



# BW Offshore Limited



Picture from BW Pioneer

## HIGHLIGHTS

- EBITDA of USD 112.9 million in the first quarter
- Stable operations with an uptime of 99.5%
- Long-term extension for FPSO Sendje Berge
- Signed Letter of Award and contract for the Catcher FPSO
- Termination of the Letter of Intent for acquiring stake in Polvo oil field
- Successful placement of a NOK 750 million senior unsecured bond
- Dividend payment of USD 0.03 per share

## FINANCIAL SUMMARY

### FIRST QUARTER

Operating revenues for the quarter amounted to USD 237.3 million, a decrease of USD 23.3 million (9%) compared to USD 260.6 million in the previous quarter (fourth quarter of 2013).

Operating expenses amounted to USD 125.0 million, a decrease of USD 31.8 million (20%) compared to USD 156.8 million in the previous quarter.

The decrease in operating revenues and operating costs for the quarter mainly represent gross effects from reimbursable elements on the Papa Terra project in previous quarter.

EBITDA for the first quarter amounted to USD 112.9 million, an increase of USD 5.5 million (5%) compared to USD 107.4 million in the previous quarter.

Depreciation amounted to USD 55.3 million, a decrease of USD 11.2 million (17%) compared to USD 66.5 million in the previous quarter.

BW Offshore has during first quarter reviewed and amended the estimates used for defining useful life on the existing fleet. This review has resulted in a revised depreciation schedule on a number of FPSOs in the fleet. The reduction in depreciation of USD 11.2 million this quarter is largely due to this revision.

Operating profit for the quarter amounted to USD 57.2 million compared to USD 40.2 million in the previous quarter.

Tax expense for the quarter amounted to USD 9.0 million compared to USD 10.0 million in the previous quarter.

Net profit amounted to USD 33.1 million compared to USD 14.2 million in the previous quarter.

BW Offshore has from 1 January 2014 adopted IFRS11 Joint arrangements that requires restatement of previous financial statements. This has resulted in that the investment in the joint venture for FPSO Petroleo Nautipa and the investment in the joint venture for FSO Belokamenka is presented according to the equity method. The Company has presented its share of equity in joint venture as investment in shares in joint ventures and its share of result from joint ventures on one line as revenues from joint

ventures. The effects of this change has been limited on the profit and loss and balance sheet. Further disclosures are given under note 6.

Total equity at 31 March 2014 amounted to USD 1,142.4 million, an increase of USD 18.3 million (1.6%) compared to USD 1,124.1 million at 31 December 2013. The equity ratio was 33.1% at the end of the quarter, down from 33.7% last quarter.

As of 31 March 2014, the Company had USD 1,224.9 million in interest-bearing loans and USD 67.5 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 1,531.1 million, following scheduled reductions. Total utilised credit facilities for the company, including bond loans and other facilities was USD 1,813.6 million. Total available liquidity as of 31 March 2014 amounted to USD 420.5 million.

Net debt amounted to USD 1,638.5 million at 31 March 2014, compared to USD 1,617.0 million at 31 December 2013.

During the quarter BW Offshore successfully completed a NOK 750 million senior unsecured bond issue with maturity in March 2019. The interest payable on the bond is NOK NIBOR + 350bps. The bond loan has been swapped to USD and the interest rate has been fixed. The proceeds will be used for general corporate purposes.

The Company also completed a USD 50 million unsecured one-year term loan during the quarter. The interest payable on the loan is LIBOR + 130bps. The loan was intended to finance the acquisition of the interest in the Polvo oil field, but the proceeds of the loan are available for general corporate purposes.

Net cash inflow from operating activities was USD 146.1 million compared to USD 83.2 million in the previous quarter. Net cash outflow from investing activities was USD 126.0 million compared to cash outflow of USD 25.8 million in the previous quarter. This is related to the acquisition of BW Opal for USD 84.5 million, capitalisation of FEED expenses on the Catcher project and capital expenditures for ongoing life extension activities. Most 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 29.3 million compared to cash outflow of USD 32.2 million in the previous quarter.

## OPERATIONS

BW Offshore owns and operates 18 units, and the owned fleet consists of 14 FPSOs, one FSO and one VLCC tanker. All operating units experienced stable performance with an average uptime of 99.5% during the first quarter.

The Company operates the FPSO Peregrino for Statoil and Sinochem on the Peregrino oil field offshore Brazil.

The Company also operates the FPSO P-63 owned by Petrobras and Chevron on the Papa Terra field offshore Brazil. BW Offshore will operate the FPSO for three years in a joint venture with Queiroz Galvão Óleo e Gás S.A. ("QGOG"). The operation started in November 2013.

During the quarter, BW Offshore signed an interim agreement for a six year extension for FPSO Sendje Berge with Addax Petroleum Exploration Ltd. The firm period has been extended to first quarter 2018 with options until first quarter 2020.

The termination from Murphy West Africa Limited for FDP SO Azurite is to be effective from 1 May 2014. Production ceased in November last year and the unit has as of the time of the report left the field and is in transit to Singapore. The vessel is currently being marketed for new projects. The Company is being compensated for the early termination of the contract. The compensation is reflecting the value of the remaining period of the original fixed term of the contract.

During the quarter, the charter of the FPSO Polvo was novated from BP Energy do Brasil LTDA ("BP") to HRT O&G Exploração e Produção de Petróleo LTDA ("HRT"). This was completed as HRT took over operatorship of the Polvo oil field from previous operator BP. On the same day BW Offshore signed an agreement with HRT for a one year extension for the lease and operation of the FPSO Polvo. The firm period has been extended to third quarter 2015. The Polvo oil field is now owned by HRT (operator, 60%) and Maersk (40%).

BW Offshore is currently on a short term extension contract until end of second quarter 2014 for FPSO Abo with Nigerian Agip Exploration Ltd, a subsidiary of ENI S.p.A. The contract further has an option to extend until end of fourth quarter 2014. The extension has been agreed to secure operational continuity while joint work to detail a longer term program for investment and production is completed. The

Company is currently performing life extension activities on the unit, which are being compensated on a reimbursable cost plus basis.

All other FPSOs and FSOs are currently on longer term contracts.

## PROJECTS

On 30 April 2014 BW Offshore signed a contract with Premier Oil for a FPSO to operate on the Catcher oil field in the UK North Sea. The field is owned by Premier Oil (50% operator), Cairn Energy (30%) and MOL (20%). The final contract follows the Letter of Award which was signed 30 March 2014.

The firm charter period of the contract is seven years, with extension options of up to 18 years. Based on a field life of 10 years, the contract value is USD 2.3 billion including FPSO charter rate and opex.

BW Offshore was awarded a FEED study as part of a funded tender process by Premier Oil in fourth quarter 2012, and has performed extensive engineering studies on the project during 2013 and first quarter 2014. BW Offshore's scope includes the delivery of the FPSO, mooring system, installation and operation of the unit throughout the charter period. The FPSO will have a processing capacity of 60,000 bopd and a storage capacity of 650,000 bbl. BW Offshore will order a new built hull from Japan for the project, while conversion and integration work will be performed in Singapore. The FPSO shall be ready for production mid-2017.

The project will be financed by a project specific bank facility of USD 800 million in addition to BW Offshore's existing liquidity.

On 13 December 2013, BW Offshore announced the Letter of Intent ("LOI") to acquire 30% of the participating interests in the Polvo field in Brazil from HRT. Such transaction was subject to due diligence, and regulatory, governmental and board approvals. Upon the expiry of the backstop date under the LOI on 8 April 2014, BW Offshore elected to terminate the aforesaid LOI pursuant to its terms.

BW Offshore took possession of the BW Opal during February 2014. BW Opal is a Daewoo Shipbuilding & Marine Engineering designed and built VLCC (320,000 dwt) from 2012. BW Offshore has performed detailed engineering studies and inspections of the VLCC since fourth quarter

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2012, and is currently evaluating several FPSO projects suitable for the vessel.

#### DIVIDEND

The Board has declared a cash dividend of USD 0.03 per share for the quarter. The shares will be traded ex-dividend as of 10 June 2014. The dividend will be payable on or about 19 June 2014 to shareholders of record on 12 June 2014.

#### OUTLOOK

The outlook for BW Offshore's products and services remains good due to the geographical presence, scale and competence of the Company.

BW Offshore's cash flow from the operating units is secure and based on long term contracts with national and independent oil companies. The fleet of BW Offshore will continue to generate a steady cash flow in the time ahead, providing a sound

basis for dividend payments as well as for further investments in new assets.

BW Offshore is currently evaluating several projects meeting the Company's financial targets. In addition the Company is in negotiations for contract extensions for existing units.

BW Offshore intends to grow selectively and expects to see an improvement in the risk and reward balance for new FPSO projects.

BW Offshore will carry on with the efforts to improve safety, efficiency, planning, disciplined execution and financial control in all its operations.

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Bermuda, 26 May 2014

Dr. Helmut Sohmen  
Chairman

Ronny Johan Langeland  
Vice Chairman

Clare Spottiswoode

Christophe Pettenati-Auzière

Maarten Scholten

Andreas Sohmen-Pao

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## INCOME STATEMENT

(Unaudited figures in USD million)

	Notes	Q1 14	Q4 13*	Q1 13*
<b>Operating revenue</b>		<b>237.3</b>	<b>260.6</b>	<b>215.7</b>
<b>Operating expenses</b>		<b>(125.0)</b>	<b>(156.8)</b>	<b>(102.7)</b>
Share of profit/(loss) of associates and joint ventures	6	0.6	3.6	3.6
<b>Operating profit before depreciation/amortisation</b>		<b>112.9</b>	<b>107.4</b>	<b>116.6</b>
Depreciation	11	(55.3)	(66.5)	(64.6)
Amortisation		(0.5)	(0.5)	(0.5)
Gain on sale of assets		0.1	(0.2)	0.0
<b>Operating profit / (loss)</b>		<b>57.2</b>	<b>40.2</b>	<b>51.5</b>
Interest income		0.1	0.8	0.2
Gain/(loss) on financial instruments	7	(0.6)	(0.7)	0.3
Interest expense		(14.8)	(15.2)	(13.6)
Other financial items		0.2	(0.9)	(1.0)
<b>Net finance expense</b>		<b>(15.1)</b>	<b>(16.0)</b>	<b>(14.1)</b>
<b>Profit/(loss) before tax</b>		<b>42.1</b>	<b>24.2</b>	<b>37.4</b>
Income tax expense		(9.0)	(10.0)	(8.7)
<b>Net profit/(loss) for the period</b>		<b>33.1</b>	<b>14.2</b>	<b>28.7</b>
Net profit/(loss) attributable to owners of the Company		33.1	14.2	28.7
Basic/diluted earnings/(loss) per share (USD) net		0.05	0.02	0.04

## COMPREHENSIVE INCOME STATEMENT

(Unaudited figures in USD million)

	Q1 14	Q4 13*	Q1 13*
<b>Net profit/(loss) for the period</b>	<b>33.1</b>	<b>14.2</b>	<b>28.7</b>
<b>Other comprehensive income</b>			
<i>Items to be reclassified to profit or loss:</i>			
Currency translation differences	1.4	(5.1)	(0.1)
Net profit/(loss) on cash flow hedges	4.4	(2.0)	(7.9)
<b>Net items to be reclassified to profit or loss:</b>	<b>5.8</b>	<b>(7.1)</b>	<b>(8.0)</b>
<i>Items not to be reclassified to profit or loss:</i>			
Actuarial gains/(losses) on defined benefit plans	0.0	(3.8)	0.0
<b>Net items not to be reclassified to profit or loss:</b>	<b>0.0</b>	<b>(3.8)</b>	<b>0.0</b>
<b>Other comprehensive income, net of tax</b>	<b>5.8</b>	<b>(10.9)</b>	<b>(8.0)</b>
<b>Total comprehensive income</b>	<b>38.9</b>	<b>3.3</b>	<b>20.7</b>

The notes in pages 7-10 are an integral part of these consolidated interim financial statements.

\*The financial information for 2013 has been restated as the company has adopted IFRS11 effective 1 January 2014.

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## STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)

<b>ASSETS</b>	<b>Notes</b>	<b>31.03.2014</b>	<b>31.12.2013*</b>	<b>31.03.2013*</b>
Vessels	2,11	2,580.5	2,509.9	2,633.3
Property and other equipment		12.0	12.4	7.6
Goodwill and intangibles		190.2	189.9	189.6
Finance lease receivables	3	154.1	158.2	170.3
Investments in associates and joint ventures	6	42.7	42.2	35.5
Derivatives		2.7	2.0	0.0
Deferred assets		4.2	3.9	8.3
<b>Total non-current assets</b>		<b>2,986.4</b>	<b>2,918.5</b>	<b>3,044.6</b>
Inventory		6.4	6.5	8.1
Trade receivables and other current assets		273.4	283.0	226.7
Derivatives		0.3	0.0	0.3
Cash and deposits		181.8	132.4	99.6
<b>Total current assets</b>		<b>461.9</b>	<b>421.9</b>	<b>334.7</b>
<b>TOTAL ASSETS</b>		<b>3,448.3</b>	<b>3,340.4</b>	<b>3,379.3</b>
<b>EQUITY AND LIABILITIES</b>				
Total equity attributable to owners of the Company	4	1,142.4	1,124.1	1,139.5
<b>Total equity</b>		<b>1,142.4</b>	<b>1,124.1</b>	<b>1,139.5</b>
Interest-bearing long-term debt	5	1,479.0	1,459.3	1,545.0
Pension obligations		6.0	6.8	2.3
Other long-term liabilities	8	210.6	202.9	176.6
Derivatives		37.4	44.4	56.6
<b>Total non-current liabilities</b>		<b>1,733.0</b>	<b>1,713.4</b>	<b>1,780.5</b>
Trade and other payables		196.3	176.1	198.1
Derivatives		3.4	5.7	8.9
Interest-bearing short-term debt	5	341.3	290.1	230.9
Income tax liabilities		31.9	31.0	21.4
<b>Total current liabilities</b>		<b>572.9</b>	<b>502.9</b>	<b>459.3</b>
<b>Total liabilities</b>		<b>2,305.9</b>	<b>2,216.3</b>	<b>2,239.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,448.3</b>	<b>3,340.4</b>	<b>3,379.3</b>

The notes in pages 7-10 are an integral part of these consolidated interim financial statements.

\*The financial information for 2013 has been restated as the company has adopted IFRS11 effective 1 January 2014.

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## STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)

	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Other equity	Total
<b>2014</b>							
Equity at 1 January 2014	6.9	1,085.0	(9.1)	(4.2)	(16.3)	61.8	1,124.1
Dividend distribution	0.0	0.0	0.0	0.0	0.0	(20.6)	(20.6)
Profit (loss) for the period	0.0	0.0	0.0	0.0	0.0	33.1	33.1
Total comprehensive income	0.0	0.0	0.0	1.4	4.4	0.0	5.8
<b>Total equity at 31 March 2014</b>	<b>6.9</b>	<b>1,085.0</b>	<b>(9.1)</b>	<b>(2.8)</b>	<b>(11.9)</b>	<b>74.3</b>	<b>1,142.4</b>

	Share capital	Share premium	Treasury shares	Currency translation reserve	Cash flow hedges	Other equity	Total
<b>2013*</b>							
Equity at 1 January 2013	6.9	1,085.0	(9.1)	0.8	(3.7)	52.7	1,132.6
Dividend distribution	0.0	0.0	0.0	0.0	0.0	(13.8)	(13.8)
Profit (loss) for the period	0.0	0.0	0.0	0.0	0.0	28.7	28.7
Total comprehensive income	0.0	0.0	0.0	(0.1)	(7.9)	0.0	(8.0)
<b>Total equity at 31 March 2013</b>	<b>6.9</b>	<b>1,085.0</b>	<b>(9.1)</b>	<b>0.7</b>	<b>(11.6)</b>	<b>67.6</b>	<b>1,139.5</b>

## CASH FLOW STATEMENT

(Unaudited figures in USD million)

	Q1 14	Q4 13*	Q1 13*
Profit/ (loss) before taxes	42.1	24.2	37.4
Unrealised currency exchange losses/(gains)	0.5	1.3	0.3
Depreciation and amortisation	55.8	67.0	65.1
Taxes paid	(8.6)	(2.4)	(6.8)
Share of loss/ (profit) of associated companies	(0.6)	(3.6)	(3.6)
Loss/ (gain) on sale of shares and fixed assets	(0.1)	0.2	0.0
Change in fair value of derivatives	(0.6)	0.7	(0.3)
Change in working capital	37.6	(20.9)	(60.8)
Add back of net interest expense	14.7	14.4	13.4
Other items	5.3	2.4	2.9
<b>Net cash flow from operating activities</b>	<b>146.1</b>	<b>83.2</b>	<b>47.6</b>
Investment in fixed assets	(126.2)	(26.9)	(19.8)
Sale of fixed assets	0.1	0.4	0.0
Interest received	0.1	0.8	0.2
<b>Net cash flow from investing activities</b>	<b>(126.0)</b>	<b>(25.8)</b>	<b>(19.6)</b>
Proceeds from new interest bearing debt	309.0	25.0	111.8
Repayment of interest-bearing debt	(240.1)	(18.9)	(115.4)
Dividend paid	(20.6)	(20.5)	0.0
Interest paid	(19.0)	(17.8)	(22.9)
<b>Net cash flow from financing activities</b>	<b>29.3</b>	<b>(32.2)</b>	<b>(26.5)</b>
<b>Net change in cash and cash equivalents</b>	<b>49.4</b>	<b>25.3</b>	<b>1.6</b>
Cash and cash equivalents at beginning of period	132.4	107.1	98.0
<b>Cash and cash equivalents at end of period</b>	<b>181.8</b>	<b>132.4</b>	<b>99.6</b>

The notes in pages 7- 10 are an integral part of these consolidated interim financial statements.

\*The financial information for 2013 has been restated as the company has adopted IFRS11 effective 1 January 2014.

## NOTES TO THE ACCOUNTS (UNAUDITED)

(Figures in brackets refer to corresponding figures for 2013)

### Note 1 - Accounting principles

This Interim Condensed Consolidated financial information for the first quarter, ended 31 March 2014 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 2013, which have been prepared in accordance with IFRS, as adopted by the European Union.

The accounting policies adopted in the preparation of the Interim Condensed Consolidated financial statements are consistent with those followed in the preparation of BW Offshore's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

BW Offshore has from 1 January 2014 adopted *IFRS11 Joint arrangements*, that require restatement of previous financial statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. Several other new standards and amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Company or the Interim Condensed Consolidated financial statements of the Company. A detailed description of these changes is given in BW Offshore's annual consolidated financial statements for the year ended 31 December 2013.

### Note 2 – Vessels

The book value of operating vessels and vessels under conversion amounted to USD 2,580.5 million (USD 2,633.3 million) at 31 March 2014.

Capital expenditure related to vessels and vessels under conversion in the first quarter 2014, amounted to USD 124.8 million (USD 18.7 million). This is related to the acquisition of BW Opal for USD 84.5 million, capitalisation of FEED expenses related to the Catcher project and capital expenditures for ongoing life extension activities. Most life extension activities are either on a reimbursable cost plus basis or covered through higher day rates.

### Note 3 – Finance lease receivables

Amortisation of finance lease receivables on FPSO YÙUM K`AK`NÀAB and FSO Belokamenka.

### Note 4 - Equity

The number of issued shares was 688,006,004 at 31 March 2014. There were no changes in shares issued in the first quarter 2014. There were 700,000,000 authorised shares at 31 March 2014.

The Company held a total of 2,609,535 own shares at 31 March 2014.

### Note 5 - Interest-bearing debt

#### Non-current debt

The Company had the following long-term interest bearing debt at 31 March:

	2014	2013
USD 2.4 billion loan facility	994.8	1,312.8
Joko Tole loan	144.7	0.0
BWO03 - NOK 750 million Bond	122.6	0.0
BWO02 - NOK 500 million Bond	86.0	86.0
BWO01 - NOK 500 million Bond	89.4	88.7
Umuroa loan	41.5	57.5
<b>Total</b>	<b>1,479.0</b>	<b>1,545.0</b>

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During the quarter BW Offshore completed BWO03, a NOK 750 million senior unsecured bond issue with maturity in March 2019. The interest payable on the bond is NOK NIBOR + 350bps. The bond loan has been swapped to USD and the interest rate has been fixed. The proceeds will be used for general corporate purposes. The bond loan is 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 Group.

#### Current debt

The Company had the following current interest bearing debt at 31 March:

	2014	2013
USD 2.4 billion loan facility	216.7	214.8
Joko Tole loan (current part)	57.3	0.0
USD 50 million unsecured term loan	51.5	0.0
BWO03 - NOK 750 million Bond	(0.4)	0.0
BWO02 - NOK 500 million Bond	(0.3)	(0.3)
BWO01 - NOK 500 million Bond	(0.3)	(0.3)
Umuroa loan (current part)	16.7	16.7
<b>Total</b>	<b>341.3</b>	<b>230.9</b>

The Company completed a USD 50 million unsecured one-year term loan during the quarter. The interest payable on the loan is LIBOR + 130bps. The loan was intended to finance the acquisition of the interest in the Polvo oil field, but the proceeds of the loan are available for general corporate purposes.

#### Note 6 – Investments in associates and Joint ventures

Investments in associates relates to the 49.7% shareholding in Nexus Floating Production Ltd and the 50% shareholding in OCS Services Limited, providing primarily manning services. Investments in Joint Ventures relates to the 50% shareholding in LLC ‘Oil Terminal Belokamenka’ and Tinworth Pte Ltd.

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Instead of consolidating the assets, liabilities, revenues and expenses, the Group will present its share of equity in joint venture as investment in shares in joint ventures and its share of result from joint ventures on one line as revenues from joint ventures. The Group has considered the shareholdings in LLC ‘Oil Terminal Belokamenka’ and Tinworth Pte Ltd as joint ventures and have accounted for its shareholdings according to the equity method. The change is applied retrospectively, and the table below shows the effects on the restated comparative consolidated numbers.

#### STATEMENT OF FINANCIAL POSITION

	31.12.2013	31.03.2013
Vessels and other equipment	(28.2)	(22.3)
Investments in associates and joint ventures	37.5	31.3
Other non-current assets	(1.5)	0.0
Other current assets	(19.0)	(6.0)
Cash and deposits	(3.1)	(2.4)
Equity	0.0	1.8
Non-current liabilities	0.0	1.2
Current liabilities	(14.3)	(2.4)

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**INCOME STATEMENT**

	31.12.2013	Q1 2013
Operating revenue	(6.1)	(6.5)
Operating expenses	2.6	2.8
Share of profit/(loss) of associates and joint ventures	3.6	3.3
Depreciation and amortisation	0.9	(0.3)
Income tax expense	(1.0)	0.3
<b>Net profit/(loss) for the period</b>	<b>0.0</b>	<b>(0.4)</b>

**CASH FLOW STATEMENT**

	31.12.2013	Q1 2013
Net cash flow from operating activities	(7.1)	1.5
Net cash flow from investing activities	7.9	0.0
Net cash flow from financing activities	0.0	0.0
<b>Net change in cash and cash equivalents</b>	<b>0.8</b>	<b>1.5</b>
Cash and cash equivalents at beginning of period	(3.9)	(3.9)
<b>Cash and cash equivalents at end of period</b>	<b>(3.1)</b>	<b>(2.4)</b>

**Note 7 – Gain/ (loss) on financial instruments**

	Q1 14	Q4 13	Q1 13
Gain/(loss) on financial instruments	(0.6)	(0.7)	0.3
<b>Net gain/ (loss) on financial instruments</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>0.3</b>

**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 to be material to BW Offshore occurred during the quarter.

**Note 10 – Capital commitments**

Total unrecognised contractual capital commitments at 31 March 2014 amounted to USD 103.9 million (USD 86.1 million). This commitment is related to 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. BW Offshore has during first quarter reviewed and amended the estimates used for defining useful life on the existing fleet. This review has resulted in a revised depreciation schedule on a number of FPSOs in the fleet. The reduction in depreciation of USD 11.2 million this quarter is largely due to this revision.

**Note 12 – Subsequent events**

On 30 April 2014 BW Offshore signed the contract with Premier Oil for a FPSO to operate on the Catcher oil field in the UK North Sea. The firm charter period of the contract is 7 years, with extension options of up to 18 years. Based on a field life of 10 years, the contract value is USD 2.3 billion including FPSO charter rate and opex.

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### Note 13 – 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.

<b>FPSO/FSO activity</b>	<b>Q1 14</b>	<b>Q1 13*</b>
Revenues from third parties	237.3	215.7
General and administrative	(17.4)	(13.1)
Currency hedges and other currency effects	1.2	(0.3)
<b>EBITDA</b>	<b>112.9</b>	<b>116.6</b>
Net gain on sale of tangible fixed assets	0.1	0.0
Depreciation, amortization and impairment	(55.8)	(65.1)
<b>EBIT</b>	<b>57.2</b>	<b>51.5</b>
<b>Other segment information</b>		
Capital expenditure	126.3	18.7
Non-current assets (excl finance items)	2,832.3	2,874.3
Investments in associates	42.7	35.5
<b>Geographical information_ Revenue</b>		
<i>The classification of revenue per region is determined by the final destination of the FPSO/FSO</i>		
Americas	102.0	90.5
Europe/Africa	108.4	89.3
Asia	26.9	35.9
<b>Total revenue</b>	<b>237.3</b>	<b>215.7</b>
<b>The FPSOs/FSO by region can be analyzed as follows:</b>		
Americas	1,297.4	1,414.2
Europe/Africa	842.2	837.2
Asia	440.9	381.8
<b>Total non-current assets</b>	<b>2,580.5</b>	<b>2,633.3</b>

\*The financial information for 2013 has been restated as the company has adopted IFRS11 effective 1 January 2014.

### KEY FIGURES

	<b>Note</b>	<b>Q1 14</b>	<b>Q4 13*</b>	<b>Q1 13*</b>
EBITDA-margin	1	47.6%	41.2 %	54.1 %
Equity ratio	2	33.1%	33.7 %	33.7 %
Return on equity	3	11.8%	5.2 %	10.5 %
Return on capital employed	4	6.3%	4.1 %	5.3 %
Net interest bearing debt (USD million)	5	1,638.5	1617.0	1676.3
Cash flow per share (USD)	6	0.21	0.12	0.07
EPS - basic and diluted (USD)	7	0.05	0.02	0.04
Shares - end of period (million)		688.0	688.0	688.0
Share price (NOK)		7.75	7.25	6.15
Market cap (NOKm)		5,332	4,988	4,231
Market cap (USDm)		891	820	726

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**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) / Average (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

\*The financial information for 2013 has been restated as the company has adopted IFRS11 effective 1 January 2014.

## FLEET AND CONTRACTS

Name of unit	Location	Counterparty	Converted	Contract period
<b>FPSOs</b>				
Sendje Berge	Nigeria	Addax/Sinopec	2000	2005-2018 + options until 2020
Abo	Nigeria	Agip/ENI	2003	2003-2014
Espoir Ivoirien	Ivory Coast	CNR	2002	2002-2017 + options until 2036
Berge Helene	Mauritania	Petronas	2005	2006-2015 + options until 2021
Petróleo Nautipa (50%owned)	Gabon	Vaalco Energy	2002	2002-2020 + options until 2022
Azurite	Congo	Murphy	2009	2009-2016 + options until 2024
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	HRT	2007	2007-2015 + options until 2022
BW Pioneer	US	Petrobras	2010	2012-2017 + options until 2020
Umuroa	New Zealand	AWE	2007	2007-2015 + options until 2022
BW Athena	UK	Ithaca Energy and partners	2012	2012-2015 + options until 2020
BW Joko Tole	Indonesia	Kangean Energy	2012	2012-2022 + options until 2026
<b>FSO</b>				
Belokamenka	Russia	Rosneft	2003	2004-2019
<b>VLCC</b>				
BW Opal	Singapore	Available		
<b>Operating and maintenance agreement</b>				
Peregrino (FPSO)	Brazil	Statoil		2013-2018 + options until 2033
P-63 (FPSO)	Brazil	Petrobras		2013-2016