



BW Offshore Limited



KEY EVENTS

- EBITDA of USD 75.6 million in the first quarter
- FPSO BW Pioneer accepted for start-up
- Contract extensions for FPSO Espoir Ivorien and FSO Endeavor
- Completion of the USD 2.4 billion credit facility
- Quarterly dividend payment of USD 0.04 per share

FINANCIAL SUMMARY

FIRST QUARTER

Operating revenues for the first quarter of 2011 amounted to USD 193.5 million, a reduction of USD 62.3 million (24%) compared to USD 255.8 million in the fourth quarter of 2010. The reduction was mainly due to USD 31.5 million less revenue recognized on the Papa Terra project, reduced revenue from the vessel FPSO Ningaloo Vision as well as reduced revenue from variation orders compared to the previous quarter.

Operating expenses amounted to USD 117.9 million, a decrease of USD 99.0 million (46%) compared to USD 216.9 million in the fourth quarter of 2010. The decrease was mainly due to the non-recurring provisions accounted for in the previous quarter amounting to USD 48.7 million. The expense related to the Papa Terra project was USD 26.1 million lower than in the previous quarter. Reduced reimbursable expenses together with cost synergies from the combination with Prosafe Production Public Limited (PROD) have also materialized in the first quarter of 2011.

Changes in fair market values of currency hedges was positive USD 1.9 million compared to negative USD 1.4 million in the previous quarter.

EBITDA for the quarter amounted to USD 75.6 million, an increase of USD 36.7 million (94%) compared to USD 38.9 million in the previous quarter. The increase is mainly due to the non-recurring provisions of USD 48.7 million accounted for in the previous quarter, offset by reduced contribution from the Papa Terra project by USD 5.4 million. The contribution from the FPSO Ningaloo Vision was also lower in the first quarter.

Operating profit for the quarter amounted to USD 34.4 million, an increase of USD 126.0 million compared to an operating loss of USD 91.6 million in the previous quarter. The improvement is mainly due to the extraordinary impairment of USD 85.0 million accounted for in the previous quarter.

Net finance expenses amounted to USD 5.1 million, a decrease of USD 18.4 million compared to a loss of USD 23.5 million in the previous quarter. The improvement is mainly due to the extraordinary provision relating to the loan facility restructuring of USD 12.7 million accounted for in the previous quarter. The remaining decrease is due to fluctuations in exchange rates and interest rates.

The Company has hedging policies in place with the objective of reducing exposure to currency and interest rate fluctuations. The improvement in financial items was mainly due to changes in fair market value on financial instruments of USD 7.1 million compared to USD 9.8 million in the previous quarter.

The result before tax amounted to USD 29.3 million, an increase of USD 144.4 million compared to a loss of USD 115.1 million in the previous quarter.

Income tax expense was USD 5.4 million, a decrease of USD 1.8 million compared to USD 7.2 million in the previous quarter.

Net profit for the period was USD 23.9 million compared to a loss of USD 6.6 million in the previous quarter.

At 31 March 2011, total assets amounted to USD 3,819.5 million compared to USD 3,670.2 million at 31 December 2010. The increase of total assets in the quarter was USD 149.3 million. Capital expenditures on conversion of vessels were USD 97.9 million, offset by USD 40.2 million in depreciation, resulting in a net increase in the book value of vessels by USD 57.7 million. The CIRR deposits were reduced by USD 30.9 million, while cash and deposits increased by USD 115.9 million as a result of proceeds from new interest bearing debt.

Total equity at 31 March 2011 amounted to USD 1,396.8 million, an increase of USD 21.2 million (2%) compared to USD 1,375.6 million at 31 December 2010. The increase is a result of the net comprehensive income for the quarter.

Net cash inflow from continuing operating activities was USD 28.6 million compared to USD 140.1 million in the previous quarter. Net cash outflow from investing activities was USD 96.6 million compared to cash inflow of USD 367.4 million in the previous quarter. The gross proceeds from the sale of the APL division, offset by cash outflow related to the PROD acquisition, was included in the cash flow in the previous quarter. Cash flow from investing activities relates mainly to the conversion projects. Net cash inflow from financing activities was USD 183.9 million compared to cash outflow of USD 383.5 million in the previous quarter.

At 31 March 2011, the Company had USD 344.1 million in cash and deposits and had drawn USD 1,750.0 million on the USD 2,400 million credit

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facility. Net debt amounted to USD 1,483.5 million at 31 March 2011, compared to USD 1,401.5 million at 31 December 2010.

BW Offshore has completed the USD 2.4 billion seven year senior credit facility, while the USD 1.5 billion and USD 1.2 billion facilities were cancelled and repaid.

Discontinued operations

Subsequent to the sale of the APL division in 2010, the discontinued operations now consist of the turret division in PROD. Net result for the period was nil.

OPERATIONS

Floating Production

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

All FPSOs and FSOs experienced stable performance during the first quarter except for the FPSO Ningaloo Vision. The FPSO was shut down for part of the quarter due to issues with leakage in the fluid swivel and one defective mooring line.

The FPSO BW Pioneer was accepted for production and has been receiving stand-by day rate since 23 March 2011. The stand-by day rate is 95% of the full dayrate.

The contract for the FPSO Espoir Ivorien has been extended until 5 February 2013 and the contract for the FSO Endeavour has been extended until May 2011.

BW Offshore's three ongoing FPSO conversions, Papa Terra (P-63), 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 capital expenditure 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.

Dividend

The Annual General Meeting on 12 May 2011 approved the following Dividend Policy:

"BW Offshore has an objective to generate competitive long-term total shareholder return. 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. The level of dividends will be approved by the Directors on a quarterly basis."

Based on the financial performance in the first quarter as well as the commencement of day rates for BW Pioneer in the end of the quarter, the Board has declared a cash dividend of USD 0.04 per share. The shares will be traded ex dividend as from and including 6 June 2011. The dividend will be payable on or about 21 June 2011 to shareholders of record on 8 June 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 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 EBITDA will also grow significantly with the startup of the three FPSOs BW Pioneer, BW Athena and BW Joko Tole during 2011 and 2012.

BW Offshore is committed to increasing shareholder return, and will selectively pursue projects that meet the company's targeted return. The approval of the Company's first dividend payment is an important milestone for the company in its objective to achieve class leading shareholder return based on share price performance and dividend payments.

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Bermuda, 23 May 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	Q1 11	Q4 10	Q1 10
Operating revenue		193.5	255.8	79.9
Operating expenses		(117.9)	(216.9)	(50.2)
Share of profit/(loss) of associates	5	0.0	0.0	1.5
Operating profit before depreciation/amortisation		75.6	38.9	31.2
Depreciation		(41.0)	(44.3)	(12.5)
Amortisation		(0.8)	(1.2)	(1.0)
Gain/(loss) on sale of assets and impairment		0.6	(85.0)	0.0
Operating profit		34.4	(91.6)	17.7
Net currency exchange gain/(loss)		0.0	(4.2)	(0.1)
Interest income		0.8	1.7	1.4
Gain/(loss) on financial instruments	6	7.1	9.8	(9.5)
Interest expense		(12.1)	(14.3)	(4.3)
Other financial items		(0.9)	(16.5)	(0.3)
Finance expenses		(5.1)	(23.5)	(12.8)
Profit/(loss) before tax		29.3	(115.1)	4.9
Income tax expense		(5.4)	(7.2)	(2.7)
Net profit/(loss) from continuing operations		23.9	(122.3)	2.2
Discontinued operations				
<i>Net profit/(loss) from discontinued operations incl sales gain</i>		<i>0.0</i>	<i>115.7</i>	<i>(2.0)</i>
Net profit/(loss) for the period		23.9	(6.6)	0.2
Net profit/(loss) attributable to owners of the Company		23.9	(6.6)	0.2
Basic/diluted earnings/(loss) per share (USD from continuing operations)		0.03	(0.18)	0.00
<i>Basic/diluted earnings/(loss) per share (USD) from discontinued operations</i>		<i>0.00</i>	<i>0.17</i>	<i>(0.00)</i>
Basic/diluted earnings/(loss) per share (USD) net		0.03	(0.01)	0.00

COMPREHENSIVE INCOME STATEMENT

(Unaudited figures in USD million)

	Q1 11	Q4 10	Q1 10
Net profit (loss) for the period	23.9	(6.6)	0.2
Other comprehensive income			
Currency translation differences	0.0	14.3	0.0
Net losses on cash flow hedges	(2.7)	0.9	(1.8)
Share of other comprehensive income of associates	0.0	0.0	(0.1)
Total other comprehensive income for the period net of tax	(2.7)	15.2	(1.9)
Total comprehensive income	21.2	8.6	(1.7)

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	31/03/2011	31/12/2010	31/03/2010
Vessels	2	2,834.7	2,777.0	1,222.2
Property and other equipment		4.8	5.0	21.5
Goodwill and intangibles		163.1	163.4	340.7
Finance lease receivables		200.7	203.9	211.0
Investments in associates	5	0.0	0.0	184.9
Non-current deposits		68.3	99.2	130.2
Other non-current assets		38.7	38.9	3.0
Total non-current assets		3,310.3	3,287.4	2,113.5
Inventory		8.1	9.0	11.0
Trade receivables and other current assets		149.9	138.5	116.2
Due from customer for contract work		0.0	0.0	60.1
Cash and deposits		344.1	228.2	195.0
Assets of disposal group held for sale	7	7.1	7.1	-
Total current assets		509.2	382.8	382.3
TOTAL ASSETS		3,819.5	3,670.2	2,495.8
EQUITY AND LIABILITIES				
Total equity attributable to owners of the Company	3	1,396.8	1,375.6	919.2
Total equity		1,396.8	1,375.6	919.2
Interest-bearing long term debt	4	1,634.2	200.0	1,099.0
Pension obligations		4.7	6.2	12.7
Other long-term liabilities	8	135.5	131.5	139.2
Total non-current liabilities		1,774.4	337.7	1,250.9
Trade and other payables		273.5	311.6	275.6
Derivatives		89.1	94.6	38.1
Interest-bearing short term debt	4	261.7	1,528.9	0.3
Income tax liabilities		16.9	14.7	11.7
Liabilities of disposal group held for sale	7	7.1	7.1	-
Total current liabilities		648.3	1,956.9	325.7
Total liabilities		2,422.7	2,294.6	1,576.6
TOTAL EQUITY AND LIABILITIES		3,819.5	3,670.2	2,495.8

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

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STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)

	Share capital	Share premium	Other equity	Total
1Q 2011				
Equity at 1 January 2011	6.9	1,334.8	33.9	1,375.6
Total comprehensive income for the period	0.0	0.0	21.2	21.2
Total equity at 31 March 2011	6.9	1,334.8	55.1	1,396.8
4Q 2010				
Equity at 1 October 2010	4.6	918.8	25.2	948.6
Share issue	2.3	416.0	0.0	418.3
Total other comprehensive income for the period	0.0	0.0	8.7	8.7
Total equity 31 December 2010	6.9	1,334.8	33.9	1,375.6
1Q 2010				
Equity at 1 January 2010	4.6	918.8	(2.5)	920.9
Total comprehensive income for the period	0.0	0.0	(1.7)	(1.7)
Total equity 31 March 2010	4.6	918.8	(4.2)	919.2

CASH FLOW STATEMENT

(Unaudited figures in USD million)

	Q1 11	Q4 10	Q1 10
Profit/ (loss) before taxes	29.3	(115.1)	2.1
Unrealised currency exchange losses	(4.2)	(15.1)	(3.3)
Depreciation and amortisation	41.8	45.5	16.0
Impairment / reversal of impairment	0.0	85.0	0.0
Taxes paid	(5.1)	(6.3)	(2.3)
Share of loss/ (profit) of associated companies	0.0	0.0	(1.5)
Loss/ (gain) on sale of shares and fixed assets	(0.6)	0.0	0.0
Change in fair value of derivatives	(5.3)	(3.3)	5.8
Change in working capital	(39.9)	92.5	117.3
Add back of net interest expense	11.3	11.2	3.1
Other items	1.3	3.8	(1.8)
<i>Cash flows from operating activities discontinued operations</i>	<i>0.0</i>	<i>41.9</i>	<i>(11.2)</i>
Net cash flow from operating activities	28.6	140.1	124.2
Investment in fixed assets	(100.3)	(91.1)	(43.2)
Investments in subsidiaries	0.0	22.6	1.4
Sale of fixed assets	2.9	0.0	0.0
Interest received	0.8	1.7	1.4
<i>Cash flows from investing activities discontinued operations</i>	<i>0.0</i>	<i>434.2</i>	<i>(2.1)</i>
Net cash flow from investing activities	(96.6)	367.4	(42.5)
Proceeds from new interest bearing debt	1,710.1	99.8	100.0
Repayment of interest-bearing debt	(1,514.1)	(470.0)	(65.5)
Interest paid	(12.1)	(12.9)	(4.3)
<i>Cash flows from financing activities discontinued operations</i>	<i>0.0</i>	<i>(0.4)</i>	<i>15.1</i>
Net cash flow from financing activities	183.9	(383.5)	45.3
Net change in cash and cash equivalents	115.9	124.0	127.0
<i>Cash and cash equivalents at beginning of period discontinued operations</i>	<i>0.0</i>	<i>27.3</i>	<i>0.0</i>
Cash and cash equivalents at beginning of period	228.2	76.9	68.0
<i>Cash and cash equivalents at end of period discontinued operations</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Cash and cash equivalents at end of period	344.1	228.2	195.0

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 consolidated interim financial information for the first quarter, ended 31 March 2011, 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 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 interim consolidated financial information of BW Offshore for the first quarter of 2011.

The purchase price allocation (PPA) related to the acquisition of PROD is preliminary. Changes, if any, to the PPA will effect book values of vessels and goodwill.

Note 2 – Vessels, vessels under conversion and conversion candidates

The book value of operating vessels and vessels under conversion amounted to USD 2,814.1 million (USD 1,140.9 million) at 31 March 2011. The book value of conversion candidates and the uncommitted FPSOs at 31 March 2011 amounted to USD 20.6 million (USD 81.3 million).

The capital expenditure related to vessels, vessels under conversion and conversion candidates in the first quarter 2011, amounted to USD 97.9 million (USD 42.7 million).

The FSO Madura Jaya was sold for recycling at a gross proceed of USD 2.9 million resulting in a net gain of USD 0.6 million included in the first quarter.

Note 3 - Equity

The number of issued shares was 688,006,004 at 31 March 2011. There were no changes in shares issued in the first quarter 2011. There were 700,000,000 authorised shares at 31 March 2011.

The Company held a total of 2,798,159 own shares at 31 March 2011.

Note 4 - Interest-bearing debt

Long-term debt

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

	2011	2010
USD 2.4 billion loan facility	1,469.3	-
USD 1.5 billion facility (terminated)	-	943.8
APL bond loan (discontinued)	-	25.0
USD CIRR financing schemes	68.3	130.2
Umuroa loan	91.0	-
Nautipa loan	5.6	-
Total	1,634.2	1,099.0

BW Offshore has, during the first quarter of 2011, concluded the documentation process and drawn down under the USD 2.4 billion seven year senior secured credit facility that was syndicated in the fourth quarter of 2010 at a margin of 200 basis points above USD LIBOR. The facility is split into USD 1.7 billion term loans and a USD 0.7 billion revolving credit facility.

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Short-term debt

The Company had the following current interest bearing debt at 31 March:

	2011	2010
USD 2.4 billion loan facility	242.9	0.3
Umuroa loan facility	16.8	-
Nautipa loan facility	2.1	-
Total	261.8	0.3

Note 5 – Investments in associates

Investments in associates relates to the 49.7% shareholding in Nexus Floating Production Ltd (Nexus). The carrying value of the investment is USD 0.0 million. Any further potentially negative results from Nexus will therefore not have any impact on the financial statements.

Note 6 – Gain/ (loss) on financial instruments

	Q1 11	Q4 10	Q1 10
Change in fair value of interest swaps and currency hedges	7.1	9.8	(9.5)
Net gain/ (loss) on financial instruments	7.1	9.8	(9.5)

Note 7 – Liabilities and disposal group held for sale

At 31 March 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, equivalent to the liabilities of the asset.

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 – Related party transactions

BW Offshore entered into a USD 1.5 billion loan facility agreement with BW Group Limited (note 4) in May 2008. Interest and other fees expensed pursuant to this facility in the first quarter of 2011 amounted to USD 4.7 million (USD 4.6 million).

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

Note 10 – Capital commitments

Total capital committed at 31 March 2011 amounted to USD 255.5 million (USD 78.7 million).

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KEY FIGURES

(Unaudited)

	Note	Q1 11	Q4 10*	Q1 10**
EBITDA-margin	1	39.1 %	15.2 %	28.9 %
Equity ratio	2	36.6 %	37.6 %	36.8 %
Return on equity	3	2.7 %	-22.3 %	3.2 %
Return on capital employed	4	5.4 %	-15.1 %	4.4 %
Net interest bearing debt (USD million)	5	1,483.5	1,401.5	774.1
Cash flow per share (USD)	6	0.04	0.15	0.27
EPS-basic/diluted continuing operations	7	0.03	(0.18)	0.00
EPS-basic/diluted incl discontinued operations	7	0.03	(0.01)	0.00
Shares - end of period (million)		688.0	688.0	456.2
Share price (NOK)		14.80	16.30	10.60
Market cap (NOKm)		10,182.4	11,214.0	4,836.0
Market cap (USDm)		1,846.8	1,915.0	808.0

*Continuing operations. Q4 10 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	2002-2013 + options until 2022
Berge Helene	Mauritania	Petronas	2005	2006-2013 + options until 2021
Petrôleo Nautipa	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	Devon Energy	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 (ex BW Carmen)	UK	Ithaca Energy and partners	Ongoing	2011-2014 + options until 2022
BW Joko Tole (TSB)	Indonesia	Kangean Energy	Ongoing	2012-2021 + options until 2025
BW Nisa (Papa Terra/P-63)	Brazil	Petrobras	Ongoing	EPC contract + 3 year operation
FSO				
Belokamenka	Russia	Sovkomflot	2003	2004-2018
Endeavor	India	Aban	1997	Option until 2011
Conversion candidate				
BW Ara (294,739 dw t)	Malaysia			
M/T Takama (266,286 dw t)				