



BW Offshore



BW OFFSHORE

Q1 2016 presentation

23 May 2016

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BW Offshore

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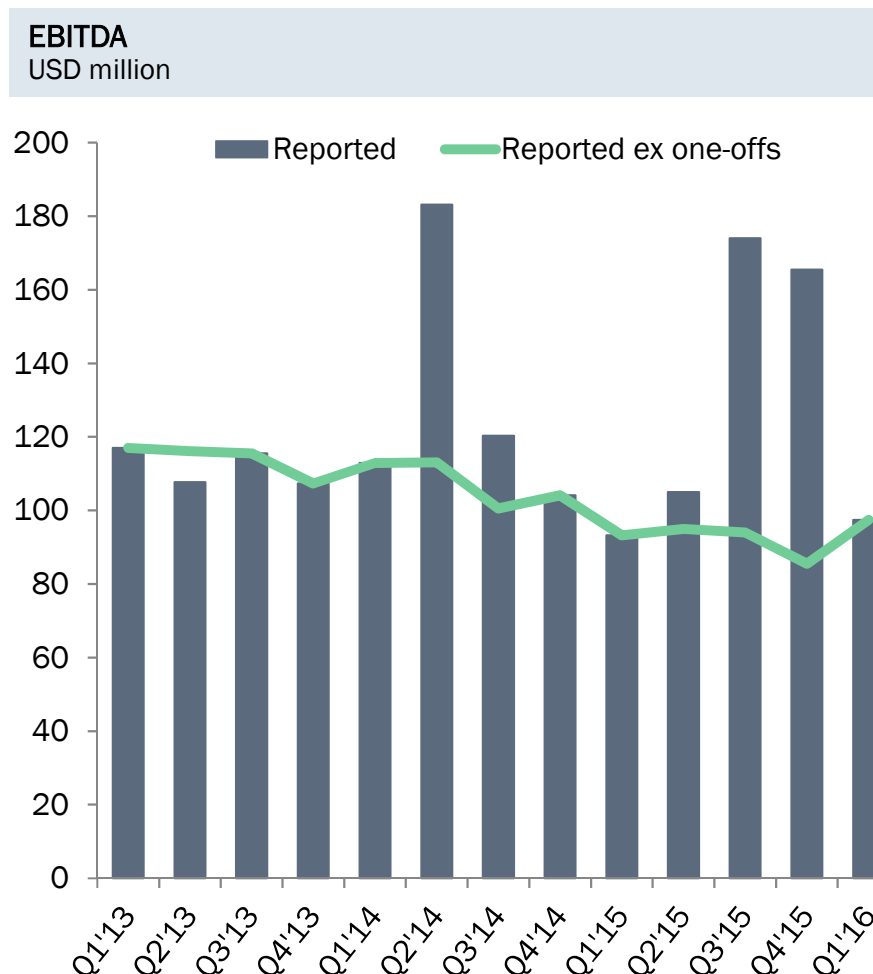
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Key events year to date

- EBITDA of USD 97.4 million
- Contract extension for BW Pioneer until Q1 2020
- BW Athena demobilised in February
- Catcher project on track for first oil in second half of 2017
- Cidade de São Mateus arrived at yard in Singapore
- Reorganisation and downsizing of onshore staff by 35% commenced in Q1
- Launch of plan to secure long-term financial platform





BW Offshore

An aerial photograph of a large red offshore supply vessel, the 'YUUK KAIKNAAB', sailing on the open ocean. The vessel is equipped with a tall, lattice-structured derrick and various deck equipment. A smaller vessel is visible in the distance. A semi-transparent white box is overlaid on the left side of the image, containing the word 'OPERATIONS' in bold, black, uppercase letters.

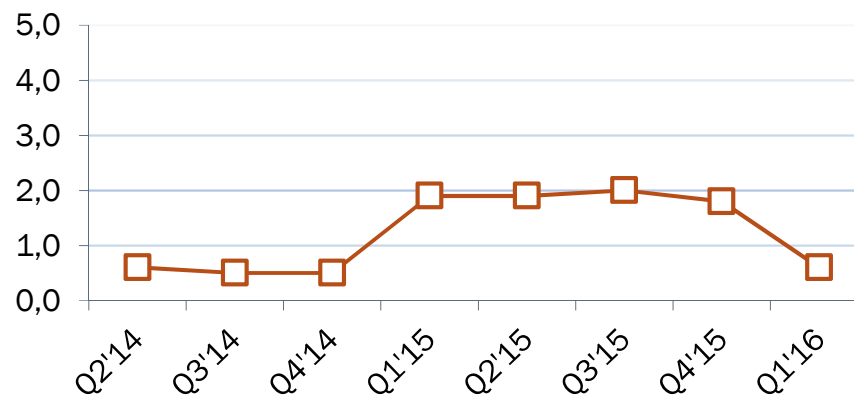
OPERATIONS



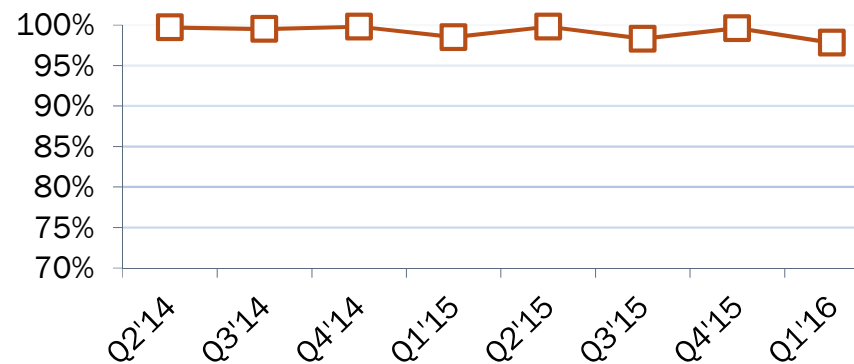
Operational status

- HSSEQ performance
 - Lost time injuries (LTI⁽¹⁾) frequency of 0.6
- Operating fleet uptime 97.8%
- BW Pioneer firm contract extension
 - Q1 2017 to Q1 2020
 - Two months disconnection in Q2 2016 for repair of mooring wires
 - Repair cost partially covered by insurance
- Increased overdues
 - Only partial rate payments received for Sendje Berge
- BW Athena demobilised in February and is currently in layup in Scotland
- Cidade de São Mateus arrived at Keppel yard in Singapore
 - Cleaning of vessel for hydrocarbons carried out at Karimun
 - Vessel currently undergoing inspection in collaboration with insurance loss adjusters
 - Targeted return to field Q4 2017

HSE record (LTI)
Lost time injuries per million man-hours



Uptime





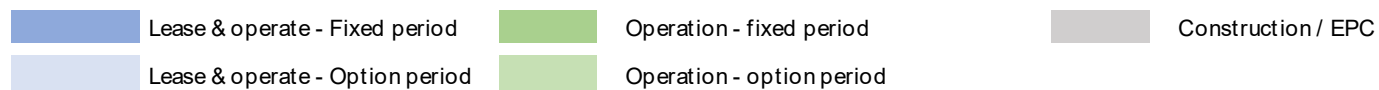
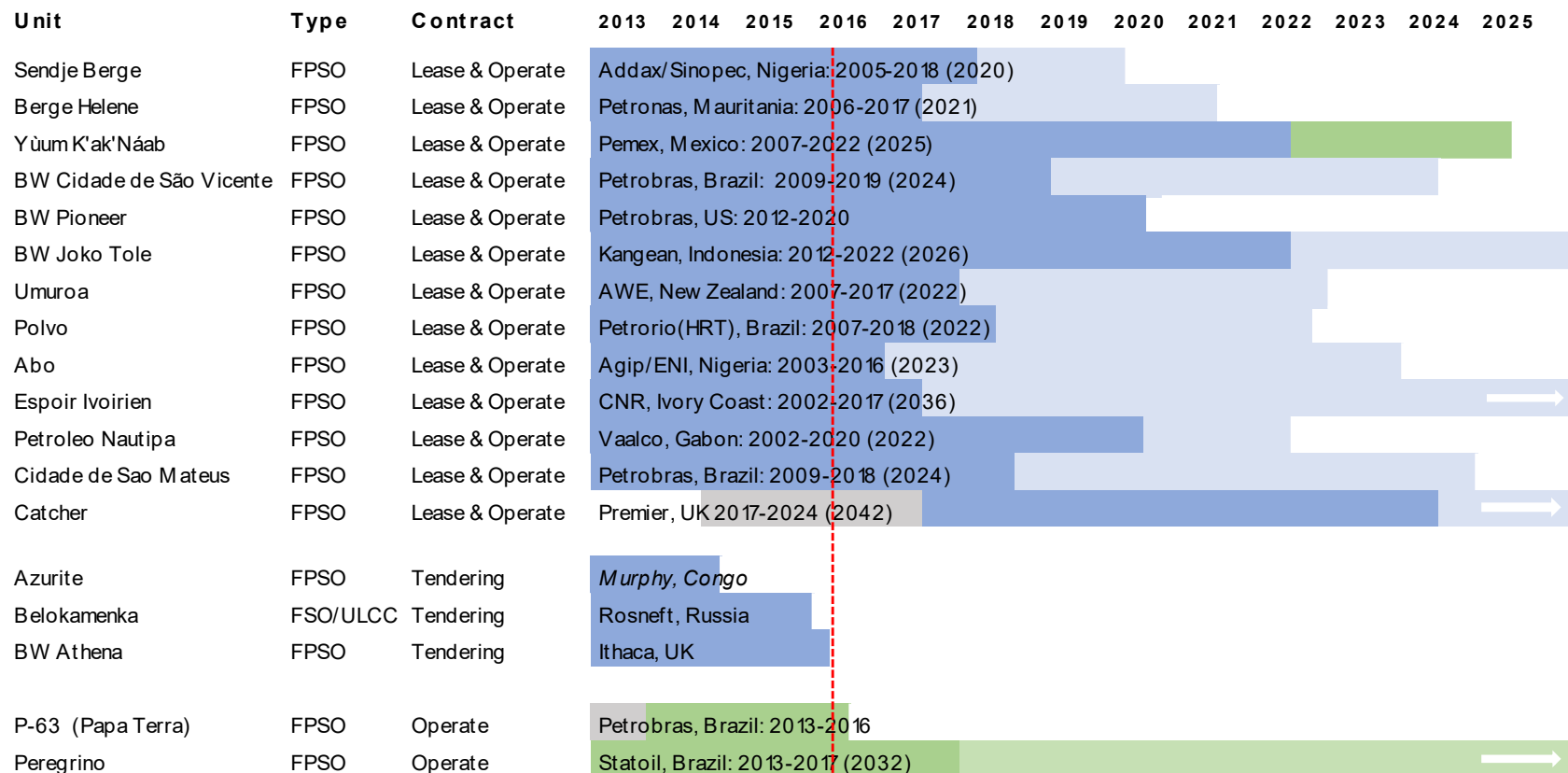
Catcher project

- First oil in second half of 2017
- Hull from IHI-yard in Japan delayed
 - Front of the hull manufactured at SKMT Korea
- Turret and mooring system completed on schedule
 - Installation has commenced
- Topside fabrication in Singapore near completion
- Topside integration to be done at Keppel Shipyard in Singapore
 - Final completion of hull to be done simultaneously in the integration yard
- The project is on budget of USD 1.2bn
 - 90% of the costs have been committed
 - USD 0.6bn incurred by Q1 2016
 - USD 0.4bn has been drawn on the USD 0.8bn Catcher facility



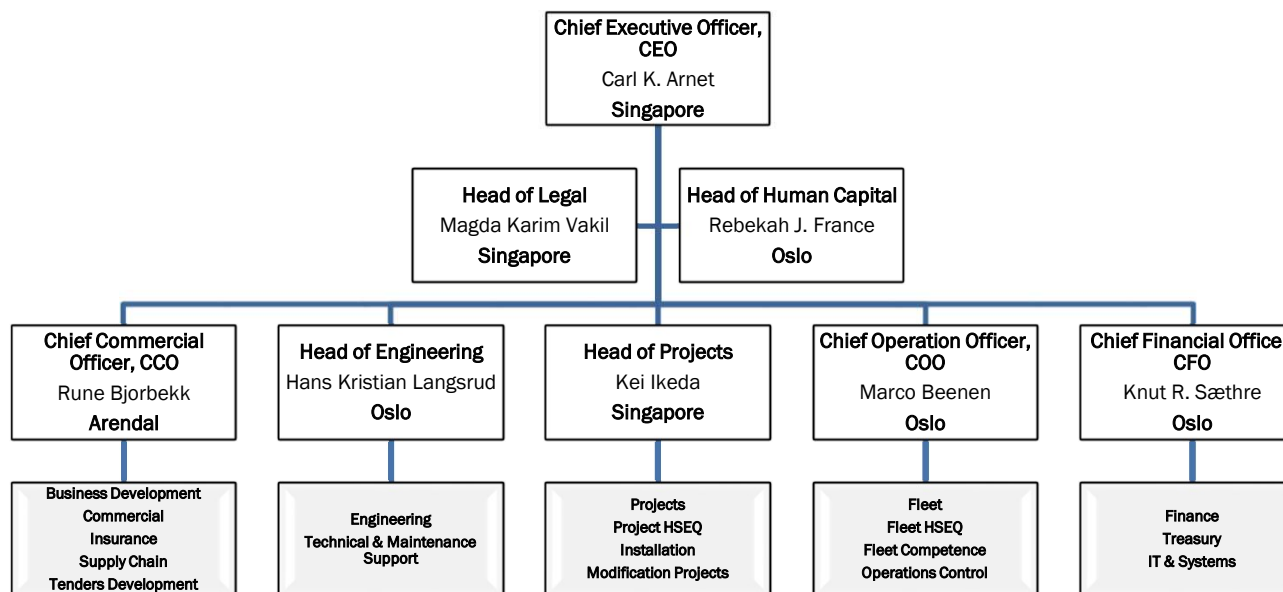


Fleet overview





Focus on capturing value



- Onshore efficiency program and reorganisation commenced in Q1
 - Target 35% reduction of onshore staff
 - Expected annualised cost savings of USD 30m from 2017
- Offshore program for best practice and right-sizing
 - Benchmarking fleet to reduce offshore personnel cost by 10-15%
 - Target reduction of R&M and other offshore related costs by 10% through better activity planning and supply chain improvements
 - Program to continue throughout 2016 and cost savings to take full effect from 2017



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FINANCE

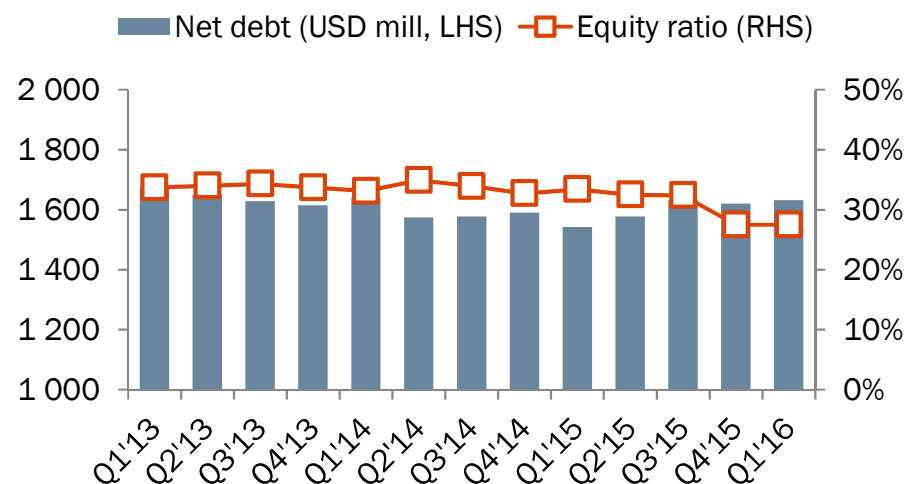




Financials

- EBITDA of USD 97.4 million
- Provision for downsizing process
- Released provision for Variable Compensation Scheme
- Provisions for doubtful debt
- High net financial costs mainly associated with losses on hedging contracts

Net debt and equity ratio
USD million and percentage





Income statement

USD million	Q1 2016	Q4 2015
Operating revenues	214.4	318.8
Operating expenses	-117.1	-153.1
Share of profit from associates and joint ventures	0.1	-0.2
EBITDA	97.4	165.5
Depreciation	-59.7	-66.4
Amortisations	-0.7	-0.7
Impairment	-0.8	-321.4
EBIT	36.2	-223.0
Net interest expense	-11.1	-11.3
FX, financial instruments and other financial items	-18.3	9.0
Profit (loss) before tax	6.8	-225.3
Income tax expense	-9.7	-9.2
Net profit (loss)	-2.9	-234.5





Statement of financial position

USD million	Q1 2016		Q4 2015	
Total non-current assets	2,863.9	84.5%	2,839.8	82.6%
Total current assets	523.8	15.5%	599.9	17.4%
Total assets	3,387.7	100.0%	3,439.7	100.0%
<hr/>				
Total equity	948.7	28.0%	944.4	27.5%
<i>Total non-current liabilities</i>	1,790.9		1,886.9	
<i>Total current liabilities</i>	648.1		608.4	
Total liabilities	2,439.0	72.0%	2,495.3	72.5%
Total equity and liabilities	3,387.7	100.0%	3,439.7	100.0%

USD million	Q1 2016
Reported interest bearing debt	1,741.2
Cash and deposits	-109.9
Net interest bearing debt	1,631.3



Cash flow statement

USD million	Q1 2016	Q4 2015
Net cash flow from operating activities	122.5	127.3
Net cash flow from investing activities	-89.2	-106.6
Net cash flow from financing activities	-45.1	11.9
Net change in cash and cash equivalents	-11.9	32.7
Cash and cash equivalent at start of period	121.8	89.1
Cash and cash equivalent at end of period	109.9	121.8

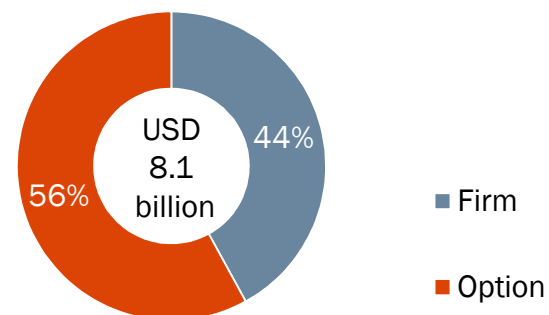




High revenue visibility

- Orderbook of USD 8.1 billion as of 31 March 2016
 - Whereof USD 3.6 billion are firm contracts

Backlog: Firm and option

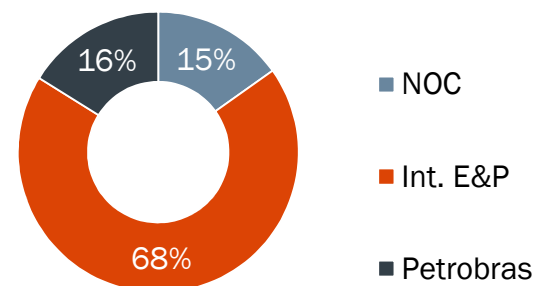


Client overview:



Logos from web

Backlog: Counterparties



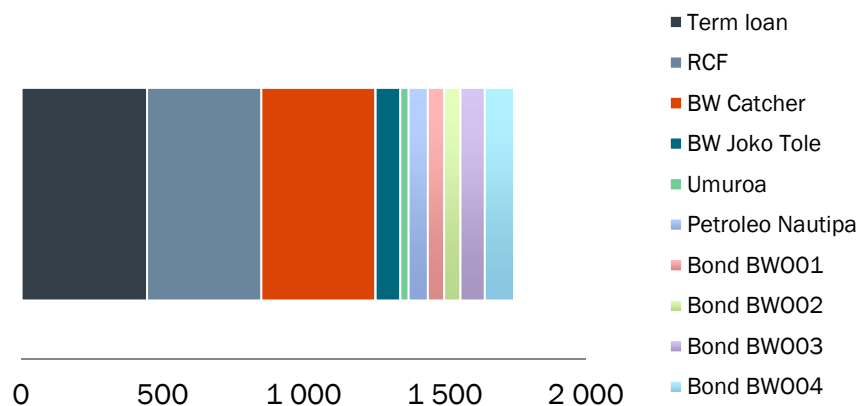


Financing

- Available liquidity including corporate facilities USD 286 million
- Utilised USD 404 million of USD 800 million bank financing for the Catcher project
- Launch of plan to secure long-term financial platform

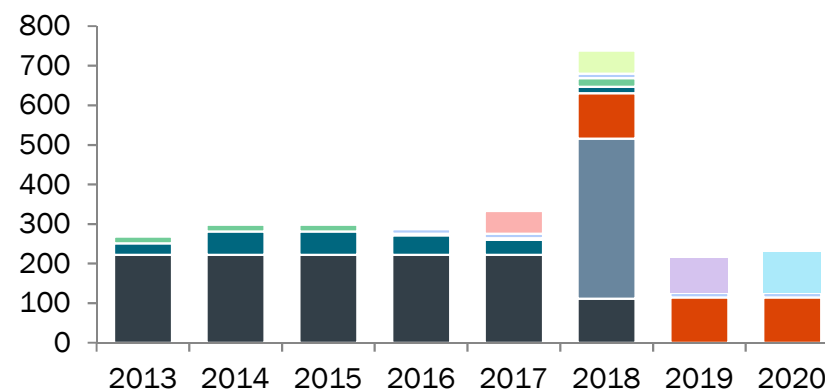
Gross debt
USD million

Per 31.03.2016



Instalments
USD million

Per 31.03.2016





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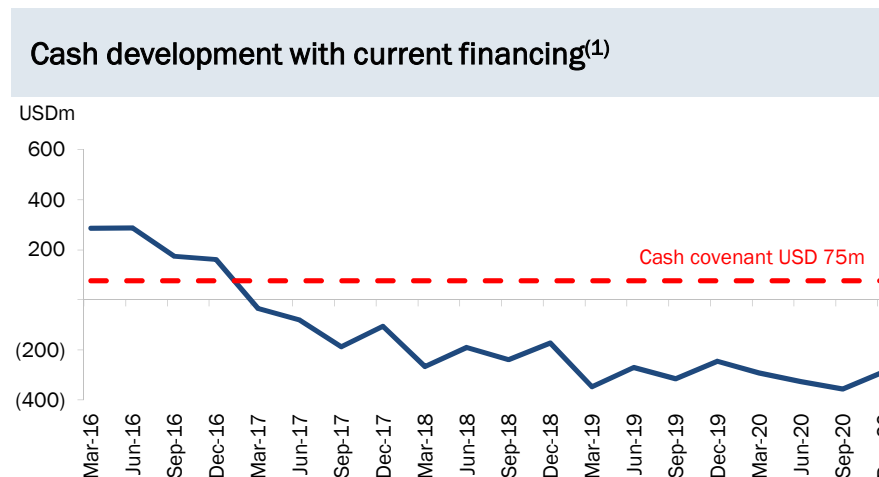


FINANCIAL PLATFORM



Addressing the liquidity situation

- The significant drop in oil price has led to severe challenges both for the oil & offshore industry as well as the capital markets
- Key circumstances particularly affecting BWO
 - Challenging capital markets with limited availability to refinance existing bond debt
 - Cidade de São Mateus extended offshore
 - Contract for BW Athena terminated
 - Increased overdues
- The company has evaluated actions to secure the financial platform until March 2020:
 - Equity injection
 - Amortization reliefs
 - Maturity extensions for both bank facilities and bonds
- Overriding principle of equal treatment of creditors within same group and contribution from all stakeholders





Summary of stakeholder contribution

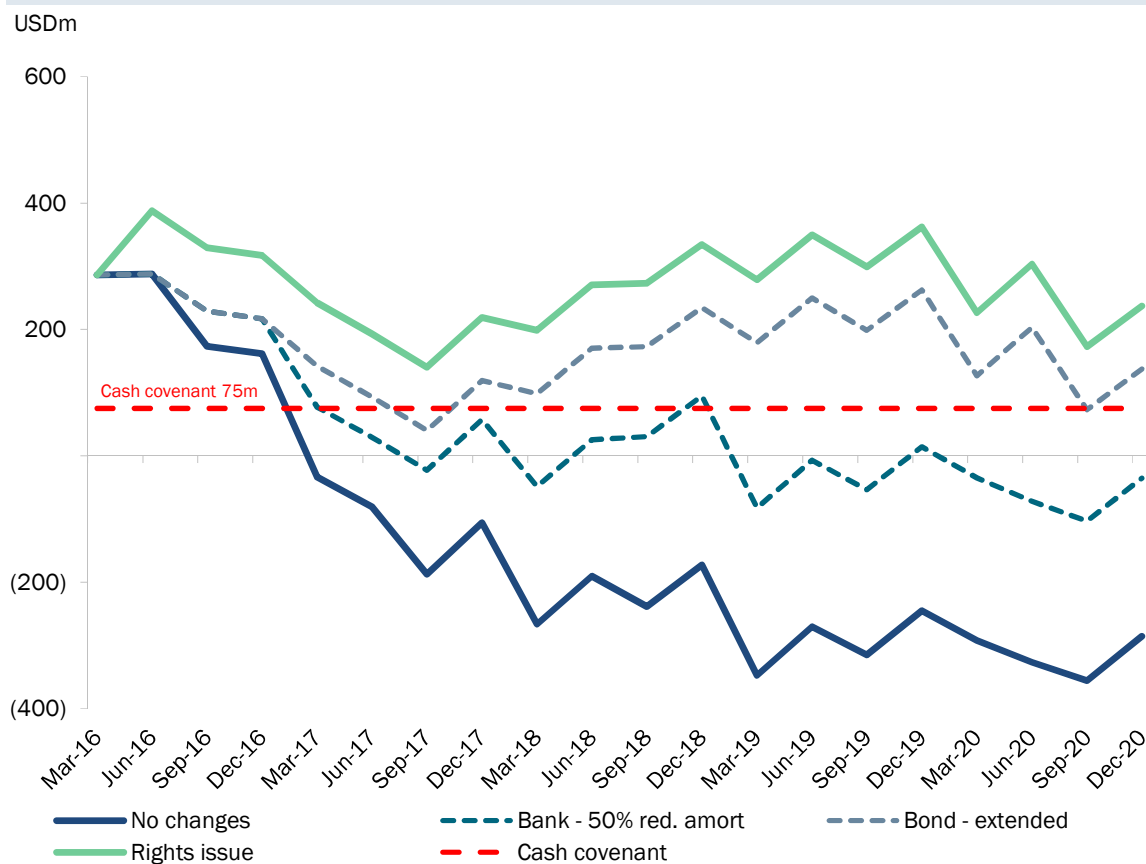
Will provide more than USD500m in increased liquidity until end 2020

	Contribution	Comments	Key effects																																																
<p>Unsecured bonds (BW001, BW002, BW003, BW004)</p>	<ul style="list-style-type: none"> Extend maturity of all outstanding bonds with an average of 2.3 years Equity Ratio covenants from 25% to 20% “No dividends” clause American call at par until extended maturity date Alignment of interest rate of N+450 bps each in extended period 	<ul style="list-style-type: none"> BW001: March 20 with NOK 140m partial redemption in March 17 BW002: Sep 20 with NOK 100m partial redemption in March 20 BW003: March 21 with NOK 150m partial redemption in Sep 20 BW004: March 22 with NOK 90m in March 21 and NOK 180m in Dec 21 The bond proposal is supported by a representative group of bondholders 	<p>Change in bond maturity profile</p> <table border="1"> <caption>Change in bond maturity profile (USDm)</caption> <thead> <tr> <th>Year</th> <th>Old maturity profile</th> <th>New maturity profile</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>~90</td> <td>~20</td> </tr> <tr> <td>2018</td> <td>~80</td> <td>~10</td> </tr> <tr> <td>2019</td> <td>~120</td> <td>~10</td> </tr> <tr> <td>2020</td> <td>~110</td> <td>~170</td> </tr> <tr> <td>2021</td> <td>~130</td> <td>~10</td> </tr> <tr> <td>2022</td> <td>~80</td> <td>~10</td> </tr> </tbody> </table>	Year	Old maturity profile	New maturity profile	2017	~90	~20	2018	~80	~10	2019	~120	~10	2020	~110	~170	2021	~130	~10	2022	~80	~10																											
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<p>Banks (USD 2.4bn debt facility)</p>	<ul style="list-style-type: none"> Reduce amortization by 50% the next five semi-annual instalments Extended tenor with two years with new maturity in 2020 Equity Ratio covenants from 25% to 20% Leverage ratio (IBD/EBITDA) from 5.5x to 6.0x until maturity Margin increase by 25bps 	<ul style="list-style-type: none"> USD 641m balloon extended with two years and reduced to USD 474m Alignment with covenants on other bank facilities Soft acceptance from key banks in place 	<p>Change in USD2.4bn fleet maturity profile</p> <table border="1"> <caption>Change in USD2.4bn fleet maturity profile (USDm)</caption> <thead> <tr> <th>Date</th> <th>Outstanding (50%)</th> <th>Outstanding as is</th> </tr> </thead> <tbody> <tr> <td>Jan-16</td> <td>~1,200</td> <td>~1,200</td> </tr> <tr> <td>May-16</td> <td>~1,100</td> <td>~1,100</td> </tr> <tr> <td>Sep-16</td> <td>~1,000</td> <td>~1,000</td> </tr> <tr> <td>Jan-17</td> <td>~900</td> <td>~900</td> </tr> <tr> <td>May-17</td> <td>~800</td> <td>~800</td> </tr> <tr> <td>Sep-17</td> <td>~700</td> <td>~700</td> </tr> <tr> <td>Jan-18</td> <td>~600</td> <td>~600</td> </tr> <tr> <td>May-18</td> <td>~500</td> <td>~500</td> </tr> <tr> <td>Sep-18</td> <td>~400</td> <td>~400</td> </tr> <tr> <td>Jan-19</td> <td>~300</td> <td>~300</td> </tr> <tr> <td>May-19</td> <td>~200</td> <td>~200</td> </tr> <tr> <td>Sep-19</td> <td>~100</td> <td>~100</td> </tr> <tr> <td>Jan-20</td> <td>~100</td> <td>~100</td> </tr> <tr> <td>May-20</td> <td>~100</td> <td>~100</td> </tr> <tr> <td>Sep-20</td> <td>~100</td> <td>~100</td> </tr> </tbody> </table>	Date	Outstanding (50%)	Outstanding as is	Jan-16	~1,200	~1,200	May-16	~1,100	~1,100	Sep-16	~1,000	~1,000	Jan-17	~900	~900	May-17	~800	~800	Sep-17	~700	~700	Jan-18	~600	~600	May-18	~500	~500	Sep-18	~400	~400	Jan-19	~300	~300	May-19	~200	~200	Sep-19	~100	~100	Jan-20	~100	~100	May-20	~100	~100	Sep-20	~100	~100
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<p>Shareholder contribution</p>	<ul style="list-style-type: none"> Target a rights issue of USD 100m Main shareholder supportive of a pro rata capital contribution given a balanced solution with other stakeholders 	<ul style="list-style-type: none"> Sufficient runway required to ensure shareholder support Ranked behind other stakeholders The rights issue is fully underwritten by the main shareholder (pro rate to current holding) and a group of key banks 	<p>BWO market cap</p> <table border="1"> <caption>BWO market cap (USDm)</caption> <thead> <tr> <th>Category</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Current market cap*</td> <td>~120</td> </tr> <tr> <td>New capital</td> <td>~100</td> </tr> </tbody> </table>	Category	Value	Current market cap*	~120	New capital	~100																																										
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Liquidity development post amendments

Estimated liquidity development 2016 – 2020⁽¹⁾



Shareholder contribution

- Shareholder contribution of USD 100m

Extended maturities bonds

- Extension of all bonds

Reduced amortization 2.4bn facility

- Next five 2.4bn facility semi-annual instalments reduced by 50%
- 2.4bn facility balloon of USD 641m extended by two years and reduced to USD 474m

No changes

- No changes to the capital structure

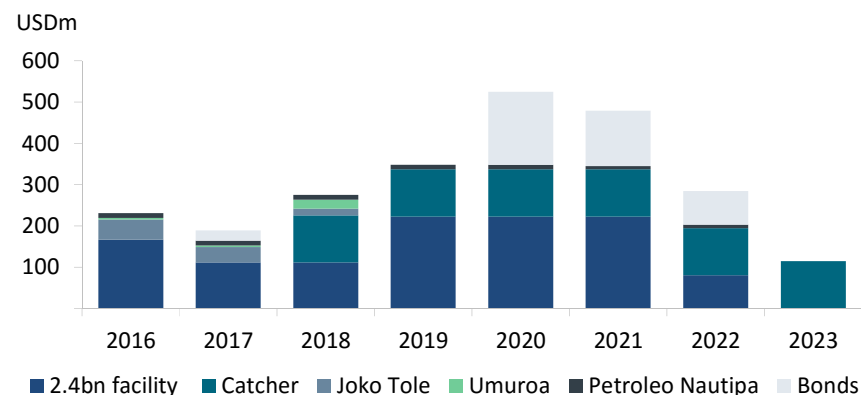


BW Offshore 2020 financing case

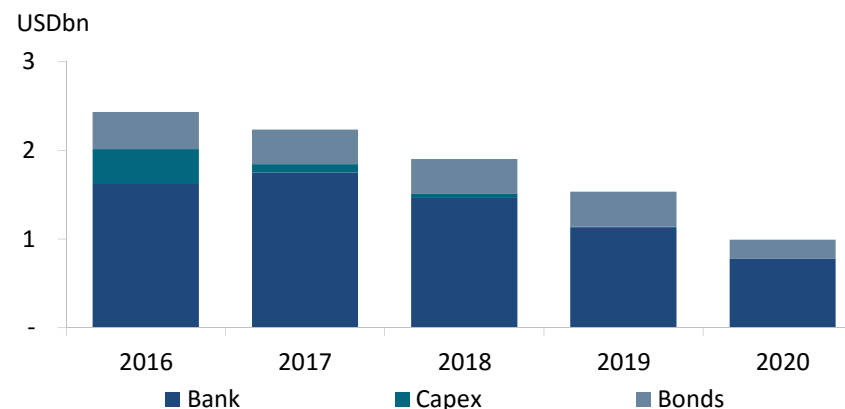
Comments

- Current 2020 remaining revenue backlog of USD 5.1bn
 - Fixed USD 1.5bn
 - Option USD 3.6bn
- Total debt and capex commitments are reduced by approximately USD 1.3bn from 2016 to 2020
- By year-end 2020 total debt is reduced to approximately USD 1bn
- The company is of the opinion that it will be in a position to refinance the USD 2.4bn facility prior to 2020

New debt amortization profile⁽¹⁾

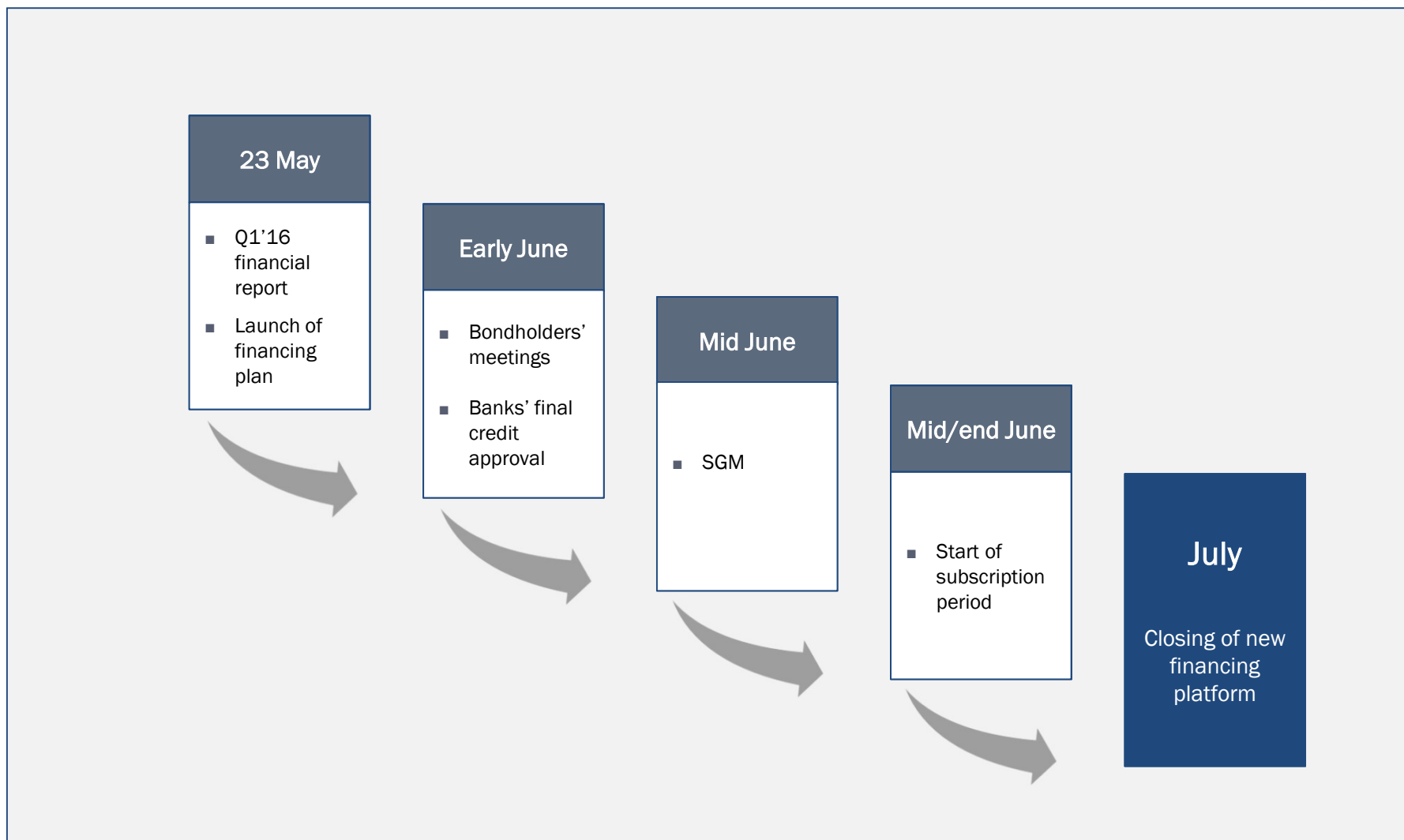


Capital commitments⁽²⁾



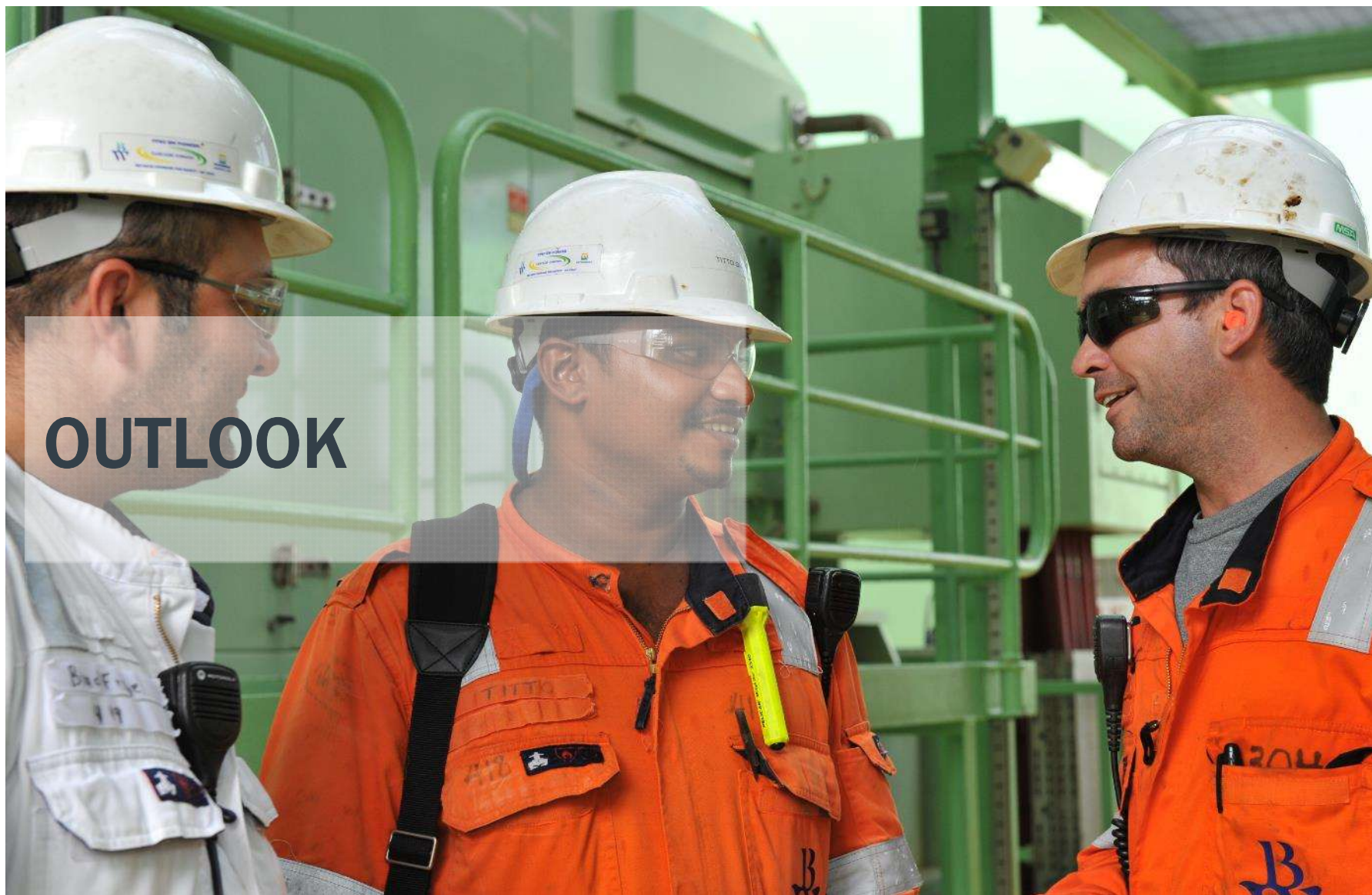


Timeline





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OUTLOOK



Our landscape

■ Positive

- Cost efficient production
- Extensions despite low oil price
- Good quality fleet
- Competitiveness of conversions

■ Actions

- Drive to cut cost – stay relevant
- Ensure clear path on liquidity to 2020
- Target early mover oil co's for redeployments
- Exploring partnerships and alternative commercial models

■ Uncertainties

- Oil price
- New developments/redeployments
- Counterparty risk
- Asset values





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Current priorities

- New financial platform
- Catcher project
- Cidade de São Mateus recovery project
- Fleet performance
- Life extension programs
- Redeployment prospects





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IR contact: IR@bwoffshore.com