BW Offshore Limited

KEY EVENTS

- EBITDA from continuing operations of USD 73.6 million in the fourth quarter and USD 201.8 million for the year 2010, before results of associates and restructuring costs
- Acquisition of Prosafe Production Public Limited completed
- Syndication of USD 2.4 billion seven year loan facility completed
- Received payment of USD 531.5 million for the sale of the APL division
- Net impairment charges of USD 85.0 million related to vessels

FINANCIAL SUMMARY

FOURTH QUARTER

Continuing operations

Operating revenues were 255.8 million, an increase of USD 198.1 million (343%) compared to USD 57.7 million in Q4 2009.

BW Offshore obtained control of Prosafe Production Ltd (PROD) on 1 October 2010. The PROD fleet has consequently been consolidated as of the fourth quarter 2010. The increase in revenue is primarily a result of the consolidation but also reflects revenue recognized on the Papa Terra contract.

Operating expenses were USD 216.9 million, an increase of USD 190.5 million compared to USD 26.4 million in Q4 2009. The increase in operating expenses is mainly a result of the consolidation of PROD, a charge of USD 14.0 million related to disputed import duties for the importation of the FPSO YÙUM K`AK`NÀAB to Mexico in 2007 and expenses recognized on the Papa Terra project. In addition the fourth quarter operating expenses includes USD 34.7 million in restructuring costs related to the acquisition of PROD. This amount includes costs related to personnel reductions, fees to external advisors, terminated office leases and other identified restructuring costs. Operating expenses excluding the restructuring costs were USD 182.2 million. Restructuring costs reported by PROD in the third quarter report are included in the USD 34.7 million expense in the consolidated fourth quarter figures.

Changes in fair market values of currency hedges was negative USD 1.4 compared to negative USD 0.1 million in Q4 2009.

EBITDA for the quarter was USD 38.9 million, an increase of USD 18.3 million (89%) compared to USD 20.6 million in Q4 2009. EBITDA for the quarter excluding restructuring costs was USD 73.6 million.

Impairment charges totaling USD 85.0 million, including a reversal of a previous impairment charge, have been taken in the fourth quarter and relate to the operating vessels and vessels under conversion.

The net financial result amounted to a loss of USD 23.5 million, an increase of USD 18.1 million compared to a net loss of USD 5.4 million in Q4 2009. The acquisition of PROD and the refinancing of BWO and PROD loan facilities resulted in restructuring costs of USD 12.7 million, which mainly consists of the expensing of capitalized costs on the existing loan facilities. These restructuring costs are included in other financial items.

The Company has hedging policies in place with the objective of reducing exposure to currency and interest rate fluctuations. The improvement in the financial items was mainly due to changes in fair market value on financial instruments of USD 9.8 million compared to a loss of USD 13.9 million in Q4 2009.

The result before tax was a loss of USD 115.1 million, a decrease of USD 116.2 million compared to a profit of USD 1.1 million in Q4 2009. The income tax expense was USD 7.2 million, an increase of USD 4.4 million compared to USD 2.8 million in Q4 2009. The increase is due to the consolidation of PROD.

Net loss before discontinued operations was USD 122.3 million compared to a loss of USD 1.7 million in Q4 2009. Net loss including discontinued operations was USD 6.6 million compared to a loss of USD 7.3 million in Q4 2009.

At 31 December 2010, total assets amounted to USD 3,670.2 million compared to USD 2,393.5 million at 31 December 2009. The net increase of USD 1,276.7 million (53%) mainly relates to the consolidation of PROD, increased book values of vessels undergoing conversion, increased cash deposits offset by the sale of APL assets and reduced receivables. Goodwill at 31 December 2010 relates to the acquisition of PROD while Goodwill at 31 December 2009 related to the acquisition of APL in 2007.

Total equity at 31 December 2010 amounted to USD 1,375.6 million, an increase of USD 454.7 million (49%) compared to USD 920.9 million at 31 December 2009. The increase is mainly due to issuing new equity related to the acquisition of PROD.

Net cash flow from continuing operating activities was USD 98.2 million compared to USD 123.4 million in Q4 2009. Net cash flow from operating activities, including discontinued operations was USD 140.1 million compared to USD 121.1 million in Q4 2009. Net cash outflow from investing activities was USD 66.8 million compared to cash outflow of USD 102.1 million in Q4 2009. Cash flow from investing activities relates mainly to the conversion projects. Net cash outflow from financing activities was USD 383.1 million compared to inflow of USD 1.7 million in Q4 2009.

At 31 December 2010, the Company had USD 228.2 million in cash and deposits, compared to USD 68.0 million in 2009. Currently, the Company has drawn USD 610.0 million on the USD 1,500 million credit facility and USD 900.0 million on the USD 1.2 billion credit facility (PROD). Net debt amounted to USD 1,401.5 million at 31 December 2010, compared to USD 849.3 million at 31 December 2009.

BW Offshore has on 29 December 2010 completed the syndication process for a USD 2.4 billion seven year senior secured credit facility. The credit facility was substantially oversubscribed by a group of 15 leading international banks. The facility will be used to refinance BW Offshore and Prosafe Production's main credit facilities, as well as to finance further growth for the Company. BW Offshore expects the loan documentation to be completed in Q1 2011.The USD 1.5 billion loan facility, (BW Offshore) and the USD 1.2 billion loan facility (PROD) is a result of the refinancing presented as current interest bearing debt at 31 December 2010.

Discontinued operations

The APL division was sold in December 2010 for gross proceeds of USD 531.5 million in cash. The final sales price is still subject to net working capital adjustments. As a result of the sale, the APL business has been classified as a discontinued operation. The net result from the discontinued business in Q4 was USD 5.8 million, compared to USD -5.6 million in Q4 2009.

PRELIMINARY RESULT 2010

BW Offshore recorded a full year EBITDA of USD 152.3 million, compared to an EBITDA of USD 101.3 million in 2009. The EBITDA was negatively influenced by a share of profit of associates for the three first quarters, before consolidating PROD in the fourth quarter, amounting to USD 14.8 million, compared to a negative USD 6.1 million in 2009. Adjusted EBITDA (EBITDA before share of profit related to associates and before write down and gain on shares) was USD 167.1 million compared to USD 107.4 million in 2009.

The consolidation of PROD in the fourth quarter 2010 had a net positive effect on EBITDA of USD 26.1 million compared to 2009. Included in EBITDA is a settlement of USD 32.5 million related to the Basker Manta Gummy project offset by restructuring costs of USD 34.7 million related to the acquisition of PROD and a charge of USD 14.0 million related to disputed import duties for the importation of the FPSO YÙUM K`AK`NÀAB to Mexico in 2007. The 2009 EBITDA included settlements from clients and insurance resulting in a net gain of USD 12.5 million. Changes in market values of currency derivative instruments, amounting to a gain of USD 2.6 million related to operating cash flows are included in the 2010 EBITDA, compared to gain of USD 12.9 million in 2009.

Operating loss was USD 19.9 million in 2010, compared to a profit of USD 56.2 million in 2009. Operating result in 2010 included impairment charges of USD 85.0 million related to the operating vessels and vessels under conversion.

The financial statements show net financial expense of USD 63.2 million in 2010, compared to USD -23.6 million in 2009, of which interest expenses amounted to USD 32.0 million in 2010 compared to USD 22.7 million in 2009. The increase in interest expenses is mainly a result of the consolidation of PROD interest expenses in the fourth quarter. Restructuring costs related to the acquisition of PROD included in 2010 amounts to USD 12.7 million. These restructuring costs are included in other financial items.

Result before tax amounted to a loss of USD 83.1 million in 2010, compared to a profit of USD 32.6 million in 2009. Net result before discontinued operations was a loss of USD 99.5 million in 2010 compared to a profit of USD 24.9 million in 2009. Net profit including discontinued operation was USD 23.4 million compared to a loss of USD 8.8 million in 2009.

The preliminary gain on sale of the APL division amounted to USD 143.8 million. The gain is reduced by provisions for possible claims of USD 21.2, and the effects of recycling the currency exchange differences of USD 12.3 million, historically booked against equity. The net result for the of the APL division in 2010 amounted to USD 12.6 million resulting in a net profit from discontinued operations of USD 122.9 million presented on a separate line below the net result of the continuing operations.

Earnings per share (EPS) was a loss of USD 0.20 for the continuing operations and a profit of USD 0.05 including the discontinued operation, compared to USD 0.05 and USD -0.02 in 2009.

OPERATIONS

Floating Production

Including ongoing conversions, BW Offshore`s fleet now totals sixteen FPSOs, two FSOs and two conversion candidates.

All FPSOs and FSOs experienced stable performance during the fourth quarter except for the FPSO Ningaloo Vision, which was shut down for part of Q4 2010 due to leakage in the fluid swivel and one defective mooring line. Repair work has been completed, and the FPSO is now back in operation.

The FPSO BW Pioneer was hooked up to the buoy in October 2010. The FPSO should be receiving stand-by dayrates once Petrobras has approved the unit. Petrobras has still not approved the unit and BW Offshore has therefore not booked any revenue from stand-by dayrate. Petrobras and BW Offshore are still discussing the formal approval of the vessel.

BW Offshore's three ongoing FPSO conversions, P-63 (Papa Terra), BW Joko Tole (TSB) and BW Athena, are all progressing in line with expectations.

BW Joko Tole and BW Athena are regular conversion projects where capex is capitalised within vessels under conversion, while the P-63 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 Petrobras for the P-63 throughout the project period.

BW Offshore is also performing project management and engineering services to OSX for the FPSO OSX-1. Revenue is booked on a monthly basis.

BW Offshore completed on 8 December 2010 the sale of all its shares in subsidiary APL (Advanced Production & Loading) Plc to National Oilwell Varco. The sales price has been agreed at USD 531.5 million, subject to net working capital adjustments.

Discontinued operations (APL)

Revenues in the quarter, until completion of sale on 8 December 2010, were USD 47.5 million (USD 30.4 million) with an EBITDA of USD 5.8 million (USD 4.0 million). The cash flow from operating activities in the quarter was USD 41.9 million (USD -2.3 million).

Combination with Prosafe Production Public Limited (PROD)

As a result of the voluntary offer, BW Offshore successfully gained control of PROD as of 1 October 2010. PROD has therefore been consolidated with effect from 1 October 2010 and the fourth quarter is as such the first quarter to reflect the combined company.

Dividend policy

BW Offshore has as an objective to generate competitive long-term total shareholder returns. This return will be achieved through sustainable growth and stable dividend payments. BW Offshore targets a payout ratio of 20-25 per cent of EBITDA over the business cycle. The payments of dividends will be evaluated and paid on a quarterly basis.

The dividend policy will be proposed by the Board of Directors to the Annual General Meeting (AGM) scheduled for May 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 space and continue to grow its business. BW Offshore is currently pursuing several prospective projects with expected award in 2011 and beyond, and expects a continued increase in activity level both in the short and long term.

The operating cash flow from the operating vessels is secure and based on long term contracts with large national oil companies and robust independent oil companies. BW Offshore is fully funded for all ongoing projects and additional financial capacity is available for new growth opportunities.

The consolidation of the Prosafe Production fleet will contribute to significant EBITDA growth in 2011. The run rate EBITDA will also grow significantly with the start up of the three FPSOs BW Pioneer, BW Athena and BW Joko Tole.

The integration of Prosafe Production is going well, and BW Offshore has identified synergies in several areas. Initial cost synergies will be realized from Q1 2011, while the full effect is expected from 2012 and beyond.

BW Offshore is committed to increasing shareholder returns, and will only pursue projects that meet the company's targeted returns. The revised dividend policy is an important milestone for the company´s objective to achieve class leading shareholder returns based on share price performance and dividend payments.

Bermuda, 21 February 2011

Dr. Helmut Sohmen Chairman	Ronny Johan Langeland Vice Chairman	Carine Smith Ihenacho
Christophe Pettenati-Auzière	Maarten Scholten	Andreas Sohmen-Pao

INCOME STATEMENT

(Unaudited figures in USD million)

Continuing operations	Notes	Q4 10	Q3 10	Q4 09	2010	2009
Operating revenue	**7**	**255.8**	**139.0**	**57.7**	**549.3**	**219.9**
Operating expenses	**7**	**(216.9)**	**(59.7)**	**(26.4)**	**(382.2)**	**(112.5)**
Share of profit/(loss) of associates	5	0.0	(16.4)	(10.7)	(14.8)	(6.1)
Operating profit before depreciation/amortisation		**38.9**	**62.9**	**20.6**	**152.3**	**101.3**
Depreciation		(44.3)	(13.1)	(13.4)	(83.1)	(40.6)
Amortisation		(1.2)	(0.9)	(0.6)	(4.1)	(3.0)
Gain/(loss) on sale of assets and impairment charges	10	(85.0)	0.0	(0.1)	(85.0)	(1.5)
Operating profit		**(91.6)**	**48.9**	**6.5**	**(19.9)**	**56.2**
Net currency exchange gain/(loss)		(4.2)	0.0	0.0	(8.7)	0.0
Interest income		1.7	1.2	(0.5)	5.8	6.6
Gain/(loss) on financial instruments	6	9.8	6.8	1.0	(9.5)	(5.5)
Interest expense		(14.3)	(6.8)	(4.9)	(32.0)	(22.7)
Other financial items		(16.5)	1.9	(1.0)	(18.8)	(2.0)
Net financial items		**(23.5)**	**3.1**	**(5.4)**	**(63.2)**	**(23.6)**
Profit/(loss) before tax		**(115.1)**	**52.0**	**1.1**	**(83.1)**	**32.6**
Income tax expense		(7.2)	(2.4)	(2.8)	(16.4)	(7.7)
Net profit/(loss) from continuing operations		**(122.3)**	**49.6**	**(1.7)**	**(99.5)**	**24.9**
Discontinued operations						
Net profit/(loss) from discontinued operations incl sales gain		115.7	8.0	(5.6)	122.9	(33.7)
Net profit/(loss) for the period		**(6.6)**	**57.6**	**(7.3)**	**23.4**	**(8.8)**
Net profit/(loss) attributable to owners of the Company		(6.6)	57.6	(7.3)	23.4	(8.8)
Basic/diluted earnings/(loss) per share (USD from continuing operations		(0.18)	0.11	(0.00)	(0.20)	0.05
Basic/diluted earnings/(loss) per share (USD) from discontinued operations		0.17	0.02	(0.01)	0.24	(0.07)
Basic/diluted earnings/(loss) per share (USD) net		(0.01)	0.13	(0.02)	0.05	(0.02)

COMPREHENSIVE INCOME STATEMENT

(Unaudited figures in USD million)

	Q4 10	Q3 10	Q4 09	2010	2009
Net profit (loss) for the period	(6.6)	57.6	(7.3)	23.4	(8.8)
Other comprehensive income					
Currency translation differences	14.3	0.9	0.0	14.2	0.0
Net losses on cash flow hedges	0.9	0.8	(0.8)	5.5	2.1
Share of other comprehensive income of associates	0.0	(2.0)	1.2	(6.7)	4.2
Total other comprehensive income for the period net of tax	**15.2**	**(0.3)**	**0.4**	**13.0**	**6.3**
Total comprehensive income	**8.6**	**57.3**	**(6.9)**	**36.4**	**(2.5)**

The notes in pages 9-11 are an integral part of these consolidated interim financial statements

STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)

ASSETS	Notes	31/12/2010	30/09/2010	31/12/2009
Vessels	2,10	2,777.0	1,312.9	1,205.9
Property and other equipment		5.0	4.7	21.9
Goodwill and intangibles		163.4	5.6	344.2
Finance lease receivables		203.9	205.0	214.0
Investments in associates	5	0.0	163.6	185.0
Non-current deposits		99.2	99.2	163.3
Other non-current assets		38.9	0.0	0.5
Total non-current assets		**3,287.4**	**1,791.0**	**2,134.8**
Inventory		9.0	4.4	10.7
Trade receivables and other current assets		138.5	109.5	128.4
Due from customer for contract work		0.0	0.0	51.6
Cash and deposits		228.2	76.9	68.0
Assets of disposal group held for sale		**7.1**	**498.4**	**-**
Total current assets		**382.8**	**689.2**	**258.7**
TOTAL ASSETS		**3,670.2**	**2,480.2**	**2,393.5**
EQUITY AND LIABILITIES				
Total equity attributable to owners of the Company	3	1,375.6	948.6	920.9
Total equity		**1,375.6**	**948.6**	**920.9**
Interest-bearing long term debt	4	200.0	988.0	1,080.3
Pension obligations		6.2	5.2	14.0
Other long-term liabilities	8	131.5	111.3	143.2
Total non-current liabilities		**337.7**	**1,104.5**	**1,237.5**
Trade and other payables		311.6	227.0	183.0
Derivatives		94.6	55.9	36.4
Interest-bearing short term debt	4	1,528.9	0.0	0.3
Income tax liabilities		14.7	10.0	15.4
Liabilities of disposal group held for sale		**7.1**	**134.2**	**-**
Total current liabilities		**1,956.9**	**427.1**	**235.1**
Total liabilities		**2,294.6**	**1,531.6**	**1,472.6**
TOTAL EQUITY AND LIABILITIES		**3,670.2**	**2,480.2**	**2,393.5**

The notes in pages 9-11 are an integral part of these consolidated interim financial statements

STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)

2010	Share capital	Share premium	Other equity	Total
Equity at 1 January 2010	4.6	918.8	(2.5)	920.9
Issued capital	2.3	416.0	0.0	418.3
Total comprehensive income for the period	0.0	0.0	36.4	36.4
Total equity at 31 December 2010	**6.9**	**1,334.8**	**33.9**	**1,375.6**

2009	Share capital	Share premium	Other equity	Total
Equity at 1 January 2009	4.6	1,444.6	(525.8)	923.4
Reduction of share premium against other equity	0.0	(525.8)	525.8	0.0
Total other comprehensive income for the year	0.0	0.0	(2.5)	(2.5)
Total equity 31 December 2009	**4.6**	**918.8**	**(2.5)**	**920.9**

CASH FLOW STATEMENT

(Unaudited figures in USD million)

	Q4 10	Q3 10	Q4 09	2010	2009
Profit/ (loss) before taxes	(115.1)	52.0	1.1	(83.1)	32.6
Unrealised currency exchange losses	(15.1)	(1.1)	0.0	(11.8)	0.0
Depreciation and amortisation	45.5	14.0	14.0	87.2	43.5
Impairment / reversal of impairment	85.0	0.0	0.0	85.0	0.0
Taxes paid	(6.3)	(1.6)	1.6	(13.2)	(2.9)
Share of loss/ (profit) of associated companies	0.0	16.4	10.7	14.8	6.1
Loss/ (gain) on sale of shares and fixed assets	0.0	0.0	0.1	0.0	1.5
Change in fair value of derivatives	(3.3)	(24.4)	(4.3)	(4.5)	(22.6)
Change in w orking capital	92.5	(9.9)	93.7	215.5	128.3
Add back of net interest expense	11.2	5.6	3.2	24.7	15.5
Other items	3.8	3.2	3.3	11.2	15.6
Cash flow s from operating acitivites discontinued operations	41.9	7.0	(2.3)	31.7	(30.7)
Net cash flow from operating activities	**140.1**	**61.2**	**121.1**	**357.5**	**186.9**
Investment in fixed assets	(91.1)	(90.3)	(97.2)	(269.7)	(460.0)
Investment in non-current bank deposit	0.0	0.0	0.0	0.0	60.4
Investment in non-current assets	0.0	10.0	(5.0)	0.0	(5.0)
Investments in subsidiaries	22.6	(1.5)	0.0	22.6	(25.0)
Proceeds from sale of shares and fixed assets	0.0	0.0	0.0	0.0	8.0
Interest received	1.7	1.2	0.1	5.8	0.8
Cash flow s form investing activities discontinued operations	434.2	(0.6)	8.4	446.2	52.9
Net cash flow from investing activities	**367.4**	**(81.2)**	**(93.7)**	**204.9**	**(367.9)**
Proceeds from new interest bearing debt	99.8	50.0	35.0	349.8	305.0
Repayment of interest-bearing debt	(470.0)	0.0	(30.0)	(720.0)	(80.0)
Interest paid	(12.9)	(6.8)	(3.3)	(30.5)	(16.2)
Cash flow s from financing activities discontinued operations	(0.4)	(0.3)	(0.5)	(1.5)	(27.5)
Net cash flow from financing activities	**(383.5)**	**42.9**	**1.2**	**(402.2)**	**181.3**
Net change in cash and cash equivalents	124.0	**22.9**	**28.6**	160.2	**0.3**
Cash and cash equivalents at beginning of period discontiued operations	27.3	0.0	(3.0)	0.0	0.0
Cash and cash equivalents at beginning of period	76.9	81.3	42.4	68.0	67.7
Cash and cash equivalents at end of period discontiued operations	0.0	27.3	0.0	0.0	0.0
Cash and cash equivalents at end of period	**228.2**	**104.2**	**68.0**	**228.2**	**68.0**

The notes in pages 9-11 are an integral part of these consolidated interim financial statements

NOTES TO THE ACCOUNTS (UNAUDITED)

(Figures in brackets refer to corresponding figures for 2009)

Note 1 - Accounting principles

This condensed consolidated interim financial information for the fourth quarter, ended 31 December 2010, has been prepared pursuant to IAS 34, "interim financial reporting". The condensed consolidated interim financial reporting should be read in conjunction with the annual financial statements for the year ended 31 December 2009, 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 2009, as described in the annual financial statements for 2009. None of the new accounting standards or amendments that came into effect from 1 January 2010 had a significant impact on the interim consolidated financial information of BW Offshore for the year 2010.

Note 2 – Vessels, vessels under conversion and conversion candidates

The book value of operating vessels and vessels under conversion amounted to USD 2,756.4 million (USD 1,109.8 million) at 31 December 2010. The book value of conversion candidates and the uncommitted FPSOs at 31 December 2010 amounted to USD 20.6 million (USD 96.1 million).

The capital expenditure related to vessels, vessels under conversion and conversion candidates in the fourth quarter 2010, amounted to USD 87.9 million (USD 96.8 million).

Note 3 - Equity

In the fourth quarter 231,792,489 new shares were issued as a consequence of the acquisition of PROD. The number of issued shares was 688,006,004 at 31 December 2010. There were 700,000,000 authorised shares at 31 December 2010. The authorized number of shares increased by 200,000,000 during the fourth quarter.

The Company held a total of 2,798,159 own shares at 31 December 2010.

Note 4 - Interest-bearing debt

Long-term debt

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

	2010	2009
USD 1.5 billion loan facility	0.0	893.3
NOK APL bond loan	0.0	20.8
NOK Mortgage loan	0.0	5.1
USD CIRR financing schemes	99.2	161.1
Umuroa loan	95.2	0
Nautipa loan	5.6	0
Total	200.0	1,080.3

BW Offshore has, during the fourth quarter, concluded the syndication process for a USD 2.4 billion seven year senior secured credit facility at a margin of 200 basis points above USD LIBOR. The facility is split into a USD 1.7 billion term loan and a USD 0.7 billion revolving credit facility. The facility will be used to refinance BW Offshore and PROD`s main credit facilities, as well as finance further growth for the company. The USD 1.5 billion loan facility, (BW Offshore) and the USD 1.2 billion loan facility (PROD) is as a result of the refinancing presented as current interest bearing debt at 31 December 2010.

Short-term debt

The Company had the following current interest bearing debt at 31 December

	2010	2009
USD 1.5 billion loan facility	610.0	0
NOK APL bond loan	0.0	0.3
USD 1.2 billion loan facility	900.0	0
Umuroa loan (current part)	16.8	0
Nautipa loan (currnet part)	2.1	0
Total	1,528.9	0.3

Note 5 – Investments in associates

The carrying value of the investments in shares in Nexus Floating Production Ltd (Nexus) is USD 0.0 million. Any further potentially negative results from Nexus will therefore not have any impact on the financial statements.

Share of profit/ (loss)

	Q4 10	Q3 10	Q4 09	2010	2009
Nexus Floating Production Ltd	0.0	0.0	0.0	0.0	0.0
Prosafe Production Plc	n/a	(16.4)	(10.7)	(14.8)	(6.1)
Share of profit/ (loss) of associates	0.0	(16.4)	(10.7)	(14.8)	(6.1)

Note 6 – Gain/ (loss) on financial instruments

	Q4 10	Q3 10	Q4 09	2010	2009
Change in fair value of interest swaps and currency hedges	9.8	6.8	1.0	(9.5)	(5.5)
Net gain/ (loss) on financial instruments	9.8	6.8	1.0	(9.5)	(5.5)

Note 7 – Segment information

Subsequent to the sale of the APL division, the activities within BW Offshore only consist of the floating production segment in which recognized revenue and expenses derive from the ownership and operations of FPSOs and FSOs. In Q4 2010, until the sale of APL on the 8th of December 2010, operating revenue from the APL division was USD 47.5 million compared to USD 30.4 million in Q4 2009. APL contributed with an operating profit of USD 2.0 million for the period compared to an operating loss of USD 1.5 million in 2009. All APL segment assets were sold on the 8th of December 2010. At 31 December 2010, 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. APL segment assets as of 31 December 2009 amounted to USD 492.5 million.

Note 8 – Other long term liabilities

Other long term liabilities comprises 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 – Business combinations

During the quarter BW Offshore acquired the 76.12% shares in PROD not already owned by BW Offshore, making PROD a wholly owned subsidiary of BW Offshore. PROD is one of the world`s leading FPSO contractors with a fleet of eight FPSOs, two FSOs and one conversion candidate.

The acquisition of PROD was settled through cash and equity and the transactions are summarized below:

	Q4 2010
Shares issued at fair value (70.76%)	384.7
Cash - paid to PROD shareholders (70.76%)	92.5
Shares issued at fair value (4.93%)	33.6
Cash - paid to PROD shareholders (4.93%)	6.4
Cash - paid to PROD shareholders sqeeze-out (0.43%)	2.8
Total	520.0

The company has during the fourth quarter 2010 finalized the preliminary fair value of net identifiable assets acquired (purchase price allocation), resulting in a goodwill of USD 157.6 million, a deferred tax asset of USD 36.2 million and vessels of USD 1,505.5 million.

The goodwill and unallocated excess value arising from the acquisition is attributable to strategic premium paid to gain diversification, larger market presence and financial scale. These intangible assets do not fulfill the recognition criteria under IAS 38 and are therefore not recognized separately.

The group recognized a loss of USD 2.5 million as a result of measuring at fair value its 23.88% equity interest in PROD held before the business combination. The expense is included in other financial items in Q4 2010.

The acquired business contributed revenues of USD 117.0 million and net profit of USD 1.9 million to the Group for the period from acquisition, 1 October 2010 to 31 December 2010. Had PROD been consolidated from 1 January 2010, the consolidated statement of income would have shown revenues of USD 866.9 million and a net loss of USD 20.7 million.

Note 10 – Impairment charges

At 31 December 2010, after appropriate impairment assessments, the value of the fleet was adjusted to its estimated recoverable amount. The book value of operating vessels and vessels under construction was impaired with USD 105.0 million offset by a reversal of impairment charge of USD 20.0 million within the same group made in Q4 2008. The net impairment expense in Q4 2010 amounts to USD 85.0 million.

Note 11 – Related party transactions

BW Offshore entered into a USD 1.5 billion loan facility agreement with BW Group Limited (note 4) in May 2008 and entered into an USD 1.1 billion loan facility agreement with BW Group Limited in July 2010. Interest and other fees expensed pursuant to these facilities in the fourth quarter amounted to USD 10.9 million (USD 5.3 million).
No other related party transactions considered to be material to the BW Offshore group occurred in the fourth quarter 2010.

Note 12 – Capital commitments

Total capital committed at 31 December 2010 amounted to USD 289.2 million (USD 31.8 million).

Note 13 – Subsequent events

On 14 February 2011, the FSO Maduary Jaya was sold for recycling.

On 21 February 2011, BW Offshore received the award from the Arbitration Tribunal in Mexico regarding a dispute with its client in Mexico over import duties. The outcome of this award is that BW Offshore will have to compensate its client with an amount of USD 12.7 million in addition to interest and other expenses.The effects of the award have been reflected in the fourth quarter figures of BW Offshore.

KEY FIGURES
(Unaudited)

	Note	Q4 10*	Q3 10*	Q4 09**	2010	2009
EBITDA-margin	1	15.2 %	45.3 %	25.4 %	27.7 %	21.7 %
Equity ratio	2	37.6 %	47.9 %	38.5 %	37.6 %	38.5 %
Return on equity	3	-22.3 %	18.8 %	-1.7 %	-3.9 %	-0.1 %
Return on capital employed	4	-15.1 %	12.3 %	3.7 %	-0.8 %	7.9 %
Net interest bearing debt (USD million)	5	1,401.5	811.9	849.3	1,401.5	849.3
Cash flow per share (USD)	6	0.15	0.12	0.27	0.64	0.41
EPS-basic/diluted continuing operations	7	(0.18)	0.11	0.00	(0.20)	0.05
EPS-basic/diluted incl discontinuedoperations	7	(0.01)	0.13	0.00	0.05	0.05
Shares - end of period (million)		688.0	456.2	456.2	688.0	456.2
Share price (NOK)		16.30	10.40	8.50	16.30	8.50
Market cap (NOKm)		11,214.0	4,745.0	3,877.8	11,214.0	3,877.8
Market cap (USDm)		1,915.0	810.0	671.3	1,915.0	671.3

**Continuing operations. Q3 10 and 2010 adjusted to reflect continuing operations.*
***unadjusted*

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	2005-2011 + options until 2013
Abo	Nigeria	Agip	2003	2003-2012 + options until 2013
Espoir Ivorien	Ivory Coast	CNR	2002	2002-2012 + options until 2022
Berge Helene	Mauritania	Petronas	2005	2006-2013 + options until 2021
Petròleo Nautipa	Gabon	Vaalaco Energy	2002	2002-2015 + options until 2017
Azurite	Congo	Murphy	2009	2009-2016 + options until 2024
YÙUM 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	Devon Energy	2007	2007-2014 + options until 2022
BW Nisa (Papa Terra/P-63)	Brazil	Petrobras	Ongoing	EPC contract + 3 year operation
BW Pioneer	US	Petrobras	2010	2011-2016 + options until 2019
BW Athena (ex BW Carmen	UK	Ithaca Energy and partners	Ongoing	2011-2014 + options until 2022
Ningaloo Vision	Australia	Apache	2010	2010-2017 + options until 2025
Umuroa	New Zealand	AWE	2007	2007-2015 + options until 2022
BW Joko Tole (TSB)	Indonesia	Kangean Energy	Ongoing	2012-2021 + options until 2025
FSO				
Belokamenka	Russia	Sovkomflot	2003	2004-2018
Endeavor	India	Aban	1997	Option until 2011
Conversion candidate				
BW Ara (294,739 dwt)	Malaysia			
M/T Takama (266,286 dwt)				