

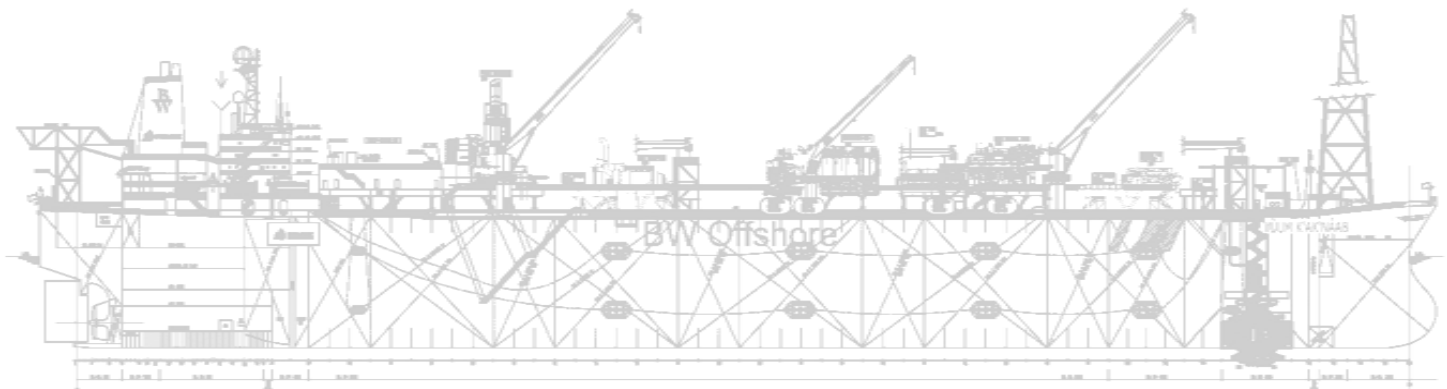


# BW Offshore Limited



## First quarter 2010 KEY EVENTS

- EBITDA of USD 31.2 million in the first quarter 2010, before results from associates
- FPSO BW Pioneer arrived in the US Gulf of Mexico in March 2010
- Signed contract for FPSO P-63 Project (Papa Terra)
- Signed Letter of Intent for FPSO BW Carmen



## FINANCIAL SUMMARY

(Figures in brackets refer to corresponding figures for 2009)

### FIRST QUARTER

Operating revenue amounted to USD 113.3 million (USD 99.3 million). The increase is mainly a result of the commencement of operation of the FPSO BW Cidade de São Vicente and revenue recognised on the turnkey Papa Terra contract. The increased revenue is offset by lower activity level in the APL segment.

Operating expenses in the first quarter amounted to USD 82.1 million (USD 70.8 million), an increase resulting mainly from an increase in operating expenses related to the commencement of operation of the FPSO BW Cidade de São Vicente and expenses recognised on the Papa Terra project, offset by lower expenses in the APL segment.

The EBITDA was USD 32.7 million (USD -10.7 million) in the first quarter while the EBITDA before transactions related to associates was USD 31.2 million (USD 28.5 million). The increase in EBITDA arose mainly from the commencement of operation of the FPSO BW Cidade de São Vicente and the progress on the Papa Terra project which is accounted for as a "fixed price" construction contract. Revenue from this project is recognised in accordance with the "percentage of completion" (POC) method. The positive mentioned effects were offset by the APL segment which experienced a year on year reduction of EBITDA, excluding share of associates, amounting to USD 10.2 million. Changes in market values of currency derivatives amounting to USD -2.3 million (USD 7.3 million) were included in the EBITDA.

Share of profit / loss (-) of associates was USD 1.5 million (USD -39.2 million) in the first quarter and relates to the investments in Prosafe Production Limited (PROD) and Nexus Floating Production Ltd (Nexus). Share of profit from PROD amounted to USD 1.5 million (USD 0.3 million) while the share of profit from Nexus was USD 0.0 million (USD -39.5 million). At 31 March 2010, the Company owned 23.9% of the shares in PROD and 49.7% of the shares in Nexus.

Net financial items for the first quarter were USD -12.4 million (USD -7.0 million). The increase in net finance expenses was mainly due to a reduction in fair value of USD 9.5 million (USD -3.3 million) on interest derivative contracts. Interest expense was USD 4.6 million (USD 6.7 million) in the first quarter. The decrease in interest expenses is mainly a result of reduced interest rates. Interest income was USD 1.5 million (USD 2.7 million).

Result before tax was USD 3.0 million in the first quarter (USD -28.2 million). Income tax expense amounted to USD 2.8 million (USD 1.6 million) in the first quarter. Net profit was USD 0.2 million in the first quarter (USD -29.8 million).

At 31 March 2010, total assets amounted to USD 2,495.8 million (USD 2,266.3 million) and the total equity amounted to USD 919.2 million (USD 894.0 million). The net increase in total assets is mainly a result of net increased book value of vessels due to conversion projects and increased cash equivalents, partly offset by reduced CIRR deposits and reduced receivables.

Net cash inflow from operating activities was USD 124.2 million (USD 11.5 million). Net cash outflow from investing activities was USD 42.5 million (USD 92.8 million). Cash flow from investing activities relates mainly to the conversion projects in the FPSO segment. Net cash inflow from financing activities was USD 45.3 million (cash inflow USD 73.8 million), mainly arising from a net drawdown of USD 50.0 million (USD 80.0 million) on the loan facility.

At 31 March 2010, the Company held USD 195.0 million (USD 60.2 million) in cash and deposits. Currently, the Company has drawn down USD 943.8 million on the USD 1,500 million credit facility. Net debt amounted to USD 774.1 million at 31 March 2010 (USD 709.1 million).

## SEGMENTS

### Floating Production

Revenues in the first quarter were USD 79.9 million (USD 44.6 million). The EBITDA was USD 31.2 million (USD 17.1 million). The increase in revenues and EBITDA reflects the commencement of operation of the FPSO BW Cidade de São Vicente and the POC accounting on the Papa Terra project. Cash flow from operating activities in the first quarter was USD 134.6 million (USD 21.6 million).

The FPSOs YÙUM K'AK'NÀAB, BW Cidade de São Vicente, Berge Helene and Sendje Berge experienced stable performance during the first quarter resulting in an oil process uptime of 99.6% during the period.

The FPSO BW Carmen was in lay up for the entire quarter; the vessel is intended for an upgrade once the Letter of Intent with Ithaca Energy and partners results in a signed contract.

BW Offshore Limited  
Interim Consolidated Financial Information  
First quarter 2010

The FPSO BW Pioneer entered US waters on 27 March 2010 and is currently anchored, with final preparations for operation taking place. The operator of the fields is currently completing required subsea work before BW Pioneer can commence operations.

The contract for the conversion of the FPSO P-63 (the Papa Terra project) for Petrobras was signed on 29 January 2010. BW Offshore's main scope relates to the conversion of the vessel BW Nisa into an FPSO. The project is accounted for as a fixed-price construction contract. The Company is receiving milestone payments from Petrobras throughout the project period.

#### APL

The revenues in the first quarter were USD 36.0 million (USD 75.7 million) with an EBITDA of USD 1.9 million (USD -26.9 million), resulting in an EBITDA-margin of 5.3% in the first quarter. The negative EBITDA in the first quarter 2009 included a share of negative results from associates of USD 39.5 million. Cash flow from operating activities in the first quarter was USD -9.4 million (USD -10.1 million).

APL's main projects are the Cascade and Chinook project for the FPSO division, two SAL harsh environment terminal systems for a major international oil company, Pazflor for Total and Peregrino for Maersk,

and have all progressed according to schedule.

#### OUTLOOK

The market activity in the oil service sector has improved during the first quarter and is progressing in line with BW Offshore expectations. BW Offshore expects a continued increase in activity during the course of 2010.

BW Offshore is fully funded for all ongoing projects. The operating cash flow from existing vessels is secure and long term, and arises from large national oil companies. Additional financial capacity is available for new projects if they should meet BW Offshore's targeted returns.

The commencement of operation of the FPSO BW Pioneer and the Papa Terra project will contribute to a significant growth in the EBITDA for the FPSO segment in 2010. The APL segment, although still affected by the reduction in the Exploration and Production activity, is experiencing improved activity level. It is expected that this will result in improved business prospects materialising in 2010 and 2011.

Bermuda, 18 May 2010

Dr. Helmut Sohmen  
Chairman

Christophe Pettenati-Auzière  
Vice Chairman

Andreas Sohmen-Pao

David Gairns

Renè Huck

Kathie Child-Villiers

BW Offshore Limited  
Interim Consolidated Financial Information  
First quarter 2010

## INCOME STATEMENT

(Unaudited figures in USD million)

	Notes	1Q 10	4Q 09	1Q 09
<b>Operating revenue</b>	7	113.3	78.0	99.3
<b>Operating expenses</b>	7	(82.1)	(47.5)	(70.8)
Share of profit/(loss) of associates	5	1.5	(10.7)	(39.2)
<b>Operating profit/(loss) before depreciation/amortisation</b>		<b>32.7</b>	<b>19.8</b>	<b>(10.7)</b>
Depreciation		(12.9)	(13.8)	(5.9)
Amortisation		(4.4)	(5.7)	(5.4)
Gain/(loss) on sale of assets		0.0	(0.1)	0.8
<b>Operating profit/(loss)</b>		<b>15.4</b>	<b>0.2</b>	<b>(21.2)</b>
Net currency exchange gain		0.6	2.2	0.6
Interest income		1.5	1.8	2.7
Gain/(loss) on financial instruments	6	(9.5)	1.0	(3.3)
Interest expense		(4.6)	(5.3)	(6.7)
Other financial items		(0.4)	(1.0)	(0.3)
<b>Net financial items</b>		<b>(12.4)</b>	<b>(1.3)</b>	<b>(7.0)</b>
<b>Profit/(loss) before tax</b>		<b>3.0</b>	<b>(1.1)</b>	<b>(28.2)</b>
Income tax expense		(2.8)	(6.2)	(1.6)
<b>Net profit/(loss)</b>		<b>0.2</b>	<b>(7.3)</b>	<b>(29.8)</b>
Profit/(loss) attributable to equity shareholders		0.2	(7.3)	(29.8)
Basic and diluted earnings/(loss) per share (USD)		0.00	(0.02)	(0.07)

## COMPREHENSIVE INCOME STATEMENT

(Unaudited figures in USD million)

	1Q 10	4Q 09	1Q 09
Net profit (loss) for the period	0.2	(7.3)	(29.8)
<b>Other comprehensive income</b>			
Currency translation differences	(0.1)	(0.8)	(0.3)
Net losses on cash flow hedges	(0.2)	0.0	0.0
Share of other comprehensive income of associates	(1.6)	1.2	0.7
<b>Total other comprehensive income for the period net of tax</b>	<b>(1.9)</b>	<b>0.4</b>	<b>0.4</b>
<b>Total comprehensive income</b>	<b>(1.7)</b>	<b>(6.9)</b>	<b>(29.4)</b>

The notes in pages 7-9 are an integral part of these consolidated interim financial statements

BW Offshore Limited  
Interim Consolidated Financial Information  
First quarter 2010

**STATEMENT OF FINANCIAL POSITION**

(Unaudited figures in USD million)

<b>ASSETS</b>	<b>Notes</b>	<b>31/03/2010</b>	<b>31/12/2009</b>	<b>31/03/2009</b>
Vessels	2	1,222.2	1,205.9	945.0
Property and other equipment		21.5	21.9	18.6
Goodwill and intangibles		340.7	344.2	349.9
Finance lease receivables		211.0	214.0	222.4
Investments in associates	5	184.9	185.0	187.9
Non-current deposits		130.2	163.3	217.1
Other non-current assets		3.0	0.5	2.5
<b>Total non-current assets</b>		<b>2,113.5</b>	<b>2,134.8</b>	<b>1,943.4</b>
Inventory		11.0	10.7	11.7
Trade receivables and other current assets		116.2	128.4	165.4
Due from customer for contract work	8	60.1	51.6	85.6
Cash and deposits		195.0	68.0	60.2
<b>Total current assets</b>		<b>382.3</b>	<b>258.7</b>	<b>322.9</b>
<b>TOTAL ASSETS</b>		<b>2,495.8</b>	<b>2,393.5</b>	<b>2,266.3</b>
<b>EQUITY AND LIABILITIES</b>				
Total equity attributable to equity shareholders	3	919.2	920.9	894.0
<b>Total equity</b>		<b>919.2</b>	<b>920.9</b>	<b>894.0</b>
Interest-bearing long term debt	4	1,099.0	1,080.3	986.0
Pension obligations		12.7	14.0	9.4
Other long-term liabilities	9	139.2	143.2	31.4
<b>Total non-current liabilities</b>		<b>1,250.9</b>	<b>1,237.5</b>	<b>1,026.8</b>
Trade and other payables		313.7	219.4	325.1
Interest-bearing short term debt	4	0.3	0.3	0.4
Income tax liabilities		11.7	15.4	20.0
<b>Total current liabilities</b>		<b>325.7</b>	<b>235.1</b>	<b>345.5</b>
<b>Total liabilities</b>		<b>1,576.6</b>	<b>1,472.6</b>	<b>1,372.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,495.8</b>	<b>2,393.5</b>	<b>2,266.3</b>

The notes in pages 7-9 are an integral part of these consolidated interim financial statements

BW Offshore Limited  
Interim Consolidated Financial Information  
First quarter 2010

## STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)

	Share capital	Share premium	Other equity	Total
<b>1Q 2010</b>				
Equity at 1 January 2010	4.6	918.8	(2.5)	920.9
Profit for the period	0.0	0.0	0.2	0.2
Total other comprehensive income for the period	0.0	0.0	(1.9)	(1.9)
<b>Total equity at 31 March 2010</b>	<b>4.6</b>	<b>918.8</b>	<b>(4.2)</b>	<b>919.2</b>
<b>4Q 2009</b>				
Equity at 1 October 2009	4.6	918.8	4.4	927.8
Loss for the period	0.0	0.0	(7.3)	(7.3)
Total other comprehensive income for the period	0.0	0.0	0.4	0.4
<b>Total equity 31 December 2009</b>	<b>4.6</b>	<b>918.8</b>	<b>(2.5)</b>	<b>920.9</b>
<b>1Q 2009</b>				
Equity at 1 January 2009	4.6	1,444.6	(525.8)	923.4
Loss for the period	0.0	0.0	(29.8)	(29.8)
Total other comprehensive income for the period	0.0	0.0	0.4	0.4
<b>Total equity 31 March 2009</b>	<b>4.6</b>	<b>1,444.6</b>	<b>(555.2)</b>	<b>894.0</b>

## CASH FLOW STATEMENT

(Unaudited figures in USD million)

	1Q 10	4Q 09	1Q 09
Profit/ (loss) before taxes	3.0	(1.1)	(28.2)
Unrealised currency loss	(5.3)	(4.8)	(0.6)
Depreciation and amortisation	17.3	19.5	11.3
Taxes paid	(3.5)	1.6	(3.2)
Share of loss/ (profit) of associated companies	(1.5)	10.7	39.2
Loss/ (gain) on sale of shares and fixed assets	0.0	0.1	(0.8)
Change in fair value of derivatives	5.8	(3.1)	(7.3)
Change in working capital	107.9	95.6	(5.2)
Add back of net interest expense	3.1	3.6	5.7
Other items	(2.6)	(1.0)	0.6
<b>Net cash flow from operating activities</b>	<b>124.2</b>	<b>121.1</b>	<b>11.5</b>
Investment in fixed assets	(44.0)	(96.8)	(134.0)
Investment in non-current bank deposit	0.0	0.0	35.4
Proceeds from sale of shares and fixed assets	0.0	0.0	5.3
Interest received	1.5	0.1	0.5
<b>Net cash flow from investing activities</b>	<b>(42.5)</b>	<b>(96.7)</b>	<b>(92.8)</b>
Proceeds from new interest bearing debt	100.0	35.0	130.0
Repayment of interest-bearing debt	(50.1)	(30.1)	(50.0)
Interest paid	(4.6)	(3.7)	(6.2)
<b>Net cash flow from financing activities</b>	<b>45.3</b>	<b>1.2</b>	<b>73.8</b>
<b>Net change in cash and cash equivalents</b>	<b>127.0</b>	<b>25.6</b>	<b>(7.5)</b>
Cash and cash equivalents at beginning of period	68.0	42.4	67.7
<b>Cash and cash equivalents at end of period</b>	<b>195.0</b>	<b>68.0</b>	<b>60.2</b>

The notes in pages 7-9 are an integral part of these consolidated interim financial statements

## NOTES TO THE ACCOUNTS (UNAUDITED)

### Note 1 - Accounting principles

This condensed consolidated interim financial information for the first quarter, ended 31 March 2010, has been prepared pursuant to IAS 34, "interim financial reporting". The condensed consolidated interim financial reporting should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRS.

The accounting policies implemented are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in the annual financial statements for 2009.

### Note 2 – Vessels, vessels under conversion and conversion candidates

The book value of operating vessels and vessels under conversion amounted to USD 1,140.9 million (USD 953.6 million) at 31 March 2010. The book value of conversion candidates and uncommitted FPSOs at 31 March 2010 amounted to USD 81.3 million (USD 76.5 million).

Capital expenditure related to vessels, vessels under conversion and conversion candidates in the first quarter 2010, amounted to USD 42.7 million (USD 103.0 million).

### Note 3 - Equity

The number of issued shares was 456,213,515 at 31 March 2010. There were no changes in shares issued in the first quarter 2010. There were 500,000,000 authorised shares at 31 March 2010.

The Company held a total of 2,797,731 (2,797,731) own shares at 31 March 2010.

### Note 4 - Interest-bearing debt

#### Long-term debt

The Company had the following long-term debts at 31 March:

	<b>2010</b>	<b>2009</b>
USD 1.5 billion loan facility	943.8	771.8
NOK APL bond loan	20.2	17.8
NOK Mortgage loan	4.8	4.3
USD CIRR financing schemes	130.2	192.1
<b>Total</b>	<b>1,099.0</b>	<b>986.0</b>

The USD 1.5 billion loan facility is a five year unsecured revolving credit facility with BW Group Limited with financial covenants related to equity, equity ratio and debt to borrowing base. Pursuant to the terms of the agreement, interest is charged on amounts drawn at floating interest rate of LIBOR + 1.25%.

#### Short-term debt

The Company had the following short-term interest bearing debt at 31 March:

	<b>2010</b>	<b>2009</b>
Installments due within one year	0.3	0.4
<b>Total</b>	<b>0.3</b>	<b>0.4</b>

BW Offshore Limited  
Interim Consolidated Financial Information  
First quarter 2010

### Note 5 – Investments in associates

Subsequent to the negative share of profit included in the first quarter 2009, the carrying value of the shares in Nexus is USD 0.0 million. Any further potentially negative results from Nexus will therefore not have any impact on the financial statements.

#### Share of profit/ (loss)

	1Q 10	4Q 09	1Q 09
Nexus Floating Production Ltd	0.0	0.0	(39.5)
Prosafe Production Plc	1.5	(10.7)	0.3
<b>Share of profit/ (loss) of associates</b>	<b>1.5</b>	<b>(10.7)</b>	<b>(39.2)</b>

### Note 6 – Gain/ (loss) on financial instruments

	1Q 10	4Q 09	1Q 09
Change in fair value of interest swaps	(9.5)	1.0	(3.3)
<b>Net gain/ (loss) on financial instruments</b>	<b>(9.5)</b>	<b>1.0</b>	<b>(3.3)</b>

### Note 7 – Segment information

The activities of the Company are within two reportable segments; a floating production segment in which recognised revenue and expenses derive from ownership and operations of FPSOs and FSOs, and an APL segment. The Company's Management group monitors the performance of the Company's operating segments as measured by operating revenues and operating profit. Pursuant to IFRS 8, the operating segments can be amalgamated and presented as the two reportable segments below.

The segmentation is in line with the Company's internal management and reporting structure.

#### Floating Production

	1Q 10	4Q 09	1Q 09
Operating revenues	79.9	57.7	44.6
Operating expenses	(50.2)	(26.4)	(27.8)
Share of profit of associates	1.5	(10.7)	0.3
<b>Operating profit (loss) before depreciation</b>	<b>31.2</b>	<b>20.6</b>	<b>17.1</b>
Gain on sale of vessel	0.0	(0.1)	0.8
Depreciation, amortisation and write-down	(13.5)	(14.0)	(5.6)
<b>Operating profit (loss)</b>	<b>17.7</b>	<b>6.5</b>	<b>12.3</b>
Segment assets	1,997.6	1,901.0	1,701.9

#### APL

	1Q 10	4Q 09	1Q 09
Operating revenue	36.0	30.4	75.7
Operating expenses	(34.1)	(26.4)	(63.1)
Share of profit of associates	0.0	0.0	(39.5)
Impairment charge of associates	0.0	0.0	0.0
<b>Operating profit (loss) before depreciation</b>	<b>1.9</b>	<b>4.0</b>	<b>(26.9)</b>
Depreciation, amortisation and write-down	(3.8)	(5.5)	(5.7)
<b>Operating profit (loss)</b>	<b>(1.9)</b>	<b>(1.5)</b>	<b>(32.6)</b>
Segment assets	498.2	492.5	564.4

BW Offshore Limited  
Interim Consolidated Financial Information  
First quarter 2010

Eliminations

	1Q 10	4Q 09	1Q 09
Inter-company revenue	(2.6)	(10.1)	(21.0)
Inter-company expenses	2.2	5.3	20.1
Share of profit of associates	0.0	0.0	0.0
Impairment charge of associates	0.0	0.0	0.0
<b>Operating profit (loss) before depreciation</b>	<b>(0.4)</b>	<b>(4.8)</b>	<b>(0.9)</b>
Depreciation, amortisation and write-down	0.0	0.0	0.0
<b>Operating profit (loss)</b>	<b>(0.4)</b>	<b>(4.8)</b>	<b>(0.9)</b>

**Note 8 – Due from customer for contract work**

Trade receivables not invoiced relate to ongoing projects accounted for pursuant to IAS 11.

**Note 9 – Other long term liabilities**

Other long term liabilities have increased compared to 2009 due to the accounting for upfront payments received from the counterparty related to the Cascade and Chinook contract. The upfront payments will be accounted for as operating revenue during the course of the firm contract as those amounts become earned.

**Note 10 – Related party transactions**

BW Offshore established a loan facility with BW Group Limited (note 4) in May 2008. Interest and other fees expensed pursuant to this facility in the first quarter amounted to USD 4.6 million (USD 6.9 million).

No other related party transactions considered to be material to the BW Offshore group occurred in the first quarter 2010.

**Note 11 – Capital commitments**

Total capital committed at 31 March 2010 amounted to USD 78.7 million (USD 131.6 million).

**Note 12 – Subsequent events**

On 10 May 2010, BW Offshore received an authorisation to proceed with the completion of the FPSO OSX-1. The FPSO is owned by OSX and will operate for OGX on the Waimea oil field in the Campos Basin offshore Brazil. The scope of work includes among others topside modifications and the delivery of a Submerged Turret Production (STP) system from APL.

BW Offshore Limited  
Interim Consolidated Financial Information  
First quarter 2010

## KEY FIGURES

(Unaudited)

	Note	Q1 10	Q4 09	1Q 09
EBITDA-margin	1	28.9 %	25.4 %	-10.8 %
Equity ratio	2	36.8 %	38.5 %	39.4 %
Return on equity	3	3.2 %	-1.7 %	-5.6 %
Return on capital employed	4	4.4 %	3.7 %	6.1 %
Net interest bearing debt (USD million)	5	774.1	849.3	709.1
Cash flow per share (USD)	6	0.27	0.27	0.03
EPS - basic and diluted (USD)	7	0.00	(0.02)	(0.06)
Shares - end of period (million)		456.2	456.2	456.2
Share price (NOK)		10.60	8.50	4.00
Market cap (NOKm)		4,836.0	3,877.8	1,824.9
Market cap (USDm)		808.0	671.3	273.2

### Notes to key figures

- 1 Earnings before interest, taxes, depreciation and amortisation / Operating revenues
- 2 Equity / Total assets
- 3 Annualised net profit / Average equity
- 4 Adjusted EBIT (annualised) / Average (Total assets - vessels under conversion - investments without contributions to EBIT - interest free debt and equivalents)
- 5 Interest bearing debt - cash and cash equivalents
- 6 Net cash flow from operating activities / Weighted average number of shares
- 7 Net profit / Weighted average number of shares

## FLEET AND CONTRACTS

Name of unit	Location	Contract period
<b>FPSOs</b>		
Sendje Berge	Nigeria	2005-2011 + options until 2013
Berge Helene	Mauritania	2006-2013 + options until 2021
YUUM K'AK'NÁAB	Mexico	2007-2022
BW Cidade de São Vicente	Brazil	2009-2019 + options until 2024
BW Pioneer	USA	2010-2015 + options until 2018
BW Carmen	Norway	-
BW Nisa (320,000 dwt)	Malaysia	EPC contract
<b>FSO</b>		
Belokamenka	Russia	2004-2019
<b>Conversion candidate</b>		
BW Ara (294,739 dwt)	Malaysia	-