BW ENERGY

ANNUAL REPORT

2019

Content

2019 in brief

BW Energy is an E&P company involved in the acquisition, development and production of proven oil and natural gas fields, and currently holds majority interests in three hydrocarbon licenses in Gabon, Brazil and Namibia. The Company concentrates on proven hydrocarbon fields with significant upside potential to leverage in-house technical, operational and basin expertise with economically viable FPSO options. A team of highly skilled E&P professionals in all disciplines have demonstrated success in major basins around the world.

BW Energy is a Bermuda registered company which listed on the Oslo Stock Exchange on 19 February 2020. It has technical, financial and operational offices located in Norway, Singapore, Gabon, Brazil, Namibia and the United States. BW Energy is committed to conducting its business safely and in an environmentally, socially and ethically responsible manner.

Key events

- High uptime of the FPSO BW Adolo and strong production from the Dussafu licence
- Ruche Phase 1 development plan revised after significant oil discovery at Hibiscus
- Acquisition of the Maromba field offshore Brazil
- Tullow exercised its 10% back-in right
- BW Energy established as an independent E&P company listed on the Oslo Stock Exchange in February 2020
- Raised USD 125 million of growth capital in Initial Public Offering (IPO)

Key figures 2019

Field Uptime		98%
LTI	Per million hours	0
Operating Revenue	USD million	282.4
EBITDA	USD million	191.7
EBIT	USD million	117.3
Net profit/(loss)	USD million	72.5

Strategy

BW Energy employs a differentiated field development model to unlock value from proven hydrocarbon discoveries. The key principles focus on identifying previously discovered hydrocarbon reservoirs with significant upside potential, and collaborating with BW Offshore to develop commercially attractive field infrastructure. By utilizing in-house field development, engineering and project expertise to fast-track project execution, BW Energy can execute phased and properly scaled developments at much lower capital expenditure and start generating cash flow earlier. This strategy delivers shorter development cycles, and significantly reduced capital at risk.

Successfully achieving first oil from the Dussafu licence in Gabon just 18 months after acquisition clearly validates the unique strategy and business. BW Energy is on track to triple gross production from this licence to ~40,000 bopd when the current developments are implemented.

History

BW Energy has its origins as the Exploration and Production (E&P) arm of Oslo-listed BW Offshore, a company with over 35 years of oil and gas production experience and a fleet of 15 FPSOs. BW Energy and BW Offshore are affiliates of the BW Group, a global maritime energy transportation and floating gas infrastructure company with an 80-year history.

The BW Group includes significant shareholding in BW Offshore, BW LPG, BW LNG, BW Energy, Hafnia, Epic Gas, DHT, and BW Dry Cargo.

BERGESEN

WORLD-WIDE

1935 Founded by Sig. Bergesen

Founded by Y.K. Pao **1955**

Largest independent shipping group in the world: 200 vessels of 20 million dwt **1979**

1986 Bergesen listing

1996 Leader in crude and gas shipping markets with 100 vessels

Bergesen acquisition and de-listing **2003**

2005 Restructuring and re-branding

2006 BW Offshore listing on the Oslo Stock Exchange

Acquisition of APL **2008**

2010 Acquisition of Prosafe Production / Sale of APL

Acquisition of the Dussafu licence in Joint Venture with BW Group **2016**

2017 Acquisition of Operating Interest in Kudu Gas field in Namibia

First oil BW Adolo from Tortue field in the Dussafu licence in Gabon **2018**

2019 BW Energy established as separate entity with the E&P assets of BW Offshore and BW Group

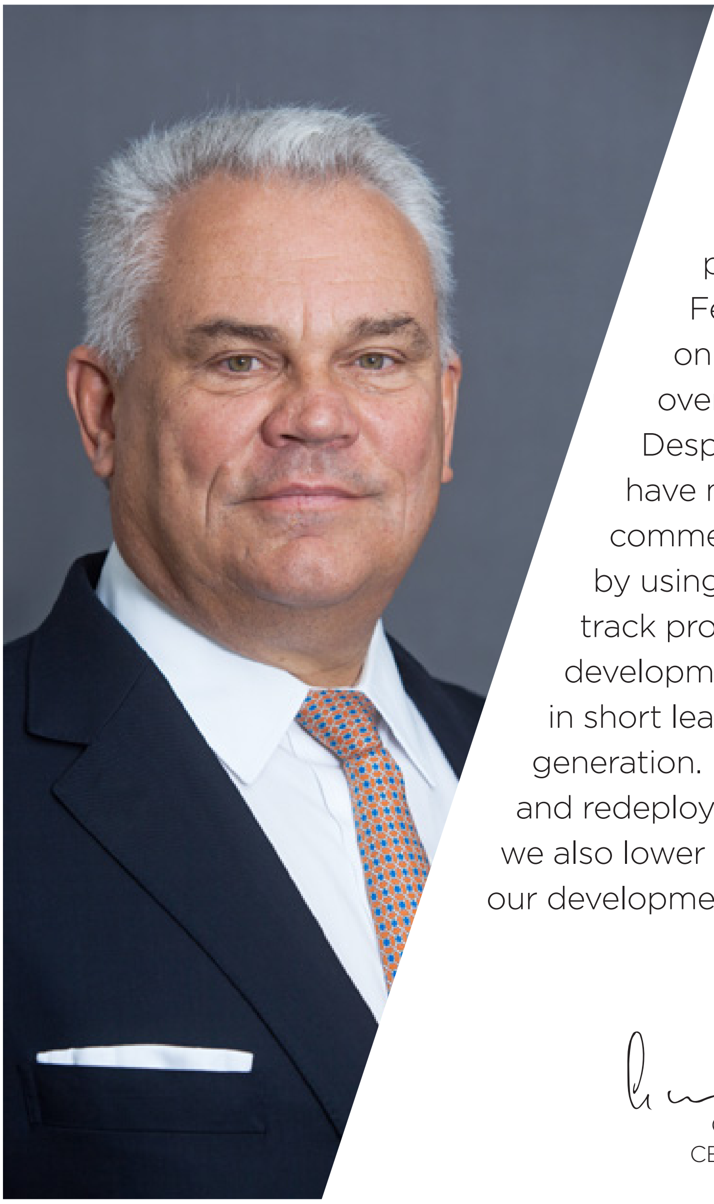
Acquisition of stake in Maromba field in Brazil

BW ENERGY

2020 BW Energy listing on the Oslo Stock Exchange

CEO's report

Delivering on strategy



BW Energy is a new E&P company with a differentiated strategy for developing proven offshore oil reservoirs with low-risk, phased developments. On 19 February 2020, we were listed on the Oslo Stock Exchange just over three years after inception. Despite our short existence, we have moved the threshold for commercial offshore developments by using existing FPSOs, fast-track project execution and scaled development concepts which results in short lead-times to first oil and cash generation. By addressing proven reserves and redeploying existing production assets we also lower the environmental footprint in our development projects.

Carl K. Arnet
CEO BW Energy

Delivering on strategy

Throughout 2019, we exceeded our own production targets and delivered a strong HSE performance with a zero Lost Time Incident frequency. Waste handling and emissions to sea and air is class-leading and in compliance with all local and international standards.

At year-end, we had produced 4.3 million barrels of oil (gross) from the Dussafu licence in Gabon, exceeding our production guidance of 3.5-3.9 million barrels, reflecting good reservoir performance combined with good facility and field uptime of 98%. The 2019 average production was 11,800 barrels per day (gross) at an average operating cost (OPEX) of USD 21 per barrel.

Our successful in-field exploration programme continued with the Hibiscus discovery in August, which increased proven Dussafu 2P reserves to 112 million barrels. This enabled us to revise the Ruche area development plan and move the unmanned wellhead platform closer to Hibiscus and increase the number of well slots from 9 to 12. The platform will produce an estimated 70 million barrels of gross reserves. The inclusion of Hibiscus reduces the unit capex from USD 13 to USD 9 per barrel, making an already attractive project even more profitable.

The recent oil market turmoil highlights the robustness of the BW Energy model. The combination of no debt, fully discretionary investments and short lead time from start of investment to cash-back enables BW Energy to adjust its course and rapidly adapt to changing market conditions. BW Energy will closely monitor oil market developments before a final investment decision is made on the Maromba development.

On track to increase production

Drilling operations are ongoing for the Tortue Phase 2 development, which will be tied back to the FPSO BW Adolo and increase oil output. In March 2020, we had first oil from two initial production wells in Phase 2. Two additional wells are expected to start producing by June this year. The four new wells are expected to increase our production to around 20,000 barrels per day. After completing Tortue Phase 2, the rig will reposition and drill up to two exploration wells on our 850 square-kilometre Dussafu concession which holds several additional high-grade prospects.

In March 2019, the Company acquired the Maromba licence in the Campos Basin offshore Brazil from Petrobras and Chevron. It is a highly delineated field with proven reserves in excess of 100 million barrels of oil in a region where we benefit from access to significant production experience through BW Offshore. The acquisition increased our total 2P+2C reserves to 247 million barrels.

In Brazil, we have already passed several milestones including receiving approval as operator by the local regulator ANP followed by the submission of our field development plan in December last year. We target a phased subsea development producing from a redeployed FPSO with first oil expected by end of 2022. The schedule is based on final investment decision being made by the end of 2020. Our unique development model provides robust returns at oil prices around USD 50 per barrel Brent for the full field cycle.

BW Energy still expects a long-term oil price at or above USD 50 per barrel, given natural depletion and the cost of new oil development.

Our plans for Dussafu and Maromba gives us a clear line of sight to a net production in excess of 50,000 barrels per day by 2023 from a very solid reserve base.

Cash flow from Dussafu and Maromba will allow us to both continue to grow the company and to return value to shareholders through dividends of up to 50% of net profits.

Funded for growth

Currently, we have no debt and are fully financed for the sanctioned developments. The gross IPO proceeds of approximately USD 125 million before overallotment will be used to finance ongoing activities. We are also in the process of closing a USD 200 million reserve-based lending facility, with USD 100 million uncommitted accordion, with a consortium of leading banks to finance future growth investments. Based on the anticipated availability of liquidity, we expect to reach our production targets. Still, in the current market we will maintain our flexibility and closely monitor oil price developments prior to committing investments.

I am especially pleased to welcome approximately 700 investors who were allocated shares in the IPO in addition to some 4,000 BW Offshore shareholders which received BW Energy shares distributed as dividend-in-kind. Together with BW Offshore and BW Group, which hold 38.8% and 35.1% respectively following the IPO and in-kind distribution, you make up a strong, broad shareholder base going forward. We appreciate your vote of confidence and look forward to creating and sharing significant value in coming years.

Unlocking significant long-term value

BW Energy was created as a JV between BW Offshore and BW Group in 2016 to pursue the Dussafu development.

From day one, the strategy was to exploit proven, smaller, offshore oil discoveries by using existing FPSOs and unlock value that traditional oil and gas companies were not addressing. We took advantage of an oil market still in recovery from the supply glut created by sustained high oil prices and over-investments in the previous upcycle. High exploration activity and surging costs then made offshore developments an economies-of-scales business, leaving a bounty of discovered oil with no path to production.

By combining proven reserves with existing facilities and phased developments to develop smaller fields with less risk, investment and time to first oil. Even at low oil prices, the short time to production and cash generation provides a very robust and flexible model for value creation. The Dussafu development has proven the viability of the business model. The Maromba acquisition and development will be an excellent example of its repeatability.

2019 has been a very active year in the short history of the company. A solid foundation has been laid for BW Energy to generate significant value for its stakeholders in the years ahead.


BW ADOLO

Global footprint

Hydrocarbon Discoveries in Dussafu, Maromba and Kudu

BW Energy holds a 73.5% operated working interest in the Dussafu marine block offshore Gabon, a 95% operated working interest (after future farm-out) of the Maromba field in the Campos Basin offshore Brazil, and a 56% operated working interest of the Kudu field offshore Namibia. Targeting robust business opportunities based on discovered reserves with significant growth potential, BW Energy aims to unlock significant value that traditional, larger E&P companies are not addressing. This strategy was successfully employed to develop Dussafu, with first oil achieved 18 months after acquisition.

Dussafu, performance beyond expectation

The Dussafu licence is situated within the Ruche Exclusive Exploitation Area (Ruche EEA), which covers 850 km2 and includes six discovered oil fields and numerous leads and prospects. The average water depth is 116 metres. The Production Sharing Contract allows for production of hydrocarbons from the Ruche EEA for up to 20 years from first production.

The crude oil produced from the Dussafu block is offloaded from the FPSO to a crude tanker and transported by sea. The typical lifting parcel is about 650,000 barrels and the frequency of lifting will increase with additional wells.

Phased development

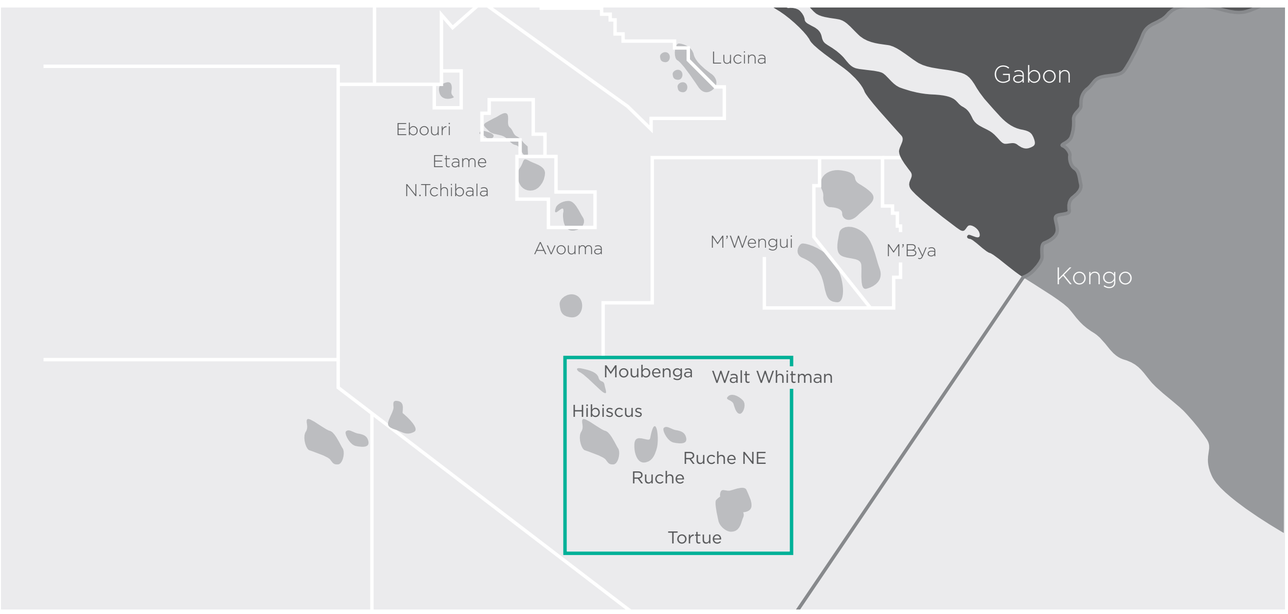
Fields on the Dussafu block produce to the BW Adolo FPSO, which has an oil production capacity of 40,000 bopd. Phase 1 of the Dussafu development included two horizontal production wells with subsea trees at the Tortue Field. Production is aided by gas lift as the artificial lift mechanism. Four additional subsea production wells are being drilled at the Tortue Field as part of Dussafu Phase 2 development. Drilling for Phase 2 will be completed in 2020. In addition, the Ruche development has been sanctioned, consisting of a fixed wellhead platform with 12 dry-tree well slots to be installed at the Hibiscus Field and tied back approximately 20 kilometres to the FPSO at the Tortue Field.

Current status

Phase 1 started production on 16 September 2018 and produced at an average gross rate of 11,800 barrels per day from two wells at the Tortue Field in 2019. Approximately 5.5 million barrels had been produced as of year-end 2019 and trace water production was first observed in November 2019, more than 15 months after first oil. Field uptime since start-up has been 98%, which is industry leading. Through year-end 2019, BW Energy recorded zero lost time incidents (LTIs), reflecting the continuous focus on safety in all aspects of operational and project work groups.

Development Drilling

The Phase 2 development at Tortue was sanctioned in late 2018 and consists of four additional production wells at Tortue, three of which will target the Gamba reservoir and one in the Dentale 6 reservoir. The wells will be tied back to the BW Adolo FPSO. Drilling of these wells began in late 2019 and will continue into 2020. DTM-4H, the first Gamba well in Phase 2, has been drilled and completed while DTM-5H drilling was underway as of year-end 2019. Subsequently, the two initial wells started producing during the first quarter of 2020. All four wells are forecast to be on-line by mid-2020. This is expected to result in an increase in production from the Tortue Field to around 20,000 bopd. The gross investment for Phase 2 is approximately USD 250 million.



Exploration

In October 2019, an appraisal well was successfully completed at the Dussafu Hibiscus prospect, which yielded significant positive geological results in the Gamba Formation. An appraisal side-track was drilled to further evaluate the reservoir. Both the exploration well and the appraisal side-track encountered oil on the Hibiscus structure.

Future strategy and plans

BW Energy is currently preparing to execute a third development phase, Ruche Phase 1, in the Hibiscus and Ruche Fields, approximately 20 kilometres northwest of the Tortue Field. The current plan is to drill up to six horizontal production wells that will be connected to a fixed wellhead platform, split on four wells in Hibiscus Field and two wells will in the Ruche Field, all targeting the Gamba reservoir. The wellhead platform will be tied back to the BW Adolo FPSO, which will continue to serve as the hub for production in the Dussafu licence. The Ruche Phase 1 development is expected to recover gross reserves of approximately 54.5 million barrels based on BW Energy management estimates. Gross investments for the Ruche Phase 1 development are currently estimated at approximately USD 490 million, which is expected to be funded largely from operating cash flow generated by production at Tortue.

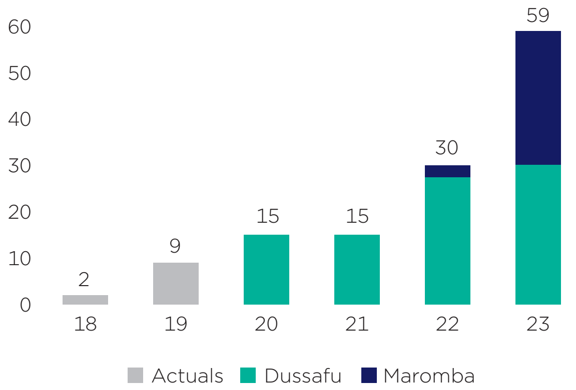
Ownership

On 19 March 2019, BW Energy Gabon SA concluded the previously announced agreement with GOC for the sale (farm-out) of a total of 10% interest in the Dussafu licence. The transaction price was USD 28.6 million, representing a reimbursement equivalent to 10% of development and production costs to that date. BW Energy Gabon SA's interest was thereby reduced to 81.667%, while Panoro continued to hold 8.333%.

The PSC for the Dussafu block stipulates that the Gabonese national government had a "back-in right" for a 10% working interest in the licence. Tullow Oil plc ("Tullow Oil") acquired the Gabonese state's "back-in" right in 2006, meaning that Tullow Oil had an option to acquire a 10% interest in the Dussafu licence by paying its share of historical costs. Tullow Oil exercised this 10% back-in right into the Dussafu licence in December 2019. The net amount payable by Tullow Oil to the existing partners was USD 19.8 million after adjusting for Tullow Oil's net lifting entitlement since the commencement of oil production in September 2018 and some surplus cash-calls made on their behalf. The net amount payable to BW Energy was USD 15.9 million. Negotiations are ongoing to resolve certain disputed costs, which amount to an additional USD 18.7 million. In the event an agreement is not reached the dispute will be submitted to a simplified arbitration; BW Energy's share of the disputed costs is 81.667%.

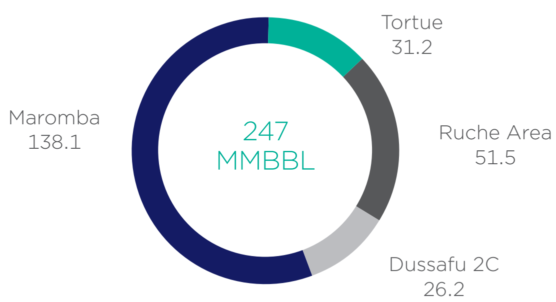
Following the exercise of the back-in right, BW Energy Gabon SA's ownership interest was reduced to 73.5%, while GOC and Panoro's ownership interests were reduced to 9% and 7.5%, respectively. Tullow Oil's ownership interest is 10%.

NET PRODUCTION (KBOPD) 1)



1) Management estimate

CERTIFIED NET RESERVES AND RESOURCES 2)



2) Netherland, Sewell & Associated, Inc. (NASI) certified net 2P reserves and 2C resources (Dussafu per 30.09.19), based on 73.5% working interest in Dussafu and 95% in Maromba

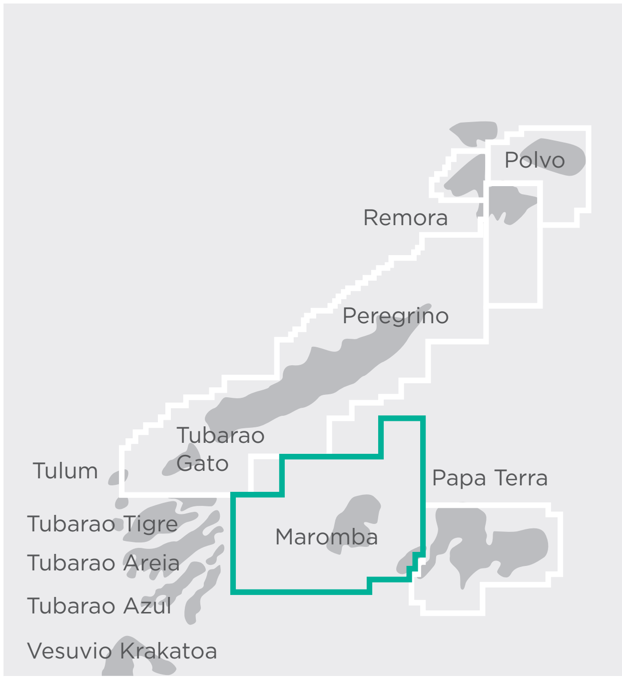
Maromba, exciting next steps

The Maromba discovery is in the southern part of the Campos Basin offshore Brazil, approximately 100 kilometres southeast of the city of Cabro Frio. The water depth in the area is approximately 160 metres. Maromba lies within a 375 square kilometre "ring-fence" carved out of the former BC-20 exploration block, called the BC-20A concession. Nine wells were drilled in the licence between 1980 and 2006, and oil was found in eight of these across various reservoirs including in the Eocene, Maastrichtian, Albian, Aptian and Barremian levels.

The licence (concession contract) governing Maromba was awarded to Petrobras in 1998 as part of Licencing Round Zero. Chevron joined as a 30% working interest partner in 2000. In March 2019, BW Energy, through its subsidiary BW Energy Maromba do Brasil Ltda, signed agreements to acquire the interests of both Petrobras and Chevron in the licence. In August 2019, the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP) granted BW Energy status as operator in Brazil and approved the transactions with Petrobras and Chevron for the acquisition of the Maromba Field. The acquisition was closed in September 2019, upon which BW Energy became the holder of a 100% operated working interest.

Following the success at Dussafu, BW Energy plans to develop the Maromba licence in phases, thereby minimising up-front capital expenditure, accelerating time to first oil, and allowing the production and the supporting organisation to grow organically. Phasing will provide reservoir performance data which will be used to optimise future development phases.

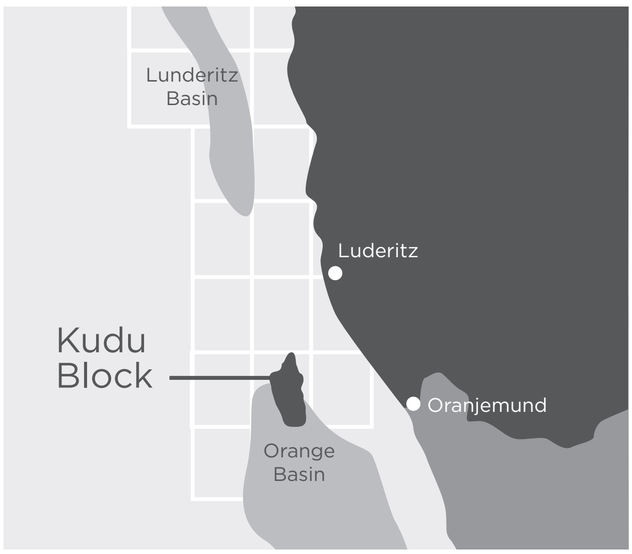
Phase 1 will target heavy crude oil (API gravity of 16°) in the Maastrichtian reservoir. It will consist of two to three horizontal subsea wells that will be tied back to an FPSO. The wells will be completed with electric submersible pumps ("ESP"). Work is ongoing to identify the most cost-effective production infrastructure for this development. BW Offshore's FPSO Berge Helene has been identified as one promising candidate. Based on Final Investment Decision (FID) being made at the end of 2020, Phase 1 is expected to begin production by end of 2022, and gross peak production is expected to reach approximately 37,000 barrels per day. Phase 1 consisting of 3 wells, will require gross investments of approximately USD 325 million, based on preliminary estimates.



Kudu, a long-term option

The Kudu gas discovery is in the northern Orange sub-basin approximately 130 km off the south-west coast of Namibia. It is situated in Production Licence 003 ("PL003") which has an area of 4,567 square kilometres and the field water depth is approximately 170 metres. The field was discovered in 1974 with Kudu-1 and is delineated by eight subsequent wells.

BW Energy entered into a farm-in agreement for a 56% operated interest in early 2017, with NAMCOR holding a 44% joint venture interest. BW Energy has signed a Heads of Term agreement with NAMCOR to acquire up to 95% interest in the licence. BW Energy remains committed to finding a viable commercial development solution for Kudu.



Directors' report

During 2019, BW Energy demonstrated the competitive advantage of its differentiated strategy through the successful development of the Dussafu licence in Gabon into a world-class oil producing asset. This translated into a strong financial performance for the year and improved financial solidity. BW Energy expects to continue to deliver production and reserve growth after the listing in February 2020.

Oil production at Dussafu exceeded expectations and successful exploration drilling increased the field's gross 2P reserves by 237% and triggered an acceleration of future production growth. BW Energy acquired the Maromba field in Brazil, adding 145 million barrels of 2C reserves and a second E&P asset to be developed by applying the unique phased development strategy targeting proven oil and gas deposits with low reservoir risk and that are suitable for efficient redeployment of existing FPSOs.

These achievements were made against a volatile market backdrop, with crude oil prices rising early in the year, followed by a correction and then a recovery to about USD 65 per barrel by year-end. The global economy was also adversely affected by reduced industrial activity and escalations in the US – China trade dispute.

The strategy of combining exiting discoveries and production assets offers attractive risk-reward in the current market environment. BW Energy as operator has control of the timing of capital expenditures, and the phased approach reduces investment, capital at risk and the break-even oil price.

The Maromba field-acquisition represents the next step after the successful Dussafu development. At Maromba, BW Energy can leverage on the significant operating experience from neighbouring fields with similar characteristics.

BW Energy prioritises safety and has "zero harm" as an overriding objective for personnel and the environment in all its operations.

BW Energy was created through an organisation of all upstream E&P assets of BW Offshore and BW Group prior to the Public Offering (IPO). The IPO and listing on the Oslo Stock Exchange was executed in early 2020 and the BWE Energy shares started trading on 19 February.

BW Energy is well positioned to maximise the potential of previously discovered oil assets through its strategy on a global scale.

Health, safety, security, environment, quality

The Company has established policies for safety, security, occupational health and environmental management, giving it the highest priority.

Throughout 2019, the primary objective has been to ensure that the Company achieves zero harm to personnel, effective management of major accident hazard risks, effective mitigation of impact on the environment, maintaining a sustainable business through prudent operations, including taking proper care of Company property, without compromising other key business objectives.

Total LTI-rate (Lost Time Injury) and total TRI-rate (Total Recordable Injury) for BW Energy in 2019 were both zero.

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

Operations

The Dussafu licence uptime was 98% in 2019 with production of 11,800 bopd gross as the field continues to exceed expectations. The August 2019 Hibiscus discovery significantly increased 2P reserves and triggered a revised and expanded Ruche Phase 1 field development plan.

The first two production wells of the Tortue Phase 2 development were tied back to the BW Adolo in March 2020, increasing oil output to approximately 20,000 barrels per day. The second cluster, also consisting of two wells, is expected to be in production by June 2020. Following completion of the two remaining production wells, the rig will mobilise to a new location and drill one or two exploration wells. The location of these wells will be determined based on reprocessed seismic for the licence.

Financial performance

The comparative information for 2018, presented in the consolidated financial statements is derived from the IPO prospectus and the Combined financial statements as disclosed therein.

Income statement

Revenue was USD 282.4 million in 2019 compared to USD 39.2 million in 2018. Total operating expenses were USD 90.7 million compared to USD 17.9 million in 2018.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for 2019 was USD 191.7 million compared to USD 21.3 million in 2018.

Operating profit was USD 117.3 million, compared to USD 13.3 million in 2018.

The increased revenue and operational profit were due to oil production from the Dussafu licence.

Net financial expenses were USD 6.0 million compared to financial income of USD 2.3 million in 2018.

Tax expense amounted to USD 38.8 million compared to USD 11.5 million in 2018. The increase was related to increased tax related to oil production at Dussafu in 2019.

Net profit for 2019 was USD 72.5 million compared to USD 4.1 million in 2018.

Financial position

As of 31 December 2019, the Company had a total equity of USD 363.1 million compared to USD 229.5 million as of 31 December 2018. The net equity ratio at the end of 2019 was 49.2%, compared to 67.3% at the end of 2018.

As of 31 December 2019, the Company had no external interest-bearing debt.

Cash flow

Net cash inflow from operating activities was USD 203.2 million compared to net cash outflow of USD 29.7 million in 2018. The increase was due to increased oil production from the Dussafu licence.

Net cash outflow from investment activities amounted to USD 106.0 million, compared to USD 191.1 million in 2018. The investments were related to the Dussafu and Maromba projects.

Net cash outflow from financing activities amounted to USD 24.5 million compared to cash inflow of USD 210.6 million in 2018. The net cash outflow was mainly related to payment of lease liabilities.

Total available liquidity as of 31 December 2019 amounted to USD 81.0 million.

The funds from the IPO were received on 20 February.

BW Energy is continuing the process of finalising a reserved based lending facility (RBL). The RBL facility has a six-year term, with an initial amount of USD 200 million plus an accordion of USD 100 million.

Parent company accounts

BW Energy Limited is a holding company incorporated 22 May 2019. The Company reported a net loss of USD 3.0 million for 2019. The costs for 2019 was mainly related to legal and audit fees.

Total assets were USD 270.7 million as of 31 December 2019.

Total shareholders' equity in BW Energy Limited as of December 31, 2019 was USD 267.6 million, corresponding to an equity ratio of 98.9%.

Going concern

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

Organisation

BW Energy is represented in three of the major oil and gas regions worldwide, offshore Gabon, Brazil and Namibia supported by local onshore teams and has a global presence.

Work environment and culture in BW Energy are considered positive and strong, and there is continuous focus on continuous improvement. Surveys are performed regularly to assess the strength of the working culture.

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

Corporate Governance

The Board of Directors of the Company has adopted a Corporate Governance policy to reflect BW Energy'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 Energy's Corporate Governance policy complies with the Norwegian Guidelines, with certain deviations, as outlined and explained in the chapter named Corporate Governance in this annual report.

Risk

BW Energy'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 Company is exposed to market risk (including oil price risk), credit risk, and liquidity risk. Development of oil and gas fields is associated with risks not limited to, the price of crude oil, cost overruns, production disruptions as well as delays compared to initial plans. Some of the most important risk factors are related to the estimation and recoverability of reserves. Changes to oil price might influence the economic viability of planned developments and anticipated revenues from the production of such developments. The overall risk management programme focuses on addressing these risks and seeks to minimise potential adverse effects on the Company's financial performance. The most important operational risk factors are related to the operation of Dussafu and the execution of projects, which could lead to accidents and oil spills to the environment if not managed properly.

The Company has a broad insurance programme with coverage for its support staff, directors and officers, offices, warehouses and cargo, pollution and clean-up, damage/repairs to assets, well-control and re-drilling of wells, third-party liabilities and business interruption cover. The programme also addresses security incident response and covers losses resulting from acts of political violence and terrorism. The programme is placed with rated underwriters, subject to permanent risk management review, and in compliance with local legislation.

BW Energy's operational activities are subject to tax in various jurisdictions. As assets and production sharing contracts are long-term in nature, the Company's results could be exposed to risk of changes to tax legislation.

Please refer to the IPO prospectus dated 29 January 2020 for specific risks related to the Company.

Events after the balance sheet date

On 19 February 2020, BW Energy was listed on the Oslo Stock Exchange. Through the IPO, the company raised approximately USD 125 million in new equity, at a price of NOK 24.40 per share. A total of 46,904,200 shares were issued in the IPO. An additional 7,035,630 shares were over-allotted, representing 15% of the number of shares sold in the offering. Free float after completion of the offering (excluding overallotment) and the BW Offshore dividend distribution is approximately 25%.

Following the offering and dividend distribution, BW Offshore holds 38.8%, BW Group Limited 35.1% and Arnet Energy approximately 1% of BW Energy, respectively.

The spread of the corona virus in early 2020 is impacting an increasing number of countries and was declared a global pandemic by the World Health Organisation in March 2020. Although BW Energy Group's operations are not directly impacted by the virus yet, we have to take measures to mitigate the risks to employees, operations and investments. The consequences this pandemic may have on our operational and financial performance cannot be predicted at the time of publication of these financial statements.

Coupled with the virus, the decision by OPEC in March 2020 not to cut production has led to a sharp decline in the oil price. While BW Energy has a relatively low breakeven price and is taking measures to mitigate the impact, the duration and severity of the price drop and its consequences are currently uncertain.

Outlook

The listing of BW Energy and relating capital raise ensures that the E&P business is financed on a stand-alone basis, leaving BW Energy to deploy capital towards accretive projects. This positions BW Energy to capture significant value creation going forward.

The outbreak of the corona virus and the turmoil in the oil market will negatively influence the industry in the short-term. Cash preservation, and capital discipline will be the objective until the markets have stabilised.

17 March 2020

Mr. Andreas Sohmen-Pao
Chairman

Mr. William Russell Scheirman
Director

Mr. Marco Beenen
Director

Mr. Tormod Vold
Director

Ms.Hilde Drønen
Director

Board of Directors


Mr. Andreas Sohmen-Pao
Chairman


Mr. Marco Beenen
Director


Ms. Hilde Drønen
Director


Mr. Russell Scheirman
Director


Mr. Tormod Vold
Director

Audit Committee	Gender	Role
Hilde Drønen	F	Chair
Russell Scheirman	M	Member

Management


Mr. Carl K. Arnet
CEO


Mr. Knut R. Sæthre
CFO


Mr. Lin G. Espey
COO


Mr. Thomas Kolanski
Head of Business Development

Corporate governance

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

BW Energy Limited (hereinafter 'BW Energy' 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 - including the changes introduced on October 17, 2018 - of the Norwegian Code of Practice for Corporate Governance (the 'Code'), prepared by the Norwegian Corporate Governance Board.

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

2. The Business

In accordance with common practice for Bermuda incorporated companies, the Company's objects as set out in the Company's Memorandum of Association are wider and more extensive than recommended by the Code.

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

BW Energy has implemented corporate values, ethical guidelines and guidelines for corporate social responsibility. These values and guidelines are described in BW Energy's Code of Ethics and Business Conduct and internal policies.

3. Equity and Dividends

The Board continuously evaluates the Company's capital requirements to ensure that the Company's capital structure is at a level which is suitable in light of the Company's objectives, strategy and risk profile.

Pursuant to the Company's Bye-laws, the Board is authorised to declare dividend to the shareholders. The Board will draw up a clear and predictable dividend policy to be approved at the Annual General Meeting on 19 May 2020. Full details of the dividend policy will be published on BW Energy's website [1].

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

The powers of the Board to issue and purchase shares are neither limited to specific purposes nor to a specified period as recommended in the Code.

1) To be included once such policy is approved by AGM.

4. Equitable treatment of shareholders and transactions with close associates

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

Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the shareholders of the Company do not have pre-emption rights in share issues unless otherwise resolved by the Company. Any decision to issue shares without pre-emption rights for existing shareholders shall be justified. In the event that BW Energy 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.

Any transactions the Company carries out in its own shares shall be carried out either through the Oslo Stock Exchange or with reference to prevailing stock exchange prices if carried out in another way. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

In case of material transactions between the Company and a shareholder, a shareholder's parent company, director, officer, or persons closely related to any of these, the Board will obtain a valuation from an independent third party. Independent valuations shall also be obtained in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

5. Shares and negotiability

The Company's constituting documents do not impose any restrictions on the ability to own, trade or vote for shares in the Company and the shares in the Company are freely transferable. However, the bye-laws include a right for the Board to decline to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in a share held through Verdipapirsentralen (VPS), where such transfer would, in the opinion of the Board, likely result in 50% or more of the aggregate issued and outstanding share capital of the Company, or shares of the Company to which are attached 50% or more of the votes attached to all issued and outstanding shares of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation. The purpose of this provision is to avoid the Company being deemed a Controlled Foreign Company pursuant to Norwegian tax rules.

6. General meetings

The annual general meeting will normally take place on or before 31 May each year. The Board shall make efforts to ensure that as many shareholders 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 members of the board of directors and the chairman of the nomination committee are present at the general meeting; and
- the shareholders shall have the opportunity to vote separately on each individual matter, including on each individual candidate nominated for election to the Company's Board and committees (if applicable)

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

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

Pursuant to common practice for Bermuda incorporated companies, the Company's Bye-laws states that the general meeting shall be chaired by the chairman of the Board unless otherwise agreed by a majority of those shares represented at the meeting.

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

7. Nomination Committee

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

The composition of the Nomination Committee should reflect a broad range of shareholder interests. The majority of the committee shall be independent of the Board and the executive personnel of the Company. No more than one member of the Nomination Committee shall be a member of the Board of Directors. The Nomination Committee shall not include the Company's chief executive officer or any other executive personnel.

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

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

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

8. The composition and independence of the Board

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

The composition of the Board shall ensure that it can act independently of any special interests. A majority of the shareholder-elected members of the Board must be independent of the Company's executive personnel and material business connections of the Company. In addition, at least two of the members of the Board must be independent of the Company's major shareholder(s). For the purposes of this Corporate Governance Policy, a major shareholder shall mean a shareholder that owns 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question. The 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.bwenergy.no.

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

9. The work of the Board

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

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

The Board shall ensure that members of the Board and the management make the Company aware of any material interests that they may have in items to be considered by the Board. Members of the Board and executive personnel are required to notify the Board if they directly or indirectly have a significant interest in an agreement to be entered into by the Company. In addition, a member of the Board who is directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of such interest as required by the Bermuda Companies Act.

The terms of reference for the Audit Committee and the Technical and Commercial Committee set out specific procedures for handling transactions between the Company or any of its subsidiaries on one side and companies within the BW Offshore group on the other side. These procedures are in place to ensure that related party transactions are carried out on arms' length terms.

In order to conduct its work, the Board each year fixes in advance a number of regular scheduled meetings of the Board for the following calendar year, although additional meetings may be called by the chairman. The directors shall normally meet in person, but if so allowed by the chairman, directors may participate in any meeting of the Board by means of telephone. Minutes in respect of the meetings of the Board of Directors are kept by the Company in Bermuda.

The Board shall provide details in the annual report of any Board committees appointed. The Board shall have an Audit Committee as a preparatory and advisory committee for the Board, and the entire Board shall not act as the Company's Audit Committee. In addition, the Board shall have a Remuneration Committee as a preparatory and advisory committee for the Board in order to ensure thorough and independent preparation of matters relating to compensation to the executive personnel.

The Board carries out an annual evaluation of its performance and expertise.

10. Risk management and internal control

The Board ensures that the Company has sound internal control procedures and systems to manage its exposure to risks related to the conduct of the Company's business, to support the quality of its financial reporting and to ensure compliance with laws and regulations. Such procedures and systems shall contribute to securing shareholders' investment and the Company's assets.

Management and internal control is based on Company-wide policies and internal guidelines in areas such as Finance and Accounting, HSE, Project Management, Operation, Technical and Business Development, in addition to implementation and follow-up of a risk assessment process. The Company's management system is central in the Company's internal control and ensures that the Company's vision, policies, goals and procedures are known and adhered to.

The Board shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements and an annual supervisory plan for internal audit work is approved by the CEO, based on HSSEQ recommendations and risk assessments carried out.

The internal auditor position is independent from the line management and reports directly to the CEO.

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.

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

11. Remuneration of the Board of Directors

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

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

Directors or companies related to BW Energy, shall not normally undertake special tasks for the Company in addition to the directorship. However, if they do so, the entire Board shall be informed, and the fee shall be approved by the Board.

12. Remuneration of the executive personnel

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

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

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 the consolidated financial statements.

13. Information and communications

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

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

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

14. Take-overs

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

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

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

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

The Board shall consider whether to obtain a valuation from an independent expert. If any member of the Board, or close associates of such member, or anyone who has recently held a position but has ceased to hold such a position as a member of the Board, is either the bidder or has a particular personal interest in the bid, the Board shall obtain an independent valuation. This shall also apply if the bidder is a major shareholder (as defined in section 8 above). Any such valuation should either be enclosed with the Board's statement, or reproduced or referred to in the statement.

15. Auditor

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

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

The 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.

The Audit Committee should at least once a year review of the Company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

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

The auditor shall annually confirm his independence in writing to the Audit Committee.

Shareholder information

Investor relations policy

This investor relations policy (the "IR Policy") for BW Energy Limited (the "Company") is based on the Oslo Stock Exchange's rules, regulations and recommendations for listed companies, in particular the Oslo Stock Exchange Code of Practice for IR, as of 1 July 2019 (the "Code of Practice for IR").

1. Purpose

This IR Policy shall help the Company build trust and awareness in the investor community by ensuring that Investor Relations is conducted in compliance with relevant rules, regulations and recommended practices.

This policy shall help ensure that shareholders, potential investors and other stakeholders shall gain simultaneous access to accurate, clear, relevant, comprehensive and up-to-date information about the Company.

Good relations and an open, active dialogue with shareholders, potential investors, analysts and other participants of the capital markets, shall build trust and contribute to reduced costs of capital for the Company.

This IR Policy shall also contribute to the Company's management (the "Management") and board of directors (the "Board of Directors") obtaining information about the market's views and opinion on the Company.

The Company's Investor Relations team (IR team) comprises the CEO and the Executive Vice President (IR, Research & Performance Management).

2. Shareholder contact and communication with the financial market

All communication with shareholders shall be on an equal treatment basis and in compliance with the provisions of applicable laws and regulation. The Company shall continuously provide its shareholders, the Oslo Stock Exchange and the financial markets in general with timely and precise information about the Company and its operations.

The IR team is responsible for all day-to-day contact with the Company's shareholders on behalf of the company.

Inside information shall be dealt with in compliance with the Company's Insider Trading Policy. The IR team may continuously communicate with shareholders for the purposes of developing an understanding of matters affecting the Company from time to time are of particular importance to its shareholders. The IR team will in such cases ensure that communication with shareholders is in compliance with the provisions of applicable laws and regulations and consistent with the principle of equal treatment of shareholders.

Relevant information about the Company shall be given in the form of annual reports, half-year reports, quarterly reports, press releases, notices to the stock exchange and investor presentations in accordance with what is deemed appropriate from time to time. All such information shall be published on the Company's website, www.bwenergy.no.

The Company shall offer subscription service for stock exchange announcements and press releases.

3. Policy

The Company complies with the Code of Practice for IR. Any future deviations from the Code of Practice for IR will be explained as required by the code.

Disclosure and reporting to the financial markets and contact with shareholders, investors and analysts shall be based on the following main principles:

- Compliance with laws and regulations: All disclosure, communication and reporting shall be in compliance with the applicable laws and regulations form time to time, in particular the Norwegian Securities Trading Act and the Oslo Stock Exchange's continuing obligations for listed companies. The Company shall also comply with the relevant recommendations and market practices for reporting financial and other IR information.
- Inside information: Unless exceptions apply and are invoked, the Company shall promptly disclose all inside information (as defined by the Norwegian Securities Trading Act).
- Language: All financial and other IR information shall be published in English.
- Information on value drivers: The Company shall publish accurate, clear, comprehensive and relevant information about its historical earnings, operations, long-term potential, strategies, risk factors, outlook and any other information that the Company has defined as significant and relevant value drivers for the shares. Such information shall be consistent over time, giving equal weight to positive and negative factors, thus enabling shareholders and

the financial markets to draw conclusions about the value of the Company.

- Guiding: The Company shall not publish specific guiding on the Company's future financial results. The Company operates in accordance with a set of financial and non-financial strategic targets, established by the Board of Directors. These targets govern the Company's operations within a defined strategic period. The targets are communicated at least every year in connection with the annual report or as soon as they are approved by the Board of Directors, and shall not be disclosed elsewhere.
- Quiet period: Investor and analyst meetings shall not be held in the last four weeks prior to the presentation of results. In the same period, no comments shall be made to the media or other external parties regarding the Company's earnings and outlook.
- Information the Company's website: The Company shall comply with the principles of the Code of Practice for IR in respect of disclosing information for investors and the market on the Company's website as further set forth therein. The Company shall follow the Norwegian Code of Practice for Corporate Governance, including the code's principles regarding transparency, equal treatment of shareholders and disclosure of relevant information. Information shall therefore be available on www.bwenergy.no and other places where it is relevant.

4. IR events and arenas

In addition to making information easily available on a timely basis to shareholders and the financial markets, the IR team prioritises raising awareness of, and interest in, the Company and its shares among various market participants - both nationally and internationally.

To help promote this goal, the meetings and presentations described below shall be held.

5. Information available on the company's website

The Company will make information available on its website www.bwenergy.no in accordance with the recommendations set out in the Oslo Stock Exchange's Code of Practice for IR.

Event	Description
Annual report	Annual reports and presentations shall be available on www.bwenergy.com. The annual report for the current as well as the preceding three years shall be made available on the Company's website. Annual reports shall be published within three months after the end of the financial year. The Company shall ensure that the annual report remains available and public for the following five years, as a minimum. It is recommended by the IR Code that the annual reports are published no later than three months after the end of the accounting period, unless the Company has published an interim report for the fourth quarter within this deadline.
Quarterly reporting	Quarterly reports (i.e. interim reports for the first and third quarter and half year reports for the first and the last half of the year) shall be published as soon as possible, and within the second month after the end of the said financial period. The Company shall ensure that the quarterly report remains available and public for the following five years, as a minimum. Half-year and interim reports for the current as well as the preceding three years shall be made available on the Company's website.
Presentations	Open results presentations shall be held for investors, analysists and other stakeholders. The presentations shall be available on www.bwenergy.no.
Financial calendar	The reporting dates for annual, half-year and quarterly reports shall be stated in the financial calendar, which also shall include the date of the ordinary general shareholders' meeting. The financial calendar shall be published on www.bwenergy.com.
Investor and analyst meetings	The Company shall hold regular meetings with investors and analysts. The Company's ability to provide information about to individual market participants, including investors and analysts, is limited by regulations applicable to listed companies, including the rules on good stock exchange practices, and the general requirement of equal treatment. All presentations used in the meetings will be available on www.bwenergy.no.
Capital Markets Day	The Company will consider holding a capital markets day when appropriate to keep the market up to date on development, strategy and outlook. capital market days will be open to all who wish to attend, and the presentations will be made available on www.bwenergy.no.
Conferences, seminars, symposia, etc.	Representatives from the Company's management will participate in various conferences and seminars where relevant. All relevant presentations held by the Company's management will be published on www.bwenergy.no.

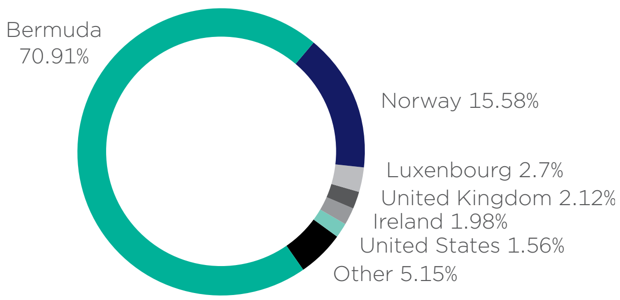
20 LARGEST SHAREHOLDERS

	Name	No of shares	Holding
1	BW Offshore Limited	83,825,414	35.78 [1)]
2	BW Group Limited	82,262,554	35.11
3	Pareto Securities ASA	5,246,478	2.24
4	Brown Brothers Harriman (Lux.) SCA	4,109,526	1.75
5	STOREBRAND NORGE I VERDIPAPIRFOND	2,483,273	1.06
6	ARCTIC FUNDS PLC	2,411,811	1.03
7	VERDIPAPIRFONDET ALFRED BERG GAMBA	2,151,327	0.92
8	BNP Paribas	1,816,774	0.78
9	VERDIPAPIRFONDET FIRST GENERATOR	1,812,922	0.77
10	ARNET ENERGY PTE. Ltd.	1,730,001	0.74
11	Morgan Stanley & Co. Int. Plc.	1,598,978	0.68
12	VERDIPAPIRFONDET FONDSFINANS NOR	1,325,000	0.57
13	SEB CMU/SECFIN POOLED ACCOUNT	1,297,928	0.55
14	Danske Invest Norge Vekst	1,211,872	0.52
15	AS CLIPPER	1,208,792	0.52
16	Morgan Stanley & Co. LLC	1,165,239	0.5
17	FOLKETRYGDFONDET	1,152,549	0.49
18	VERDIPAPIRFONDET DELPHI NORGE	1,083,759	0.46
19	ARCTIC FUNDS PLC	1,010,085	0.43
20	MP PENSJON PK	983,971	0.42

Date: 13 March 2020

1) In connection with the IPO, the Managers over-allotted 7,035,630 shares, representing 15% of the number of shares sold in the Offering before over-allotments. The over-allotted shares were borrowed BW Offshore. These shares will be transferred back to BW Offshore after the completion of the over-allotment period, which is after the publication of this Annual Report, bringing BW Offshores holding to 38.8%.

GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS




BW ADOLO

Sustainability report

BW Energy aspires to achieve sustainable development by continuously pursuing financial results and value creation, while adhering to the highest standards of corporate governance and showing corporate responsibility in line with best practice. BW Energy will inform stakeholders about objectives, priorities and achievements that are relevant to their interests, expectations and concerns.

In 2019, BW Energy was a subsidiary of BW Offshore and included in its sustainability framework and reporting. In relation to the 19 February 2020 IPO and listing, BW Energy has adopted the main principles and policies to govern its approach to sustainability and corporate social responsibility. A separate Corporate Social Responsibility policy has been adopted by the Board of Directors and the company has policies for ethics and business conduct, which provide a basis for the attitudes and principles that should govern the culture in BW Energy.

BW Energy takes part in a value chain providing safe and affordable energy to the world, an important factor for economic growth in both developed and undeveloped economies. The Company has an established framework for risk management to ensure safe and effective operations, minimise unnecessary use of resources and environmental impact and to act as a responsible and inclusive employer.

These factors tie in with the Company's commitment to Operational Integrity and safety and its 'zero harm' objective for personnel and the environment at large, supported by the I LEAD principles shared with BW Offshore that guide and motivate leadership at all levels in the organisation. The factors are also reflected in the Company's support for the United Nations Sustainable Development Goals (SDGs).

BW Energy has a holistic approach to Health, Safety, Security, Environment and Quality (HSSEQ) across all its operations. The Company also shows due respect for the individual, human rights and employment practices. BW Energy has defined the following as the most important factors for long-term value creation [1)]:

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

BW Energy is a responsible company which contributed to the UN SDGs through its operations

- Providing safe, efficient and affordable energy and investment to support economic growth in developing countries
- Investing in local communities and people where we operate through safe jobs and by promoting education and innovation
- Minimising the environmental impact of operations and addressing the climate change

1) Based on materiality analysis conducted by BW Offshore in 2020 pre the IPO of BW Energy as a standalone company

Safe, secure and environmentally conscious E&P operations

BW Energy prioritises safety first with "zero harm" as an overriding objective for people and environment

Environment

- Committed to minimising environmental impact
- Business model utilising sunk exploration and newbuild GHG1 emissions by developing proven reservoirs with existing FPSOs
- 13 kg CO_2e/boe Dussafu GHG intensity in 2019 compared to global average of 18 kg CO_2e/boe
- Participating in sea turtle conservation project in Gabon

Social

- Provider of safe and secure jobs
- LTI frequency ratio of zero in 2019
- Local employer in underdeveloped areas
- Supporting local communities by training and job creation

Governance

- Policies in place for responsible and ethical business conduct and a dedicated Corporate Integrity function
- Dedicated risk management and Operational Integrity functions
- Fair compensation structures
- Significant local tax contributor in Gabon


NORVE

Safe and secure energy production

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

The Operational Integrity function manages Health, Safety, Security, Environmental, Quality (HSSEQ) protocols that enable the Company to meet and exceed mandatory requirements and those the Company has chosen to apply as best practice. This is reflected in the ISO 9001, ISO 14001 and OHSAS 18001 certifications representing international standards for management of business processes, commitment to minimising environmental impact and health and the safety systems, as well as being a holder of a Document of Compliance from the International Safety Management Code.

BW Energy targets being an industry leader, with the lowest reasonably possible frequencies for lost time injuries, high-risk incidents, including spills to the environment, unplanned emissions and occupational illnesses. The Company monitors trends and takes prompt action to prevent or reverse any unwanted developments. BW Energy gives all employees the explicit authority to stop all actions that they think are unsafe and/or are unsure of, and to initiate a process to define and clarify without any repercussions or questions.

The Company has through Operational Integrity established processes and tools to demonstrate operational performance and compliance in a transparent manner.

Operational Integrity Framework

The Operational Integrity framework promotes repeatable operational excellence and provides a platform for continuous improvement. It is based on the three core elements: people, process and plant. This framework is defined within the Company Management System, with the desired outcome of efficient, reliable and compliant operations delivered with zero harm through a comprehensive assurance programme. This assurance programme then allows for opportunities for improvement to be identified and realised.

Operational Integrity Performance

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

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

BW Energy registered zero LTI incidents in 2019 and zero in 2018. This compares to an industry average ratio of 1.44 (International Association of Oil and Gas Producers Benchmark). The HPI ratio was zero in 2019 and zero in 2018.

Operational Integrity Compliance

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

The FPSO BW Adolo that produces for BW Energy on the Dussafu license is certified in accordance with the requirements of the International Ship and Port Facility Security (IPSS) code. The security policy of the Company, related assets and premises is to prevent unauthorised access and the introduction of weapons and other dangerous devices or substances. The security policy underpins the commitment to ensure zero harm to personnel and prevent damage to the Company's assets. The Company had no material security incidents in 2019 (2018: no incidents).

Continuous Improvement

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

Environmentally conscious operations

BW Energy is committed to contributing to a sustainable environment. The Company recognises that its operations may have wide-ranging impacts on the environment and therefore applies systematic risk management processes to identify, assess and mitigate impacts. Operations are subject to an environmental management system which is third-party certified to ISO14001:2015 environmental management system standards.

BW Energy operates in a highly regulated industry with a growing body of environmental legislation and emerging industry best practice. The Company engages with industry, regulatory bodies and maritime administrations to ensure that all operations that may have a significant environmental impact apply the 'precautionary principle'. The environmental management system identifies and integrates all relevant regulatory compliance requirements and industry best practice. BW Energy monitors emerging environmental issues, technologies and practices to ensure it remains compliant, relevant and positioned to operate sustainably in the future.

Environmental performance

BW Energy environmental impact is measured by the operational performance of its exploration and production activities against key performance indicators. In 2019, environmental reporting was integrated into the FPSO BW Adolo's daily reporting process. The quality of environmental performance monitoring has improved by enhancing the use of digitised data gathering from the asset's Integrated Control and Safety System. BW Offshore as the asset owner ensures that that the facility is effectively operated in accordance with the corporate environmental management system and environmental management standards.

Air emissions

On average, BW Energy emitted 13 kg of CO_2, per barrel of oil equivalent (boe) produced from the Dussafu licence in 2019, compared to a global average of 21 kg of CO_2/boe. The volume of reported flared gas increased from 2018 values relative to average daily production. In 2020, BW Energy will seek to improve the quantification of direct emissions through a fugitive emissions programme.

Energy efficiency

As the field operator, BW Energy is responsible for gas flaring through the regulatory consent to operate to ensure responsible management of natural resources and maximise the licensing State's economic recovery. Associated gas has traditionally been considered an unwanted by-product of oil production. BW Energy considers flaring of associated gas from oil production an inefficient use of energy (resource wastage). Where feasible, field developments are designed to capture and either export or re-use hydrocarbon gas associated with oil production.

In 2020, BW Energy will support a study of FPSO power and utility systems to optimise energy efficiency and reduce consumption of natural resources to operate power and heating systems. The study follows on from the asset-specific energy efficiency assessments performed in 2019, based on the ISO 50001 Energy Management System standard.

BW Energy monitors power and heating consumption at onshore sites and seeks to implement energy-saving measures, including selecting energy-efficient consumables and partnerships where applicable.

BW Energy acknowledges its impact on the environment. The Company has invested in communication systems enabling efficient video meetings and promotes the use of such systems to minimise unnecessary travel.

Consumption, waste and materials management

In 2019, BW Energy and the FPSO operator introduced measures to manage waste generated offshore and shipped to shore, reducing quantities of both hazardous waste and proportion of recyclable relative to 2018 when production commenced from the Dussafu license in September. Shipboard waste management procedures were in 2019 vetted to ensure compliance with international maritime waste management standards.

Emission to sea

The most significant, short-term risk to the marine environment and biodiversity associated with offshore oil and gas operations is the potential for an event that leads to a significant oil spill to sea. In 2019, BW Energy as field operator and BW Offshore FPSO owner and operator, jointly conducted an annual oil spill response drill on the FPSO BW Adolo to test responsiveness and preparedness for unplanned oil pollution events.

Produced water

Produced water is a by-product of the oil production process. The most environmentally friendly option for managing produced water is to reinject the water into the reservoir, provided facilities have been incorporated as part of the field development plan. Alternatively, produced water is processed onboard to a threshold cleanliness quality prior to discharge to the marine environment.

BW Energy outperforms industry standards for the quality of produced water discharged to sea. The World Banking Group has established a guideline limit of 29 parts per million (ppm) oil in water content for produced water discharges. BW Energy's operations in 2019 resulted less than 15 ppm oil in water content for produced water discharges.

Management marine environment impact

BW Energy is the licence holder of the Dussafu marine block. As Field Operator, BW Energy is responsible for the environmental licencing process for the Dussafu field development, consisting of Environmental and Social Impact Assessments. The environmental management system for the Dussafu field development has been audited by third-party ERM (Environmental Resource Management) and is currently being implemented.

Environmental and Social Impact Assessment of the Mayumba Marine Park

The Dussafu Marine Exclusive Exploitation Area is situated 15 miles away from the buffer zone of the Mayumba Marine Park. Following BW Energy's approval to proceed with the Phase I development plan from the Ministry of Oil and Hydrocarbons, an Environmental and Social Impact Assessment (ESIA) was carried out by an independent third party prior to installation of the FPSO anchors. Another ESIA was performed for the installation of the FPSO and the drilling operations of two development wells and one appraisal well. These assessments were performed under Gabonese law and involved several governmental entities, including the Ministry of Oil and Hydrocarbons, Ministries of Fisheries, Ministry of the Environment, Merchant Marine and the National Park Agency. BW Energy also organised a general information meeting with the representatives of the entities along with the local communities to explain operations and development activities in Gabon.

A strong governance framework

BW Energy seeks to comply with applicable laws, rules and regulations in every country in which it operates. Business Conduct and Anti-Corruption compliance is of great importance to the Company's stakeholders and it is actively engaged with local authorities and follows international laws and standards for its operations. BW Energy is also a fair and non-discriminating local employer and its activities generate substantial local revenue in terms of salaries and tax income.

Ethics and Business Conduct Compliance

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

BW Energy has mandatory e-learning modules for all employees that must be completed on a regular basis to ensure that the workforce knows and understands the Company's expectations and commitment to compliance. The Company also provides job-role or geography-specific compliance training on-site, as dictated by the Ethics and Business Conduct risk assessment.

Anti-Corruption

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

Corruption can often be hidden in common forms of disguise, such as through gifts and entertainment, donations, sponsorship or political contributions. The exchange of corporate gifts and entertainment in a business context can help build goodwill and is a legitimate and valuable component of how the Company conducts its business, provided that any giving or receipt complies with the relevant laws and locally accepted good practice. Instances that are excessive or could be seen to influence decision-making or judgements are not acceptable, and BW Energy has adopted corporate reporting and approval mechanisms to review and monitor the giving or receipt of gifts or hospitality.

The Company does not make political contributions, nor does it authorise any personnel or representatives to do so on its behalf. However, BW Energy respects its personnel's right to voluntarily participate in political and democratic processes with their own time and resources.

BW Energy is open to providing responsible and ethical community support: sponsorship, charitable contributions and donations, be it in-kind, services, knowledge, or direct financial contributions, aimed at improving the lives and welfare of the local communities in which it operates. The Company is careful to ensure that charitable contributions and sponsorships are not used as a cover for and do not constitute bribery. Appropriate compliance and corporate authorisation review and approval mechanisms are in place for this purpose.

Governance structure

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

External auditors | Annual General Meeting | Nomination Committee

Board of Directors

Audit Committee | Compensation Committee | Technical and Commercial Committee

Internal Audit | CEO & Senior Management Team

External Framework | Internal Framework

All committees will be in place by the first Annual General meeting.

It is the expectation of BW Energy that all applicable business partners, suppliers, agents or other third parties (collectively referred to as 'suppliers') will also observe equivalent anti-corruption principles when conducting businesses with BW Energy. BW Energy has adopted a 'Supplier Code of Ethics and Business Conduct' in cooperation with BW Offshore, in which it expresses the expectations the Company holds for its suppliers.

During the 2019 financial year, BW Energy was not made aware of any confirmed cases of corruption.

Conflicts of Interest

BW Energy requires its personnel and representatives to be loyal to BW Energy, and to refrain from actions or from having interests that make it difficult to perform their work objectively and effectively. They must behave impartially in all business dealings and not give other companies, organisations or individuals improper advantages.

BW Energy requires annual Conflict of Interest declarations to be made by all Personnel and in addition requires supplemental declarations to be made during the year, if a new conflict presents itself. The declaration includes questions on personal interests and any relationship to public officials or politically exposed personnel. Key personnel within BW Energy, such as the board, management, subsidiary Company directors or officers and functional leaders, are required to complete an extended declaration of their interests.

Compliance Assessment of Business Partners

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

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

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

Reporting concerns, asking questions and raising grievances

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

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

BW Energy commits that no retaliation will be taken against any personnel for raising any concern, question, grievance or complaint in good faith. All reports will be treated confidentially and will be investigated promptly, thoroughly and fairly. Reports received and questions asked through the 'Speak Up Channel' function are communicated to the BW Energy Board of Directors on a quarterly basis— with as much detail as is practical based on the Company's commitments to confidentiality and carrying out a fair and thorough investigation.

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

The Expressions of Concern policy elaborates several routes for BW Energy Personnel to raise concerns, grievances or make reports and the BW Energy Speak Up Channel is only one of those possible avenues. In 2019, there were no BW Energy related reports registered in the Speak Up Channel (then a subsidiary of BW Offshore).

Being a non-discriminating and fair employer

BW Energy focuses on its employees and organisation, and the opportunities it can provide for the wider community. The Company is deeply aware of the importance of its people and their contribution to meeting operational and financial objectives. Ensuring the safety and wellbeing of its employees is BW Energy's greatest responsibility and is reflected in its zero-harm principle. Therefore, all processes seek to leverage human performance and a strong culture of care.

Human rights, anti-discrimination and fair employment

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

The Company is committed to treating all persons with dignity and respect in the conducting of their duties and responsibilities. BW Energy prohibits unlawful discrimination based on ethnic or national origin (including protection for indigenous peoples), age, gender identity or expression, sexual orientation, marital status or family structure, religion or disability. Inappropriate workplace conduct, such as harassment, violence or discrimination is not tolerated.

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

Third parties providing goods and services to BW Energy are expected to comply with human rights and relevant employment practices. Contractor due diligence is conducted as part of efforts to ensure that the various supply chains operate in an ethical and responsible manner to prevent slavery, human trafficking, forced or child labour and any other violations of human rights and labour standards.

Working for BW Energy

The headcount in BW Energy reflects a highly efficient corporate structure based on a core team supported by specialist competence and capacity, mainly subcontracted from BW Offshore. As at 31 December 2019, BW Energy had 75-100 employees, including contractors and consultants.

Workforce diversity and equal opportunity

BW Energy consists of people with a wide range of experiences, backgrounds and characteristics. The Company continues to build a diverse workforce by attracting, recruiting, developing and retaining people of both genders, different nationalities and age groups, across all types of positions.

BW Energy believes that diversity promotes healthy collaboration and positive development of the Company's capabilities and operates with multinational teams at all offshore and onshore locations.

The Company's strategy is to deliver local content to meet and exceed local requirements. Developing local content and competencies strengthens the Company's position and operational abilities. A strong local connection provides knowledge, widens the available competence base and supports the development of a joint company culture.

BW Energy continuously invests in employee training and competency in cooperation with BW Offshore. This includes the BW Academy, which is an internal e-learning platform, currently offers over 75 courses, which are available for all employees. In addition to e-learning, the Company supports personal development and training by internal or external courses, within the categories of Leadership development, induction training, young talent programmes, professional and technical training. The Company is in process to start measuring reporting training hours for internal and external courses.

BW Energy together with the FPSO owner and operator BW Offshore assigned 40 industry specialists as a shadow crew in 2018 to secure transfer of knowledge and train local competencies during the start-up of FPSO BW Adolo. They ensured safe operations and provided direct hands-on training to the local workforce recruited specifically for the unit. Today, the Gabonese crew has assumed most responsibilities and the shadow crew is being phased out.

Performance Management

BW Energy holds Performance Dialogues (formerly Performance Appraisals) with all employees to formalise the performance management process as an important element of leadership and people development for both managers and employees. The process ensures open discussion on expectations, feedback on achievements, and positive and constructive feedback between managers and employees, as well as setting objectives for the coming period. Future focus is to continue the training of managers to ensure the best value of the performance management process.

Fair compensation structures

BW Energy applies a meritocratic approach to ensure that the compensation framework supports the Company's long-term business strategy and delivers a total compensation that fairly reflects each employee's contribution and performance. The salaries and benefits offered by the Company and by subcontractors on the operated fields operated are significantly higher than local minimum wages. The Company is committed to the UN SDG #1 goal of No Poverty and decent living.

BW Energy will establish a Compensation Committee appointed by the Board of Directors that is responsible for assisting and facilitating decision-making by the Board of Directors regarding executive remuneration. Executive remuneration and variable compensation schemes (VCS) will be subject to annual review and the discretion of the

Board of Directors in accordance with the Company's governance.

BW Energy takes a holistic view of various factors to determine and ensure that total employee compensation is fair and above the minimum legal requirements in the various locations in which the Company operates. Factors included when determining compensation are position, competence and results and performance. The compensation model consists of a base salary and cash compensation that is aligned and competitive in the markets in which the Company operates. Additional compensation may be paid through:

- Variable Compensation Schemes based on the annual performance related to the Company (financial and HSEQ results) and the Employee's individual performance contribution
- Long-term incentive (LTI) programmes based on share options to incentivise long-term value creation for the Company, and to align the interests of the participating employees with the interests of the shareholders over a long period of time. Awards and participants are in on an annual basis
- Benefits, representing pension plans and insurance schemes to all employees in all locations aligned with or above local legislations and markets

Collective bargaining agreement

BW Energy is committed to supporting Freedom of Association and Collective Bargaining. This is clearly stated in the Code of Ethics and Business Conduct. Collective Bargaining is a negotiation process between the Employers and unionised Employees to regulate the terms and conditions, which include wages, working conditions, benefits and other aspects of workers' compensation and rights for workers.

Supporting local communities

As a prudent and responsible operator, BW Energy is committed to develop safe and long-term stable production from the EEA while maximising recovery for the Gabonese state and partners. As a socially responsible corporation, BW Energy supports the region by contributing to the Gabonese Hydrocarbon Support Fund as well as to local training and social programmes.

For 2020, BW Energy has allocated funds to local initiatives in Mayumba, a village located nearby the Dussafu marine block. A task force has decided to finance solar-powered streetlights to improve lighting in the village following local presence and discussions with the local community. In addition, 20 navigation GPS will be issued to local fishermen to help safeguard navigation, and tutors will be appointed to support education at local schools. These activities are part of a long-term licence commitment to further support the development of Mayumba.

Future priorities

In 2020, BW Energy will support development of the BW Offshore managed culture improvement programme WE LEAD, as part of the I LEAD Next Phase activities following a company-wide I LEAD culture survey conducted in 2019. The purpose of the programme is to emphasise continuous improvement of the company culture by providing training to leaders and employees on safe and efficient operations and people development.

BW Energy continue to support nationalisation programmes to increase the percentage of local workforce offshore and onshore.

Summary of ESG KPIs

		2019
Environmental impact		
Energy		
Energy consumption offshore	GJ	500,627.2
Greenhouse Gas		
CO_2 equivalent	Te	56,927.8
N_2O	Te	2.7
CH_4 (Methane)	Te	300.7
CO_2	Te	47,789.1
CO_2 equivalent per barrel produced	Kg/bbl	13.3
Non-Greenhouse Gas Emissions and Discharges		
CO	Te	114.9
NO_x	Te	514.0
SO_2	Te	38.4
nmVOC	Te	129.3
Flaring		
Flared Gas	mmscf	337.4
Marine Discharges and Chemical Management		
Produced Water Discharged to sea	bbl	43,080.6
Oil in Water Content	ppm	12.3
Waste		
Total waste	Te	94.1
General Waste	Te	34.1
Recyclable Waste	Te	46.1 [1)]
Hazardous Waste	Te	13.9
Number of significant oil spills		0

1) includes 22.0 Te of metals.

	2019
People, Health and Safefy	
Gender split (female/male)	
Management	0% / 100%
Board of Directors	20% / 80%
Lost Time Injuries rate (per million exposed hours)	0
Total Recordable Injury rate (per million exposed hours)	0
Fatalities Employees	0

Consolidated financial statements

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Consolidated Statement of Income

USD MILLION (Year ended 31 December)	Note	2019	2018
Total revenues	4	282.4	39.2
Operating expenses	5,7	(90.7)	(17.9)
Operating profit before depreciation, amortisation and sale of assets (EBITDA)		191.7	21.3
Depreciation and amortisation	12,13,20	(74.7)	(8.0)
Net gain on sale of tangible fixed assets		0.3	-
Operating profit (EBIT)		117.3	13.3
Interest income		2.0	0.7
Interest expense		(0.7)	-
Net currency gain/ (loss)		2.1	(1.3)
Other financial items		(9.4)	2.9
Net financial items		(6.0)	2.3
Profit before tax		111.3	15.6
Income tax expense	8	(38.8)	(11.5)
Net profit for the year		72.5	4.1
Net profit for the year attributable to			
Shareholders of the parent		58.0	2.6
Non-controlling interests		14.5	1.5
Net profit for the year		72.5	4.1

The notes on pages 52-73 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

USD MILLION (Year ended 31 December)	2019	2018
Profit for the year	72.5	4.1
Other comprehensive income		
Items to be reclassified to profit or loss:		
Currency translation differences	0.4	(0.1)
Net items to be reclassified to profit or loss	0.4	(0.1)
Total comprehensive income for the year	72.9	4.0
Total comprehensive income for the year attributable to		
Shareholders of the parent	58.4	2.5
Non-controlling interests	14.5	1.5
Total comprehensive income for the year	72.9	4.0

The notes on pages 52-73 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

USD MILLION (As at 31 December)	Notes	2019	2018
ASSETS			
Property, plant and equipment	12	216.5	182.4
Intangible assets	13	96.7	35.6
Right-of-use-assets	20	237.1	-
Other non-current assets		-	8.4
Total non-current assets		550.3	226.4
Inventories	9	9.4	18.6
Trade and other current assets	10,22	97.1	39.5
Cash and cash equivalents	11	81.0	8.3
Assets held for sale	12,13	-	48.3
Total current assets		187.5	114.7
Total assets		737.8	341.1
EQUITY AND LIABILITIES			
Share capital	14	1.9	-
Share premium		349.3	-
Other equity		11.9	152.1
Total equity attributable to shareholders of the parent		363.1	152.1
Non-controlling interests	1	-	77.4
Total equity		363.1	229.5
Deferred tax liabilities	8	3.1	0.9
Asset retirement obligations	16	8.9	16.7
Long-term lease liabilities	20	228.0	-
Long-term related parties payables	22	27.6	8.5
Total non-current liabilities		267.6	26.1
Trade and other payables	15,22	90.5	85.5
Short-term lease liabilities	20	16.6	-
Total current liabilities		107.1	85.5
Total equity and liabilities		737.8	341.1

The notes on pages 52-73 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

USD MILLION	Owners net investment	Share capital	Share premium	Currency translation reserve	Retained earnings/ Net assets	Share-holders' equity	Non-controlling interests	Total equity
Equity at 1 January 2018	29.9	-	-	(0.3)	-	29.6	15.9	45.5
Profit for the period	2.6	-	-	-	-	2.6	1.5	4.1
Other comprehensive income/ (loss)	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Additional contributed capital	120.0	-	-	-	-	120.0	-	120.0
Transactions with non-controlling interests	-	-	-	-	-	-	60.0	60.0
Total equity at 31 December 2018	152.5	-	-	(0.4)	-	152.1	77.4	229.5
Equity at 1 January 2019	152.5	-	-	(0.4)	-	152.1	77.4	229.5
Profit for the period	31.8	-	-	-	26.2	58.0	14.5	72.5
Other comprehensive income/ (loss)	-	-	-	0.4	-	0.4	-	0.4
Effects from legal reorganisation	(184.3)	1.9	308.0	-	(34.0)	91.6	(91.9)	(0.3)
Conversion of debt to equity	-	-	41.3	-	19.7	61.0	-	61.0
Total equity at 31 December 2019	-	1.9	349.3	-	11.9	363.1	-	363.1

The notes on pages 52-73 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

USD MILLION (Year ended 31 December)	Note	2019	2018
Operating activities			
Profit before tax		111.3	15.6
Adjustment for:			
Currency exchange differences		(2.0)	1.3
Depreciation and amortisation	12,13,20	74.7	8.0
Gain on sale of property, plant and equipment		(0.3)	-
Changes in asset retirement obligations through income statement	16	0.2	0.3
Add back of interest income		(2.0)	(0.7)
Changes in net working capital		57.8	(43.4)
Taxes paid in kind	8	(36.5)	(10.8)
Net cash flows from/(used in) operating activities		203.2	(29.7)
Investing activities			
Investment in property, plant and equipment	12	(84.0)	(159.9)
Investment in intangible assets	13	(68.5)	(31.9)
Proceeds from disposal of property, plant and equipment	19	44.5	-
Interest received		2.0	0.7
Net cash flows used in investing activities		(106.0)	(191.1)
Financing activities			
Proceeds from interest-bearing debt	22	30.2	213.2
Repayment of interest-bearing debt	22	(28.6)	(2.6)
Proceeds from transactions with non-controlling interests	22	1.3	-
Payment of lease liabilities	20	(27.4)	-
Net cash flows from/(used in) financing activities		(24.5)	210.6
Net change in cash and cash equivalents		72.7	(10.2)
Cash and cash equivalents at 1 January		8.3	18.5
Cash and cash equivalents at 31 December	11	81.0	8.3

The notes on pages 52-73 are an integral part of these consolidated financial statements.

Notes

Note 1 General

BW Energy Limited, was incorporated on 22 May 2019 as an exempted company limited by shares under the laws of Bermuda and in accordance with the Bermuda Companies Act. BW Energy Limited registered office is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. BW Energy Limited (hereafter the "Company") is the parent company of the Company and its consolidated subsidiaries (hereafter the "BW Energy Group") after the completion of a legal reorganisation.

On 19 February 2020, BW Energy Limited was publicly listed on Oslo Børs, a stock exchange operated by Oslo Børs ASA (the "Oslo Stock Exchange).

BW Energy Group is engaged in oil and gas exploration and production activities.

The consolidated financial statements were approved by the Board of Directors on 17 March 2020.

Note 2 Significant accounting policies

First-time consolidated financial statements

On 11 October 2019 the Company entered into agreements with BW Offshore Singapore Pte. Ltd. (a wholly owned subsidiary of BW Offshore Limited), Maple Company Limited (a wholly owned subsidiary of BW Group Limited) and Arnet Energy Pte. Ltd. to acquire all shares and certain receivables in BW Energy Holdings Pte. Ltd. ("BWEH"). BWEH is the holding company owning the BW Energy Group's participating interest in the Dussafu asset. Further, on 11 October 2019 the Company entered into an agreement with BW Offshore Singapore Pte. Ltd. (a wholly owned subsidiary of BW Offshore Limited) to acquire all shares and certain receivables in BW Kudu Holding Pte. Ltd. and BW Maromba Holdings Pte. Ltd. The above transactions are collectively referred to as the "legal reorganisation".

Following completion of the legal reorganisation, BW Offshore Limited ownership interest in the Company is 68.6%, while BW Group Limited and Arnet Energy Pte. Ltd. own 30.5% and 0.9%, respectively. Following the completion of the legal reorganisation the previous non-controlling interests ceased to exist.

Reference is made to Note 22 for further information regarding these transactions.

Reference is made do Note 18 for information regarding the entities in that constitute the BW Energy Group.

The reference to 'BW Energy Group' throughout these financial statements are to the combined BW Energy business of BW Offshore Limited for the periods prior to the legal reorganisation, and to the Company and its consolidated subsidiaries for the periods after the legal organisation.

Combined financial statements were prepared for BW Energy's business in line with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) for the years ended 31 December 2018, 31 December 2017 and 31 December 2016.

As part of the IPO of BW Energy Limited, these combined financial statements were published in a listing prospectus, which is available on BW Energy's website. The comparative information for 2018, presented in the consolidated financial statements is derived from the Combined financial statements as disclosed in the IPO prospectus.

Prior to the legal reorganisation, the entities forming the BW Energy Group were all direct or indirect subsidiaries under common control of BW Offshore Limited and were not a legal group for consolidated financial reporting purposes in accordance with IFRS 10. For periods presented prior to the completion of the legal reorganisation, the consolidated financial statements have been prepared as if the BW Energy business had been part of the BW Energy Group for all such periods, and if the BW Energy Group existed as a separate group.

The legal reorganisation is assessed to be a transaction under common control. In accordance with IFRS 1.18 in conjunction with IFRS 1.D16(a), the BW Energy Group applied the predecessor accounting approach by using the carrying amounts recognised in the IFRS consolidated financial statements of BW Offshore Limited. The residual between the carrying amounts recognised and the consideration transferred through the issuance of new shares were recognised directly into equity.

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise indicated. As a result of rounding differences, numbers and or percentages may not add up to the total.

Changes in significant accounting policies

BW Energy group applied IFRS 16 Leases from 1 January

2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material impact on the group's financial statements.

BW Energy group applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure documents in IFRS 16 have not generally been applied to comparative information.

Definition of a lease
Previously, BW Energy group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. BW Energy group now assesses whether a contract is or contains a lease based on the definition of a lease under IFRS 16.

BW Energy group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

The Group as a lessee
As a lessee, BW Energy group leases mainly office premises, apartments, warehouses and vessels. BW Energy group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to BW Energy group. Under IFRS 16, BW Energy group recognises right-of-use assets and lease liabilities for most of the leases.

BW Energy group has elected to not separate non-lease components and account for the lease and the non-lease components as a single lease component. For right-of-use assets used in joint arrangements, the partners share of the lease payments are classified as other revenue.

BW Energy group used several practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular:

- Did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application
- Did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT- and office equipment)
- Used hindsight when determining the lease term

The Group as a lessor
As a lessor, IFRS 16 essentially continues existing principles from IAS 17. In line with this, a lessor shall continue to classify their leases as operating leases or finance leases and report these two types of leases separately. BW Energy group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

BW Energy group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

Impact on financial statements
On transition to IFRS 16, BW Energy group has recognised right-of-use assets and lease liabilities of USD 190.3 million.

BW Energy Group has applied the practical expedient for using a single discount rate to a portfolio of leases with reasonably similar characteristics. The discount rate used is BW Energy Group's incremental borrowing rate which has been applied to all leases. The applied discount rate used to calculate the lease liability in the opening balance under IFRS 16 at 1 January 2019 was 4.95%.

USD MILLION	**1 January 2019**
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's combined financial statements	34.3
Discounted using the incremental borrowing rate at 1 January 2019	32.6
Finance lease liabilities recognised as at 31 December 2018	-
– Recognition exemption for leases of low-value assets	-
– Recognition exemption for leases with less than 12 months of lease term at transition	-
– Extension options reasonably certain to be exercised	157.7
Lease liabilities recognised at 1 January 2019	190.3

Amendments to standards and interpretations with a future effective date

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not effective, are disclosed below.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts

The amended standards and interpretations are not expected to have a significant impact on BW Energy group's consolidated financial statements.

Basis for consolidation

Subsidiaries

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries are changed whenever necessary to ensure consistency with the policies adopted by BW Energy group.

The purchase method of accounting is applied to account for the acquisition of subsidiaries by BW Energy Group. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued, or liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value as of the date of acquisition, irrespective of the extent of any non-controlling interests.

Non-controlling interests represent the portion of the statement of income and net assets in the subsidiaries not held by BW Energy Group, and the amount attributable to the non-controlling interests is shown beneath the statement of income and is included in equity in the statement of financial position. Profit and loss and each component of OCI are attributed to the equity holders of the parent of BW Energy Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

Interests in joint arrangements

IFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

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

Functional currency and presentation

Functional currency

The functional currency is determined in each entity in the BW Energy Group based on the currency within the entity's primary economic environment. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Changes in the exchange rate are recognised continuously in the accounting period.

Presentation currency

The BW Energy Group's presentation currency is United States Dollars ('USD'). This is also the functional currency of most of the legal entities of which the financial information is included in these consolidated financial statements.

The statement of financial position figures of entities with a different functional currency are translated at the exchange rate prevailing at the end of the reporting period for balance sheet items and the exchange rate at the date of the transaction for profit and loss items. The monthly average exchange rates are used as an approximation of the transaction exchange rate. Exchange differences are recognised in other comprehensive income/(loss) (OCI).

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.

Revenue

The BW Energy Group's revenues derive from production of crude oil.

Revenue from contracts with customers

Revenue from the sale of crude oil is recognised when a customer obtains control (sales method), normally this is when title passes at point of delivery. Revenues from production of oil properties are recognised based on actual volumes lifted and sold to customers during the period.

Where the BW Energy Group has lifted and sold more than the ownership interest, an accrual is recognised for the cost of the overlift. Where the BW Energy Group has lifted and sold less than the ownership interest, costs are deferred for the underlift. Overlift and underlift on the consolidated statement of financial position date are valued at production cost. Lifting imbalances are a part of the operating cycle and as such classified as other current liabilities/assets.

Other revenues

Profit oil tax

BW Energy Group is obligated to pay profit oil tax on the production of crude oil. Payment of profit oil tax can either be settled in cash or in kind (crude oil). In kind payment of profit oil tax is separately lifted by the government for its entitled share of crude oil. Profit oil tax settled in kind is presented in the consolidated statement of profit and loss as income tax expense with a corresponding increase in other revenues.

Royalty

In accordance with the provisions of the Dussafu PSC, BW Energy Group has the obligation to make certain royalty payments to the government of Gabon with a variable percentage based on gross daily production levels. Under the PSC, the Government of Gabon may elect to receive payment for royalties either in cash or in kind (crude oil). Royalty expense incurred in cash is recognised in operating expenses in the consolidated statement of profit and loss. Royalty settled in kind is presented net of revenues. Unpaid royalty expense in cash is accounted for in the consolidated statement of financial position as trade and other payables, unpaid royalty expense in kind is reflected in the over- underlift position.

Borrowing costs

Borrowing costs directly attributable to development of oil and gas field, which take a substantial period to get ready for their intended use, are added to the cost of the asset until the assets are ready for their intended use. Borrowing cost consists of interest expense, which BW Energy Group incurs in connection with the borrowing of funds.

Taxes

The BW Energy Group may be subject to income tax in the countries in which it operates. The BW Energy 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.

Deferred tax liabilities / assets are calculated on all differences between the book value and tax value of assets and liabilities.

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. Previously unrecognised deferred tax assets are recognised to the extent it has become probable that the deferred tax asset can be utilised. Similarly, the deferred tax asset is reduced to the extent that it is no longer regarded as probable that the deferred tax asset can be utilised.

Deferred tax liabilities and deferred tax assets are measured on the basis of the enacted or substantially enacted tax rates applicable to the respective entity in the BW Energy Group where temporary differences have arisen. Deferred tax liabilities and deferred tax assets are recognised at their nominal value. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income becomes taxable.

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

Production sharing contracts (PSCs)

The PSCs provide that the income tax to which the contractor is subject is deemed to have been paid to the government as part of the payment of profit oil as regulated by the PSC. The BW Energy Group present this as an income tax expense with a corresponding increase classified as other revenues. This accounting presentation does not have a net impact on the statement of comprehensive income.

Intangible assets

Exploration and evaluation assets

IFRS 6 'Exploration for and Evaluation of Mineral Resources' requires exploration and evaluation assets to be classified as tangible or intangible assets according to the nature of the assets. The BW Energy Group uses the 'successful efforts'-method of accounting for exploration and evaluation costs. Exploration and evaluation expenditure are capitalised when it is considered probable that future economic benefits will be generated. Expenditure that fail to meet this criterion are generally expensed in the period they are incurred.

License acquisition costs, exploration costs, geological expenses and other directly attributable expenses are classified as intangible assets. Exploration assets classified as intangible assets are assessed for impairment at regular intervals.

Once commercial reserves have been discovered, and a development plan has been approved, the carrying value of the relevant assets are transferred to tangible assets. Further expenditure for development of a field, such as drilling production wells, installation of platforms and other structure is capitalised as tangible assets.

No amortisation or depreciation is charged during the development and until production commences.

Property, plant and equipment (PP&E)

Measurement

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

Subsequent costs are included in the asset's carrying amount, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the BW Energy Group and the cost of the item can be measured reliably.

Depreciation

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

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

Crude oil production assets are depreciated using the unit-of-production method. Unit-of-production rates are based on proved and probable reserves (2P) estimated to be recovered from the area during the concession period. Oil volumes are considered produced once they have been measured onboard the storage tank on the FPSO.

Other PP&Es, like IT equipment, office equipment and cars: 3-5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Impairment

Non-current 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 the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units). Each exploration and exploitation licence are considered a separate cash-generating unit as long as it is connected to its own production facility.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sales transaction instead of through continued use. This is only regarded as having been fulfilled when a sale is highly probable, and the non-current asset is available for immediate sale in its present form. Management must be committed to a sale and the sale must be expected to be carried out within one year after the classification date.

Non-current assets which are classified as held for sale are valued at the lower of their former carrying amount or fair value minus cost of disposal.

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 BW Energy Group's financial assets are trade 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 BW Energy Group's business model for managing them. Except for trade receivables that do not contain a significant financing component, the BW Energy 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 BW Energy Group classifies its financial assets at amortised cost.

Financial assets at amortised cost

The BW Energy 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 (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 BW Energy Group's financial assets at amortised cost includes trade and other receivables 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.

Impairment of financial assets

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

The BW Energy Group considers a financial asset in default when internal or external information indicates that the BW Energy Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the BW Energy Group. A financial asset is written off when the BW Energy Group has no reasonable expectations of recovering the contractual cash flows. The BW Energy 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 BW Energy 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 BW Energy Group's procedures for recovery of amounts due.

Financial liabilities

Financial liabilities are classified as 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.

Inventories

Inventories, other than inventories of crude oil, are valued at the lower of cost or net realisable value. Cost of materials and other consumables is determined by the weighted average cost method and cost on fuel oil is determined by 'first-in-first-out' (FIFO) method. The cost of inventories comprises the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services.

Crude oil inventory is valued at production cost including depreciation. Production cost is the weighted average production cost for the period.

Cash and cash equivalents

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

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in the equity as a deduction, net of tax, from the proceeds.

Provisions and contingent assets and liabilities

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

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

Contingent liabilities are not recognised in the consolidated financial statements. Contingent liabilities are disclosed, unless the likelihood of the contingent loss is assessed as remote.

Contingent assets are not recognised in the consolidated financial statements but are disclosed if there is a certain probability that the benefit will be added to the BW Energy Group.

Asset retirement obligations (ARO)

Provisions for ARO are recognised when the BW Energy Group has a legal or constructive obligation to cover expenses associated with dismantling and removal of assets, and when a reliable estimate of this liability can be made.

The ARO is recognised based on the present value of the estimated cash outflows to be incurred to conduct abandonment activities, considering relevant risks and uncertainties. The corresponding amount is recognised to the related PP&E in the Consolidated Statement of Financial Position and depreciated using the same depreciation method used for the asset.

The ARO will be assessed annually to incorporate the annual revisions to the estimated retirement costs, discount rate and retirement date estimates. Changes in estimates will be recognised as an adjustment to the provision and the corresponding PP&E.

In the event of decrease in the ARO provision related to a producing asset exceeds the carrying amount of the asset, the excess is recognised as a reduction of depreciation, amortisation and net impairment losses in the Consolidated Statement of Income.

When an asset has reached the end of its useful life, all subsequent changes to the ARO provision are recognised when they occur in operating expenses in the Consolidated Statement of Income.

Leases

BW Energy group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

BW Energy 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. To assess whether a contract transfers the right to control the use of an identified asset, BW Energy group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

The Group as a lessee

BW Energy group applies a single recognition and measurement approach for all leases except for short-term leases and leases of low value. BW Energy group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

BW Energy 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. Right-of-use assets used in BW Energy's oil production is depreciated using the unit-of-production method. 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, BW Energy 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 BW Energy 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.

BW Energy group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Short-term leases and leases of low value

BW Energy group applies the short-term lease recognition exemption to its short-term leases. A short-term lease is a lease that have a lease term of 12 months or less from the commencement date. It also applies the low-value exemption to leases of office equipment that are considered to be low value. Lease payments for these leases are recognised as an expense on a straight-line basis over the lease term. BW Energy group has elected to not separate non-lease components and account for the lease and the non-lease components as a single lease component.

Policy applicable before 1 January 2019

The Group as a lessee

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

Note 3 Significant accounting judgments, estimates and assumptions

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

Reserves and resources estimates

Hydrocarbon reserves are estimates of the number of hydrocarbons that can be economically and legally extracted from the BW Energy Group's oil properties. The BW Energy Group estimates its commercial reserves and resources with support from an independent third party. Commercial reserves are determined using estimates of oil in place, recovery factors and commodity prices. Forecasted oil prices are based on available market data. BW Energy Group has used oil prices based on price deck from an external industry consultant. Future development costs are estimated using assumptions as to the infrastructure required to produce the commercial reserves, whether a platform is needed, number of wells, the cost of such wells and other capital costs. The proven and probable reserves (2P) are used for calculation of depreciation of E&P assets by applying the unit of production method. Changes to the reserve estimate might have an impact on depreciation and impairment testing.

Asset retirement obligations

Asset retirement costs will be incurred by the BW Energy Group at the end of the operating life of some of the BW Energy Group's facilities and properties. The BW Energy Group assesses its retirement obligations at each reporting date. The ultimate asset retirement costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions, including estimated retirement costs, discount rates, and estimated retirement dates, are made in determining the provision for asset retirement obligations. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at the reporting date represents management's best estimate of the present value of the future asset retirement costs required.

Impairment of non-current assets

Management must determine whether there are circumstances indicating a possible impairment of the BW Energy Group's non-current assets. The estimation of the recoverable amount for the E&P assets includes assumptions of expected future cash flows and future market conditions, including entitlement production, future oil and gas prices, asset specific risk factors, expected reserves and the date of expiration of the licenses.

All impairment assessment calculations demand a high degree of estimation. Management must make complex assessments 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.

Note 4 Revenue

Revenue streams

The BW Energy Group generates revenue primarily from sale of crude oil. BW Energy Group currently has three customers (one customer in 2018). All revenue originates in Africa. BW Energy Group does currently only have one segment.

Other revenue primarily comprise profit oil tax settled in kind. The majority of BW Energy Group's tax expense is related to the operation of the Dussafu PSC arrangement in Gabon. Taxation under this PSC arrangement is based on the government of Gabon's entitled share of profit oil production paid in kind. Under this arrangement taxation is based on a set percentage of average daily production volumes.

USD MILLION	2019	2018
Revenue from contracts with customers	241.1	28.6
Other revenue	41.3	10.6
Total revenue	282.4	39.2

Note 5 Specification of operating expenses

USD MILLION	2019	2018
Employee benefit expenses	3.4	0.7
Operating expenses	87.3	17.2
Total operating expenses	90.7	17.9

Royalty expense incurred for 2019 of USD 11.4 million (USD 3.6 million).

Note 6 Earnings per share

Basic

Basic earnings per share are calculated by dividing the net result attributable to the shareholders of the parent by the weighted average number of ordinary shares in issue during the year.

Diluted

The company had no instrument outstanding during the reporting period with a potentially dilutive effect.

USD MILLION	2019 [1)]
Profit attributable to ordinary shareholders	72.5
Weighted-average number of ordinary shares (in '000)	187,400
Basic and diluted earnings per share net	0.39

1) Prior to the legal reorganisation on 11 October 2019, BW Energy Group was not a legal group for consolidated financial reporting purposes in accordance with IFRS 10. Reference is made to Note 1 for further information. Weighted-average number of ordinary shares is based on as if BW Energy Group was a legal group from 1 January 2019.

There are no differences between basic and diluted earnings per share at 31 December 2019.

Note 7 Employee benefit expenses, remuneration to directors and auditors

USD MILLION	2019	2018
Wages, administrative personnel	3.4	0.7
Total employee benefit expenses	3.4	0.7
Average number of employees	14	5

Top Management Remuneration

USD	Salary	Bonus	Pension	Share options	Other benefits	Total	Number of shares
2019	564,576	75,188	10,981	-	15,723	666,468	-

Top Management comprises Chief Executive Officer and Chief Financial Officer from 1 July 2019 to 31 December 2019.

Expenses related to management, project, operational services and other support functions are allocated from BW Offshore Limited to BW Energy Group and included as operating expenses or capitalised as E&P assets during exploration and development phase.

In 2018, there was no remuneration to Top Management. Expenses related to management, project, operational services and other support functions are allocated from BW Offshore Limited to BW Energy Group and included as operating expenses or capitalised as E&P assets during exploration and development phase.

There is no remuneration to Board of Directors in 2019 and 2018.

Auditors' remuneration

USD THOUSAND	2019	2018
Audit	782.3	25.0
Other assurance	10.9	-
Tax	-	31.1
Total fees	793.2	56.1

KPMG is the appointed auditor of BW Energy Group. BW Energy Group changed auditor during 2018 and the 2018 numbers includes fees for services rendered from both auditors. Audit fees for 2019 include fees related to audit services provided in light of the IPO of BW Energy Limited. Fees listed for 2018 only relate to audit and tax services rendered to individual legal entities in the BW Energy Group.

Note 8 Income tax expense

The income tax expense for the period comprise corporate income tax, profit oil tax and deferred tax.

The majority of BW Energy Group's tax expense is related to the operation of the Dussafu PSC arrangement in Gabon. Taxation under this PSC arrangement is based on the government of Gabon's entitled share of profit oil production paid in kind. Under this arrangement profit oil taxation is based on a set percentage of average daily production volumes. As BW Energy Group's taxation is primarily driven by the PSC profit oil taxation, income tax expenses will not necessarily change proportionally with changes in the overall net profit before tax. As a consequence of the PSC taxation arrangement there is no direct correlation between profit before tax and taxation and therefore the effective tax rate may differ significantly between comparable periods.

Tax expense for the year

USD MILLION	2019	2018
Changes in deferred tax	2.2	0.9
Tax expense excluding withholding tax current year	36.6	10.6
Total tax expense recognised in statement of income	38.8	11.5

In 2019, USD 36.2 million (USD 10.5 million) of income tax expense is related to Dussafu (State Profit Oil).

Deferred tax liabilities

Deferred tax liabilities are specified as follows:

USD MILLION	2019	2018
Other	3.1	0.9
Deferred tax liabilities - gross	3.1	0.9
Net recognised deferred tax liabilities/ deferred tax assets	3.1	0.9

Note 9 Inventories

USD MILLION	2019	2018
Fuel oil	0.7	1.2
Materials and consumables	8.7	5.3
Crude oil	-	12.1
Inventory	9.4	18.6

The BW Energy Group does not hold any crude oil inventory as of year-end 2019 considering the BW Energy Group is in an overlift position.

Note 10 Trade and other current assets

USD MILLION	2019	2018
Trade receivables	52.3	28.5
Other receivables	22.5	6.2
Related parties receivables	21.1	-
Underlift	-	3.6
Prepayments	1.2	1.2
Trade and other current assets	97.1	39.5

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

As of 31 December 2019 and 2018, there were no overdue balances and expected credit loss for BW Energy Group is immaterial. The carrying amount of BW Energy Group's trade and other receivables are mainly denominated in USD.

USD 12.1 million (USD 4.8 million) of other receivables at 31 December 2019 relates to a receivable from JV partners on the Dussafu field. The long-term portion of the receivable from JV partners of USD 8.4 million at 31 December 2018 is included in non-current assets in the statement of financial position.

Reference to note 19 for further information on Tullow back-in right and related receivable as of 31 December 2019.

BW Energy Group sells crude oil volumes for Panoro Energy and funds certain JV cash calls. BW Energy Group acts as an agent on behalf of Panoro Energy and revenues, trade receivables, crude oil inventory, and operating expenses are presented net of Panoro Energy's share in the JV. BW Energy Group only recognises its share of the JV in the consolidated financial statements.

Credit risk and foreign exchange risk regarding trade receivables are described in Note 17.

Note 11 Cash and cash equivalents

Cash and cash equivalents are denominated primarily in USD, XAF, BRL and EUR. There is no restricted cash at 31 December 2019 and at 31 December 2018.

Note 12 Property, plant and equipment

2019

USD MILLION	E&P assets under development	E&P production assets	Property and other equipment	Total
Cost at 1 January 2019	5.2	189.2	0.4	194.8
Additions and changes in asset retirement cost [1]	83.9	(7.9)	0.1	76.1
Reclassifications from intangible assets	1.6	-	-	1.6
Reclassification to assets held for sale	-	-	-	-
Cost at 31 December 2019	90.7	181.3	0.5	272.5
Accumulated depreciation at 1 January 2019	-	(12.3)	(0.1)	(12.4)
Current year depreciation	-	(43.5)	(0.1)	(43.6)
Accumulated depreciation at 31 December 2019	-	(55.8)	(0.2)	(56.0)
Book value at 31 December 2019	90.7	125.5	0.3	216.5
Useful life		UoP [2]	3-5 years	

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

2) UoP = Unit of Production. Revenue from oil production is recognised based on barrels sold while the E&P production assets are depreciated using unit of production. Since the assets are used in the production process, the variance is considered to be a part of the crude oil inventory and crude oil underlift value. Depreciation of USD 3.6 million and USD 1.1 million recognised in inventory and other assets, respectively, in the statement financial position at 31 December 2018, has been recognised in the condensed consolidated statement of profit/(loss) for the period ending 31 December 2019.

E&P additions in the 2019 relate mainly to development of the Dussafu oil field in Gabon.

E&P assets under development are not depreciated.

The negotiations related to the farm-in of a 10% stake by Gabon Oil Company (GOC) in the Dussafu licence was completed in March 2019, reducing the Group's stake to 81.67%. Reference is made to note 19 for further information on the GOC transaction.

Reference to note 19 for further information on Tullow back-in right. Following the Tullow 10% back-in right, the Group's ownership of the Dussafu license was reduced to 73.5%.

Assets held for sale at 31 December 2018, included both GOC farm-in right and Tullow back-in right in the Dussafu licence. Pan-Petroleum Gabon B.V. holds 7.5% (8.33 %) of the licence.

BW Energy Group has performed an impairment trigger assessment on E&P assets and concluded that no impairment triggers exist. Each exploration and exploitation licence are considered a separate cash-generating unit for the purpose of the impairment trigger assessment and, if applicable, impairment testing.

The Dussafu licence expires in 10 years from commencement of production. At the end of this term, BW Energy Group can file for additional two 5-year extensions.

2018

USD MILLION	E&P assets under development	E&P production assets	Property and other equipment	Total
Cost at 1 January 2018	56.3	-	0.1	56.4
Additions	168.8	4.9	0.3	174.0
Reclassifications	(219.9)	219.9	-	-
Reclassification to assets held for sale	-	(35.6)	-	(35.6)
Cost at 31 December 2018	5.2	189.2	0.4	194.8
Accumulated depreciation at 1 January 2018	-	-	-	-
Current year depreciation	-	(12.3)	(0.1)	(12.4)
Accumulated depreciation at 31 December 2018	-	(12.3)	(0.1)	(12.4)
Book value at 31 December 2018	5.2	176.9	0.3	182.4
Useful life		UoP [1)]	3-5 years	
Capitalised interest cost for E&P assets under development	3.6			
Exchange differences	-	-	0.2	0.2

1) UoP = Unit of Production. Revenue from oil production is recognised based on barrels sold while the E&P production assets are depreciated using unit of production. Since the assets are used in the production process, the variance is considered to be a part of the crude oil inventory and crude oil underlift value. Depreciation of USD 3.6 million at 31 December 2018 was included in inventory and depreciation of USD 1.1 million at 31 December 2018 was included in other current assets in the Statement of financial position.

Note 13 Intangible assets

USD MILLION	E&P exploration and evaluation expenditures	Other intangible assets	Total Intangible assets
Cost			
At 1 January 2019	28.3	7.5	35.8
Additions	68.5	-	68.5
Reclassification to assets held for sale	(5.2)	-	(5.2)
Reclassification to tangible assets	(1.6)	-	(1.6)
Carrying amount, 31 December 2019	90.0	7.5	97.5
Amortisation and impairment			
At 1 January 2019	-	(0.2)	(0.2)
Amortisation and impairment	-	(0.6)	(0.6)
At 31 December 2019	-	(0.8)	(0.8)
Net book value			
At 31 December 2019	90.0	6.7	96.7

Reference to note 19 for further information of assets held for sale.

In 2019, BW Energy Group started further exploration and evaluation of the Ruche area of Dussafu. Drilling operations at Hibiscus proved a significant oil reservoir in the structure and the Group has revised the Ruche development plan including the Hibiscus discovery which will accelerate production growth from Ruche phase 1.

Additions in E&P exploration and evaluation expenditures in 2019, includes the first milestone payment related to the acquisition of the Maromba oil field in Brazil (USD 30 million). Reference is made to Note 19 for further information regarding the acquisition of Maromba.

USD MILLION	E&P exploration and evaluation expenditures	Other intangible assets	Total intangible assets
Cost			
At 1 January 2018	3.9	-	3.9
Additions	24.4	7.5	31.9
Carrying amount, 31 December 2018	28.3	7.5	35.8
Amortisation and impairment			
At 1 January 2018	-	-	-
Amortisation and impairment	-	(0.2)	(0.2)
At 31 December 2018	-	(0.2)	(0.2)
Net book value			
At 31 December 2018	28.3	7.3	35.6

The Group also holds a 56% stake of the Kudu production licence, PL-003, offshore Namibia. National Petroleum Corporation of Namibia (NAMCOR), the Namibian state-owned oil company, holds the remaining 44% of the licence. The licence expires in November 2036.

E&P intangible assets that are under the exploration and evaluation phase are not amortised except for the Intellectual Property agreement described in Note 22, which is amortised over 12 years.

Note 14 Share capital

Share capital

Authorised share capital:	
At 31 December 2019:	300,000,000 ordinary shares at par value USD 0.01 each

	USD THOUSAND
Issued and fully paid:	
At 31 December 2019	1,874.0

The largest shareholders at 31 December 2019	
BW Offshore Limited	68.6%
Maple Company Limited	30.5%
Arnet Energy Pte Ltd	0.9%

Note 15 Trade and other payables

USD MILLION	2019	2018
Trade payables	16.5	0.4
Payables to related parties	17.8	63.4
Accrued other expenses	56.0	21.6
Public duties payables	0.2	0.1
Total trade and other payables	90.5	85.5

Note 16 Provisions and contingent assets and liabilities

The BW Energy Group has made a provision for asset retirement obligations (ARO) related to future demobilisation of FPSOs operating for the BW Energy Group, removal and decommissioning umbilical's and other production assets, plugging and abandonment of production or exploration wells and removal of other subsurface equipment and facilities in Gabon. The amount recognised is the present value of the estimated future expenditures determined in accordance with local conditions and requirements. The applied discount rate is 6 % (6%), calculated based on risk free rate, adjusted for credit risk of the BW Energy Group.

USD MILLION	Asset retirement obligations
Provision at 1 January 2018	2.3
Provision during 2018	14.1
Accretion expense	0.3
Provision at 31 December 2018	16.7
Change in estimate during 2019	(7.9)
Accretion expense	0.1
Provision at 31 December 2019	8.9

The total acquisition price for the Maromba field is USD 115 million, of which USD 85 million is contingent. Reference is made to note 19 for further information regarding the acquisition of Maromba.

Note 17 Financial risk management

Until the separate listing of BW Energy Limited, the BW Energy Group is part of the BW Offshore Limited`s group which includes a central finance division. The division has the responsibility of financing, treasury management and financial risk management for the entire BW Offshore Limited`s group of companies.

Financial risk factors

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

BW Energy Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. A finance management team led by the Chief Financial Officer identifies and evaluates financial risks in close co-operation with 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 Top Management, the Audit Committee and the Board of Directors on the status on activities on a regular basis.

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

Market risk

BW Energy Group 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.

Recent years have seen 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. BW Energy Group expects increased focus on incremental investments tied to existing infrastructure, with green-field investments following later in the cycle.

Through the investment in Dussafu an integrated asset and field development strategy has been deployed. Focus is on a phased low risk approach, with short term from final investment decision ('FID') to first oil, short term to payback and a low break even.

BW Energy Group is exposed to certain drilling and exploration production related risks in connection with its operations. Additionally, BW Energy Group operates in certain geographical areas which have a history of unrest. These areas have historically had increased political, military, and civil unrest and have increased risks in connection with economic, legal, and regulatory changes in these countries.

Credit risk

The risk of counterparties being financially incapable of fulfilling their obligations is regarded as minor as there have not historically been any losses on accounts receivable. BW Energy Group's customer and licence partners are credit worthy oil companies.

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.

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

BW Energy Groups' primary source of liquidity is cashflows from production of oil in the Dussafu licence.

Foreign currency risk

The functional currency of the combining companies is mainly USD. In general, operating revenues and a significant portion of operating expenses are denominated in USD. BW Energy Group is exposed to expenses and investments incurred in currencies other than USD ('foreign currencies'); the major currencies being Central Africa CFA Franc ('XAF'), Euro ('EUR') and Brazilian Reals ('BRL'). Operating expenses denominated in XAF and EUR constitute a part of total operating expenses. Consequently, fluctuations in the exchange rate on XAF, BRL, and EUR may have impact on the financial statements.

Interest rate risk

Except for the amount due to and from related parties, BW Energy Group's operating cash flows are not affected by changes in market interest rates.

Commodity price risk

Since November 2018, BW Energy Group revenues are derived from the sale of petroleum products related to the Dussafu license. The revenue is, and will going forward, be exposed to fluctuations in the oil price.

BW Energy Group assesses the benefits of forward hedging monthly sales contracts on a continuous basis and oil price hedging will be performed in accordance with instructions from the Board of Directors. BW Energy Group has not entered into oil price hedging contracts per 31 December 2019.

Note 18 List of subsidiaries

Subsidiaries	Country of incorporation	Ownership 2019
BW Energy Dussafu B.V.	Netherlands	100%
BW Energy Gabon Pte Ltd	Singapore	100%
BW Energy Gabon SA	Gabon	100%
BW Energy Holdings Pte Ltd	Singapore	100%
BW Kudu Holding Pte Ltd	Singapore	100%
BW Kudu Limited	United Kingdom	100%
BW Energy Maromba do Brasil Ltda	Brazil	100%
BW Energy Maromba B.V. [1) 2)]	Netherlands	100%
BW Maromba Holdings Pte Ltd [1)]	Singapore	100%

1) Aforementioned entities have been acquired throughout 2019. Reference is made to Note 1 for the applied consolidation principles and Note 19 for a description of the acquisitions.

2) BW Energy Maromba B.V. was incorporated 23 August 2019

Note 19 Acqusitions and disposals

On 19 March 2019, BW Energy Gabon SA ("BWE"), entered into an agreement with Gabon Oil Company (GOC) for the disposal of a 10% interest in the Dussafu production sharing contract. The transaction price was USD 28.6 million, representing a reimbursement equivalent to 10% of development and production costs from April 2017 and to-date. USD 0.3 million in gain relating to this transaction is included in Net gain/(loss) on sale of tangible fixed assets in the Consolidated Statement of Profit/(Loss). Compensation to GOC for its 10% share for the full production period from first oil will be made through liftings in the third quarter, reflected through under/overlift in the Consolidated Statement of Financial Position. BW Energy Group's interest was reduced to 81.67% and Panoro continued to hold 8.33%. The related assets were presented as held for sale as of 31 December 2018.

In December 2019, Tullow exercised its 10% back-in right into the Dussafu license as stipulated in the production sharing contract (PSC), reducing BW Energy's ownership of the Dussafu license to 73.5%. The exercise of the back-in right was subject to Tullow reimbursing the other Parties for its share of historic costs related to the Dussafu development. The total amount has been disputed by the Parties. However, the Parties have now reached an agreement for the undisputed share of the costs, representing a total of USD 40.9 million as at the end of 2019. The net amount payable by Tullow to the existing partners is USD 19.8 million. BW Energy Group's share of USD 15.9 million was received in December 2019. Negotiations are ongoing to resolve the disputed costs, which amount to an additional USD 18.7 million in which BW Energy Group's share amounts to USD 15.3 million. A receivable is recognised in the consolidated statement of financial position based on management best estimate. If an agreement is not reached, then the dispute will be submitted to a simplified arbitration. BW Energy Group's share of the disputed costs is 81.67%.

In March 2019, the BW Energy Group entered into agreements to acquire 100% of the Maromba license in Brazil field offshore Brazil for a total acquisition cost of USD 115 million from Petrobras (70%) and Chevron (30%). Subsequent to the agreements, BW Energy Group signed a Memorandum of Understanding ("MOU") with Magma Oil & Gas Ltda ("Magma") granting an option to Magma for the acquisition of 5% of the BW Energy Group's participating interest in the Maromba Field upon occurrence of the first oil. In July 2019, BW Energy Group appointed a shareholder in Magma as country manager for BW Energy in Brazil.

On 17 August 2019, the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP) granted BW Energy status as operator in Brazil and approved the transfer of Chevron and Petrobras' participating interest in the Maromba field to BW Energy. This approval as operator satisfies the main condition precedent for the closing of the Maromba field acquisition, resulting in the payment of the first milestone of USD 30 million to Chevron and Petrobras. The acquisition is treated as an asset acquisition considering the asset is in a pre-development phase.

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 (USD 25 million) is due at start of drilling activities and the third milestone (USD 60 million) is due at first oil or 3 years after the start of drilling activities, whichever comes first. These considerations will be recognised when it becomes probable that the conditions will be satisfied.

Note 20 Leases

The Group as a lessee (IFRS 16)

BW Energy Group leases office premises, apartments, warehouses and vessels. Leases of office premises, warehouse and apartments generally have lease terms between 1 and 3 years, while vessels have lease terms between 2 and 20 years. Previously, these leases were classified as operating leases under IAS 17.

BW Energy 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 27.4 million.

Right-of-use assets and lease liabilities

USD MILLION	Land and buildings	Vessels	Right-of-use assets	Lease liabilities
Balance at 1 January 2019	0.7	189.6	190.3	190.3
Additions	0.7	-	0.7	0.7
Adjustments	-	72.0	72.0	72.0
Depreciation expense	(0.8)	(25.1)	(25.9)	n/a
Interest expense	n/a	n/a	n/a	9.0
Lease payments	n/a	n/a	n/a	(27.4)
Balance at 31 December 2019	0.6	236.5	237.1	244.6

Lease payments of USD 27.4 million consists of lease instalments of USD 18.4 million and interest expense of USD 9.0 million.

USD MILLION	2019
Maturity analysis - contractual undiscounted cash flows	
Not later than one year	26.3
Later than one year and not later than five years	93.8
Later than five years	216.7
Total undiscounted lease liabilities at 31 December	336.8
Lease liabilities included in the statement of financial position at 31 December	244.6
Current	16.6
Non-current	228.0

Amounts recognised in profit or loss

2019 Leases under IFRS 16

USD MILLION	2019
Interest on lease liabilities	9.0
Expenses relating to short-term leases	-

For right-of-use assets used in joint arrangements, the partners share of the lease payments are classified as other income.

Extension options

Some leases, such as the lease relating to the FPSO and certain office leases, contain contractual rights and options, such as extension and cancellation options that may impact the lease term and are exercisable only by the BW Energy Group and not by the lessors. These options may impact the estimated lease term. BW Energy Group assesses the lease term at lease commencement, and subsequently when facts and circumstances which under the control of BW Energy Group require it. For the lease of the FPSO, BW Energy Group is reasonably certain that the lease term will exceed the non-cancellable contract period of 365 days.

Note 21 Commitments and guarantees

Commitments related to development of oil fields and operations, contracted for at the balance sheet date, but not recognised in the financial statements are as follows:

USD MILLION	2019	2018
Nominal amount	133.9	55.0
Fair value	124.0	51.0
Interest rate	8.0 %	8.0 %

The commitment included committed contract values for the development of the Dussafu field.

A subsidiary of BW Offshore, BW Offshore Singapore Pte. Ltd., has provided a guarantee in respect of the obligations of BW Kudu Limited, under an agreement entered into with the National Petroleum Corporation of Namibia (NAMCOR) in connection with the acquisition of BW Energy's participating interest of 56% in the Kudu Licenses PL003 further described in Note 13 Intangible assets.

Note 22 Related parties transactions

For the year ended 31 December 2019, BW Energy Group is a part of BW Offshore Limited Group. The largest individual shareholder of BW Offshore Limited Group is BW Group Limited owning 49.9%, which is incorporated in Bermuda and is controlled by Sohmen family interests.

On 11 March 2019, Carl Arnet the CEO of BW Offshore Limited became the holder of 1% shares in BW Energy Holdings Pte Ltd ("BWEH"), the company formed in 2016 by BW Offshore Group and BW Group Limited for the purpose of pursuing oil and gas interests. The new shares in BWEH were allotted to Arnet Energy, a wholly owned entity by Carl Arnet 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 the BW Offshore Group (66%), BW Group (33%) and Arnet Energy (1%). Similar to the other shareholders in BWEH, Arnet Energy 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. During 2019, Arnet Energy provided a short-term loan amounting to USD 0.6 million to BWEH related to development activities on Dussafu. USD 0.3 million was repaid in the same period. Loan balance of USD 0.3 million has been converted to equity in 2019.

In 2018, BW Energy Group received a USD 67.0 million loan from Maple Company Limited. USD 60 million was subsequently converted into equity (contributed capital) within BW Energy Holdings Pte. Ltd. in 2018. Similar, BW Energy Group received a USD 127.6 million loan from BW Offshore Singapore Pte. Ltd. USD 120 million was subsequently converted into equity (contributed capital) within BW Energy Holdings Pte. Ltd. in 2018. The ownership interests in BW Energy Holdings Pte. Ltd. remains unchanged. During 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 9.4 million. Loan balance of USD 10.3 million has been converted to equity in 2019.

During 2019, BW Energy Group received a short-term loan of USD 8.3 million loan from BW Offshore Singapore Pte. Ltd. In the same period, USD 18.9 million was repaid. On 23 August 2019, BW Energy Maromba B.V. was incorporated, a wholly owned subsidiary of BW Maromba Holdings Pte. Ltd. During the third quarter, BW Energy Maromba B.V. acquired all shares in BW Offshore Production do Brasil for an amount of USD 19.7 million from BW Offshore Singapore Pte. Ltd. Loan balance of USD 20.6 million has been converted to equity in 2019. As of 31 December 2019, the total outstanding loan to BW Offshore Singapore Pte. Ltd. amounts to USD 28.5 million.

In 2019, BW Offshore Singapore Pte. Ltd. received a short-term loan of USD 18.5 million from BW Energy Maromba do Brasil Ltda. The loan was repaid in the same period.

BW Kudu Holding Pte. Ltd had a loan of USD 10.1 million that was converted to equity during 2019.

BW Energy Maromba B.V. had a loan of USD 19.7 million that was converted to equity during 2019.

The BW Energy Group entered into a Memorandum of Understanding with Magma Oil & Gas Ltda ("Magma") granting an option to Magma for the acquisition of 5% of the BW Energy Group's participating interest in the Maromba field upon occurrence of first oil. In the third quarter of 2019, the BW Energy Group appointed a shareholder in Magma as country manager for BW Energy in Brazil.

BW Energy Limited's acquisition of Dussafu assets

On 11 October 2019, BW Offshore Singapore Pte. Ltd. (a wholly owned subsidiary of the BW Offshore Limited Group), Maple Company Limited (a wholly owned subsidiary of BW Group Limited), Arnet Energy Pte. Ltd. and BW Energy Limited entered into an agreement whereby BW Energy Limited purchased all shares and certain receivables in BW Energy Holdings Pte. Ltd. ("BWEH") in exchange for Shares in the Company at a valuation of USD 288.5 million as follows:

- Sale by BW Offshore Singapore Pte. Ltd. of 66% of the shares in BWEH in return for 114,180,000 shares in BW Energy Limited;
- Sale by Maple Co of 33% of the shares in BWEH in return for 57,090,000 shares in BW Energy Limited; and
- Sale by Arnet Energy Pte Ltd. of 1% of the shares in BWEH in return for 1,730,000 shares in BW Energy Limited.

BWEH is the holding company owning the BW Energy Group's participation interest in the Dussafu asset. The above transactions are assessed to be transactions under common control and will be accounted for using book value (carry-over basis) accounting. The residual between the carrying value and the consideration paid through the issuance of new shares, will be recognised directly into equity.

BW Energy's acquisition of the Kudu and Maromba assets

On 11 October 2019, BW Energy Limited entered into agreements to acquire all shares and certain receivables in BW Kudu Holding Pte. Ltd. and BW Maromba Holdings Pte. Ltd. from BW Offshore Singapore Pte. Ltd. (a wholly owned subsidiary of BW Offshore Limited). BW Kudu Holding Pte. Ltd. is the holding company owning BW Energy Group's participation interest in the Kudu asset and BW Maromba Holdings Pte. Ltd. is the holding company owning the Maromba asset.

The consideration for the shares in BW Kudu Holding Pte. Ltd. and BW Maromba Holdings Pte. Ltd. was USD 16 thousand and USD 21.4 million, respectively, and was settled by the issuance by BW Energy Limited of an aggregate of 14,400,000 shares to BW Offshore Limited.

The transactions are assessed to be transactions under common control and will be accounted for using book value (carry-over basis) accounting. The residual between the carrying value and the consideration transferred through the issuance of new shares will be recognised directly into equity.

Following completion of the above transactions, the BW Offshore Limited ownership interest in BW Energy Limited is 68.6%, while BW Group Limited and Arnet Energy Pte Ltd own 30.5% and 0.9% respectively.

In October 2018, BW Energy Group finalised an agreement with Seaboard Production Partners, LLC (SPP) for the transfer of Intellectual Property, including but not limited to development plans, reservoir and geological analysis and economic modelling to be utilized in the development of the Dussafu field. The manager, also a shareholder of SPP, is now a part of the management of BW Energy Group. Under the terms of the agreement, BW Energy Group has paid an upfront payment of USD 7.5 million for the intellectual property. This is presented as intangible asset, refer to note 13. The agreement is built on an earn out model with a defined set of performance targets, which would entitle SPP further payments conditional upon these targets being met. Nominal payments under the agreement could amount to a further USD 67.5 million over the life of the Dussafu development. At 31 December 2018 the realization of the performance targets was considered uncertain and accordingly no amounts have been recognized in the statement of financial position.

In May 2018, BW Energy Dussafu B.V. (Gabon Branch) entered into a bareboat charter agreement (operating lease) with BW Adolo Pte. Ltd. (previous known as Prosafe FPSO (D) Pte. Ltd.), a subsidiary of BW Offshore Limited. There is no fixed term under this contract. The contract shall continue until the lessee terminates the contract. The contract can be terminated given a 365-day notice. In May 2018, BW Energy Dussafu B.V. (Gabon Branch) entered into a contract with Tinworth Gabon S.A., a subsidiary of BW Offshore Limited, for the operations and maintenance of BW ADOLO during the Charter. There is no fixed term under this contract. The contract shall commence until the lessee terminates the contract. The contract can be terminated given a 365 day notice. The FPSO commenced operation on the Dussafu field in September 2018. At 31 December 2018, there is only one producing field where this FPSO operates.

Related parties transactions

USD MILLION	2019	2018
Long-term related parties payables		
BW Offshore Singapore Pte Ltd	27.6	8.5
Total long-term related parties payables	27.6	8.5
Short-term related parties payables		
BW Offshore Norway AS	0.7	0.2
BW Offshore Limited	1.4	-
BW Offshore (UK) Ltd.	3.1	2.5
BW Offshore Management USA, Inc	1.3	1.2
BW Offshore Singapore Pte. Ltd.	0.9	31.1
Maple Company Limited	-	15.6
BW Adolo Pte. Ltd.	4.9	9.0
BW Offshore do Brasil Servicos Maritimos Ltda	0.1	-
Tinworth Gabon SA	5.4	3.8
Total short-term related parties payables	17.8	63.4
Short-term related parties receivables		
BW Offshore Singapore Pte. Ltd.	20.9	-
Tinworth Gabon SA	0.2	-
Total short-term related parties receivables	21.1	-

Loan agreements with related parties are set up based on regular market rates. Outstanding balances at year-end are unsecured. Average interest rate per annum was 4.6% for 2019 (4.6%). The carrying amounts of related parties receivables and payables are in USD.

USD MILLION	Description	2019	2018
BW Offshore (UK) Limited	Operating expenses	-	0.5
BW Adolo Pte. Ltd.	Operating expenses	33.8	43.0
Tinworth Gabon SA	Operating expenses	22.3	9.9
BW Offshore Norway AS	Management services	1.8	1.4
BW Offshore Singapore Pte Ltd	Management services	4.7	3.0
BW Offshore (UK) Limited	Management services	0.8	0.8
BW Offshore USA Management, Inc.	Management services	9.6	6.3
BW Offshore do Brasil Servicos Maritimos Ltda	Management services	0.4	-
BW Offshore do Brasil Ltda	Management services	0.6	-
BW Offshore Singapore Pte Ltd	Other expenses	0.5	0.5
BW Offshore Norway AS	Other expenses	0.2	0.2
BW Offshore Limited	Other expenses	3.7	-
BW Offshore (UK) Limited	Other expenses	0.2	-
BW Adolo Pte. Ltd.	Other expenses	4.9	-
BW Offshore USA Management, Inc.	Other expenses	1.0	0.4
Total expense from related companies		84.5	66.0

Note 23 Subsequent events

Trading in the shares of BW Energy on the Oslo Stock Exchange commenced on 19 February 2020.

BW Group Limited has been allocated 6,378,971 Offer Shares, which is equivalent to NOK 156 million (approximately USD 17 million).

BW Offshore Limited has resolved to distribute approximately 37,741,000 shares in BW Energy (the “Dividend Shares”) to the eligible BW Offshore shareholders (the “BW Offshore Dividend Distribution”). The total value of the Dividend Shares is approximately NOK 921 million (approximately USD 100 million).

Following the completion of the Offering (excluding over-allotment) and the BW Offshore Dividend Distribution, the free float of BW Energy’s shares will be approximately 25%.

The spread of the coronavirus in early 2020 is impacting an increasing number of countries and was declared a global pandemic by the World Health Organisation in March 2020. Although BW Energy Group’s operations are not directly impacted by the virus yet, we have to take measures to mitigate the risks to employees, operations and investments. The consequences this pandemic may have on our operational and financial performance cannot be predicted at the time of publication of these financial statements.

Coupled with the virus, the decision by OPEC in March 2020 not to cut production has led to a sharp decline in the oil price. While BW Energy Group has a relatively low break-even price and is taking measures to mitigate the impact, the duration and severity of the price drop and its consequences are currently uncertain.

Note 24 Reserves (unaudited)

The BW Energy Group has used the services of Netherland, Sewell & Associates, Inc. (NSAI) for estimating and certifying the reserves and resources.

Evaluations have been based on standard petroleum engineering and evaluation principles. This include use of standard engineering and geoscience methods, or a combination of methods, including volumetric analysis, analogy, and reservoir modelling, considered to be appropriate and necessary to classify, categorize, and estimate volumes in accordance with the 2007 PRMS definitions and guidelines. The reserves and contingent resources in this report have been estimated using deterministic methods.

As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, conclusions necessarily represent only informed professional judgment.

Estimated remaining gross oil reserves by NSAI for oil properties located in Tortue field:

As of 31.12.2019	1P Gross mmbbl	1P Net mmbbl	2P Gross mmbbl	2P Net mmbbl
Dussafu Marine Permit	76.0	55.9	111.4	81.9

As of 31.12.2018	1P Gross mmbbl	1P Net mmbbl	2P Gross mmbbl	2P Net mmbbl
Dussafu Marine Permit	25.9	19.2	35.1	24.2

Proved reserves (1P) are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be commercially recoverable; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves and 2P is proved and probable reserves.

During 2018 and 2019, the BW Energy Group had the following reserve development:

	2P reserve mmbbl
Balance as of 31 December 2017	23.5
Production 2018	(1.2)
Revision of previous estimate	12.8
Balance as of 31 December 2018	35.1
Production 2019	(4.3)
Revision of previous estimate	80.6
Balance as of 31 December 2019	111.4

Parent company financial statements

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Statement of Income

USD MILLION (For the period 22 May 2019 to 31 December 2019)	Note	2019
Operating expenses	3	(3.1)
Operating loss (EBIT)		(3.1)
Interest income		0.1
Net financial items		0.1
Net loss for the year		(3.0)

Statement of Comprehensive Income

USD MILLION (For the period 22 May 2019 to 31 December 2019)	2019
Loss for the year	(3.0)
Total comprehensive loss for the year	(3.0)

The notes on pages 78-81 are an integral part of these financial statements.

Statement of Financial Position

USD MILLION (As at 31 December)	Note	2019
ASSETS		
Shares in subsidiaries	7	229.3
Long-term intercompany receivables	8	10.2
Total non-current assets		239.5
Short-term intercompany receivables	8	31.2
Total current assets		31.2
Total assets		270.7
EQUITY AND LIABILITIES		
Share capital	4	1.9
Share premium		349.3
Other equity		(83.6)
Total equity		267.6
Trade and other payables		0.5
Short-term intercompany payables	8	2.6
Total current liabilities		3.1
Total equity and liabilities		270.7

The notes on pages 78-81 are an integral part of these financial statements.

Statement of Changes in Shareholders' Equity

USD MILLION	Note	Share capital	Share premium	Retained earnings/ Net assets	Total equity
Equity at 22 May 2019		-	-	-	-
Profit for the period		-	-	(3.0)	(3.0)
Effects from legal reorganisation	4	1.9	349.3	(80.6)	270.6
Total equity at 31 December 2019		1.9	349.3	(83.6)	267.6

Statement of Cash Flows

USD MILLION (For the period 22 May 2019 to 31 December 2019)	2019
Operating activities	
Profit before tax	(3.0)
Adjustment for:	
Changes in net working capital	3.0
Net cash flows from/(used in) operating activities	-
Net change in cash and cash equivalents	-
Cash and cash equivalents at 1 January	-
Cash and cash equivalents at 31 December	-

The notes on pages 78-81 are an integral part of these financial statements.

Notes

Note 1 Corporate information

BW Energy Limited, was incorporated on 22 May 2019 as an exempted company limited by shares under the laws of Bermuda and in accordance with the Bermuda Companies Act. BW Energy Limited registered office is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. BW Energy is the holding company.

On 19 February 2020, BW Energy Limited was publicly listed on Oslo Børs, a stock exchange operated by Oslo Børs ASA (the "Oslo Stock Exchange).

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. As the Company was incorporated on 22 May 2019, no comparative information is included.

The financial statements were approved by the Board of Directors on 17 March 2020.

Note 2 Accounting policies

Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Accounting for subsidiaries

The subsidiaries are entities (including special purpose entities) over which the Company has control. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with a company in which it has invested and has the ability to use its power to affect its returns from this company. Investments in subsidiaries are stated at cost less any impairment.

Currency translation

Functional and presentation currency

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

Transactions and balances

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

Revenue recognition

Interest income

Interest income is recognised on a time proportion basis applying the effective interest method.

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 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:

- Financial assets at amortised cost

Financial assets at amortised cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade- and intercompany receivables and other short-term deposits.

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. 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.

Derecognition of financial liabilities

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

Cash and cash equivalents

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

Share capital

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

Provisions for other liabilities and charges

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

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

Classification of assets and liabilities

Assets for long-term ownership or use are classified as fixed assets. Other assets are classified as current assets. Liabilities which fall due more than one year after being incurred are classified as long-term liabilities, except for following year's instalments on long-term debt. This is presented as current interest-bearing debt. Liabilities which fall due less than one year after they are incurred are classified as current liabilities.

Use of estimates

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

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

Changes in accounting policies

There are no changes in the accounting policies. The Company has no lease agreements therefore IFRS 16 does not impact the financial statements.

Note 3 Operating expenses

USD MILLION	2019
Legal fee	1.0
Consultant's fee	0.6
Audit fee	0.1
Other operating expenses	1.4
Total operating expenses	3.1

Note 4 Share capital

Authorised share capital:	
At 31 December 2019	300,000,000 ordinary shares at par value USD 0.01 each

	USD THOUSAND
Issued and fully paid:	
At 31 December 2019	1,874.0

Note 5 Financial assets and liabilities

As of 31 December, the Company had financial assets and liabilities in the following categories:

USD MILLION Year ended 31 December 2019	Financial assets	Financial liabilities measured at amortised cost	Fair value
Intercompany receivables	41.4	-	41.4
Intercompany payables	-	(2.6)	(2.6)
Other current liabilities	-	(0.5)	(0.5)
Total	41.4	(3.1)	38.3

Note 6 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 Energy Group. These processes and policies are described in more detail under Note 17 of the consolidated financial statements.

Foreign currency risk

The Company's business is not exposed to significant foreign exchange risk as its operating expenses are mainly denominated in United States Dollars, which is the functional currency of the Company.

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.

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 Energy 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 Energy Group.

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

Note 7 Shares in subsidiaries

Name of companies	Country of incorporation	Ownership at 31 December 2019
BW Energy Holdings Pte Ltd	Singapore	100%
BW Kudu Holding Pte Ltd	Singapore	100%
BW Maromba Holdings Pte Ltd	Singapore	100%

Aforementioned subsidiaries have been acquired during 2019. Reference is made to Note 19 of the consolidated financial statements for further information on the acquisitions.

Note 8 Intercompany receivables and payables

USD MILLION	2019
Long-term related parties receivables	
BW Kudu Holding Pte Ltd	10.2
Total long-term related parties receivables	10.2
Short-term related parties receivables	
BW Energy Holdings Pte Ltd	31.2
Total short-term related parties receivables	31.2
Short-term related parties payables	
BW Energy Holdings Pte Ltd	2.6
Total short-term related parties payables	2.6

Intercompany loan agreements with subsidiaries are set up based on regular market rates. Outstanding balances at year-end are unsecured.

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period ended 31 December 2019 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 BW Energy 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 BW Energy Group, together with a description of the principal risks and uncertainties facing the Company and the BW Energy Group.

17 March 2020

Mr. Andreas Sohmen-Pao
Chairman

Mr. William Russell Scheirman
Director

Mr. Marco Beenen
Director

Mr. Tormod Vold
Director

Ms.Hilde Drønen
Director

Alternative performance measures

BW Energy 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 BW Energy Group, means earnings before interest and tax. Reference to Consolidated Statement of Income in the Financial Statements for calculation of EBIT.

EBITDA

EBITDA, as defined by BW Energy Group, means EBIT excluding depreciation and amortisation, impairment and disposal and gain from sale of tangible fixed asset. EBITDA may differ from similarly titled measures from other companies. Reference to Consolidated Statement of Income in the Financial Statements for calculation of EBITDA.

Capital expenditures

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

USD MILLION	2019	2018
Property and other equipment	76.1	174.0
Intangible assets	68.5	31.9
Total capital expenditures	144.6	205.9
Asset retirement cost	7.9	(14.1)
Investment in property, plant and equipment and intangible assets	152.5	191.8

Equity ratio

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

Independent auditor's report

KPMG AS
Sørkedalsveien 6
Postboks 7000 Majorstuen
0306 Oslo

Telephone +47 04063
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of BW Energy Limited

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BW Energy Limited, which comprise:

- The consolidated financial statements of BW Energy Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of income, consolidated statement of comprehensive income/(loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
- The financial statements of the parent company BW Energy Limited ("the Company"), which comprise the statement of financial position as at 31 December 2019, 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 accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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 Norwegian laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

First time consolidation and common control transactions

Reference is made to *Note 2 Significant accounting policies – First-time consolidated financial statements* and *Note 19 Acquisitions and disposals* in the Consolidated Financial statements.

The Key Audit Matter	*How the matter was addressed in our audit*
Management prepared the first consolidated annual financial statements of the Group following listing of BW Energy Limited on Oslo Børs (Oslo Stock Exchange) on 19 February 2020. On 11 October 2019, the Company entered into several agreements to acquire all upstream activities within the BW Offshore Group, which includes the Dussafu, Maroma and Kudu assets previously controlled by BW Offshore Limited. Management assessed the acquisitions to be transactions under common control. The Group applied the predecessor accounting approach by using the carrying amounts recognised in the IFRS consolidated financial statements of BW Offshore Limited. The residual carrying amounts recognised and the consideration transferred through the issuance of shares is recognised directly into equity. Management restated prior period figures as if consolidation was effectuated from 1 January 2018. Comparative figures have been derived from the combined financial statements which were published in the listing prospectus. We consider the accounting for the common control transactions to be a key audit matter due to the impact that these transactions have on the annual financial statements.	We have obtained an understanding of the transactions entered into, obtained the contracts and agreements related to the transactions and assessed whether the transactions have been executed in accordance with those contracts and agreements. We have assessed whether the acquired activities were under common control and it was therefore appropriate to apply the predecessor accounting approach by using the carrying amounts recognised in the consolidated financial statements. We have assessed whether it is appropriate under the applicable IFRS standards to restate prior period figures from 1 January 2018 and have assessed whether those comparative figures were correctly derived from the audited combined financial statements published in the listing prospectus. We have assessed the adequacy of disclosures related to the transactions in *Note 2 Significant accounting policies – First-time consolidated financial statements* and *Note 19 Acquisitions and disposals in the Consolidated financial statements*.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer ("Management") are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 17 March 2020
KPMG AS

Dave Vijfvinkel

Addresses

Bermuda
Clarendon House, 2 Church Street
Hamilton, HM11 Bermuda

Brazil
Rua Lauro Muller 116 Sala 703,
Torre do Rio Sul - Botafogo
Rio de Janeiro, 22290-160, Brazil
Tel: +55 21 2244 8350

Gabon
Boulevard du Bord de Mer
Immeuble Bord de Mer, 3ieme étage
BP23771 Libreville, Gabon
Tel: +241 01 76 48 89

Norway
Drammensveien 151
0277 Oslo, Norway
Postal address:
P.O. Box 33 Skøyen
0212 Oslo, Norway
Tel: +47 2313 0000
Fax: +47 2313 0001

Singapore
30 Pasir Panjang Road
#14-31/32 Mapletree Business City
Singapore 117440
Tel: +65 6632 7888
Fax: +65 6323 1263

USA
2925 Briar Park, Suite 1295
Houston, Texas 77042 USA
Tel: +1 713 781 0670
Fax: +1 713 781 1216

Namibia
33 Schanzen Road
Windhoek, Namibia

ir@bwenergy.no
www.bwenergy.no

Design: Artbox AS. Print: Printbox AS.

BW ENERGY

www.bwenergy.no