

BW OFFSHORE FOURTH QUARTER RESULTS

HIGHLIGHTS

- EBITDA for the quarter was USD 148.9 million and EBITDA for the full year was USD 489.2 million
- Q4 net production from Tortue was close to 1 million bbls
- First lifting from Tortue completed December 2018 – 550 thousand bbls gross
- NSAI confirmed remaining Tortue P2 gross reserves – 35.1 million bbls of oil
- Extensions signed for Abo and Polvo
- Agreement with Premier Oil for excess production for BW Catcher

EBITDA for the fourth quarter of 2018 was USD 148.9 million, an increase from USD 126.4 million in the third quarter on improved performance at BW Catcher and the first oil-lifting from Tortue in December, which yielded net 504 thousand bbls to BW Energy. Production costs at Tortue was affected by certain non-recurring expenses related to payments to the Government and purchases of consumables.

BW Catcher operated consistently above nameplate capacity and an agreement for excess production above nameplate capacity was agreed with the client effective from 1 November 2018. The Company has signed agreements to extend the leases for the FPSOs Abo and Polvo. FSO Belokamenka has been sold for recycling in accordance with the Hong Kong convention with net gain to BW Offshore of USD 7 million.

Gross production from Tortue averaged 11.8 thousand bbls per day in the fourth quarter. The total net production to the BW Energy partnership was 997 thousand bbls. The first offloading of 550 thousand bbls of oil was completed in December, yielding net 504 thousand bbls to the BW Energy partnership at a realised price of USD 56 per barrel of oil. Revenues in the quarter was based on lifted volumes in accordance with IFRS 15.

"We achieved several milestones over the past year in line with the strategic priorities we had at the onset of 2018. Production from BW Catcher was consistently above the nameplate capacity in the last quarter, and several lease extensions were signed for the rest of the FPSO fleet. We successfully implemented our E&P model by bringing the Tortue field to first oil within budget and ahead of schedule in less than 18 months and with the first oil lifting executed in the fourth quarter. Looking ahead, the start of Phase 2 of the Tortue development will be a priority together with relentless focus on safe and effective operations across all our assets and activities," said Carl K. Arnet, the CEO of BW Offshore.

Summary of income statement (audited)

<i>(USD Million)</i>	Q4 2018	Q3 2018	FY 2018	FY 2017
Operating revenue	255.4	222.3	870.4	626.0
Operating expenses	(107.0)	(96.0)	(382.6)	(290.7)
EBITDA	148.9	126.4	489.2	336.2
Depreciation	(91.1)	(86.2)	(336.5)	(225.9)
Impairment	-	-	(0.1)	(27.4)
Gain/(loss) sale of assets	7.0	-	7.0	-
Operating profit/(loss)	64.2	39.7	157.5	80.2
Net financial income/(expense)	(39.8)	(14.9)	(80.7)	(36.7)
Profit/(loss) before tax	24.4	24.8	76.8	43.5
Income tax expense	(14.1)	(9.2)	(40.3)	(2.3)
Net profit/(loss)	10.3	15.6	36.5	41.2

FOURTH QUARTER 2018

As of the fourth quarter, the Company changed its revenue recognition model to sales method from the entitlement method for the E&P segment in order to comply with new IFRS 15. Revenue, production cost and depreciation are recognised based on volume sold instead of produced volume.

Swap rates decreased during the quarter affecting mark-to-market on interest rate hedges negatively, and the USD strengthened against NOK with a negative mark-to-market impact on cross-currency swaps. The increase in tax expenses was related to profit oil share paid from oil production at Dussafu, partly offset by the release of certain other tax provisions during the quarter.

Total equity at 31 December 2018 was USD 1,320.9 million (USD 1,268.7 million). The equity ratio was 38.7% at the end of the quarter (37.2%). The increase in equity is mainly related to non-controlling interests.

As of 31 December 2018, the Company had USD 338.9 million in interest-bearing loans and USD 60 million in letters of guarantee drawn under the corporate credit facility. The committed amount on the corporate 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 1,383.0 million. Total available liquidity as of 31 December 2018, amounted to USD 416.0 million. Net interest-bearing debt was USD 1,231.6 million at 31 December 2018 (USD 1,233.2 million).

FPSO OPERATIONS

BW Offshore currently has 12 out of 15 FPSOs in operation. Average commercial uptime in the fourth quarter was 99.5% (98.5%).

BW Catcher operated consistently above nameplate capacity. The Company has signed an agreement with the client for excess production above nameplate capacity effective from 1 November 2018.

BW Offshore signed an agreement for a one-year extension for the lease and operation of FPSO Polvo. The firm period was extended to Q3 2020 (from Q3 2019), with options until Q3 2022. The contract for the Abo FPSO off Nigeria was extended to 30 June 2019.

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. An EPC contract has been signed with Keppel Singapore for repairs to the FPSO's stern section.

In December, BW Offshore sold the FSO Belokamenka for recycling. The buyer of the vessel will ensure that the chosen yard is certified to ISO 14001 and OSHMS 18001 standards, the Hong Kong Convention and the IMO 2012 guidelines. The vessel was sold for a cash consideration of approximately net USD 20 million and a gain of USD 7 million.

E&P OPERATION

Gross production from Tortue averaged 11.8 thousand bbls per day in the fourth quarter, including the impact of a shut-in of both wells to evaluate for pressure build up. The total net production to the BW Energy partnership was 997 thousand bbls for the quarter.

The first offloading of 550 thousand bbls of oil was completed in December, yielding net 504 thousand bbls to the BW Energy partnership at a realised price of USD 56 per barrel of oil. A second lifting of 310 thousand bbls of oil for the Government of Gabon was completed later the same month.

Production cost has averaged USD 23 per barrel (excluding royalty) since the September production start, including first oil production bonus as per the production sharing contract and certain one-off purchases.

Negotiations related to the farm-in by Gabon Oil Company (GOC) in the Dussafu license continues. GOC has the right to acquire 10% of BW Energy's working interest. Pending formalisation of the farm-in, the BW Energy partnership recognises revenue based on the current 91.67% 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 its 10% back-in right into the Dussafu license as stipulated in the production sharing contract (PSC), negotiations are ongoing and will effectively reduce BW Energy's ownership of the Dussafu license to 73.5%.

E&P DEVELOPMENT

The Company has confirmed the investment decision for Tortue Phase 2 following the successful appraisal programme on the western flank of the Tortue field. Phase 2 includes drilling of up to four additional development wells. Orders for long lead equipment have been placed and a contract for the drilling rig signed. The project is progressing according to plan with estimated start of production in first half of 2020.

BW Offshore has received an updated reserve report for the Tortue field Phase 1 (2 wells) and Phase 2 (4 wells) from Netherland, Sewell & Associates (NSAI) estimating 2P gross remaining reserves at 35.1 million bbls of oil. This represents an upward revision from 23.5 2P gross reserves stated in the previous reserve report due to the successful appraisal well drilled in the Tortue field in 2018.

The Company has approved drilling of two additional exploration wells as part of the Tortue Phase 2 drilling program to further evaluate high-grade prospects. This decision is subject to final partner approval.

The technical and commercial teams are progressing on a proposed separate development plan for the Ruche area of the Dussafu license based on the original Ruche discovery and the new Ruche North East discovery made in 2018.

OUTLOOK

The effect of several years of under-investment will likely become more evident in coming years, as production tied to investments made in the previous up-cycle is increasingly subject to natural depletion.

The global balance of crude oil supply and demand has tightened, which combined with lower break-even costs from increased efficiencies and significant repricing of oil exploration assets, is expected to lead to more projects sanctioned going forward. The market outlook for offshore field developments and FPSOs in particular is favourable. 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 field development prospects, 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 additional financial capacity from partnerships, 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.

Please see attachments for the full press release, Q4 Presentation, Annual Report and Annual Statement of Reserves. Earnings Tables are available at: www.bwoffshore.com/ir

BW Offshore will host a presentation of the financial results 09:00 (CET) today at Hotel Continental in Oslo, Norway. The presentation will be given by CEO Carl K. Arnet and CFO Knut R. Sæthre.

The presentation will be broadcasted via webcast and will also be available for replay. Please visit www.bwoffshore.com for details.

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About BW Offshore:

BW Offshore is a leading provider of floating production services to the oil and gas industry. The company also participates in developing proven offshore hydrocarbon reservoirs. BW Offshore is represented in all major oil and gas regions worldwide with a fleet of 15 owned FPSOs. The company has more than 30 years of production track record, having executed 40 FPSO and FSO projects. BW Offshore is listed on the Oslo Stock Exchange.

This information is subject to the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.