



BW OFFSHORE LIMITED

Condensed Interim Consolidated Financial Information
THIRD QUARTER 2016

KEY EVENTS

- EBITDA of USD 76.9 million
- Long-term financial platform implemented
- Initiated arbitration process vs Addax due to overdue receivables
- Peregrino operations and maintenance contract ending in June 2017
- Berge Helene contract ending in May 2017

FINANCIAL SUMMARY

THIRD QUARTER

Operating revenues for the quarter amounted to USD 159.6 million, a decrease of USD 12.9 million (7%) (USD 172.5 million).¹

Operating expenses were USD 83.0 million, a decrease of USD 4.9 million (6%) (USD 87.9 million).

EBITDA for the third quarter was USD 76.9 million, a decline of USD 7.7 million (9%) (USD 84.6 million). The reduction in EBITDA for third quarter compared with the previous quarter was mainly a result of no further loss of hire insurance for Cidade de São Mateus which ended in May.

Depreciations were USD 55.3 million, an increase of USD 1.6 million (3%) (USD 53.7 million). The increase was mainly related to depreciation of capital expenditures for ongoing life extension activities.

Operating profit for the quarter amounted to USD 19.2 million, a decrease of USD 5.7 million (23%) (USD 24.9 million).

Net financial expenses for the quarter were USD 23.5 million, an increase of USD 5.4 million (30%) (USD 18.1 million). The Company has during third quarter amended terms on cross-currency interest swaps entered into to hedge the currency and the interest rate risk on the existing bond portfolio. The duration of the swaps has been amended to match the amended duration of the bonds. Related to this, the Company has also decided to stop using hedge accounting associated with the bonds and underlying swaps going forward. The consequence is that all mark-to-market effects of the swaps and revaluation effect of the underlying bonds have been recognised directly against financial expenses during the quarter. There is no immediate cash flow effect due to this policy change. However, going forward it is expected that net financial income/expense will fluctuate more due to mark-to-market changes of the swaps and revaluation of the bonds. As the swaps have been extended, the implicit funding cost have increased due to the longer duration and this is priced into the mark-to-market value of the quarter. The increase in net financial expenses was largely related to the above. This has been partly offset by gains from currency- and interest rate hedging contracts, as the USD weakened against NOK and the USD interest rates increased during the quarter.

Tax expenses for the quarter were USD 6.9 million, down by USD 4.3 million (38%) (USD 11.2 million). Taxes have reduced mainly because of the current lower income from FPSO Sendje Berge as the client is currently not paying the full contractual rate.

Net loss for the quarter was USD 11.2 million, an increase of USD 6.8 million (155%) (Net loss USD 4.4 million).

Total equity at 30 September 2016 was USD 1,038.4 million, an increase of USD 88.0 million (USD 950.4 million) following the rights issue completed during the third quarter, which added USD 96 million in net new equity to BW Offshore. The equity ratio was 30.1% at the end of the quarter (27.7%).

As of 30 September 2016, the Company had USD 764.3 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 1,030.5 million, following scheduled reductions. Total utilised debt facilities for the company, including bond loans and other facilities was USD 1,775.7 million. Total available liquidity as of 30 September 2016 amounted to USD 319.3 million.

Net debt was USD 1,639.3 million at 30 September 2016 (USD 1,660.5 million).

Net cash inflow from operating activities was USD 78.9 million (USD 107.4 million). Net cash outflow on investing activities was USD 116.8 million (USD 117.7 million). Cash outflow on investing activities is mainly related to capitalisation on the Catcher project 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 9.2 million (USD 42.2 million). During third quarter BW Offshore completed a USD 100 million rights issue with net proceeds of USD 96 million.

¹ Figures presented are compared to previous quarter (second quarter of 2016 in brackets)

OPERATIONS

BW Offshore currently operates 12 units. The owned fleet consists of 14 FPSOs and one FSO. Average uptime during the third quarter was 99.4% (97.1%). Cidade de São Mateus continues to be excluded from the average uptime until the unit recommences operations.

The Company also operates the FPSO Peregrino for Statoil and Sinochem on the Peregrino oil field offshore Brazil. During third quarter BW Offshore was notified that Statoil, due to a change in the operating model, will not exercise options for extension of contract beyond June 2017.

The Company handed over the operational responsibility for the FPSO P-63 to Petrobras during May 2016. The FPSO is owned by Petrobras and Chevron and operates on the Papa Terra field offshore Brazil. BW Offshore will continue to provide some technical support until mid-November 2016.

The Company has for some time not been paid the full contractual rate by Addax Petroleum Exploration Limited for the FPSO Sendje Berge. BW Offshore consider the arguments for not paying full rate unjustified and have started an arbitration process. During third quarter the Company submitted a claim to the arbitration tribunal of USD 52.6 million. BW Offshore is currently awaiting the outcome of a forthcoming hearing by the arbitration tribunal.

Cidade de São Mateus is currently in lay-up. Dialogue with insurance loss adjusters on repair scope is still ongoing. Before the final repair plan is established after discussions with the client, it is not possible to establish a firm plan for when the unit will return to the field.

BW Offshore has received notice in November 2016 that the contract with Petronas for the FPSO Berge Helene will not be extended beyond May 2017. BW Offshore is in dialogue with the client about work to be undertaken for the disconnection and demobilisation of the FPSO from the field.

The FPSOs Azurite, BW Athena and the FSO Belokamenka are currently in lay-up while being marketed for new projects.

PROJECTS

The Catcher project remains within budget with first oil expected in second half of 2017. Project progress was according to expectations in the third quarter.

Major activities in the third quarter was mating of the FPSO hull at the Keppel Yard in Singapore. The assembled hull was then floated to quayside and the lifting and integration of topside modules was commenced. At the time of this report all modules have been lifted. Integration work and pre-commissioning is progressing well and according to schedule.

The Company has been informed that Premier Oil has completed riser installation and hook up to the submerged turret production buoy and the buoy is ready for hook to the FPSO upon arrival.

BW Offshore has noted that Premier Oil is continuing their discussion with lenders about amendment of existing debt arrangements and relaxation of financial covenants. It is not expected that Premier's financial discussions with lenders will have any negative effect for the Catcher project.

BW Offshore is closely monitoring progress and safety in all the project activities, ensuring that mitigating actions are implemented in a timely manner if any deviations are detected. The safety performance of the project was very satisfactory in the last quarter with 0 Lost Time Incidents (LTI).

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.

LONG-TERM FINANCIAL PLATFORM

With strong support from all stakeholders, the Company completed all its previously announced financing initiatives during the third quarter. The new long-term financial platform will contribute more than USD 500 million in improved liquidity in the period through 2020 and give the Company a secure basis for operation until an expected market recovery. This initiative, as well as the continued strong operating cash flow, is expected to cover all medium-term liquidity requirements. Further, all the Company's firm capital commitments are fully financed.

OUTLOOK

The oil and gas markets remain challenging and field developments are still being postponed. The Company's short- and medium-term expectations for low market activity with few awards are unchanged. A positive long-

term outlook is maintained as offshore developments remain an important part of the oil and gas supply to meet future demands as the supply and demand of oil in world markets is rebalancing.

BW Offshore is well-positioned in the global oil and gas market to provide services and technology to minimise lifecycle costs of offshore developments. This will lead to developments being sanctioned in the future as the naturally depleting production from existing fields must be replaced by new production. The Company expects to be a valued partner to the industry contributing efficient solutions and operations to ensure sound returns for all parties involved.

BW Offshore still expects outsourcing of production to be cost effective for oil and gas companies as they increase their specialisation. However, The Company still believe it is prudent to expect a prolonged downturn in contract awards. BW Offshore is responding to the global reduction in E&P spending by reducing costs and restructuring operations to match market activity and the clients' requirements for efficiency. The Company is also exploring to participate in alternative field development models to ensure the continued employment of assets. Securing continued use of existing assets is a priority to The Company in its market efforts.

The Company established a new management structure at the start of the year. One key focus for the team has been to implement the program for greater efficiency which is completed onshore and is continuing in the offshore organisation. The Company is well under way to achieve a reduction in offshore personnel costs by 10-15% and offshore R&M spend by 10% through higher efficiency, renegotiated supplier agreements and subcontracts. The total efficiency process will be implemented in 2016 and take full effect from 2017.

The majority of BW Offshore's fleet remains on long-term contracts with national and independent oil companies, and the fleet should continue to generate a significant cash flow in the time ahead. At current oil price levels, the Company still faces risks of customers delaying or defaulting on their obligations. This may affect asset values should option periods not be declared or units not be redeployed, potentially also impacting liquidity and covenant compliance.

Fleet asset values are assessed according to a value-in-use methodology, with balanced assumptions on the likelihood of option periods and future projects. The basis for the impairment assessment is that the Company expects an improved market from mid-2017 providing new opportunities for gainful employment.

Bermuda, 27 November 2016

Andreas Sohmen-Pao
Chairman

Christophe Pettenati-Auzière
Deputy Chairman

Clare Spottiswoode

Carsten Mortensen

Thomas Thune Andersen

Maarten Scholten

INCOME STATEMENT

(Unaudited figures in USD million)

	Notes	Q3 16	Q2 16	Q3 15	YTD 2016	YTD 2015
Operating revenue	14	159.6	172.5	308.7	546.5	789.2
Operating expenses		(83.0)	(87.9)	(134.4)	(288.0)	(417.5)
Share of profit/(loss) of associates and joint ventures	6	0.3	0.0	(0.3)	0.4	0.6
Operating profit before depreciation/amortisation		76.9	84.6	174.0	258.9	372.3
Depreciation	11	(55.3)	(53.7)	(64.4)	(168.7)	(193.6)
Amortisation		(0.7)	(0.7)	(0.4)	(2.1)	(1.8)
Impairment vessels, goodwill and other assets	12	(1.7)	(5.3)	(75.0)	(7.8)	(75.0)
Gain on sale of assets		0.0	0.0	0.0	0.0	1.3
Operating profit / (loss)		19.2	24.9	34.2	80.3	103.2
Interest income		0.4	0.5	0.6	1.4	2.3
Gain/(loss) on financial instruments	7	1.8	(6.1)	(15.9)	(8.2)	(17.6)
Interest expense		(12.0)	(10.8)	(11.2)	(34.4)	(37.8)
Other financial items		(13.7)	(1.7)	(0.7)	(29.8)	(0.7)
Net financial income/(expense)		(23.5)	(18.1)	(27.2)	(71.0)	(53.8)
Profit/(loss) before tax		(4.3)	6.8	7.0	9.3	49.4
Income tax expense		(6.9)	(11.2)	(14.3)	(27.8)	(31.3)
Net profit/(loss) for the period		(11.2)	(4.4)	(7.3)	(18.5)	18.1
Net profit/(loss) attributable to owners of the Company		(11.2)	(4.4)	(7.3)	(18.5)	18.1
Basic/diluted earnings/(loss) per share (USD) net		(0.00)	(0.01)	(0.01)	(0.01)	0.03

COMPREHENSIVE INCOME STATEMENT

(Unaudited figures in USD million)

	Q3 16	Q2 16	Q3 15	YTD 2016	YTD 2015
Net profit/(loss) for the period	(11.2)	(4.4)	(7.3)	(18.5)	18.1
Other comprehensive income					
<i>Items to be reclassified to profit or loss:</i>					
Currency translation differences	(0.3)	(0.6)	(3.1)	(0.4)	(6.9)
Net profit/(loss) on cash flow hedges	3.8	6.4	0.7	17.5	(2.3)
Net items to be reclassified to profit or loss:	3.5	5.8	(2.4)	17.1	(9.3)
<i>Items not to be reclassified to profit or loss:</i>					
Actuarial gains/(losses) on defined benefit plans	(0.4)	0.1	0.1	(0.8)	0.1
Net items not to be reclassified to profit or loss:	(0.4)	0.1	0.1	(0.8)	0.1
Other comprehensive income, net of tax	3.1	5.9	(2.3)	16.3	(9.2)
Total comprehensive income	(8.1)	1.5	(9.6)	(2.2)	9.0

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

STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)

ASSETS	Notes	30.09.2016	30.06.2016	31.12.2015	30.09.2015
Vessels and vessels under construction	2,11,12	2,842.7	2,783.1	2,694.1	2,768.3
Property and other equipment		10.6	10.5	12.0	11.0
Goodwill and intangibles		3.9	4.0	4.4	191.6
Finance lease receivables	3	100.6	105.0	113.5	126.7
Pension asset		2.8	0.0	0.0	0.0
Investments in associates and joint ventures	6	8.1	7.8	7.7	7.9
Derivatives		0.2	0.0	0.6	0.0
Deferred assets		7.8	6.8	7.5	7.8
Total non-current assets		2,976.7	2,917.2	2,839.8	3,113.3
Inventory		12.6	10.0	6.7	5.8
Trade receivables and other current assets		344.2	366.2	471.4	409.5
Derivatives		2.2	1.9	0.0	0.0
Cash and deposits		113.1	141.8	121.8	89.1
Total current assets		472.1	519.9	599.9	504.4
TOTAL ASSETS		3,448.8	3,437.1	3,439.7	3,617.7
EQUITY AND LIABILITIES					
Total equity attributable to owners of the Company	4	1,038.4	950.4	944.4	1,173.2
Total equity		1,038.4	950.4	944.4	1,173.2
Interest-bearing long-term debt	5	1,576.5	1,471.0	1,460.8	1,404.9
Pension obligations		3.9	12.4	12.1	15.7
Other long-term liabilities	8	300.0	294.2	265.1	261.3
Derivatives		139.9	106.5	148.9	149.1
Total non-current liabilities		2,020.3	1,884.1	1,886.9	1,831.0
Trade and other payables		184.7	209.4	275.9	240.3
Derivatives		2.7	36.6	27.5	30.8
Interest-bearing short-term debt	5	175.9	331.3	280.7	315.0
Income tax liabilities		26.8	25.3	24.3	27.4
Total current liabilities		390.1	602.6	608.4	613.5
Total liabilities		2,410.4	2,486.7	2,495.3	2,444.5
TOTAL EQUITY AND LIABILITIES		3,448.8	3,437.1	3,439.7	3,617.7

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

STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)

2016	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Other equity	Total
Equity at 1 January 2016	6.9	1,085.0	(9.0)	(15.3)	(31.2)	(92.0)	944.4
Dividend distribution	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Issue of share capital	85.6	10.4	0.0	0.0	0.0	0.0	96.0
Share-based payments	0.0	0.0	(0.0)	0.0	0.0	0.2	0.2
Profit/ (loss) for the period	0.0	0.0	0.0	0.0	0.0	(18.5)	(18.5)
Other comprehensive income	0.0	0.0	0.0	(0.4)	17.5	(0.8)	16.3
Total equity at 30 September 2016	92.5	1,095.4	(9.0)	(15.7)	(13.7)	(111.1)	1,038.4

2015	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Other equity	Total
Equity at 1 January 2015	6.9	1,085.0	(9.1)	(8.4)	(32.8)	156.6	1,198.1
Dividend distribution	0.0	0.0	0.0	0.0	0.0	(34.3)	(34.3)
Share-based payments	0.0	0.0	0.1	0.0	0.0	0.4	0.5
Profit/ (loss) for the period	0.0	0.0	0.0	0.0	0.0	18.1	18.1
Other comprehensive income	0.0	0.0	0.0	(6.9)	(2.3)	0.1	(9.2)
Total equity at 30 September 2015	6.9	1,085.0	(9.0)	(15.3)	(35.1)	140.9	1,173.2

CASH FLOW STATEMENT

(Unaudited figures in USD million)

	Q3 16	Q2 16	Q3 15	YTD 2016	YTD 2015
Profit/ (loss) before taxes	(4.3)	6.8	7.0	9.3	49.4
Unrealised currency exchange losses/(gains)	18.1	0.7	(0.3)	32.4	(1.9)
Depreciation and amortisation	56.0	54.4	64.8	170.8	195.4
Taxes paid	(5.3)	(10.0)	(11.1)	(24.7)	(26.9)
Share of loss/ (profit) of associated companies	(0.3)	0.0	0.2	(0.4)	(0.5)
Loss/ (gain) on sale of shares and fixed assets	0.0	0.0	0.1	0.0	(1.4)
Impairment	1.6	5.3	75.0	7.8	75.0
Change in fair value of derivatives	(1.9)	3.9	15.9	8.2	17.7
Change in working capital	(0.6)	27.5	(62.1)	64.1	(57.8)
Add back of net interest expense	11.6	10.3	10.6	33.0	35.5
Other items	4.0	8.5	1.1	8.3	26.6
Net cash flow from operating activities	78.9	107.4	101.2	308.8	311.1
Investment in fixed assets	(117.2)	(118.2)	(150.0)	(325.2)	(374.8)
Investment in associates	0.0	0.0	(1.3)	0.0	(2.7)
Sale of fixed assets	0.0	0.0	0.0	0.0	85.5
Interest received	0.4	0.5	0.6	1.4	2.3
Net cash flow from investing activities	(116.8)	(117.7)	(150.8)	(323.8)	(289.6)
Proceeds from new interest bearing debt	124.0	98.0	136.0	381.0	497.0
Repayment of interest-bearing debt	(182.5)	(35.1)	(160.9)	(400.3)	(545.0)
Proceeds from share issue	100.0	0.0	0.0	100.0	0.0
Transaction costs on issue of shares	(4.0)	0.0	0.0	(4.0)	0.0
Dividend paid	0.0	0.0	(6.9)	0.0	(34.3)
Interest paid	(28.3)	(20.7)	(21.6)	(70.4)	(65.5)
Net cash flow from financing activities	9.2	42.2	(53.4)	6.3	(147.8)
Net change in cash and cash equivalents	(28.7)	31.9	(102.9)	(8.7)	(126.3)
Cash and cash equivalents at beginning of period	141.8	109.9	192.1	121.8	215.4
Cash and cash equivalents at end of period	113.1	141.8	89.1	113.1	89.1

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

NOTES TO THE ACCOUNTS (UNAUDITED)

(Figures in brackets refer to corresponding figures for 2015)

Note 1 - Accounting principles

This Interim Condensed Consolidated financial information for the third quarter, ended 30 September 2016, has been prepared pursuant to IAS 34, "Interim Financial Reporting". The Interim Condensed Consolidated financial reporting should be read in conjunction with the annual financial statements for the year ended 31 December 2015, 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 Offshores annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of January 2016. The adoption of these new standards and interpretations did not have a material impact on the Company.

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 and vessels under construction amounted to USD 2,842.7 million (USD 2,768.3 million) at 30 September 2016.

Capital expenditure related to vessels and vessels under construction in the third quarter 2016, amounted to USD 115.7 million (USD 148.9 million). This is related to capital expenditures on the Catcher 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 – Finance lease receivables

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

Note 4 - Equity

Following the rights issue, the number of issued shares was 9,247,816,004 at 30 September 2016.

There were 10,700,000,000 authorised shares at 30 September 2016.

The Company held a total of 2,488,540 own shares at 30 September 2016.

Note 5 - Interest-bearing debt

Non-current debt

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

	2016	2015
USD 2,400 million facility	649.0	686.1
Joko Tole USD 250 million facility	24.8	63.1
BW004 - NOK 900 million Bond	111.5	104.5
BW003 - NOK 750 million Bond	93.2	87.4
BW002 - NOK 500 million Bond	62.3	58.5
BW001 - NOK 500 million Bond	44.9	58.7
Catcher USD 800 million facility	517.3	284.5
Petróleo Nautipa USD 80 million facility	50.6	62.1
Umuroa USD 130 million facility	22.9	0.0
Total	1,576.5	1,404.9

Current debt

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

	2016	2015
USD 2,400 million facility	107.3	219.1
Joko Tole USD 250 million facility	38.4	52.7
BWO04 - NOK 900 million Bond	(0.3)	(0.3)
BWO03 - NOK 750 million Bond	(0.2)	(0.3)
BWO02 - NOK 500 million Bond	(0.1)	(0.2)
BWO01 - NOK 500 million Bond	17.4	(0.2)
Catcher USD 800 million facility	(2.0)	(1.3)
Petróleo Nautipa USD 80 million facility	11.5	11.5
Umuroa USD 130 million facility	3.9	34.1
Total	175.9	315.0

Instalment overview

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

	Q4 16	Q1 17	Q2 17	Q3 17	2017	2018	2019-2021	2022 and beyond	Total
USD 2,400 million facility	-	55.6	-	55.6	111.2	111.2	541.9	-	764.3
Joko Tole USD 250 million facility	10.1	9.4	9.4	9.4	37.5	16.3	-	-	63.9
BWO04 - NOK 900 million Bond*	-	-	-	-	-	-	35.1	81.9	117.0
BWO03 - NOK 750 million Bond*	-	-	-	-	-	-	124.0	-	124.0
BWO02 - NOK 500 million Bond*	-	-	-	-	-	-	86.8	-	86.8
BWO01 - NOK 500 million Bond*	-	25.0	-	-	25.0	-	65.0	-	90.0
Catcher USD 800 million facility	-	-	-	-	-	114.3	342.9	68.8	526.0
Petróleo Nautipa USD 80m facility	-	5.8	-	5.8	11.6	11.6	31.3	8.0	62.5
Umuroa USD 130 million facility	1.0	1.0	1.0	1.0	4.0	22.0	-	-	27.0
Total	11.1	96.8	10.4	71.8	189.3	275.5	1,226.9	158.7	1,861.4

*) 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 2016, the Company is in compliance with all financial covenants. The equity ratio as per end of third quarter 2016 is 30.1%, and available liquidity amounts to USD 319.3 million.

Long-term financial platform

23 May 2016 BW Offshore Limited announced a plan to secure a long-term financial platform for the Company (the "Plan"). All conditions to the implementation of the Plan have now been completed and the long-term financial platform has been implemented with effect from 21 July 2016.

The Plan was undertaken to address potential future liquidity challenges, including avoiding breach of financial covenants, and to secure a credible long-term financial platform for the Group. In total, the Plan has contributed in excess of USD 500 million in improved liquidity in the period throughout 2020.

As further set out below, the Plan comprises:

- 1) USD 100 million in new equity capital raised through a rights issue. The Company issued 8,559,810,000 new shares at a subscription price of NOK 0.10 per share, thereby raising gross proceeds of NOK 855,981,000. The rights issue was fully underwritten. The net proceeds from the rights issue were USD 96 million.
- 2) Amendments to the MUSD 2,400 Facility comprising the following components:
 - Maturity extended by two years to March 2020;
 - 50% reduction of five semi-annual instalments starting September 2016 (total reduction of USD 278 million) (Q3 2016 to Q3 2018). Normal amortisation from March 2019 and a balloon at the new maturity in March 2020 of USD 474 million, reduced from the initial balloon of USD 641 million in March 2018; and
 - Margin increase by 25 bps to 225 bps with additional step up by 50 bps if the leverage ratio exceeds 5.50:1.
 - Leverage ratio (IBD/EBITDA) increased from 5.50:1 to 6.00:1 until maturity in March 2020;
 - Book equity ratio reduced from 25% to 20% until maturity in March 2020; and
 - No dividend and bond buy back until maturity in March 2020 (save from buy back of bonds in connection with extensions and/or renewal of bond issues (including the partial redemption of BWO01 on 15 March 2017), such buy back to be limited to an amount of USD 25 million, unless the shareholder contributions exceed USD 100 million of cash, following which the said threshold amount shall be increased by any excess amount).
- 3) Other credit facilities, comprising the Catcher Facility, the Joko Tole Facility, the Umuroa Facility and the Petr leo Nautipa Facility: Changed leverage ratio (IBD/EBITDA) from 5.50:1 to 6.00:1 and changed equity ratio covenants from 25% to 20%. The company may not pay dividends and has restrictions on bond buy-backs until 9 March 2020.
- 4) Amendments to the Company's unsecured bonds:
 - BWO01: Maturity extended to 15 March 2020 with NOK 140 million partial redemption on 15 March 2017;
 - BWO02: Maturity extended to 21 September 2020 with NOK 100 million partial redemption on 21 March 2020;
 - BWO03: Maturity extended to 11 March 2021 with NOK 150 million partial redemption on 11 September 2020;
 - BWO04: Maturity extended to 16 March 2022 with NOK 90 million partial redemption on 16 March 2021 and NOK 180 million partial redemption on 16 December 2021;
 - Reduction of equity ratio from 25% to 20%;
 - Increase of margin to 450 bps in the period from the respective original maturity date until the respective new maturity date;
 - Inclusion of restriction on dividends, repurchase of shares and other distributions to shareholders; and
 - Amendment of call option to the effect that the bonds may be redeemed at par value until the respective new maturity date (American call), callable in chronology.

During the third quarter, the Company has also amended the maturities and terms of the related cross currency interest rate swaps, to match the amended maturity on the above-mentioned bonds.

As a result of the amended terms on the swaps, the Company has reversed the mark-to-market effect previously recorded over other comprehensive income, as the swaps does not qualify for hedge accounting due to the amended terms. Remaining mark-to-market balance at the time when the swaps were amended will be amortised in the income statement over the remaining term of the existing underlying bonds. Related to this, the Company has decided to stop using hedge accounting related to the bonds and underlying swaps going forward. The consequence is that all mark-to-market effects of the swaps and revaluation effect of the underlying bonds have been recognised directly against financial expenses during the quarter. There is no immediate cash flow effect associated with this operation. However, going forward it is expected that net financial income/expense will fluctuate more due to mark-to-market changes on swaps and revaluation of the bonds. As the swaps have been extended, the implicit funding cost have increased due to the longer duration and this is priced into the mark-to-market value this quarter.

Note 6 – Investments in associates

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

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

Note 7 – Gain/ (loss) on financial instruments

	Q3 16	Q2 16	Q3 15	YTD 2016	YTD 2015
Gain/(loss) on financial instruments	1.8	(6.1)	(15.9)	(8.2)	(17.6)
Net gain/ (loss) on financial instruments	1.8	(6.1)	(15.9)	(8.2)	(17.6)

Note 8 – Other long-term liabilities

Other long-term liabilities comprise of 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 9 – Related party transactions

No related party transactions considered material to BW Offshore occurred during the quarter.

Part of the conditions related to the long-term financial platform established during third quarter was that the equity issue should be fully underwritten. BW Group as well as the CEO of BW Offshore undertook to subscribe for offer shares based on its pro rata holding in BW Offshore. The underwriting shareholders received a fee of USD 0.9 million.

Note 10 – Capital commitments

Total unrecognised contractual capital commitments at 30 September 2016 amounted to USD 272.9 million (corresponding figure for 30 September 2015 was USD 422.6 million). This commitment is related to the Catcher project, ongoing life extension activities, operations as well as commitments on long-term office rental.

Note 11 – 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.

Note 12 – Impairment and Insurance

During third quarter, the Company recorded an impairment charge of USD 1.7 million for FPSO Umuroa and FPSO Espoir Ivoirien. The impairments were related to replacement of mooring lines.

The Company has during the quarter impaired trade receivables in the amount of USD 5.8 million to cater for doubtful receivables.

Note 13 - Subsequent events

BW Offshore has received notice in November 2016 that that the contract with Petronas for the FPSO Berge Helene will not be extended beyond May 2017. BW Offshore is in dialogue with the client about work to be undertaken for the disconnection and demobilisation of the FPSO from the field.

On 28 November 2016, BW Offshore Limited (the "Company") announced that the Company's board of directors (the "Board of Directors") has resolved to carry out a reverse share split of the Company's common shares (the "Reverse Share Split"). The reverse share split is carried out to ensure compliance with section 2.4 of Oslo Børs' continuing obligations about minimum market value of NOK 1 on issued shares. The Reverse Share Split will comprise of a consolidation of the common shares of the Company such that every 50 common shares in issue and authorized but unissued of par value US\$0.01 shall be consolidated into 1 common share of par value US\$0.50. The Company will procure that all shareholders will receive a whole number of common shares through an issue of fractions of common shares out of its authorised, but

unissued share capital in accordance the bye-laws of the Company, in order to round up to the nearest whole number any and all fractions of the common shares issued and outstanding following the Reverse Share Split. The last day of trading before the reverse share split is on 1 December 2016.

Note 14 – Segments

The Company's activities are focused on construction, ownership and operation of FPSOs and FSOs. The assets and liabilities are allocated based on the operations of the segment. Sales between segments are presented net of intercompany transactions.

FPSO activity	Q3 16	Q3 15
Revenues from third parties	159.6	308.7
General and administrative expenses	(4.9)	(6.2)
EBITDA	76.9	174.0
Net gain on sale of tangible fixed assets	0.0	0.0
Depreciation, amortisation and impairment	(57.7)	(139.8)
EBIT	19.2	34.2

Other segment information

Capital expenditure	117.2	150.1
Non-current assets (excl finance items)	2,876.1	2,986.6
Investments in associates and joint ventures	8.1	7.9

Geographical information - Revenue

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

Americas	57.9	187.3
Europe/Africa	73.3	92.9
Asia and the Pacific	28.4	28.5
Total revenue	159.6	308.7

The FPSOs by region can be analyzed as follows:

Americas	936.9	1,076.0
Europe/Africa	1,414.8	1,377.2
Asia and the Pacific	491.0	315.1
Total non-current assets	2,842.7	2,768.3

KEY FIGURES

	Note	Q3 16	Q2 16	Q3 15	YTD 2016	YTD 2015
EBITDA-margin	1	48.2%	49.0 %	56.4 %	47.4 %	47.2 %
Equity ratio	2	30.1%	27.7 %	32.4 %	30.1 %	32.4 %
Return on equity	3	-5.0%	0.1 %	1.6 %	-2.2 %	2.5 %
Return on capital employed	4	3.1%	4.0 %	4.8 %	6.5 %	4.8 %
Net interest bearing debt (USD million)	5	1,639.3	1660.5	1630.8	1639.3	1630.8
Cash flow per share (USD)	6	0.01	0.16	0.15	0.11	0.45
EPS - basic and diluted (USD)	7	0.00	0.00	-0.01	-0.01	0.03
Shares - end of period (million)		9,247.8	688.0	688.0	9,247.8	688.0
Share price (NOK)		0.34	0.77	3.44	0.34	3.44
Market cap (NOKm)		3,144	530	2,367	3,144	2,367
Market cap (USDm)		391	63	278	391	278

Notes to key figures

- 1 Earnings before interest, taxes, depreciation and amortisation / Operating revenues
- 2 Equity / Total assets
- 3 Annualised net profit / Average equity
- 4 Adjusted EBIT (annualised) / Capital employed (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 - (USD)
- 7 Net profit / Weighted average number of shares

FLEET AND CONTRACTS

Name of unit	Location	Counterparty	Converted	Contract period
FPSOs				
Sendje Berge	Nigeria	Addax/Sinopec	2000	2005-2018 + options until 2020
Abo	Nigeria	Agip/ENI	2003	2003-2016 + options until 2023
Espoir Ivoirien	Ivory Coast	CNR	2002	2002-2022 + options until 2036
Berge Helene	Mauritania	Petronas	2005	2006-2017
Petróleo Nautipa	Gabon	Vaalco Energy	2002	2002-2020 + options until 2022
YÛUM K'AK'NÀAB	Mexico	Pemex	2006	2007-2022 + options until 2025
BW Cidade De São Vicente	Brazil	Petrobras	2009	2009-2019 + options until 2024
Cidade De São Mateus	Brazil	Petrobras	2009	2009-2018 + options until 2024
Polvo	Brazil	Petrorio (HRT)	2007	2007-2018 + options until 2022
BW Pioneer	US	Petrobras	2010	2012-2020
Umuroa	New Zealand	AWE	2007	2007-2017 + options until 2022
BW Joko Tole	Indonesia	Kangean Energy	2012	2012-2022 + options until 2026
BW Catcher	UK	Premier Oil	Ongoing	2017-2024 + options until 2042
Available FPSO's and FSO's				
BW Athena	UK	Available	2012	
Azurite	Indonesia	Available	2009	
Belokamenka	Indonesia	Available	2003	
Operating and maintenance agreement				
Peregrino (FPSO)	Brazil	Statoil		2013-2017
P-63 (FPSO)	Brazil	Petrobras		2013-2016*

* Contractual operation was handed over to the client in May 2016