



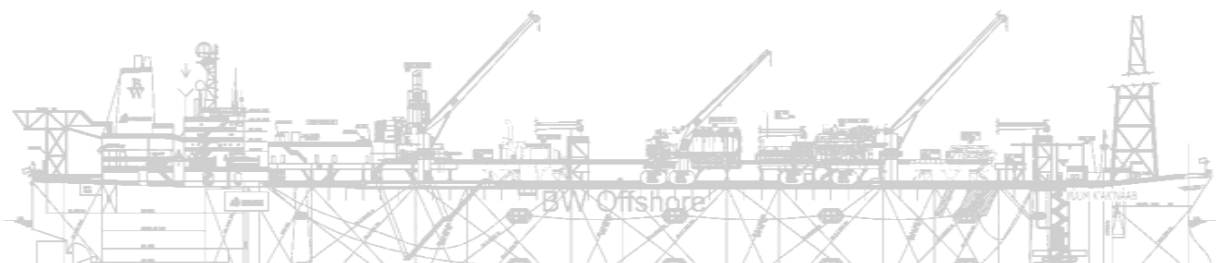
# BW Offshore Limited



Third quarter 2008

## HIGHLIGHTS

- EBITDA of USD 19.0 million before transactions relating to associates
- Impairment charge of goodwill of USD 167.2 million
- Impairment charge of the investment in Nexus Floating Production Limited of USD 68.8 million
- Conversions in line with expectations



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## FINANCIAL SUMMARY

(Figures in brackets refer to corresponding figures for 2007)

Operating revenue amounted to USD 114.8 million (USD 182.6 million). The decrease on a consolidated level is primarily a result of the elimination of intercompany transactions as well as reduced construction revenue related to the conversion of YUUM K'AK'NAAB. In addition, revenue in the Floating Production segment in the third quarter 2007 included an amount of USD 20.0 million collected under a bank guarantee for the termination of the FPSO BW Peace contract.

Operating expenses in the third quarter amounted to USD 95.8 million (USD 143.4 million). The decrease is primarily a result of the elimination of intercompany transactions as well as reduced construction expenses related to the conversion of YUUM K'AK'NAAB.

EBITDA was USD -51.4 million (USD 46.0 million) in the third quarter. Due to the current turmoil in the financial market and the significant drop in the market value of Nexus Floating Production Limited (Nexus), we have according to IAS 36 estimated the recoverable amount of the investment, resulting in an impairment charge of USD 68.8 million included in the third quarter 2008 figures.

Adjusted EBITDA (EBITDA before share of profit and impairment charge of associates) was USD 19.0 million (USD 39.2 million). Share of profit of associates was USD -1.6 million (USD 6.8 million) in the third quarter and relates to the investments in Prosafe Production (PROD) and Nexus. At 30 September 2008, BW Offshore owned 23.9% of the shares in PROD and 49.7% of the shares in Nexus.

Although we have not yet experienced a reduction in activity from our customers, the current turmoil in the financial market is likely to have an impact on future growth in the Technology and Installation segment. We have therefore performed a goodwill assessment in the third quarter anticipating reduced growth going forwards. As a result an impairment charge of USD 167.2 million (USD 0.0 million) related to goodwill was recorded in the third quarter.

Net financial items for the third quarter were USD - 21.7 million (USD -16.6 million). Interest expenses were USD 9.2 million in the third quarter (USD 18.6 million). The decrease in interest expenses is mainly a result of reduced net interest bearing debt and reduced interest rates.

Income tax expenses amounted to USD 4.1 million in the third quarter (USD 1.3 million). The increase is mainly attributable to increased earnings in the Technology and Installation segment. The impairment charges of goodwill and shares in associates have no impact on the income tax expense of BW Offshore.

Result before tax was USD -251.4 million in the third quarter (USD 16.4 million).

At 30 September 2008 total assets amounted to USD

2,445.8 million (USD 3,010.9 million). The change in total assets arose mainly from the impairment of the investment in Nexus, the impairment of goodwill and purchase of NOK 298.5 million of the APL NOK 500.0 million bond loan.

At 30 September 2008 total equity amounted to USD 1,233.2 million (USD 1,529.5 million).

Net cash inflow from operating activities was USD 29.2 million, while net cash outflow from investing activities was USD 108.1 million. Cash flow from investing activities relates to the ongoing conversion projects in Floating Production. Net cash outflow from financing activities was USD 55.0 million, primarily due to the purchase of NOK 298.5 million from the APL NOK 500.0 million bond loan.

At 30 September the Company held cash and deposits of USD 194.5 million. The Company has significant unused credit facilities, as it has drawn only USD 642 million of the USD 1.5 billion credit facility. Net interest bearing debt amounted to USD 445.3 million at 30 September 2008 (USD 744.6 million).

## BUSINESS SEGMENTS

### Floating Production

The revenues in the third quarter were USD 48.2 million (USD 86.4 million) with an EBITDA of USD 7.7 million (USD 35.3 million). The decrease is primarily due to the USD 20.0 million collected under a bank guarantee for the termination of the FPSO BW Peace contract in 2007. Cash flow from operating activities in the third quarter was USD 11.9 million.

The operating result of the YUUM K'AK'NAAB is still lower than originally planned. However the measures taken in the operation the FPSO are performing according to the previously communicated plan, and management still expects a return to full capacity in the fourth quarter 2008.

On 26 July 2008, Berge Okoloba Toru was exposed to a hostage situation that was resolved in a satisfactory manner. However, due to the continuing instability in the Niger Delta, the vessel has since been evacuated.

BW Carmen has during the third quarter been in operation on a short term contract in the UK sector of the North Sea for StatoilHydro. The contract ends in the fourth quarter 2008 and the FPSO is now being marketed for new contracts.

The ongoing conversions of the FPSOs BW Pioneer and BW Cidade de Sao Vicente (former BW Peace) continue in line with our expectations.

On 7 July 2008, the Company was awarded a Letter of Intent (LoI) to supply the FPSO for the Basker-Manta-Gummy (BMG) oil and gas fields offshore Australia. The FPSO is scheduled to commence operation in the second quarter 2010. During the third quarter, the LoI has been extended and contract negotiations are currently ongoing.

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### Technology & Installation

The revenues in the third quarter were USD 102.5 million (USD 96.2 million) and EBITDA USD -59.1 million (USD 10.7 million), giving a negative EBITDA-margin. Adjusting for the impairment charge of Nexus and the share of profit, the EBITDA margin was 9.5% (11.2%). Revenue included USD 35.9 million in intercompany transactions.

Major projects, such as Nexus, Chinook Cascade, Peregrino and Neptune are in production with no significant deviation from the plans. The order inflow in the third quarter has been strong. Cash flow from operating activities in the third quarter was USD 17.3 million.

On 31 July, 2008, BW Offshore received a Lol with Maersk Contractors for the installation of the Peregrino FPSO Mooring System and STP Buoy offshore Brazil. BW Offshore will deliver the production buoy, the mooring systems and the complete installation of these. BW Offshore expects to sign the contract in the fourth quarter 2008.

On 25 September 2008, the Company signed a contract with Samsung for the delivery of shipboard equipment packages for up to five LNG FPSOs. The firm order is for four Shipboard equipment packages, with an option for one additional package. The contract has a total value of USD 90-100 million.

### RISKS

The Company's risk exposure is analysed and evaluated at group level to ensure sound internal control and appropriate risk management based on the group's values and code of ethics. The most important

operational risk factors are related to the operation of FPSOs and the execution of projects. The financial risks comprise mainly of currency risk, credit risks and interest rate risk, as well as fluctuations in the share price of the Company's holdings in listed securities. Further information on risk factors and risk management, is provided in the Company's Annual Report for 2007.

### OUTLOOK

The current turmoil in the financial markets and lower oil price could possibly impact negatively on our business, mostly on the commercial front with a lower number of new projects, or delays in these projects due to financing challenges. These circumstances may also have an impact on forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has reflected this in their updated impairment assessments.

In this period of uncertainty, the Company is fully financed at attractive terms and future cash flow is secured by long-term contracts with reputable clients. Beyond this immediate horizon, the Board of BW Offshore is convinced that the long term fundamentals of our business remain sound. Underlying growth in energy demand combined with accelerating depletion of existing fields will fuel increased demand for new oil and gas fields. Investments in new facilities by international and national oil companies will improve market conditions in the medium to long term for the services provided by BW Offshore.

Bermuda, 12 November 2008

Helmut Sohmen  
Chairman

Christophe Pettenati-Auzière  
Vice Chairman

Andreas Sohmen-Pao

David Gairns

Renè Huck

Kathie Child-Villiers

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**INCOME STATEMENT**

(Unaudited figures in USD million)

	Notes	3Q 08	2Q 08	3Q 07	YTD 08	YTD 07*	2007*
<b>Operating revenue</b>		<b>114.8</b>	<b>124.8</b>	<b>182.6</b>	<b>347.9</b>	<b>545.8</b>	<b>662.6</b>
<b>Operating expenses</b>		<b>(95.8)</b>	<b>(124.7)</b>	<b>(143.4)</b>	<b>(322.2)</b>	<b>(461.7)</b>	<b>(557.7)</b>
Share of profit of associates	6	(1.6)	(7.9)	6.8	(0.3)	13.0	17.7
Impairment charge of associates	6	(68.8)	(84.7)	0.0	(153.5)	0.0	0.0
Gain on sale of shares	6	0.0	127.0	0.0	127.0	0.0	0.0
<b>Operating profit (loss) before depreciation/amortisation</b>		<b>(51.4)</b>	<b>34.5</b>	<b>46.0</b>	<b>(1.1)</b>	<b>97.1</b>	<b>122.6</b>
Depreciation		(6.1)	(6.0)	(7.9)	(18.1)	(20.4)	(23.5)
Amortisation**		(5.1)	(5.1)	(1.5)	(15.2)	(2.5)	(17.6)
Impairment charge of goodwill		(167.2)	0.0	0.0	(167.2)	0.0	0.0
Gain (loss) on sale of assets		0.1	0.0	(3.6)	0.1	(3.6)	(4.4)
<b>Operating profit (loss)</b>		<b>(229.7)</b>	<b>23.4</b>	<b>33.0</b>	<b>(201.5)</b>	<b>70.6</b>	<b>77.1</b>
Net currency exchange gain (loss)		5.8	2.4	0.0	(3.9)	(0.1)	(1.6)
Interest income*		6.3	3.9	3.5	13.7	4.7	12.8
Gain (loss) on financial instruments	7	(19.7)	22.1	(1.5)	(4.1)	27.9	23.7
Interest expense*		(9.2)	(11.0)	(18.6)	(40.7)	(25.6)	(46.2)
Other financial items		(4.9)	(1.8)	0.0	(8.2)	0.0	0.0
<b>Net financial items</b>		<b>(21.7)</b>	<b>15.6</b>	<b>(16.6)</b>	<b>(43.2)</b>	<b>6.9</b>	<b>(11.3)</b>
<b>Profit (loss) before tax</b>		<b>(251.4)</b>	<b>39.0</b>	<b>16.4</b>	<b>(244.7)</b>	<b>77.5</b>	<b>65.8</b>
Income tax expense**		(4.1)	(4.2)	(1.3)	(9.2)	(9.5)	(13.7)
<b>Net profit (loss)</b>		<b>(255.5)</b>	<b>34.8</b>	<b>15.1</b>	<b>(253.9)</b>	<b>68.0</b>	<b>52.1</b>
Profit (loss) attributable to equity shareholders		(255.5)	34.8	15.0	(253.9)	66.7	50.5
Minority interest		0.0	0.0	0.1	0.0	1.3	1.6
Basic earnings/(loss) per share (USD)		(0.56)	0.08	0.04	(0.56)	0.21	0.12
Diluted earnings/(loss) per share (USD)		(0.56)	0.08	0.04	(0.56)	0.21	0.12

\* Interest income and interest expenses were restated in Q1 and Q2 2007 to present gross amounts under the CIRR financing scheme related to Berge Helene

\*\* Restated, see note 9 for additional information

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

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**BALANCE SHEET**

(Unaudited figures in USD million)

ASSETS	Notes	30.09.2008	30.06.2008	31.12.2007	30.09.2007
Vessels	2	847.2	749.2	610.7	556.1
Property and other equipment		19.0	20.5	17.9	20.8
Goodwill and intangibles**		358.7	532.1	537.7	556.6
Finance lease receivables		231.0	234.5	244.0	244.9
Investments in associates	6	295.1	369.8	978.9	935.4
Non-current deposits	5	264.6	301.0	320.3	284.9
Other non-current assets		1.3	1.4	12.1	12.5
<b>Total non-current assets</b>		<b>2,016.9</b>	<b>2,208.5</b>	<b>2,721.6</b>	<b>2,611.2</b>
Inventory		20.6	17.8	7.0	8.9
Trade and other current assets	3	162.9	154.1	146.8	153.5
Trade receivables not invoiced	10	50.9	81.3	97.7	138.9
Cash and deposits		194.5	328.3	36.5	98.4
<b>Total current assets</b>		<b>428.9</b>	<b>581.5</b>	<b>288.0</b>	<b>399.7</b>
<b>TOTAL ASSETS</b>		<b>2,445.8</b>	<b>2,790.0</b>	<b>3,009.6</b>	<b>3,010.9</b>
<b>EQUITY AND LIABILITIES</b>					
Total equity attributable to equity shareholders**	4	1,233.2	1,509.6	1,508.2	1,529.5
Minority interest		0.0	0.0	0.0	0.0
<b>Total equity</b>		<b>1,233.2</b>	<b>1,509.6</b>	<b>1,508.2</b>	<b>1,529.5</b>
Interest-bearing long term debt	5	904.0	999.0	844.6	728.8
Pension obligations		10.1	10.6	8.7	10.6
Other long-term liabilities**		37.4	44.0	38.5	58.4
<b>Total non-current liabilities</b>		<b>951.5</b>	<b>1,053.6</b>	<b>891.8</b>	<b>797.8</b>
Trade and other payables		248.1	216.7	180.6	274.3
Interest-bearing short term debt	5	0.4	0.5	413.3	399.1
Income tax liabilities		12.6	9.6	15.7	10.2
<b>Total current liabilities</b>		<b>261.1</b>	<b>226.8</b>	<b>609.6</b>	<b>683.6</b>
<b>Total liabilities</b>		<b>1,212.6</b>	<b>1,280.4</b>	<b>1,501.4</b>	<b>1,481.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,445.8</b>	<b>2,790.0</b>	<b>3,009.6</b>	<b>3,010.9</b>

\*\* Restated, see note 9 for additional information

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

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**STATEMENT OF CHANGES IN EQUITY**

(Unaudited figures in USD million)

	3Q 08	2Q 08	3Q 07	YTD 08	YTD 07	2007
<b>Equity at beginning of period</b>	<b>1,509.6</b>	<b>1,473.5</b>	<b>1,504.7</b>	<b>1,508.2</b>	<b>383.4</b>	<b>383.4</b>
<i>Changes in equity</i>						
New equity	0.0	0.0	0.0	0.0	1,065.8	1,064.0
Changes in minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Own shares	(4.0)	(5.3)	0.0	(9.3)	0.0	0.0
<i>Recognised income and expense</i>						
Currency translation adjustments	(13.0)	(1.8)	9.7	(8.4)	12.3	8.7
Currency translation adjustments in associates companies	(3.9)	8.4	0.0	(3.4)	0.0	0.0
Profit (loss) attributable to equity shareholders	(255.5)	34.8	15.0	(253.9)	66.7	50.5
Profit (loss) attributable to minority interests	0.0	0.0	0.1	0.0	1.3	1.6
<b>Total recognised income and expense</b>	<b>(272.4)</b>	<b>41.4</b>	<b>24.8</b>	<b>(265.7)</b>	<b>80.3</b>	<b>60.8</b>
<b>Equity at end of period</b>	<b>1,233.2</b>	<b>1,509.6</b>	<b>1,529.5</b>	<b>1,233.2</b>	<b>1,529.5</b>	<b>1,508.2</b>

**STATEMENT OF CASH FLOWS**

(Unaudited figures in USD million)

	Notes	3Q 08	2Q 08	3Q 07	YTD 08	YTD 07	2007
Profit before taxes		(251.4)	39.0	16.4	(244.7)	77.5	65.8
Unrealised currency loss		(27.0)	(6.2)	16.1	(20.5)	17.1	9.3
Depreciation and amortisation		11.2	11.1	9.4	33.3	22.9	41.1
Taxes paid		(2.3)	(8.9)	(1.5)	(14.8)	(3.7)	(9.8)
Impairment charge		236.0	84.7	0.0	320.7	0.0	0.0
Share of profit associated companies		1.6	7.9	(6.8)	0.3	(13.0)	(17.7)
Net cash flow from FPSO construction contract		0.0	0.0	456.0	0.0	135.9	127.6
Loss (gain) on sale of shares and fixed assets		0.0	(127.0)	3.6	(127.0)	3.6	4.4
Change in working capital		35.4	16.1	(23.3)	88.5	(24.4)	(27.3)
Other items		25.7	(16.6)	7.2	22.5	(15.7)	(14.1)
<b>Net cash flow from operating activities</b>		<b>29.2</b>	<b>0.2</b>	<b>477.0</b>	<b>58.3</b>	<b>200.1</b>	<b>179.3</b>
Investment in fixed assets		(104.1)	(74.6)	(39.4)	(260.4)	(161.9)	(301.4)
Investment in shares		(4.0)	(5.3)	(180.1)	(9.3)	(475.8)	(567.3)
Proceeds from sale of assets		0.0	651.7	0.0	651.7	0.0	8.4
Dividends received		0.0	0.0	0.0	0.0	0.0	52.2
Other		0.0	1.6	(2.2)	1.6	(7.5)	(7.5)
<b>Net cash flow from investing activities</b>	<b>2,6</b>	<b>(108.1)</b>	<b>573.4</b>	<b>(221.7)</b>	<b>383.5</b>	<b>(645.2)</b>	<b>(815.6)</b>
Proceeds from new interest bearing debt		0.0	725.1	150.6	798.8	810.8	975.3
Repayment of interest-bearing debt		(55.0)	(1,027.6)	(342.4)	(1,082.6)	(487.4)	(522.5)
Paid-in/ (distributed) equity		0.0	0.0	(0.1)	0.0	182.0	182.0
<b>Net cash flow from financing activities</b>	<b>4,5</b>	<b>(55.0)</b>	<b>(302.5)</b>	<b>(191.8)</b>	<b>(283.8)</b>	<b>505.5</b>	<b>634.8</b>
<b>Net change in cash and cash equivalents</b>		<b>(133.8)</b>	<b>271.0</b>	<b>63.5</b>	<b>158.0</b>	<b>60.4</b>	<b>(1.5)</b>
Cash and cash equivalents at beginning of period		328.3	57.3	34.9	36.5	38.0	38.0
<b>Cash and cash equivalents at end of period</b>		<b>194.5</b>	<b>328.3</b>	<b>98.4</b>	<b>194.5</b>	<b>98.4</b>	<b>36.5</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

The interim consolidated financial information (hereafter “the Interim Financial Information”) of BW Offshore Limited (hereafter the “Company” or “Group”), has been prepared in accordance with the International Accounting Standard IAS 34. The Interim Financial Information should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2007. The accounting policies applied in this Interim Financial Information and the presentation of the Interim Financial Information are consistent with those applied in the Annual Financial Statements.

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

The book value of vessels in operation amounted to USD 387.0 million (USD 302.6 million) at 30 September 2008. The book value of vessels under conversion amounted to USD 421.1 million (USD 117.9 million) at 30 September 2008. The book value of conversion candidates and uncommitted FPSOs at 30 September 2008 amounted to USD 39.1 million (USD 135.6 million).

Capital expenditure related to vessels, vessels under conversion and conversion candidates in the third quarter, amounted to USD 103.2 million (USD 37.5 million).

### Note 3 – Trade and other current assets

Trade and other current assets include receivable from the client related to the operation of Berge Okoluba Toru amounting to USD 34.7 million at 30 September 2008 (USD 17.6 million). A provision of USD 3.4 million (USD 1.0 million) has been charged in the third quarter 2008 offset by a payment of USD 2.0 million (USD 0.0 million), bringing the total provision to USD 34.7 million (USD 17.6 million).

### Note 4 - Equity

The number of issued shares was 456,213,515 at 30 September 2008. There were no changes in shares issued in the third quarter 2008. There were 500,000,000 authorized shares at 30 September 2008.

The Company held a total of 1,819,205 own shares at 30 June 2008 (39,505). Of this 241,774 shares were transferred to employees as part of the employee stock ownership program during the third quarter 2008. Further, the Company purchased 1,220,300 own shares in the third quarter 2008 and held a total of 2,797,731 own shares at 30 September 2008. These shares will be used for the Company’s employee stock ownership program.

### Note 5 - Interest-bearing debt

#### Long-term debt

The Group had the following long-term debts at 30 September:

	2008	2007
USD 1,500 billion facility	641.8	0.0
APL Bond loan	33.9	83.5
Mortgage loan	5.2	5.8
USD 600 million credit facility	0.0	354.6
CIRR financing schemes*	223.1	284.9
<b>Total</b>	<b>904.0</b>	<b>728.8</b>

\*The proceeds from the CIRR financing schemes have been placed as long term bank deposits to amortise and service the loans.

During the third quarter the Group bought back nominal value of NOK 298.5 million of the APL Bond Loan of nominal value of NOK 500.0 million. Capitalized costs totaling USD 1.0 million relating to the repurchased bonds have been expensed. In addition a loss of USD 0.4 million arose on the repurchase of those repurchased bonds.

The USD 1,500 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, in addition to a cross-default clause against certain other BW Group Limited companies. Pursuant the terms of the agreement interest is charged on amounts drawn at floating interest rate of LIBOR + 1.25% and on undrawn amounts at a commitment fee rate of 0.5%.

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### Short-term debt

The Company had the following short-term interest bearing debt at 30 September:

	2008	2007
USD 400 million credit facility	0.0	399.1
Other facility	0.4	0.0
<b>Total</b>	<b>0.4</b>	<b>399.1</b>

### Note 6 – Investments in associates

At 30 September 2008, after appropriate impairment assessments, the Company determined that the value of Nexus had deteriorated. Accordingly, following an assessment incorporating the best available estimates and assumptions, the fair value was determined based on discounted cash flow model of the estimated future earnings, showing that an impairment charge of USD 68.8 million was required in the third quarter 2008 to reduce the carrying value to its estimated fair value.

At 30 September, the Company has updated the impairment assessment of the investment in PROD that was based on the best available estimates and assumptions, the fair value was determined based on discounted cash flow model of the estimated future earnings and showed that no additional impairment charge was required in the third quarter 2008.

### Share of profit

	3Q 08	2Q 08	3Q 07	YTD 08	YTD 07	2007
Prosafe SE*	n/a	4.7	6.9	13.9	13.5	18.1
Nexus Floating Production Ltd	(0.0)	(0.4)	(0.1)	(0.4)	(0.5)	(0.4)
Prosafe Production Public	(1.6)	(12.2)	0.0	(13.8)	0.0	0.0
<b>Total</b>	<b>(1.6)</b>	<b>(7.9)</b>	<b>6.8</b>	<b>(0.3)</b>	<b>13.0</b>	<b>17.7</b>

\* Prosafe SE shares sold in the second quarter 2008

### Note 7 – Gain / (loss) on financial instruments

	3Q 08	2Q 08	3Q 07	YTD 08	YTD 07	2007
Change in fair value of interest sw aps	(12.5)	22.1	0.0	3.1	(1.5)	1.6
Fair value of Prosafe option	0.0	0.0	0.0	0.0	30.1	30.1
Other financial derivatives	(7.2)	0.0	(1.5)	(7.2)	(0.7)	(8.0)
<b>Net gain / loss on financial instruments</b>	<b>(19.7)</b>	<b>22.1</b>	<b>(1.5)</b>	<b>(4.1)</b>	<b>27.9</b>	<b>23.7</b>

### Note 8 – Segment information

#### Floating Production

	3Q 08*	2Q 08**	3Q 07***	YTD 08	YTD 07***	2007***
Operating revenues	48.2	43.2	86.4	135.1	393.9	442.3
Operating expenses	(38.9)	(56.4)	(58.0)	(135.6)	(326.3)	(373.4)
Share of profit of associates	(1.6)	(7.5)	6.9	0.1	13.5	18.1
Impairment charge of associates	0.0	(84.7)	0.0	(84.7)	0.0	0.0
Gain on sale of shares	0.0	127.0	0.0	127.0	0.0	0.0
<b>Operating profit before depreciation</b>	<b>7.7</b>	<b>21.6</b>	<b>35.3</b>	<b>41.9</b>	<b>81.1</b>	<b>87.0</b>
Depreciation, amortisation and write-down	(6.0)	(5.9)	(8.6)	(17.7)	(20.2)	(26.6)
<b>Operating profit / (loss)</b>	<b>1.7</b>	<b>15.7</b>	<b>26.7</b>	<b>24.2</b>	<b>60.9</b>	<b>60.4</b>
Segment assets	1,850.4	1,879.7	2,106.7	1,850.4	2,106.7	2,167.2

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	3Q 08*	2Q 08**	3Q 07 ***	YTD 08**	YTD 07***	2007***
Operating revenues	102.5	114.5	96.2	283.7	151.9	220.3
Operating expenses	(92.8)	(101.2)	(85.4)	(257.5)	(135.4)	(184.3)
Share of profit of associates	0.0	(0.4)	(0.1)	(0.4)	(0.5)	(0.4)
Impairment charge of associates	(68.8)	0.0	0.0	(68.8)	0.0	0.0
<b>Operating profit before depreciation</b>	<b>(59.1)</b>	<b>12.9</b>	<b>10.7</b>	<b>(43.0)</b>	<b>16.0</b>	<b>35.6</b>
Depreciation, amortisation and write-down	(172.3)	(5.2)	(4.4)	(182.7)	(6.3)	(18.9)
<b>Operating profit / (loss)</b>	<b>(231.4)</b>	<b>7.7</b>	<b>6.3</b>	<b>(225.7)</b>	<b>9.7</b>	<b>16.7</b>
Segment assets	595.4	910.3	904.2	595.4	904.2	842.4

\*Operating revenue in the third quarter 2008 included inter-company transactions of USD 35.9 million that were eliminated in the consolidation.

\*\*Operating revenue in the second quarter 2008 included inter-company transactions of USD 32.9 million that were eliminated in the consolidation. Operating revenues and operating expenses in the first quarter 2008 included inter-company transactions of USD 2.1 million that were eliminated in the consolidation. No inter-company transactions took place in 2007.

\*\*\* Figures for the period of 8 May to 31 December 2007.

## Note 9 – Impairment assessment of Goodwill

In 2007, BW Offshore acquired 100% of the shares in APL, making Advanced Production & Loading (APL) a wholly owned subsidiary of BW Offshore. APL is a market leader in the development, production and sale of advanced oil and gas offshore production systems that focuses on ship-based storage and transportation of hydrocarbons.

The Company finalised the fair value of the net identifiable assets acquired in the second quarter 2008, resulting in identifying customer related intangibles of USD 60.9 million. The effect of adding value to customer related intangibles is an increase in amortization of USD 1.5 million before tax per quarter which decreased the tax expense by approximately USD 0.4 million per quarter.

Due to the decrease in oil prices and the global credit crisis, the Company has in the third quarter performed an impairment assessment of goodwill resulting in an impairment charge of USD 167.2 million. The recoverable amount of the APL cash generating unit (CGU) was determined based on value-in-use calculations. Discount rate used is 9.3% and the growth rate used is negative in the coming three years. Growth rate beyond the five year period are extrapolated using the estimated growth rate of 1.0%. Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pretax and reflect specific risks relating to the relevant operating segments. No other class of asset than goodwill was impaired.

Following the impairment charge of goodwill the carrying value of goodwill is USD 270.6 million at 30 September 2008.

	Purchase Price Allocation 2007	Carrying value before impairment	Impairment charge	Carrying value 30 September 2008
Goodwill	437.8	437.8	(167.2)	270.6

## Note 10 – Related party transactions

No related party transaction considered to be material to the Group occurred in the third quarter 2008

## Note 11 – Capital commitments

Total capital committed at 30 September 2008 amounted to USD 333.9 million (USD 86.0 million) and consists of orders on conversions.

## Note 12 – Subsequent events

On 27 October 2008, BW Offshore bought back nominal value of NOK 80.0 million in the APL NOK 500.0 million bond loan.

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## KEY FIGURES

	Note	Q3 2008	Q2 2008	Q3 2007	YTD 2008	YTD 2007	2007
EBITDA-margin	1	-44.8 %	27.6 %	25.2 %	-0.3 %	32.0 %	29.2 %
Equity ratio	2	50.4 %	54.1 %	51.4 %	50.4 %	51.4 %	50.4 %
Return on equity	3	-35.1 %	2.7 %	2.3 %	-24.1 %	4.3 %	4.9 %
Return on capital employed	4	-16.3 %	4.5 %	7.9 %	-17.5 %	8.4 %	7.4 %
Net interest bearing debt (USD million)	5	445.3	370.2	744.6	445.3	744.6	934.4
Cash flow per share (USD)	6	0.08	0.00	0.11	0.15	0.19	0.07
EPS - basic and diluted (USD)	7	(0.56)	0.08	0.04	(0.56)	0.21	0.12
Shares - end of period (million)		456.2	456.2	456.2	456.2	456.2	456.2
Share price (NOK)		8.2	16.0	24.7	8.2	27.8	22.9
Market cap (NOKm)		3745.5	7,299.4	11,268.5	3,745.5	12,682.7	10,447.3
Market cap (USDm)		639.2	1,434.1	2,090.6	639.2	2,353.0	1,924.0

### Notes to key figures

- 1 Earnings before interest, taxes, depreciation and amortisation / Operating revenues (adjusted for construction contract revenue)
- 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	Country of operation	Contract period
<b>FPSOs</b>		
Berge Okoloba Toru	Nigeria	2005-2009 + options
Sendje Berge	Nigeria	2005-2011 + options
Berge Helene	Mauritania	2006-2013 + options
YÚUM K'AK'NÁAB	Mexico	2007-2022
BW Cidade de Sao Vicente	Brazil (under conversion)	2009-2019 + options
BW Pioneer	USA (under conversion)	2010-2015 + options
BW Carmen	UK	2008
BW Endeavour*	Australia (under conversion)	2010-2015 + options
<b>Arctic FSO</b>		
Belokamenka	Russia	2004-2019
<b>Conversion candidates</b>		
BW Nisa (323,000 dwt)	Malaysia	2006 – temporary FSO
M/T Tiara (294,739 dwt)	-	Uncommitted

\*Letter of Intent received in July 2008 to supply the FPSO for the Basker-Manta-Gummy (BMG) oil and gas fields offshore Australia.