



BW OFFSHORE LIMITED

Condensed Interim Consolidated Financial Information
SECOND QUARTER AND FIRST HALF-YEAR 2016

KEY EVENTS

- EBITDA of USD 84.6 million
- Long-term financial platform established in July
- Contract extension for FPSO Espoir Ivoirien
- BW Pioneer subsea mooring replacement campaign completed

FINANCIAL SUMMARY

SECOND QUARTER

Operating revenues for the quarter amounted to USD 172.5 million, a decrease of USD 41.9 million (20%) (USD 214.4 million).¹

Operating expenses amounted to USD 87.9 million, a decrease of USD 29.2 million (25%) (USD 117.1 million).

EBITDA for the second quarter amounted to USD 84.6 million, a decrease of USD 12.8 million (13%) (USD 97.4 million). EBITDA for second quarter was lower, mainly because the loss of hire insurance for Cidade de São Mateus ended in mid-May and the down time related to the shutdown of BW Pioneer.

Depreciation amounted to USD 53.7 million, a decrease of USD 6.0 million (10%) (USD 59.7 million). Depreciations have reduced mainly due to revised amortisation schedule for non-recoverable equipment on the FPSO Pioneer as a result of the 3-year contract extension.

Operating profit for the quarter amounted to USD 24.9 million, a decrease of USD 11.3 (31%) (USD 36.2 million).

Net financial expenses for the quarter amounted to USD 18.1 million, a decrease of USD 11.3 (38%) (USD 29.4 million). Net financial expenses have decreased mainly due to lower currency losses associated with hedging contracts.

Tax expense for the quarter amounted to USD 11.2 million, an increase of USD 1.5 (15%) (USD 9.7 million).

Net loss for the quarter amounted to USD 4.4 million, an increase of USD 1.5 (52%) (USD 2.9 million).

Total equity at 30 June 2016 amounted to USD 950.4 million, an increase of USD 1.7 million (USD 948.7 million). The equity ratio was 27.7% at the end of the quarter (28.0%).

As of 30 June 2016, the Company had USD 879.9 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 1,086.2 million, following scheduled reductions. Total utilised debt facilities for the company, including bond loans and other facilities was USD 1,819.7 million. Total available liquidity as of 30 June 2016 amounted to USD 288.0 million.

Net debt amounted to USD 1,660.5 million at 30 June 2016 (USD 1631.3 million).

Net cash inflow from operating activities was USD 107.4 million (USD 122.5 million). Net cash outflow on investing activities was USD 117.7 million (USD 89.2 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 42.2 million (Net cash outflow of USD 45.1 million).

FIRST HALF-YEAR

EBITDA decreased by USD 16.2 million to USD 182.0 million (USD 198.2 million) in the first-half year of 2016.²

Operating profit decreased by USD 7.9 million to USD 61.1 million (USD 69.0 million) in the first half-year of 2016.

Net financial expenses increased by USD 20.9 million to USD 47.5 million (USD 26.6 million).

Net result before tax was reduced by USD 28.8 million to USD 13.6 million (USD 42.4 million).

Tax expense increased by USD 3.9 million to USD 20.9 million (USD 17.0 million).

Net loss was USD 7.3 million (Net profit USD 25.4 million) and earnings per share were negative USD 0.01 (positive USD 0.04).

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

² Figures presented are compared to previous year (first half of 2015 in brackets)

The reduced profit mainly relates to the demobilisation of BW Athena in first half-year 2016 offset by release of provisions related to the variable compensation scheme, the completion of the loss of hire insurance for Cidade de São Mateus and down time related to the shutdown of BW Pioneer.

OPERATIONS

BW Offshore currently operates 16 units. The owned fleet consists of 14 FPSOs and one FSO. Average uptime during the second quarter was 97.1% (97.8%). Cidade de São Mateus will 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.

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 November 2016.

BW Offshore has in the second quarter 2016 replaced certain wire segments in the subsea mooring system for BW Pioneer. The FPSO was disconnected and out of service during the campaign that lasted close to two months. The work was completed a few days ahead of schedule and within budget. The cost for the replacement is partly covered by insurance.

Cidade de São Mateus arrived at Keppel yard in Singapore during May 2016. The FPSO has there been undergoing inspection in collaboration with insurance loss adjusters to ascertain the repair scope. The inspection was completed by end of June and the FPSO was subsequently moved back to lay-up. Before the final repair plan is established after discussions with the client, it is not clear when the unit will return to the field.

BW Offshore carries insurance cover on a fleet wide basis, for its crew and support staff, pollution and clean up and any damage to vessels. In addition, major units like Cidade de São Mateus are covered by a loss of hire insurance for a period of up to 12 months. The loss of hire insurance for Cidade de São Mateus stopped paying out in May 2016.

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

PROJECTS

The Catcher project remains within budget with expected first oil in 2017. Project progress continues to track its schedule.

BWO has reported as before that hull activities have slipped due to the yard's inability to progress the hull delivery in accordance with the contractual schedule. The mitigation plan that has been implemented is providing the expected results. The hull reached Keppel Tuas Yard in Singapore in July where it will be completed while the integration of the topside is taking place.

Offshore installation in the UK of the STP buoy and associated mooring equipment has been carried out and completed according to the project plan during July 2016.

BW Offshore has noted that Premier Oil in their latest press release has agreed to a further deferral of the test of Premier's financial covenants while discussions around the Company's existing debt arrangements continue. It is not expected that this situation will have a 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 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 financial stakeholders, the Company successfully completed all of its previously announced financing initiatives in July 2016. The new long-term financial platform is expected to contribute more than USD 500 million in improved liquidity in the period through 2020 and thereby 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 of the medium-term liquidity requirements. Further, all of the Company's capital commitments are fully financed.

Please note that the condensed interim consolidated financial information for the second quarter does not reflect the changes as a result of the new financial platform as these were only effective post 21 July 2016. For further details, please see note 13 in the financial section of this report.

OUTLOOK

The oil and gas markets continue to be challenging and field developments are still being postponed across the industry. The Company's expectations for slow market activity with few awards remains 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 returns to balance.

BW Offshore is well-placed in the global oil and gas market to provide the services and technology to minimise lifecycle costs of offshore developments. This will allow developments to be 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 a cost effective for oil and gas companies as they increase their specialisation. BW Offshore, however, still believes it is prudent to expect a prolonged downturn in contract awards. The Company 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 has established a new management structure and a new team. The new team's key focus is to implement of the staff reduction program which is nearly completed onshore and is now continuing in the offshore organisation. The current target is to reduce offshore personnel costs by 10-15% and offshore R&M spend by 10% through higher efficiency, renegotiated supplier agreements and subcontracts. The total process will be implemented in 2016 and take full effect from 2017. The company remains fully focused on managing costs and improving performance.

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. However, at current oil price levels BW Offshore still faces risks of customers delaying or defaulting on their obligations. The effect of this may affect asset values should option periods not be declared or units not be redeployed, potentially also affecting liquidity and covenant compliance. Redeployment of units coming off contracts are currently being affected by the low number of new developments.

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.

DECLARATION OF THE BOARD

We confirm to the best of our knowledge that the Condensed Interim Consolidated Financial Information for the first half-year of 2016 has been prepared in accordance with IAS 34 "Interim Financial Reporting", and gives a true and fair view of BW Offshore Limited's consolidated assets, liabilities, financial position and income statement as a whole. We also confirm to the best of our knowledge that the Financial Summary includes a fair review of important events that arose during the first half-year of 2016, and their impact on the Condensed Interim Consolidated Financial Information, and accounts properly for the principal risks and uncertainties for the remaining half-year of 2016, as well as major related parties' transactions.

Bermuda, 28 August 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	Q2 16	Q1 16	Q2 15	H1 2016	H1 2015
Operating revenue	14	172.5	214.4	243.7	386.9	480.5
Operating expenses		(87.9)	(117.1)	(139.4)	(205.0)	(283.1)
Share of profit/(loss) of associates and joint ventures	6	0.0	0.1	0.7	0.1	0.8
Operating profit before depreciation/amortisation		84.6	97.4	105.0	182.0	198.2
Depreciation	11	(53.7)	(59.7)	(72.0)	(113.4)	(129.3)
Amortisation		(0.7)	(0.7)	(0.7)	(1.4)	(1.3)
Impairment vessels, goodwill and other assets	12	(5.3)	(0.8)	0.0	(6.1)	0.0
Gain on sale of assets		0.0	0.0	0.0	0.0	1.4
Operating profit / (loss)		24.9	36.2	32.3	61.1	69.0
Interest income		0.5	0.5	0.4	1.0	1.7
Gain/(loss) on financial instruments	7	(6.1)	(3.9)	8.5	(10.0)	(1.7)
Interest expense		(10.8)	(11.6)	(13.4)	(22.4)	(26.6)
Other financial items		(1.7)	(14.4)	(0.2)	(16.1)	0.0
Net financial income/(expense)		(18.1)	(29.4)	(4.7)	(47.5)	(26.6)
Profit/(loss) before tax		6.8	6.8	27.6	13.6	42.4
Income tax expense		(11.2)	(9.7)	(8.0)	(20.9)	(17.0)
Net profit/(loss) for the period		(4.4)	(2.9)	19.6	(7.3)	25.4
Net profit/(loss) attributable to owners of the Company		(4.4)	(2.9)	19.6	(7.3)	25.4
Basic/diluted earnings/(loss) per share (USD) net		(0.01)	(0.00)	0.03	(0.01)	0.04

COMPREHENSIVE INCOME STATEMENT

(Unaudited figures in USD million)

	Q2 16	Q1 16	Q2 15	H1 2016	H1 2015
Net profit/(loss) for the period	(4.4)	(2.9)	19.6	(7.3)	25.4
Other comprehensive income					
<i>Items to be reclassified to profit or loss:</i>					
Currency translation differences	(0.6)	0.5	0.6	(0.1)	(3.8)
Net profit/(loss) on cash flow hedges	6.4	7.3	0.4	13.7	(3.0)
Net items to be reclassified to profit or loss:	5.8	7.8	1.0	13.6	(6.9)
<i>Items not to be reclassified to profit or loss:</i>					
Actuarial gains/(losses) on defined benefit plans	0.1	(0.5)	0.0	(0.4)	0.0
Net items not to be reclassified to profit or loss:	0.1	(0.5)	0.0	(0.4)	0.0
Other comprehensive income, net of tax	5.9	7.3	1.0	13.2	(6.9)
Total comprehensive income	1.5	4.4	20.6	5.9	18.5

The notes in pages 6-9 are an integral part of these consolidated interim financial statements.

STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)

ASSETS	Notes	30.06.2016	31.03.2016	31.12.2015	30.06.2015
Vessels and vessels under construction	2,11,12	2,783.1	2,723.8	2,694.1	2,758.6
Property and other equipment		10.5	11.0	12.0	10.8
Goodwill and intangibles		4.0	4.3	4.4	191.4
Finance lease receivables	3	105.0	109.3	113.5	131.5
Investments in associates and joint ventures	6	7.8	7.8	7.7	6.8
Derivatives		0.0	0.6	0.6	0.4
Deferred assets		6.8	7.1	7.5	8.4
Total non-current assets		2,917.2	2,863.9	2,839.8	3,107.9
Inventory		10.0	8.0	6.7	6.5
Trade receivables and other current assets		366.2	404.3	471.4	353.2
Derivatives		1.9	1.6	0.0	0.0
Cash and deposits		141.8	109.9	121.8	192.1
Total current assets		519.9	523.8	599.9	551.8
TOTAL ASSETS		3,437.1	3,387.7	3,439.7	3,659.7
EQUITY AND LIABILITIES					
Total equity attributable to owners of the Company	4	950.4	948.7	944.4	1,189.5
Total equity		950.4	948.7	944.4	1,189.5
Interest-bearing long-term debt	5	1,471.0	1,405.0	1,460.8	1,446.3
Pension obligations		12.4	12.3	12.1	16.1
Other long-term liabilities	8	294.2	269.8	265.1	239.7
Derivatives		106.5	103.8	148.9	110.0
Total non-current liabilities		1,884.1	1,790.9	1,886.9	1,812.1
Trade and other payables		209.4	242.4	275.9	265.2
Derivatives		36.6	45.5	27.5	32.9
Interest-bearing short-term debt	5	331.3	336.2	280.7	323.2
Income tax liabilities		25.3	24.0	24.3	36.8
Total current liabilities		602.6	648.1	608.4	658.1
Total liabilities		2,486.7	2,439.0	2,495.3	2,470.2
TOTAL EQUITY AND LIABILITIES		3,437.1	3,387.7	3,439.7	3,659.7

The notes in pages 6-9 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		Cash flow hedges	Other equity	Total
				translation reserve				
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	
Share-based payments	0.0	0.0	0.0	0.0	0.0	0.1	0.1	
Profit/ (loss) for the period	0.0	0.0	0.0	0.0	0.0	(7.3)	(7.3)	
Other comprehensive income	0.0	0.0	0.0	(0.1)	13.7	(0.4)	13.2	
Total equity at 30 June 2016	6.9	1,085.0	(9.0)	(15.4)	(17.5)	(99.6)	950.4	

2015	Share capital	Share premium	Treasury shares	Currency		Cash flow hedges	Other equity	Total
				translation reserve				
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	(27.4)	(27.4)	
Share-based payments	0.0	0.0	0.0	0.0	0.0	0.3	0.3	
Profit/ (loss) for the period	0.0	0.0	0.0	0.0	0.0	25.4	25.4	
Other comprehensive income	0.0	0.0	0.0	(3.8)	(3.0)	0.0	(6.9)	
Total equity at 30 June 2015	6.9	1,085.0	(9.1)	(12.2)	(35.8)	154.9	1,189.5	

CASH FLOW STATEMENT

(Unaudited figures in USD million)

	Q2 16	Q1 16	Q2 15	H1 2016	H1 2015
Profit/ (loss) before taxes	6.8	6.8	27.6	13.6	42.4
Unrealised currency exchange losses/(gains)	0.7	13.7	(0.7)	14.3	(1.6)
Depreciation and amortisation	54.4	60.4	72.7	114.8	130.6
Taxes paid	(10.0)	(9.4)	(8.0)	(19.3)	(15.8)
Share of loss/ (profit) of associated companies	0.0	(0.1)	(0.7)	0.0	(0.8)
Loss/ (gain) on sale of shares and fixed assets	0.0	(0.0)	0.0	0.0	(1.4)
Impairment	5.3	0.8	0.0	6.1	0.0
Change in fair value of derivatives	3.9	6.1	(8.5)	10.0	1.7
Change in working capital	27.5	37.2	25.8	64.7	4.3
Add back of net interest expense	10.3	11.1	13.0	21.4	24.9
Other items	8.5	(4.1)	8.2	4.3	25.6
Net cash flow from operating activities	107.4	122.5	129.3	229.9	209.9
Investment in fixed assets	(118.2)	(89.7)	(124.8)	(207.9)	(224.7)
Investment in associates	0.0	0.0	(1.4)	0.0	(1.4)
Sale of fixed assets	0.0	0.0	0.0	0.0	85.5
Interest received	0.5	0.5	0.5	1.0	1.7
Net cash flow from investing activities	(117.7)	(89.2)	(125.7)	(206.9)	(138.9)
Proceeds from new interest bearing debt	98.0	159.0	161.0	257.0	361.0
Repayment of interest-bearing debt	(35.1)	(182.8)	(88.9)	(217.9)	(384.0)
Dividend paid	0.0	0.0	(13.7)	0.0	(27.4)
Interest paid	(20.7)	(21.4)	(21.2)	(42.1)	(43.9)
Net cash flow from financing activities	42.2	(45.1)	37.2	(3.0)	(94.3)
Net change in cash and cash equivalents	31.9	(11.9)	40.8	20.0	(23.3)
Cash and cash equivalents at beginning of period	109.9	121.8	151.3	121.8	215.4
Cash and cash equivalents at end of period	141.8	109.9	192.1	141.8	192.1

The notes in pages 6-9 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 second quarter, ended 30 June 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 2,783.1 million (USD 2,758.6 million) at 30 June 2016.

Capital expenditure related to vessels and vessels under construction in the second quarter 2016, amounted to USD 117.3 million (USD 123.6 million). This is related to capital expenditures on the Catcher project and capital expenditures for on-going 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

The number of issued shares was 688,006,004 at 30 June 2016. There were no changes in shares issued in the second quarter 2016.

There were 700,000,000 authorised shares at 30 June 2016.

The Company held a total of 2,445,020 own shares at 30 June 2016.

Note 5 - Interest-bearing debt

Non-current debt

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

	2016	2015
USD 2,400 million facility	656.5	796.8
Joko Tole USD 250 million facility	34.8	73.1
BWO04 - NOK 900 million Bond	106.8	113.4
BWO03 - NOK 750 million Bond	89.4	94.9
BWO02 - NOK 500 million Bond	59.8	63.4
BWO01 - NOK 500 million Bond	0.0	63.6
Catcher USD 800 million facility	443.4	173.2
Petróleo Nautipa USD 80 million facility	56.4	67.8
Umuroa USD 130 million facility	23.9	0.0
Total	1,471.0	1,446.3

Current debt

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

	2016	2015
USD 2,400 million facility	220.1	218.6
Joko Tole USD 250 million facility	38.3	57.2
BWO04 - NOK 900 million Bond	(0.3)	(0.3)
BWO03 - NOK 750 million Bond	(0.3)	(0.3)
BWO02 - NOK 500 million Bond	(0.2)	(0.2)
BWO01 - NOK 500 million Bond	59.8	(0.2)
Catcher USD 800 million facility	(1.6)	(1.2)
Petróleo Nautipa USD 80 million facility	11.5	11.4
Umuroa USD 130 million facility	4.0	38.2
Total	331.3	323.2

Instalment overview

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

	Q3 16	Q4 16	Q1 17	Q2 17	2016*	2017	2018-2020	2021 and beyond	Total
USD 2,400 million facility	111.2	-	111.2	-	111.2	222.5	546.2	-	879.9
Joko Tole USD 250 million facility	10.1	10.1	9.4	9.4	20.1	37.5	16.3	-	74.0
BWO04 - NOK 900 million Bond**	-	-	-	-	-	-	117.0	-	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**	-	-	90.0	-	-	90.0	-	-	90.0
Catcher USD 800 million facility	-	-	-	-	-	28.6	342.9	80.6	452.0
Petróleo Nautipa USD 80m facility	5.8	-	5.8	-	5.8	11.6	34.9	16.0	68.4
Umuroa USD 130 million facility	1.0	1.0	1.0	1.0	2.0	4.0	22.0	-	28.0
Total	128.1	11.1	217.4	10.4	139.2	394.2	1,290.0	96.6	1,920.0

*) Q3 16 - Q4 16

***) 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 25% of total assets, annualised debt to EBITDA of maximum 5.5, 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 25% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Company.

As per end of second quarter 2016, the Company is in compliance with all financial covenants. The equity ratio as per end of second quarter 2016 is 27.7%, and available liquidity amounts to USD 288.0 million.

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

	Q2 16	Q1 16	Q2 15	H1 2016	H1 2015
Gain/(loss) on financial instruments	(6.1)	(3.9)	8.5	(10.0)	(1.7)
Net gain/ (loss) on financial instruments	(6.1)	(3.9)	8.5	(10.0)	(1.7)

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.

Note 10 – Capital commitments

Total unrecognised contractual capital commitments at 30 June 2016 amounted to USD 352.2 million (corresponding figure for 30 June 2015 was USD 511.3 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.

During second quarter, the Company has revised the amortisation schedule for non-recoverable equipment on the FPSO Pioneer as a result of the 3-year contract extension. The amortisation schedule has been amended so that non-recoverable equipment that previously was amortised to zero during first quarter 2017, is now amortised to zero during first quarter 2020 in line with the firm contract extension for the FPSO. This has reduced depreciations on FPSO Pioneer with USD 6.7m for second quarter.

Note 12 – Impairment and Insurance

As part of the restructuring that started in first quarter 2016, the Company has impaired some furniture and fitting related to offices leased, USD 0.8 million. During second quarter the Company recorded an impairment charge of USD 2.6 million for FPSO BW Pioneer. The impairment was related to wire segments in the subsea mooring system for FPSO BW Pioneer that was replaced during the quarter. An impairment charge of USD 2.7 million has also been recorded for FPSO BW Joko Tole. The impairment was related to replacement of equipment on the FPSO as part of a regular maintenance schedule, where the cost of the new equipment has been capitalised.

The Company has during the quarter impaired trade receivables in the amount of USD 8.6 million to cater for doubtful receivables.

Note 13 - Subsequent events

Canadian Natural Resources has in July 2016 exercised the option to extend the fixed term of the lease contract for FPSO Espoir Ivoirien from 2017 to 2022. The terms are based on existing extension options, with some adjustments for life extension investment scope, delivering cost savings for both parties.

The Chief Executive Officer, Carl Krogh Arnet, has an early retirement plan and a pension plan, accrued over his career, that entitles him to a pension equalling 66% of his salary, for life, from the age of 60 years with an annual adjustment for inflation. The plan also includes surviving spouse coverage of 55%. The Chief Executive Officer turned 60 years in May 2016. The Board of Directors has resolved that the total future pension liability, approximately USD 17.5 million, be paid out in cash as a lump sum, as a full and final payment for all rights under the plans. The settlement was carried out in July 2016. The Company has annually accrued for its pension liabilities. The Company has further obtained various insurance products to partially fund its obligations under the plan. The funds from the insurance products will reduce the Company's net cash outlay by approximately USD 4 million. Further the Company's pension liabilities will be reduced by a corresponding amount.

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 is 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 will contribute in excess of USD 500 million in improved liquidity in the period throughout 2020, and thereby give the Company a significant runway until the markets are expected to recover.

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 are expected to be approximately NOK 833 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.

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.

The quarterly low general and administrative expenses are due to the fact that the release of the provision for the VCS scheme is higher than the quarterly provision made for the restructuring.

FPSO activity	Q2 16	Q2 15
Revenues from third parties	172.5	243.7
General and administrative expenses	(5.7)	(10.9)
EBITDA	84.6	105.0
Net gain on sale of tangible fixed assets	0.0	0.0
Depreciation, amortisation and impairment	(59.7)	(72.7)
EBIT	24.9	32.3

Other segment information

Capital expenditure	118.3	124.8
Non-current assets (excl finance items)	2,812.2	2,976.3
Investments in associates and joint ventures	7.8	6.8

Geographical information - Revenue

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

Americas	68.5	104.2
Europe/Africa	78.0	112.5
Asia and the Pacific	26.1	27.0
Total revenue	172.5	243.7

The FPSOs by region can be analyzed as follows:

Americas	947.0	1,173.0
Europe/Africa	1,333.4	1,263.3
Asia and the Pacific	502.6	322.3
Total non-current assets	2,783.1	2,758.6

KEY FIGURES

	Note	Q2 16	Q1 16	Q2 15	H1 2016	H1 2015
EBITDA-margin	1	49.0%	45.4%	43.1%	47.0%	41.2%
Equity ratio	2	27.7%	28.0%	32.5%	27.7%	32.5%
Return on equity	3	0.1%	0.0%	4.5%	-0.5%	4.4%
Return on capital employed	4	4.0%	5.8%	4.2%	4.9%	4.5%
Net interest bearing debt (USD million)	5	1,660.5	1,631.3	1,577.4	1,660.5	1,577.4
Cash flow per share (USD)	6	0.16	0.18	0.19	0.33	0.30
EPS-basic/diluted	7	0.00	0.00	0.03	-0.01	0.04
Shares-end of period (million)		688.0	688.0	688.0	688.0	688.0
Share price (NOK)		0.77	1.3	5.05	0.77	5.05
Market cap (NOKm)		530	894	3,474	530	3,474
Market cap (USDm)		63	108	442	63	442

Notes to key figures

- Earnings before interest, taxes, depreciation and amortisation / Operating revenues
- Equity / Total assets
- Annualised net profit / Average equity
- Adjusted EBIT (annualised) / Capital employed (Total assets - vessels under conversion - investments without contributions to EBIT - interest free debt and equivalents)
- Interest bearing debt - cash and cash equivalents
- Net cash flow from operating activities / Weighted average number of shares - (USD)
- 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 + options until 2021
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		2013-2018 + options until 2033
P-63 (FPSO)	Brazil	Petrobras		2013-2016*

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