



BW Offshore Limited



Picture from FPSO Berge Helene, Mauritania

HIGHLIGHTS

- EBITDA of USD 76.7 million in the third quarter
- The OSX project successfully completed
- Dividend payment of USD 0.04 per share

FINANCIAL SUMMARY

THIRD QUARTER

Operating revenues for the third quarter of 2011 amounted to USD 216.1 million, a decrease of USD 12.5 million (5%) compared to USD 228.6 million in the second quarter of 2011. This decrease resulted from lower revenues recognised from the Papa Terra and the OSX projects compared to the previous quarter. This was offset by revenues from the FPSO Ningaloo Vision which resumed operation in August, and by increased revenues from FEED studies.

Operating expenses amounted to USD 139.4 million, a decrease of USD 2.3 million (2%) compared to USD 141.7 million in the second quarter of 2011. The decrease was mainly due to reduced expenses on the FPSO Ningaloo Vision together with lower expenses recognised from the Papa Terra and the OSX projects. The decrease in operating expenses was offset by increased expenses arising from higher activity levels on FEED studies compared to the previous quarter.

EBITDA for the quarter amounted to USD 76.7 million, a decrease of USD 10.2 million (12%) compared to USD 86.9 million in the previous quarter. The decrease is mainly due to lower contribution from the Papa Terra and the OSX projects, partly offset by increased contribution from FPSO Ningaloo Vision.

Operating profit for the quarter amounted to USD 44.1 million, an increase of USD 1.2 million compared to USD 42.9 million in the previous quarter. Gains from the sale of the conversion candidates M/T Takama and BW Ara amounting to USD 15.3 million has been included in the operating profit. Subsequent to the sale, the Company does not own uncommitted vessels.

Net finance expenses amounted to USD 33.9 million, an increase of USD 2.6 million compared to USD 31.3 million in the previous quarter. BW Offshore has hedging policies in place with the objective of reducing cash flow exposure on interest rate fluctuations. The continued high net finance expenses were mainly due to negative changes in fair market value on financial instruments of USD 20.0 million, including payments under interest rate

swaps, compared to a negative change of USD 20.9 million in the previous quarter.

Net profit before tax amounted to USD 10.2 million, a decrease of USD 1.4 million compared to USD 11.6 million in the previous quarter.

Income tax expense was USD 5.4 million, a decrease of USD 0.3 million compared to USD 5.7 million in the previous quarter.

Net profit for the period was USD 4.8 million compared to USD 5.9 million in the previous quarter.

As of 30 September 2011, total assets amounted to USD 3,737.0 million compared to USD 3,773.9 million at 30 June 2011. The net decrease of total assets in the quarter was USD 36.9 million (1%). At 30 June 2011 the book value of vessels amounted to USD 2,872.7 million. During the third quarter 2011, capital expenditures on conversion of vessels and upgrades to the existing fleet were USD 117.0 million, offset by USD 45.9 million in depreciation and a reduction of USD 20.3 million due to the sale of vessels. The book value of vessels at 30 September 2011 was USD 2,923.5 million, a net increase of USD 50.8 million compared to 30 June 2011.

Current assets (exclusive of cash and deposits) increased by USD 17.3 million mainly on account of invoicing of receivables due from projects. Cash and deposits decreased by USD 78.6 million to USD 155.3 million mainly as a result of capital expenditures on ongoing FPSO conversions.

Total equity at 30 September 2011 amounted to USD 1,352.9 million, a decrease of USD 23.1 million (1%) compared to USD 1,376.0 million at 30 June 2011. The decrease is a result of the dividend payment of USD 27.4 million offset by the positive comprehensive income for the quarter of USD 3.6 million.

As of 30 September 2011, the Company had USD 1,778.6 million in loans and USD 141.4 million in letters of guarantee drawn under the USD 2,400.0 million credit facility. The committed amount of the facility is USD 2,278.6

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million, following scheduled reductions. Total available liquidity as of 30 September 2011 amounts to USD 513.9 million.

Net debt amounted to USD 1,693.5 million at 30 September 2011, compared to USD 1,587.7 million at 30 June 2011.

Net cash inflow from continuing operating activities was USD 32.1 million compared to USD 26.5 million in the previous quarter. Net cash outflow from investing activities was USD 81.4 million compared to USD 81.9 million in the foregoing quarter. Of this, capital expenditures amounted to USD 118.2 million while proceeds from sale of vessels amounted to USD 36.3 million.

Net cash outflow from financing activities was USD 29.4 million compared to cash outflow of USD 54.8 million in the previous quarter.

YEAR TO DATE (YTD) 2011

BW Offshore recorded a YTD EBITDA of USD 239.2 million compared to USD 113.4 million YTD in the previous period. The increase by USD 125.8 million (111%) is mainly due to the consolidation of the PROD fleet from 1 October 2010. The acquisition of PROD doubled the BWO fleet.

BW Offshore recorded an YTD profit before tax of USD 51.0 million compared to USD 32.0 million YTD in the previous period. The EBITDA increase of USD 125.8 million was offset by increased depreciation expenses of USD 94.7 million (244%) due to the larger fleet. The YTD 2011 results further include a gain on sale of vessels of USD 18.6 million compared to nil in the previous period. Interest expenses increased by USD 18.4 million (105%) due to increased interest bearing debt, while loss on financial instruments increased by USD 11.8 million mainly due to lower interest rates. Net profit per share YTD in 2011 amounted to USD 0.05 compared to a net profit per share of USD 0.05 YTD in the previous period.

OPERATIONS

Including ongoing conversions, BW Offshore's fleet consist of 15 FPSOs and 2 FSOs.

All FPSOs and FSOs except for FPSO Ningaloo Vision experienced high and stable performance during the third quarter. FPSO Ningaloo Vision resumed operations in early

August after a shut down period, and is currently performing according to expectations.

FSO Endeavor has completed its contract with Aban. Negotiations for a possible extension are currently ongoing.

PROJECTS

BW Offshore's three ongoing FPSO conversions, the Papa Terra project, BW Joko Tole and BW Athena are progressing in line with expectations.

The OSX project has been completed and the vessel has arrived in Brazil, successfully completing its journey from Singapore.

The capital expenses for the conversion of BW Joko Tole and BW Athena are capitalised as vessels under conversion, while the Papa Terra project is accounted for as a fixed-price construction contract. Under the latter format, revenue is recognised in accordance with the "Percentage of Completion" (POC) accounting method. BW Offshore is receiving milestone payments from the client Petrobras for Papa Terra throughout the project period.

DIVIDEND

The Board has declared a cash dividend of USD 0.04 per share for the quarter. The shares will be traded ex-dividend as of 8 December 2011. The dividend will be payable on or about 22 December 2011 to shareholders of record on 12 December 2011.

OUTLOOK

The outlook for the energy market in general and BW Offshore's position in particular remains strong. Based on BW Offshore's diversification, presence, financial scale and competence, the Company will play a significant role in the FPSO market and continue to grow its business. BW Offshore is currently pursuing several prospective projects.

The sale of the two tankers BW Ara and M/T Takama does not reflect reduced expectations for growth with FPSO projects, but is a reflection of availability of other tanker candidates.

The recent turmoil in the international financial market has not had any significant effects on BW Offshore's results or prospects. BW Offshore's cash flow from the operating vessels

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is secure and based on long term contracts with large national oil companies and solid independent oil companies.

BW Offshore is fully funded for all ongoing projects and additional financial capacity is available for new growth opportunities.

The receipt of day rate for the FPSO BW Pioneer is contributing to a significant EBITDA growth in 2011 and beyond. The EBITDA will

grow further with the start-up of the FPSOs BW Athena and BW Joko Tole.

BW Offshore is committed to increasing shareholder return, and is selectively pursuing projects that meet the Company's financial targets.

Bermuda, 17 November 2011

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)

<i>Continuing operations</i>	Notes	Q3 11	Q2 11	Q3 10	YTD 11	YTD 10
Operating revenue		216.1	228.6	139.0	638.2	293.5
Operating expenses		(138.9)	(141.7)	(59.7)	(398.5)	(165.3)
Share of profit/(loss) of associates	5	(0.5)	0.0	(16.4)	(0.5)	(14.8)
Operating profit before depreciation/amortisation		76.7	86.9	62.9	239.2	113.4
Depreciation		(46.9)	(45.6)	(13.1)	(133.5)	(38.8)
Amortisation		(1.0)	(1.0)	(0.9)	(2.9)	(2.9)
Gain on sale of assets and impairment		15.3	2.6	0.0	18.6	0.0
Operating profit		44.1	42.9	48.9	121.4	71.7
Net currency exchange gain/(loss)		(0.1)	0.0	0.0	(0.1)	(4.5)
Interest income		0.5	0.6	1.2	1.9	4.1
Gain/(loss) on financial instruments	6	(20.0)	(20.9)	6.8	(33.8)	(22.0)
Interest expense		(13.9)	(10.1)	(6.8)	(36.0)	(17.6)
Other financial items		(0.4)	(0.9)	1.9	(2.4)	0.3
Finance expenses		(33.9)	(31.3)	3.1	(70.4)	(39.7)
Profit/(loss) before tax		10.2	11.6	52.0	51.0	32.0
Income tax expense		(5.4)	(5.7)	(2.4)	(16.5)	(9.2)
Net profit/(loss) from continuing operations		4.8	5.9	49.6	34.5	22.8
Discontinued operations						
<i>Net profit/(loss) from discontinued operations incl sales gain</i>		0.0	0.0	8.0	0.0	7.2
Net profit/(loss) for the period		4.8	5.9	57.6	34.5	30.0
Net profit/(loss) attributable to owners of the Company		4.8	5.9	57.6	34.5	30.0
Basic/diluted earnings/(loss) per share (USD from continuing operations)		0.01	0.01	0.11	0.05	0.05
<i>Basic/diluted earnings/(loss) per share (USD) from discontinued operations</i>		0.00	0.00	0.02	0.00	0.02
Basic/diluted earnings/(loss) per share (USD) net		0.01	0.01	0.13	0.05	0.07

COMPREHENSIVE INCOME STATEMENT

(Unaudited figures in USD million)

	Q3 11	Q2 11	Q3 10	YTD 11	YTD 10
Net profit (loss) for the period	4.8	5.9	57.6	34.5	30.0
Other comprehensive income					
Currency translation differences	0.0	(0.2)	0.9	0.0	(0.2)
Net profit/(losses) on cash flow hedges	(1.2)	1.0	0.8	(2.2)	4.6
Share of other comprehensive income of associates	0.0	0.0	(2.0)	0.0	(6.7)
Total other comprehensive income for the period net of tax	(1.2)	0.8	(0.3)	(2.2)	(2.3)
Total comprehensive income	3.6	6.7	57.3	32.3	27.7

The notes in pages 8-9 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	30/9/2011	30/6/2011	30/9/2010	31/12/2010
Vessels	2	2,923.5	2,872.7	1,312.9	2,777.0
Property and other equipment		5.8	5.8	4.7	5.0
Goodwill and intangibles		161.7	162.6	5.6	163.4
Finance lease receivables		194.1	197.5	205.0	203.9
Investments in associates	5	3.0	2.4	163.6	2.7
Non-current deposits		45.6	68.3	99.2	99.2
Deferred tax assets		36.2	36.2	0.0	36.2
Total non-current assets		3,369.9	3,345.5	1,791.0	3,287.4
Inventory		6.0	7.9	4.4	9.0
Trade receivables and other current assets		198.7	179.5	109.5	138.5
Cash and deposits		155.3	233.9	76.9	228.2
Assets of disposal group held for sale	7	7.1	7.1	498.4	7.1
Total current assets		367.1	428.4	689.2	382.8
TOTAL ASSETS		3,737.0	3,773.9	2,480.2	3,670.2
EQUITY AND LIABILITIES					
Total equity attributable to owners of the Company	3	1,352.9	1,376.0	948.6	1,375.6
Total equity		1,352.9	1,376.0	948.6	1,375.6
Interest-bearing long term debt	4	1,623.2	1,628.3	988.0	200.0
Pension obligations		6.4	6.0	5.2	6.2
Other long-term liabilities	8	133.1	132.2	111.3	131.5
Derivatives		84.8	84.7	55.9	94.1
Total non-current liabilities		1,847.5	1,851.2	1,160.4	431.8
Trade and other payables		221.3	252.3	227.0	311.6
Derivatives		20.6	9.0	0.0	0.5
Interest-bearing short term debt	4	271.0	261.7	0.0	1,528.9
Income tax liabilities		16.6	16.6	10.0	14.7
Liabilities of disposal group held for sale	7	7.1	7.1	134.2	7.1
Total current liabilities		536.6	546.7	371.2	1,862.8
Total liabilities		2,384.1	2,397.9	1,531.6	2,294.6
TOTAL EQUITY AND LIABILITIES		3,737.0	3,773.9	2,480.2	3,670.2

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STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)

	Share capital	Share premium	Other equity	Total
YTD 2011				
Equity at 1 January 2011	6.9	1,334.8	33.9	1,375.6
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	32.3	32.3
Total equity at 30 September 2011	6.9	1,084.8	261.2	1,352.9
YTD 2010				
Equity at 1 January 2010	4.6	918.8	(2.5)	920.9
Total other comprehensive income for the period	0.0	0.0	27.7	27.7
Total equity 30 September 2010	4.6	918.8	25.2	948.6

CASH FLOW STATEMENT

(Unaudited figures in USD million)

	Q3 11	Q2 11	Q3 10	YTD 11	YTD 10
Profit/ (loss) before taxes	10.2	11.6	52.0	51.0	32.0
Unrealised currency exchange losses	5.9	(0.3)	(1.1)	(1.3)	3.3
Depreciation and amortisation	47.9	46.6	14.0	136.4	41.7
Taxes paid	(4.8)	(6.5)	(1.6)	(16.4)	(6.9)
Share of loss/ (profit) of associated companies	0.5	0.0	16.4	0.5	14.8
Loss/ (gain) on sale of shares and fixed assets	(15.3)	(2.6)	0.0	(18.6)	0.0
Change in fair value of derivatives	20.0	20.9	(24.4)	33.8	(1.2)
Change in working capital	(48.3)	(57.1)	(9.9)	(130.7)	123.1
Add back of net interest expense	13.3	9.4	5.6	34.2	13.5
Other items	2.7	4.5	3.2	9.2	7.4
<i>Cash flows from operating activities discontinued operations</i>	<i>0.0</i>	<i>0.0</i>	<i>7.0</i>	<i>0.0</i>	<i>(10.3)</i>
Net cash flow from operating activities	32.1	26.5	61.2	98.1	217.4
Investment in fixed assets	(118.2)	(85.2)	(90.3)	(303.7)	(178.7)
Investments in subsidiaries	0.0	0.0	(1.5)	0.0	(14.0)
Investment in non-current assets	0.0	0.0	10.0	0.0	5.0
Sale of fixed assets	36.3	2.7	0.0	42.0	0.1
Interest received	0.5	0.6	1.2	1.9	4.1
<i>Cash flows from investing activities discontinued operations</i>	<i>0.0</i>	<i>0.0</i>	<i>(0.6)</i>	<i>0.0</i>	<i>21.0</i>
Net cash flow from investing activities	(81.4)	(81.9)	(81.2)	(259.8)	(162.5)
Proceeds from new interest bearing debt	150.0	0.0	50.0	1,859.5	250.0
Repayment of interest-bearing debt	(125.6)	(5.2)	0.0	(1,645.0)	(250.0)
Dividend paid	(27.4)	(27.5)	0.0	(54.9)	0.0
Interest paid	(26.4)	(22.1)	(6.8)	(70.8)	(17.6)
<i>Cash flows from financing activities discontinued operations</i>	<i>0.0</i>	<i>0.0</i>	<i>(0.3)</i>	<i>0.0</i>	<i>(1.1)</i>
Net cash flow from financing activities	(29.4)	(54.8)	42.9	88.8	(18.7)
Net change in cash and cash equivalents	(78.7)	(110.2)	22.9	(72.9)	36.2
<i>Cash and cash equivalents discontinued operations</i>	<i>0.0</i>	<i>0.0</i>	<i>(27.3)</i>	<i>0.0</i>	<i>(27.3)</i>
Cash and cash equivalents at beginning of period	233.9	344.1	81.3	228.2	68.0
Cash and cash equivalents at end of period	155.3	233.9	76.9	155.3	76.9

The notes in pages 8-9 are an integral part of these consolidated interim financial statements

NOTES TO THE ACCOUNTS (UNAUDITED)

(Figures in brackets refer to corresponding figures for 2010)

Note 1 - Accounting principles

This Condensed Interim Consolidated interim financial information for the third quarter 2011 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 2010, 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 2010, as described in the annual financial statements for 2010. None of the new accounting standards or amendments that came into effect from 1 January 2011 had a significant impact on the Condensed Interim Consolidated financial information of BW Offshore for the first three quarters of 2011.

The purchase price allocation (PPA) related to the acquisition of PROD is preliminary. Changes, if any, the PPA will primarily have effect on book values of Vessels and Goodwill. The PPA will be finalised during fourth quarter.

Note 2 – Vessels and vessels under conversion

The book value of operating vessels and vessels under conversion amounted to USD 2,923.5 million (USD 1,312.9 million) at 30 September 2011.

Capital expenditure related to vessels and vessels under conversion in the third quarter 2011, amounted to USD 117.0 million (USD 78.8 million).

Note 3 - Equity

The number of issued shares was 688,006,004 at 30 September 2011. There were no changes in shares issued in the third quarter 2011. There were 700,000,000 authorised shares at 30 September 2011.

The Company held a total of 2,798,159 own shares at 30 September 2011.

Note 4 - Interest-bearing debt

Long-term debt

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

	2011	2010
USD 2.4 billion loan facility	1,488.9	0.0
USD 1.5 billion facility (terminated)	0.0	888.8
USD CIRR financing schemes	45.5	99.2
Umuroa loan	84.2	0.0
Nautipa loan	4.6	0.0
Total	1,623.2	988.0

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Short-term debt

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

	2011	2010
USD 2.4 billion loan facility	252.2	0.0
Umuroa loan	16.7	0.0
Nautipa loan	2.1	0.0
Total	271.0	0.0

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 11	Q2 11	Q3 10	YTD 11	YTD 10
Change in fair value of interest swaps and currency hedges	(20.0)	(20.9)	6.8	(33.8)	(22.0)
Net gain/ (loss) on financial instruments	(20.0)	(20.9)	6.8	(33.8)	(22.0)

Note 7 – Liabilities and disposal group held for sale

At 30 September 2011, the office building in Arendal, owned by BW Offshore, is classified as held for sale. The book value of the asset is USD 7.1 million while the book value of the liabilities of this asset is USD 7.1 million. The purchase option expires in December 2011.

Note 8 – 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 9 – Related party transactions

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

Note 10 – Capital commitments

Total capital committed on conversion projects and operations at 30 September 2011 amounted to USD 234.6 million (USD 284.9 million).

Note 11 – Segments

The Company's activities are focused on construction, ownership and operation of FPSOs and FSOs. For management purposes, the Company is organised as one business unit and the internal reporting is structured thereafter.

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KEY FIGURES

(Unaudited)

	Note	Q3 11	Q2 11	Q3 10	YTD 11	YTD 10
EBITDA-margin	1	35.5 %	38.0 %	45.3 %	37.5 %	38.6 %
Equity ratio	2	36.2 %	36.5 %	47.9 %	36.2 %	47.9 %
Return on equity	3	2.9 %	3.1 %	18.8 %	3.3 %	2.1 %
Return on capital employed	4	5.9 %	5.5 %	12.3 %	5.4 %	17.4 %
Net interest bearing debt (USD million)	5	1,693.5	1,587.8	811.9	1,693.3	811.9
Cash flow per share (USD)	6	0.05	0.04	0.12	0.14	0.50
EPS-basic/diluted continuing operations	7	0.01	0.01	0.11	0.05	0.05
EPS-basic/diluted incl discontinued operations	7	0.01	0.01	0.11	0.05	0.05
Shares - end of period (million)		688.0	688.0	456.2	688.0	456.2
Share price (NOK)		10.35	12.30	10.40	10.35	10.40
Market cap (NOKm)		7,121.0	8,462.0	4,745.0	7,121.0	4,745.0
Market cap (USDm)		1,219.0	1,571.0	810.0	1,219.0	810.0

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

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 Ivorien	Ivory Coast	CNR	2002	2002-2013 + options until 2022
Berge Helene	Mauritania	Petronas	2005	2006-2013 + options until 2021
Petrôleo Nautipa (50% owned)	Gabon	Vaalaco Energy	2002	2002-2015 + options until 2017
Azurite	Congo	Murphy	2009	2009-2016 + options until 2024
YÛUM K'AK'NÁAB	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	2011-2016 + options until 2019
Ningaloo Vision	Australia	Apache	2010	2010-2017 + options until 2025
Umuroa	New Zealand	AWE	2007	2007-2015 + options until 2022
BW Athena	UK	Ithaca Energy and partners	Ongoing	2011-2014 + options until 2022
BW Joko Tole	Indonesia	Kangean Energy	Ongoing	2012-2021 + options until 2025
FSO				
Belokamenka	Russia	Sovkomflot	2003	2004-2018
Endeavor	India		1997	
EPC				
Papa Terra/P-63	Brazil	Petrobras	Ongoing	EPC contract + 3 year operation