- Announced listing of BW Energy
- Encountered hydrocarbons at Hibiscus

FINANCIALS

Operating revenues for the first half-year of 2019 amounted to USD 582.4 million, an increase of USD 189.7 million (USD 392.7 million).[1]

Operating expenses were USD 204.9 million, an increase of USD 25.3 million (USD 179.6 million).

EBITDA for the period was USD 378.4 million (USD 213.9 million). Increase in EBITDA was mainly driven by solid production from Tortue with three liftings and 1.8 million bbls net to BWE. However, the FPSO segment also contributed to the increase. BW Catcher improved performance due to the excess production scheme while the Abo FPSO and BW Adolo increased EBITDA further due to the amended contract and full period production respectively.

Depreciation was USD 204.0 million (USD 159.2 million). The increase of USD 44.8 million was mainly related to depreciation of the Dussafu oil field which commenced when production started during third quarter of 2018.

Operating profit for the first half-year was USD 173.3 million (USD 53.6 million).

Net financial expense was USD 69.6 million (USD 26.0 million). Mark-to-market values for both cross-currency interest rate swaps and interest rate swaps declined due to decreasing USD swap rates. In the first half-year of 2018[2], the mark-to-market values for the same instruments had a positive development as USD swap rates increased over the period.

Tax expense was USD 37.7 million (USD 17.0 million). The increase was mainly related to tax expense from oil production at Dussafu.

Net profit for the first half-year was USD 66.0 million, compared to USD 10.6 million in the first half-year of 2018. Earnings per share was USD 0.29 (USD 0.05) for the period.

Total equity at 30 June 2019 was USD 1,373.4 million, an increase of USD 111.5 million (USD 1,261.9 million). The equity ratio was 40.5% (37.2%) at the end of the first half-year.

[1] Figures presented are compared to previous half-year (first half-year of 2018 in brackets)
[2] The company does not use hedge accounting related to bonds and underlying swaps

As of 30 June 2019, the Company had USD 340.0 million of interest-bearing loans and USD 60.0 million of letters of guarantee drawn under the USD 672.5 million Corporate Facility. Total utilised debt facilities for the Company, including bond loans and other facilities were USD 1,324.7 million. Total available liquidity as of 30 June 2019 amounted to USD 537.9 million.

Net interest-bearing debt was USD 1,046.1 million at 30 June 2019 (USD 1,218.1 million).

Net cash inflow from operating activities was USD 302.3 million (USD 293.8 million) in the first half-year. Net cash outflow on investment activities was USD 62.0 million (USD 195.9 million). Investments were mainly related to development of phase 2 on Tortue, certain works being performed on BW Adolo for the upcoming phase 2 of Tortue, capital expenditures for ongoing life extension activities as well as ongoing repair of FPSO Cidade de São Mateus. Net cash outflow from financing activities was USD 117.2 million (USD 98.4 million).

FPSO OPERATIONS

The FPSO fleet of 12 operating units continues to deliver strong safety performance and very high commercial uptime. The main contribution came from BW Catcher in the North Sea, which operates consistently above nameplate capacity. The average commercial uptime for the fleet during the first half-year was 99.7% (97.8%).

The company continue to see contracts for its existing fleet being extended, having received four extensions so far this year:

The contract for FPSO Polvo was extended by one year to third quarter 2020 in January.

The firm period for BW Cidade de São Vicente in Brazil was extended in April to the second quarter of 2020.

The Company also received in June an extension of the firm period for Abo FPSO offshore Nigeria until the end of Q4 2019.

In August the contract for the lease and operation of Petróleo Nautipa operating on the Etame field offshore Gabon was extended by one year to Q3 2021.

FPSO PROJECTS

The Company is undertaking several modification and life extension activities on existing units. These activities are either covered on a cost-plus basis or reimbursed through higher day rates.

Project activities are ongoing for BW Adolo, in order to prepare the unit for tie in of four more risers upon start of production from Tortue phase 2.

The FPSO Berge Helene is currently at Keppel Shipyard. The unit is undergoing condition assessment as the unit is awaiting modifications to be started following FID for Maromba.

E&P OPERATION

Gross production from Tortue averaged 12,300 bbls per day in the first half-year. Decline from wells are progressing very slowly and no water has broken through so far.

The total gross production from the Tortue field was 2.2 million bbls of oil. Three liftings were completed in the period, yielding net 1.8 million bbls to BW Energy at a realised price per barrel of USD 59.2 (January), USD 65.8 (March) and USD 70.5 (May). Production cost averaged at USD 20.1 per barrel (excluding royalty) in the first half-year.

The Dussafu licence have continued to produce above expectations and the 2019 full-year production forecast has been lifted to 4.1 - 4.4 million barrels of oil.

Netherland, Sewell & Associates Inc ('NSAI') have confirmed increased Dussafu reserves in their mid-year reserve report. For the Dussafu permit, NSAI assessed gross 2P reserves from Tortue, Ruche and Ruche NE of 66.3 million bbls.

The farm-in by Gabon Oil Company (GOC) in the Dussafu license was completed in March. GOC has acquired 10% of BW Energy's working interest, reducing BW Energy's interest to 81.667%. The agreement is retroactive from first oil on 16 September 2018. The transaction has been approved by the government of Gabon and BW Energy received a cash consideration of USD 28 million in April. Compensation to GOC for its 10% share of the full production period from first oil will be made through planned lifting in the third quarter.

Tullow has confirmed the intent to exercise its 10% back-in right into the Dussafu license as stipulated in the production sharing contract (PSC). Discussions are ongoing and completion of the transaction will effectively reduce BW Energy's ownership of the Dussafu license to 73.5%.

E&P DEVELOPMENT

In mid-August, the Company initiated the next drilling campaign on the Dussafu licence with the spudding of an exploration well at Hibiscus (DHIBM-1). The primary objective of the DHIBM-1 exploration well is to identify additional resources in the greater Ruche area, which will be aggregated with the existing Ruche and Ruche North East discoveries and form the basis for future development phases. The main well bore has been completed and hydrocarbons encountered. Well logging operations is ongoing together with planning for drilling of a side-track. This will be the first drilling operation in a campaign that includes four production wells in the Tortue field and a second exploration well, the location of which will be determined later this year following receipt and interpretation of re-processed 3D seismic data. Following completion of operations at DHIBM-1 the rig will be mobilised to the Tortue field.

BW Offshore's E&P strategy is founded on a set of criteria which include proven resources, high upside potential, located in a country where the Company currently operates, a phased development and the use of owned FPSOs. The Maromba investment, which was announced in March meets these criteria. The field is located off the Brazilian coast in the Campos Basin in approximately 160 metres of water depth. In August BW Offshore received an updated reserve report from Netherland, Sewell & Associates estimating unrisked gross (100% basis) prospective oil resources (2C) at 106 mbbls, which is in line with earlier communicated expectations. The field is located close to the Peregrino, Papa Terra and Polvo oil fields where BW Offshore currently has or has had operations. BW Offshore intends to deploy one of its existing FPSOs to the field as part of a phased development to de-risk the project like at the Dussafu development.

On 17 August BW Offshore could announce that The Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP) has granted a subsidiary of BW Offshore status as operator in Brazil and approved the transfer of Chevron and Petrobras' participating interest in the Maromba field to BW Offshore.

CORPORATE MATTERS

The Company announced 23 May 2019 that BW Offshore is looking to establish BW Energy as a stand-alone company and will invite external investors into the company to finance development of the recently acquired Maromba field offshore Brazil and value-enhancing investments at the Dussafu Marin Permit offshore Gabon. For information on the strategic rationale and process please refer to press releases issued.

As per 1 July, BW Offshore made changes to the executive management team. Marco Beenen has assumed the position of Chief Executive Officer (CEO) and Ståle Andreassen has assumed the position of Chief Financial Officer (CFO).

OUTLOOK

BW Offshore expects the global balance of crude oil supply and demand outlook to remain challenging for producers. Supply is dominated by growth in US shale in the short term and this is increasing pressure on OPEC to prolong production cuts to stabilise the market. Demand growth estimates are being revised downwards as global turmoil is increasing, led by the deterioration in trade relations between US and China.

Recent years have seen free cash flow from offshore field developments improving. Focus on cutting cost and increasing efficiency as well as focus on phasing has reduced time to first oil and payback for these developments. As free cash flow from offshore field developments are improving it is expected that this segment will see growth with an increasing number of projects being sanctioned going forward. This development with shorter cycle investments and more phasing is considered to be reflected in increased demand for leased FPSOs.

Through the investment in Dussafu an integrated asset and field development strategy has been deployed. Focus on a phased low risk approach, with short term from FID to first oil, short term to payback and a low break even has been a significant success. With the acquisition of Maromba in Brazil, the Company will focus on what has made Dussafu a success, taking a phased low risk approach, reducing time from FID to first oil and keeping break even low to ensure we deliver attractive returns to our stakeholders.

As BW Offshore is looking to list BW Energy, the integrated asset and field development strategy will continue. The majority of BW Offshore's fleet remains on long-term contracts with national and independent oil companies. These contracts will continue to generate significant cash flow in the time ahead. However, as contracts are coming to an end, BW Offshore is well positioned to continue to generate cash flow from the fleet through redeployments proactively enabled through BW Energy as well as through new contracts with clients of BW Offshore.

The Company will continue to bid for new FPSO projects but will maintain a commercially disciplined approach to new investments.

As the business is generating steady and significant free cash flow, the Company is also continuing to reduce leverage in a manner to ensure good liquidity and a strong financial balance sheet.

Bermuda, 29 August 2019

Andreas Sohmen-Pao Chairman	Christophe Pettenati-Auzière Deputy Chairman	Clare Spottiswoode
René Kofod-Olsen	Carl Krogh Arnet	Maarten Scholten

DECLARATION OF THE BOARD

We confirm to the best of our knowledge that the Condensed Interim Consolidated Financial Information for the six months ending 30 June 2019 has been prepared in accordance with IAS 34 "Interim Financial Reporting" and gives a true and fair view of BW Offshore Limited's consolidated assets, liabilities, financial position and income statement as a whole. We also confirm to the best of our knowledge that the Financial Summary includes a fair review of important events that arose during the first six months of 2019, and their impact on the Condensed Interim Consolidated Financial Information, and accounts properly for the principal risks and uncertainties for the remaining six months of the financial year, as well as major related parties' transactions.

Bermuda, 29 August 2019

Andreas Sohmen-Pao Chairman	Christophe Pettenati-Auzière Deputy Chairman	Clare Spottiswoode
René Kofod-Olsen	Carl Krogh Arnet	Maarten Scholten

CONDENSED CONSOLIDATED STATEMENT OF INCOME

(Unaudited figures in USD million)

	Notes	1H 2019	1H 2018	2018
Revenue	2	582.4	392.7	870.4
Operating expenses		(204.9)	(179.6)	(382.6)
Share of profit/(loss) from equity accounted investments	6	0.9	0.8	1.4
Operating profit /(loss) before depreciation/amortisation		**378.4**	**213.9**	**489.2**
Depreciation	4	(204.0)	(159.2)	(336.5)
Amortisation	5	(1.2)	(1.0)	(2.1)
Impairment vessels and other assets		-	(0.1)	(0.1)
Net gain/(loss) on sale of tangible fixed assets		0.1	-	7.0
Operating profit/(loss)		**173.3**	**53.6**	**157.5**
Interest income		1.9	1.1	2.4
Interest expense		(44.1)	(39.3)	(79.5)
Gain/(loss) on financial instruments	3	(16.5)	15.4	(13.7)
Other financial items		(10.9)	(3.2)	10.1
Net financial income/(expense)		**(69.6)**	**(26.0)**	**(80.7)**
Profit/(loss) before tax		**103.7**	**27.6**	**76.8**
Income tax expense		(37.7)	(17.0)	(40.3)
Net profit/(loss) for the period		**66.0**	**10.6**	**36.5**
Attributable to shareholders of the parent		52.9	8.7	33.5
Attributable to non-controlling interests		13.1	1.9	3.0
Earnings per share in USD (basic and diluted)		0.29	0.05	0.18

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)

	1H 2019	1H 2018	2018
Net profit/(loss) for the period	66.0	10.6	36.5
Currency translation differences	0.2	(1.5)	(1.6)
Net profit/(loss) on cash flow hedges	0.8	1.7	2.9
Net items to be reclassified to profit or loss:	**1.0**	**0.2**	**1.3**
Actuarial gains/(losses) on defined benefit plans	-	-	(0.5)
Net items not to be reclassified to profit or loss:	**-**	**-**	**(0.5)**
Other comprehensive income, net of tax	**1.0**	**0.2**	**0.8**
Total comprehensive income	**67.0**	**10.8**	**37.3**
Attributable to shareholders of the parent	53.9	8.9	34.3
Attributable to non-controlling interests	13.1	1.9	3.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)

ASSETS	Notes	30.06.2019	30.06.2018	31.12.2018
Vessels	4	2,498.3	2,743.1	2,614.6
Property and other equipment	4	14.1	10.6	13.3
Right-of-use assets	8	25.0	-	-
E&P tangible assets	4,14	184.1	150.4	183.4
Intangible assets	5	40.4	8.5	37.7
Equity accounted investments	6	9.9	8.5	9.2
Finance lease receivables	7	46.7	67.6	57.3
Deferred tax assets		11.5	10.7	12.5
Pension assets		-	0.6	-
Derivatives		2.3	18.0	12.9
Other non-current assets		4.9	10.0	10.8
Total non-current assets		**2,837.2**	**3,028.0**	**2,951.7**
Inventories		56.7	44.4	63.8
Trade receivables and other current assets		205.6	175.2	208.5
Derivatives		0.2	0.5	0.0
Cash and cash equivalents		265.2	145.0	142.1
Assets held for sale	14	25.1	-	50.4
Total current assets		**552.8**	**365.1**	**464.8**
TOTAL ASSETS		**3,390.0**	**3,393.1**	**3,416.5**

EQUITY AND LIABILITIES	Notes	30.06.2019	30.06.2018	31.12.2018
Shareholders' equity	9	1,045.6	975.9	995.6
Non-controlling interests	9	327.8	286.0	325.3
Total equity		**1,373.4**	**1,261.9**	**1,320.9**
Interest-bearing long-term debt	10	1,135.9	1,103.0	1,112.8
Pension obligations		4.7	4.3	4.6
Asset retirement obligations		15.3	-	16.2
Other long-term liabilities	11	230.0	290.9	252.5
Long-term lease liabilities	8	16.6	-	-
Derivatives		96.5	92.8	112.9
Total non-current liabilities		**1,499.0**	**1,491.0**	**1,499.0**
Trade and other payables	12	296.8	370.1	324.0
Derivatives		25.2	1.0	2.3
Interest-bearing short-term debt	10	175.4	260.1	260.9
Short-term lease liabilities	8	8.9	-	-
Income tax liabilities		11.3	9.0	9.4
Total current liabilities		**517.6**	**640.2**	**596.6**
Total liabilities		**2,016.6**	**2,131.2**	**2,095.6**
TOTAL EQUITY AND LIABILITIES		**3,390.0**	**3,393.1**	**3,416.5**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)

At 30 June 2018	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Other elements	Shareholders' equity	Non-controlling interests	Total equity
Equity at 1 January 2018	92.5	1,095.5	(2.9)	(16.7)	(4.6)	(192.3)	971.5	287.9	1,259.4
Profit/(loss) for the period	-	-	-	-	-	8.7	8.7	1.9	10.6
Other comprehensive income, net of tax	-	-	-	(1.5)	1.7	-	0.2	-	0.2
Dividend to non-controlling interests	-	-	-	-	-	(4.5)	(4.5)	(1.6)	(6.1)
Transactions with non-controlling interests	-	-	-	-	-	-	-	(2.2)	(2.2)
Total equity at 30 June 2018	**92.5**	**1,095.5**	**(2.9)**	**(18.2)**	**(2.9)**	**(188.1)**	**975.9**	**286.0**	**1,261.9**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited figures in USD million)

	1H 2019	1H 2018	2018
Profit/(loss) before taxes	103.7	27.6	76.8
Unrealised currency exchange loss/(gain)	5.5	1.8	(13.3)
Depreciation and amortisation	205.1	160.2	338.6
Share of loss/(profit) from equity accounted investments	(0.9)	(0.8)	(1.4)
Loss/ (gain) on sale of shares and fixed assets	(0.1)	-	(7.0)
Impairment	-	0.1	0.1
Change in fair value of derivatives	16.5	(15.4)	13.7
Changes in ARO through income statement	0.6	-	0.2
Add back of net interest expense	42.2	38.2	77.1
Instalment on financial lease	9.9	9.1	18.7
Changes in inventories	7.1	(12.6)	(32.0)
Changes in trade and other current assets	3.8	70.0	37.8
Changes in trade and other payables	(11.5)	82.2	1.7
Changes in other balance sheet items and items related to operating acti	(47.5)	(50.8)	(35.7)
Taxes paid	(32.1)	(15.8)	(39.4)
Net cash flow from operating activities	**302.3**	**293.8**	**435.9**
Investment in operating fixed assets and intangible assets	(92.4)	(197.0)	(357.2)
Proceeds from disposal of fixed assets	28.6	-	-
Interest received	1.8	1.1	2.4
Net cash flow from investing activities	**(62.0)**	**(195.9)**	**(354.8)**
Proceeds from new interest-bearing debt	445.0	81.0	241.0
Repayment of interest-bearing debt	(506.9)	(144.0)	(278.3)
Interest paid	(34.5)	(38.7)	(78.3)
Payment of lease liabilities	(5.1)	-	-
Cash transfer from non-controlling interests*	(15.7)	3.3	31.1
Net cash flow from financing activities	**(117.2)**	**(98.4)**	**(84.5)**
Net change in cash and cash equivalents	**123.1**	**(0.5)**	**(3.4)**
Cash and cash equivalents at beginning of period	142.1	145.5	145.5
Cash and cash equivalents at end of period	**265.2**	**145.0**	**142.1**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Figures in brackets refer to corresponding figures for 2018)

Note 1 – Basis for preparation

Statement of compliance

BW Offshore's interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The condensed interim consolidated financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. As the condensed interim consolidated financial statements do not include all the information and disclosures required in the annual report, they should be read in conjunction with the 2018 Annual Report.

Changes in accounting policies

The accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the preparation of BW Offshore's annual consolidated financial statements for the year ended 31 December 2018, except for IFRS 16 Leasing which was effective from 1 January 2019. See description in Note 8.

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

Note 2 – Segment information

The Company`s activities are construction, ownership and operation of FPSOs and FSOs and E&P activities. The assets and liabilities are allocated based on the operations of the segment. Sales between segments are presented net of intercompany transactions.

Segment performance for the first half-year 2019 and 2018 is presented below. The reported measure of segment profit is net operating income (EBIT). Deferred tax assets, pension assets and non-current financial assets are not allocated to the segments.

1H 2019	FPSO	E&P	Eliminations	Total
Revenues	442.0	118.8	2.3	563.1
Other revenue	-	21.4	(2.1)	19.3
Revenues inter-segment	39.7	-	(39.7)	-
Total revenues	**481.7**	**140.2**	**(39.5)**	**582.4**
Share of profit/(loss) from equity accounted investments	0.9	-	-	0.9
Operating expenses	(163.6)	(42.9)	18.0	(188.5)
General and administrative expenses	(26.2)	-	9.8	(16.4)
EBITDA	**292.8**	**97.3**	**(11.7)**	**378.4**
Depreciation, amortisation and impairment	(173.6)	(39.5)	7.9	(205.2)
Profit/(loss) sale of fixed assets	(0.2)	0.3	-	0.1
EBIT	**119.0**	**58.1**	**(3.8)**	**173.3**
Capital expenditure	63.4	29.0	(3.1)	**89.3**
Balance sheet information				
Equity accounted investments	9.9	-	-	9.9
Non-current segment assets	2,594.6	397.4	(209.5)	2,782.5
Non-current assets, not allocated to segments				44.8
Total non-current assets				**2,837.2**

1H 2018	FPSO	E&P	Eliminations	Total
Revenues	392.7	-	-	392.7
Revenues inter-segment	4.1	-	(4.1)	-
Total revenues	**396.8**	-	**(4.1)**	**392.7**
Share of profit/(loss) from equity accounted investments	0.8	-	-	0.8
Operating expenses	(166.7)	-	-	(166.7)
General and administrative expenses	(17.0)	-	4.1	(12.9)
EBITDA	**213.9**	-	-	**213.9**
Depreciation, amortisation and impairment	(160.3)	-	-	(160.3)
EBIT	**53.6**	-	-	**53.6**
Capital expenditure	95.3	89.0	-	184.3
Balance sheet information				
Equity accounted investments	8.5	-	-	8.5
Non-current segment assets	2,838.4	163.3	-	3,001.7
Non-current assets, not allocated to segments				17.8
Total non-current assets				**3,028.0**

Non-current assets by region	30.06.2019	30.06.2018	31.12.2018
Americas	628.7	673.0	640.2
Europe/Africa	1,913.8	1,762.2	1,986.2
Asia and the Pacific	219.3	477.4	222.6
Total non-current assets*	**2,761.8**	**2,912.6**	**2,849.0**

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

Revenues by geographic areas*	1H 2019	1H 2018	2018
Americas	120.7	115.2	229.9
Europe/Africa	400.3	219.8	521.9
Asia and the Pacific	61.4	57.7	118.6
Total revenues	**582.4**	**392.7**	**870.4**

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

Note 3 – Gain/ (loss) on financial instruments

	1H 2019	1H 2018	2018
Gain/(loss) on interest rate swaps	(22.5)	12.9	6.7
Gain/(loss) on forward exchange contracts	1.2	(2.2)	(4.2)
Gain/(loss) on cross-currency swaps	4.6	7.2	(11.7)
Gain/(loss) on other financial instruments	0.2	(2.5)	(4.5)
Net gain/(loss) on financial instruments	**(16.5)**	**15.4**	**(13.7)**

Note 4 – Tangible assets

	Vessels	E&P assets	Property and other equipment	Total
At 1 January 2019	2,614.6	183.4	13.3	2,811.3
Additions	56.1	23.5	1.5	81.1
Reclassification from intangible assets	-	1.6	-	1.6
Current year depreciation	(172.4)	(21.7)	(0.7)	(194.8)
Reclassification to assets held for sale	-	(2.7)	-	(2.7)
At 30 June 2019	**2,498.3**	**184.1**	**14.1**	**2,696.5**

Vessels capital expenditure in the first half-year 2019 is mainly related to the BW Adolo redeployment project and capital expenditures for ongoing life extension activities. Most life extension activities are on either a reimbursable cost-plus basis or covered through higher day rates.

E&P tangible assets capital expenditure in the first half-year 2019 relates mainly to development of the phase II development of Dussafu oil field in Gabon.

The level of depreciation depends on the estimated useful life of the different components of the vessels and the residual value at the end of useful life. The estimated useful life used for depreciations are based on experience and knowledge of the vessels owned by the Company.

Note 5 – Intangible assets

	Software	E&P intangible assets	Total intangible assets
At 1 January 2019	2.1	35.6	37.7
Additions	2.1	5.5	7.6
Reclassification to tangible assets	-	(1.6)	(1.6)
Current year amortisation	(0.9)	(0.3)	(1.2)
Reclassification to assets held for sale	-	(2.1)	(2.1)
At 30 June 2019	**3.3**	**37.1**	**40.4**

Note 6 – Equity accounted investments

Investments in associates relates mainly to the 50% shareholding in OCS Services Limited, providing primarily manning services. Investments in joint ventures relates to the 49% shareholding in BW Offshore Nigeria Limited, providing primarily services to the FPSO business.

The Company has accounted for its shareholding in these investments according to the equity method.

Note 7 – Finance lease receivables

At the end of the first half-year of 2019, amortisation of finance lease receivables is related to YÙUM K`AK`NÀAB.

Note 8 – IFRS 16 Leases

Implementation of IFRS 16 Leases

IFRS 16 was effective from January 2019 and has changed the accounting of lease contracts. The new standard replaces former leasing guidance, including IAS 17 Leases, IFRIC 4, SIC 15 and SIC 27. The Company leases office premises, apartments, vehicles, office machines and vessels.

IFRS 16 requires that all contracts that contain a lease to be recognised in the statement of financial position as 'right-of-use' asset and lease liability. The only exception is for low-value and short-term leases.

The right-of-use assets are depreciated over the lease term and is subject to impairment testing. The lease payments previously included as operating expenses in the statement of income are reported as depreciation and financial expenses under IFRS 16. The lease liability represents the net present value of the lease payments to be made over the remaining lease period. The cash outflows for leases under IFRS 16 are presented as repayment of interest-bearing liabilities within financing activities in the statement of cash flows. Interest paid is classified as cash outflows within the operating activities.

The Company has implemented IFRS 16 using the modified retrospective approach and comparative figures are as a result of this not restated. The Company has applied judgement when determining the lease term for contracts that have extension or termination options.

Recognition and Measurement Approach on Transition

The Company has elected to use the recognition exemptions in the standard for short-term leases and leases of low value items such as personal computers, printing- and photocopying machines and coffee machines. The Company also applied the recognition exemption for leases that expire in 2019.

Periods covered by extension or termination options are included when it is reasonably certain that the lease period will be extended. Non-lease components such as property related expenses are included in the lease commitment. The discount rate used is the incremental borrowing rate. For right-of-use assets used in joint arrangements, the partners share of the lease payments are classified as other income.

Right-of-use assets and Lease liabilities

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

Lease payments of USD 5.1 million consist of lease instalments of USD 4.4 million and interest expense of USD 0.7 million.

Note 9 - Equity

The number of issued shares was 184,956,320 at 30 June 2019. There were 214,000,000 authorised shares at 30 June 2019 and the Company held a total of 1,513 treasury shares at 30 June 2019.

The investment in BW Energy Holdings Pte. Ltd., which indirectly has a majority stake in the Dussafu oil field in Gabon, is a cooperation between BW Offshore (66%), Maple Company Limited (33%), a wholly owned subsidiary of BW Group Limited and Arnet Energy Pte Ltd (1%). BW Energy Holdings Pte. Ltd. has been concluded to be a subsidiary of BW Offshore, and the investments by Maple Company Limited and Arnet Energy Pte Ltd are presented as non-controlling interests in the statement of financial position of BW Offshore.

BW Offshore Limited has through BW Catcher Limited issued preference shares with a preferential dividend right to ICBC Financial Leasing Co., Ltd. (ICBCL) for an aggregate subscription price of USD 275,000,000. The company plans to redeem the preference shares in full over an estimated term of 12 years. The aggregate redemption and dividend payments on the preference shares are estimated to reflect approximately 25-30% of the estimated free cash flow after debt servicing in the Catcher contract over a similar term. The net proceeds from the issue of the preference shares will be used for general corporate purposes. The investment by ICBCL is presented as a non-controlling interest in the statement of financial position of BW Offshore.

Note 10 - Interest-bearing debt

Non-current debt

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

	1H 2019	1H 2018
USD 2,400 million facility	-	110.6
USD 672.5 million Corporate facility	335.1	-
BWO04 - NOK 900 million bond	105.1	109.8
BWO03 - NOK 750 million bond	87.8	91.8
BWO02 - NOK 500 million bond	46.8	61.3
BWO01 - NOK 500 million bond	-	44.1
Catcher USD 800 million facility	539.4	652.1
Petróleo Nautipa USD 80 million facility	21.7	33.3
Total	**1,135.9**	**1,103.0**

Current debt

The Company had the following current interest-bearing debt:

	1H 2019	1H 2018
USD 2,400 million facility	-	137.0
USD 672.5 million Corporate facility	(2.1)	-
BWO04 - NOK 900 million bond	(0.2)	(0.3)
BWO03 - NOK 750 million bond	(0.2)	(0.2)
BWO02 - NOK 500 million bond	11.6	(0.1)
BWO01 - NOK 500 million bond	42.1	(0.1)
Catcher USD 800 million facility	112.6	112.3
Petróleo Nautipa USD 80 million facility	11.6	11.5
Total	**175.4**	**260.1**

Instalment overview

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

	Q3 19	Q4 19	Q1 20	Q2 20	2020	2021	2022-2024	2025 and beyond	Total
USD 672.5 million Corporate facility	-	-	-	-	-	-	340.0	-	340.0
BWO04 - NOK 900 million bond*	-	-	-	-	-	35.1	81.9	-	117.0
BWO03 - NOK 750 million bond*	-	-	-	-	24.8	99.2	-	-	124.0
BWO02 - NOK 500 million bond*	-	-	-	-	86.8	-	-	-	86.8
BWO01 - NOK 500 million bond*	-	-	-	-	65.0	-	-	-	65.0
Catcher USD 800 million facility	28.6	28.6	28.6	28.6	114.3	114.3	371.3	-	657.1
Petroleo Nautipa USD 80 million facility	5.8	-	5.8	-	11.6	8.0	8.0	-	33.4
Total	**34.4**	**28.6**	**34.4**	**28.6**	**302.5**	**256.6**	**801.2**	**-**	**1,423.3**

*) Bond loan illustrated at swapped USD/NOK rate

Covenants

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

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

Bond loans are subject to certain covenants, including minimum book equity of at least 20% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Company.

As per end of first half-year 2019, the Company is in compliance with all covenants.

New Corporate facility

In May, BW Offshore signed a new corporate facility of USD 672.5 million. The 5-year revolving credit facility was priced at a margin of 225 basis points above USD 3-month Libor, which is equivalent to the margin in the old revolving credit facility. If utilisation exceeds 50%, the margin steps up by another 25 basis points. The new corporate facility is backed by 16 banks and was substantially oversubscribed.

Note 11 – Other long-term liabilities

Other long-term liabilities comprise upfront payments related to charter contracts. Payments received under operating leases are recognised as operating revenue on a straight-line basis over the lease term. This implies that there might be significant timing differences between cash flow and recognised revenue from a particular lease.

Note 12 – Capital commitments

Total unrecognised contractual capital commitments at 30 June 2019 amounted to USD 226.6 million (corresponding figure for 30 June 2018 was USD 114.5 million). This commitment is mainly related to Dussafu, the BW Adolo redeployment project, ongoing life extension activities, operations as well as commitments on long-term office rental.

Note 13 – Related party transactions

During the first half-year of 2019, Maple Company Limited, a wholly owned subsidiary of BW Group Limited, has provided BW Energy Holdings Pte Ltd (BWEH) with a short-term loan amounting to USD 4.1 million related to development activities on Dussafu. In the same period, BWEH repaid USD 9.5 million. By the end of first half-year, total short-term loan provided by Maple Company Limited to BWEH amounted to USD 10.3 million.

On the 11 March, Arnet Energy Pte Ltd (AE) owned by Carl Arnet, the former CEO of BW Offshore Limited (BWO), became the holder of 1% of the shares in BW Energy Holdings Pte Ltd (BWEH), the joint venture company formed in 2016 by the Company and BW Group Limited for the purpose of pursuing oil and gas interests. The new shares in BWEH were allotted to AE for a total consideration of USD 1.85 million, including a pro rata share of shareholder loans. Following this transaction, the shareholders of BWEH are: BWO (66%), BW Group (33%) and AE (1%). Similar to the other shareholders in BWEH, AE will be obliged to provide continued funding in respect of BWEH's business and development costs for its projects, whether through equity or shareholder loans. BW Energy holds the license to the Dussafu field offshore Gabon. During the first half-year of 2019, AE provided a short-term loan amounting to USD 0.3 million to BWEH related to development activities on Dussafu.

On the 8 April, under a long-term share option programme, BW Offshore awarded 350.000 options to CEO (former COO) Marco Beenen, 115.000 options to CCO Rune Ø. Bjorbekk, 115.000 options to former CFO Knut R. Sæthre, 115.000 options to COO (former Head of Projects) Kei Ikeda, 37.000 options to Head of Asset

Engineering & Maintenance Hans Kristian Langsrud, 37.000 options to Head of Human Capital Pia M. Schnitler, 37.000 options to General Counsel Magda Vakil and 37.000 options to CFO (former SVP Finance) Ståle Andreassen.

The strike price is NOK 54.69 and is calculated based on the volume weighted average share price five trading days prior to grant date, plus a premium of 15.76% (corresponding to 5% increase annually over 3 years). The options will have a vesting period of three years, followed by a three-years exercise period. The options will expire 6 years after the award date. The Company's exposure relating to the 2019 award is hedged by a Total Return Swap (TRS) agreement with financial exposure to 1,732,000 shares in BW Offshore.

Note 14 – Acquisitions and disposals

A farm-in by Gabon Oil company (GOC) in the Dussafu license was completed in March. GOC has acquired 10% of BW Energy's working interest, reducing BW Energy's interest to 81,667%. The agreement will be retroactive from first oil on 16 September 2018. The transaction has been approved by the government of Gabon and BW Energy received a cash consideration of USD 28.6 million in April. Compensation to GOC for its 10% share for the full production period from first oil will be made through liftings in the third quarter.

Tullow has confirmed their intent to exercise its 10% back-in right into the Dussafu license as stipulated in the production sharing contract (PSC). Discussions are ongoing and completion of the transaction will effectively reduce BW Energy's ownership of the Dussafu license to 73.5%. The calculated share of the back-in right is classified as assets held for sale in the statement of financial position.

Note 15 - Subsequent events

On the 17 August, The Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP) has granted BW Offshore status as operator in Brazil and approved the transfer of Chevron and Petrobras' participating interest in the Maromba field to BW Offshore. The closing of the transaction with Chevron and Petrobras is subject to certain condition precedents. This approval as operator satisfies the main condition precedent for the closing of the Maromba field acquisition and will trigger the first milestone payment of USD 30 million to Chevron and Petrobras.

The total acquisition price for the Maromba field is USD 115 million, which will be paid over three milestones as the development progresses towards first oil. The second milestone is due at start of drilling activities and the third milestone is due at fist oil or 3 years after the start of drilling activities, whichever comes first.

On the 16 August, BW Offshore has received a one-year extension for the lease and operation of the FPSO Petróleo Nautipa operating on the Etame field offshore Gabon for Vaalco Energy. The firm period has been extended to Q3 2021 (from Q3 2020), with options until Q3 2022.

KEY FIGURES

	Note	1H 2019	1H 2018	2018
EBITDA-margin	1	65.0%	54.5%	56.2%
Equity ratio	2	40.5%	37.2%	38.7%
Return on equity	3	14.3%	0.8%	3.7%
Return on capital employed	4	11.8%	3.9%	5.7%
Net interest-bearing debt (USD million)	5	1,046.1	1,218.1	1,231.6
Cash flow per share (USD)	6	1.63	1.59	2.36
EPS - basic and diluted (USD)	7	0.29	0.05	0.18
Shares - end of period (million)		185.0	185.0	185.0
Share price (NOK)		52.0	41.7	31.7
Market cap (NOKm)		9,608	7,713	5,854
Market cap (USDm)		1,128	945	674

Notes to key figures and definition of Alternative Performance Measures

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

BW Offshore discloses alternative performance measures in addition to those required by IFRS, as we believe these provide useful information regarding our historical financial performance.