

# BW Offshore

## Pareto Oil & Offshore Conference

2 September 2009



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# BW Offshore

## ■ Status

- Floating production
  - Brazil: BW Cidade de São Vicente
  - US GoM: BW Pioneer
  - GoM : YÙUM K'AK'NÁAB
- Technology and Installation Services
- Financials

## ■ Future

- What to expect of us
- What not to expect
- Risk and reward
- Funding issues
- BWO as investment?



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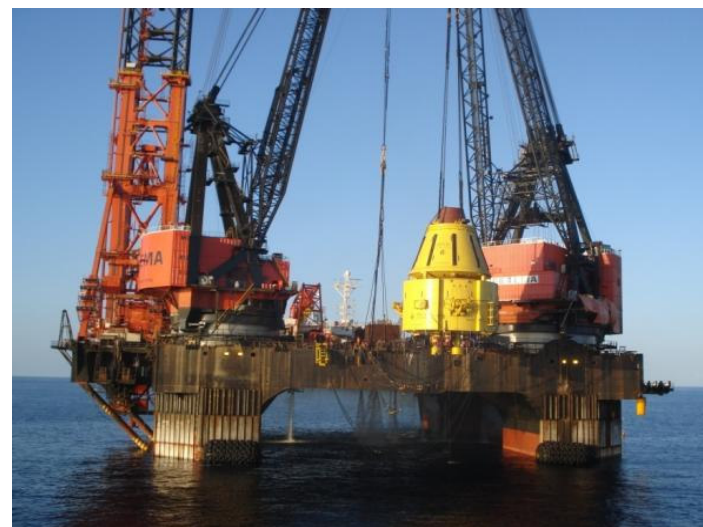
# STATUS



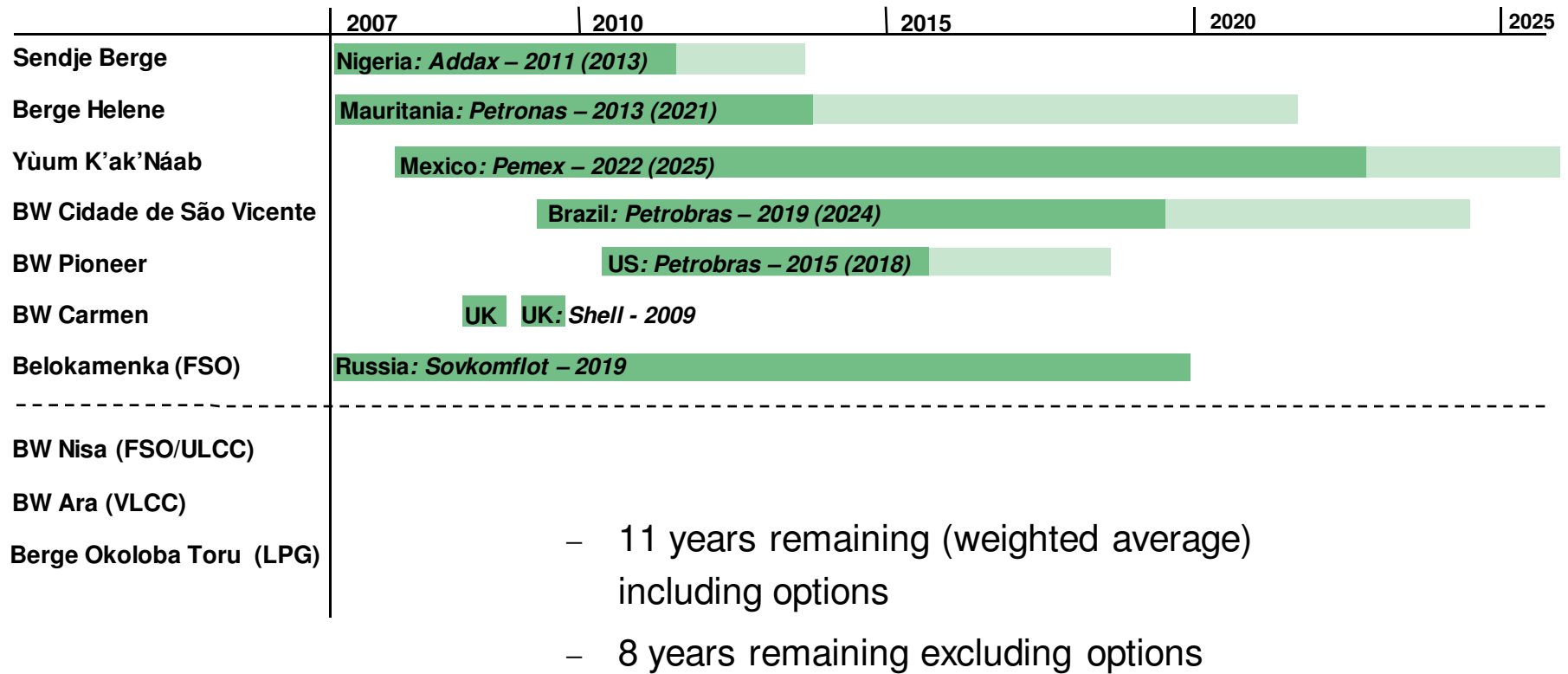


## Key events 1H 2009

- Operational availability (99.6%)
- BW Cidade de São Vicente commenced operation
- BW Pioneer conversion in line with expectations
- Final stage of several advanced technology projects
  - Neptune LNG Deepwater Port, Peregrino, Chinook Cascade



# FPSO – fleet overview



Fixed period
  Option period



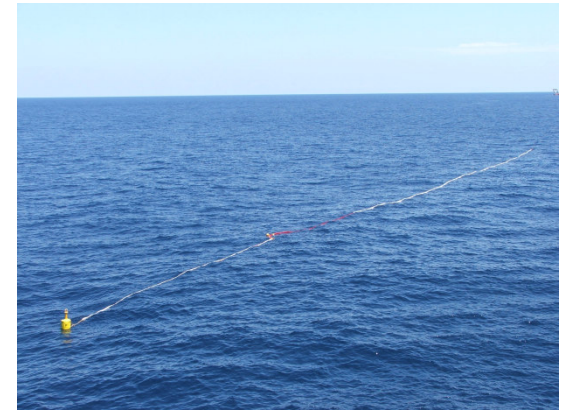
# Brazil: BW Cidade de São Vicente

- Fast track FPSO conversion
  - Contract award April 2008 – 50,000 engineering hours
  - Yard work started July 2008 – 1.5 million man-hours
  - 335 days from contract award to arrival in Brazilian waters
  - Operations commenced 30th of April 2009
  - 10 year contract with Petrobras (15 years including option)
  
- Extended well testing at the giant TUPÍ field
  - Ultra deep waters (2,200 meters)
  - Testbed for subsalt production
  - Frequent mobilizations and demobilizations
  - Intermittent production operations



# US GoM: BW Pioneer (I)

- First FPSO in the US GoM
  - Contract award August 2007
  - Ready for operation in Q1 2010
  - 5 year contract with Petrobras (8 years including options)
  
- First disconnectable FPSO in 2,600 meters
  - Installation of buoy in US GoM completed 27<sup>th</sup> of August



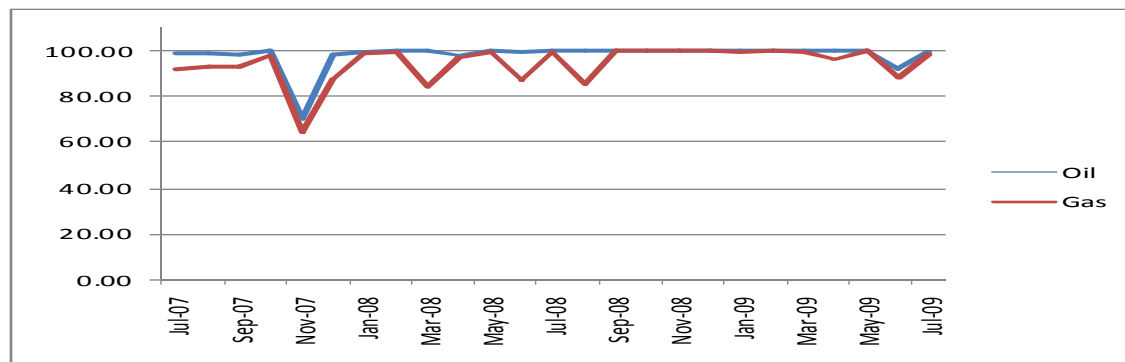
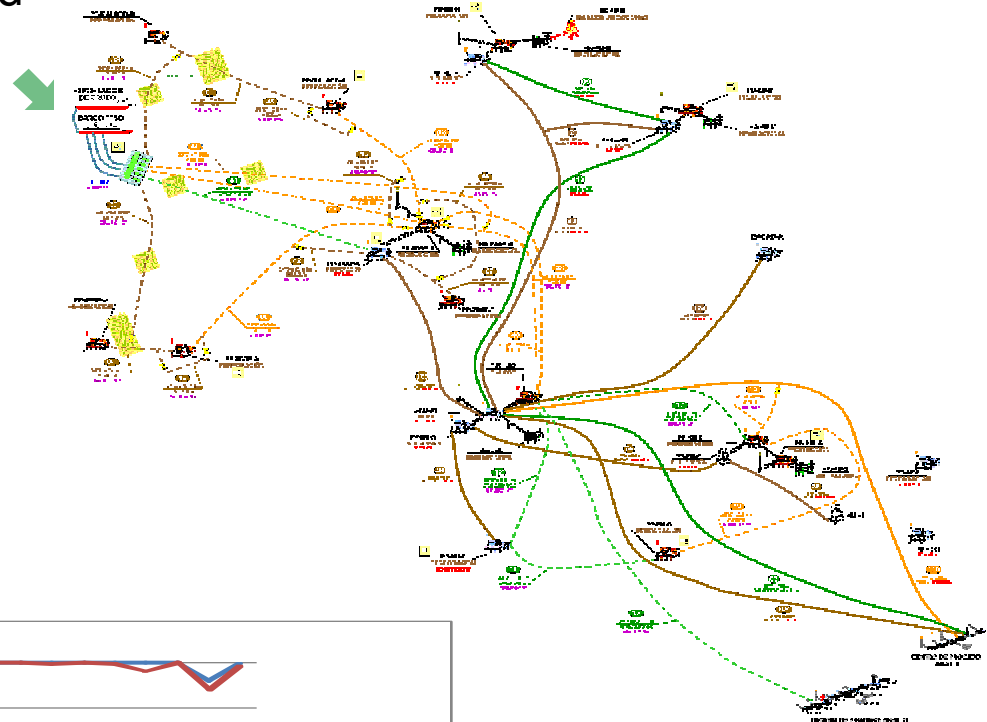
## US GoM: BW Pioneer (II)

- Conversion progress in line with expectations
  - Commissioning started in June
  - 82% complete per 31 July 2009
  - Last module delivered and lifted on board primo August



# GoM: YÙUM K'AK'NÁAB

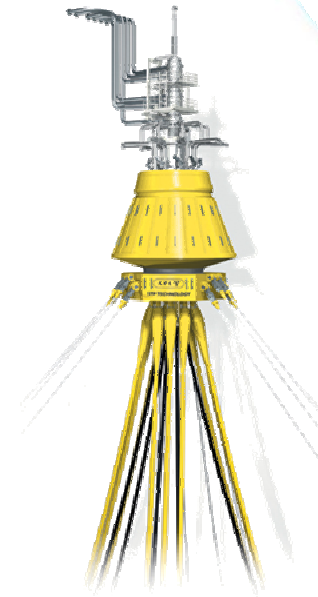
- Technical upgrade completed according to plan
- Cooperation with PEMEX on field operations
- Oil production and gas compression stabilised
- Focus on optimisation of operating costs





# Technology and Installation Services

- Considerable track record
  - Turret mooring systems for FPSO - 18
  - Turret mooring systems for FSO - 7
  - Terminals and offshore buoys - 25
  - Installation campaigns - 13



- International client base
  - Oil & gas: StatoilHydro, Total, CNNOOC, Pemex, Suez, Woodside, Devon, Marathon, Excelerate
  - Contractors: Maersk, Aker Floating Production, Tanker Pacific Offshore Terminals, Hoegh, BW Offshore



# Financial strength

- Total assets USD 2.3 billion
  - Adjusted equity ratio 43.3%
- Annual operating revenues of USD 400-450 million (2009e)
- Unsecured Revolving Credit Facility of USD 1,500 million
  - LIBOR +125 bps
  - Net interest bearing debt USD 827 million end Q2 2009
- Total backlog of USD 3.2 billion, whereof USD 3.0 billion is long term FPSO contracts
  - 95% are with NOCs



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# FUTURE





# The rise and fall.....

## 2007

- Large number of new entrants
- *"Guaranteed IRR"*
  - Long term cash flow
  - Secure payments from clients/oilco's
- *"No risk"* conversions
  - Reputable suppliers
  - Competent yards
  - We know shipping
  - We know energy
- Financing – easy

## 2008

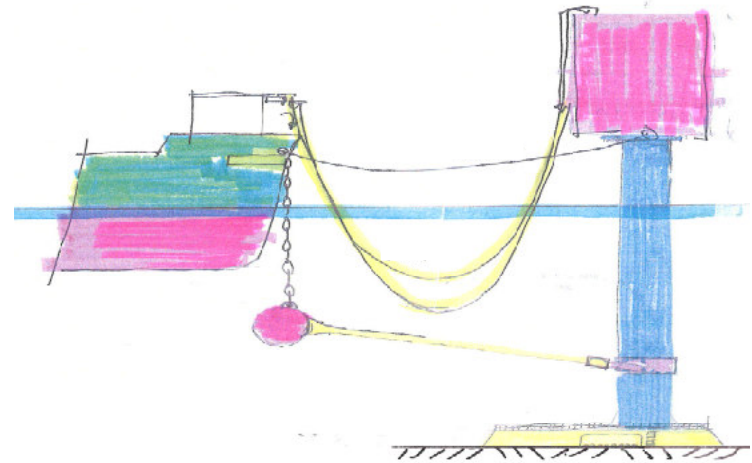
- Cost overruns – reduced IRR
  - Complexity
  - Supplier workload
- Startup and operations
  - Delayed cashflows
  - Training and competence
- Financing – tightening
- Write downs
- Defaults

## 2009

- Limited availability of project financing
- Defaults continue
- Good availability of resources
- Clients expecting cost reductions
- Reduced number of competitors
- EPCI model comeback?

# What to expect of us!

- New oil requires reduced CAPEX and OPEX levels
- Our response is – engage us to create these cost efficiencies through:
  - Plant simplifications
  - New concepts
  - Simpler installations
- Case study - Vietnam:
  - Very shallow and high waves
  - Complex riser system avoided





# What not to expect of us!

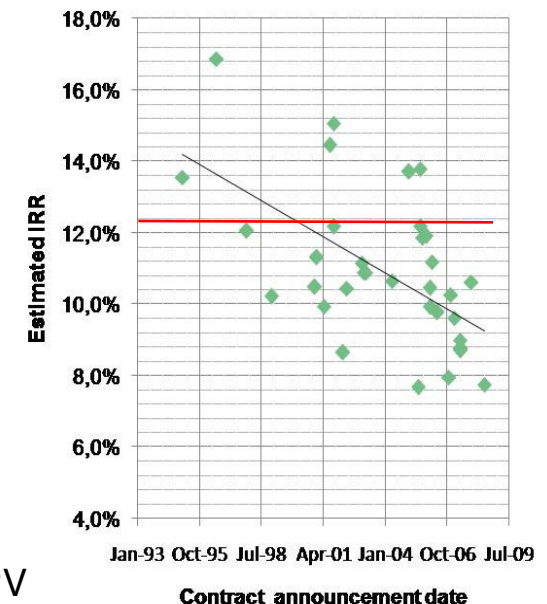
- A cavalier and unprofessional attitude to risk we can not fully control or insure against
  - Technical data
  - Political stability
  - Pollution
  - Security for payments
  - Inflation
  - Currency fluctuations
  - Residual values must be reasonable

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# Our industry needs healthy returns



- FPSO companies have produced lower than expected IRR
  - Construction overruns
  - Delayed start-up
  - Operational problems
- If CAPEX overruns by 20% on a 400 MUSD project
  - NPV falls from 70 MUSD to minus 10 MUSD
  - IRR falls from 12% to 7%
- If cost of capital increases from 8% to 10%
  - NPV falls from 70 MUSD to 30 MUSD
  - Charter rate must increase by 10% to achieve same NPV
- FPSO industry needs stable and attractive returns to attract necessary financing at reasonable rates
- Recent returns are not sufficient for sustained growth

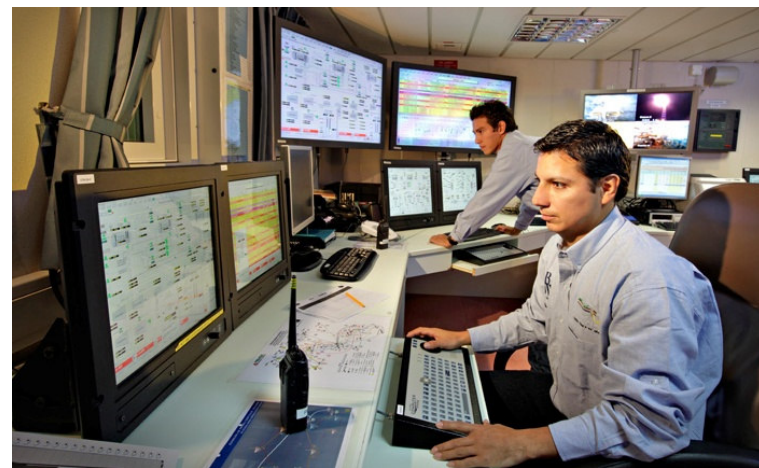


Source: UBS



# BW Offshore's track record

- Timely delivery of 14 FPSO projects
- Demonstrated cost and execution control
- Demonstrated operational stability
- World leading technology basis
- Funded for growth





# Contracted cash flow growth

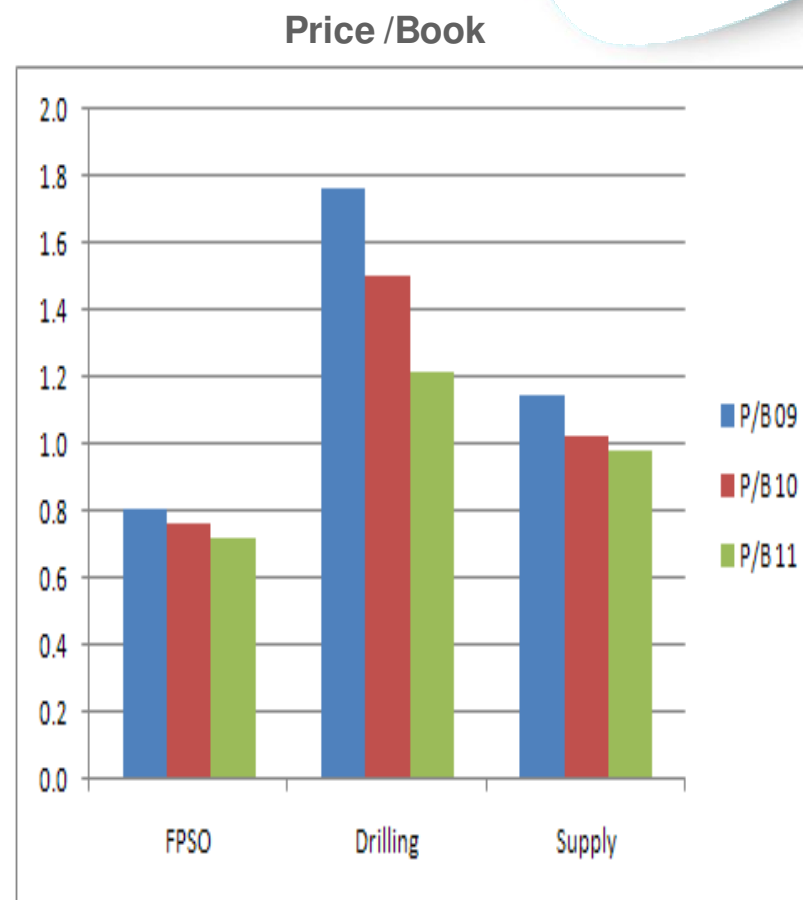
- Net interest bearing debt fully invested (Q1 2010) of USD 750 million
- Run rate EBITDA on current contract portfolio is USD 200-225 million
- Book value of equity is USD 924 million (Price/book 0.6)
- Our alternatives
  - Perform 2-3 FPSO projects at profitable terms
  - Return cash to shareholders
  - Debt free in 3-4 years





# An investment opportunity?

- Current investor perception
  - Rigs – good
  - FPSO – bad
- FPSO shares are cheap
  - Long term clients
  - Contracted cash flows
  - Solid clients
  - Earnings growth
- Less competition
- Less supply chain constraints



Source: Factset

