Annual report 2022
Bluewater Holding B.V.

Deloitte Accountants B.V.
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Related to auditor's report
dated March 13, 2023

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Director's report

Bluewater Holding B.V. (the "Company") is the holding company of a group of companies (together referred to as the "Group" or "Bluewater" and individually as "Group entities"), primarily engaged in the supply of services and products to the oil industry. Bluewater designs, develops, owns and operates floating production storage and offloading units ("FPSOs"), provides auxiliary equipment and services to FPSOs and designs, develops and manages the construction of single point mooring systems ("SPMs"). Bluewater has an FPSO fleet consisting of 5 high specification FPSOs that are or will be operated under medium- to long-term service agreements or bareboat charter agreements with reputable oil companies. Currently, Bluewater has FPSOs in operation on the UK Continental Shelf.

Business performance

The net result after tax for the year 2022 amounted to a profit of U.S.$32.1 million compared to a profit of U.S.$26.7 million for the year 2021. EBITDA for the year 2022 was U.S.$93.7 million compared to U.S.$91.7 million for the year 2021. The financial results of 2022 were mainly impacted by the following items:

The SPM division generated U.S.$7.9 million EBITDA in the year ending December 31, 2022 compared to U.S.$4.1 million EBITDA in the year ending December 31, 2021. In the year 2022 as well as the year 2021, main contributors to the SPM EBITDA are two EPC projects. In year 2022 the progress on these projects was relatively high compared to the progress on EPC projects in the year 2021. Although one additional EPC contract did not contribute a significant EBITDA for the SPM division, it did have a positive impact on the utilisation of the engineering and project management staff. This EPC contract also had a significant impact on the revenue increase of the Group.

The EBITDA for the FPSO division amounted to U.S.$95.2 million for the year 2022 compared to U.S.$97.3 million for the year 2021. The U.S.$2.1 million decrease in EBITDA compared to the year 2021 was mainly driven by a U.S.$7.1 million decrease of EBITDA for FPSO Haewene Brim. In 2022 the FPSO Haewene Brim was in conversion for gas exports which resulted in lower OPEX performance related revenues. The EBITDA of FPSO Bleo Holm decreased with U.S.$6.1 million. The existing Bareboat Charter was amended in 2021. As a result, revenues are more tariff driven and positively influenced by a higher oil price but negatively influenced by lower oil production. In 2022 production decreased compared to 2021 due to shut downs in relation to maintenance and repairs. The decreased EBITDA of the FPSO Haewene Brim and FPSO Bleo Holm was partly offset by an increase of U.S.$11.0 million in EBITDA of FPSO Aoka Mizu. As from June 2021 the hire rate for FPSO Aoka Mizu increased. Furthermore the tariff income of FPSO Aoka Mizu increased as a result of a higher average oil price in the year 2022 compared to the year 2021.

During the year 2022, unallocated expenses amounted to U.S.$9.4 million, compared to U.S.$9.7 million unallocated expenses for the year 2021. Overhead recovery increased as a result of increased project activity in 2022.

Depreciation and amortization expenditure in the year of 2022 amounted to U.S.$33.1 million compared to U.S.$37.6 million in the year 2021. The FPSO Haewene Brim reached its residual value in 2022, resulting in a decrease of U.S.$4.4 million depreciation expenditures compared to 2021. Depreciation expenditures of the other FPSO's remained on the same amount as in 2021. Amortization costs for the year 2022 slightly increased with U.S.$0.1 million. Furthermore the IFRS16 related lease depreciation decreased with U.S.$0.3 million.

Finance expenses were U.S.$3.6 million higher compared to the previous year, at U.S.$.35.3 million in the year 2022 versus U.S.$31.7 million in the year 2021. The interest costs of the unsecured bond decreased with U.S.$0.6 million in the year 2022. Effective November 10, 2022 the Company issued a new U.S.$240.0 million unsecured bond. On November 15, 2022 the existing bond was called and redemption took place on the same date. U.S.$4.6 million of outstanding debt arrangement fees in relation to the old bond were expensed. The outstanding amount under the unsecured bond is U.S.$240.0 million compared to U.S.$220.0 million in the year 2021. The RCF interest decreased with U.S.$0.4 million at U.S.$2.6 million in the year 2021 to U.S.$2.1 million in the year 2022. This decrease was mainly the result of a full redemption of the outstanding net debt amount under the facility in November 2022. The amortization costs of the bond increased with U.S.$4.8 million as a result of the expensed debt arrangement fees of the called bond in Q4, 2022. Finally, other interest costs decreased by U.S.$0.2 million in the year 2022 compared to the year 2021.

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Currency exchange results were U.S.$4.9 million positive in the year 2022 compared to U.S.$2.6 million negative in the year 2021. The increase in the value of the U.S. Dollar against the Euro and the volatility of the Pound Sterling has led to positive exchange results in the year 2022. The currency exchange rate moved from EUR/USD 1.13 and GBP/USD 1.35 at the beginning of the year to EUR/USD 1.07 and GBP/USD 1.20 at the end of the year 2022. Bluewater is exposed to fluctuations in foreign currency exchange rates, because a portion of its expenses and financial indebtedness is denominated in currencies that are different from Bluewater's revenues. The Company only hedges part of the currency exposure.

Income tax benefit for the year 2022 amounted to U.S.$1.5 million versus U.S.$6.9 million income tax benefit for the year 2021. The U.S.$ 5.4 million decrease consist in an increase of the direct corporate income tax liability and simultaneously an increase of the deferred tax asset during 2022. The increase of the direct corporate income tax liability is mainly a result of the tightened restrictions for "earning stripping" rules and "tax loss utilisation" rules that have been effective since 1-1-2022. The newly introduced restrictions for earnings stripping and tax loss utilisation have mainly resulted in an increase of the DTA during 2022.

Other developments

During the ramp up for the gas export of the FPSO Haewene Brim on the Pierce field in January 2023 a technical issue was discovered. This issue is current being remedied. Current expectation is that gas production will resume by the end of March 2023.

Outlook

The outlook for the year 2023 looks promising for the Company. With the oil prices on an average high level, there are multiple interests in both assets held for conversion by Bluewater. The interest of our clients in the SPM segment is slowly recovering and looks relatively promising given the current high oil prices. FPSO Haewene Brim is currently back on the Pierce field and has a firm contract till December 31, 2026. Given the Gas export and lifetime extension program management expects the FPSO Haewene Brim is able to produce for years to come after 2026. The contract for the FPSO vessel Aoka Mizu is amended to have an undefined end date with a 180 days cancellation period that can be invoked by both Bluewater and the customer. Management expects the vessel to maintain economically viable production up to the second half of 2024. Finally, Bluewater has a Bareboat Charter contract ('BBC') with its customer for the FPSO vessel Bleo Holm. The BBC comprise the firm lease period until December 31, 2024. Thereafter the customer may take out further 1-year extensions at their discretion. Management expects production to remain economically viable for at least the full firm lease period.

Investments

The Company is currently in discussion on new investments for FPSO related projects. However, none of these discussions have reached a level that contract signing is imminent in the near future.

Financing

The Company has been able to amend its Revolving Credit facility and refinance an unsecured bond loan as discussed in Note 20 to the Annual Accounts. No significant changes are anticipated in the near future with regards to the financing of the company. Given the current business outlook and the liquidity forecast, Bluewater expects to have sufficient funds to continue its operations for the coming years.

Work force

The Company will continue to employ temporary staff to be able cooperate with the current levels of work. This flexible non-core workforce will enable Bluewater to adapt is staffing to the require workload. Furthermore there are no significant changes to be expected in the permanent work force.

Research & Developments

Bluewater will continue to explore new ways to generate energy, as she has done in the past. Therefore Bluewater will participate with other companies in research and developments groups.

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Risk management

The Offshore Energy industry and the execution of the Company's strategy expose the Company to a number of business risks. The paragraph below summarizes identified significant risks and the Company's response to them.

Compliance risk:

Financial reporting

The Group operates in different parts of the world, sometimes differing in accounting policies and local reporting requirements. This exposes the Company to the risk of reporting figures that are not in line with the group's IFRS framework, which may lead to an impact on reported figures. To mitigate this risk Bluewater depends on the local advisors for tax and reporting guidelines.

Strategic risk:

Crude oil price dependency

Whilst the oil price has recovered during the year 2022 and signals of an upturn of the industry are positive, dependency on the oil price remains an inherent Company risk. The Company continues to be mindful of this dependency over the long-term, where a negative development with delays or cancellations of planned investments could lead to a severe effect on Company's new order intake.

Although the Company's business model allows for a stable cash flow from the Floating Production segment, cost optimization and de-risking remains a priority for the Company in order to offer highly competitive solutions to our clients. To drive better and faster performance, the Company is undertaking multiple initiatives in relation to digitalization and standardization, along with early engagement with clients and partnering in the supply chain.

Strategic risk:

Climate Change

Bluewater could face the impact of an accelerated energy transition driven by, among other things, climate change. The Company may miss business opportunities if it does not succeed in (i) developing competitive technologies and (ii) enhancing the energy efficiency of its existing offerings. The Company regularly updates its strategy in light of the evolution of the energy landscape.

Operational risk:

Project execution risk

Inherent project execution risks require continuous oversight and control. This inherent risk exists due to a combination of geopolitical country risk, challenging regulatory environment, technical risk (such as related to technical specifications and harsh environments), asset integrity risks and third party management risks leading to potential negative impact on people, reputation, cost, schedule and environment.

Managing project execution risk is part of Bluewater's core competence and embedded in Bluewater's business processes and ways of working. Proper business case analysis, suitable project management capabilities and capacities combined with Bluewater's professional ways of working, processes and procedures mitigate project execution risk. Additional risk mitigating measures are in place related to knowledge and understanding of the countries of project execution and delivery.

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Operational risks

Cyber Security Risks and data protection

In order to carry out its activities, Bluewater relies on information and data, much of which is confidential or proprietary, that is stored and processed in electronic format. Potential intrusion into the Company's data systems hosted on servers and offshore equipment may affect office activities and offshore operations. Secondary risks include theft of proprietary and confidential information, with potential loss of competitiveness and business interruption.

Given the evolving nature of cyber security threats, this requires continuous focus. There is a dedicated ongoing improvement campaign in order to reduce the risk profile through investments in hardware, software and training. The ability of the IT architecture and associated processes and controls to withstand cyber-attacks and meet recognised standards is periodically subject to independent testing and audits.

Financial risk:

Access to capital

Access to multiple sources of debt and funding is necessary in order to guarantee a sustainable growth of Bluewater's leased FPSO fleet and SPM projects. Changing global attitudes toward energy, and the growing importance of ESG matters have influenced the financing of Companies. Failure to obtain such financing could hamper growth for the Company and ultimately prevent it from taking on new projects that could adversely affect the Company's business results and financial condition.

The Company maintains an adequate capital structure and cash at hand. The Company has access to a Revolving Credit Facility ("RCF") and both the cash and the RCF can be used to finance investments in new projects. From a long-term perspective, adequate access to debt funding is secured through the unsecured bond.

Financial risk:

Absence of prolongation on leases of FPSO's

Bluewater is dependant for three of its five FPSO's to prolong the multiyear tenor of these leases. Failure to prolong these leases would hamper the ability of Bluewater for growth of its business and to attract new financing. Management is continuously monitoring the tenor of these leases and looking for ways to prolong the multiyear nature of the leases.

Financial risk:

Covenants

Financial covenants need to be met with the Company's RCF and unsecured Bond lenders. Failure to maintain financial covenants may adversely affect the Company's ability to finance its activities.

The Revolving Credit Facility ("RCF") and unsecured Bond terms contain a set of financial covenants. The Company aims to have sufficient headroom in relation to the financial ratios. The covenants are monitored continuously, with a short-term and a long-term horizon.

Compliance Risk:

Changes in applicable Laws and Regulations

Bluewater's activities are carried out in compliance with Laws and Regulations valid in the relevant territory, including international protocols or conventions, which apply to the specific segment of operation. Changes to such regulatory frameworks, including changes in enforcement strategies by local regulators if not properly identified and implemented, may expose the Company to fines, sanctions or penalties. Moreover, changes to the applicable 'local content' requirements may expose the Company to additional costs or delays and affect the proposed execution methods for projects.

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Rigorous, continuous monitoring of applicable laws and regulations is constantly carried out by relevant functions within Bluewater and substantive changes are brought to the attention of Management. Compliance is enforced across all the various operating segments within the Company.

A possible financial impact of the above recognized risks and uncertainties cannot be calculated because this impact is dependent on many factors both individual and in combination with each other. None of the relevant risks and uncertainties described above influenced the (financial) performance of the financial year 2022 significantly and therefore no remedial measures to the risk management system were necessary. It is not possible to estimate the possible consequences of significant risks that may materialize in the future and that may not be controlled by our risk management system.

None of the above listed risks materialized during financial year 2022. Management assessed that during 2022 there was a risk of breach of certain covenants. Therefore management arranged amendments with its lenders of the covenants. As a consequence, there was no breach of covenants during the year 2022.

Company Appetite for Risks

The Risk Appetite Statement 2022 describes the boundaries within which Bluewater is willing to take risks in pursuit of its strategic objectives. Both the Management and Supervisory Board reviews the Risk Appetite Statement annually to ensure that the Company maintains the balance between risk and reward, relative to potential opportunities.

The underlying risk appetite metrics and boundary thresholds include sections on financial, strategic, operational and technological risks. The Management and Supervisory Board Audit and Finance Committee reviews these regularly. The Company has two explicit 'zero tolerance' criteria:

In relation to Safety Management:

Bluewater has zero tolerance for harm to people or for damage to its assets or the environment in the execution of its activities.

In relation to Compliance:

Bluewater has zero tolerance for non-compliance with the Bluewater Anti Bribery & Corruption Policy, and any related applicable laws and regulations. The Company will not work with business partners, contractors, vendors and clients whose decision makers/company executive leaders do not share the same (core) values and fundamental business principles as Bluewater.

The most significant elements of the Company's Risk Appetite Statement are:

- Bluewater has no appetite for excessive commercial risk taking in Turnkey, nor in its Lease and Operate segment. Prospects within the acceptability range shall be subject to detailed risk analysis and an individual business case.
- Bluewater has limited appetite to engage with vendors which rate unsatisfactory as a result of detailed financial health checks
- Bluewater is cautious in managing risk in pursuit of any non-traditional FPSO-related commercial opportunities in the oil segment. Every proposal in this segment is subject to a detailed risk analysis and robust business case.
- Bluewater is cautious in managing risk related to pre-completion funding of its projects. The Company manages its financial risks in order to provide adequate shareholder returns whilst at the same time ensuring that it maintains sufficient liquidity to fund new investments to secure profitable growth.
- Bluewater is cautious in managing risk related to client counterparty.
- Bluewater is cautious in managing risk from operations, such as those related to its resource capacity to execute projects.
- Bluewater is cautious in managing risk related to adoption of new technologies.

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Sustainable development

Bluewater is convinced that it should strive for a cleaner world. At the same time it recognises the reality that our turnover will continue to be largely generated from the offshore energy industry. In this reality Bluewater acknowledges and assumes its responsibility and firmly commits to making its activities more sustainable by using its unique innovative power.

Recent examples of Bluewater's commitment to the energy transition include waste heat recovery, low NOX machines and electrification of FPSO's which are efficient production means with a smaller carbon footprint. Also Bluewater's newly developed product-market combinations based on our technology and competence contribute to the energy transition, such as the HV electrical slip ring project for Jotun, the development of an electric buoy, floating wind and floating solar studies and initiatives to reduce our FPSO emissions.

In 2021 and 2022 Bluewater reviewed the United Nation Sustainability Development Goals ("SDGs") to determine those most relevant to Bluewater, as we realise that aligning our business with these goals and contributing towards them is essential in living up to our responsibility to minimise our impact and contribute positively to the energy transition. Bluewater (whilst realising that all SDGs are relevant to Bluewater's operations), identified the following SDG's as having our special attention:

SDG #3 [Good Health and Well Being]; Given the risks inherent to our operations, Bluewater's highest priority is to keep each and every one of us safe and healthy.

SDG #8 [Decent Work and Economic Growth]; We diversify our product portfolio as well as our technologies and use digitalisation and opportunities to create business that will contribute to both economic growth and jobs. Bluewater offers employees excellent working conditions and invest in development of our diverse workforce. Safe and secure working environments for all our employees are our top priority.

SDG #9 [Industry Innovation and Infrastructure]; By investing in technology and innovation we contribute to increases in resource / energy efficiency and greater adoption of clean and environmentally sound technologies and industrial processes. We do this both in our own operations and by offering our clients new products and services.

SDG #13 [Climate Action]; As a service provider in the oil and gas industry, the main challenge is to reduce our carbon footprint. Bluewater aims to minimise the carbon footprint by using energy more efficiently and resources more consciously.

As Bluewater acknowledges that its operations may have wide-ranging impact on the environment, in 2021 and 2022 as part of Bluewater's enterprise risk management, a cross functional group has performed an overview of climate related risks and opportunities as a first step towards implementing TCFD recommendations.

Taking into consideration the rapidly developing changes in regulations regarding Environment, Social and Governance reporting requirements, Bluewater is making further preparations to ensure it will be ready in good time to be able to report transparently, thoroughly and comprehensively on the ESG in line with EU regulations applicable to Bluewater.

Corporate governance

In 2016, the Company constituted a Supervisory Board, comprising of 3 members. Chairman is Mr P.R.M. van Binsbergen. The Supervisory Board is there to advise and supervise the Management of the Company. The sole statutory director of the Company is Mr. H.J. Heerema. As of January 27, 2014, the Company is listed on the Nordic ABM and as such no longer classifies as a Public Interest Entity under Dutch law as of this date.

The management acknowledges the importance of diversity in both the Management Board and the Supervisory Board. The target is to have a minimum of 30% women and 30% men on each the Management Board and the Supervisory Board. The members of the Management Board and the Supervisory Board have a diverse mix of knowledge, skills and expertise, in line with the required profile. Currently both the Management Board and Supervisory Board are 100% male. In succession planning, the relevant diversity aspects are taken into consideration. Ultimately the most qualified candidate will be nominated for appointment. To reach the diversity targets for future internal candidates for the Management Board and the Supervisory Board, the relevant diversity aspects shall be considered and taken into account of recruitment, talent management, appointment to roles, retention of employees, succession planning, training and development.

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Financial instruments

With most of its revenue in US dollars, Bluewater is exposed to currency exchange fluctuations. In addition, Bluewater is exposed to the risk of fluctuations of the value of financial instruments due to changes in the market rate of interest. Bluewater uses (in the normal course of business) various types of financial instruments with the objective to minimize currency risk. Procedures and policies are in place to control risks related to financial instruments, including a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. Bluewater's management is involved in the risk management process. Bluewater attempts to minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it believes to be creditworthy.

Going concern assumption, uncertainties and risks

In order to assess the appropriateness of the going concern assumption, Management has made an effort to assure that Bluewater's outlook remains sufficiently stable.

Bluewater successfully refinanced its debts in November 2022. Management deems the current financing arrangements to be adequate to maintain liquidity for the foreseeable future.

Since the start of the COVID-19 pandemic Bluewater has been dealing well with the pandemic's effects and its impact on the business has been negligible. For 2023 and onwards Management no longer considers this pandemic to be of any significance to its business.

The conflict between Russia and Ukraine that started early 2022 resulted in sanctions against Russia. The Management of Bluewater has assessed the impact on the business and the Company. Management considers that this conflict brings possible upward pressure on oil and gas price action, leading to higher tariff income for the Company. At this moment Bluewater has limited exposure in Russia. Bluewater is carefully reviewing its contracts taking due consideration of the newly announced sanctions and is taking measures to ensure that at all times, we comply with applicable sanction laws and regulations.

Maintaining operational excellence, adhering to high safety standards and experiencing no supply chain disruptions, Management also considers that Bluewater's project execution risk was and remains low. Progress on current SPM related work-in-hand was and remains steady without any notable setbacks. Prospective developments for Bluewater's operational FPSO vessels are in various stages. The FPSO vessel Haewene Brim is currently back on the Pierce field having completed the yard scope for maintenance and lifetime extension works in Norway in 2022. During the production ramp-up phase the vessel experienced a technical issue requiring halting production. Management's expectation is that this issue will be resolved by the end of March 2023. The vessel is under contract until the end of 2026. The contract for the FPSO vessel Aoka Mizu is amended to have an undefined end date with a 180 days cancellation period that can be invoked by both Bluewater and the customer. Management expects the vessel to maintain economically viable production up to the second half of 2024. Bluewater has an amended Bareboat Charter contract ('BBC') with its customer for the FPSO vessel Bleo Holm. The amended BBC extends the firm lease period until December 31, 2024. Thereafter the customer may take out further 1-year extensions at their discretion. Management expects production to remain economically viable for at least the full firm lease period. In 2021 the vessel Bleo Holm experienced a mechanical issue related to the main bearing that was successfully resolved by Bluewater with a quick solution. Customer has awarded work to Bluewater for a more proper and permanent solution to be installed in 2023 further strengthening the outlook for future contract extensions. The two FPSO vessels Munin and Glas Dowr are both in lay-up and recently seem to gather more interest from the market.

Post balance sheet, oil prices have been floating around the U.S.$80 price level over the past weeks up till signing of the financial statements. The market outlook is that the oil price will remain near this level for the foreseeable future indicating continuation of a relatively positive market situation. In addition, Management further welcomes the fact that for the FPSO vessel Glas Dowr recently a paid pre-FEED study was awarded.

Reflecting on the above mentioned as well as regulatory and other market developments, Management is not of the opinion that there is increased estimation uncertainty or alteration to the bandwidth it applies for making reasonable assumptions. Neither has Management experienced any degradation in the quality or flow of information it has to its disposal in making estimations and assumptions.

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Given the current business outlook and the liquidity forecast, Bluewater expects to be in compliance with its covenants under the existing loan agreements (Revolving Credit Facility and unsecured bond) and to have sufficient funds to continue its operations for at least the coming 12 months. The financial statements have therefore been prepared on a going concern basis of accounting.

Research and development

Bluewater focuses its research and development activities on technology that is integrated in our FPSO and SPM businesses. We have an in-house design and engineering team consisting of engineers trained in a number of disciplines. We also access new sources of information or technology by entering into strategic alliances with equipment manufacturers, oil and gas companies, universities or by participating in joint industry programs. While the market for our products and services is subject to continuous technological changes, development cycles from initial conception through introduction can extend over several years. Our efforts have resulted in the development of a number of inventions, new processes and techniques, many of which have been incorporated as improvements to our product lines. Our research and development activity has led to a number of patents or patent applications, principally in the area of SPM systems. During 2022 and 2021, our research and development expenditures were U.S.$2,938 thousand and U.S.$2,651 thousand, respectively. We expect to expend similar amounts on research and development in future periods.

Hoofddorp, March 13, 2023

President and CEO:
H.J. Heerema

Supervisory Board:

P.R.M. van Binsbergen

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Report by the Audit Committee

As of January 1, 2017 the tasks of the Financial Accounting Supervision Committee ("FASC") have been assumed by the Audit Committee ("AC") which is a committee within the Supervisory Board currently consisting of one member of the Supervisory Board. As of January 27, 2014 the Company is listed with issued bonds on the Nordic ABM of the Oslo Stock Exchange which is a non-EU regulated exchange and as such the Company no longer classifies as a Public Interest Entity under Dutch law as of this date.

Activities

The AC was involved in performing reviews focused on operations, risk management, internal controls and financial reporting. All these reviews are focused on whether sufficient checks and balances are in place and working in order to have consistent overview on the Company's activities and the related reliable financial reporting outcomes. Particular attention was paid to the Company's risks in relation to large contracts and projects, including project management, legal and finance. Other activities of the year included Operations, ICT and Enterprise Risk Management, the Company's policies with regard to anti-bribery and corruption (ABC policy) and compliance in general with rules and regulations. The AC also exchanged information about its activities and findings with Deloitte, the Company's external auditors and had separate meetings with the auditors, without the Company's management presence, in order to facilitate free and open discussions. Furthermore, the AC attended meetings in which the audit plan, management letter and final audit findings were discussed. Specific accounting issues and tax positions of the Company were on the agenda. The AC reports to the shareholder of the Company.

Governance and risks

The Company has an Enterprise Risk Management system in place to ensure adequate monitoring of performance and risks. One of the main risks is not being compliant with rules and regulations and the ABC policy. Also during 2022 this has been a key-area of attention, including the possible advanced ICT threats. Management believes that measures taken and planned are adequate to ensure compliance with applicable laws and regulations in the countries in which the Company operates. The AC is actively involved in monitoring the adherence to the ABC policy as well as in evaluating the risk assessment process in general and in setting priorities.

Future developments

The AC will continue to critically assess the Company's risks and controls in order to monitor the strength of risk management. Additionally, the AC will continue to closely monitor the Company's efforts in enhancing control activities around strategy, financing the Company and refining the loans, reemployment of the assets (long term contracts FPSOs), project management, lessons learned, compliance with rules and regulations and compliance with ABC legislation. The AC encourages management in its efforts to strengthen the governance structure of the Company and to implement new activities, such as the improvement of the internal ABC control system and the introduction of external independent audits on foreign agents, to further mitigate industry specific risks.

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Consolidated income statement

For the year ended

In thousands of U.S.$	*Note*	December 31, 2022	December 31, 2021
Operating activities			
Revenue	*7*	507,755	354,753
Raw materials, consumables used and other operating costs		(348,790)	(198,504)
Employee benefits expense	*8*	(65,282)	(64,520)
EBITDA	*5*	93,683	91,729
Depreciation and amortization expense	*12/13/14*	(33,080)	(37,631)
Results from operating activities (EBIT)	*6*	60,603	54,098
Finance income		451	39
Finance expense		(35,340)	(31,742)
Currency exchange results		4,899	(2,591)
Net finance expense	*10*	(29,990)	(34,294)
Profit before income tax		30,613	19,804
Income tax benefit	*11*	1,489	6,931
Profit for the year		32,102	26,735

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Consolidated statement of comprehensive income

For the year ended

In thousands of U.S.$	*Note*	**December 31, 2022**	**December 31, 2021**
Profit for the year		32,102	26,735
Other comprehensive income			
Items that will not be reclassified subsequently to consolidated income statement:			
Re-measurement of defined benefit obligation		4,694	(8,439)
Deferred tax on re-measurement of defined benefit obligation	*15*	(1,211)	2,110
		3,483	(6,329)
Items that may be reclassified subsequently to consolidated income statement:			
Exchange differences on translating foreign operations		(3,608)	(447)
Other comprehensive income, net of tax		(125)	(6,776)
Total comprehensive income for the period		31,977	19,959

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Consolidated statement of financial position

(after appropriation of result)

In thousands of U.S.$		*Note*	December 31, 2022	December 31, 2021
Assets				
	Property, plant and equipment	*12*	342,373	371,593
	Right-of-use assets	*13*	15,706	19,232
	Intangible assets	*14*	1,264	1,643
	Deferred tax assets	*15*	101,391	99,800
Total non-current assets			460,734	492,268
	Inventories	*16*	1,445	2,215
	Trade and other receivables, including derivatives	*17*	44,407	69,006
	Contract assets	*18*	34,916	13,677
	Prepayments for current assets		3,499	2,573
	Cash and cash equivalents	*19*	40,997	53,649
Total current assets			125,264	141,120
Total assets		*6*	585,998	633,388
Equity				
	Issued share capital		107	113
	Share premium		2,997,233	2,997,233
	Translation reserve		(12,467)	(8,865)
	Other reserves		649	973
	Employee benefits reserve		(17,538)	(21,021)
	Accumulated deficit		(2,736,215)	(2,763,641)
Total equity attributable to equity holder of the Company			231,769	204,792
Liabilities				
	Loans and borrowings	*20*	180,315	171,500
	Lease liabilities	*21*	11,753	15,154
	Employee benefits	*22*	13,646	23,108
Total non-current liabilities			205,714	209,762
	Loans and borrowings	*20*	40,000	99,601
	Lease liabilities	*21*	2,082	2,265
	Trade and other payables, including derivatives	*23*	95,708	72,502
	Contract liabilities	*24*	10,725	44,466
Total current liabilities			148,515	218,834
Total liabilities		*6*	354,229	428,596
Total equity and liabilities			585,998	633,388

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Consolidated statement of changes in equity

Attributable to shareholder of the Company

In thousands of U.S.$	Issued Share Capital	Share premium	Translation reserve	Other reserves	Employee benefits reserve (IAS 19)	Accumulated deficit	Total equity
Balance at January 1, 2021	**123**	**2,997,233**	**(8,428)**	**658**	**(14,692)**	**(2,790,061)**	**184,833**
Profit for the period	-	-	-	-	-	26,735	26,735
Addition to legal reserves	-	-	-	315	-	(315)	-
Foreign currency translation differences	(10)	-	(437)	-	-	-	(447)
Movement employee benefits reserve net of tax (IAS 19)	-	-	-	-	(6,329)	-	(6,329)
Total comprehensive income	(10)	-	(437)	315	(6,329)	26,420	19,959
Balance at December 31, 2021	**113**	**2,997,233**	**(8,865)**	**973**	**(21,021)**	**(2,763,641)**	**204,792**

In thousands of U.S.$	Issued Share Capital	Share premium	Translation reserve	Other reserves	Employee benefits reserve (IAS 19)	Accumulated deficit	Total equity
Balance at January 1, 2022	**113**	**2,997,233**	**(8,865)**	**973**	**(21,021)**	**(2,763,641)**	**204,792**
Profit for the period	-	-	-	-	-	32,102	32,102
Dividends paid	-	-	-	-	-	(5,000)	(5,000)
Movement in legal reserves	-	-	-	(324)	-	324	-
Foreign currency translation differences	(6)	-	(3,602)	-	-	-	(3,608)
Movement employee benefits reserve net of tax (IAS 19)	-	-	-	-	3,483	-	3,483
Total comprehensive income	(6)	-	(3,602)	(324)	3,483	27,426	26,977
Balance at December 31, 2022	**107**	**2,997,233**	**(12,467)**	**649**	**(17,538)**	**(2,736,215)**	**231,769**

The other reserves contain a legal reserve for U.S.$649 thousand (December 31, 2021: U.S.$973 thousand) which is related to internally generated capitalized expenses for computer software reported under the intangible assets.

During 2022, the Group has declared and paid dividends in total amount of U.S.$5.0 million (U.S.$50 per share). No dividends distributed in 2021.

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Consolidated statement of cash flows

In thousands of U.S.$	*Note*	2022	2021
Cash flows from operating activities			
Profit for the year		32,102	26,735
Adjustments for:			
Depreciation of property, plant and equipment	*12*	29,890	34,228
Depreciation of right-of-use assets	*13*	2,813	3,152
Amortization of intangible assets	*14*	377	251
Finance expense recognised	*10*	35,340	31,742
Income tax expense recognised	*11*	(1,489)	(6,931)
Change in employee benefits reserve	22	(9,462)	4,602
Movement provision for doubtful debtors	*25*	(138)	140
Change in inventories	16	770	(132)
Change in trade and other receivables, including derivatives	17, 25	24,737	(21,458)
Change in contract assets	18	(21,239)	10,577
Change in prepayments for current assets		(926)	(277)
Change in trade and other payables, including derivatives		23,206	(2,683)
Change in contract liabilities	*24*	(33,741)	15,357
Currency exchange results		96	(116)
Interest paid		(23,379)	(25,931)
Income tax (paid)/ received		(362)	59
Other gains and losses		4,033	(5,889)
Net cash from operating activities		62,628	63,426
Cash flows used in investing activities			
Payments for property, plant and equipment	*12*	(682)	(947)
Interest received	*10*	451	39
Payments for intangible assets		-	(485)
Net cash used in investing activities		(231)	(1,393)
Cash flows from financing activities			
Proceeds from loans and borrowings	20	19,888	-
Redemption of loans and borrowings		(80,000)	(35,000)
Repayment of lease liabilities		(3,489)	(3,600)
Debt arrangement and waiver fees paid		(1,987)	-
Dividends paid		(5,000)	-
Net cash used in financing activities		(70,588)	(38,600)
Translation effect on cash		(4,461)	(1,512)
Net increase in available cash and cash equivalents		(12,652)	21,921
Cash and cash equivalents at the beginning of the year		53,649	31,728
Cash and cash equivalents at the end of the year	*19*	40,997	53,649

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Notes to the consolidated financial statements

1. General information

Reporting entity

Bluewater Holding B.V. (the "Company") is domiciled in the Netherlands. The address of the Company's registered office is Taurusavenue 46, 2132 LS Hoofddorp. The Company is registered at the chamber of commerce in the Netherlands: 34130587. The consolidated financial statements of the Company as at and for the year ended December 31, 2022 comprise the Company and its subsidiaries (together referred to as the "Group" or "Bluewater" and individually as "Group entities") and the Group's interest in jointly controlled entities. The Group is primarily engaged in the supply of services and products to the oil industry. The Company's immediate parent is Bluewater Offshore Production Systems Ltd., of which all shares are ultimately controlled by the Jacaranda Trust, an irrevocable discretionary trust constituted under the laws of Jersey.

Activities

Bluewater is a specialized service provider to, and operator in, the offshore oil industry. Bluewater designs, develops, owns and operates floating production storage and offloading units ("FPSOs"), provides auxiliary equipment and services to FPSOs and designs, develops and performs project management and constructs single point mooring systems ("SPMs").

An FPSO is a type of floating production unit used by oil companies to produce, process, store and offload hydrocarbons from offshore fields. FPSOs are either newly built or converted tankers upon which production equipment is mounted. The fluids (oil, gas and water) are processed on board of the FPSO vessel, and the treated crude oil is stored before being exported to an off take system utilizing shuttle tankers. Bluewater's fleet of FPSOs is involved in the production, rather than the exploration or drilling, phase of oil field development. The FPSOs are leased to oil companies under medium- and long-term service contracts or bareboat contracts.

SPMs are used to transfer fluids to and from a floating production unit, an offshore storage vessel or shuttle tanker while securing the unit, vessel or tanker to the ocean floor. Most SPMs consist of an anchoring system that is connected to the ocean floor and a fluid transfer system that permits the transfer of fluids between fixed and rotating parts of the mooring system. SPMs are generally developed and constructed for oil companies and contractors.

Revenues are earned from day rates consisting of a fixed facility fee and a compensation for operating the FPSO pursuant to leases with oil companies, supplemented from time to time with fees based on volumes of produced barrels of oil. Additionally, revenues are earned on a lump-sum or reimbursable basis from the design, engineering, procurement and management services that are provided in the various FPSO and SPM projects being managed.

FPSO and SPM projects are being managed from the initial design and engineering phase to final installation.

Reporting period

The reporting period in the financial statements is a 12-month period.

2. Application of new and revised International Financial Reporting Standards (IFRS)

Impact of the initial application of the new and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in the EU for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The Group has adopted the amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

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IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

New and revised IFRS Standards adopted by the EU in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new standard and amendments to the existing Standards that have been issued and adopted by the EU but are not yet effective in the EU:

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	*Insurance Contracts*	Effective from January 1, 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*	*Disclosure of Accounting Policies*	Effective from January 1, 2023
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	*Definition of Accounting Estimates*	Effective from January 1, 2023
Amendments to IAS 12 *Income Taxes*	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	Effective from January 1, 2023

Management does not expect that the adoption of the new Standard and amendments to the existing Standards listed above will have a material impact on the financial statements of the Group in future periods.

New and revised IFRS Standards issued by the IASB but not yet adopted by the EU

The following amendments to the existing standards have not been endorsed for use in the EU yet and could not therefore be adopted by the Group:

(The effective dates stated below are for IFRS as issued by IASB. EU is expected to approve the amendments with the same effective dates.)

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been removed temporarily by the IASB.
Amendments to IFRS 16 *Leases*	*Lease Liability in a Sale and Leaseback*	Effective from January 1, 2024
Amendments to IAS 1 *Presentation of Financial Statements*	*Classification of Liabilities as Current or Non-current*	Effective from January 1, 2024
Amendments to IAS 1 *Presentation of Financial Statements*	*Non-current Liabilities with Covenants*	Effective from January 1, 2024

Management does not expect that the adoption of the amendments to the existing standards listed above will have a material impact on the financial statements of the Group in future periods.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted and endorsed by the European Union.

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(b) Basis of preparation

These consolidated financial statements are presented in thousands of US dollars, which is Company's functional currency. All financial information presented has been rounded to the nearest thousand. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are stated at fair value, as explained in the accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are:

Valuation of FPSOs held for conversion

Two out of five FPSOs of the Company are currently classified as 'FPSOs held for conversion' as they are in lay-up. The current book values of these two FPSOs (USD 161.2 million) are below the fair market value ranges (USD 180 – 265 million) as included in two external valuation reports obtained by the Company in FY2022. The fair market ranges of these two FPSOs are dependent on recent market developments, tender activities and Bluewater's ability to find a customer for the two FPSOs in the near future. Negative changes in the (business) environment such as a decrease in the level of investments by oil & gas companies could affect Bluewater's ability to find a customer for the two FPSOs which are currently in lay-up. Due to the associated uncertainty, it is possible that when Bluewater is not successful in finding a customer for the two FPSOs in lay up or when market development are deteriorating, this could have a significant effect on the future fair market value ranges of these FPOSs and thus on the Group's valuation of the FPSOs in the financial statements within the next years.

Realization of deferred tax assets

The Group has recognized deferred tax assets to the extent that it is probable that future taxable profits will be available against which unused tax losses, tax credits and deductible temporary differences can be utilized. As the future is uncertain, management has a horizon anticipated of future cash flows over the coming 7 years. Given the cycles in the oil market in general, this is currently management's best estimate of the coming profit making years given the level of uncertainty. Based on the fiscal profit forecast management recorded a valuation allowance related to the increased fiscal depreciation after 2029 – presented under disclosure note 15. The fiscal profit forecast entails various assumptions of which the key assumptions are listed below:

- Extension of the contract periods for the FPSOs currently operating under contract until the end of the forecast period with a limited conversion period for Aoka Mizu after the current contract. Management expects the vessel to maintain economically viable production up to the second half of 2024.
- Redeployment of the two vessels that are currently classified as 'FPSOs held for conversion' resulting in fiscal profits as from the year 2026.
- Assumed inflow of SPM project revenues based on various tenders and opportunities within the market.

Due to the uncertainty associated with the realizable amount of tax losses carried forward, there is a possibility that, when future taxable profits turn out lower than expected, it may take a longer time before the deferred tax assets are completely realized or that additional valuation allowances are required.

- If the forecasted horizon (currently 7 years) had been 1 year shorter (6 years) as at December 31, 2022 the recognized deferred tax assets would be USD 9.8 million lower. If the forecasted horizon (currently 7 years) had been 1 year longer (8 years) as at December 31, 2022 the recognized deferred tax assets would be USD 8.0 million higher.
- If the two vessels that are currently classified as 'FPSOs held for conversion' will not be redeployed in the (near) future, the recognized deferred tax assets as at December 31, 2022 would be USD 6.7 million lower.

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Going concern assumption, uncertainties and risks

In order to assess the appropriateness of the going concern assumption, Management has made an effort to assure that Bluewater's outlook remains sufficiently stable.

Bluewater successfully refinanced its debts in November 2022. Management deems the current financing arrangements to be adequate to maintain liquidity for the foreseeable future.

Since the start of the COVID-19 pandemic Bluewater has been dealing well with the pandemic's effects and its impact on the business has been negligible. For 2023 and onwards Management no longer considers this pandemic to be of any significance to its business.

The conflict between Russia and Ukraine that started early 2022 resulted in sanctions against Russia. The Management of Bluewater has assessed the impact on the business and the Company. Management considers that this conflict brings possible upward pressure on oil and gas price action, leading to higher tariff income for the Company. At this moment Bluewater has limited exposure in Russia. Bluewater is carefully reviewing its contracts taking due consideration of the newly announced sanctions and is taking measures to ensure that at all times we comply with applicable sanction laws and regulations.

Maintaining operational excellence, adhering to high safety standards and experiencing no supply chain disruptions Management also considers that Bluewater's project execution risk was and remains low. Progress on current SPM related work-in-hand was and remains steady without any notable setbacks. Prospective developments for Bluewater's operational FPSO vessels are in various stages. The FPSO vessel Haewene Brim is currently back on the Pierce field having completed the yard scope for maintenance and lifetime extension works in Norway in 2022. During the production ramp-up phase the vessel experienced a technical issue requiring halting production. Management's expectation is that this issue will be resolved by the end of March 2023. The vessel is under contract until the end of 2026. The contract for the FPSO vessel Aoka Mizu is amended to have an undefined end date with a 180 days cancellation period that can be invoked by both Bluewater and the customer. Management expects the vessel to maintain economically viable production up to the second half of 2024. Bluewater has an amended Bareboat Charter contract ('BBC') with its customer for the FPSO vessel Bleo Holm. The amended BBC extends the firm lease period until December 31, 2024. Thereafter the customer may take out further 1-year extensions at their discretion. Management expects production to remain economically viable for at least the full firm lease period. In 2021 the vessel Bleo Holm experienced a mechanical issue related to the main bearing that was successfully resolved by Bluewater with a quick solution. Customer has awarded work to Bluewater for a more proper and permanent solution to be installed in 2023 further strengthening the outlook for future contract extensions. The two FPSO vessels Munin and Glas Dowr are both in lay-up and recently seem to gather more interest from the market.

Post balance sheet, oil prices have been floating around the U.S.$80 price level over the past weeks up till signing of the financial statements. The market outlook is that the oil price will remain near this level for the foreseeable future indicating continuation of a relatively positive market situation. In addition, Management further welcomes the fact that for the FPSO vessel Glas Dowr recently a paid pre-FEED study was awarded.

Reflecting on the above mentioned as well as regulatory and other market developments, Management is not of the opinion that there is increased estimation uncertainty or alteration to the bandwidth it applies for making reasonable assumptions. Neither has Management experienced any degradation in the quality or flow of information it has to its disposal in making estimations and assumptions.

Given the current business outlook and the liquidity forecast, Bluewater expects to be in compliance with its covenants under the existing loan agreements (Revolving Credit Facility and Unsecured bond) and to have sufficient funds to continue its operations for at least the coming 12 months. The financial statements have therefore been prepared on a going concern basis of accounting.

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(c) Basis of consolidation

The financial information relating to Bluewater Holding B.V. is included in the consolidated financial statements. In accordance with article 2:402 of the Dutch Civil Code, the company financial statements only contain an abridged income statement. The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(ii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(d) Foreign currency

(i) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. The resulting exchange gains and losses are recorded under financial income and expense in the consolidated statement income and comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into US dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated into US dollars at exchange rates at the dates of the transactions. Gains and losses resulting from the translation are recorded in shareholder's equity, as translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to consolidated income statement.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in other comprehensive income and accumulated in the translation reserve.

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(e) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortized cost.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

Financial instruments at fair value through consolidated income statement

Bluewater uses derivative financial instruments such as forward contracts to hedge its risks associated with foreign currency fluctuations.

Such financial instruments are initially recorded in the consolidated statement of financial position as either an asset or a liability measured at fair value. Changes in the derivative instrument's fair value are recognised in consolidated income statement, unless specific hedge accounting criteria are met. All derivative financial instrument valuations are determined in part by reference to published price quotations in an active market. These quotations consist of currency exchange rates, interest rates, and discount rates. Attributable transaction costs are recognised in consolidated income statement when incurred.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income and accumulated in the hedging reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in consolidated income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecasted transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to consolidated income statement in the same period that the hedged item affects the consolidated income statement.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

The terms and conditions of the current corporate credit facility restricts the payment of dividends.

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Other reserves
The other reserves contain a legal reserve which is related to internally generated capitalized expenses for computer software reported under the intangible assets.

(f) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, borrowing costs paid during construction and attributable overhead.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item only if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated income statement as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation is recognised in the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, taking into account its residual value. Depreciation of assets starts when they are available for their intended use.

The estimated useful lives for the categories of property, plant and equipment are as follows:

- hulls 20-25 years
- swivel stack / turret 15-20 years
- machinery and process equipment 3-10 years
  (In case of long-term contracts longer than 10 years, these items are fully depreciated over the contract duration. For shorter term contracts, a decision is made as to the applicable useful life).
- office equipment 4 years
- other 4-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

'FPSOs held for conversion' and 'FPSO under construction' are depreciated, based on an assumed remaining economic lifetime. Upon conversion new assessment is made on the expected remaining useful life of converted FPSO. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within the consolidated income statement.

(g) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the consolidated income statement when incurred.

Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials and direct labour, borrowing costs paid during development and attributable overhead costs.

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Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised in the consolidated income statement on a straight-line basis from the date they are available for use, over the estimated useful lives of intangible assets not exceeding 20 years.

(ii) Software costs

Capitalized expenditures related to the acquisition and development of software are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised in the consolidated income statement from the date the software is available for use, over the estimated useful lives of the software of 5 years.

Configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) or Platform-as-a-Service (PaaS) arrangements are expensed, unless the criteria for recognising a separate asset are met.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Construction contracts

Construction contracts are measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

If payments received from customers exceed the income recognised, then the difference is presented under contract liabilities in the consolidated statement of financial position.

(j) Impairment

The carrying amounts of financial assets and assets that are subject to amortization or depreciation are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. For the purpose of impairment testing, assets are grouped together at the lowest level for which there are separately identifiable cash flows (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in prior periods are reversed if there has been a change in the estimates used to determine the recoverable amount, except for assets with indefinite useful lives.

(k) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans in the United Kingdom are recognised as an employee benefit expense in the consolidated income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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(ii) Defined benefit plans in the Netherlands

Provisions for pension obligations are established for benefits payable in the form of retirement and surviving dependant pensions. The funds are valued every year by professionally qualified independent actuaries. The obligations and costs of pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate of Dutch bonds, where the currency and terms of the bond are consistent with the currency and estimated terms of the defined benefit obligation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets.

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in employee benefits reserve in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to the consolidated income statement.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. No provision for the costs of demobilization of FPSOs at the end of the lease period is accounted for, if the lease contract provides for reimbursement of such costs by the lessee.

(m) Revenue

(i) Service agreements and/or operating lease arrangements for FPSOs

Revenues under service agreements and/or lease arrangements are recognised when the FPSO is made available to the lessee and the fee is due in accordance with the lease contract. Income under the lease agreements for the FPSOs comprises, depending on the vessel, the following:

- A facility fee representing a prescribed fee for the lease period. This fee may be increased or decreased based on actual availability of the FPSO, including an allowance for planned maintenance downtime, versus pre-determined thresholds.
- A tariff payment based on both production and oil price with a minimum day rate and an oil production related payment with a maximum amount.
- A fee for operating the FPSO.

Where applicable, lease revenues are recognised on a straight-line basis over the minimal non-cancellable lease term.

(ii) Construction contracts

Contract revenue from construction (design, engineering and project management) of SPMs and auxiliary equipment includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the consolidated income statement in proportion to the stage of completion of the contract.

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The stage of completion is measured by the labour and material cost incurred as a percentage of total estimated labour and material cost for each contract, unless the physical progress significantly differs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the consolidated income statement.

(n) Government grants

Government grants that compensate Bluewater for expenses incurred are recognised in the consolidated income statement on a systematic basis in the same periods in which the expenses are recognised, provided there is reasonable assurance that Bluewater will comply with the conditions attached to the grant and the grants will be received.

(o) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through the consolidated income statement and gains on hedging instruments that are recognised in the consolidated income statement. Interest income is recognised as it accrues in the consolidated income statement, using the effective interest method.

Finance expenses comprise interest expense on borrowings, interest expense on lease liabilities, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through the consolidated income statement, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in the consolidated income statement. Borrowing costs are recognised in the consolidated income statement using the effective interest method, except for borrowing costs that qualify for capitalization. Foreign currency gains and losses are reported on a net basis.

(p) Income tax

The income tax charge is based on the tax regime applicable to the various group companies in the countries in which they are legally seated. These tax regimes charge income taxes based on operating profits or on the basis of other criteria as agreed upon by the Group in specific tax rulings. Deferred taxation is considered in accounting for the income tax charge for the year.

Deferred income taxes are accounted for using the balance sheet method. Deferred income taxes are provided for temporary differences between the tax bases of assets or liabilities and their reported amounts in the consolidated financial statements. Future tax benefits attributable to these differences, if any, are recognised to the extent that realization of such benefits is probable. Deferred tax assets for tax losses carry forward are recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Company is at the head of a fiscal unity with several Dutch subsidiaries. Corporate income tax payable or receivable by the Company is not allocated to the individual subsidiaries.

(q) Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.
The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

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Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to equipment under medium- and long-term service contracts and bareboat contracts.

Leases for which the Group is a lessor are classified as operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

(r) Principles for preparation of the consolidated cash flow statement

The cash flow statement is prepared according to the indirect method.
The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered to be highly liquid investments.

Cash flows in foreign currencies are translated at an estimated average rate. Exchange rate differences concerning finances are shown separately in the cash flow statement.

Corporate income taxes, issuance of share capital, interest received and dividends received are presented under the cash flow from operating activities. Interest paid are presented under the cash flow from operating activities and dividends paid are presented under the cash flow from financing activities.

4. Financial risk management

In the normal course of business Bluewater uses various types of financial instruments based on financial policies and procedures as agreed by Bluewater's management. Financial instruments, other than derivatives, comprise accounts receivable, cash, deposits, long-term and short-term loans and accounts payable. Bluewater also uses derivative transactions; including principally forward rate currency contracts, with the purpose to manage currency risk arising from Bluewater's operations and sources of finance.

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Bluewater has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The spread of Bluewater's activities limits the exposure to concentrations of credit or market risk. Bluewater's management is involved in the risk management process. Bluewater attempts to minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it believes to be creditworthy.

Credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Bluewater attempts to minimize its credit risk as much as possible by thoroughly reviewing risks associated with contracts and negotiating bank or parent company guarantees from customers. Additionally, milestone payments are negotiated on lump-sum contracts and outstanding receivables are actively managed in order to minimize the number of days outstanding.

Liquidity risk

Bluewater has organized its liquidity management centrally, in order to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Currency risk

Bluewater is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. Bluewater uses forward exchange contracts to hedge its currency risk. When necessary, forward exchange contracts are rolled over at maturity.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings (note 20), lease liabilities (note 21), cash and cash equivalents (note 19) and equity attributable to the shareholder of Bluewater. The Group's goal is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the capital structure and return on capital, including the cost of capital and the associated risks.

Climate Change risk

Bluewater could face the impact of an accelerated energy transition driven by, among other things, climate change. The Company may miss business opportunities if it does not succeed in (i) developing competitive technologies and (ii) enhancing the energy efficiency of its existing offerings. The Company regularly updates its strategy in light of the evolution of the energy landscape.

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5. Non-IFRS financial performance measures

Bluewater uses certain non-IFRS financial performance measures in its financial statements and for the calculation of certain financial covenant ratios as required under its financing agreements. The definitions and calculation of some of these non-IFRS financial performance measures are as follows:

- EBITDA: defined as operating result before depreciation, amortization, finance expense and taxes.
- Interest bearing debt: defined as the amended corporate credit facility net of debt arrangement fees plus the senior secured project finance facility net of debt arrangement fees and debt service reserve account plus the unsecured bond net of debt arrangement fees and debt service reserve account.

In thousands of U.S.$	2022	2021
EBITDA	93,683	91,729
External interest bearing debt		
Current portion of bank loans	-	59,601
Unsecured bond	180,315	171,500
Current portion of unsecured bond	40,000	40,000
Interest bearing debt	220,315	271,101

6. Segment information

The disclosure of segment information is consistent with the internal reports in order to assess each segment's performance and to allocate resources to them. Internal reporting is primarily based on business segments since Bluewater's risks and rates of return are affected primarily by differences in services and products produced. Additionally information is reported geographically.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office expenses, investments and related revenue and income tax assets and liabilities. For both presented periods there are no inter segment revenues. The presentation of revenues by geographical segments is determined by the client's country of domicile. No revenues were generated and no assets are located in the Company's country of domicile.

Business segments	**FPSO**		**SPM**		**Consolidated**	
In thousands of U.S.$	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Total segment revenue	176,068	185,596	331,687	169,157	507,755	354,753
Total cost of operations	(80,868)	(88,268)	(323,823)	(165,013)	(404,691)	(253,281)
Unallocated expense					(9,381)	(9,743)
EBITDA	95,200	97,328	7,864	4,144	93,683	91,729
Depreciation and amortization	(29,133)	(33,599)	(3,947)	(4,032)	(33,080)	(37,631)
Results from operating activities (EBIT)	66,067	63,729	3,917	112	60,603	54,098
Net finance expense					(29,990)	(34,294)
Income tax benefit					1,489	6,931
Result for the period					32,102	26,735
Segment assets	400,540	436,178	82,803	95,767	483,343	531,945
Unallocated assets					102,655	101,443
Total assets					585,998	633,388
Segment liabilities	246,864	290,347	107,365	138,249	354,229	428,596
Capital expenditure	-	-	682	947	682	947

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There are no unallocated capital expenditures in 2022 and 2021.

Geographical segments	Revenues		Assets		Capital expenditures	
	2022	2021	2022	2021	2022	2021
Europe	444,941	321,677	423,688	459,383	682	947
Americas	219	1,446	753	734	-	-
Asia	57,815	18,185	161,214	172,911	-	-
Africa	4,741	13,445	343	360	-	-
Australia	39	-	-	-	-	-
Total	507,755	354,753	585,998	633,388	682	947

The geographical segments refer to the countries of origin of Bluewater's customers and assets. Several major customers in the FPSO and SPM segment have been identified, that each contributes to 10 percent or more of total revenues individually. In 2022, revenues from three such major customers amounted to U.S.$267.4 million, U.S.$93.0 and U.S.$54.1 million respectively. In 2021, revenues from three such major customers amounted to U.S.$163.8 million, U.S.$85.5 and U.S.$35.9 million respectively.

7. Revenue recognition

Assets and liabilities related to contracts with customers.

The Group has recognised the following assets and liabilities related to contracts with customers:

In thousands of U.S.$	Notes	2022	2021
Current contract assets	*18*	34,916	13,677
Current contract liabilities	*24*	10,725	44,466

Construction contracts are measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

If payments received from customers exceed the income recognized, then the difference is presented under contract liabilities in the consolidated statement of financial position.

Significant changes in contract assets and liabilities

In 2022, there are no material changes in the contract assets or contract liabilities. All changes are related to project receivables and liabilities for the ongoing contracts.

Revenue recognised in relation to contract liabilities

The contract liability of prior year amounting to USD 44.5 million has been recognised in the income statement of the current year. The total amount of contract revenue for the year amounts to USD 331.7 million.

In thousands of U.S.$	2022	2021
As at January 1	44,466	29,109
Invoiced amounts	265,079	183,233
Revenue recognised	(298,820)	(167,876)
As at December 31	10,725	44,466

Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to costs to fulfil a contract. If the Company's delivery performance obligation exceeds the invoiced instalment to the client, this will be recognised as a Contract asset.

In thousands of U.S.$	Note	2022	2021
Asset recognised from costs incurred to fulfil a contract at December 31	18	34,916	13,677

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Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

8. Employee benefits expense

In thousands of U.S.$	2022	2021
Wages and salaries	31,954	33,747
Pension costs defined contribution plans in the United Kingdom	537	614
Pension costs defined benefit plans in the Netherlands	6,424	6,996
Other social security contributions	3,387	3,555
	42,302	44,912
Personnel from agencies	22,980	19,608
	65,282	64,520

The average number of full time employees (fte's) during the year 2022 was 478.1 (2021: 482.0), divided over the following departments:

	2022	2021
Engineers	181.5	183.7
Sales	18.1	18.3
Crew	174.7	171.9
General and administrative	103.9	108.1
	478.2	482.0
Personnel from agencies	135.2	120.9

The average number of fte's working outside the Netherlands in 2022 was 216.1 (2021: 216.4).

9. Research and development expense

Total net research and development expenditures in 2022 amounted to U.S.$2,938 thousand (2021: U.S.$ 2,651 thousand). These net expenditures include government grants related to research and development activities amounting to U.S.$543 thousand (2021: U.S.$ 853 thousand).

10. Net finance expense

In thousands of U.S.$	2022	2021
Interest income	451	39
Finance income	451	39
Interest expense	(34,817)	(31,293)
Interest expense on lease liabilities	(523)	(449)
Finance expense	(35,340)	(31,742)
Currency exchange results	4,899	(2,591)
Currency exchange results	4,899	(2,591)
Net financing costs	(29,990)	(34,294)

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11. Income tax benefit

The breakdown of income tax benefit is as follows:

In thousands of U.S.$	2022	2021
Current period taxes	(948)	(160)
Adjustments in respect of prior years	(365)	228
Change in deferred tax asset	2,802	6,863
Total income tax benefit	1,489	6,931

Current period taxes mainly relate to the movement in the employee benefit reserve.

The reconciliation of the income tax benefit at statutory tax rates to the effective income tax is as follows:

In thousands of U.S.$		2022		2021
Profit before income taxes		30,613		19,804
Income tax using the Company's domestic tax rate	25.8%	(7,898)	25%	(4,951)
Difference between statutory tax rate and tax ruling		7,036		4,951
Other foreign taxes		(86)		(160)
Taxes related to prior years		(365)		228
Change in unrecognized deferred tax assets		12,643		11,189
Change in tax rate		150		2,884
Origination and reversal of temporary differences		(9,991)		(7,210)
Total income tax benefit		1,489		6,931

The effective tax rate of -4.86% (2021: -35%) for financial statement purposes differs from the statutory tax rate, mainly because Bluewater is subject to taxation in various countries with different statutory tax rates and taxable results vary in the various countries involved. Additionally, some group companies have significant tax losses carried forward, for which no (full) deferred tax asset is recognised (see note 15). Consequently, Bluewater's taxable result may differ from the operating result.

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12. Property, plant and equipment

In thousands of U.S.$	FPSOs	FPSOs held for conversion	Office equipment	Total
Cost:				
As at January 1, 2022	1,482,118	552,563	11,363	2,046,044
Additions	-	-	682	682
Translation result	-	-	(50)	(50)
As at December 31, 2022	1,482,118	552,563	11,995	2,046,676
Accumulated depreciation and impairment losses:				
As at January 1, 2022	1,288,845	379,716	5,890	1,674,451
Depreciation for the year	17,143	11,693	1,054	29,890
Translation result	-	-	(38)	(38)
As at December 31, 2022	1,305,988	391,409	6,906	1,704,303
Net book value	176,130	161,154	5,089	342,373

In thousands of U.S.$	FPSOs	FPSOs held for conversion	Office equipment	Total
Cost:				
As at January 1, 2021	1,482,118	552,563	10,421	2,045,102
Additions	-	-	947	947
Translation result	-	-	(5)	(5)
As at December 31, 2021	1,482,118	552,563	11,363	2,046,044
Accumulated depreciation and impairment losses:				
As at January 1, 2021	1,267,291	368,022	4,913	1,640,226
Depreciation for the year	21,554	11,694	980	34,228
Translation result	-	-	(3)	(3)
As at December 31, 2021	1,288,845	379,716	5,890	1,674,451
Net book value	193,273	172,847	5,473	371,593

No interest was capitalized for the periods ended December 31, 2022 and 2021.

Bluewater has two FPSOs held for conversion or in lay-up kept in the category 'FPSOs held for conversion' for the period ended December 31, 2022 (December 31, 2021: 2 FPSOs). Starting from January 1, 2016 all 'FPSOs held for conversion' are depreciated, based on an assumed remaining economic lifetime of 20 – 25 years.

At December 31, 2022 properties with a carrying amount of U.S.$176.1 million (2021: U.S.$193.3 million) are subject to a registered debenture to secure bank loans.

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13. Right-of-use assets

The Company leases assets including buildings and vehicles. The average lease term for vehicles is 4-5 years. The lease term for the main property is 15 years starting October 1, 2014.

In thousands of U.S.$				
Cost	**Property**	**Vehicles**	**Office equipment**	**Total**
As at January 1, 2022	26,024	1,004	761	27,789
Additions	389	81	-	470
Disposals	-	(82)	-	(82)
Translation result	(1,611)	(60)	(45)	(1,716)
As at December 31, 2022	24,802	943	716	26,461
Accumulated depreciation				
As at January 1, 2022	7,884	414	259	8,557
Charge for the year	2,439	232	142	2,813
Disposals	-	(82)	-	(82)
Translation result	(490)	(29)	(14)	(533)
As at December 31, 2022	9,833	535	387	10,755
Carrying amount				
As at December 31, 2022	14,969	408	329	15,706

In thousands of U.S.$				
Cost	**Property**	**Vehicles**	**Office equipment**	**Total**
As at January 1, 2021	26,597	909	657	28,163
Additions	1,422	210	222	1,854
Disposals	-	(100)	-	(100)
Translation result	(1,995)	(15)	(118)	(2,128)
As at December 31, 2021	26,024	1,004	761	27,789
Accumulated depreciation				
As at January 1, 2021	5,654	272	122	6,048
Charge for the year	2,750	249	153	3,152
Disposals	-	(101)	-	(101)
Translation result	(520)	(6)	(16)	(542)
As at December 31, 2021	7,884	414	259	8,557
Carrying amount				
As at December 31, 2021	18,140	590	502	19,232

Amounts recognised in profit and loss:

In thousands of U.S.$	**2022**	**2021**
Depreciation expense on right-of-use assets	2,813	3,152
Interest expense on lease liabilities	523	449
Expense relating to leases of low value assets	-	13

At December 31, 2022, the Group is not committed to short-term leases (December 31, 2021: nil). The total cash outflow for leases amounts to U.S.$3.5 million (2021 U.S.$3.6 million).

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14. Intangible assets

The movement of intangible assets is as follows:

In thousands of U.S.$	Software costs	Total
Cost:		
As at January 1, 2022	1,910	1,910
Disposals	(2)	(2)
As at December 31, 2022	1,908	1,908
Accumulated amortization and impairment losses:		
As at January 1, 2022	267	267
Amortization for the year	377	377
As at December 31, 2022	644	644
Net book value as at December 31, 2022	1,264	1,264

In thousands of U.S.$	Software costs	Total
Cost:		
As at January 1, 2021	14,040	14,040
Additions	485	485
Disposals	(12,615)	(12,615)
As at December 31, 2021	1,910	1,910
Accumulated amortization and impairment losses:		
As at January 1, 2021	12,631	12,631
Amortization for the year	251	251
Disposals	(12,615)	(12,615)
As at December 31, 2021	267	267
Net book value as at December 31, 2021	1,643	1,643

During 2021, the Company has disposed fully depreciated intangible assets with historical cost of U.S.$12,615 thousand.

15. Deferred tax assets

At December 31, 2022, the deferred tax assets comprise of tax losses carry forward (TLCF), temporary valuation differences for property plant and equipment (PPE), unused tax credit and temporary valuation differences for pensions (pension). The movements during the years 2022 and 2021 are as follows:

In thousands of U.S.$	TLCF	PPE	Unused Tax Credit	Pension	Total
As at January 1, 2022	26,779	52,330	14,729	5,962	99,800
Recognised in OCI	-	-	-	**(1,211)**	**(1,211)**
Recognised in income statement	**(1,265)**	**970**	**4,326**	**(1,229)**	**2,802**
Change in tax %	150	-	-	-	150
Change in unrecognized deferred tax assets	-	8,317	4,326	-	12,643
Realization of temporary valuation differences	(1,415)	(7,347)	-	(1,229)	(9,991)
As at December 31, 2022	**25,514**	**53,300**	**19,055**	**3,522**	**101,391**
As at January 1, 2021	25,789	49,501	10,911	4,626	90,827
Recognised in OCI	-	-	-	**2,110**	**2,110**
Recognised in income statement	**990**	**2,829**	**3,818**	**(774)**	**6,863**
Change in tax %	804	1,583	349	148	2,884
Change in unrecognized deferred tax assets	265	7,455	3,469	-	11,189
Realization of temporary valuation differences	(79)	(6,209)	-	(922)	(7,210)
As at December 31, 2021	26,779	52,330	14,729	5,962	99,800

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The deferred tax assets relate to the group companies in the Netherlands. The tax loss carry-forward exists due to operational losses in prior years. Due to the transfer of the vessels from the Curacao NV's to Dutch BV's a tax rejuvenation has taken place. The book result on this transfer has been compensated by Tax Losses Carried Forward while a higher tax book value generates higher fiscal depreciation in the future. Additionally, since the impairment on the book value of the FPSO Glas Dowr cannot be taken into account from a tax perspective, the higher tax book value will generate higher fiscal depreciation in the future resulting in an increase of the deferred tax assets. Bluewater has analysed the future realization of the remaining losses carried forward as well as the temporary difference in book value, considering Bluewater's history of earnings, projected earnings based on current contracts as well as future contracts, the applicable tax rate, the new rules regarding limitation of deductibility of interest and the maximum carry forward period of the tax losses. The group has recognized deferred tax assets to the extent that it is probable that future taxable profits will be available against which unused tax losses, tax credits and deductible temporary differences can be utilized. As the future is uncertain, management has a horizon anticipated of future cash flows over the coming 7 years. Given the cycles in the oil market in general, this is currently management's best estimate of the coming profit making years given the level of uncertainty. Based on this analysis, Bluewater concluded that it is probable that an estimated amount resulting from temporary differences resulting in a deferred tax asset of U.S.$101.4 million will be fully realized. From the total deferred tax balance as of December 31, 2022 an amount of U.S.$9.2 million is expected to be realised within one year.

At December 31, 2022 Bluewater has Tax Losses Carried Forward in the Netherlands of a total nominal amount of U.S.$96.5 million. As of January 1, 2022 expiration of existing loss carry forward is no longer applicable.

At December 31, 2022 Bluewater has temporary differences related to property plant and equipment in the Netherlands. Due to the fact that part of these differences can only be utilized in 2029 and beyond, these differences are not valued. Regarding the temporary valuation differences for the property, plant and equipment an amount of U.S.$108.1 million (2021 U.S.$137.2 million) has not been valued as a deferred tax asset on the statement of financial position date.

At December 31, 2022 Bluewater has loss carry forwards in the United Kingdom that do not expire of a total nominal amount of U.S.$67.6 million (GBP 56.1 million), resulting from trading losses incurred. Based on new secured commitments, Bluewater does consider it probable that tax losses for an amount of U.S.$2,508 thousand will be realized. Accordingly, Bluewater has recognised a deferred tax asset related to these losses to an amount of U.S.$627 thousand (year 2021: U.S.$574 thousand).

16. Inventories

Inventories comprise a stock buoy and stock items available for sale to third parties or for use in future SPM or FPSO conversion projects.

17. Trade and other receivables, including derivatives

In thousands of U.S.$	**2022**	**2021**
Trade debtors	33,543	57,201
Other receivables	4,084	6,189
FX forward contract derivatives	371	-
Affiliated receivables	6,409	5,616
	44,407	69,006

The cumulative adjustment of the net realizable value of doubtful debtors amounting to U.S.$2,561 thousand (2021: U.S.$2,700 thousand) has been deducted from trade debtors. The directors consider that the carrying amount of trade and other receivables approximates to their fair value. The expected credit losses (excluding the aforementioned adjustment) on trade receivables amounts to U.S.$ nil (2021: U.S.$ nil).

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18. Contract assets

In thousands of U.S.$	2022	2021
Costs incurred plus profits recognised to date	931,162	611,103
Progress billings	(906,971)	(641,892)
	24,191	(30,789)
Amounts due from customers under construction contracts	34,916	13,677
Amounts due to customers under construction contracts	(10,725)	(44,466)
	24,191	(30,789)

The cost incurred includes the amount of recognised profits or losses to date.

19. Cash and cash equivalents

In thousands of U.S.$	2022	2021
Bank balances	40,342	52,974
Deposits	655	675
Cash and cash equivalents in the statement of cash flows	40,997	53,649

The total amount of outstanding guarantees at December 31, 2022 is U.S.$26,447 thousand (December 31, 2021: U.S.$32,605 thousand). Cash collateral for bank guarantees outstanding kept in restricted accounts amounted to nil at December 31, 2022 (December 31, 2021: U.S.$ nil). Furthermore, cash and cash equivalents include an amount of U.S.$343 thousand (2021: U.S.$360 thousand) of restricted accounts which are not directly available for use.

20. Loans and borrowings

In thousands of U.S.$	2022	2021
Non-current liabilities		
Unsecured bond	180,315	171,500
	180,315	171,500
Current liabilities		
Current portion of bank loans	-	59,601
Current portion of bonds	40,000	40,000
	40,000	99,601

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In thousands of U.S.$	Nominal Currency	interest rate	Year of Maturity	2022 Face Value	2022 Carrying Amount
Revolving Credit Facility	USD	SOFR + 4.2%	2024	29,377	-
Unsecured bond	USD	Fixed 12%	2026	220,315	220,315
Total interest-bearing liabilities				249,692	220,315

In thousands of U.S.$	Nominal Currency	interest rate	Year of Maturity	2021 Face Value	2021 Carrying Amount
Revolving Credit Facility	USD	LIBOR + 3.0%	2022	62,545	59,601
Unsecured bond	USD	Fixed 10%	2023	211,500	211,500
Total interest-bearing liabilities				274,045	271,101

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Revolving credit facility

Effective December 17, 2018 the Company entered a U.S.$220.0 million Revolving Credit Facility as last amended on November 15, 2022. The amendments reduced the Facility Amount to U.S.$ 30 million, extended the Final Maturity Date, amended the financial covenants and increased the uncommitted ancillary facility of U.S.$92.5 million for guarantees. Interest on the U.S.$30.0 million Revolving Credit Facility is 3-months USD SOFR plus 4,2% margin per annum and the Final Maturity Date is November 15, 2024. U.S.$1.3 million of debt arrangement fees has been amortized as finance expenses in 2022. U.S.$0.6 million is capitalized as per December 31, 2022 to be amortized until November 15, 2024. As per December 31, 2022 the Revolving credit facility has not been drawn. FPSO's Aoka Mizu, Haewene Brim and Bleo Holm provide collateral for this facility.

Unsecured bond

Effective November 28, 2018 the Company issued a U.S.$240.0 million unsecured bond, with a fixed interest rate of 10% per year and a maturity date of November 28, 2023. U.S.$8.5 million of debt arrangement fees has been amortized as finance expenses in 2022. On January 31, 2022, the Company exercised its right to call U.S.$.20 million of the Bond. On October 31, 2022 the Bond was called and fully repaid on November 15, 2022.

Effective November 10, 2022 the Company issued a U.S.$240.0 million unsecured bond with a fixed interest rate of 12% per year and a maturity date of November 10, 2026. The amount of the unsecured bond as per December 31, 2022 amounting to U.S.$ 220.3 million is the net balance of the U.S.$240 million unsecured bond loan and the current balance of unamortized borrowing costs of U.S.$19.7 million. A call premium was paid in the amount of U.S.$14.4 million and U.S.$4.6 million of outstanding debt arrangement fees in relation to the old bond were expensed.

21. Lease liabilities

Lease liabilities included in the consolidated statement of financial position:

Analysed as:

In thousands of U.S.$	2022	2021
Non-current	11,753	15,154
Current	2,082	2,265
Total lease liabilities	13,835	17,419

Maturity analysis:

In thousands of U.S.$	2022	2021
Year 1	2,082	3,078
Year 2	2,691	2,932
Year 3	2,403	2,759
Year 4	2,175	2,453
Year 5	1,847	2,236
Onwards	2,637	3,961
Total lease liabilities	13,835	17,419

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

22. Employee benefits

The group companies in the Netherlands provide a defined benefit pension plan for all its employees. Under the pension plan the employees are entitled to post-retirement yearly instalments amounting to 1.83% of average salary in excess of a deductible of approximately EUR 15.1 thousand and up to a maximum of approximately EUR 85.8 thousand, for each year of service until retirement age of 68.

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The liabilities and expenses arising from the plan are as follows:

In thousands of U.S.$	2022	2021
Present value of funded obligations	(77,868)	(132,380)
Fair value of plan assets	64,222	109,272
Net liability arising from defined benefit obligation	(13,646)	(23,108)

The plan is subject to the regulations as stipulated in the Pensions Act (in Dutch: 'Pensioenwet'). In the Pensions Act the plan needs to be fully funded and needs to be operated outside Bluewater by a separate legal entity. The plan has been insured by a third-party insurance company. Consequently, most of the risks associated with the plan have been transferred to this third-party insurance company and the funding requirements are determined by the third-party insurance company. The insurance company guarantees that all pension entitlements that have been accrued until December 31, 2022 are paid to the pension plan participants and is responsible for operating the plan in accordance with the pension agreement. The insurance company is also responsible for the investment policy with regard to the assets. The plan assets are deemed to be equal to the accrued pensions and the discount rate used to calculate the present value of the plan assets is equal to the discount rate used to calculate the projected benefit obligation.

Bluewater has no additional responsibilities for the governance of the pension plan. The risks associated with the plan that remain with Bluewater are limited to salary risk, risk of individual value transfers and the risk of default by the insurance company.

Movement in the present value of the defined benefit obligations in the Netherlands

In thousands of U.S.$	2022	2021
Defined benefit obligations at beginning of period	132,380	137,634
Current service costs	5,498	5,928
Interest expense	1,904	1,725
Benefits payment from plan	(1,241)	(1,222)
Effect of changes in demographic assumptions	1,100	638
Effect of changes in financial assumptions	(53,562)	(1,454)
Translation result	(8,211)	(10,869)
Defined benefit obligations at December 31	77,868	132,380

Movement in the present value of plan assets

In thousands of U.S.$	2022	2021
Fair value of plan assets at beginning of period	109,272	119,128
Interest income	1,640	1,554
Employer contributions	9,174	8,670
Benefit payments from plan	(1,241)	(1,222)
Administrative expenses paid from plan assets	(36)	(39)
Re-measurements on plan assets	(47,809)	(9,676)
Translation result	(6,778)	(9,143)
Fair value of plan assets at December 31	64,222	109,272

Expense recognised in the consolidated income statement and comprehensive income

In thousands of U.S.$	2022	2021
Current service costs	5,498	5,928
Interest expense on obligation	1,904	1,725
Interest (income) on plan assets	(1,640)	(1,554)
Administrative expenses and taxes	36	39
Defined benefits costs included in the consolidated income statement	5,798	6,138
Effect of changes in demographic assumptions	1,100	638
Effect of changes in financial assumptions	(53,562)	(1,454)
Re-measurements on plan assets (excluding interest income)	47,809	9,676

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Defined benefits cost in other comprehensive income	(4,653)	8,860
Total defined benefit cost recognised in the consolidated income statement and comprehensive income	1,145	14,998

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2022	2021
Discount rate at December 31	4.25%	1.55%
Future salary increases	3.10%	2.60%
Future pension increases	2.50%	2.10%
Inflation	2.60%	2.10%

The duration of the liabilities is approximately 19.8 years based on the discount rate above. The sensitivity of the main driver which is the discount rate can be displayed as follows:

	Basis scenario	Scenario with increased assumption	Scenario with decreased assumption
Discount rate	4.25%	4.50%	4.00%
Benefit obligation	77,868	74,291	81,691
Service cost at beginning of year	2,945	2,772	3,133

The Group's subsidiaries should fund the cost of the entitlements expected to be earned on a yearly basis. Employees pay no additional fund. The residual contribution (including back service payment) is paid by the entities of the Group. The funding requirements are based on a local actuarial measurement framework. In this framework the discount rate is set on a risk-free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) should be paid immediately to the plan. Apart from paying the costs of the entitlements the Group's subsidiaries are not liable to pay additional contributions in case the plan does not hold sufficient assets. In that case the case the plan should take other measures to restore its solvency such as a reduction of the entitlements of the plan members.

The average duration of the benefit obligation at the end of the reporting period is 19.8 years (2021: 23.7 years). This number can be subdivided into the duration related to:

- Active members: 21.9 years (2021: 25.9 years)
- Deferred members: 20.2 years (2021: 24.7 years)
- Retired members: 9.5 years (2021: 10.8 years)

The Group expects U.S.$5,974 thousand in contributions to be paid to the defined benefit plans in 2023. The pension provision has predominantly a long term character.

The Group companies in the United Kingdom sponsor defined contribution plans based on local practice and regulations. The contributions relating to these plans are charged to income in the year to which they relate. For the years 2022 and 2021 contributions charged to income amount to U.S.$537 thousand and U.S.$613 thousand respectively.

23. Trade and other payables, including derivatives

In thousands of U.S.$	2022	2021
Trade payables	57,094	25,575
Accrued expenses	25,739	34,101
Accrued interest	4,018	3,700
Related party Aurelia Energy N.V.	4,680	4,710
Related party Supernova Ireland B.V.	13	13
FX forward contract derivatives	-	438

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Income taxes	867	-
Wages taxes and social securities	3,297	3,965
	95,708	72,502

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade payables for the first days from the date of the invoice. The directors consider the carrying amount of trade payables approximates to their fair value.

24. Contract liabilities

Contract liabilities classified as current liability consists of instalments invoiced for construction contracts exceeding cost incurred.

In thousands of U.S.$	**2022**	**2021**
Current contract liabilities		
Billings in excess of contract liabilities	10,725	44,466
Current contract liabilities	10,725	44,466

25. Financial risk management

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reported date was:

	Carrying amount	
In thousands of U.S.$	**2022**	**2021**
Cash and cash equivalents	40,997	53,649
Trade and other receivables	44,407	69,006
	85,404	122,655

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
In thousands of U.S.$	**2022**	**2021**
Europe	30,608	43,852
Asia	2,831	3,417
Africa	100	9,932
South America	4	-
	33,543	57,201

Several major customers in the FPSO and SPM segment have been identified, that each contributes to 10 percent or more of total trade receivables individually. In 2022, trade receivables from three such major customers amounted to U.S.$12.4 million, U.S.$9.0 million and U.S.$3.4 million. In 2021, trade receivables from three such major customers amounted to U.S.$23.4 million, U.S.$12.1 million and U.S.$9.1 million.

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Impairment losses

The ageing of trade receivables at the reporting date was:

In thousands of U.S.$	Gross 2022	Provision 2022	Gross 2021	Provision 2021
Current 0 - 30 days	13,839	-	27,744	-
Past due 31 – 60 days	15,057	-	26,007	-
Past due 61 - 90 days	365	-	1,377	-
Past due 91 – 180 days	12	-	81	-
More than 180 days	6,831	2,561	4,692	2,700
Total	36,104	2,561	59,901	2,700

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In thousands of U.S.$	2022	2021
Balance at beginning of period	2,700	2,565
Additions	58	140
Settlement release	(196)	-
Impairment loss recognised	(1)	(5)
Balance at December 31	2,561	2,700

Based on past experience, Bluewater believes that no further impairment allowance is necessary in respect of past due trade receivables. The allowance accounts in respect of trade receivables are used to record impairment losses unless Bluewater is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

Liquidity risk

Effective December 17, 2018, Bluewater has entered into a Revolving Credit Facility as last amended on November 15, 2022, with this U.S.$ 30 million Facility it can access the capital needs to meet fluctuations in liquidity by drawing funds under this facility. Below are the contractual maturities of financial liabilities:

December 31, 2022

In thousands of U.S.$	Carrying amount	Contractual cash flows	1 year	2 – 5 years	More than 5 years
Non-derivative financial liabilities					
Lease liabilities	13,835	20,611	2,779	13,213	4,619
Unsecured U.S.$240.0 million bond issue	220,315	321,560	67,573	253,987	-
Trade and other payables	95,708	95,708	95,708	-	-
Total	329,858	437,879	166,060	267,200	4,619

December 31, 2021

In thousands of U.S.$	Carrying amount	Contractual cash flows	1 year	2 – 5 years	More than 5 years
Non-derivative financial liabilities					
Secured bank loans	59,601	60,906	60,906	-	-
Lease liabilities	17,419	25,918	3,638	14,175	8,105
Unsecured U.S.$240.0 million bond issue	211,500	248,711	57,783	190,928	-
Trade and other payables	72,502	72,502	72,502	-	-
Total	361,022	408,037	194,829	205,103	8,105

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Cash flow hedges

As per December 31, 2022 and December 31, 2021 there are no forward exchange contracts accounted for as cash flow hedges.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2021. The capital structure of the Group consists of net debt (borrowings disclosed in note 20 and lease liabilities disclosed in note 21) and equity of the Group (comprising issued capital, reserves, retained earnings). The Group is subject to externally imposed capital requirements regarding to Unsecured bond and the Revolving Credit Facility.

Gearing ratio

In thousands of U.S.$	**2022**	**2021**
Debt	234,150	288,520
Cash and cash equivalents	(40,997)	(53,649)
Net debt	193,153	234,871
Equity	231,769	204,792
Net debt to equity ratio	*120.0%*	*87.2%*

Debt is defined as long-and short-term borrowings and lease liabilities (excluding derivatives and financial guarantee contracts).

Exposure to currency risk

Bluewater's revenues are primarily denominated in U.S. dollars and, to a lesser extent, Pound sterling, Norwegian krone and Euro. In 2022, approximately U.S.$91.7 million (2021: U.S.$96.7 million) of Bluewater's revenues was denominated in Pound sterling, approximately U.S.$131.2 million (2021: U.S.$57.0 million) was denominated in Norwegian krone and approximately U.S.$66.3 million (2021: U.S.$54.2 million) was denominated in Euro. Bluewater's expenses are denominated primarily in U.S. dollars and to a lesser degree, Euro, Pound sterling and several other currencies. Bluewater is exposed to fluctuations in foreign currency exchange rates, because a portion of its expenses and financial indebtedness is denominated in currencies that are different from Bluewater's revenues. Bluewater's policy is to match, through our FPSO service agreements, the revenues in a particular currency with its operating costs in that currency, thereby minimizing the risk associated with fluctuations in foreign currency exchange rates. Bluewater also matches its indebtedness denominated in U.S. dollars with its revenues denominated in U.S. dollars. Bluewater purchases foreign currency exchange contracts from financial institutions to the extent of any residual exposure. Bluewater manages its outstanding currency exposure on a regular basis and nets these exposures across its operations as a group. Gains and losses related to specific currency transactions are recognised as part of its income from financing activities.

In the years 2022 and 2021 Bluewater entered into foreign currency exchange contracts in relation to projects to hedge against the risk of fluctuations in foreign currency exchange rates for expenditures in currencies other than the project currency. Bluewater may designate certain foreign currency exchange contracts as cash flow hedges. For such contracts designated and that qualify as cash flow hedges gains and losses related to project specific currency transactions are recognised as part of the hedging reserve.

The following significant exchange rates applied during the year:

USD	**Average rate**		**Reporting date mid-spot rate**	
	2022	**2021**	**2022**	**2021**
EUR 1	1.0578	1.1893	1.0667	1.1334
GBP 1	1.2402	1.3782	1.2046	1.3522

Sensitivity analysis

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A ten percent change in the value of the US dollar against the above currencies at December 31, 2022 would have increased (decreased) the value of the forward exchange contracts by approximately U.S.$0.7 million (2021: U.S.$1.6 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

Profile

Most of the Group indebtedness consists of advances under senior secured project finance facility, the amended corporate facility and unsecured bond. Management expects that in the future the Group will continue to have significant indebtedness under senior secured project finance facility and that unsecured bond will continue to be outstanding. Advances under the senior secured project finance facility, the amended corporate facility and the loan bear interest at rates typically expressed as a margin over the appropriate interbank rate.

At the reporting date the interest rate profile of the Group's notional interest-bearing financial instruments was as follows:

In thousands of U.S.$	Notional amounts 2022	2021
Fixed rate financial liabilities	(240,000)	(220,000)
Variable rate financial liabilities	-	(60,000)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through the consolidated income statement, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect the consolidated income statement.

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, the Group had no variable rate financial liabilities and therefore, a change in interest rates would not affect the consolidated income statement. As at December 31, 2021, interest sensitivity remained for the Revolving Credit Facility. A change of 50 basis points in interest rates compared to the interest rates as at December 31, 2021 would therefore have an effect of U.S.$300 thousand on the consolidated income statement.

Fair values versus carrying amounts

The fair values of financial assets and liabilities are not materially different from the carrying amounts, except for the fair value of the unsecured bond with a notional amount of U.S.$240.0 million, which amounts to U.S.$242.2 million as per December 31, 2022 (the fair value of the unsecured bond with a notional amount of U.S.$220.0 million amounts to U.S.$219.5 million as per December 31, 2021).

Bluewater uses the following fair value hierarchy for financial instruments that are measured at fair value in the consolidated statement of financial position: the fair value of financial assets that are traded on an active liquid market are determined with reference to the quoted market price (level 1), fair values of forward exchange contracts, interest rate swaps and interest rate caps are based on quotes from banks (level 2). Bluewater does not use pricing models to determine fair values (level 3).

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26. Operating leases

Leases as lessor

Bluewater leases its FPSOs under medium- and long-term service contracts and bareboat contracts with lease terms between one and six years. The lessee does not have an option to purchase the property at the expiry of the lease period. Maturity analysis of operating lease payments excluding any tariff payments dependent on actual production under the Bareboat Charter ('BBC'):

In thousands of U.S.$	2022	2021
Year 1	45,960	44,430
Year 2	25,665	26,455
Year 3	9,170	24,700
Year 4	7,345	8,205
Year 5	-	6,380
	88,140	110,170

During 2022, the Group reported in income statement lease income on operating leases of U.S.$95,546 thousand (2021: U.S.$ 97,007 thousand) including any tariff payments dependent on actual production under the BBC.

27. Commitments and contingencies

Claims and suits

From time to time, the Company is subject to various claims arising out of the ordinary course of business. In 2021, an affiliate of the Company received a claim letter in the amount of U.S.$ 10.7 million from a client, claiming an alleged breach of contract. This claim has been fully rejected by the Company's affiliate as Company's affiliate considers this claim lacks legal basis. In order to resolve the matter Client started friendly consultations, as per the terms of the contract. The claim has been reported to the PI insurance. Based upon current knowledge and facts, management does not expect the outcome of the claim to have a material adverse effect on Company's financial position.

Purchase commitments

As per December 31, 2022 Bluewater has entered into purchase commitments for SPM projects of U.S.$23,963 thousand (December 31, 2021: U.S.$51,942 thousand).

28. Related parties

Key management personnel compensation

Key management personnel compensation comprises:

In thousands of U.S.$	2022	2021
Short-term employee benefits	2,900	3,445
Post-employment benefits	236	217
	3,136	3,662

In 2022 an amount of U.S.$106 thousand (2021: U.S.$120 thousand) for the remuneration of the Supervisory Board members and audit committee of the legal entity is included in the consolidated income statement of the Company.

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The following amounts were outstanding at the reporting date:

	Amounts owed by related parties		Amounts owed to related parties	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Aurelia Energy N.V.	-	30	4,680	4,710
Aurelia Holding N.V.	1,026	1,014	-	-
Bluewater Oil and Gas Investment Ltd.	1,472	1,449	-	-
Galaxy Energy B.V.	57	51	-	-
Supernova Energy B.V.	3,845	3,072	-	-
Supernova Ireland B.V.	-	-	13	13
Supernova Holding B.V.	9	-	-	-
	6,409	5,616	4,693	4,723

29. Subsequent events

There were no events after the reporting date that would require adjustment of financial position or special disclosure.

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30. Group entities

Significant subsidiaries

The consolidated financial statements integrally include the financial statements of the Company and the group companies listed below, which are economically and organizationally linked to the Company. Bluemar Lda., in which the Company has a 49% ownership interest, is fully consolidated because this subsidiary is fully controlled by the Company based on a shareholder agreement. Except for Bluemar Lda, all subsidiaries are wholly owned. No non-controlling interests is recorded for Bluemar Lda, due to the fact this entity has a negative equity value as at balance sheet date.

Name	Legal seat
Bluemar Lda.	Luanda, Angola
Bluewater (Aoka Mizu) B.V.	Hoofddorp, the Netherlands
Bluewater (Bleo Holm) B.V.	Hoofddorp, the Netherlands
Bluewater (Dili) Unipessoal, Ltda.	Dili, Timor Leste
Bluewater do Brasil Serviços de Energia Ltda.	Rio de Janeiro, Brasil
Bluewater Energy Contractors B.V.	Hoofddorp, the Netherlands
Bluewater Energy Services B.V.	Haarlemmermeer, the Netherlands
Bluewater Floating Production B.V.	Hoofddorp, the Netherlands
Bluewater (Floating Production) Ltd.	London, United Kingdom
Bluewater (Glas Dowr) B.V.	Hoofddorp, the Netherlands
Bluewater (Glas Dowr) N.V.	Willemstad, Curaçao
Bluewater (Haewene Brim) B.V.	Hoofddorp, the Netherlands
Bluewater International B.V.	Hoofddorp, the Netherlands
Bluewater International Holdings B.V.	Hoofddorp, the Netherlands
Bluewater International US Inc.	Humble, Texas, United States of America
Bluewater Lancaster Production (UK) Ltd.	London, United Kingdom
Bluewater (Munin) B.V.	Hoofddorp, the Netherlands
Bluewater Offshore Productions Systems Nigeria Ltd.	Lagos, Nigeria
Bluewater Services International Private Ltd.	Singapore
Bluewater Services (UK) Ltd.	London, United Kingdom
Bluewater Technical Support N.V.	Willemstad, Curaçao
Bluewater Tidal Energy Ltd.	London, United Kingdom
Pierce Production Company Ltd.	London, United Kingdom

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Company income statement

For the year ended

In thousands of U.S.$	December 31, 2022	December 31, 2021
Company result after taxes	184	1,892
Result from investments	31,918	24,843
Profit for the period	32,102	26,735

The result for the period is fully attributable to the shareholder.

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Company statement of financial position

(After appropriation of result)

In thousands of U.S.$		*Note*	December 31, 2022	December 31, 2021
Assets				
	Financial assets	2	604,981	573,189
	Deferred tax assets	3	100,764	99,220
Total non-current assets			705,745	672,409
	Trade and other receivables		1,780	1,219
	Prepayments for current assets		623	-
	Receivables due from related parties	*4*	106,410	85,837
	Cash and cash equivalents		31,123	39,333
Total current assets			139,936	126,389
Total assets			845,681	798,798
Equity				
	Issued share capital		107	113
	Share premium		2,997,233	2,997,233
	Translation reserve		(12,467)	(8,865)
	Other reserves		649	973
	Employee benefits reserve		(17,538)	(21,021)
	Accumulated deficit		(2,736,215)	(2,763,641)
Total equity attributable to equity holder of the Company		5	231,769	204,792
Liabilities				
	Loans and borrowings	6	180,315	171,500
Total non-current liabilities			180,315	171,500
	Loans and borrowings	6	40,000	99,601
	Trade and other payables	7	393,597	322,905
Total current liabilities			433,597	422,506
Total liabilities			613,912	594,006
			845,681	798,798

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Notes to the company financial statements

1. Basis of preparation

The company financial statements are prepared in accordance with the option provided in section 2:362 (8) of the Dutch Civil Code in which is stated that the principles for the recognition and measurement of assets and liabilities and the determination of the result of the company financial statements are the same as those applied for the consolidated financial statements. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted and endorsed by the European Union as described on pages 15 to 25 of this report. Participations in group companies in which significant influence is exercised on the business and financial policy, are valued under the net equity value, but not lower than nil. If the net asset value is negative, the participating interest is valued at nil. This likewise takes into account other long-term interests that should effectively be considered part of the net investment in the participating interest.

In accordance with Article 2:402 of the Dutch Civil Code, the company income statement is presented in an abbreviated form.

Change in accounting policy

The company forms a fiscal unity with its subsidiaries. Previously, corporate income tax within the fiscal unity was allocated to the individual subsidiaries if there was a current tax receivable or current tax payable position. As from 2022 it has been decided not to allocate corporate income tax to subsidiaries in order to simplify the tax accounting within the fiscal unity. There is no impact on the equity and result of the 2021 financial statements as there was no current tax position and therefore not further disclosed.

Restatement comparative figures

The comparative figures per December 31, 2021 related to Receivables due from group companies and Trade and other payables have been restated for comparative purposes.

2. Financial assets

In thousands of U.S.$	2022	2021
Investments in group companies	604,981	573,189
	604,981	573,189

The investments in group companies are specified as follows:

In thousands of U.S.$	2022	2021
Bluewater Floating Production B.V.	496,573	464,297
Bluewater International B.V.	2,146	2,060
Bluewater Energy Services B.V.	75,496	74,559
Bluewater Services (UK) Ltd.	30,766	32,273
	604,981	573,189

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The movement in the investments in group companies is as follows:

In thousands of U.S.$	2022	2021
Opening balance as reported	573,189	638,433
Result for the year	31,918	24,843
Capital reduction	-	(83,311)
Other movements	3,482	(6,329)
Currency differences	(3,608)	(447)
As at December 31	604,981	573,189

Capital reduction contain the amounts of distribution of dividend from retained earnings and distributions of additional paid-in capital reserves by the subsidiaries of Bluewater Holding B.V. The amounts were settled with the outstanding balance of intercompany payables.

Other movements contain the movement in employee benefits reserve (IAS 19). For details, reference is made to the statement of changes in equity in the consolidated financial statements.

3. Deferred tax assets

At December 31, 2021, the deferred tax assets comprise of tax losses carry forward (TLCF), temporary valuation differences for property plant and equipment (PPE), unused tax credit and temporary valuation differences for pensions (pension). The movements during the years 2022 and 2021 are as follows:

In thousands of U.S.$	TLCF	PPE	Unused Tax Credit	Pension	Total
As at January 1, 2022	26,199	52,330	14,729	5,962	99,220
Recognised in OCI	**-**	**-**	**-**	**(1,211)**	**(1,211)**
Recognised in income statement	**(1,312)**	**970**	**4,326**	**(1,229)**	**2,755**
Change in tax %	150	-	-	-	150
Change in unrecognized deferred tax assets	-	8,317	4,326	-	12,643
Realization of temporary valuation differences	(1,462)	(7,347)	-	(1,229)	(10,038)
As at December 31, 2022	**24,887**	**53,300**	**19,055**	**3,522**	**100,764**
As at January 1, 2021	25,129	49,501	10,911	4,626	90,167
Recognised in OCI	**-**	**-**	**-**	**2,110**	**2,110**
Recognised in income statement	**1,070**	**2,829**	**3,818**	**(774)**	**6,943**
Change in tax %	804	1,583	349	148	2,884
Change in unrecognized deferred tax assets	266	7,455	3,469	-	11,190
Realization of temporary valuation differences	-	(6,209)	-	(922)	(7,131)
As at December 31, 2021	**26,199**	**52,330**	**14,729**	**5,962**	**99,220**

The deferred tax assets relate to the group companies in the Netherlands. The tax loss carry-forward exists due to operational losses in prior years. Due to the transfer of the vessels from the Curacao NV's to Dutch BV's a tax rejuvenation has taken place. The book result on this transfer has been compensated by Tax Losses Carried Forward while a higher tax book value will generate higher fiscal depreciation in the future. Bluewater has analysed the future realization of the remaining losses carried forward as well as the temporary difference in book value, considering Bluewater's history of earnings, projected earnings based on current contracts as well as future contracts, the applicable tax rate, the new rules regarding limitation of deductibility of interest and the maximum carry forward period of the tax losses. Based on this analysis, Bluewater concluded that it is probable that an estimated amount resulting from temporary differences resulting in a deferred tax asset of U.S.$100.8 million will be fully realized.

From the total deferred tax balance as of December 31, 2022 an amount of U.S.$9.2 million is expected to be realised within one year.

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At December 31, 2022 Bluewater has Tax Losses Carried Forward in the Netherlands of a total nominal amount of U.S.$96.5 million. As of January 1, 2022 expiration of existing loss carry forward is no longer applicable.

At December 31, 2022 Bluewater has temporary differences related to property plant and equipment in the Netherlands. Due to the fact that these differences can only be utilized in 2029 and beyond, these differences are not valued. Regarding the temporary valuation differences for the property, plant and equipment an amount of U.S.$111.9 million has not been valued as a deferred tax asset on the statement of financial position date.

4. Receivables due from related parties

The receivables due from related parties are mainly related to the Group companies: Bluewater (Glas Dowr) B.V., Bluewater (Munin) B.V., Bluewater International B.V., Bluewater Offshore Productions Systems Nigeria Ltd., Bluemar Lda, and Supernova Energy B.V.. For the affiliate receivables there is no interest charged.

5. Equity attributable to equity holder of the Company

For details of the shareholder's equity, reference is made to the statement of changes in equity in the consolidated financial statements.

Share capital

The authorized share capital consists of 500,000 ordinary shares, of which 100,001 shares are issued, outstanding and fully paid as at December 31, 2022. The shares have a par value of EUR 1 each (approximately U.S.$1.07). The holders of the shares are entitled to receive dividends as declared and are entitled to voting rights.

Other reserves contain the following reserves:

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserves

The other reserves contains a legal reserve which is related to internally generated capitalized expenses for computer software reported under the intangible assets.

Employee benefits reserve (IAS 19)

The employee benefits reserve reflects the cumulative change in the defined benefit obligation and plan assets resulting from Bluewater's defined benefit pension plan. Such cumulative changes mainly result from actuarial gains and losses.

Appropriation of result for the financial year 2021

The annual report 2021 was adopted in the general meeting of shareholders held on April 7, 2022. The general meeting of shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

Proposed appropriation of the result for the year 2022

Management proposes to allocate the net profit for the year of U.S.$32,102 thousand to the accumulated deficit. U.S.$.5.0 million is distributed for interim dividend. This has been reflected in the accompanying financial statements.

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6. Loans and borrowings

In thousands of U.S.$	2022	2021
Non-current liabilities		
Unsecured bond	180,315	171,500
	180,315	171,500
Current liabilities		
Current portion bank loans	-	59,601
Current portion of unsecured bonds	40,000	40,000
	40,000	99,601

The movement in the non-current liabilities is as follows:

In thousands of U.S.$	2022	2021
Opening balance	180,399	282,944
Redemption bank loan and bond	(180,399)	(2,944)
Bond	240,000	-
Reclassified to current liabilities	(40,000)	(99,601)
Total outstanding non-current liabilities	200,000	180,399
Debt arrangement fees	(19,685)	(8,899)
As at December 31	180,315	171,500

An outstanding amount of U.S.$4.6 million of outstanding debt arrangement fees in relation to the old bond were expensed after the bond was called and fully repaid in November 2022. Debt arrangement fees amounting to U.S.$ 20.5 million for the new bond have been capitalized. As per December 31, 2022 U.S.$19.7 million is capitalized as unamortized borrowing costs in relation to the new bond.

7. Trade and other payables

In thousands of U.S.$	2022	2021
Affiliate payables	388,023	318,262
Other payables	5,574	4,643
	393,597	322,905

The affiliate payables are mainly related to the Group companies: Bluewater Floating Production B.V., Bluewater Energy Services B.V., Bluewater (Aoka Mizu) B.V., Bluewater (Bleo Holm) B.V., Bluewater (Haewene Brim) B.V., Bluewater Energy Contractors B.V., Bluewater Technical Support N.V. and Bluewater Services (UK) Ltd. For the affiliate payables there is no interest charged.

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8. Joint and Several liability

The Company has assumed joint and several liability for all legal transactions carried out by the following consolidated group companies:

Name	Legal seat	Percentage of ownership
Bluewater Floating Production B.V.	Hoofddorp, the Netherlands	100%
Bluewater International B.V.	Hoofddorp, the Netherlands	100%

At the date of signing these accounts, the known potential amount under these guarantees amounted to nil.

Bluewater Holding B.V. provided a letter to its subsidiary Bluewater Energy Services B.V. in which is confirmed that Bluewater Holding B.V. will provide financial support to its subsidiary (if deemed necessary) that allows its subsidiary to operate on a continued basis for a period of not less than 12 months from the date of approval of the statutory financial statements for the year ended December 31, 2022.

9. Taxation

The Company is joint and severally liable for the corporate income taxes of the fiscal unity.

10. Remuneration of directors

In accordance with Article 2:383 of the Dutch Civil Code, the remuneration of the only statutory director is not presented.

11. Audit fees

The following fees relating to services provided by Deloitte Accountants B.V. are charged to the Company, its subsidiaries and other companies that are fully consolidated, as defined in Article 2:382a of the Dutch Civil Code: 2022 and 2021 U.S.$435 thousand and U.S.$466 thousand, respectively. Additionally, no audit fees charged by other foreign Deloitte network auditors in relation to 2022 and 2021 statutory financial statements of foreign subsidiaries. Fees for non-audit services amounted to nil in 2022 and nil in 2021.

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Other information

Statutory rules concerning appropriation of the result

The Articles of Association provide that the result for the year is subject to the disposition to be decided upon at the annual General Meeting of Shareholders.

Branches

The Company has a branch in United Arabic Emirates and tax registrations in Norway and Kuwait for the purpose of project executions.

Independent auditor's report

The independent auditor's report is set out on the next pages.

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Related to auditor's report
dated March 13, 2023

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INDEPENDENT AUDITOR'S REPORT

To: the shareholders and the Supervisory Board of Bluewater Holding B.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements 2022 of Bluewater Holding B.V., based in Hoofddorp. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Bluewater Holding B.V. as at December 31, 2022, and of its result and its cash flows for the year 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of Bluewater Holding B.V. as at December 31, 2022, and of its result for the year 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2022.

2. The following statements for the year 2022: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company statement of financial position as at December 31, 2022.

2. The company income statement for the year 2022.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

Deloitte Accountants B.V. is registered with the Trade Register of the Chamber of Commerce and Industry in Rotterdam number 24362853. Deloitte Accountants B.V. is a Netherlands affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited.

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We are independent of Bluewater Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 4.7 million (FY2021: USD 4.6 million). The materiality is based on 5% of EBITDA. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of USD 235 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Bluewater Holding B.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Bluewater Holding B.V.

Our group audit mainly focused on significant group entities that are (i) of individual significance to the group, or (ii) that, due to their specific nature or circumstance, are likely to include significant risks of material misstatement in the group financial statements.

We have performed audit procedures at significant group entities and we have performed specific audit procedures at other entities. This resulted in an audit coverage of 97% of consolidated assets and 99% of consolidated revenues. We did not make use of other auditors.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

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We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

The identified fraud risk relates to the risk for management override of controls. We have performed substantive audit procedures, including testing journal entries, reviewing estimates for biases, and reviewing the rationale for the adjustments made in the preparation of the financial statements. The procedures described are based on auditing standards and are not primarily intended to detect fraud.

We incorporated elements of unpredictability (with respect to timing and type of audit procedures) in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We considered available information and made enquiries with, management, those charged with governance and others within the group, including but not limited to the Head of Legal and the Group Financial Controller).

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We evaluated whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 3 'significant accounting policies' of the financial statements. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements. Impairment trigger testing of property, plant and equipment and the valuation of deferred tax assets are significant areas to our audit as the determination whether these assets are not carried at more than their recoverable amounts is subject to significant management judgment. Reference is made to the section 'Our key audit matters'.

For significant transactions, we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

This did not lead to indications for fraud potentially resulting in material misstatements.

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Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with management, and through reading minutes and reports of management meetings. As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, Bluewater Holding B.V. is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. In addition, we considered major laws and regulations applicable to listed companies. We have reviewed the company's anti-bribery and corruption procedures, including the review of new contracts with external agents.

Bluewater Holding B.V.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to Bluewater Holding B.V.'s ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management, the Supervisory Board and others within Bluewater Holding B.V. as to whether the Bluewater Holding B.V. is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

The financial statements have been prepared on a going concern basis. In assessing the appropriateness of applying the going concern assumption, we have performed the following specific audit procedures:

We have obtained and evaluated management's assessment of the entity's ability to continue as a going concern, including management's assessment on the impact of the Russia/Ukraine-war. As part of our assessment we have obtained an understanding of the process management followed to make its assessment.

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We evaluated and challenged the budget and forecast of the Group for the next 7 years (FY2023- FY2029), including key assumptions such as forecasted revenues. Furthermore, we have evaluated the liquidity and covenant compliance for a period of 12 months after the date of signing our auditor's report. We further read minutes of the meetings of management, shareholders and those charged with governance.

We have evaluated the adequacy of the going concern disclosure in the financial statements.

Finally, we obtained written representations that the financial statement disclosure includes all known information which is deemed relevant for our assessment with respect to the group's ability to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed. In comparison to prior year, we did not make any changes to the key audit matters.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of FPSOs	
Description	**How the key audit matter was addressed in the audit**
Property, plant and equipment include Floating Production Storage and Offloading units ('FPSOs') for a total amount of USD 336.2 million as at December 31, 2022, which represents approx. 58% of the consolidated statement of financial position. Negative changes in the (business) environment such as a decrease in the level of investments by oil & gas companies as a result of the energy transition could affect Bluewater's ability to find a customer for the two FPSOs which are currently in lay-up. In line with IAS 36, Bluewater's management prepares an annual assessment of impairment indicators at the end of the reporting period in order to assess whether there is any indication that the FPSOs may be impaired or that a reversal of a previously recognized impairment is deemed necessary. In assessing whether there is any indication that an asset may be impaired or that the reversal of an impairment is deemed necessary, management has considered external sources of information, internal sources of information and other assumptions to estimate future market and economic conditions.	In our audit approach, we have evaluated management's assessment of impairment indications and we have assessed the historical accuracy of management's estimates. We have focused on the valuation assumptions of Bluewater's Glas Dowr FPSO, which is classified as FPSO under construction in the consolidated financial statements. The evaluation of whether the reversal of an impairment is necessary has been focused on the Glas Dowr for which an impairment of USD 53.4 million was recorded during FY 2020. We have verified that projections used in the external valuation reports are based on internal approved budgets and recent tender information. Furthermore, we have performed several substantive audit procedures, including back testing of the estimates of last year based on actual results and challenging the assumptions included in the projections with supporting evidence. Further we verified that the current book values of the FPSOs are within the fair market value ranges included in the external valuation reports. We have also assessed the competency and objectivity of the external valuators.

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Further, management obtained two external valuation reports for the determination of the fair market value of the FPSOs. This area is significant to our audit as the determination whether these FPSOs are not carried at more than their recoverable amounts is subject to significant management judgment.	Furthermore, we have assessed the adequacy of the disclosures regarding the valuation of these property, plant and equipment (note 13 to the consolidated financial statements). **Observation** Our audit procedures are deemed appropriate and sufficient to conclude that there are no impairment (reversal) indicators. Our procedures did not result in any reportable matters with respect to the valuation of the FPSOs.
Valuation of deferred tax assets	
Description	**How the key audit matter was addressed in the audit**
Bluewater Holding B.V. recognized deferred tax assets to the extent that it is probably that future taxable profits will be available against which unused tax losses, tax credits and deductible temporary differences can be utilized. Based on the fiscal profit forecast, management recorded a valuation allowance related to the fiscal depreciation after 2029 (USD 27.9 million) which resulted in recognized deferred tax assets as at December 31, 2022 amounting to USD 101.4 million. Negative changes in the (business) environment such as a decrease in the level of investments by oil & gas companies as a result of the energy transition, as disclosed in the paragraph 'Going concern assumption, uncertainties and risks' included in the Director's report, could affect Bluewater's ability to recover the deferred tax assets. Under EU-IFRS, the carrying amount of deferred tax assets should be reviewed at the end of each reporting period. The valuation of deferred tax assets is significant to our audit because of the related complexity of the valuation process, which involves significant management estimates about the expected future market and economic conditions.	In our audit approach, we have evaluated the assumptions and methodologies used by Bluewater and the compliance with IAS12. In particular, we have assessed the recoverability of the deferred tax assets by reviewing (fiscal) profitability, management's forecasts and local tax developments. We have verified that the projections used are based on internally approved budgets. Furthermore, we have performed several substantive audit procedures, including back testing of estimates of last year based on actual results and challenging the assumptions underlying the projections with supporting evidence or our knowledge of Bluewater. We have also performed sensitivity/scenario analyses as part of our substantive audit procedures. Additionally, we have concluded that there are no changes in tax laws during FY 2022. We further challenged the management estimates related to the valuation allowance. Furthermore, we have assessed the adequacy of the disclosures regarding the valuation of deferred tax assets and income tax benefit (note 12 and note 16 to the consolidated financial statements, respectively). **Observation** Within the context of our audit on the financial statements as a whole and based on the materiality applied, we conclude that the managements estimates about recoverability of the deferred tax assets are reasonable and within an acceptable range.

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Emphasis of the impact of the Russia/Ukraine-war

The Russia/Ukraine-war also impacts Bluewater Holding B.V. Management disclosed the impact on financial performance and health of Bluewater Holding B.V. and her plans to deal with these events or circumstances in the disclosure note 'Going concern assumption, uncertainties and risks' of the 2022 annual report. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

the annual report contains other information, in addition to the financial statements and our auditor's report thereon.

The other information consists of:

- Director's Report.
- Report by the Audit Committee.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains all the information regarding the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Director's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.

- Obtaining 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 internal control.

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

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's 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 to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

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- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

We provide the Supervisory Board 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 Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are. 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, not communicating the matter is in the public interest.

Rotterdam, March 13, 2023

Deloitte Accountants B.V.

Initials for identification purposes:

D.A. Sonneveldt