

# BW Offshore

## Capital Markets Day

22 March 2011



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# AGENDA

09:00 – 09:15	BUSINESS AND TEAM, Carl K. Arnet, CEO
09:15 – 09:35	FINDING THE RIGHT INVESTMENTS, Claude Louis Rouxel, SVP BD
09:35 – 10:00	WE BUILD, David Sverre, EVP Projects
10:00 – 10:20	WE OPERATE, Jon Myran, EVP Operations
10:20 – 10:40	- <i>break</i> -
10:40 – 11.10	WE LEASE, Knut R. Sæthre, CFO
11:10 – 11:40	SUMMARY, Carl K. Arnet, CEO



# BUSINESS AND TEAM

*Carl K. Arnet, CEO*

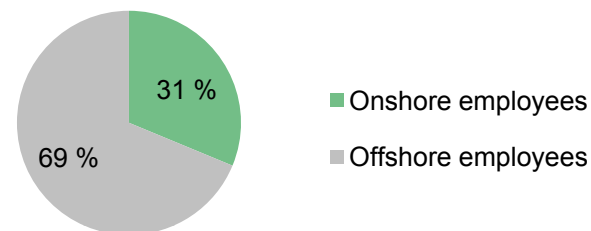




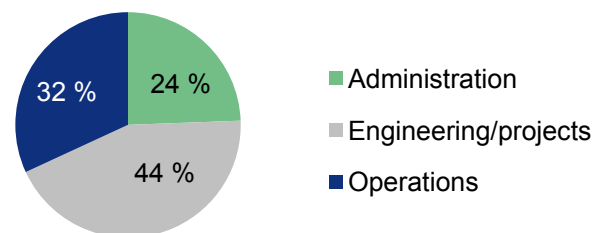
# BW Offshore today

- Global headcount 1,900
- Employing 25 nationalities
- Operations in 14 countries
- More than 30 projects delivered
- Operating fleet of 13 FPSOs and 2 FSOs
- Two FPSOs under construction
- Two EPC / management projects
- Market cap USD 1,750 million

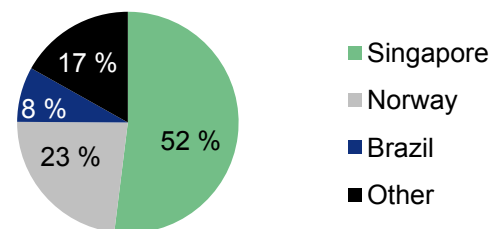
Employees – onshore and offshore



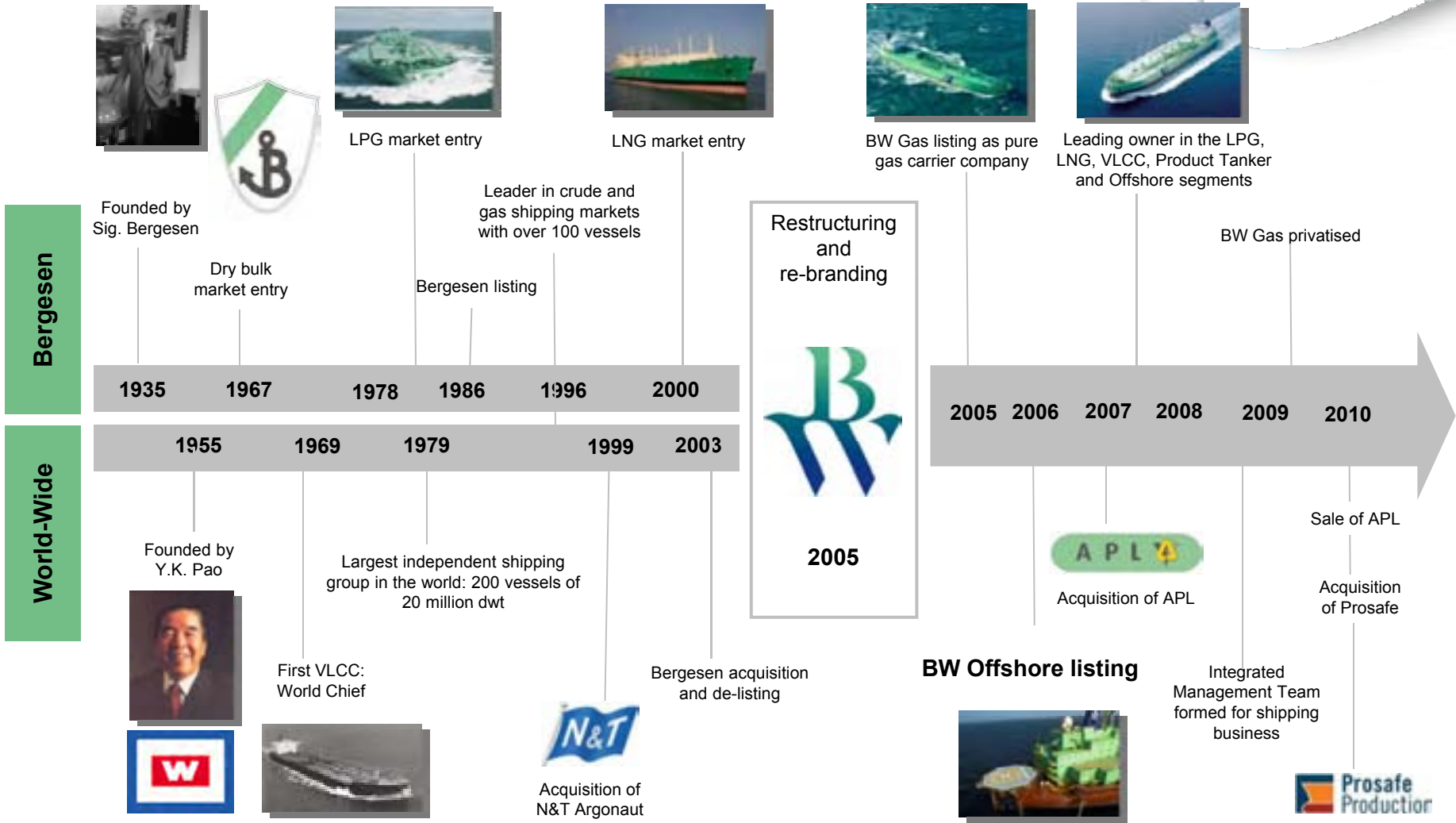
Onshore - functions



Onshore – geographical



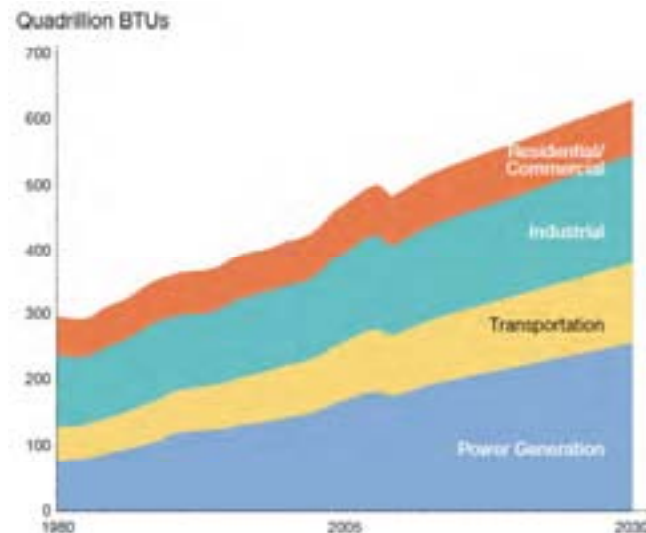
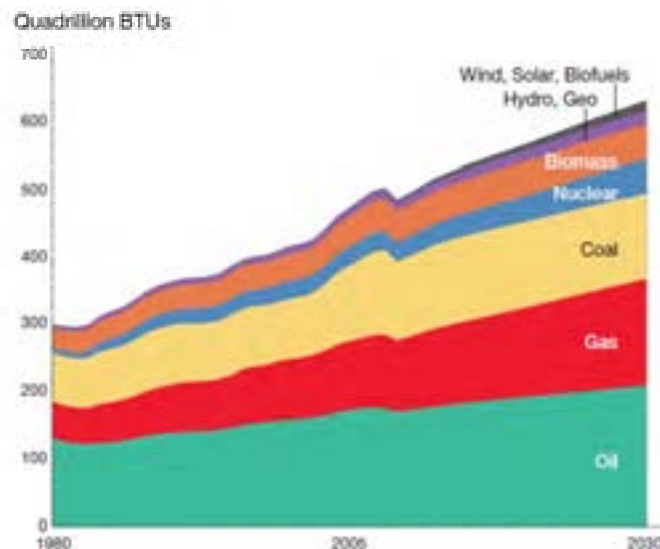
# BW Offshore's background





# World energy demand increasing

- Energy demand will continue to grow fueled by fast growing emerging markets
- Oil and gas will remain the key sources for energy
- No real alternative to oil in transportation.
- New oil and gas developments must be made to replace current production



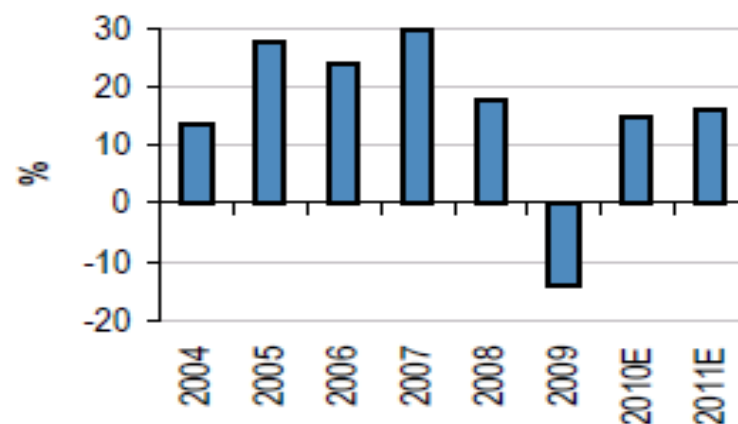
Source: ExxonMobil



# New fields

- New fields are characterized by being
  - Largely nationalised
  - Very political
  - Environmentally sensitive
- They are normally located in
  - Deeper waters
  - Remote areas with limited infrastructure
  - Harsh environment
- Characteristics
  - More gas – less oil
  - Heavy oil
  - Higher pressure and temperature

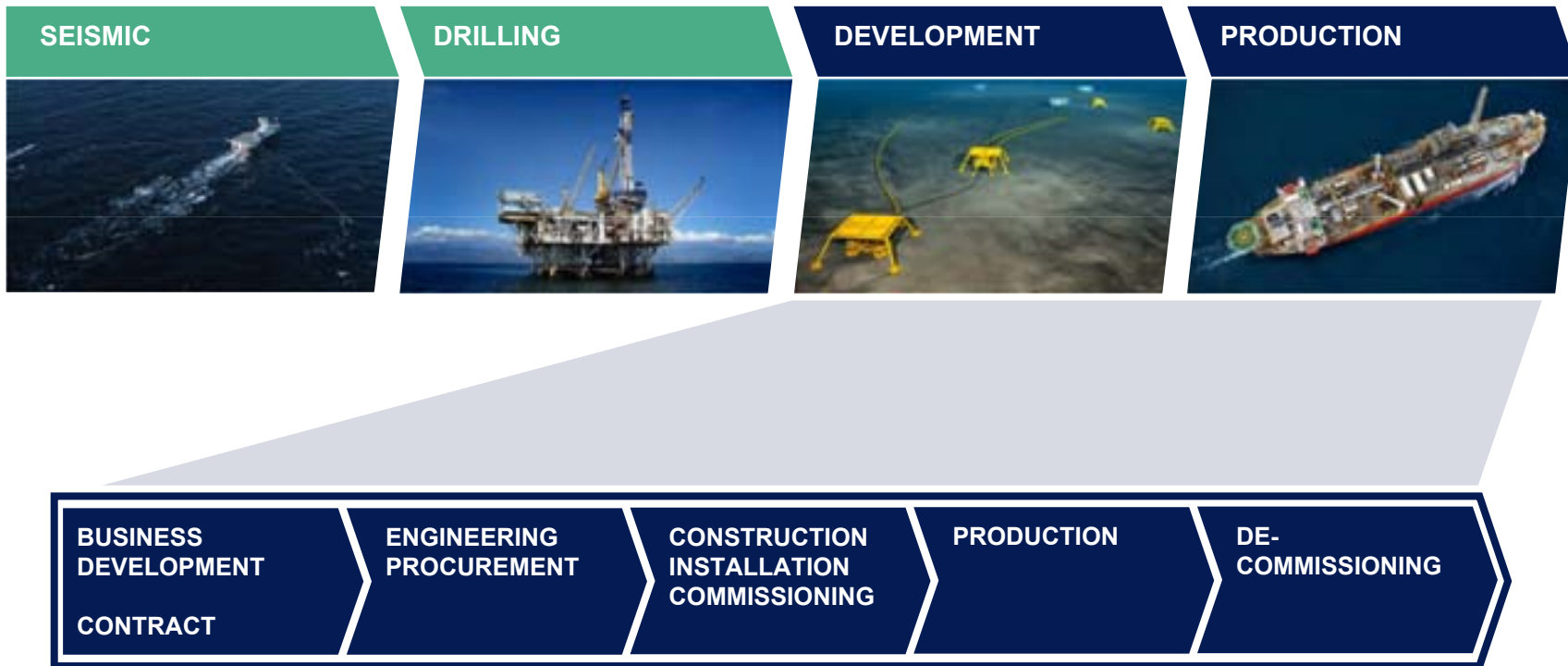
E&P spending growth



Source: JP Morgan

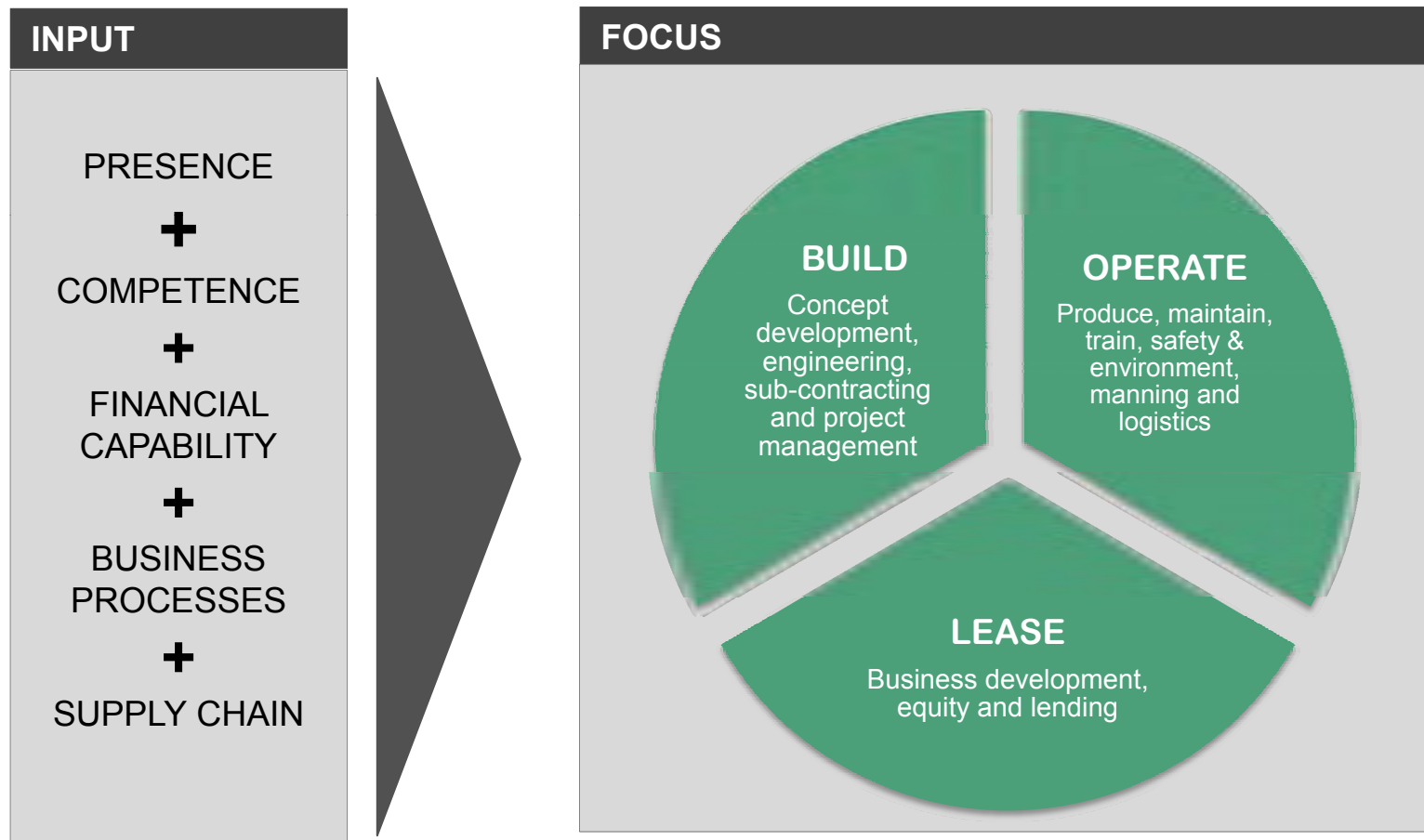


# BW Offshore in the upstream value chain





# We invest in production assets



# Board of Directors



**Dr. Helmut Sohmen**

*Chairman*

- Chairman since 2005
- Law degrees from Austrian and American universities
- Two honorary doctorates



**Ronny J. Langeland**

*Vice Chairman - Independent*

- A Qualified Accountant and has an MBE from BI, Norway.
- Runs his own investment and consultancy company
- Former chairman of Prosafe Production



**Andreas Sohmen-Pao**

*Board member*

- B.A from Oxford University, UK
- MBA from Harvard Business School, USA
- CEO of BW Maritime and BW Gas



**Carine Smith Ihenacho**

*Board member - Independent*

- Cand.Jur University of Oslo, Norway,
- LL.M. from Harvard Law School, USA
- Former board member of Prosafe Production



**Christophe Pettenati-Auzière**

*Board member - Independent*

- MBA from INSEAD, Fontainebleau, France
- Former president of CGG Veritas Services in Paris



**Maarten R. Scholten**

*Board member - Independent*

- M.Sc. University of Paris (Sorbonne), France
- JD Commercial Law from VU
- Extensive legal and financial experience from the oil service industry

# Highly experienced management



**Carl K. Arnet**  
*Chief Executive Officer*

- M.Sc. from NTNU, Norway
- MBA from Norwegian School of Management, Norway
- 16 years in senior operating positions Norsk Hydro (E&P division)
- 14 years as CEO of APL/BWO



**Knut Sæthre**  
*Chief Financial Officer*

- Master in Finance from University of Fribourg, Switzerland
- MBA from NHH, Norway
- 15 years of top management positions with ABB and Aker Solutions
- Six years CFO of APL/BWO



**David Sverre**  
*EVP Projects*

- Bachelor of Applied Science from UBC, Canada
- 31 years international construction experience
- EVP Technip NA and Director on the Board of the Gulf Island Fabrication Group
- Operations Director of APL




**Jon Myran**  
*EVP Operations*

- M.Sc. from NTNU, Norway
- 11 years of senior experience from Norsk Hydro Project
- 15 years in Operational Management from Hydro/Statoil
- 3 years in Technology Management in Norsk Hydro




**Tom A. Kristiansen**  
*EVP Technology*

- M.Sc. from NTNU, Norway
- 10 years experience from PP and Read Process Engineering
- Three years as Lead Engineer with ABB Offshore Systems
- Nine years as head of Technology division Bergen/BWO



**Anders Holm**  
*EVP Engineering*

- M.Sc. from NTNU, Norway
- Senior Structural Engineer with Skanska and Kværner
- One years as Project Manager and Group Engineering Manager for APL
- CEO of Nexus Floating Production



**Claude Louis Rouxel**  
*SVP Business Development*

- Engineering degree from ECN, France
- Engineering degree from ENSTA, France
- Drilling engineer from Exxon
- 20 years in business development with SBM and Tanker Pacific

# FINDING THE RIGHT INVESTMENTS

*Claude Louis Rouxel, SVP Business Development*

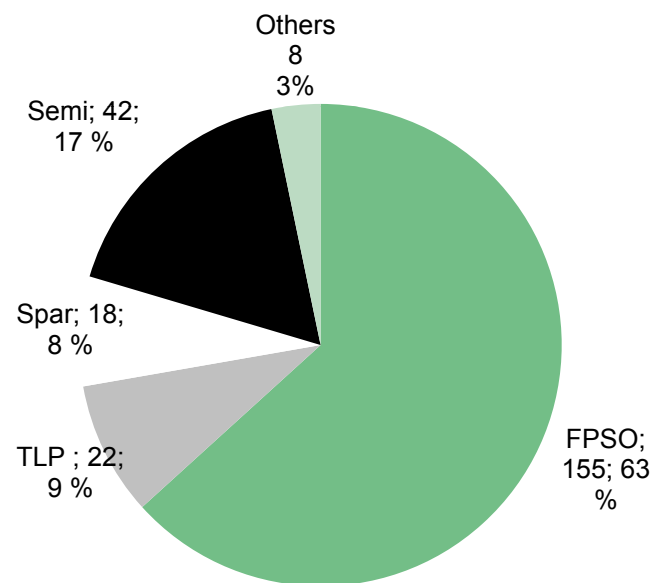


# FPSO – the preferred solution



- Flexible, safe and proven solution
- Generic and field specific sections
- Deck space and deck load capacity
- Storage capacity
- Self propelled marine unit

**Floating production units - installed**



Source: IMA

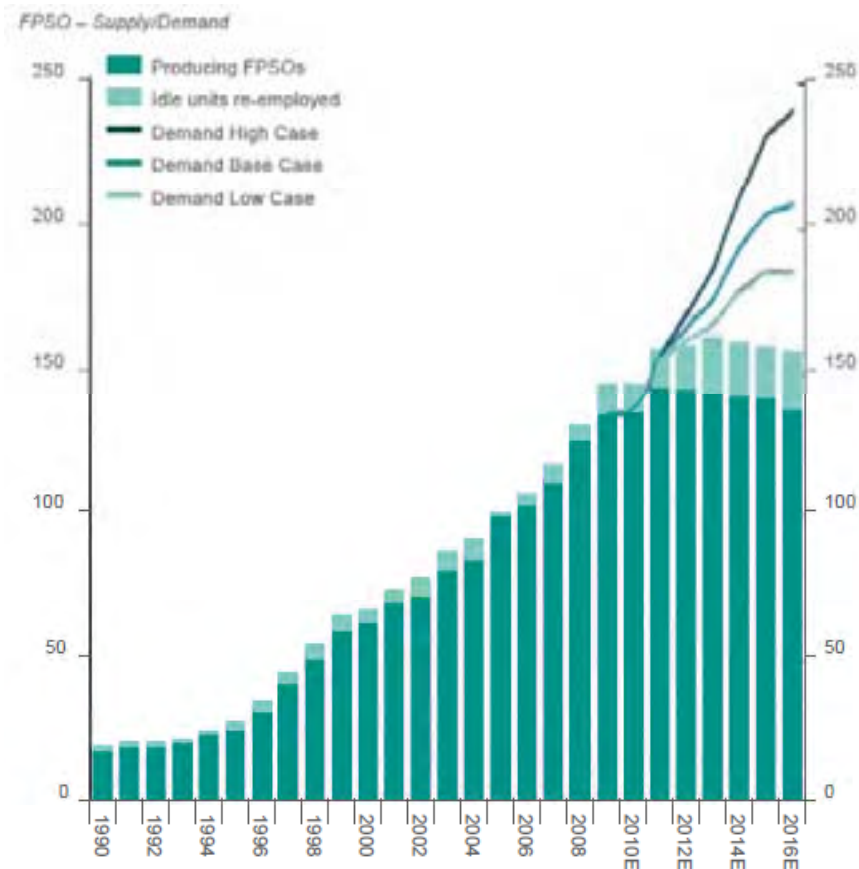
Picture with the courtesy of Petrobras



# Market overview

- Annual growth 5-10%
- Most FPSO contracts are extended into the option period – alternatively redeployed on profitable new contracts
- The complexity and size of new FPSOs are increasing
- Leased vs owned – 50/50

## Number of FPSOs globally

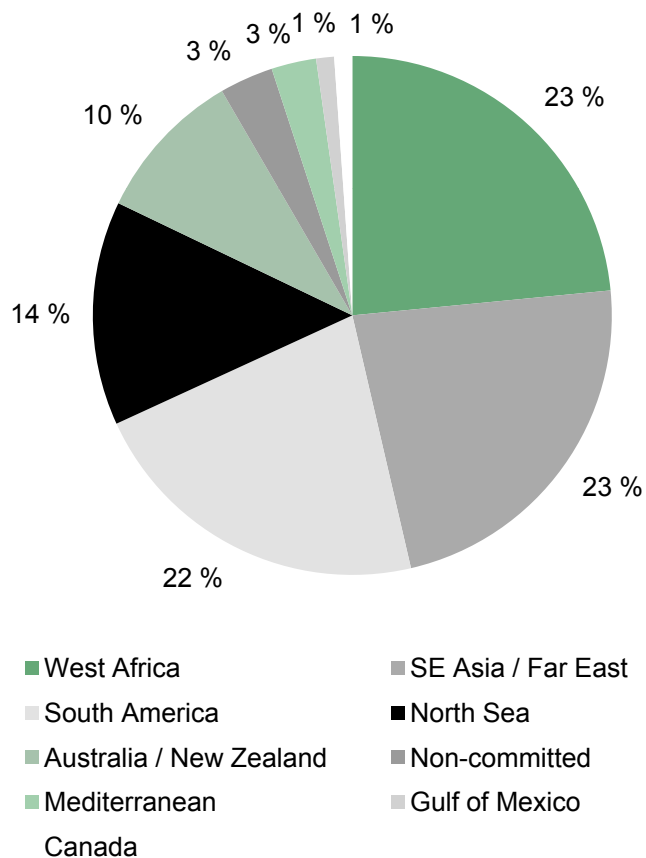


Source: ODS Petrodata, Pareto, ABN AMRO

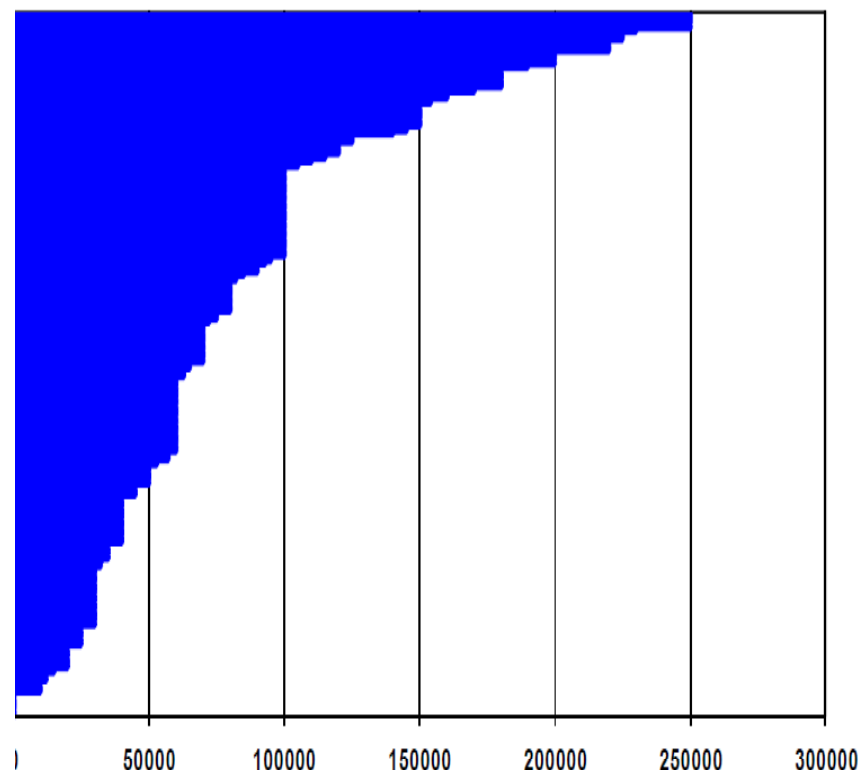


# Flexible production solutions

### Operating FPSOs - regions



### Oil production profile of the FPSO fleet (bbl/d)



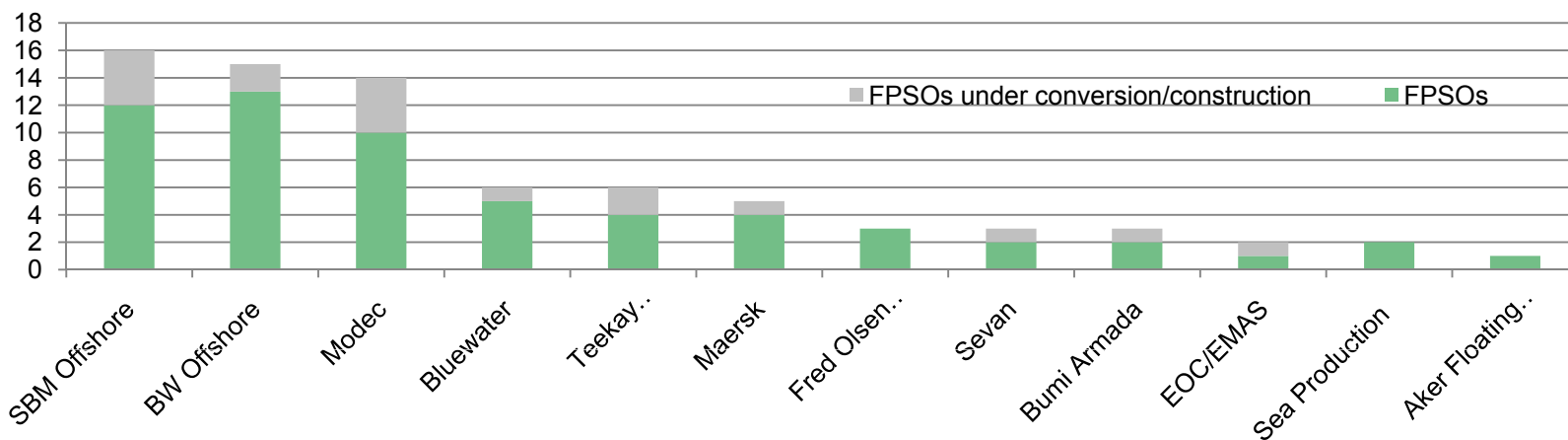
Source: IMA, Fearnley Offshore





# Clients preference

- Proven track record, class-leading production, top safety and environmental operations, technical competence and financial strength
- Oil companies prefer to initiate dialogue at an early stage of field development
- Number of active FPSO contractors reduced from ~30 to less than 10 since 2008
  - Actual FPSO contracting capacity limited to a handful players
  - BW Offshore, SBM and Modec represent >60% of actual capacity



Source: Companies, Fearnley



# Market opportunities

## **Brazil**

- 30-40 opportunities
- Local content
- Size of projects
- Technology - important
- Commercially tough

## **Africa**

- 30-40 opportunities
- Local content yes/no
- All sizes
- Less technology driven
- All types of commercial regimes

## **South East Asia**

- 20-30 opportunities
- Price
- Limited technology requirements
- Limited local content issues
- All types of commercial regimes

## **Gulf of Mexico**

- 5-10 opportunities

## **Northern Europe**

- 20 opportunities
- No local content
- Expensive, but reasonable scope
- Technology is important

# Internal evaluation of prospects



Project name	Operator	Country	Status	Award	Prior relation	Reserves	Country	Technical risk	Commercial risk	Portfolio of work	Score
Draupne- Luno FPSO	Det Norske-Lundin	Norway-North Sea									
Fram FPSO	Shell	UK-North Sea									
Hild FSU	Total	Norway-North Sea									
Bressay - Mariner FSU	Statoil	Norway-North Sea									
Stella – Harrier FPSO	Ithaca	UK-North Sea									
Brazilian Blocks FPSO	Petrobras	Brazil									
FSO + Export Buoys?	Petrobras	Brazil									
Siri FPSO	Petrobras	Brazil									
Opportunity FPSOs	Petrobras	Brazil									

*Internal score card intentionally left blank*

# Preparations for bid

- Project and concept evaluation in cooperation with client
  - Paid FEED / engineering studies
  - Optimising concept and clarification of demand
  - Operation input
- Basic design and cost estimation
- Subcontracting plan
- Contract, legal and commercial considerations
- Credit quality of operator and partners
- Risk assessment
- Review



# Current opportunities

- Focus
  - FSO Bien Dong for PTSC/PetroVietnam
  - FPSO in West Africa
- Pursuing 5-10 selected FPSO opportunities
- Options on existing contracts are normally exercised and often extended past the optional period



# Finding the right investments



*Solid demand – less competition*

*More complex FPSOs*

*Improved terms and conditions*

*Final negotiations for new contracts*



# WE BUILD

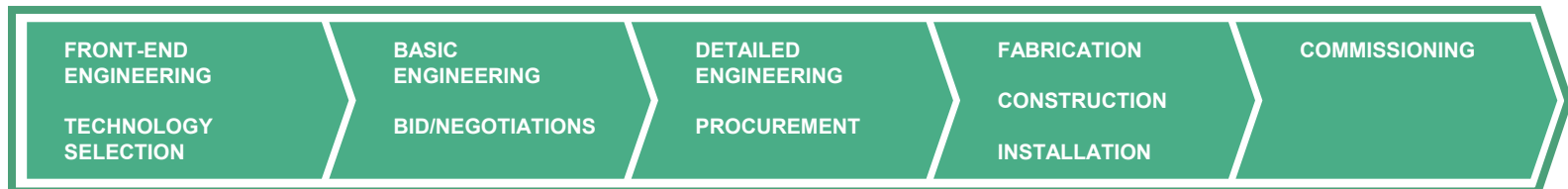
*David Sverre, EVP Projects*



# Project division roles

- Business development phase
  - Engineering concept is fixed
  - Work scopes and execution plan are completed
  - Main subcontractors and suppliers are committed
  - Project team participates in all phases of the tender process
  - Project Division commits to deliver on time and budget
  
- Project phase starts from contract signature
  - Basic engineering is converted to detailed engineering
  - Change control process implemented
  - Quality control in all stages and deliveries
  - Operations staff seconded into project at mechanical completion/commissioning
  
- Operations phase start at preparation for first oil

## The EPCI process





# FPSO BW Pioneer accepted for start-up



*The Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) today provided the final approval necessary for Petrobras America, Inc. to begin oil and natural gas production at its Cascade-Chinook project using a Floating Production Storage Offloading (FPSO) facility. This will be the first time this technology is used in the U.S. Gulf of Mexico.*

*[ ... ]*

*“These regulatory approvals pave the way for safe, new production of oil and gas resources in the Gulf of Mexico,” said BOEMRE Director Michael R. Bromwich. “They reflect enormous and sustained effort by both BOEMRE and Petrobras personnel and represent the commitment shared by government and industry to the safe production of our country’s offshore energy resources.”*

BOEMRE press release, 17 March 2011

# FPSOs under construction

- **BW Athena at Drydocks World, Dubai**
  - Extending vessel by 22 meters and including a section for turret
  - Fabrication of disconnectable buoy at fabrication yard in Sweden
  - Progress 51% at end February and in line with plan
  - Ready for operation end Q4 2011
  
- **BW Joko Tole at Sembawang Shipyard, Singapore**
  - Conversion to handle gas and condensate
  - Progress 42% at end February and in line with plan
  - Spread moored by BW Offshore installation group north east of Bali
  - Ready for operation early 2012



# EPC and management projects

- P-63/Papa Terra at COSCO Dalian Shipyard, China
  - Structural work and steel renewal, piping and mechanical work ongoing
  - Completing ship yard work in December 2011
  - Brazilian JV partner (QUIP) handling Brazil importation, topsides and local content risk
  - Progress 52% at end February and in line with plan
  
- FPSO OSX-1 at Keppel Benoi, Singapore
  - Scope limited to project management, engineering and procurement
  - Topside modifications required for OSX-1 use



# Integrating technology

- We understand the marine environment through years of shipping and production offshore
- We are specialists in process plant optimization
- We are a technology user – an integrator
  - Effective outsourcing of specialized competence
  - We have experience with a wide range of technologies
  - Strategic alliance for turret and swivel technology



# Execution strategy

- Outsource saving vs control
  - Continue to maximize outsourcing to save costs
  - Increased BW Offshore decision makers to control
- Implemented gated control processes for execution
- Formed new engineering division
  - Standardize technical solutions, processes and planning
  - Maintain substantial core group of experienced engineers
- Formed new Quality Assurance team
  - Through inspection secure quality
  - Focus on rapid cycling of project experience
- Trust, but verify!

# Supply chain strategy

- In project critical procurement we use suppliers based on long term relationships, trust and common understanding of quality
- We focus on efficient competition
  - World wide sourcing
  - Open process of prequalification
  - Minimum three competitors
  - Consistent bid evaluation process
- Dual responsibly to control expenditures
  - Process of verification and approval



# Yard selection and management

- Invite qualified yards
- Extensive site visits and documentation to verify capability and capacity.
- Currently executing conversions in four different yards
  - Specifically targeted Chinese and Middle East yards to broaden competition
- Tight monitoring of physical progress and quality
- Routine executive visits to verify commitment



# Installation

- Complete FPSO value chain
  - Internal installation services to control the full delivery of the FPSO
  - Experience transfer from installation to project to reduce cost
- Well planned and executed installation is a profitable business
  - Attractive service offerings to external clients
- Minimize asset deployment risk by chartering all vessels







# Improvements to project completion

- Mechanical completion
  - Physical check of all components of the system
- Commissioning process
  - Dynamic testing of system
- Major learning from past projects
  - Payments tied to achieving mechanically complete systems
  - Operations leads commissioning - not external consultants
  - Process controlled with document database to ensure current data
  - Close monitoring of physical process
  - Familiarise operations team through commissioning
- The goal is a smooth and on-time start up

# We build



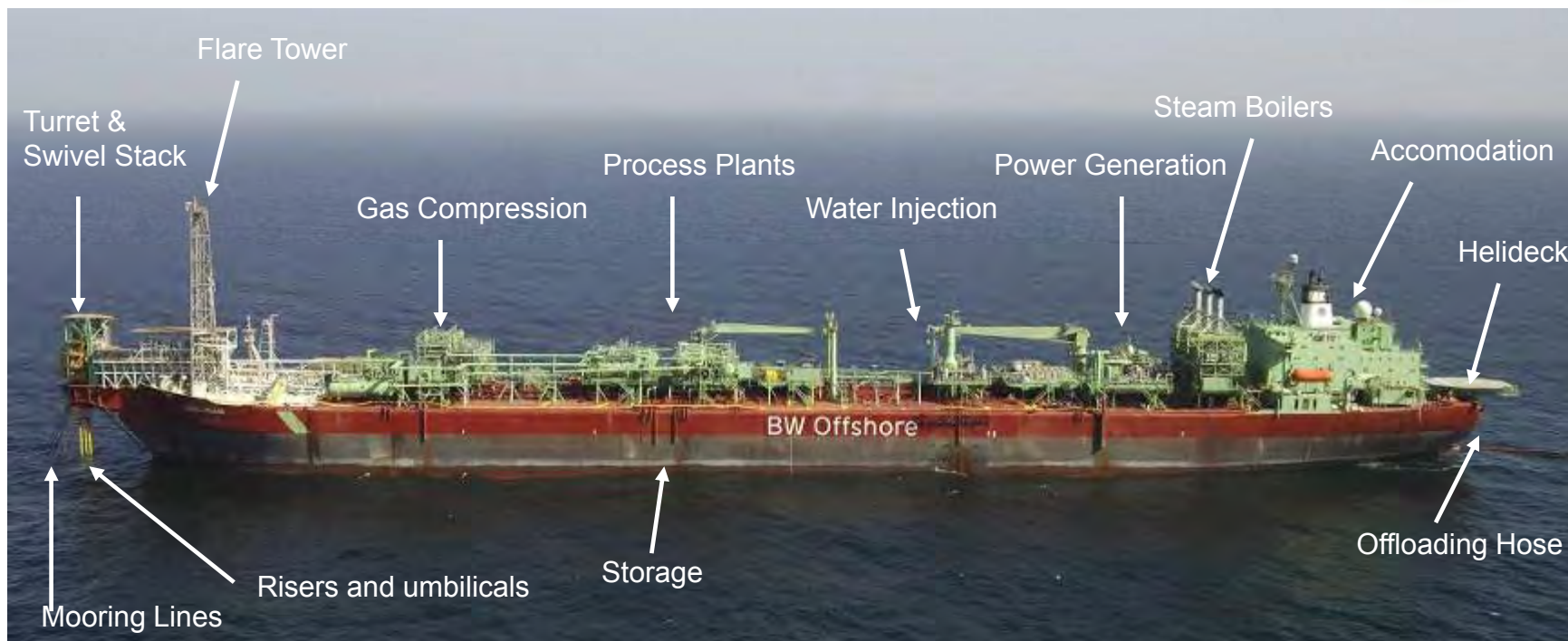
*Projects performing in line with plan*  
*Strengthening all phases of project execution*  
*Risk management and procurement strategy*

# WE OPERATE

*Jon Myran, EVP Operations*



# The cash machine



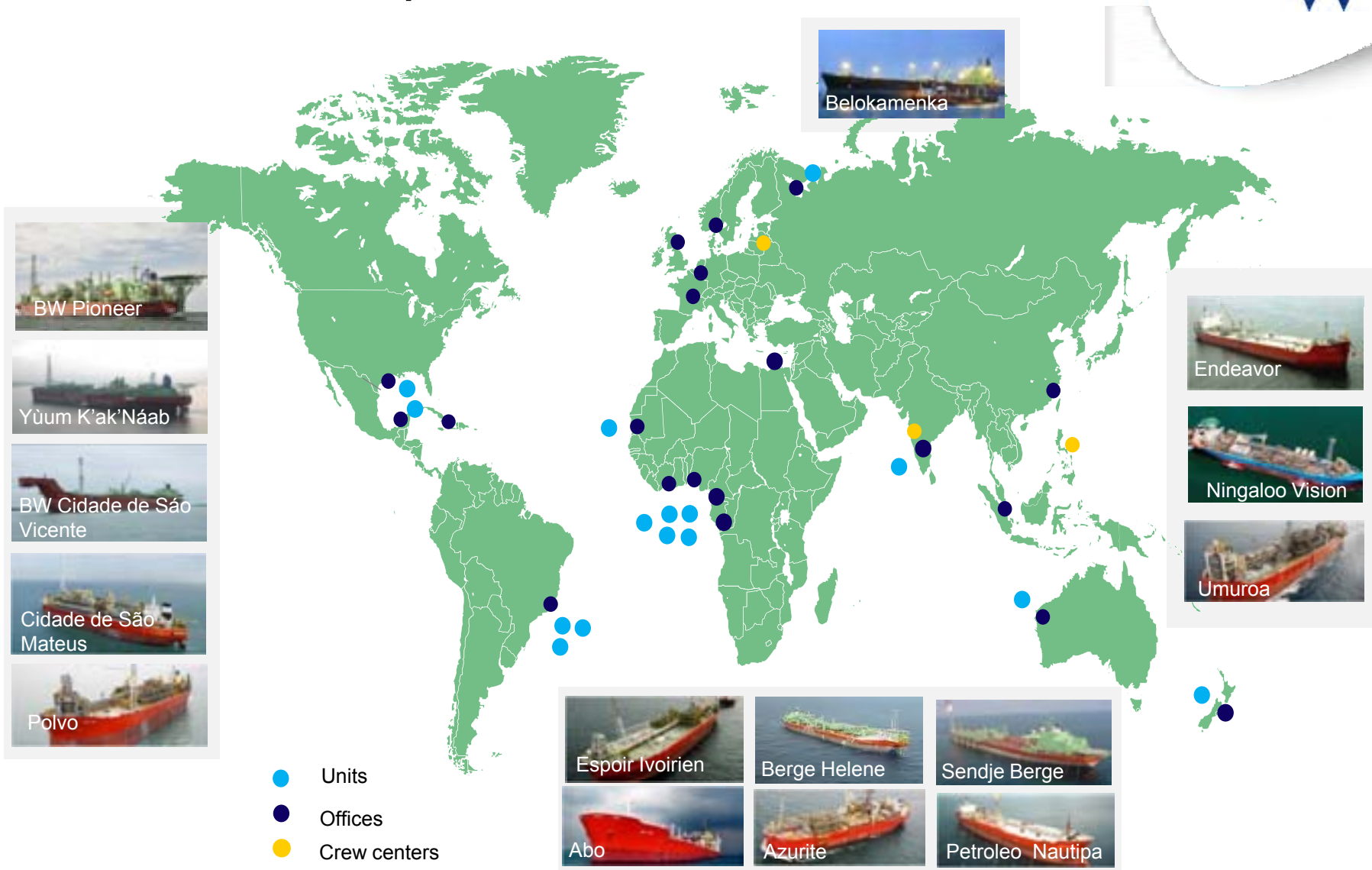
# Focus areas

- Health, Safety, Security, Environment, Quality (HSSEQ)
- Meet clients expectations
- Production uptime
- Asset integrity
- Crew and competence
- Efficient local and central support
- Operational costs and efficiency
- Operational experience transfer across the fleet





# Global footprint



- Units
- Offices
- Crew centers

# Fleet utilisation



Unit	Type	Contract	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Sendje Berge	FPSO	Lease	Addax/Sinopec, Nigeria: 2005-2013																	
Berge Helene	FPSO	Lease	Petronas, Mauritania: 2006-2013 (2021)																	
Yùum K'ak'Náab	FPSO	Lease	Pemex, Mexico: 2007-2022 (2025)																	
BW Cidade de São Vicente	FPSO	Lease	Petrobras, Brazil: 2009-2019 (2024)																	
BW Pioneer	FPSO	Lease	Petrobras, US: 2011-2016 (2019)																	
BW Athena (ex BW Carmen)	FPSO	Lease	Ithaca, UK: 2011-2014 (2019)																	
BW Joko Tole (ex BW Genie)	FPSO	Lease	Kangean, Indonesia: 2012-2022 (2026)																	
Umuroa	FPSO	Lease	AWE, New Zealand: 2007-2015 (2022)																	
Polvo	FPSO	Lease	Devon, Brazil: 2007-2014 (2022)																	
Abo	FPSO	Lease	Agip, Nigeria: 2003-2012 (2013)																	
Espoir Ivorien	FPSO	Lease	CNR, Ivory Coast: 2002-2012 (2022)																	
Petroleo Nautipa (50%)	FPSO	Lease	Vaalco, Gabon: 2002-2015 (2017)																	
Cidade de Sao Mateus	FPSO	Lease	Petrobras, Brazil: 2009-2018 (2024)																	
Ningaloo Vision	FPSO	Lease	Apache, Australia: 2010-2017 (2025)																	
Azurite	FDPSO	Lease	Murphy, Congo: 2009-2016 (2024)																	
Belokamenka	FSO	Lease	Rosneft/Sovcomflot, Russia: 2004-2019																	
Endeavour	FSO	Lease	Aban, India: 1997-2011 (2013)																	
P-63/Papa Terra	FPSO	EPC/lease	Petrobras, Brazil: 2013-2016																	
OSX-1	FPSO	EPC	OSX, Brazil																	
BW Ara	VLCC																			
Takama	VLCC																			

# Quality is the basis for efficient operation

- All units meet requirements from
  - Bermuda or Panama flag
  - DNV or ABS class
  - National authorities
  - Operator /clients
  - International standards
  - BW Offshore internal standard
  
- BW Offshore has obtained certification towards four Management System standards
  - ISO 9001 – Quality Management
  - ISO 14001 – Environmental Management
  - OHSAS18001 – Occupational Health and Safety Management
  - ISM Code – Safety Management and Pollution prevention



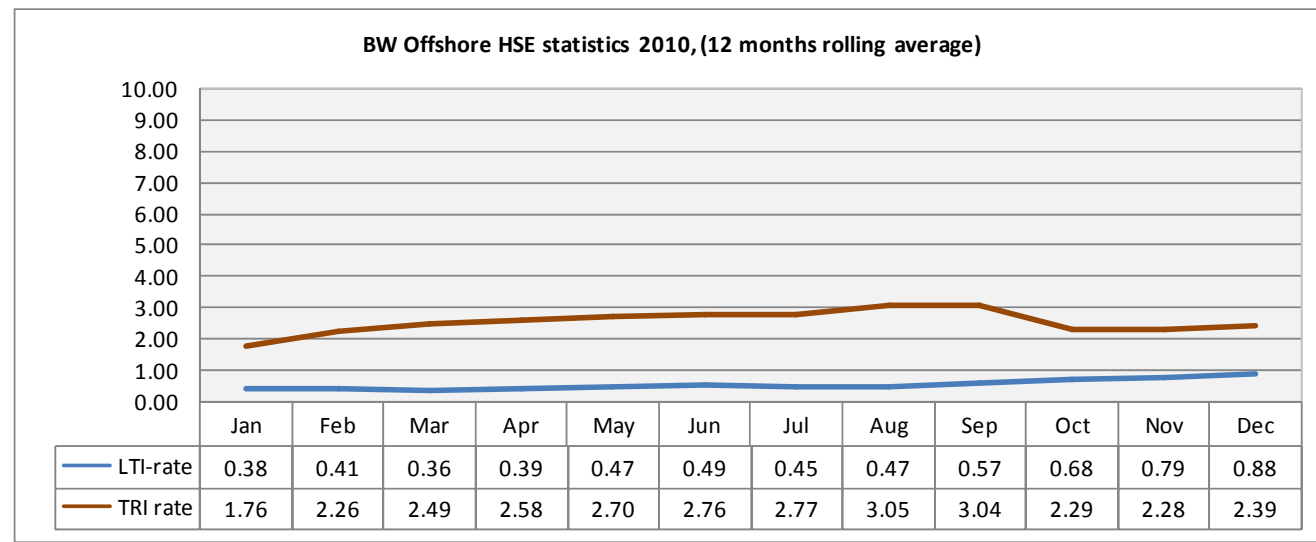
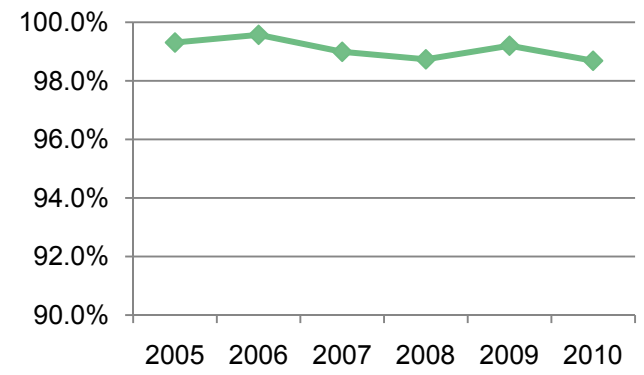




# Performance

- Excellent HSE performance
  - Lost time incidents (LTI) < 1.0
- Excellent production uptime
  - 2010 uptime 98.7%
  - 5 year average uptime 99.0%

**Production uptime**



# Asset integrity

- Ensure integrity of structure and equipment
- Class and flag requirements
- Systematic and planned maintenance
- Condition monitoring and risk based inspection programs

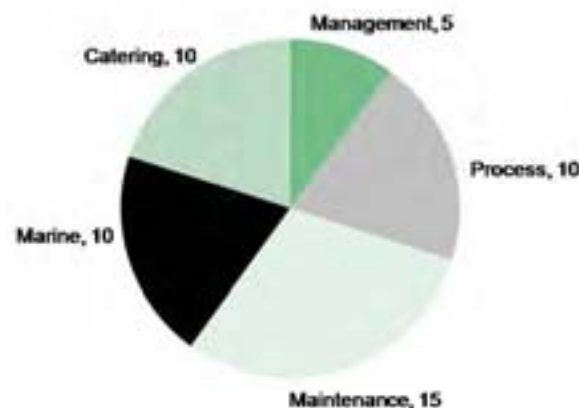




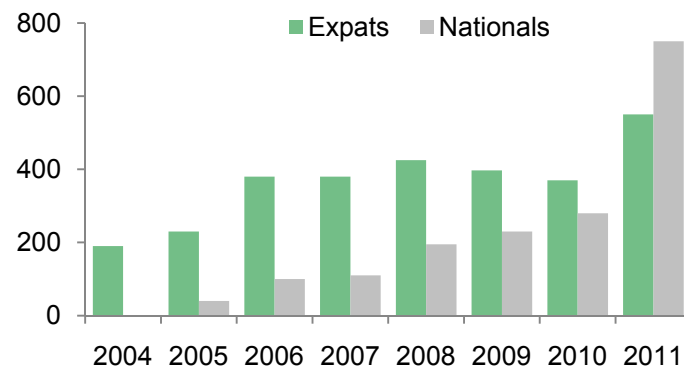
# Global presence and competence

- World-wide base of offshore personnel
  - 1,300 offshore personnel
  - 25 nationalities
  - 5 international recruitment centers
  - 14 countries of operations
- Operation support teams in Oslo and Singapore
- Personnel development and training
  - Competence Management System
  - In-house competence assessment program and offshore academy
  - Leadership program
  - Cultural awareness program

FPSO unit personnel, illustrative



Offshore personnel



# Operation expenditures

- Two models – fixed or reimbursable
- Operational rate is adjusted to cover inflation and currency fluctuations
- Production related consumables and logistics normally covered by client
- Operational expenditures includes maintenance cost
- Allowance for planned maintenance

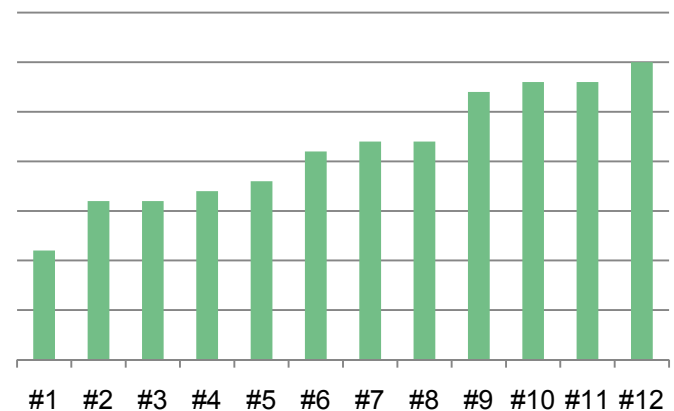




# Reducing costs

- Potential to increase operational efficiency without reducing performance
- Cost synergies from larger fleet
  - Crew
  - Local offices
  - Purchase / maintenance cost
  - Insurance
- Internal and external benchmarks
  - Unit operating expenses
  - Oil production efficiency
  - Gas production efficiency

OPEX cost levels per FPSO, 2010



# Improvements to operation

- Streamlining support organisation
  - HSSEQ
  - Integrity management
  - Guidelines, procedures and systems
- Clear definition of role and responsibilities of operational division in projects
  - Experience transfer to business development and project
  - Increase focus on life cycle costs
  - Commissioning and start-up
- Establish internal benchmarking and improvement team to identify and implement best practices

# We operate



*Meeting client requirements*

*Class leading HSSEQ and uptime*

*Operational efficiency programs*



*Short coffee break*



# WE LEASE

*Knut R. Sæthre, CFO*



# Lease business

- Financial capability to fund large FPSO projects allows BW Offshore to offer project specific lease structures and alternatives to clients
- Optimised solution for financial leverage and focus for field owners
- Legal structure to fully comply with requirements from authorities and client
- BW Offshore offers both financial and operational leases





# High and robust cash flow transparency

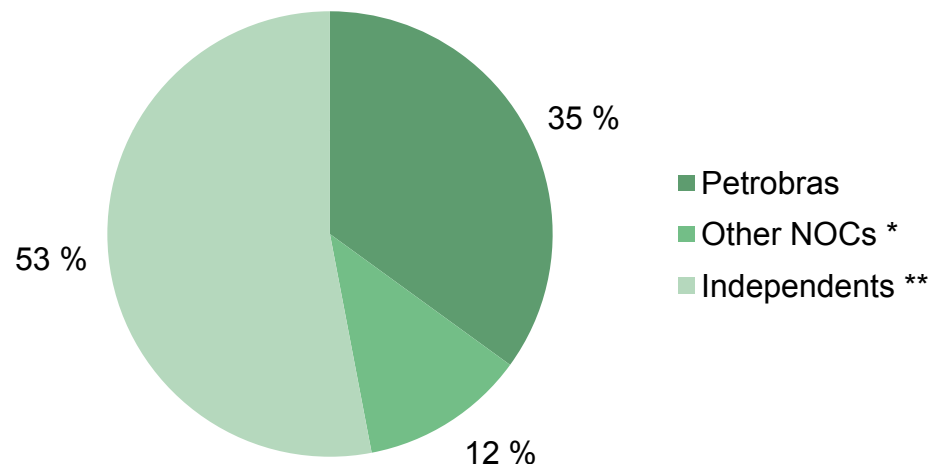
## Order book

USD 8.2 billion in revenue

USD 5.1 billion in EBITDA



## Robust counterparties



## EBITDA weighted average contract length

6 years fixed

11 years fixed and options

\* e.g. Pemex, Petronas

\*\*e.g. Apache, Murphy, Kangean, Ithaca, Devon, AWE, CNR, Agip



# Financial status

- Prosafe Production consolidated from and including Q4 2010
- APL division presented as discontinuing business from and including Q3 2010
- Total assets USD 3.7 billion with an equity ratio 37.5%

USD million	31.12.10	30.09.09	31.12.09
Total non-current assets	3,287.4	1,791.0	2,134.8
<i>Assets of disposal group held for sale</i>	7.1	498.4	0.0
Total current assets	382.8	689.2	258.7
<b>Total assets</b>	<b>3,670.2</b>	<b>2,480.2</b>	<b>2,393.5</b>
Total equity	1,375.6	948.6	920.9
Total non-current liabilities	337.7	1,104.5	1,237.5
<i>Liabilities of disposal group held for sale</i>	7.1	134.2	0.0
Total current liabilities	1,956.9	427.1	235.1
Total liabilities	2,294.6	1,531.6	1,472.6
<b>Total equity and liabilities</b>	<b>3,670.2</b>	<b>2,480.2</b>	<b>2,393.5</b>

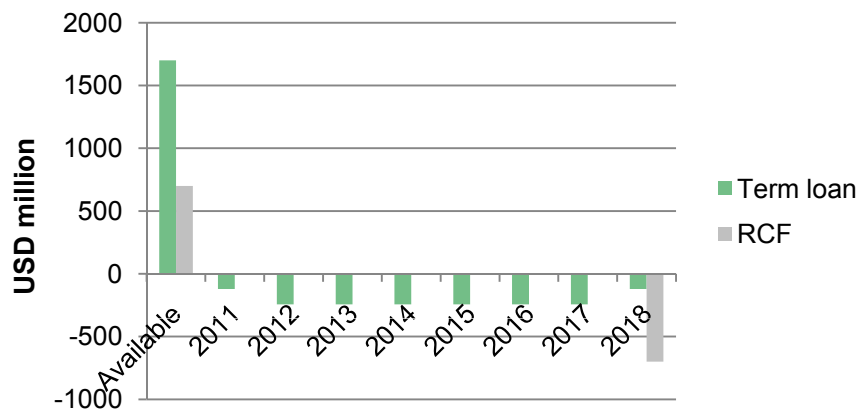
<b>Reported interest bearing debt *</b>	<b>1728.9</b>
<i>Cash and deposits</i>	228.2
<i>Non-current deposits *</i>	99.2
	-327.4
<b>Net interest bearing debt</b>	<b>1401.5</b>

\* Per Q4 2010, USD 99.2 million is related to the CIRR financing scheme; increasing both long term debt and non-current deposits



# New financial foundation

- Refinancing of BW Offshore and Prosafe Production's corporate debt
- Seven year secured loan of USD 2.4 billion
- Strong interest from existing lending banks
- Predictable terms and flexibility for both growth and dividend
- Loan documentation completed



## Key covenants

Equity ratio	> 30%
Leverage	< 5.5
Interest coverage ratio	> 3.0
Dividend (% of EBITDA)	< 50%

# Synergies

- Progress
  - Singapore organisation integrated and relocated
  - Integration of regional offices started
  - Best practice process initiated
  - Alignment of policies, procedures and tools
  
- Current realised cost synergies USD 20 million per annum
  - Head-count
  - Office leases
  - Insurance
  - Further synergies of USD 5 million have been identified



# Accretive organic growth

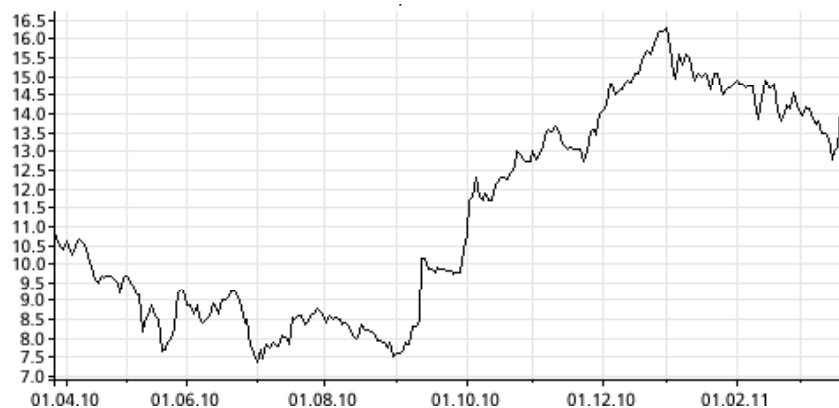
- Annual investment program of USD 500 million
- Indicative return for new investments
  - A typical BW Offshore FPSO project
    - Unlevered IRR                    12-15%
    - Levered IRR                      24-31%
    - Average FCF yield              20-26%
  - Investment of USD 500 million
    - Increase NAV per share    NOK 1.10-1.80
    - Increase EPS                    NOK 0.21-0.29





# Share price and liquidity

- Number of shareholders increased from 1,200 to 3,000
- BW Group ownership reduced from 67% to 47%
- Increased interest from investors and analysts
- Status Singapore Stock Exchange listing







# Dividend payments proposed

- The Board of Directors will propose a new dividend policy to the AGM
  - 20-25% of EBITDA
  - Quarterly payments
  - Planned Q1 2011 dividend payment in June

*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*

# We lease



*Robust order book*

*Strong financial capabilities*

*Dividend and increased cash yield*

# SUMMARY

*Carl K. Arnet, CEO*



# BW Offshore's market position

- Presence in all major offshore regions
  - Competence centers in Oslo and Singapore – covering all time zones
  - Global network for recruitment and training of personnel
- Established relationship with quality suppliers
- Well developed management systems and controls
- Highest standards of HSSEQ
- Industry leading production uptime – 99.0%
- Robust balance sheet with strong financial capacity





# Recognized FPSO contractor

- World's second largest FPSO company – 15 FPSOs & 2 FSOs
- Proven project execution capabilities – performed more than 30 projects since 1982
- Technical milestones and achievements
  - The first FPSO in the US Gulf of Mexico
  - The deepest moored FPSO at 2,500 meters
  - The world's largest FPSO throughput with 600,000 bbl per day
  - World leading fast-track conversion of 11 months from contract award to first oil
  - The first FPSO with drilling equipment (FDPSO)
  - The first advanced deep water extended well test FPSO



# The investment case

- BW Offshore has the resources and capabilities to take on new projects in an expanding market
- Expect significant improvement in value creation for new projects
  - Improved contracts (T&C's)
  - Pricing and delivery time from suppliers is stable
  - Improved internal processes and controls
- Predictable cash flow from existing assets enables dividend payments
  - Order book of USD 8.2 billion backed by solid counterparties
- Strong financial basis
  - BW Group currently owns 47%
  - Flexible and sound financing in place
- Competent board and management team

# Short term game plan

- Secure run rate EBITDA of USD 500 million on current portfolio
- Ensure ongoing projects perform in line with plan and cost
- Finalize integration of Prosafe Production and realize synergies of USD 25 million
- Annual investment program of USD 500 million with good risk/reward



# Q & A







Q1 2011: 24 May 2011

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

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