

BW Offshore

FPSO International 2009

4 March 2009



Disclaimer



This Presentation has been produced by BW Offshore Limited ("BW Offshore") exclusively for information purposes. This presentation may not be redistributed, in whole or in part, to any other person.

This document contains certain forward-looking statements relating to the business, financial performance and results of BW Offshore and/or APL PLC and/or the industry in which they operate. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of BW Offshore and/or APL or cited from third party sources are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. None of BW Offshore, APL or any of their parent or subsidiary undertakings or any such person's officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this Presentation or the actual occurrence of the forecasted developments. BW Offshore or APL assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to our actual results.

No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, none of BW Offshore or APL or any of their parent or subsidiary undertakings or any such person's officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this document. Actual experience may differ, and those differences may be material.

By attending this Presentation you acknowledge that you will be solely responsible for your own assessment of the market and the market position of BW Offshore and/or APL and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the businesses of BW Offshore and/or APL. This presentation must be read in conjunction with the recent Financial Information and the disclosures therein.

This presentation does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such and offer or solicitation in such jurisdiction.

This Presentation is confidential and is being communicated in the United Kingdom to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (such persons being referred to as "investment professionals"). This presentation is only directed at qualified investors and investment professionals and other persons should not rely on or act upon this presentation or any of its contents. Any investment or investment activity to which this communication relates is only available to and will only be engaged in with investment professionals. This Presentation (or any part of it) is not to be reproduced, distributed, passed on, or the contents otherwise divulged, directly or indirectly, to any other person (excluding an investment professional's advisers) without the prior written consent of BW Offshore and APL.

This Presentation and the information contained herein do not constitute an offer of securities for sale in the United States and are not for publication or distribution to U.S. persons (within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act")). The securities proposed to be offered in the Company have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act.



Floating production is a good business

- Looking back at 2007 and 2008
- What went wrong?
- Status of BW Offshore
- What is the future?





FPSO International 2009

WHAT WENT WRONG?



Promises vs reality

2007

- *"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
- Healthy residuals
 - Versatile solutions/concepts
- Financing - easy

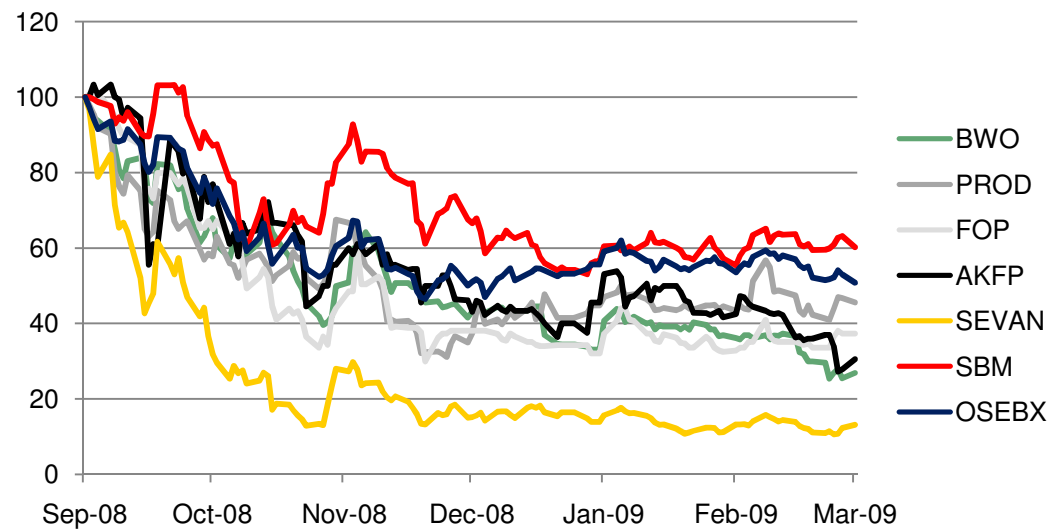
2008

- Cost overruns – reduced IRR
 - Complexity
 - Supplier workload
- Startup and operations
 - Delayed cashflows
 - Training and competence
- Residuals
 - Redeployment easy?
- Financing - tight



The turkey in the sandwich

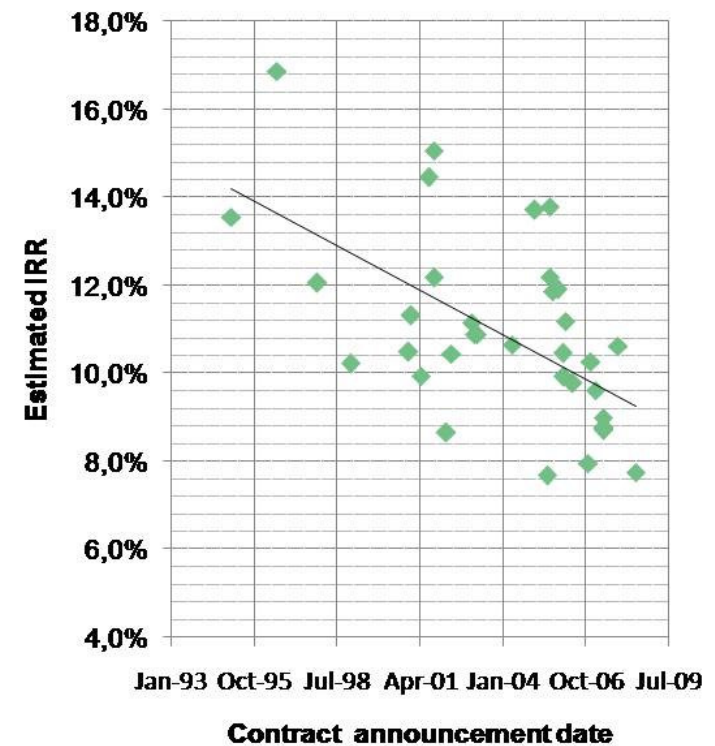
- Low bargaining power up
 - Demanding oil companies
 - Lots of competition
- Low bargaining power down
 - Tight supplier market
 - Lack of yard space





Returns

- A 20% overrun on a typical project of USD 400 million cuts IRR from 12% to 7%
 - Net present value falls from USD 50 million to minus USD 15 million
- FPSO companies have produced lower than expected IRR
 - Construction overruns
 - Operational problems
- Capital intensive industry needs healthy return to attract equity and financing at reasonable rates
- Achieved returns are not sufficient for sustained growth



Source: UBS



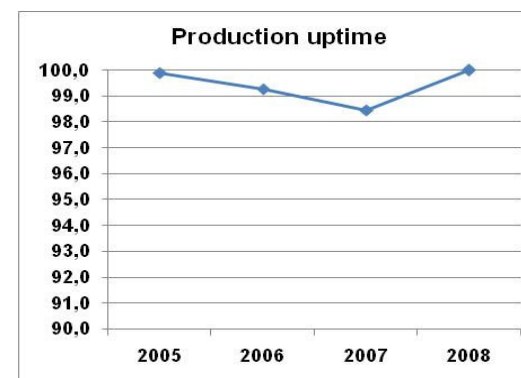
FPSO International 2009

BW OFFSHORE OVERVIEW



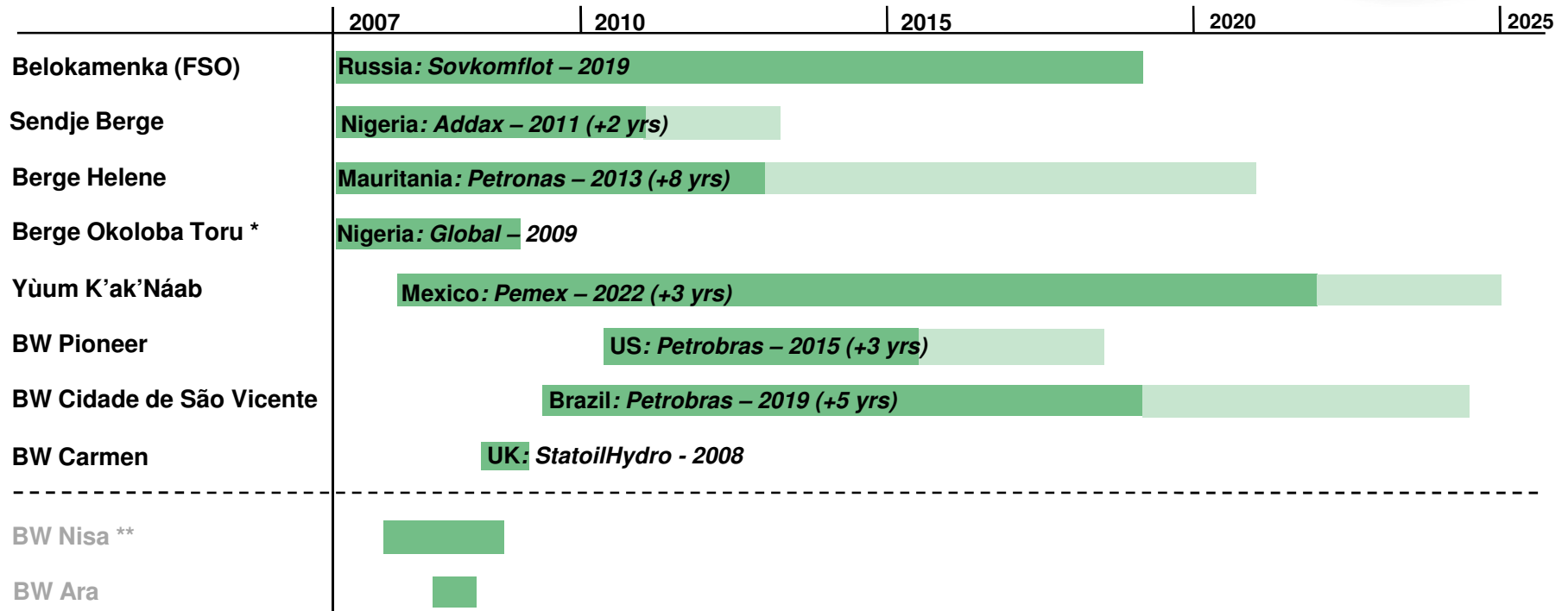
BW Offshore's 2008 status

- Order intake
 - 15 year FPSO contract for Petrobras on the Tupi field
 - Award of several EPCI technology contracts
- Conversions in line with expectations
 - Cidade de São Vicente sailed for Brazil on 5th February 2009
- Operations
 - 99.9% operational performance
 - Startup difficulties on YÙUM K'AK'NÁAB solved
- Positive operational cash flow
 - Operational EBITDA of USD 90 million
 - Results negatively affected by USD 500 million non-cash items
 - Profitable sale of USD 550 million stake in Prosafe
- Fully funded
 - Credit facility of USD 1,500 million at favourable terms
- Successful expansion of BW Offshore's footprint
 - Integration of APL





Long term contracted cash flow



Floating production order backlog is USD 3.2 billion

- 70 percent of the value is fixed period
- 12 years weighted average contract length – whereof 9 years fixed
- 95 per cent of backlog is with major NOCs

Fixed period
 Option Period

The order backlog includes option periods. No revenue included for Berge Okoloba Toru

* LPG FPSO

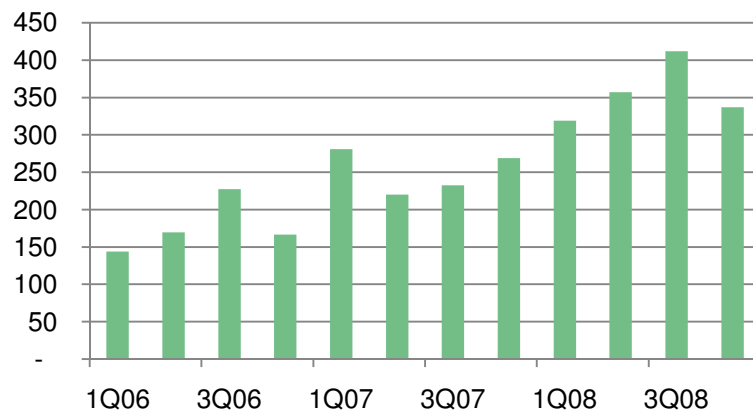
** Temporary storage contract



Internalising technology

- Strategic technology for FPSO developments
- Increased market presence
- Increased scope and value creation
- Concept development capability
- Access to new business

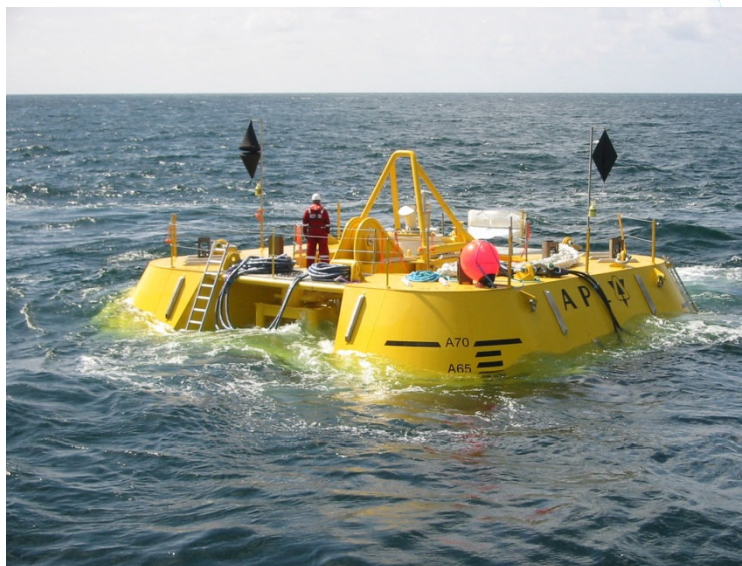
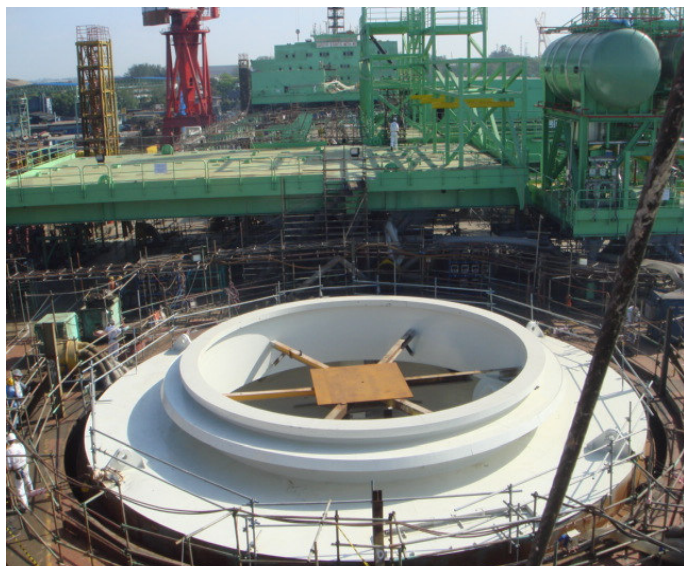
Orderbook Technology & Installation (USDm)



Strong global presence



 BW Offshore units  APL Technology  BW Offshore offices  Recruitment centers



FPSO International 2009

WHAT NOW?



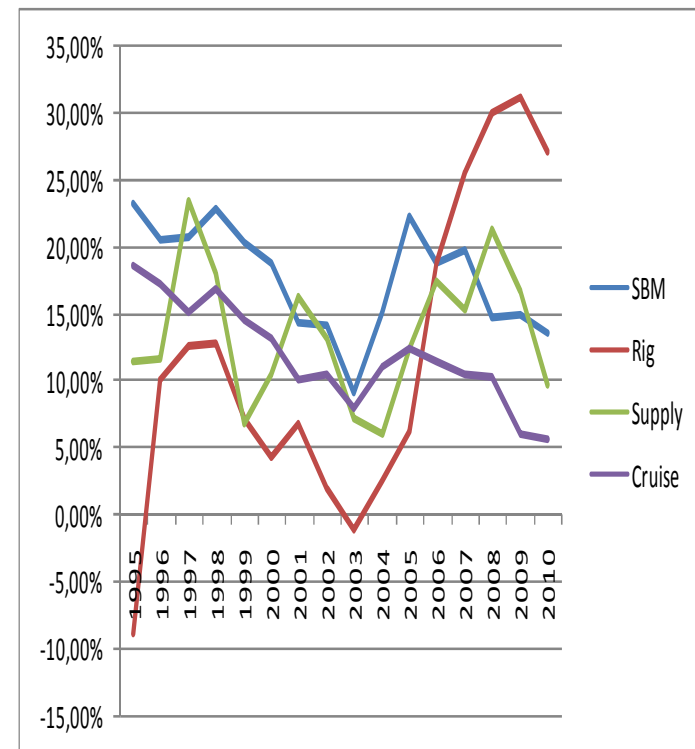
The upside

- Current investor perception
 - Rigs – good
 - FPSO – bad

- FPSO shares are cheap
 - Long term clients
 - Contracted cash flows
 - Solid clients

- More bargaining power
 - Less competition
 - Less supply chain constraints

Return on Equity

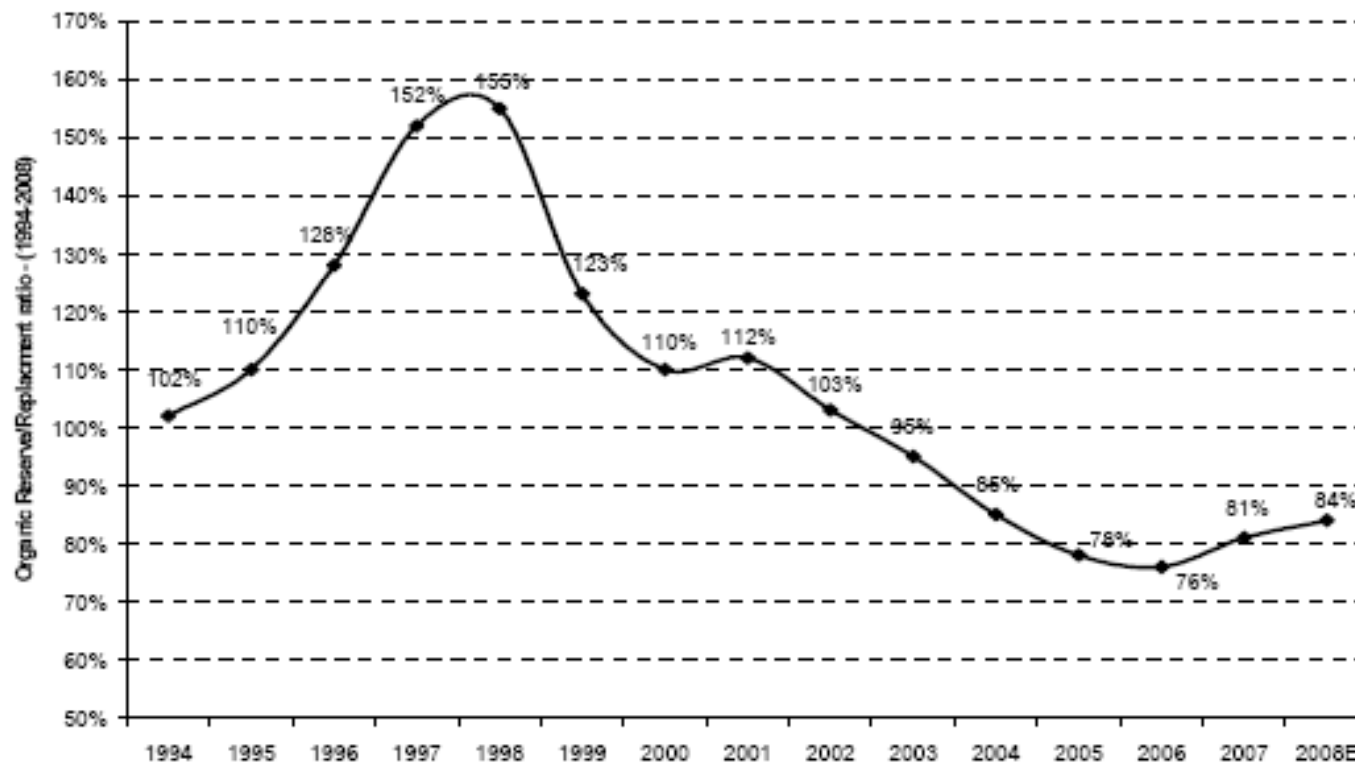


Source: Factset



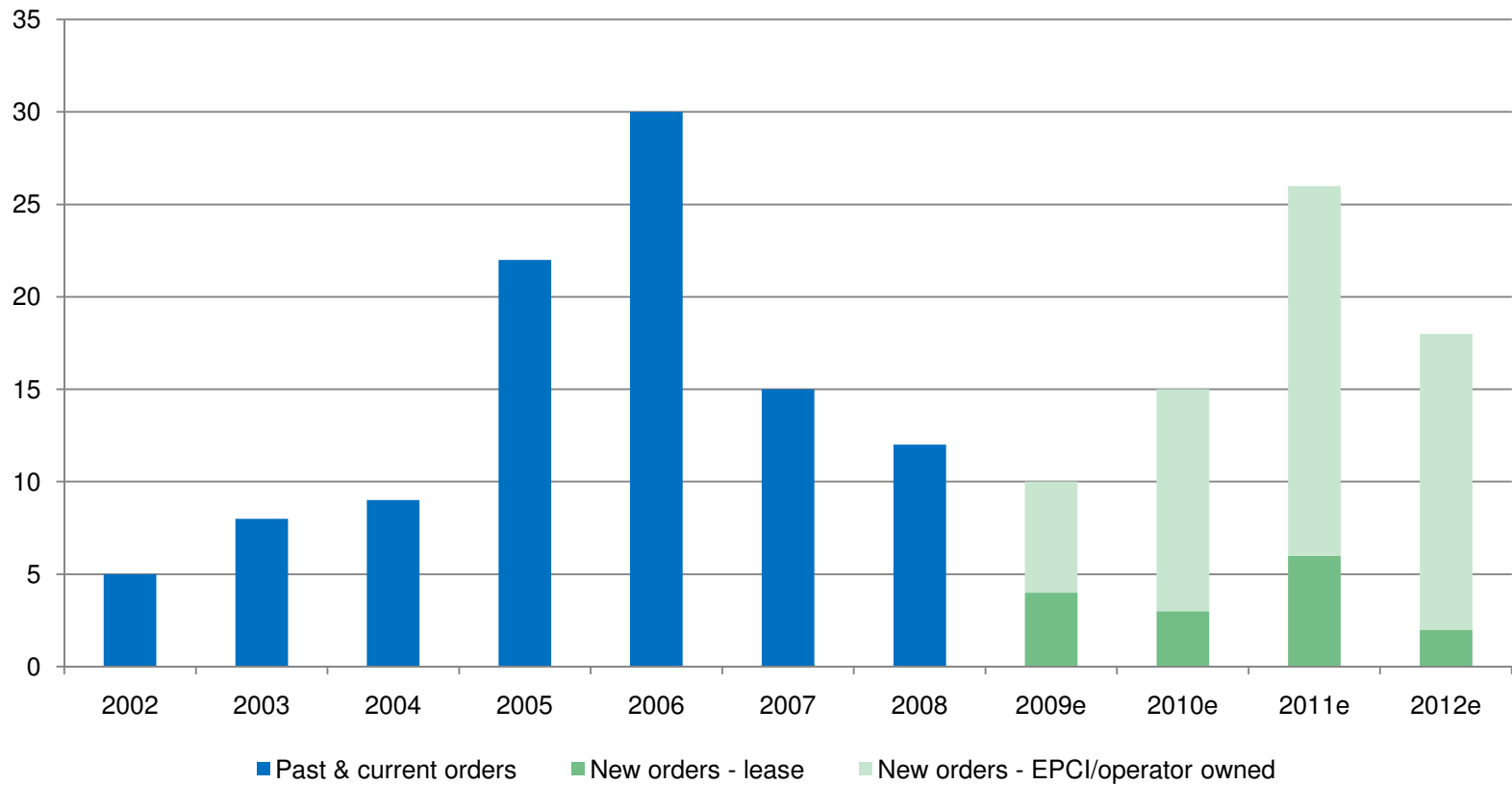
E&P spending will come back

Trends in the organic reserve/replacement ratio (RRR)



Source: SEB Enskilda

There are prospects



Source: Fearnley Offshore



Return and risk

- We must negotiate more balanced contracts
- We must get compensated for risk
 - Pollution
 - Counterparty
 - Construction
 - Commissioning and startup
 - Redeployment
 - Funding
 - Interest
 - Currency
- We must make profit on operations





Steady course towards stronger figures

- Focus on operating results
 - EBITDA improvement from existing units
 - New FPSOs to commence operation in 2009 and 2010
- Selective bidding
 - Robust level of bidding activity
 - Energy companies attracted towards top tier players

