



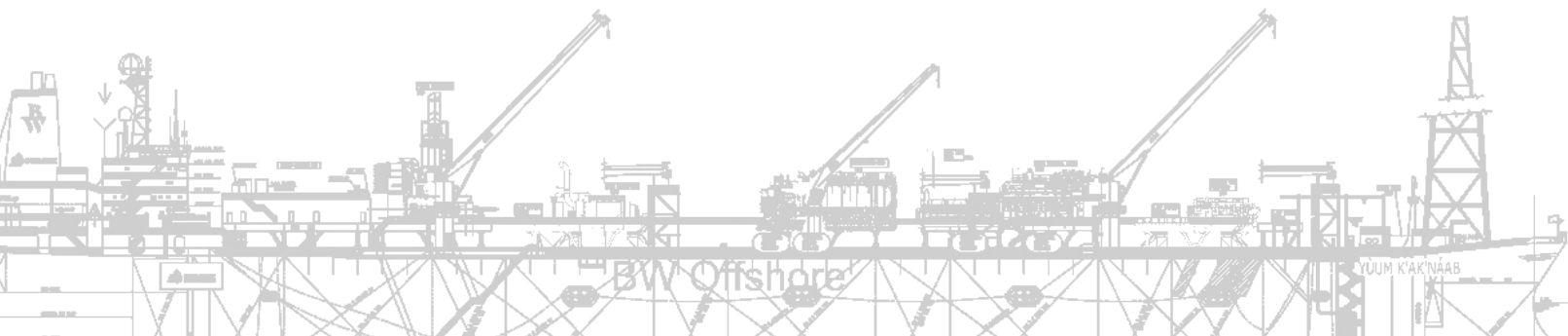
# BW Offshore Limited



First quarter 2008

## HIGHLIGHTS

- EBITDA amounted to USD 15.8 million
- Letter of Intent with Petrobras for BW Peace on the Tupi field
- Letter of Intent with StatoilHydro for BW Carmen in the North Sea
- Difficulties related to the FPSO YUUM K'AK'NÁAB
- Successful refinancing of USD 1.5 billion



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## MAIN FIGURES

(Figures in brackets refer to corresponding figures for 2007)

EBITDA was USD 15.8 million (USD 9.5 million) in the first quarter. The increase in EBITDA is primarily attributable to increased activity arising from the acquisition of APL (Advanced Production & Loading) Plc (APL), additional units in operation and increased share of profit of associates.

Total revenue amounted to USD 108.3 million (USD 97.8 million). The increase in revenue is a result of revenue from the inclusion of APL of USD 64.6 million (USD 0.0 million) and additional units in operation set off by no revenue recorded in the first quarter 2008 related to the YÛUM K'AK'NÁAB conversion (USD 65.8 million).

Operating expenses in the first quarter totaled USD 101.7 million (USD 89.3 million). Operating expenses for Floating production were reduced from USD 89.3 million in the first quarter 2007 to USD 40.3 million in the first quarter 2008, primarily attributable to no expenses included related to the YÛUM K'AK'NÁAB conversion set off by increased operating expenses related to additional units in operation. Operating expenses related to Technology and Installation services amounted to USD 63.5 million in the first quarter (USD 0.0 million).

Share of profit of associates amounting to USD 9.2 million (USD 1.0 million) relates to the Group's investments in Prosafe SE (USD 9.2 million) and Nexus Floating Production Limited (Nexus) (USD 0.0 million). At 31 March 2008, the Group owned 26.5% of the shares in Prosafe and 49.7% of the shares in Nexus.

Net financial items for the first quarter amounted to USD -37.1 million (USD 26.9 million). The reduction in net financial result relates to increased financing expenses arising from the acquisitions of shares in Prosafe and APL, increased capital expenditure related to vessels in operation and conversion candidates, costs related to the refinancing of the company, loss in fair value on an interest collar agreement and unrealised net currency exchange loss on loans denominated in Norwegian Kroner (NOK).

Net result after tax in the first quarter amounted to USD -32.1 million (USD 29.2 million).

Total assets amounted to USD 3,060.6 million at 31 March 2008 (USD 2,258.6 million). The increase in total assets is a result of the conversions of YÛUM K'AK'NÁAB and BW Peace, increased activity from the acquisition of APL and Prosafe

shares, and the acquisition of the vessels BW Pioneer and M/T Tiara.

Total equity amounted to USD 1,477.5 million at 31 March 2008 (USD 1,392.5 million).

Cash flow from operating activities in the first quarter 2008 was USD 27.9 million (USD -393.7 million). The positive cash flow relates primarily to a decrease in working capital in the floating production segment due to no working capital tied up in the YÛUM K'AK'NÁAB conversion project. Cash flow from investing activities was negative due to expenditures related to the Cascade Chinook project.

## BUSINESS SEGMENTS

### Floating production

EBITDA for the first quarter amounted to USD 12.6 million (USD 9.5 million). The result is affected by high operating expenses for YÛUM K'AK'NÁAB (which commenced operation in July 2007) and the other vessels in operation, high tender activity and increased administrative expenses arising from the strengthening of NOK against USD. Share of profit of associates (Prosafe SE) amounting to USD 9.2 million (USD 1.0 million) are included in the first quarter figures.

Cash flow from operating activities in the first quarter 2008 was USD 11.8 million (USD -393.7 million). The increase in cash flow relates to a decrease in working capital due to no working capital tied up in the YÛUM K'AK'NÁAB conversion project

### Technology & Installation Services

EBITDA for the first quarter amounted to USD 1.1 million. The EBITDA-margin was 1.6%. The revenues in the first quarter were USD 66.7 million. The most significant events were the delivery and installation of the mooring and subsea systems for the Aker Floating Production's Reliance MAD6 project. The poor result in the segment is related to the impact of delays and cost overruns for the Maari and Montara projects. The projects are now completed. Other noteworthy events in the quarter were the final hook up of the Alnheim and Xijiang Buoys. Share of profit from associates (Nexus Floating Production) amounted to USD 0.0 million in the first quarter.

Cash flow from operating activities in the first quarter was positive by USD 16.1 million. Reduction in working capital related to ongoing projects is the main reason for this development.

Board of Directors, 15 May 2008

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**INCOME STATEMENT**

(Unaudited figures in USD million)

	Notes	1Q 08	4Q 07	1Q 07*	2007
<b>Operating revenue</b>		<b>108,3</b>	<b>116,8</b>	<b>97,8</b>	<b>662,6</b>
<b>Operating expenses</b>		<b>(101,7)</b>	<b>(102,7)</b>	<b>(89,3)</b>	<b>(557,7)</b>
Share of profit of associates	6	9,2	4,7	1,0	17,7
<b>Operating profit before depreciation/ amortisation</b>		<b>15,8</b>	<b>18,8</b>	<b>9,5</b>	<b>122,6</b>
Depreciation		(6,0)	(6,2)	(5,5)	(23,5)
Amortisation		(3,5)	(5,1)	0,0	(13,6)
Gain (loss) on sale of assets		0,0	(0,8)	0,0	(4,4)
<b>Operating profit</b>		<b>6,3</b>	<b>6,7</b>	<b>4,0</b>	<b>81,1</b>
Net currency exchange gain (loss)		(12,1)	(1,5)	(0,6)	(1,6)
Interest income		3,5	8,1	1,3	12,8
Fair value gain (loss) on financial instruments		(6,5)	(3,8)	27,8	23,7
Interest expense		(20,5)	(20,6)	(1,6)	(46,2)
Other financial items		(1,5)	0,0	0,0	0,0
<b>Net financial items</b>		<b>(37,1)</b>	<b>(17,8)</b>	<b>26,9</b>	<b>(11,3)</b>
<b>Profit (loss) before tax</b>		<b>(30,8)</b>	<b>(11,1)</b>	<b>30,9</b>	<b>69,8</b>
Income tax expense		(1,3)	(4,9)	(1,7)	(15,2)
<b>Net profit (loss)</b>		<b>(32,1)</b>	<b>(16,0)</b>	<b>29,2</b>	<b>54,6</b>
Profit (loss) attributable to equity shareholders		(32,1)	(16,0)	29,2	53,0
Minority interest		-	-	-	1,6
Basic earnings/(loss) per share (USD)		-0,07	0,11	0,11	0,13
Diluted earnings/(loss) per share (USD)		-0,07	0,11	0,11	0,13

\* Interest income and interest expenses in have been restated in order to reflect the CIRR financing scheme related to Berge Helene

The notes in pages 6-8 are an integral part of these consolidated interim financial statements

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**BALANCE SHEET**

(Unaudited figures in USD million)

<b>ASSETS</b>	<b>Notes</b>	<b>31.03.08</b>	<b>31.03.2007*</b>	<b>31.12.07</b>
Vessels	2	684,3	508,5	610,7
Property and other equipment		18,8	3,8	17,9
Goodwill and intangibles		523,5	1,1	524,7
Finance lease receivables		237,9	30,2	244,0
Investments in associates	6	979,5	949,3	978,9
Non-current deposits	5	289,4	65,6	320,3
Other non-current assets		12,0	5,2	12,1
<b>Total non-current assets</b>		<b>2 745,4</b>	<b>1 563,7</b>	<b>2 708,6</b>
Inventory		17,3	4,2	7,0
Trade and other current assets	3	149,6	163,0	146,8
Trade receivables not invoiced	9	91,0	404,7	97,7
Cash and deposits		57,3	123,0	36,5
<b>Total current assets</b>		<b>315,2</b>	<b>694,9</b>	<b>288,0</b>
<b>TOTAL ASSETS</b>		<b>3 060,6</b>	<b>2 258,6</b>	<b>2 996,6</b>
<b>EQUITY AND LIABILITIES</b>				
Total equity attributable to equity shareholders	4	1 477,5	1 392,5	1 511,1
Minority interest		0,0	0,0	0,0
<b>Total equity</b>		<b>1 477,5</b>	<b>1 392,5</b>	<b>1 511,1</b>
Interest-bearing long term debt	5	1 252,8	662,3	844,6
Pension obligations		11,0	3,4	8,7
Other long-term liabilities		21,3	7,1	22,6
<b>Total non-current liabilities</b>		<b>1 285,1</b>	<b>672,8</b>	<b>875,9</b>
Trade and other payables		221,1	50,0	180,6
Interest-bearing short term debt	5	62,3	142,3	413,3
Income tax liabilities		14,6	1,0	15,7
<b>Total current liabilities</b>		<b>298,0</b>	<b>193,3</b>	<b>609,6</b>
<b>Total liabilities</b>		<b>1 583,1</b>	<b>866,1</b>	<b>1 485,5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3 060,6</b>	<b>2 258,6</b>	<b>2 996,6</b>

\* Non-current deposits and Interest-bearing long term debt have been restated in order to reflect the CIRR financing scheme related to Berge Helene

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**STATEMENT OF CHANGES IN EQUITY**

(Unaudited figures in USD million)

	1Q 08	4Q 07	1Q 07	2007
<b>Equity at beginning of period</b>	<b>1 511,1</b>	<b>1 530,4</b>	<b>383,4</b>	<b>383,4</b>
<i>Changes in equity</i>				
New equity	0,0	0,0	979,9	1 064,0
<i>Recognised income and expense</i>				
Currency translation adjustments	6,4	(3,3)	0,0	9,1
Currency translation adjustments in associated companies	(7,9)	0,0	0,0	0,0
Profit (loss) attributable to equity shareholders	(32,1)	(16,0)	29,2	53,0
Profit (loss) attributable to minority interest	0,0	0,0	0,0	1,6
<b>Total recognised income and expense</b>	<b>(33,6)</b>	<b>(19,3)</b>	<b>29,2</b>	<b>63,7</b>
<b>Equity at end of period</b>	<b>1 477,5</b>	<b>1 511,1</b>	<b>1 392,5</b>	<b>1 511,1</b>

**CASH FLOW STATEMENT**

(Unaudited figures in USD million)

	Notes	1Q 08	4Q 07	1Q 07	2007
<b>Net cash flow from operating activities</b>		<b>27,9</b>	<b>15,2</b>	<b>(393,7)</b>	<b>179,3</b>
<b>Net cash flow from investing activities</b>	<b>2,6</b>	<b>(80,9)</b>	<b>(206,6)</b>	<b>(21,3)</b>	<b>(815,6)</b>
<b>Net cash flow from financing activities</b>	<b>4,5</b>	<b>73,8</b>	<b>129,5</b>	<b>500,0</b>	<b>634,8</b>
Net change in cash and cash equivalents		20,8	(61,9)	85,0	(1,5)
Cash and cash equivalents at beginning of period		36,5	98,4	38,0	38,0
<b>Cash and cash equivalents at end of period</b>		<b>57,3</b>	<b>36,5</b>	<b>123,0</b>	<b>36,5</b>

The notes in pages 6-8 are an integral part of these consolidated interim financial statements

## NOTES TO THE ACCOUNTS

### Note 1 - Accounting principles

The interim consolidated financial information (hereafter "the Interim Financial Information") of BW Offshore Limited 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 342.3 million at 31 March 2008. The book value of vessels under conversion amounted to USD 93.5 million at 31 March 2008. The book value of conversion candidates and uncommitted FPSOs at 31 March 2008 amounted to USD 248.5 million.

Capital expenditure related to vessels, vessels under conversion and conversion candidates in the first quarter, amounted to USD 76.9 million (USD 93.4 million).

### Note 3 – Trade and other receivables

Trade and other receivables include a receivable from the client related to the operation of Berge Okoloba Toru amounting to USD 28.7 million at 31 March 2008. A provision for doubtful debt of USD 2.0 million (USD 2.0 million) has been charged in the first quarter, bringing the total provision to USD 22.0 million at 31 March 2008.

### Note 4 - Equity

The number of shares issued at 31 March 2008 was 456,213,515. There were no changes in shares issued in the first quarter 2008. There were 500,000,000 authorized shares at 31 March 2008.

BW Offshore has a total of 39,505 own shares.

### Note 5 - Interest-bearing debt

#### Long-term debt

In the first quarter 2008, a total of USD 30 million has been drawn down on the USD 600 million unsecured revolving loan facility. Further, the maturity of the USD 400 million facility has been extended until 14 May 2009.

The Group had the following long-term debts at 31 March 2008:

USD 600 million facility	495.0
USD 400 million facility	400.0
APL Bond loan	97.5
Mortgage loan	6.3
CIRR financing schemes	254.0
Total	1,252.8

The Group has restated prior year quarterly figures related to the CIRR financing schemes to reflect the presentation of loans and the deposits, as well as the respective interest income and expense amounts on gross basis; interest income and expense for the first quarter 2007 were grossed up by USD 0.7 million.

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### Short-term debt

In the first quarter 2008, a total of NOK 240.0 million equivalent to USD 48.2 million have been drawn down on a SEK 429 million loan facility with Carnegie Investment Bank.

The Group had the following short-term debts at 31 March 2008:

Current part of long term debt	0.5
Carnegie SEK 429 million facility	61.8
Total	62.3

### Note 6 – Investments in associates

The Group owned 26.5% of the shares in Prosafe and 49.7% of the shares in Nexus at 31 March 2008. Prosafe and Nexus are considered associates of the Group, in which the investments are accounted for using the equity method. Preliminary purchase price allocations have been performed for both investments since detailed and reliable information to identify and allocate residual values is not available to the Group. Prosafe owns and operates seven FPSOs/FSOs and twelve accommodation rigs (flotels). Nexus is constructing a FPSO to be used in harsh environments. Both companies are listed on Oslo Stock Exchange.

Prosafe has been considered an associate since 18 January 2007. Share of net profit in Prosafe, based on first quarter figures, less depreciation of excess value identified in the preliminary purchase price allocation, amounted to USD 9.2 million (USD 1.0 million) in the first quarter.

Nexus has been considered an associate since 8 May 2007. Share of net profit in Nexus amounted to USD 0.0 million (USD 0.0 million) in the first quarter.

### Note 7 – Segment information

#### Floating Production

Unaudited figures (in USD million)	1Q 08	4Q 07	1Q 07	2007
Operating revenues	43,7	48,4	97,8	442,3
Operating expenses	(40,3)	(47,0)	(89,3)	(373,4)
Share of profit of associates	9,2	4,6	1,0	18,1
Operating profit before depreciation	12,6	6,0	9,5	87,0
Depreciation, amortisation and write-down	(5,8)	(6,5)	(5,5)	(26,6)
Operating profit	6,8	(0,5)	4,0	60,4
Segment assets	2 197,8	2 154,2	2 258,6	2 154,2

#### Technology and Installation services

Unaudited figures in USD million	1Q 08	4Q 07	1Q 07	2007**
Operating revenues*	66,7	68,4	-	220,3
Operating expenses*	(63,5)	(55,7)	-	(184,3)
Share of profit of associates	0,0	0,1	-	(0,4)
Operating profit before depreciation	3,2	12,8	-	35,6
Depreciation, amortisation and write-down	(3,7)	(5,6)	-	(14,9)
Operating profit	(0,5)	7,2	-	20,7
Segment assets	862,8	842,4	-	842,4

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

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

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### Note 8 – Business combinations

In 2007, BW Offshore acquired 100% of the shares in APL, making 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 focus on ship-based storage and transportation of hydrocarbons.

The Group has yet to finalise the fair value of the net identifiable assets acquired. The preliminary purchase price allocation related to this acquisition has resulted in identifying fair values of the following assets and liabilities:

	Fair value	Remaining useful life
Technology	15.8	10 years
Order backlog	31.1	3 years
Tender portfolio	5.3	4 years
Associated company (Nexus Floating Production)	80.0	-
Other identifiable assets less liabilities	(8.9)	-
Deferred tax	(14.9)	-
Goodwill	481.2	-
<b>Total</b>	<b>589.6</b>	

The Group will finalise the purchase price allocation in the second quarter 2008.

### Note 9 – Trade receivables not invoiced

Trade receivables not invoiced relates to ongoing projects in APL at 31 March 2008. At 31 March 2007, trade receivables not invoiced relates to the conversion of YUUM K'AK'NAAB.

### Note 10 – Related party transactions

The Group had transactions regarding IT-services and crewing services with one of its related parties in the first quarter 2008. All transactions between the Group and related parties are entered into on an arm's length basis. The amounts related to these transactions are not considered to be material to the Group.

### Note 11 – Capital commitments

Total capital committed at 31 March 2008 amounted to USD 106.9 million.

### Note 12 – Subsequent events

On 24 April 2008, BW Offshore was awarded a Letter of Intent (LoI) to supply the Tupi TLD FPSO to Petrobras. BW Offshore will use the FPSO BW Peace, set to commence operation in March 2009. The contract is for a firm period of 10 years, plus an option period of 5 years.

On 28 April 2008, BW Offshore was awarded a Letter of Intent (LoI) from StatoilHydro to employ the FPSO "BW Carmen" in the North Sea. The FPSO will be modified to fulfill client specific requirements prior to conducting well testing on the UK sector. BW Carmen is set to commence operation as an Anti Pollution Testing Vessel (APTV) within August 2008.

On 29 April 2008, BW Offshore accepted a refinancing offer from BW Group Limited, its majority shareholder, for a five-year USD 1.5 billion unsecured revolving credit facility. The refinancing has been carried out on an arm's length basis. The proceeds from the establishment of the new loan facility will be used for repayment of the USD 600 million loan facility, the USD 400 million loan facility and the SEK 429 million loan facilities, and financing of new FPSO projects.

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## KEY FIGURES

	Note	Q1 2008	Q4 2007	Q1 2007	2007
Operating margin	1	-2.7 %	1.7 %	9.4 %	14.8 %
Equity ratio	2	48.3 %	50.4 %	63.5 %	50.4 %
Return on equity	3	-4.2 %	-1.7 %	1.9 %	5.0 %
Return on capital employed	4	-1.5 %	0.7 %	5.7 %	7.5 %
Net interest bearing debt (USD million)	5	968.7	934.4	532.4	934.4
Cash flow per share (USD)	6	0.06	0.03	0.04	0.17
EPS - basic and diluted (USD)	7	-0.08	-0.04	0.11	0.12
Shares - end of period (million)		456.2	456.21	205.07	456.21
Share price (NOK)		15.20	22.90	25.50	22.90
Market cap (NOKm)		6,934	10,447	11,167	10,447
Market cap (USDm)		1,362	1,924	1,843	1,924

Notes to key figures

- 1 Operating profit / operating revenues (adjusted for construction contract revenues)
- 2 Equity / Total assets
- 3 Annualised net profit / Average equity
- 4 Adjusted EBIT (annualized) / Average (Total assets - vessels and 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	2005-2009 + options
Berge Helene	Mauritania	2006-2013 + options
YUUM K'AK'NÁAB	Mexico	2007-2022
BW Peace	Brazil (ongoing conversion)	2009-2019 + options
BW Pioneer	USA (ongoing conversion)	2010-2015 + options
BW Carmen	UK (minor upgrades)	2008
<b>Arctic FSO</b>		
Belokamenka	Russia	2004-2019
<b>Conversion candidates</b>		
BW Nisa (323,000 dwt)	Malaysia	2006 – temporary FSO
BW Endeavour (150,000 dwt)	-	Uncommitted
M/T Tiara (294,739 dwt)	-	Uncommitted (temporary bare boat charter)