

I

Condensed Interim  
Consolidated Financial Information



BW Offshore



THIRD  
QUARTER

**2018**

## KEY EVENTS

- EBITDA of USD 126.4 million in the third quarter
- First oil at Dussafu achieved on 16 September
- Ruche commercial after Ruche North East discovery
- Investment decision made by BWO for Tortue Phase 2

## FINANCIAL SUMMARY

### THIRD QUARTER

Operating revenues for the quarter amounted to USD 222.3 million, an increase of USD 22.1 million (USD 200.2 million).<sup>1</sup>

Operating expenses were USD 96.0 million, an increase of USD 0.9 million (USD 95.1 million).

EBITDA for the third quarter was USD 126.4 million (USD 105.4 million). Improved performance at BW Catcher, which was affected by prolonged start-up activities in the second quarter, and first oil from the Dussafu license on 16 September, were the reasons for the increased EBITDA.

Depreciation was USD 86.2 million (USD 82.7 million). The increase of USD 3.5 million was mainly related to depreciation of the Dussafu oil field assets which commenced when production from the Tortue field started.

Operating profit for the quarter was USD 39.7 million (USD 22.1 million).

Net financial expense for the quarter was USD 14.9 million (USD 22.1 million). The USD swap rates increased in the quarter, which impacted positively on mark-to-market values for both cross-currency swaps and interest rate hedges compared to the previous quarter<sup>2</sup>.

Tax expense was USD 9.2 million (USD 7.5 million). The increase was mainly related to tax expense from oil production at Dussafu.

Net profit for the quarter was USD 15.6 million, compared to a net loss of USD 7.5 million in the second quarter of 2018.

Total equity at 30 September 2018 was USD 1,268.7 million, an increase of USD 6.8 million (USD 1,261.9 million). The equity ratio was unchanged at 37.2% at the end of the quarter.

As of 30 September 2018, the Company had USD 289.9 million in interest-bearing loans and USD 60.0 million in letters of guarantee drawn under the USD 2,400 million credit facility. The committed amount on the USD 2,400 million credit facility was USD 672.9 million, following scheduled reductions. Total utilised debt facilities for the Company, including bond loans and other facilities were USD 1,389.2 million. Total available liquidity as of 30 September 2018 amounted to USD 459.3 million.

Net interest-bearing debt was USD 1,233.2 million at 30 September 2018 (USD 1,218.1 million).

Net cash inflow from operating activities was USD 98.9 million (USD 106.3 million). Net cash outflow on investment activities was USD 106.5 million (USD 100.6 million). Investment activities were mainly related to

---

<sup>1</sup> Figures presented are compared to previous quarter (second quarter of 2018 in brackets)

<sup>2</sup> The company does not use hedge accounting related to bonds and underlying swaps

ongoing development of the Dussafu license, the BW Catcher completion, the BW Adolo conversion and capital expenditures for ongoing life extension activities. Life extension activities are either covered on a cost-plus basis or reimbursed through higher day rates. Net cash inflow from financing activities was USD 8.0 million (net cash outflow of USD 23.4 million). The change from last quarter was mainly related to repayment of interest-bearing debt, proceeds from drawdown on the revolving facility and higher cash calls from non-controlling interest.

## **FPSO OPERATIONS**

BW Offshore currently operates 12 units. The owned fleet includes 15 FPSOs and one FSO. Average commercial uptime during the third quarter was 98.4% (95.6%). BW Catcher experienced some commercial downtime in the quarter, but the performance improved notably compared to second quarter. Commercial uptime for the rest of the fleet was 99.8%.

In early July, BW Catcher completed a 168-hour performance test. The final acceptance certificate has been issued with effect from 1 November 2018.

Following completion of mooring and connection of risers and umbilicals in August, the FPSO BW Adolo started operation on the Tortue field, offshore Gabon, on 16 September. The FPSO completed the contractual 72-hour test on 21 September and has produced steadily since first oil.

The dialogue with Petrobras towards finalising a firm plan for the FPSO Cidade de São Mateus continued. The Company has decided to initiate repair works on the unit in order to preserve values and shorten the time for a return to operation.

The FPSO Berge Helene remains in lay-up in Malaysia, undergoing condition assessment and preservation activities. The FPSO BW Athena and the FSO Belokamenka are currently in lay-up while the former is being marketed for new projects.

## **FPSO PROJECTS**

The Company is undertaking several modification and life extension activities on existing units. These activities are either covered on a cost-plus basis or reimbursed through higher day rates.

## **DUSSAFU LICENSE**

First oil from phase 1 of the Tortue development, in the Dussafu license, was achieved 16 September 2018 by the FPSO BW Adolo within budget and ahead of schedule with no Lost Time Incidents (LTIs). The field is currently producing from the two horizontal wells, DTM-2H and DTM-3H. Production has gradually increased while pressure has been closely monitored. Production performance has been in line with expectations and is currently stabilised at approximately 12,500 bopd without any water cut. Net production<sup>3</sup> to the BW Energy partnership for the third quarter was 111.5 thousand barrels of oil. The first offloading from the FPSO is scheduled for late November.

The Company has made the investment decision for Tortue phase 2 following the successful appraisal program on the western flank of the Tortue field. Phase 2 includes drilling of four additional horizontal development wells. Orders for long lead equipment have been placed including subsea trees, wellheads, drilling casing and completion equipment. Additionally, a letter of intent has been signed for the drilling rig to ensure timely development. The Company's internal estimate of 2P gross reserves for the Tortue field phase 1 (2 wells) and phase 2 (4 wells) is currently between 30 to 40 million barrels of oil equivalent, excluding contingent resources.

BW Offshore has also approved drilling of two additional appraisal wells in the greater Ruche area as part of the Tortue phase 2 drilling program to further evaluate high-grade prospects. This decision is also subject to partner and government approval.

---

<sup>3</sup> Net production is Gross production minus Royalty

The Ruche NE appraisal well (DRNEM-1) and side-track encountered Gamba sands at the expected depths with high reservoir quality and the same oil-water levels in both wellbores. This confirmed the presence of a significant reservoir in the prospect. Additionally, multiple high quality oil-bearing Dentale sands in both the appraisal wells and side-track were encountered, which represented a very positive outcome.

The finalization of the DRNEM-1 and side-track appraisal project ended after nearly nine months of continuous drilling and completion activities on the Dussafu license and the Borr Norve jack-up drilling rig was released from service on 23 September. All operations were conducted without any accidents or lost-time incidents (LTI's). The technical and commercial teams are now evaluating a separate development plan for the Ruche area based on the original Ruche discovery made by Harvest and the new Ruche NE discovery.

The negotiations related to the farm-in of a 10% stake by Gabon Oil Company (GOC) in the Dussafu license is ongoing. Pending a formalisation of the farm-in, BW Offshore has through its partnership with BW Group recognised third-quarter revenue on the basis of present working interest in the field even though it is assumed GOC will farm-in with effect from first oil. Tullow has confirmed their intent to exercise the 10% back-in right into the Dussafu license as stipulated in the production sharing contract (PSC).

## OUTLOOK

Offshore production of oil and gas is in decline after several years of under-investment. This will likely become more evident in coming years, as production tied to investments made in the previous up-cycle has now commenced and is subject to natural decline. The global balance of crude oil supply and demand has tightened.

Combined with lower break-even costs as a result of increased cost efficiency and significant oil exploration asset repricing, this is expected to lead to more projects being sanctioned going forward. This improves the market outlook for offshore field developments and FPSOs in particular. Initially, the Company expects increased focus on incremental investments tied to existing infrastructure, with green-field investments following later in the cycle.

BW Offshore's service offering and ability to partner with field owners to provide cost effective solutions have been well received in the market. The company is currently evaluating several prospects for field development, including FPSOs. The Company maintains a commercially disciplined approach to new investments by bidding selectively on new projects.

The majority of BW Offshore's fleet remains on long-term contracts with national and independent oil companies. The fleet should continue to generate significant cash flow in the time ahead. BW Offshore has reduced its leverage and has a solid financial position with the additional financial capacity from the ICBC Leasing partnership, and strong liquidity. Redeployment of existing assets is a key part of the strategy and will enable the company to capture significant asset upside and value creation.

Bermuda, 19 November 2018

Andreas Sohmen-Pao  
Chairman

Christophe Pettenati-Auzière  
Deputy Chairman

Clare Spottiswoode

Thomas Thune Andersen

Maarten Scholten

## STATEMENT OF INCOME

(Unaudited figures in USD million)

	Notes	Q3 18	Q2 18	Q3 17	YTD 2018	YTD 2017
Operating revenue	13	222.3	200.2	152.7	615.0	475.7
Operating expenses		(96.0)	(95.1)	(70.5)	(275.6)	(213.4)
Share of profit/(loss) from equity accounted investments	7	0.1	0.3	(0.1)	0.9	0.4
<b>Operating profit/(loss) before depreciation/amortisation</b>		<b>126.4</b>	<b>105.4</b>	<b>82.1</b>	<b>340.3</b>	<b>262.7</b>
Depreciation	12	(86.2)	(82.7)	(54.6)	(245.4)	(168.3)
Amortisation		(0.5)	(0.5)	(0.6)	(1.5)	(2.0)
Impairment vessels and other assets		-	(0.1)	-	(0.1)	(27.4)
<b>Operating profit/(loss)</b>		<b>39.7</b>	<b>22.1</b>	<b>26.9</b>	<b>93.3</b>	<b>65.0</b>
Interest income		0.6	0.6	0.3	1.7	1.3
Interest expense		(18.9)	(20.4)	(8.5)	(58.2)	(30.8)
Gain/(loss) on financial instruments	8	4.9	(14.0)	20.5	20.3	36.0
Other financial items		(1.5)	11.7	(17.7)	(4.7)	(41.2)
<b>Net financial income/(expense)</b>		<b>(14.9)</b>	<b>(22.1)</b>	<b>(5.4)</b>	<b>(40.9)</b>	<b>(34.7)</b>
<b>Profit/(loss) before tax</b>		<b>24.8</b>	<b>0.0</b>	<b>21.5</b>	<b>52.4</b>	<b>30.3</b>
Income tax expense		(9.2)	(7.5)	(17.6)	(26.2)	(36.3)
<b>Net profit/(loss) for the period</b>		<b>15.6</b>	<b>(7.5)</b>	<b>3.9</b>	<b>26.2</b>	<b>(6.0)</b>
Attributable to shareholders of the parent		12.7	(9.3)	4.0	22.9	(5.7)
Attributable to non-controlling interests		2.9	1.8	(0.1)	3.3	(0.3)
Basic/diluted earnings/(loss) per share (USD) net		0.07	(0.05)	0.02	0.12	(0.03)

## STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)

	Q3 18	Q2 18	Q3 17	YTD 2018	YTD 2017
<b>Net profit/(loss) for the period</b>	15.6	(7.5)	3.9	26.2	(6.0)
Currency translation differences	(0.4)	(1.6)	(0.3)	(1.9)	0.6
Net profit/(loss) on cash flow hedges	0.6	0.6	3.2	2.3	12.2
<b>Net items to be reclassified to profit or loss:</b>	<b>0.2</b>	<b>(1.0)</b>	<b>2.9</b>	<b>0.4</b>	<b>12.8</b>
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	(1.1)
<b>Net items not to be reclassified to profit or loss:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.1)</b>
<b>Other comprehensive income, net of tax</b>	<b>0.2</b>	<b>(1.0)</b>	<b>2.9</b>	<b>0.4</b>	<b>11.7</b>
<b>Total comprehensive income</b>	<b>15.8</b>	<b>(8.5)</b>	<b>6.8</b>	<b>26.6</b>	<b>5.7</b>
Attributable to shareholders of the parent	12.9	(10.3)	6.9	23.3	6.0
Attributable to non-controlling interests	2.9	1.8	(0.1)	3.3	(0.3)

The notes on pages 8-13 are an integral part of these consolidated interim financial statements.

## STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)

ASSETS	Notes	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Vessels and vessels under construction	2,12	2,681.2	2,743.1	2,808.4	2,734.3
Property and other equipment		12.0	10.6	10.1	9.4
E&P tangible assets	3,12,13	226.9	150.4	63.3	55.6
Intangible assets		29.0	8.5	6.7	5.8
Equity accounted investments	7	8.6	8.5	7.9	7.5
Finance lease receivables	4	62.5	67.6	77.5	82.3
Deferred tax assets		10.3	10.7	11.5	3.8
Pension assets		0.5	0.6	0.5	1.7
Derivatives		21.2	18.0	7.7	5.7
Other non-current assets		2.6	10.0	5.4	5.1
<b>Total non-current assets</b>		<b>3,054.8</b>	<b>3,028.0</b>	<b>2,999.0</b>	<b>2,911.2</b>
Inventories		46.5	44.4	31.8	30.5
Trade receivables and other current assets		160.1	175.2	245.0	169.0
Derivatives		0.4	0.5	1.5	2.2
Cash and cash equivalents		145.4	145.0	145.5	148.6
<b>Total current assets</b>		<b>352.4</b>	<b>365.1</b>	<b>423.8</b>	<b>350.3</b>
<b>TOTAL ASSETS</b>		<b>3,407.2</b>	<b>3,393.1</b>	<b>3,422.8</b>	<b>3,261.5</b>
<b>EQUITY AND LIABILITIES</b>					
Shareholders' equity	5	987.4	975.9	971.5	925.7
Non-controlling interests	5	281.3	286.0	287.9	15.7
<b>Total equity</b>		<b>1,268.7</b>	<b>1,261.9</b>	<b>1,259.4</b>	<b>941.4</b>
Interest-bearing long-term debt	6	1,118.2	1,103.0	1,198.0	1,438.2
Pension obligations		4.3	4.3	4.2	4.4
Other long-term liabilities	9	287.6	290.9	337.9	281.3
Derivatives		90.5	92.8	101.9	98.1
<b>Total non-current liabilities</b>		<b>1,500.6</b>	<b>1,491.0</b>	<b>1,642.0</b>	<b>1,822.0</b>
Trade and other payables	10	365.9	370.1	287.8	222.1
Derivatives		1.2	1.0	1.1	1.6
Interest-bearing short-term debt	6	260.4	260.1	222.8	232.8
Income tax liabilities		10.4	9.0	9.7	41.6
<b>Total current liabilities</b>		<b>637.9</b>	<b>640.2</b>	<b>521.4</b>	<b>498.1</b>
<b>Total liabilities</b>		<b>2,138.5</b>	<b>2,131.2</b>	<b>2,163.4</b>	<b>2,320.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,407.2</b>	<b>3,393.1</b>	<b>3,422.8</b>	<b>3,261.5</b>

The notes on pages 8-13 are an integral part of these consolidated interim financial statements.

## STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)

At 30 September 2017	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Other elements	Shareholders' equity	Non-controlling interests	Total equity
Equity at 1 January 2017	92.5	1,095.5	(9.1)	(15.9)	(17.9)	(225.2)	919.9	-	919.9
Share-based payments	-	-	-	-	-	0.2	0.2	-	0.2
Profit/(loss) for the period	-	-	-	-	-	(5.7)	(5.7)	(0.3)	(6.0)
Other comprehensive income, net of tax	-	-	-	0.7	12.1	(1.1)	11.7	-	11.7
Other equity transactions	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Transactions with non-controlling interests	-	-	-	-	-	-	-	16.0	16.0
<b>Total equity at 30 September 2017</b>	<b>92.5</b>	<b>1,095.5</b>	<b>(9.1)</b>	<b>(15.2)</b>	<b>(5.8)</b>	<b>(232.2)</b>	<b>925.7</b>	<b>15.7</b>	<b>941.4</b>

At 30 September 2018	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Other elements	Shareholders' equity	Non-controlling interests	Total equity
Equity at 1 January 2018	92.5	1,095.5	(2.9)	(16.7)	(4.6)	(192.3)	971.5	287.9	1,259.4
Profit/(loss) for the period	-	-	-	-	-	22.9	22.9	3.3	26.2
Share-based payments	-	-	0.1	-	-	-	0.1	-	0.1
Other comprehensive income, net of tax	-	-	-	(1.9)	2.3	-	0.4	-	0.4
Other equity transactions	-	-	2.5	-	-	(2.5)	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	(7.5)	(7.5)	(1.6)	(9.1)
Transactions with non-controlling interests	-	-	-	-	-	-	-	(8.3)	(8.3)
<b>Total equity at 30 September 2018</b>	<b>92.5</b>	<b>1,095.5</b>	<b>(0.3)</b>	<b>(18.6)</b>	<b>(2.3)</b>	<b>(179.4)</b>	<b>987.4</b>	<b>281.3</b>	<b>1,268.7</b>

## STATEMENT OF CASH FLOW

(Unaudited figures in USD million)

	Q3 18	Q2 18	Q3 17	YTD 2018	YTD 2017
Profit/(loss) before taxes	24.8	0.0	21.5	52.4	30.3
Unrealised currency exchange loss/(gain)	0.6	(12.3)	16.9	2.4	39.1
Depreciation and amortisation	86.7	83.2	55.2	246.9	170.3
Taxes paid	(7.4)	(9.3)	(6.4)	(23.2)	(20.8)
Share of loss/(profit) from equity accounted investments	(0.1)	(0.3)	0.1	(0.9)	(0.4)
Impairment	-	0.1	-	0.1	27.4
Change in fair value of derivatives	(4.9)	14.0	(20.5)	(20.3)	(36.0)
Change in working capital	(3.1)	2.4	5.1	83.5	270.0
Add back of net interest expense	18.3	19.8	8.3	56.5	29.5
Other items	(16.0)	8.7	16.1	(4.7)	39.8
<b>Net cash flow from operating activities</b>	<b>98.9</b>	<b>106.3</b>	<b>96.3</b>	<b>392.7</b>	<b>549.2</b>
Investment in operating fixed assets and intangible assets	(107.1)	(101.2)	(175.0)	(304.1)	(314.1)
Interest received	0.6	0.6	0.3	1.7	1.3
Cash outflow on business combinations	-	-	(1.0)	-	(35.3)
<b>Net cash flow from investing activities</b>	<b>(106.5)</b>	<b>(100.6)</b>	<b>(175.7)</b>	<b>(302.4)</b>	<b>(348.1)</b>
Proceeds from new interest-bearing debt	95.0	25.0	177.0	176.0	341.0
Repayment of interest-bearing debt	(80.7)	(35.5)	(77.5)	(224.7)	(450.5)
Interest paid	(20.4)	(19.2)	(20.5)	(59.1)	(65.9)
Cash transfer from non-controlling interests*	14.1	6.3	-	17.4	16.0
<b>Net cash flow from financing activities</b>	<b>8.0</b>	<b>(23.4)</b>	<b>79.0</b>	<b>(90.4)</b>	<b>(159.4)</b>
<b>Net change in cash and cash equivalents</b>	<b>0.4</b>	<b>(17.7)</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>41.7</b>
Cash and cash equivalents at beginning of period	145.0	162.7	149.0	145.5	106.9
<b>Cash and cash equivalents at end of period</b>	<b>145.4</b>	<b>145.0</b>	<b>148.6</b>	<b>145.4</b>	<b>148.6</b>

\*Cash transfer from non-controlling interests includes equity investment and loan

The notes on pages 8-13 are an integral part of these consolidated interim financial statements.

## NOTES TO THE ACCOUNTS

(Figures in brackets refer to corresponding figures for 2017)

### Note 1 - Accounting principles

The interim condensed consolidated financial statements for the third quarter ended 30 September 2018, have been prepared in accordance with IAS 34, "Interim Financial Reporting".

The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS, as adopted by the European Union.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of BW Offshore's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these new standards did not have a material impact on the Company.

#### New accounting policies applicable from third quarter 2018 related to oil and gas production:

##### Recognition of revenue from petroleum products

Revenue from the sale of oil and gas is recognised when a customer obtains control, normally this is when title passes at point of delivery based on the contractual terms of the agreements. As the Group shares an interest in its oil and gas properties with other companies, a lifting imbalance arises when the Group sells more than its share of the production. A liability (overlift) arises when the Group sells more than its share of the production. Similarly, an asset (underlift) arises when the sale is less than the Group's share of the production. The Group recognises its revenue on the basis of the Group's net working interest in those properties regardless of whether the production is sold, where the accounting for the imbalances is presented as 'Other income'. Overlift and underlift on the Consolidated statement of financial position date are valued at net realisable value. Lifting imbalances are a part of the operating cycle and as such classified as other current liabilities/assets.

Revenue is stated net of value-added tax, royalties but gross of taxes paid in kind. Taxes paid in kind are presented as 'Other income'.

##### Asset retirement obligations (ARO)

Provisions for ARO costs are recognised when the Group has an obligation (legal or constructive) to dismantle and remove a facility or an item of property, plant and equipment (PP&E) and to restore the site on which it is located and when a reliable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditures determined in accordance with local conditions and requirements.

When a provision for ARO cost is recognised, a corresponding amount is recognised to increase the related PP&E and is subsequently depreciated as part of the costs of the facility or item of PP&E. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding PP&E. When a decrease in the ARO provision related to producing assets exceeds the carrying amount of the asset, the excess is recognised as a reduction of depreciation and amortisation in the Consolidated statement of income. When an asset has reached the end of its useful life, all subsequent changes to the ARO provision are recognised as they occur in operating expenses in the Consolidated statement of income.

##### Implementation of IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments for reporting periods beginning on and after 1 January 2018. IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The new standard sets out

new requirements for the accounting of financial instruments including classification, measurement, impairment and hedge accounting.

The implementation impact of IFRS 9 is immaterial, and BW Offshore's equity as at January 2018 have consequently not been adjusted upon adoption of the standard.

#### Implementation of IFRS 15 Revenue from Contracts with customers

IFRS 15 covers the recognition of revenue in the financial statements and related disclosure, and has replaced existing revenue recognition guidance, including IAS 18 Revenue and IAS 11 Construction contracts. BW Offshore has implemented IFRS 15 retrospectively, with the cumulative effect recognised at the date of initial application. The impact to BW Offshore's equity is immaterial. As allowed by the standard, prior periods have not been restated. Total revenues in the Consolidated statement of income has not been impacted materially by the implementation of IFRS 15. Consequently, these interim financial statements do not include detailed disclosures of the amounts by which line items are affected by the application of IFRS 15 compared to revenue standards no longer in effect.

BW Offshore's revenues as of the third quarter comprises chartering and rendering of operational services related to FPSOs and production of oil and gas.

As a result of rounding differences, numbers and or percentages may not add up to the total.

#### Note 2 – Vessels and vessels under construction

The book value of operating vessels amounted to USD 2,681.2 million (USD 2,734.3 million) at 30 September 2018.

Capital expenditure related to vessels and vessels under construction in the third quarter 2018, amounted to USD 54.3 million (USD 171.3 million). This is related to capital expenditures on BW Catcher, BW Adolo redeployment project and capital expenditures for ongoing life extension activities. Most life extension activities are on either a reimbursable cost-plus basis or covered through higher day rates.

#### Note 3 – E&P tangible assets

The book value of E&P tangible assets amounted to USD 226.9 million (USD 55.6 million) at 30 September 2018.

Capital expenditure related to E&P tangible assets in the third quarter 2018 amounted to USD 70.0 million (USD 4.4 million). This relates to development of the Dussafu oil field in Gabon.

#### Note 4 – Finance lease receivables

At the end of the quarter, amortisation of finance lease receivables is related to YÙUM K`AK`NÀAB.

#### Note 5 - Equity

The number of issued shares was 184,956,320 at 30 September 2018. There were 214,000,000 authorised shares at 30 September 2018. Following the long-term bonus pay out in September, the Company held a total of 1,513 own shares at 30 September 2018.

The investment in BW Energy Holdings Pte. Ltd., which indirectly has a majority stake in the Dussafu oil field in Gabon, is a cooperation between BW Offshore (66.67%) and Maple Company Limited (33.33%), a wholly owned subsidiary of BW Group Limited. BW Energy Holdings Pte. Ltd. has been concluded to be a subsidiary of BW Offshore, and the investment by Maple Company Limited is presented as a non-controlling interest in the statement of financial position of BW Offshore.

BW Offshore Limited has through BW Catcher Limited issued preference shares with a preferential dividend right to ICBC Financial Leasing Co., Ltd. (ICBCL) for an aggregate subscription price of USD 275,000,000. The

company plans to redeem the preference shares in full over an estimated term of 12 years. The aggregate redemption and dividend payments on the preference shares are estimated to reflect approximately 25-30% of the estimated free cash flow after debt servicing in the Catcher contract over a similar term. The net proceeds from the issue of the preference shares will be used for general corporate purposes. The investment by ICBCL is presented as a non-controlling interest in the statement of financial position of BW Offshore.

## Note 6 - Interest-bearing debt

### Non-current debt

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

	2018	2017
USD 2,400 million facility	159.5	466.8
BWO04 - NOK 900 million bond	109.9	112.1
BWO03 - NOK 750 million bond	91.8	93.7
BWO02 - NOK 500 million bond	61.3	62.6
BWO01 - NOK 500 million bond	44.1	45.1
Catcher USD 800 million facility	624.1	618.8
Petróleo Nautipa USD 80 million facility	27.5	39.1
<b>Total</b>	<b>1,118.2</b>	<b>1,438.2</b>

### Current debt

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

	2018	2017
USD 2,400 million facility	137.3	90.1
Joko Tole USD 250 million facility	-	25.5
BWO04 - NOK 900 million bond	(0.3)	(0.3)
BWO03 - NOK 750 million bond	(0.2)	(0.2)
BWO02 - NOK 500 million bond	(0.1)	(0.1)
BWO01 - NOK 500 million bond	(0.1)	(0.1)
Catcher USD 800 million facility	112.3	83.4
Petróleo Nautipa USD 80 million facility	11.5	11.5
Umuroa USD 130 million facility	-	23.0
<b>Total</b>	<b>260.4</b>	<b>232.8</b>

### Instalment overview

The following table sets out the maturity profile of the Company's interest-bearing debt based on contractual undiscounted payments.

	Q4 18	Q1 19	Q2 19	Q3 19	2019	2020	2021- 2023	2024 and beyond	Total
USD 2,400 million facility	-	92.6	-	46.3	138.9	160.0	-	-	298.9
BWO04 - NOK 900 million bond**	-	-	-	-	-	-	117.0	-	117.0
BWO03 - NOK 750 million bond**	-	-	-	-	-	24.8	99.2	-	124.0
BWO02 - NOK 500 million bond**	-	-	-	-	-	86.8	-	-	86.8
BWO01 - NOK 500 million bond**	-	-	-	-	-	65.0	-	-	65.0
Catcher USD 800 million facility	28.6	28.6	28.6	28.6	114.4	114.4	342.9	142.8	743.1
Petroleo Nautipa USD 80 million facility	-	5.8	-	5.8	11.6	11.6	16.0	-	39.2
<b>Total</b>	<b>28.6</b>	<b>127.0</b>	<b>28.6</b>	<b>80.7</b>	<b>264.9</b>	<b>462.6</b>	<b>575.1</b>	<b>142.8</b>	<b>1,474.0</b>

\*\* ) Bond loan illustrated at swapped USD/NOK rate

## Covenants

All bank loan facilities are subject to certain covenants, including minimum book equity of at least 20% of total assets, debt to EBITDA of maximum 6.0, minimum USD 75.0 million available liquidity and interest coverage ratio of minimum 3.0.

Bond loans are subject to certain covenants, including minimum book equity of at least 20% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Company.

As per end of third quarter 2018, the Company is in compliance with all financial covenants.

## Note 7 – Equity accounted investments

Investments in associates relates mainly to the 50% shareholding in OCS Services Limited, providing primarily manning services.

Investments in joint ventures relates to the 49% shareholding in BW Offshore Nigeria Limited, providing primarily services to the FPSO business.

The Company has accounted for its shareholding in these investments according to the equity method.

## Note 8 – Gain/ (loss) on financial instruments

	Q3 18	Q2 18	Q3 17	YTD 2018	YTD 2017
Gain/(loss) on interest rate swaps	3.3	3.1	0.6	16.2	0.5
Gain/(loss) on forward exchange contracts	(0.1)	(3.9)	2.1	(2.3)	4.2
Gain/(loss) on cross-currency swaps	2.1	(12.6)	20.1	9.3	41.8
Gain/(loss) on other financial instruments	(0.4)	(0.6)	(2.3)	(2.9)	(10.5)
<b>Net gain/(loss) on financial instruments</b>	<b>4.9</b>	<b>(14.0)</b>	<b>20.5</b>	<b>20.3</b>	<b>36.0</b>

## Note 9 – Other long-term liabilities

Other long-term liabilities comprise upfront payments related to charter contracts. Payments received under operating leases are recognised as operating revenue on a straight-line basis over the lease term. This implies that there might be significant timing differences between cash flow and recognised revenue from a particular lease.

## Note 10 – Related party transactions

During the third quarter of 2018, Maple Company Limited, a wholly owned subsidiary of BW Group Limited, provided a short-term loan amounting to USD 23.2 million to BW Energy Holdings Pte. Ltd related to development activities on Dussafu. Total short-term loan amounted to USD 43.6 million as per end of the third quarter 2018.

## Note 11 – Capital commitments

Total unrecognised contractual capital commitments at 30 September 2018 amounted to USD 111.2 million (corresponding figure for 30 September 2017 was USD 92.3 million). This commitment is related to Dussafu, the Catcher project, the BW Adolo redeployment project, ongoing life extension activities, operations as well as commitments on long-term office rental.

## Note 12 – Depreciation

The level of depreciation depends on the estimated useful life of the different components of the vessels and the residual value at the end of useful life. The estimated useful life used for depreciations are based on experience and knowledge of the vessels owned by the Company. Estimated useful life has from 2017 been amended for certain vessels, resulting in an increase in depreciation for the same vessels.

## Note 13 – Segments

The Company's activities have been construction, ownership and operation of FPSOs and FSOs. From 2017, this has been expanded to focus on E&P activities with the acquisition of Dussafu and Kudu. The assets and liabilities are allocated based on the operations of the segment. Sales between segments are presented net of intercompany transactions.

Segment data for the third quarter and year to date of 2018 and 2017 is presented below. The reported measure of segment profit is net operating income (EBIT). Deferred tax assets, pension assets and non-current financial assets are not allocated to the segments.

Q3 2018	FPSO	E&P	Eliminations	Total
Revenues from third parties	213.6	-	-	213.6
Other income	-	8.7	-	8.7
Revenues inter-segment	5.1	-	(5.1)	-
<b>Total revenues</b>	<b>218.7</b>	<b>8.7</b>	<b>(5.1)</b>	<b>222.3</b>
Share of profit/(loss) from equity accounted investments	0.1	-	-	0.1
Operating expenses	(90.7)	(2.0)	1.1	(91.6)
General and administrative expenses	(8.4)	-	4.0	(4.4)
<b>EBITDA</b>	<b>119.7</b>	<b>6.7</b>	<b>-</b>	<b>126.4</b>
Depreciation, amortisation and impairment	(84.3)	(1.8)	(0.6)	(86.7)
<b>EBIT</b>	<b>35.4</b>	<b>4.9</b>	<b>(0.6)</b>	<b>39.7</b>
Capital expenditure	54.3	90.5	(21.6)	123.2
Q3 2017	FPSO	E&P	Eliminations	Total
Revenues from third parties	152.7	-	-	152.7
Revenues inter-segment	1.9	-	(1.9)	-
<b>Total revenues</b>	<b>154.6</b>	<b>-</b>	<b>(1.9)</b>	<b>152.7</b>
Share of profit/(loss) from equity accounted investments	(0.1)	-	-	(0.1)
Operating expenses	(56.7)	-	-	(56.7)
General and administrative expenses	(15.7)	-	1.9	(13.8)
<b>EBITDA</b>	<b>82.1</b>	<b>-</b>	<b>-</b>	<b>82.1</b>
Depreciation, amortisation and impairment	(55.2)	-	-	(55.2)
<b>EBIT</b>	<b>26.9</b>	<b>-</b>	<b>-</b>	<b>26.9</b>
Capital expenditure	171.3	4.6	-	175.9

YTD Q3 2018	FPSO	E&P	Eliminations	Total
Revenues from third parties	606.3	-	-	606.3
Other income	-	8.7	-	8.7
Revenues inter-segment	9.3	-	(9.3)	-
<b>Total revenues</b>	<b>615.6</b>	<b>8.7</b>	<b>(9.3)</b>	<b>615.0</b>
Share of profit/(loss) from equity accounted investments	0.9	-	-	0.9
Operating expenses	(257.4)	(2.0)	1.1	(258.3)
General and administrative expenses	(25.5)	-	8.2	(17.3)
<b>EBITDA</b>	<b>333.6</b>	<b>6.7</b>	<b>-</b>	<b>340.3</b>
Depreciation, amortisation and impairment	(244.6)	(1.8)	(0.6)	(247.0)
<b>EBIT</b>	<b>89.0</b>	<b>4.9</b>	<b>(0.6)</b>	<b>93.3</b>
Capital expenditure	149.5	187.9	(30.0)	307.4
<b>Balance sheet information</b>				
Equity accounted investments	8.6	-	-	8.6
Non-current segment assets	2,811.7	253.3	(36.7)	3,028.3
Non-current assets, not allocated to segments				17.9
<b>Total non-current assets</b>				<b>3,054.8</b>

YTD Q3 2017	FPSO	E&P	Eliminations	Total
Revenues from third parties	475.7	-	-	475.7
Revenues inter-segment	2.9	-	(2.9)	-
<b>Total revenues</b>	<b>478.6</b>	<b>-</b>	<b>(2.9)</b>	<b>475.7</b>
Share of profit/(loss) from equity accounted investments	0.4	-	-	0.4
Operating expenses	(189.3)	(0.5)	-	(189.8)
General and administrative expenses	(26.5)	-	2.9	(23.6)
<b>EBITDA</b>	<b>263.2</b>	<b>(0.5)</b>	<b>-</b>	<b>262.7</b>
Depreciation, amortisation and impairment	(197.7)	-	-	(197.7)
<b>EBIT</b>	<b>65.5</b>	<b>(0.5)</b>	<b>-</b>	<b>65.0</b>
Capital expenditure	292.1	57.3	-	349.4
<b>Balance sheet information</b>				
Equity accounted investments	7.5	-	-	7.5
Non-current segment assets	2,832.7	58.2	-	2,890.9
Non-current assets, not allocated to segments				12.8
<b>Total non-current assets</b>				<b>2,911.2</b>

Non-current assets by region	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Americas	656.9	673.0	704.4	720.2
Europe/Africa	2,046.4	1,762.2	1,716.4	1,625.2
Asia and the Pacific	245.7	477.4	467.7	459.7
<b>Total non-current assets*</b>	<b>2,949.0</b>	<b>2,912.6</b>	<b>2,888.5</b>	<b>2,805.1</b>

\*Excluding deferred tax assets, pension assets, finance lease receivables, derivatives investments in associates and joint ventures and other non-current assets

Revenues by geographic areas*	Q3 18	Q2 18	Q3 17	YTD 2018	YTD 2017
Americas	56.3	60.6	54.9	171.5	176.7
Europe/Africa	135.9	110.7	71.5	355.7	221.2
Asia and the Pacific	30.1	28.9	26.3	87.8	77.8
<b>Total revenues</b>	<b>222.3</b>	<b>200.2</b>	<b>152.7</b>	<b>615.0</b>	<b>475.7</b>

\*The classification of revenue per region is determined by the final destination of the FPSO

## Note 14 – Business combinations

During the second quarter of 2017, BW Energy Gabon Pte. Ltd (“BWEG”), a subsidiary of BW Offshore, completed the acquisition of the 100% interest in Harvest Dussafu B.V. from Harvest Energia B.V, a wholly-owned subsidiary of Harvest Natural Resources, Inc. (NYSE: HNR). Harvest Dussafu B.V. owned a 66.667% interest in the Dussafu production sharing contract offshore Gabon.

The provisional fair value of the net identifiable assets acquired (purchase price allocation) at the date of acquisition were USD 34.3 million related to intangible E&P assets, later reclassified to tangible E&P assets when development started.

During the second quarter of 2017, BWEG also completed the acquisition of 25% working interest in the Dussafu production sharing contract from Pan-Petroleum Gabon B.V. (PPGBV), a wholly-owned subsidiary of Panoro Energy ASA. The acquisition price was USD 12 million. As this was a direct investment in the production sharing contract, this acquisition has been concluded to be an asset acquisition.

BWEG is working on completing an agreement to farm down 10% to Gabon Oil Company. It is expected that this agreement will be finalised during second half of 2018. Tullow and AIC-PETROFI hold the PSC-defined state back-in rights of 10%, exercisable within a certain time after first oil.

## Note 15 - Subsequent events

With effect from 15 October 2018, Mr. Carsten Mortensen resigned as Director of the Board.

## KEY FIGURES

	Note	Q3 18	Q2 18	Q3 17	YTD 2018	YTD 2017
EBITDA-margin	1	56.9%	52.6 %	53.8 %	55.3 %	55.2 %
Equity ratio	2	37.2%	37.2 %	28.9 %	37.2 %	28.9 %
Return on equity	3	4.8%	-2.4 %	0.5 %	2.9 %	-0.8 %
Return on capital employed	4	5.5%	3.3 %	6.2 %	4.5 %	4.3 %
Net interest-bearing debt (USD million)	5	1,233.2	1218.1	1522.4	1233.2	1522.4
Cash flow per share (USD)	6	0.53	0.57	0.52	2.12	2.97
EPS - basic and diluted (USD)	7	0.07	(0.05)	(0.02)	0.12	(0.03)
Shares - end of period (million)		185.0	185.0	185.0	185.0	185.0
Share price (NOK)		64.6	41.7	27.9	64.6	27.9
Market cap (NOKm)		11,948	7,713	5,160	11,948	5,160
Market cap (USDm)		1,461	945	647	1,461	647

### Notes to key figures and definition of Alternative Performance Measures

- 1 Earnings before interest, taxes, depreciation and amortisation / Operating revenues
- 2 Equity / Total assets
- 3 Annualised net profit / Equity previous period adj for preference shares
- 4 EBIT (annualised) / Capital employed previous period
- 5 Interest bearing debt - cash and cash equivalents
- 6 Net cash flow from operating activities / Number of shares (weighted average)
- 7 Parent net profit / Number of shares end of period (excl treasury shares)

BW Offshore discloses alternative performance measures in addition to those required by IFRS, as we believe these provide useful information regarding our historical financial performance.

## FLEET AND CONTRACTS

Name of unit	Location	Counterparty	Converted	Contract period
<b>FPSOs</b>				
Sendje Berge	Nigeria	Addax/Sinopec	2000	2005-2021 + options until 2023
Abo FPSO	Nigeria	Agip/ENI	2003	2003-2018 + options until 2019
Espoir Ivoirien	Ivory Coast	CNR	2002	2002-2022 + options until 2036
Petróleo Nautipa	Gabon	Vaalco Energy	2002	2002-2020 + options until 2022
YÙUM K'AK'NÀAB	Mexico	Pemex	2006	2007-2022 + options until 2025
BW Cidade De São Vicente	Brazil	Petrobras	2009	2009-2019 + options until 2024
FPSO Cidade De São Mateus	Brazil	Petrobras	2009	2009-2019 + options until 2024
FPSO Polvo	Brazil	Petrório (HRT)	2007	2007-2019 + options until 2022
BW Pioneer	US	Petrobras	2010	2012-2020
Umuroa	New Zealand	Tamarind Management	2007	2007-2019 + options until 2022
BW Joko Tole	Indonesia	Kangean Energy	2012	2012-2022 + options until 2026
BW Catcher	UK	Premier Oil	2017	2018-2025 + options until 2043
BW Adolo*	Gabon	BW Energy	2018	2018-2028 + options until 2038
<b>Available FPSOs and FSOs</b>				
BW Athena	UK	Available	2012	
Belokamenka	Indonesia	Available	2003	
Berge Helene	Malaysia	Available	2005	

\*Previously named Azurite