



BW Offshore Limited



Picture of FPSO Petrobras 63

HIGHLIGHTS

- EBITDA of USD 35.1 million in the third quarter
- Papa Terra project (P-63) negative contribution of USD 75.0 million
- Stable operations with an uptime of 99.5%
- Contract extension for Espoir Ivoirien and Berge Helene
- Dividend payment of USD 0.01 per share

FINANCIAL SUMMARY

THIRD QUARTER

Operating revenues for the quarter amounted to USD 235.9 million, an increase of USD 13.4 million (6%) compared to USD 222.5 million in the second quarter of 2012.

Operating expenses amounted to USD 200.9 million, an increase of USD 5.0 million (3%) compared to USD 195.9 million in the second quarter of 2012.

EBITDA for the quarter amounted to USD 35.1 million, an increase of USD 8.2 million (30%) compared to USD 26.9 million in the previous quarter. The increase is mainly a result of the first full quarter of contribution from the FPSOs BW Athena and BW Joko Tole. The negative EBITDA effect of the Papa Terra project for the third quarter amounts to USD 75.0 million.

Depreciation amounted to USD 63.9 million, an increase of USD 10.4 million (19%) compared to USD 53.5 million in the second quarter of 2012. The increase in depreciation is attributable to the FPSOs BW Athena and BW Joko Tole which were depreciated for the full quarter.

Operating loss for the quarter amounted to USD 30.0 million compared to a loss of USD 27.0 million in the previous quarter. Operating profit excluding the loss recognised on the Papa Terra project in the quarter was USD 45.0 million.

The tax expense for the quarter amounted to USD 7.0 million compared to USD 7.6 million in the previous quarter.

Net loss amounted to USD 59.6 million for the quarter compared to a net loss of USD 49.7 million in the previous quarter.

Total equity at 30 September 2012 amounted to USD 1,025.0 million, a decrease of USD 64.6 million (6%) compared to USD 1,089.6 million at 30 June 2012. The decrease is a result of the net comprehensive loss of USD 57.7 million and the dividend payment of USD 6.9 million. The equity ratio was 30.4% at the end of the quarter.

As of 30 September 2012, the Company had USD 1,598.6 million in interest-bearing loans and USD 137.1 million in letters of guarantee drawn under the USD 2,400 million credit facility. The committed amount of the USD 2,400 million credit facility was USD 1,864.3 million, following scheduled reductions and reductions related to

the sale of the FPSO Ningaloo Vision. Total committed credit facilities for the company, including bond loan and other facilities was USD 1,914.4 million. Total available liquidity as of 30 September 2012 amounts to USD 217.0 million.

BW Offshore has agreed with its lending banks for the USD 2,400 million credit facility and the Umuroa loan on a waiver to carve out the Q2 2012 loss on Papa Terra of USD 50.0 million, as well as additional Papa Terra-losses of up to USD 75.0 million in the second half of 2012. The waiver applies for the equity ratio covenant, the leverage covenant and the interest cover ratio. The waiver has not changed any other terms and conditions in the facilities.

Net debt amounted to USD 1,662.4 million at 30 September 2012, compared to USD 1,754.6 million at 30 June 2012.

Net cash inflow from operating activities was USD 50.6 million compared to USD 82.2 million in the previous quarter. Net cash inflow from investing activities was USD 74.8 million compared to cash outflow of USD 63.1 million in the previous quarter. Of this, the gross proceeds received from the sale of the FPSO Ningaloo Vision and the FSO Endeavor amounted to USD 101.1 million. Capital expenditures on vessels amounted to USD 26.5 million, compared to USD 63.1 million in the previous quarter. Net cash outflow from financing activities was USD 146.5 million compared to cash inflow of USD 8.2 million in the previous quarter.

OPERATIONS

BW Offshore's fleet consists of 14 FPSOs and one FSO. All experienced stable performance with an average uptime of 99.5% during the third quarter.

During the quarter, BW Offshore has signed extensions for the FPSOs Berge Helene, Espoir Ivoirien and Petr leo Nautipa. This has resulted in an increase in the firm revenue of the order book of USD 350.0 million.

FSO Endeavor has been sold for USD 5.6 million.

PROJECTS

The EPC conversion project FPSO P-63 (Papa Terra) has left the COSCO Dalian yard in China for its voyage to Brazil with a planned short stop-over in Singapore for refueling. Estimated arrival

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in Brazil is in February 2013, where the final integration of the remaining six modules will take place in Quip's Rio Grande yard. The FPSO is then expected to be installed on the field and commence operation.

The management of BW Offshore has carried out an updated analysis of the project, and the Board of Directors of BW Offshore has concluded to increase the forecasted cost for completing the project from USD 375.0 million to USD 450.0 million. The third quarter 2012 results will consequently be negatively impacted by USD 75.0 million.

The additional project costs are mainly linked to increased engineering, construction, procurement and commissioning cost and increased yard costs associated with the delayed schedule. All possible efforts are being made by BW Offshore and its Brazilian partner, QUIP, to meet the overall project schedule requirements from Petrobras for a July 2013 start-up.

The Papa Terra project is accounted for as a fixed-price construction contract where revenue is recognised in accordance with the "Percentage of Completion" (POC) accounting method. BW Offshore is receiving milestone payments from the client Petrobras throughout the project period.

DIVIDEND

The Board has declared a cash dividend of USD 0.01 per share for the quarter. The shares will be traded ex-dividend as of 10 December 2012. The dividend will be payable on or about 21 December 2012 to shareholders of record on 12 December 2012.

OUTLOOK

The outlook for the energy market in general and FPSO business in particular remains good. Based on BW Offshore's diversification, presence, scale and competence, the Company's will continue to play a leading role in the FPSO market.

BW Offshore's cash flow from the operating vessels is secure and based on long term contracts with national oil companies and independent oil companies.

The commencement of operation for the FPSOs BW Pioneer, BW Athena, BW Joko Tole, as well as the recent extensions of contracts for Petróleo Nautipa, Berge Helene and Espoir Ivoirien will contribute to significant growth in the EBITDA for 2012 and beyond.

BW Offshore is currently pursuing several prospective projects that meet the Company's financial targets. This includes both further contract extensions for existing units, as well as contracts for new FPSO projects.

Bermuda, 25 November 2012

Dr. Helmut Sohmen
Chairman

Ronny Johan Langeland
Vice Chairman

Carine Smith Ihenacho

Christophe Pettenati-Auzière

Maarten Scholten

Andreas Sohmen-Pao

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INCOME STATEMENT

(Unaudited figures in USD million)

	Notes	Q3 12	Q2 12	Q3 11	YTD 12	YTD 11
Operating revenue		235.9	222.5	216.1	675.9	638.2
Operating expenses		(200.9)	(195.9)	(138.9)	(545.2)	(398.5)
Share of profit/(loss) of associates	5	0.1	0.3	(0.5)	0.5	(0.5)
Operating profit before depreciation/amortisation		35.1	26.9	76.7	131.2	239.2
Depreciation		(63.9)	(53.5)	(46.3)	(161.0)	(131.8)
Amortisation		(0.6)	(0.7)	(1.0)	(1.9)	(2.9)
Gain on sale of assets and impairment		(0.6)	0.3	15.3	(0.1)	18.6
Operating profit / (loss)		(30.0)	(27.0)	44.7	(31.8)	123.1
Interest income		0.2	0.0	0.5	0.2	1.9
Gain/(loss) on financial instruments	6	(6.4)	(4.5)	(20.0)	(12.0)	(33.8)
Interest expense		(14.7)	(10.4)	(13.9)	(39.2)	(36.0)
Other financial items		(1.7)	(0.2)	(0.5)	(2.4)	(2.5)
Net finance expense		(22.6)	(15.1)	(33.9)	(53.4)	(70.4)
Profit/(loss) before tax		(52.6)	(42.1)	10.8	(85.2)	52.7
Income tax expense		(7.0)	(7.6)	(5.4)	(20.7)	(16.5)
Net profit/(loss) from continuing operations		(59.6)	(49.7)	5.4	(105.9)	36.2
Net profit/(loss) for the period		(59.6)	(49.7)	5.4	(105.9)	36.2
Net profit/(loss) attributable to owners of the Company		(59.6)	(49.7)	5.4	(105.9)	36.2
Basic/diluted earnings/(loss) per share (USD) net		(0.09)	(0.07)	0.01	(0.15)	0.05

COMPREHENSIVE INCOME STATEMENT

(Unaudited figures in USD million)

	Q3 12	Q2 12	Q3 11	YTD 12	YTD 11
Net profit (loss) for the period	(59.6)	(37.8)	4.8	(105.9)	36.2
Other comprehensive income					
Currency translation differences	(0.5)	0.8	0.0	0.3	0.0
Net profit/(losses) on cash flow hedges	2.4	(5.3)	(1.2)	(7.0)	(2.2)
Total other compreh. income for the period net of tax	1.9	(4.5)	(1.2)	(6.7)	(2.2)
Total comprehensive income	(57.7)	(42.3)	3.6	(112.6)	34.0

The notes in pages 7-9 are an integral part of these consolidated interim financial statements

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STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)

ASSETS	Notes	30/09/2012	30/06/2012	31/12/2011	30/09/2011
Vessels	2	2,635.9	2,678.9	2,620.4	2,898.7
Property and other equipment		6.5	6.6	6.7	5.8
Goodwill and intangibles		189.6	190.0	190.5	190.3
Finance lease receivables		177.9	181.5	188.6	194.1
Investments in associates	5	3.6	3.4	3.1	3.0
Non-current deposits		0.0	0.1	0.1	45.6
Deferred assets		7.6	7.4	0.2	21.5
Total non-current assets		3,021.1	3,067.9	3,009.6	3,359.0
Inventory		5.5	6.4	5.3	6.0
Trade receivables and other current assets	10	259.9	306.8	150.3	198.7
Restricted deposits CIRR		0.0	0.0	22.8	0.0
Cash and deposits		87.9	109.0	243.6	155.3
Assets of disposal group held for sale		0.0	0.0	185.0	7.1
Total current assets		353.3	422.2	607.0	367.1
TOTAL ASSETS		3,374.4	3,490.1	3,616.6	3,726.1
EQUITY AND LIABILITIES					
Total equity attributable to owners of the Company	3	1,025.0	1,089.6	1,171.9	1,342.0
Total equity		1,025.0	1,089.6	1,171.9	1,342.0
Interest-bearing long term debt	4	1,515.1	1,628.5	1,689.8	1,623.2
Pension obligations		8.2	6.9	6.9	6.4
Other long-term liabilities	7	178.3	174.5	129.6	133.1
Derivatives		65.0	66.0	75.5	84.8
Total non-current liabilities		1,766.6	1,875.9	1,901.8	1,847.5
Trade and other payables		312.4	251.8	230.7	221.3
Derivatives		14.7	22.3	16.3	20.6
Interest-bearing short term debt	4	235.2	235.1	279.0	271.0
Income tax liabilities		20.5	15.4	16.9	16.6
Liabilities of disposal group held for sale		0.0	0.0	0.0	7.1
Total current liabilities		582.8	524.6	542.9	536.6
Total liabilities		2,349.4	2,400.5	2,444.7	2,384.1
TOTAL EQUITY AND LIABILITIES		3,374.4	3,490.1	3,616.6	3,726.1

The notes in pages 7-9 are an integral part of these consolidated interim financial statements

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STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)

	Share capital	Share premium	Other equity	Total
YTD 2012				
Equity at 1 January 2012	6.9	1,084.8	80.2	1,171.9
Dividend distribution	0.0	0.0	(34.3)	(34.3)
Total comprehensive income for the period	0.0	0.0	(112.6)	(112.6)
Total equity at 30 September 2012	6.9	1,084.8	(66.7)	1,025.0

	Share capital	Share premium	Other equity	Total
YTD 2011				
Equity at 1 January 2011	6.9	1,334.8	21.3	1,363.0
Equity allocation	0.0	(250.0)	250.0	0.0
Dividend distribution	0.0	0.0	(55.0)	(55.0)
Total comprehensive income for the period	0.0	0.0	34.0	34.0
Total equity at 30 September 2011	6.9	1,084.8	250.3	1,342.0

CASH FLOW STATEMENT

(Unaudited figures in USD million)

	Q3 12	Q2 12	Q3 11	YTD 12	YTD 11
Profit/ (loss) before taxes	(52.6)	(42.1)	10.8	(85.2)	52.7
Unrealised currency exchange losses/(gains)	(2.2)	5.3	5.9	(1.8)	(1.3)
Depreciation and amortisation	64.5	54.1	47.3	162.9	134.7
Taxes paid	(3.5)	(8.9)	(4.8)	(18.0)	(16.4)
Share of loss/ (profit) of associated companies	(0.2)	(0.3)	0.5	(0.5)	0.5
Loss/ (gain) on sale of shares and fixed assets	0.6	(0.3)	(15.3)	0.1	(18.6)
Change in fair value of derivatives	6.4	4.6	20.0	12.0	33.8
Change in working capital	25.3	46.7	(48.3)	26.7	(130.7)
Add back of net interest expense	14.5	10.4	13.3	39.1	34.2
Other items	(2.2)	12.7	2.7	17.6	9.2
Net cash flow from operating activities	50.6	82.2	32.1	152.9	98.1
Investment in fixed assets	(26.5)	(63.1)	(118.2)	(182.8)	(303.7)
Investments in subsidiaries	0.0	0.0	0.0	0.0	0.0
Sale of fixed assets	101.1	0.0	36.3	186.2	42.0
Interest received	0.2	0.0	0.5	0.2	1.9
Net cash flow from investing activities	74.8	(63.1)	(81.4)	3.6	(259.8)
Proceeds from new interest bearing debt	0.0	100.0	150.0	315.0	1,859.5
Repayment of interest-bearing debt	(115.4)	(55.3)	(125.6)	(518.6)	(1,645.0)
Dividend paid	(6.9)	(13.7)	(27.4)	(34.2)	(54.9)
Interest paid	(24.2)	(22.8)	(26.4)	(74.4)	(70.8)
Net cash flow from financing activities	(146.5)	8.2	(29.4)	(312.2)	88.8
Net change in cash and cash equivalents	(21.1)	27.3	(78.7)	(155.7)	(72.9)
Cash and cash equivalents at beginning of period	109.0	81.7	233.9	243.6	228.1
Cash and cash equivalents at end of period	87.9	109.0	155.3	87.9	155.3

The notes in pages 7- 9 are an integral part of these consolidated interim financial statements

NOTES TO THE ACCOUNTS (UNAUDITED)

(Figures in brackets refer to corresponding figures for 2011)

Note 1 - Accounting principles

This Condensed Interim Consolidated interim financial information for the third quarter, ended 30 September 2012 has been prepared pursuant to IAS 34, "interim financial reporting". The Condensed Interim Consolidated financial reporting should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRS, as adopted by the European Union.

The accounting policies implemented are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in the annual financial statements for 2011. None of the new accounting standards or amendments that came into effect from 1 January 2012 had a significant impact on the Condensed Interim Consolidated financial information of BW Offshore for the first three quarters of 2012.

The Company has during third quarter finalised the assessment of the depreciation schedule on the three new units BW Athena, BW Joko Tole and BW Pioneer. As significant components of the units have different useful lives, those components are accounted for as separate items of property, plant and equipment. The components will be depreciated on a straight line basis, but over individually different useful life.

Note 2 – Vessels and vessels under conversion

The book value of operating vessels and vessels under conversion amounted to USD 2,635.9 million (USD 2,898.7 million) at 30 September 2012.

Capital expenditure related to vessels and vessels under conversion in the third quarter 2012, amounted to USD 25.5 million (USD 118.2 million).

Note 3 - Equity

The number of issued shares was 688,006,004 at 30 September 2012. There were no changes in shares issued in the third quarter 2012. There were 700,000,000 authorised shares at 30 September 2012.

The Company held a total of 2,798,159 own shares at 30 September 2012.

Note 4 - Interest-bearing debt

Non-current debt

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

	2012	2011
USD 2,400 million loan facility	1,360.3	1,488.9
NOK 500 million Bond loan	89.1	0.0
USD CIRR financing schemes	0.0	45.5
Umuroa loan	65.7	84.2
Nautipa loan	0.0	4.6
Total	1,515.1	1,623.2

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Current debt

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

	2012	2011
USD 2,400 million loan facility	213.9	252.2
Umuroa loan (current part)	16.7	16.7
Nautipa loan (current part)	4.6	2.1
Total	235.2	271.0

Waiver

BW Offshore has agreed with its lenders the following preemptive waivers to the financial covenants for the USD 2,400 million credit facility and the Umuroa credit facility:

For the EBITDA calculations as used in the Leverage Ratio covenant and the Interest Cover Ratio covenant the following adjustment to be made:

- The USD 50 million reported as a loss on the Papa Terra project in the second quarter of 2012 to be added back to the second quarter 2012 EBITDA figure when calculating the ratios for the third quarter of 2012.
- In addition, any potential additional loss reported on the Papa Terra project in the third and/or fourth quarter of 2012 to be added back to the EBITDA calculation for the respective quarter, limited to an additional amount of USD 75.0 million for the third and fourth quarter combined.

For the calculation of the Equity Ratio covenant, the same amounts to be added to book equity (Equity) and the asset side (Total Assets).

The above adjustments to be effective from the covenant calculations for the third quarter of 2012, and to continue for as long as the respective financial quarter is being included in the calculation of the Financial Covenants.

The above waivers did not result in any changes to the other terms of the credit facilities.

Note 5 – Investments in associates

Investments in associates relates to the 49.7% shareholding in Nexus Floating Production Ltd and the 50% shareholding in OCS Services Limited, incorporated in the British Virgin Islands, providing primarily manning services.

Note 6 – Gain/ (loss) on financial instruments

	Q3 12	Q2 12	Q3 11	YTD 12	YTD 11
Change in fair value of interest swaps	(6.4)	(4.5)	(20.0)	(12.0)	(33.8)

Note 7 – Other long term liabilities

Other long term liabilities comprise of upfront payments related to charter contracts. The upfront payments will be accounted for as operating revenue during the course of the firm contract as these amounts are earned.

Note 8 – Related party transactions

No related party transactions considered to be material to the BW Offshore group occurred in the quarter.

Note 9 – Capital commitments

Total unrecognised capital commitments on conversion projects and operations at 30 September 2012 amounted to USD 114.7 million (USD 234.6 million).

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Note 10 – 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.

Q3 12	FPSO/FSO activity	Other	Consolidated
Revenues from third parties	235.9		235.9
EBIT	(18.8)		(18.8)
General and administrative		(8.9)	(8.9)
Currency hedges and other currency effects		(2.3)	(2.3)
EBIT	(18.8)	(11.2)	(30.0)
EBITDA			
EBIT	(18.8)	(11.2)	(30.0)
Net gain on sale of tangible fixed assets	0.6		0.6
Depreciation, amortization and impairment	64.5		64.5
EBITDA	46.3	(11.2)	35.1
Other segment information			
Capital expenditure	25.5		
Non-current assets (excl finance items)	2,843.2		
Investments in associates	3.6		
Geographical information-Revenue			
Americas	89.5		
Europe/Africa	89.0		
Asia	57.4		
Total revenue	235.9		
The FPSOs/FSO by region can be analysed as follows:			
Americas	1,397.4		
Europe/Africa	870.4		
Asia	368.1		
Total non-current assets	2,635.9		
Q3 11	FPSO/FSO activity	Other	Consolidated
Revenues from third parties	216.1		216.1
EBIT	58.4		58.4
General and administrative		(7.8)	(7.8)
Currency hedges and other currency effects		(5.9)	(5.9)
EBIT	58.4	(13.7)	44.7
EBITDA			
EBIT	58.4	(13.7)	44.7
Net gain on sale of tangible fixed assets	(15.3)		(15.3)
Depreciation, amortization and impairment	47.3		47.3
EBITDA	90.4	(13.7)	76.7
Other segment information			
Capital expenditure	118.2		
Non-current assets (excl finance items)	3,130.2		
Investments in associates	3.0		
Geographical information-Revenue			
Americas	79.3		
Europe/Africa	89.3		
Asia	47.5		
Total revenue	216.1		
The FPSOs/FSO by region can be analysed as follows:			
Americas	1,576.0		
Europe/Africa	835.4		
Asia	487.3		
Total non-current assets	2,898.7		

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KEY FIGURES

(Unaudited)

	Note	3Q2012	2Q2012	3Q2011	YTD 2012	YTD 2011
EBITDA-margin	1	14.9%	12.1 %	35.5 %	19.4 %	37.5 %
Equity ratio	2	30.4%	31.5 %	36.2 %	30.4 %	36.2 %
Return on equity	3	-10.4%	-8.2 %	2.9 %	-6.5 %	3.3 %
Return on capital employed	4	-3.9%	-3.3 %	5.9 %	-4.2 %	5.4 %
Net interest bearing debt (USD million)	5	1,662.4	1,754.6	1,693.5	1,662.4	1,693.3
Cash flow per share (USD)	6	0.07	0.12	0.05	0.22	0.14
EPS - basic and diluted (USD)	7	-0.09	-0.07	0.01	-0.15	0.05
Shares - end of period (million)		688.0	688.0	688.0	688.0	688.0
Share price (NOK)		3.60	6.45	10.35	3.60	10.35
Market cap (NOKm)		2,477	4,438	7,121	2,477	7,121
Market cap (USDm)		435	742	1,219	435	1,219

Notes to key figures

- Earnings before interest, taxes, depreciation and amortisation / Operating revenues
- Equity / Total assets
- Annualised net profit / Average equity
- Adjusted EBIT (annualised) / Average (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	2005-2013
Abo	Nigeria	Agip	2003	2003-2013
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	2012-2020+options until 2022
Azurite	Congo	Murphy	2009	2009-2016+options until 2024
YUUM K`AK`N`AAB	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	BP	2007	2007-2014+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	2012-2021+options until 2025
FSO				
Belokamenka	Russia	Rosneft	2003	2004-2018
EPC				
Papa Terra/P-63	Brazil	Petrobras	Ongoing	EPC Contract + 3 year operation
Operating and maintenance agreement				
Peregrino	Brazil	Statoil		2013-2018 + options 2033