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# BW Offshore

## Q2 2010 presentation

31 August 2010



Picture: Petrobras

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# Highlights

- Q2 2010 EBITDA of USD 22.4 million before results from associates
- Record high order intake (YTD); USD 1.4 billion for FPSO and APL
  - Signed contract for the completion of FPSO OSX-1
  - Signed contract for a gas FPSO for the TSB project
- Operational performance 99.9%
- FPSO BW Pioneer passed inspection 25<sup>th</sup> August
- Voluntary offer for Prosafe Production
- Strong financial capabilities - new USD 1.1 billion credit facility

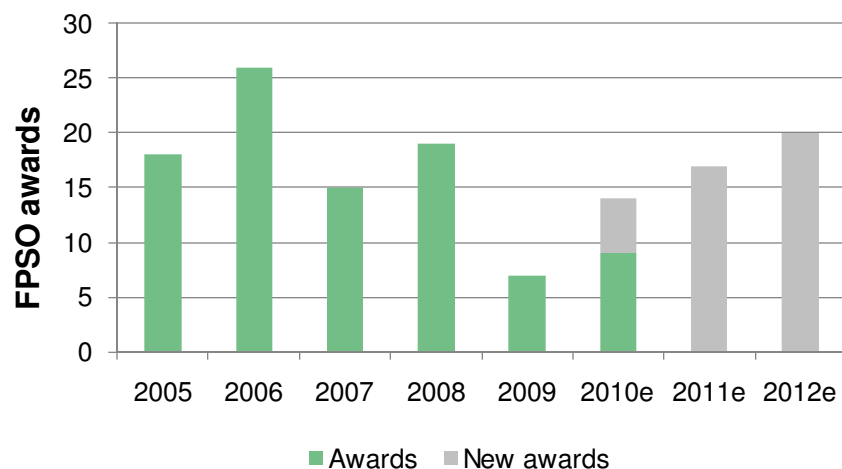
# MARKET





# FPSO market significantly stronger

- Increased activity in all market regions
- Financial strength and track record increasingly important factors to secure contracts
- High activity with BW Offshore focusing on project robustness, financial return and risk factors



Source: Pareto

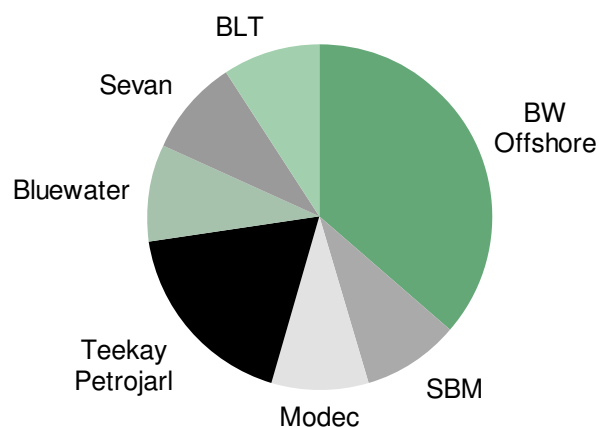




# BW Offshore with record order intake

- USD 1.4 billion contract inflow since January
- BW Offshore's success is primary a result of
  - Project execution
  - Operational excellence
  - Financial robustness

**Number of awards**



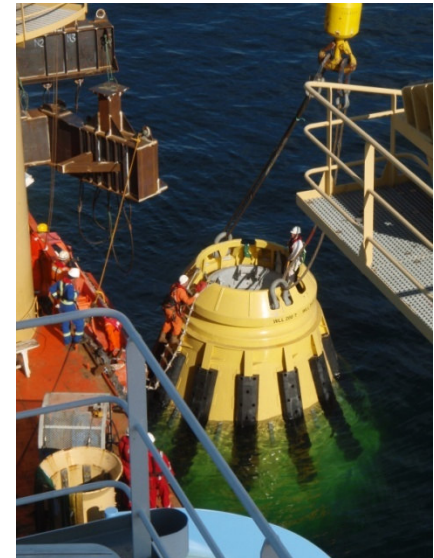
**FPSO awards 2010 - Lease**

Contractor	Field	Operator	Country	Comments
BW Offshore	Athena	Ithaca	UK	<i>LOI, Redeployment</i>
BW Offshore	TSB	Kangean Energy	Indonesia	
BW Offshore/OSX	<i>Campos Basin</i>	OGX	Brazil	<i>Redeployment</i>
BW Offshore/QUIP	Papa Terra (P-63)	Petrobras	Brazil	<i>Owned/Lease</i>
Berlian Laju Tanker	Pagerungan	Kangean Energy	Indonesia	
Bluewater	Kitan	ENI	East Timor	<i>Redeployment</i>
Modec	Guara	Petrobras	Brazil	
SBM	Tupi NE	Petrobras	Brazil	
Sevan	Huntington	EON	UK	<i>LOI, Redeployment</i>
Teekay Petrojarl	Tiro Sidon	Petrobras	Brazil	<i>LOI</i>
Teekay Petrojarl	Aruana	Petrobras	Brazil	<i>Redeployment</i>

Source: BW Offshore, companies

# APL building momentum

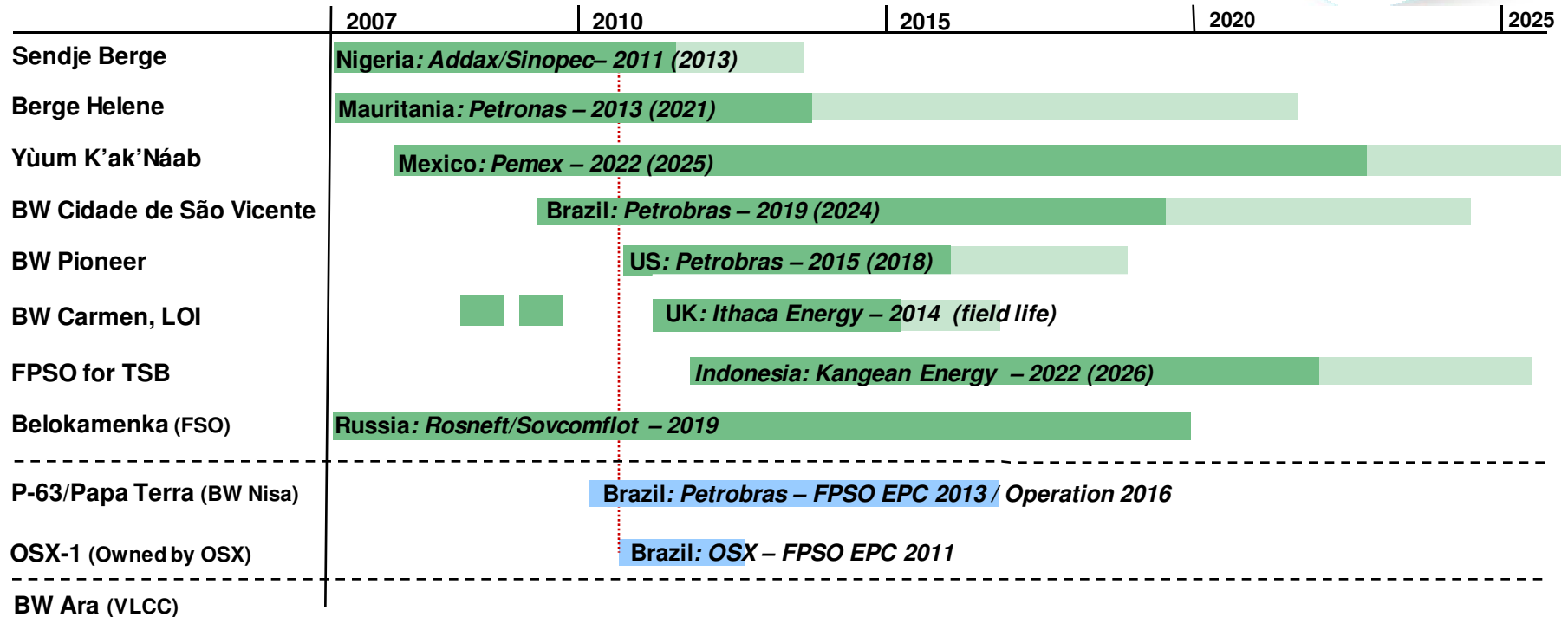
- First evidences of market pick up
  - Higher bidding activity – more contract awards
- Gas market activity improving
- Significant variations in market activity by region
- New orders – signed and in progress
  - Offloading systems for Goliat (ENI)
  - STP OSX-1 (OSX)
  - Mooring and riser system for P-63/Papa Terra (BW Offshore/QUIP)
  - Mooring and riser system for TSB (BW Offshore)



# OPERATIONS



# Long term contracted cash flow



- Fixed period
- Option period
- Turnkey/EPC

**Floating production order backlog is USD 4.0 billion\***

- 9 years of fixed contracts remaining (weighted average), 12 yrs incl options
- 70% fixed
- 75% with major NOCs

\* Ex BW Carmen



# FPSO BW Pioneer

- BW Pioneer has passed the inspection on 25<sup>th</sup> of August
  - Important milestone in completion of project
  - Full compliance with US regulations
  - Onshore and offshore personnel ready for operation
- Standby day rate (95%) of full day rate will commence after the vessel has been hooked up to the buoy
- Lease contract with Petrobras (5 year fixed + 3 year options)





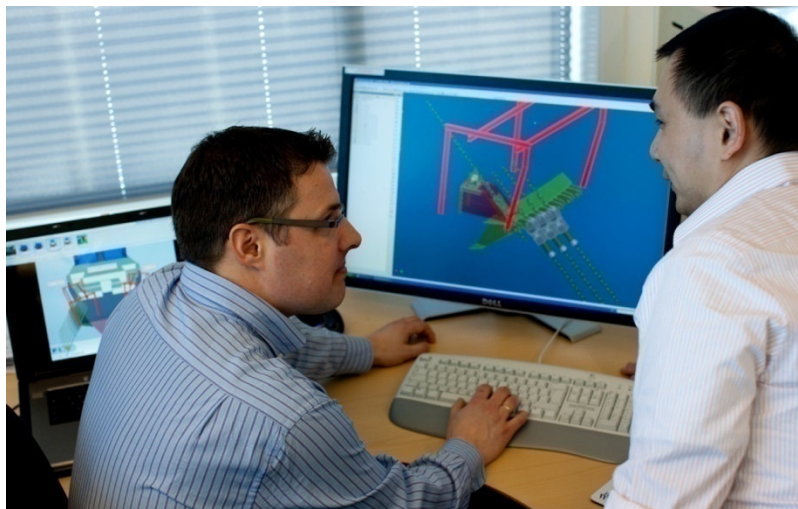
# FPSO P-63 (Papa Terra)

- Project is progressing according to schedule
  - BW Nisa (ULCC) at COSCO Dalian Shipyard
  - Demolition work well under way
  - In first drydock from 30 July to end September
  - Steel renewal and life extension work started
  
- Long lead items successfully contracted
  - 50% of budget committed
  - All long lead items contracted at or below expectations and within schedule
  
- JV partners handling Brazil imports and local content
  - QUIP / QGOG (Queiroz Galvão Óleo e Gas)



# FPSO OSX-1

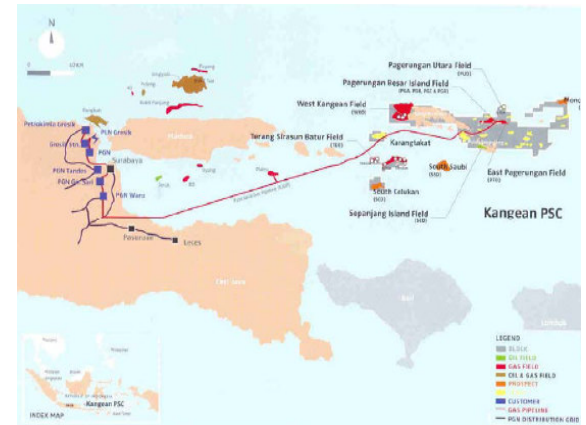
- Contract signed 14 July 2010
  - Total value of the works USD 150 million
  - Completion mid 2011
- OSX has engaged BW Offshore to complete the FPSO OSX-1
  - Topside extensions to operate in the Campos Basin offshore Brazil
  - Delivery of a Submerged Turret Production (STP) system from APL



# FPSO for Terang Sirasun Batur



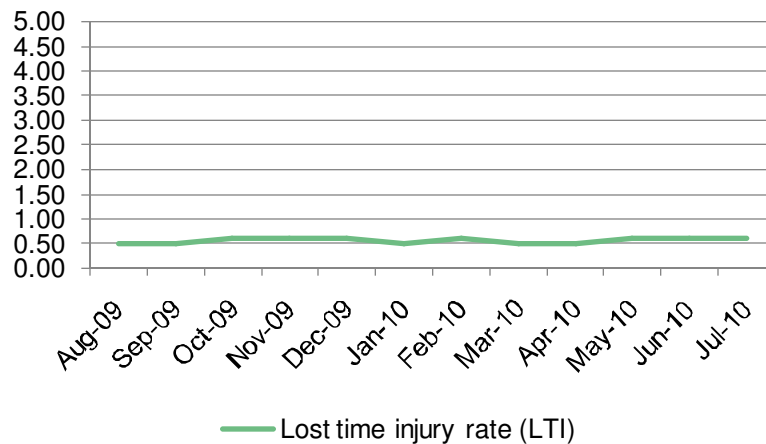
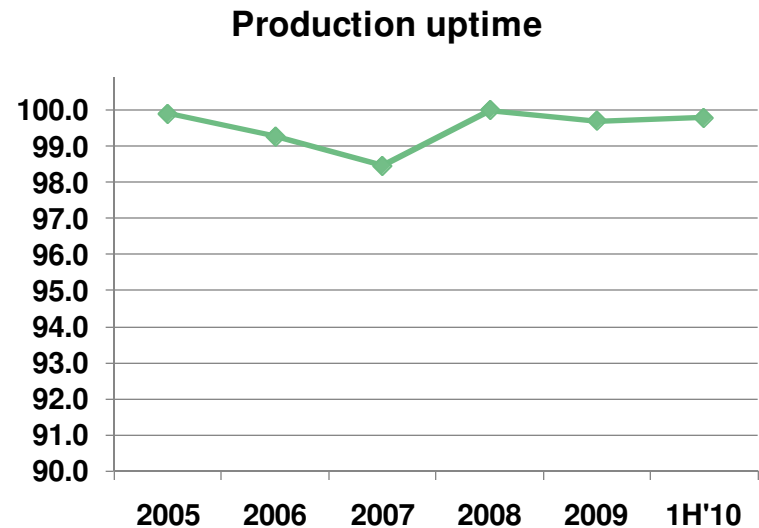
- Contract signed 15 July 2010
  - Total contract value USD 875 million
  - 10 year fixed contract (up to 14 years including options)
- First gas early 2012
  - Gas FPSO (340 mmscfd)
- Kangean Energy Indonesia (KEI) partners
  - Energi Mega Persada (50%)
  - Mitsubishi (25%)
  - Japex (25%)



# FPSO operations



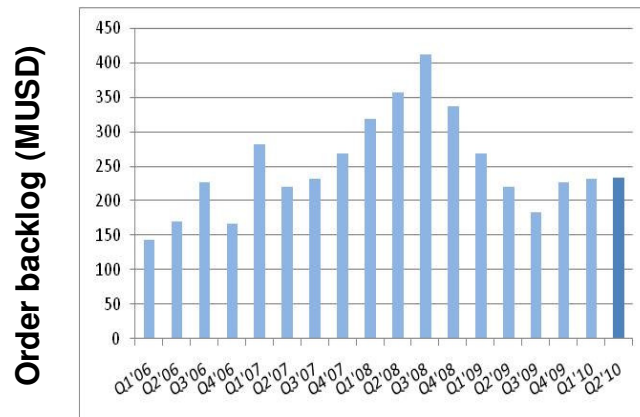
- Production uptime
  - Q2 2010: 99.9%
  - 5 year average: 99.5%
- High HSE level maintained
- Improving operational efficiency



# APL – new orders confirm positive outlook



- Order backlog at USD 233 million by end Q2 2010
  - Several projects in the tender and bidding stage
- Existing projects are progressing according to schedule
  - Pazflor (Total)
  - Hibernia (HMDC)
  - Goliat (ENI)
  - OGX-1 (BW Offshore/OGX)
  - Papa Terra (BW Offshore)



# FINANCE





## Floating Production segment

- Stable financial and operational performance
- Construction contract for FPSO P-63/Papa Terra
  - Revenues and expenses to be recognised following percentage of completion method
- Majority of the OSX project to be booked as a construction contract
  - Project started in Q3 2010

<b>USD million</b>	<b>Q2 2010</b>	<b>Q1 2010</b>	<b>Q2 2009</b>
Operating revenue	74.6	79.9	52.4
Operating expenses	-55.4	-50.2	-32.1
Share of profit (loss) of associates	0.1	1.5	2.0
<b>EBITDA</b>	<b>19.3</b>	<b>31.2</b>	<b>22.3</b>
Gain on sale of vessel	0.0	0.0	0.0
Depreciation, amortisation and write-downs	-14.2	-13.5	-9.6
<b>EBIT</b>	<b>5.1</b>	<b>17.7</b>	<b>12.7</b>



# APL segment

- Financial performance in line with expectations
- Pick up in activity from H2 2010 and onward
- Amortisations relate to purchase price allocation

USD million	Q2 2010	Q1 2010	Q2 2010
Operating revenue	29.6	36.0	77.2
Operating expenses	-26.4	-34.1	-68.5
Share of profit (loss) of associates	0.0	0.0	0.0
<b>EBITDA</b>	<b>3.2</b>	<b>1.9</b>	<b>8.7</b>
Depreciation, amortisation and write-downs	-3.1	-3.8	-4.9
<b>EBIT</b>	<b>0.1</b>	<b>-1.9</b>	<b>3.8</b>

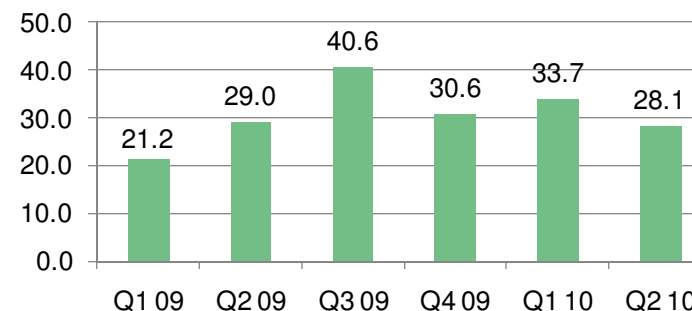


# Income statement

USD million	Q2 2010	Q1 2010	Q2 2009
Operating revenue	98.8	113.3	114.9
Operating expenses	-76.4	-82.1	-85.1
Share of profit from associates	0.1	1.5	2.0
<b>EBITDA</b>	<b>22.5</b>	<b>32.7</b>	<b>31.8</b>
Depreciation and amortisations	-17.3	-17.3	-14.5
<b>EBIT</b>	<b>5.2</b>	<b>15.4</b>	<b>17.3</b>
Net interest expense	-5.3	-3.1	-4.0
Fx, fin instr and other fin items	-23.6	-9.3	10.3
<b>Profit (loss) before tax</b>	<b>-23.7</b>	<b>3.0</b>	<b>23.6</b>
Income tax expense	-4.1	-2.8	-1.8
<b>Net profit (loss)</b>	<b>-27.8</b>	<b>0.2</b>	<b>21.8</b>

	2009	Q1 10	Q2 10
Operating revenue	408.8	113.3	98.8
<b>Reported EBITDA</b>	<b>88.6</b>	<b>32.9</b>	<b>22.5</b>
Share of profit of associates	-45.6	1.5	0.1
<b>Adjusted EBITDA</b>	<b>134.2</b>	<b>31.4</b>	<b>22.4</b>
Fx adjustment (MTM values)	-12.8	2.3	5.7
<b>Operational EBITDA</b>	<b>121.4</b>	<b>33.7</b>	<b>28.1</b>

Operational EBITDA (MUSD)



PPA impact included under amortisation. From Q208, the negative PPA impact has been about USD 6 million per quarter, gradually reduced per year. No cash effect



# Balance sheet

- Equity ratio 37.1%
- Price/book 0.64
- Net interest bearing debt USD 785.5 million

USD million	30.06.10	31.03.10	30.06.09
Total non-current assets	2,126.9	2113,5	2,134.8
Total current assets	275.7	382,3	258.7
<b>Total assets</b>	<b>2.402.6</b>	<b>2495,8</b>	<b>2,393.5</b>
Total equity	891.3	919,2	920.9
Total non-current liabilities	1,153.4	1250,9	1,237.5
Total current liabilities	357.9	325,7	235.1
Total liabilities	1,511.3	1576,6	1,472.6
<b>Total equity and liabilities</b>	<b>2,402.6</b>	<b>2495,8</b>	<b>2,393.5</b>

<b>Reported interest bearing debt *</b>	<b>996.9</b>
<i>Cash and deposits</i>	81.3
<i>Non-current deposits *</i>	130.1
	-211.4
<b>Net interest bearing debt</b>	<b>785.5</b>

\* Per Q2 2010, USD 130.2 million is related to the CIRR financing scheme; increasing both long term debt and non-current deposits

# Cash status

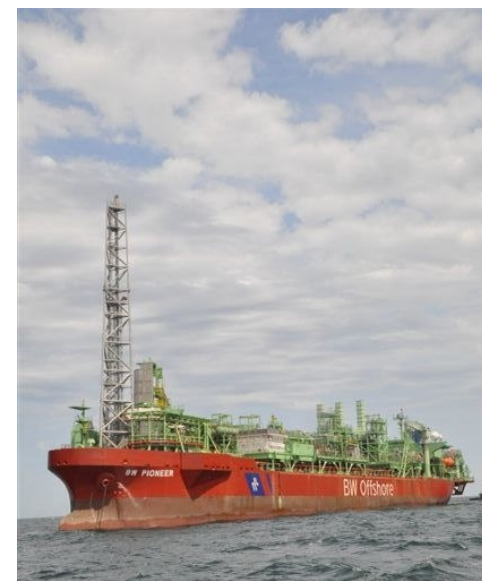
- Cash at 30 June 2010 USD 81.3 million
- Operating cashflow of USD 32.1 million in Q2 2010 and USD 156.3 million in 1H 2010
- Unsecured RCF of USD 1,500 million (LIBOR +125 bps to May 2013)
  - Utilised USD 843.3 million per Q2 2010 (net debt USD 785 million)
- Unsecured RCF of USD 1,100 million (LIBOR +195 bps to Nov 2011)
  - New facility July 2010 to refinance Prosafe Production's debt
  - Prosafe Production's net debt is USD 995 million





# Cash outlook

- Growing operational cashflow based on fixed long term contracts with strong counterparties
- Run-rate EBITDA on current portfolio is USD 275-325 million
- Remaining net cash outflow is USD 300 million
  - Includes BW Pioneer, TSB, Papa Terra and OSX-1
  - Expenditures less contracted milestone payments and variation orders
  - Fully funded under existing facility



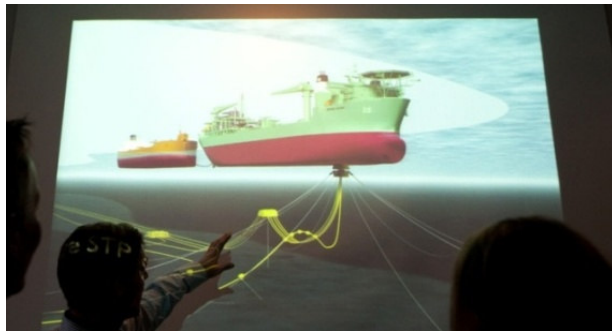
# FUTURE



# Higher returns for BW Offshore's projects



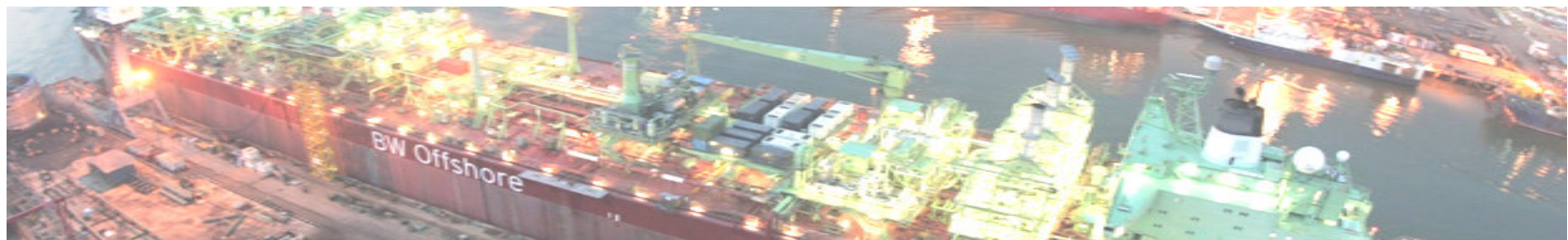
- Positive market outlook
  - Target good return projects
  - Will not agree to undue contractual risk
- Expect further improvement in terms and returns on new charter contracts
  - Improved contracts
  - Lower prices from suppliers
  - Improved project delivery process





# Voluntary offer for Prosafe Production

- The FPSO market is growing and the sector needs larger companies that can meet the increasing requirements from clients and regulators
- A combined BW Offshore and Prosafe Production will address these needs through
  - Diversification
  - Presence
  - Financial scale
  - Competence
- The Offer represents a balanced and sound transaction for both shareholder groups
- Create a large and attractive company for investors



# Summary



- Operations and project development in line with plan
- BW Pioneer passed technical inspection
- Order book of USD 4.2 billion after USD 1.4 billion in new contracts
- Positive market development - larger established players with consistent track record best positioned to strengthen market positions
- BW Offshore's solid financial position expected to provide business opportunities that will generate industry leading growth and return to investors
- BW Offshore wants to take an active approach in the consolidation of the FPSO industry



# APPENDIX





# The Offer

- Voluntary Exchange Offer for all shares of PROD not owned by BWO
- Offer consideration of 1.2 BWO shares and NOK 5.25 in cash
  - Corresponds to NOK 16.21 per PROD share, based on the closing share price of BWO on 18 June 2010 of NOK 9.13
  - Values the total share capital of PROD at approximately NOK 4.1 billion
  - Premium of 17.0% to the closing price of PROD on 18 June 2010
  - Premium of 20.1% to 1 month VWAP of PROD for the period ending on 18 June 2010
- The Offer is fully financed
  - In addition to BWO's existing credit facility of USD 1.5 billion, a new bridging credit facility of USD 1.1 billion has been established from BW Group on competitive terms
  - Above facilities refinance PROD existing credit facility and fund the cash component of the Offer while also preserving capacity for further growth for the combined entity
- No further equity issue needed beyond share consideration as a result of the Offer

# APL turnkey solutions



## Production systems



Submerged Turret Production (STP) for FPSO



Submerged Turret Loading (STL) for FSO



External Turret Production (ETP) for FPSO



SAL Yoke System (SYS) for FPSO

## Terminal systems



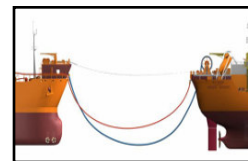
Submerged Turret Loading (STL) for LNG and Shuttle Tankers



Single Anchor Loading (SAL) for Shuttle Tankers



Buoy Turret Loading (BTL) for Shuttle Tankers



BLS and SDS systems for Shuttle Tankers



## Units on contract



**Sendje Berge, FPSO**  
Sinopec, Nigeria

60,000 bopd processing  
55 mmsfd gas compression  
2,000,000 bbls storage  
Spread mooring



**Yuum K'ak'Náab, FPSO**  
Pemex, Mexico

600,000 bopd handling  
200,000 bopd processing  
2,500,000 bbls storage  
Disconnectable turret mooring



**Berge Helene, FPSO**  
Petronas, Mauritania

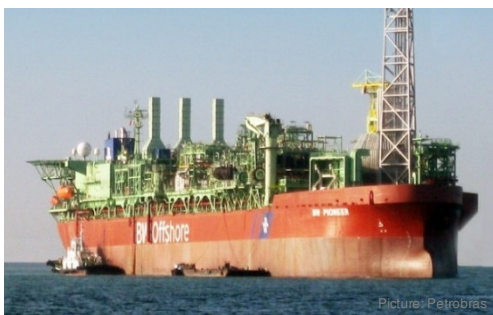
100,000 bpd liquids processing  
75,000 bopd processing  
100,000 bpd water injection  
70 mmscfd gas compression  
2,000,000 bbls storage  
Turret mooring

# Units on contract



**Belokamenka, FSO**  
Sovkomflot, Russia

2,400,000 bbls storage  
Cargo heating system  
Spread mooring



**BW Pioneer, FPSO**  
Petrobras, US

80,000 bopd processing  
25.6 mmscfd gas export  
600,000 bbls storage capacity  
Disconnectable turret mooring  
Double hull (M/T Sarasota)



**BW Carmen, FPSO**  
Ithaca Energy, UK – *Letter of Intent*

40,000 bpd liquids handling capacity  
28,000 bopd processing capacity  
50,000 bbls storage capacity  
DP



## Units on contract



P-63 (Papa Terra), FPSO  
Petrobras, Brazil

ULCC (322.000 dwt)  
2,200,000 bbls storage capacity

*BW Nisa - construction contract*



BW Cidade de São Vicente, FPSO  
Petrobras, Brazil

40,000 bopd oil processing  
1,000,000 bbls storage capacity  
Prepared for facilities upgrades



TSB, FPSO  
Kangean Energy Indonesia, Indonesia

340 mmscfd of gas compression and conditioning capacity

# Available units



## BW Ara

ULCC (322.000 dwt)  
2,000,000 bbls storage capacity





Q3 2010: 30 November 2010

Further information: [www.bwoffshore.com](http://www.bwoffshore.com)

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